

Center for Strategic and International Studies (CSIS)

Defining American Interests in Asia

A Trans-Pacific Partnership Speaker Series Event

Introduction:

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Speaker:

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**Center for Strategic and International Studies
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JOHN HAMRE: Good morning, everybody. Welcome to CSIS here this morning. And a special thanks to Senator John McCain, who is going to get our week started. I will tell you, we were – we were sitting back, and he said he didn't – really (was impressed?). And I said, well, sir, when you get 200 people that come on time, you have to reward them. (Laughter.) And I want to say thank you all for coming. I mean, we're still waiting for others to come, and the weather is a bit of an impediment, but we don't want to delay any further to hear from Senator McCain.

I – it's a real source of pleasure and honor for me to be able to welcome Senator John McCain back to CSIS. He's been such a long-term, steady support to what we do. And I will have to say I – you know, more important today than ever, when I look at the landscape of political Washington, who is bringing a strategic frame of reference to evaluate the most complicated problems? This man's at the very top. We – one of the concerns I've had is that he has for years been a champion for Americans understanding Asia. I mean, nobody has worked harder at this than John McCain, and he's had transcending moral authority to be able to do that.

And so where is that next generation coming. And I'm very grateful for his response, when he said he is going to help mentor the next generation of senators who are coming in by giving them exposure to Asia. God knows we need it, you know. The center of gravity has moved, but Americans don't know it. And they don't know it because they aren't really exposing themselves to this very dynamic landscape as is Senator John McCain. A towering figure in the United States Senate, I – it's hard for me not to get emotional when I think about all he's done for this country. And so he continues to do that every day, and I'm very grateful that he's willing to share his perspective on this issue.

I do want to say special thanks to our friends who have made it possible for us to hold this series. This is a series we're doing on the Trans-Pacific Partnership speaker series, and it's made possible by Google, Hewlett-Packard, IBM, Pfizer and Procter & Gamble. And I want to say thank you to them for that, because they're willing to bring a public debate to the American people and make it available, and we're very grateful for that.

We've – and, of course, to have someone like Senator John McCain leading this debate and this dialogue in Washington, it just isn't better than that. So with any – without any further delay, let me – would you please welcome Senator John McCain to – (inaudible). (Applause.)

SENATOR JOHN MCCAIN: Thank you, John. Thank you, John, for that kind introduction. I was just reflecting as you were speaking, I think our relationship and friendship goes back well over 20 years, and maybe closer to 30, but anyway – (laughter) – we're getting to the point where we hide our own Easter eggs, so I'm very happy to – (laughter) – and let me thank Ernie Bower and everyone here at CSIS for inviting me to speak this morning. CSIS, in my view, is one of the finest institutions in this city, and I benefit immensely and often from its outstanding work and from the wise counsel of my old friend John Hamre and his team.

Let me also say how much I appreciate all of you for taking the time out of your busy schedules to be here. I'm grateful that you still care what a member of Congress has to say. (Laughter.) Most Americans no longer do. The last time I checked, the approval rating of

Congress is now 11 percent, and I have yet to meet anyone in the 11 percent category. (Laughter.) We are down now to blood relatives and paid staffers. (Laughter.) And I'm not so sure anymore about the blood relatives. (Laughter.)

You know, I joke about this a lot, and it's always good for a laugh, but the truth is that it's sad. It's sad how little faith Americans have in their government, and it's not just Americans. I met just last week with a business delegation from Malaysia, and one of them said, Senator McCain, when we look at America these days, you seem totally dysfunctional. Your political system seems incapable of making the basic decisions to fix your fiscal problems and project resolve to the world. And by the way, he said, some in Asia are citing these failings to undermine the confidence that your friends still have in you. And you know what? I couldn't disagree with him. This is an enormous problem, and it raises doubts about our commitment in the Asia-Pacific region.

While it's wrong to speak of a, quote, "pivot" to Asia, the idea that we must rebalance U.S. foreign policy with an increasing emphasis on the Asia-Pacific region, that is undoubtedly correct. The core challenge we face is how to make this rebalancing effort meaningful, for at the moment, amid all of our political and fiscal problems, we run the risk of overpromising and underdelivering on our renewed commitment across the Pacific.

It's difficult to overstate the gravity of the choices before us right now. We face immediate decisions that will determine the vector of American power in the Asia-Pacific region, diplomatically, economically and militarily, for decades to come. We have to get our bearings right. If we fail, we will drift off course and fall behind. However, if we get the decisions right, we can create the enduring conditions to expand the supply of American power, to strengthen American leadership and to secure America's national interests across the Pacific.

After all, while the context in Asia is changing, America's interests in Asia have not. We will still seek the same objectives we always have: the ability to prevent, deter and, if necessary, prevail in a conflict; the defense of U.S. allies, the extension of free trade, free markets, free navigation and free commons, air, sea, space and now cyber; and above all, the maintenance of a balance of power that fosters the peaceful expansion of human rights, democracy, rule of law and the many other values that we share with increasing numbers of Asian citizens.

None of these interests is directed against any other country, including China. The continued peaceful development of China is in our interest. We reject the notion that America wants to contain China or that we seek a new Cold War in Asia where countries are forced to choose between the United States and China.

In short, the question we must answer is can we in America make the big strategic decisions right now that will position us for long-term success in Asia? One of these big decisions pertains to trade. It's often said that the business of Asia is business. But when it comes to trade, the United States has been sitting on the sidelines. And Asia is sprinting toward – forward without us.

After four years, this administration still has not concluded or ratified a single free trade agreement of its own making. It took them until last year just to pass the FTAs with Korea, Colombia and Panama that the Bush administration had concluded. Meanwhile, since 2003 China has secured nine FTAs in Asia and Latin America alone. It is negotiating five more, and it has four others under consideration.

And it's not just China. The Japanese prime minister announced last week that he wants Japan to begin negotiations on a free trade area with China and South Korea. India is now negotiating a free – FTA with the European Union. And yet we will not even conclude a narrower bilateral investment treaty with India, let alone a full FTA, as we should. As of last year, one report found that Asian countries had concluded or were negotiating nearly 300 trade agreements, none of which included the United States of America.

The launch of the Trans-Pacific Partnership has brightened this picture a bit. But a deal may be years off, if it happens at all. Instead we should be moving forward with bilateral trade agenda, starting with India and Taiwan. We should also move more aggressively on a multilateral track. The Trans-Pacific Partnership splits the ASEAN countries. We either need to bring all of the ASEAN countries into the Trans-Pacific Partnership or push for a formal U.S.-ASEAN free trade agreement. The bottom line is that America's long-term strategic and economic success requires an ambitious trade strategy in Asia.

A second decision with enormous implications is our regional force posture. And I want to thank CSIS for its continued leadership on this issue. We all share the same goals: strengthening the U.S.-Japan alliance while maintaining our strategic commitments in the Asia-Pacific region throughout – through a robust presence of forward-deployed military forces. Like many of you, however, some of us on the Senate Armed Services Committee were critical of the previous plan to realign U.S. forces on Okinawa and Guam, which had become totally unaffordable. The costs of the Guam move alone had doubled in seven years to more than \$20 billion.

This crisis actually presents an opportunity for a broader look at our regional force posture. Some Asian countries are showing new interest in a greater rotational presence of U.S. forces in the region. The recent agreement to rotate 2,500 U.S. Marines through Australia could serve as a model for similar activities elsewhere, such as the Philippines.

Ultimately these and other new developments offer an opportunity to think creatively and comprehensively about a new regional force posture which should include a fresh approach to the realignment on Okinawa and Guam. That's why the Congress included, in the last year, the National Defense Authorization Act, for an independent assessment of these force posture questions. I am pleased that CSIS is conducting this important study.

It remains unclear how the recent joint statement of the U.S.-Japan Security Consultative Committee will fit into this requirement for a broader assessment of our regional force posture. At this time the joint statement raises more questions than it answers: among them, questions on cost estimates, logistical requirements, force sustainment, master plans and how this proposal relates to a broader strategic concept of regional operations. We need to get these important

decisions right. And that's why, even as we seek additional details on the joint statement, Congress will not make any major funding decisions until we receive and evaluate the independent assessment on Asia-Pacific force posture that is required by law.

A similar and far larger decision that we must also get right is our defense spending. The Asia-Pacific region is primarily a maritime theater. So our ability to project military power there depends mostly on the U.S. Navy. And yet the Navy is still short of its own goal of 313 ships. What's worse, the administration now proposes to retire seven cruisers earlier than planned; to phase out two major lift ships needed by the Marine Corps; and to delay the acquisition of one large-deck amphibious ship, one Virginia-class attack submarine, two littoral combat ships and eight high-speed transport vessels. We are now retiring ships faster than we are replacing them.

Cuts to our naval capability such as these, without a plan to compensate for them, only put our goals in the Asia-Pacific region at greater risk. And all of this is before the potential impact of sequestration. The cuts to our defense budget required under sequestration would be nothing less than a unilateral act of disarmament that would ensure the real decline of U.S. military power.

A number of us in Congress have offered proposals to avoid sequestration. But we do not have a monopoly on good ideas. We want to sit down with the president and work out a bipartisan deal, but the president refuses to engage. He has no proposal to prevent what his own secretary of defense called, quote, "catastrophic cuts to our national defense." Unless the president gets engaged on this issue, he will preside over the worst hollowing-out of our armed forces in recent memory.

In addition to our military presence, we must sustain our means of engaging diplomatically in Asia. And here we have a better story to tell, thanks largely to our secretary of state, who is making U.S. diplomacy more present and impactful than ever in the region. That said, we face major tests now that will signal what role America will play in Asia and how relevant we will be to Asia's challenges.

One such test is the South China Sea. United States has no claims in this dispute – (audio break) – of others. Nonetheless, this dispute cuts to the heart of America's interests in Asia – not just because \$1.2 trillion of U.S. trade passes through the South China Sea every year; and not just because one claimant, the Philippines, is a U.S. ally; but because it is crucial for a rising Asia to avoid the dark side of realpolitik, where strong states do as they please and smaller states suffer.

Ultimately this dispute is not about China and the United States. It is about China's relations with its neighbors. But we must support our ASEAN partners as they request it, so they can realize their own goals of presenting a united front and peacefully resolving their differences multilaterally.

Another major test for U.S. diplomacy is Burma. I have traveled to Burma twice over the past year. And to be sure, they still have a long way to go, especially in stopping the violence and pursuing genuine reconciliation with the country's ethnic minorities. But the Burmese

president and his allies in the government, I believe, are sincere about reform. And they are making real progress. For the past year I have said that concrete actions by Burma's government toward democratic and economic reform should be met with reciprocal actions by the United States that can strengthen these reforms, benefit ordinary Burmese and improve our relationship.

Following the recent election that brought Aung San Suu Kyi and the National League for Democracy into the parliament, I think now is the time to suspend U.S. sanctions, especially – except for the arms embargo, and targeted measures we maintain against individuals and entities in Burma that undermine democracy, violate human rights and plunder the nation's resources. This would not be a lifting of sanctions, just a suspension. And this step, as well as any additional easing of sanctions, would depend on continued progress and reform in Burma.

We must also establish a principled, and ideally, binding, standards of corporate social responsibility for U.S. business activities in Burma. Aung San Suu Kyi has made the distinction between the right and wrong kinds of investment. The right kind of investment would strengthen Burma's private sector, benefit its citizens and ultimately loosen the military's control over the economy and the civilian government. The wrong investment would do the opposite, entrenching a new oligarchy and setting back Burma's development for decades.

For this reason, I am not convinced that American companies should be permitted to do business at this time with state-owned firms in Burma that are still dominated by the military. U.S. business will never win a race to the bottom with some of their Asian or even European competitors, and they should not try. Rather, they should align themselves with Aung San Suu Kyi and the Burmese people, who want the kinds of responsible investment, high labor and environmental standards and support for human rights and national sovereignty that define American business at its best. Our goal should be to set the global standard for corporate social responsibility in Burma, a standard that we, as well as Aung San Suu Kyi, could use to pressure others to follow our lead. And that could become the basis for new Burmese laws.

These are all undoubtedly large challenges, and they will require all of us to set aside political bickering and point scoring in order to advance some of our most vital national security interests. I am confident that we can come together and do this. I am confident that the profits of American decline can once again be proved wrong. And I will tell you why: because even as we've worked to sustained the supply of American power, the demand for American power in Asia has never been greater.

I will give you one example. On my last visit to Burma, I met with the president. He had most of his cabinet there, and after the meeting, I walked over to shake their hands. As I went down the line, one of them said: Fort Leavenworth, 1982. Then another one said: Fort Benning, 1987. And it went on like that. And I realized many of these guys were former military officers who had been part of our military exchange programs prior to our severing relations with the Burmese military. Even after all this time, all of our troubled history, they remembered America fondly and they wanted to get closer to America once again.

Take another example: Why are dissidents and asylum seekers in China running to the American embassy when they fear for their safety? They aren't going to the Russian embassy –

(laughter) – or the South African embassy or even European embassies. Why is that? Is it because we're powerful? Surely, but other nations also have great power. Is it because we're a democracy that stands for the equal rights and dignity of all people? Certainly, but these values are not ours alone. So then why is it?

In short, it's because we marry our great power and our democratic values together. And we act on this basis. It's because among the community of nations, America still remains unique, exceptional, a democratic, great power that uses its unparalleled influence not just to advance its own narrow interests, but to further a set of transcendent values above all. This is why so many countries in Asia and elsewhere are drawn to us, because we put our power into the service of our principles. That is why during my repeated travels through Asia, I meet person after person, leader after leader who wants America to be their partner of choice. They don't want less of America, they want more – more of our trade, more of our diplomatic support and, yes, more of our military assistance and cooperation.

At a time when most Americans say they're losing faith in our government, we should remember that there are millions of people in the world, especially in the Asia-Pacific region, who still believe in America and who still want to live in a world shaped by American power, American values and American leadership. With so many people counting on us, and by no means counting us out, the least we can do is endeavor to be worthy of the high hopes they still have in us. Thank you very much. (Applause.)

MR. BOWER: Thank you, Senator McCain, for the great speech. I'd like to open the floor. This session is, of course, on the record. Just – when you have a question, please introduce yourself and let us know what organization you're with. And I will try to see people on that side, but, Senator, I may need your help on hands there.

I'll start with Andre.

SEN. MCCAIN: I like your hat.

Q: Thank you, sir. Thank you very much. Well, I'm honored to be the first one called on by Mr. Bower. And Senator, it's wonderful to hear you with your ideas. I just have to identify myself. You know I'm Andre – (inaudible) – and we've known each other a long time, veterans of the same war and with the same aspiration to improve the American interest(s) in Asia.

My question is this: I was so happy to hear your comment about how we're – we, the United States, continue to want to improve our relationship with China and the other countries, not contain China or anything like that. But at the same time, you made the point that we need to stand with our ASEAN friends for all the reasons I don't need to repeat. You said them so well. My question is this specifically: Wouldn't this be a good time now for the administration – any administration – to lift the embargo against export of lethal weapons to Vietnam? Because this seems to me that our security relationship is evolving to the point where this would make sense. I'd appreciate your ideas, sir.

SEN. MCCAIN: I view as one of the few things that I've done in my life that I'm very proud of is establishment of normal – normalization of relations between the United States and Vietnam. I think it went a long way to healing a lot of the wounds that needed closing. But I have to be very candid with you, I'm concerned – I remain concerned about the Vietnamese treatment of Buddhists, of Christians, minorities and, of course, the corruption that exists at very high levels. The scandal of the shipyard in Hai Phong is just the most visible example of it.

I had – over the years, I've grown more and more reliant on human rights organizations. They are – they're important in our considerations. And I've found over the years that in many instances they are right. And human rights organizations tell me that the persecution of Buddhists, Christians, minorities and others continues. And there's no reason for it. I visit Vietnam fairly often, and I say to their leaders, what's the point – what's the point here? And I don't – I don't know if it's old habits or it's some fear that there may be some uprising or some reason, but I think we can set and we – obviously the State Department we work very closely with – (inaudible) – certain standards that are set that could be met. Then we could have much closer relations in another – with them.

And let me just finally say, the Vietnamese of course are nervous about China. They have a long history that they are very, very familiar with. And it shows – I guess the fact that about a year ago a ship that's named after my father and grandfather paid a port visit to the port of Da Nang shows that if you live long enough anything can happen – (laughter) – in this world. I love the Vietnamese people. I love Vietnam. I think it's a country – look at the way that our country has been enriched by those who fled to come here. It's not anything that has to do with personal, but when I hear of the persecution that still goes on, then it seems to me that the Vietnamese have more maturation to accomplish before we provide them with offensive weapons.

MR. BOWER: In the front here, sir.

Q: Mansul Bakti (ph), from South Asia Journal (sp).

MR. BOWER: Could you just wait for the microphone?

Q: Good morning, Senator. Mansul Bakti (ph), from South Asia Journal (sp). It was a beautiful summary of defining American interests in Asia, but I did notice that you did not mention even once either Iran, Pakistan and – or Afghanistan, which I believe have a very important role in defining Asia – America's interest in Asia. Could you further elaborate on that, please?

SEN. MCCAIN: Thank you. If I had brought up Iran, Pakistan and Afghanistan, we would've had a whole nother speech. (Laughter.)

But very briefly: Obviously, Iran poses a great challenge to peace in the world. There is now a new set of negotiations going on with the Iranians over nuclear weapons. I'm not as optimistic as some, because I've seen this movie before, but I am not opposed to any time sitting down as long as it's just simply not a process of delay while they can make further progress.

Afghanistan, I was very, very pleased at this strategic partnership agreement that was concluded. It's like any other agreement, we want to see the details. But the problem – one of the – there's two major problems we've had in Afghanistan: One is corruption and the other is the presence of sanctuary in Pakistan. But there's also, as I'm sure you're aware, a widespread feeling in the region that the United States was leaving. The famous anecdote about the Taliban prisoner and the American interrogator, and he's says, you've got the watches, we've got the time.

I would hope that the strategic partnership agreement, if correctly implemented – and that's a huge if, but – would change the mindset in that part of the world that the United States does not intend to abandon, as we basically did Iraq. In the words of General Keane, in the story of Iraq, we won the war and we're losing the peace, in case you just missed the story yesterday of the failure of our ability to train even their police forces. But it's – believe me, things are going to get a lot worse in Iraq before this unfortunate saga is over at the tragic loss of 1,474 young Americans. But next time I'm invited to CSIS, I invite you to come, and I'll be – give – talk about – (chuckles) – about it. Thank you.

MR. BOWER: Gentleman in the front here in the blue tie.

Q: Thank you, Senator McCain. I'm a former World Bank official and former senator from Pakistan. I – Pakistan is a key ally to United States and, in fact, only non-NATO ally. Next week is Chicago Summit. What do you see the role of Pakistan? Thank you.

SEN. MCCAIN: Pakistan is vital to United States national security interests for a broad variety of reasons, including the nuclear inventory that Pakistan has, including the fact that Pakistan's role in the region is vital, not to mention relations with India.

But we have to operate in our relations with Pakistan with the realization that the ISI has close relations with the Haqqani network, and they are carrying out activities that kill Americans. Now, that's just an assessment that cannot be refuted by the facts, and it saddens me.

We were talking earlier, just before this – (inaudible) – one of the gravest mistakes in recent history was the so-called Pressler Amendment, which basically cut off our military-to-military relations, and we are paying, still paying a very heavy price for.

I think there are some who would argue that Pakistan is a failed state. I don't argue that, but I do – could argue plausibly that the politics in Pakistan are very, very unsettled, to say the least.

And it is in our interest to have good relations with Pakistan. It is in our interest to aid Pakistan and try to assist them to a better democracy and a lessening of corruption and a severing of relations between the ISI and the Haqqani network. But we cannot force it. If there is any lesson we should have to learn over and over again, we can't force the Pakistani government and people to change their ways unless they want to.

And it's so disheartening sometimes to see the lack of progress towards a meaningful democracy and rule of law and all the things that we would hope that the Pakistanis might achieve. But whether we are successful in persuading them or not, Pakistan will remain a country that is vital to United States national security interests. I don't have to draw for you the various scenarios of a breakdown in their government.

So I hope we will continue to work with the Pakistanis in every possible way we can, but we must take a totally realistic approach to our relations with Pakistan.

MR. BOWER: Meredith?

Q: Meredith Broadbent, CSIS. Are you comfortable with the pace of the Trans-Pacific Partnership negotiations? And how should we manage the interests of Canada and Japan and other allies that want to join?

SEN. MCCAIN: I am not satisfied, obviously, with the pace of negotiations. I pointed out how it's saddening when we see China concluding all of these free trade agreement and other countries in the region, and the United States of America – (chuckles) – in the last more than three years, we have concluded three free trade agreements, which had been negotiated by a previous administration.

That's a shameful record. Every other country in the world, practically, is recognizing the benefits of free trade agreements, and yet we are – we are beholden to special interests and trade unions. And some of the special interests, frankly, are the car companies, as you know, and the trade unions which impose restrictions. And when we abandon the fast-track methodology through Congress, then it makes it even worse.

So when I travel around at your expense, I – (laughter) – I hear them; they want a free trade agreement with us. They've – (chuckles) – they're saying why can't you do it? And this concept of a Pacific partnership is magnificent. I mean, it could be one of the greatest breakthroughs that we have had in recent history if we could just move forward with it.

And look, I'm not here – I know we're in an election year, and I'm not here to beat up on the administration; that would be easy enough for me to do. But it requires presidential leadership, and it requires setting priorities. President Clinton set the free trade agreement between the United States and Canada as a priority, and Congress then reacted. So in all due respect, the president ought to give a speech, come here to CSIS and give a speech and say we're going to conclude this Pacific partnership agreement; I just came from Chicago where we had some of our neighbors there, and by golly, it's the best thing that America could do for our – and keep jobs at home.

So it – sometimes if I sound frustrated, it is because I am, because the rest of the world is understanding the value to their own country's free trade agreements while we kind of discuss a very nice concept.

MR. BOWER: For the record, the president is invited to CSIS if he wants to come.
(Laughter.)

SEN. MCCAIN: It won't help if I recommend it. (Laughter.)

Q: Jonathan Broder, from Congressional Quarterly. (Inaudible.)

SEN. MCCAIN: Nice to see you again.

Q: You too.

In a couple weeks the talks between the United States and Iran will resume in Baghdad. I wanted to ask your thoughts about reciprocity – the administration has talked about the principle of reciprocity for those talks – and whether you think that the goal of the sanctions that Congress has placed on Iran and that the administration is enforcing should be a deal to end their nuclear program or regime change.

SEN. MCCAIN: Well, first of all, I am not optimistic about the possible results of these, quote, "talks." The first talks were greeted with great enthusiasm because they agreed to talk again. I've seen that movie before, and we've seen it not only as far as Iran is concerned, but North Korea. So again, I'm for talks. And anybody who isn't, I think obviously is foolish. But to – for us to not take a realistic approach to these conversations I think is also – flies in the face of history.

I don't think there's any doubt that the sanctions are hurting Iran and seriously hurting their economy. I don't think there's any doubt about that. You can look at a number of indicators of – about the Iranian economy to show that these sanctions have hurt rather significantly. But I have yet to see a(n) erosion on the part of the popular support of this Iranian government for development of nuclear weapons. And I have yet to see any real, meaningful concessions made by the Iranians. And I have yet to see any change in the path that they are on towards development of nuclear weapons.

What really should happen – instead of sending your national security adviser and chairman of Joint Chiefs of Staff to Israel, and tell the Israelis not to attack Iran, and then leak it to the press, which obviously just weakens the Israelis, with – and especially with this new government in Israel, that we should sit down with the Israelis and establish red lines. And those could be four or five provisions, one of them obviously being state of enrichment; others is further development in their facilities – you could – we could write them down on the back of an envelope and say to the Israelis: OK, these are the red lines. And we're telling the Iranians that these are the red lines. And as the president has said, it's unacceptable, in his statement, for the Iranians to develop nuclear weapons. Then we could be in close alliance with the Israelis.

As you know, Netanyahu has formed a new government. I think that gives him more latitude on talks with the Palestinians. But I also think it gives him a broader range of support if the Israeli government – and I emphasize if the Israeli government acts militarily.

And finally, could I say – everybody’s worried about the reaction in the Arab world to an attack by Israel on Iranian nuclear facilities. My friends, behind closed doors there would be celebration in Arab countries all over the world. Have no doubt about that. They do not want – the Arab world does not want Iran to have nuclear weapons. It triggers proliferation throughout the region. The rivalries, as we all know, is what is taking place in places like Bahrain and others, including competition in Iraq.

So all I can say is that it was a little disappointing to hear that our first meeting was so great and wonderful, and there was frank conversations, and they agreed to meet again in Baghdad. And now I hear they’re already planning another place to meet after that. We’ve seen the movie before.

MR. : (Off mic.)

SEN. MCCAIN: Joe, right here.

Q: Joe Bosco with – formerly with the Defense Department and now with the – (inaudible) – program here. Nice to see you, Senator; thank you for another great speech.

SEN. MCCAIN: Thank you.

Q: You just mentioned North Korea. Two weeks ago Secretary Panetta testified to the House Armed Services Committee that China has been providing technical assistance to North Korea’s missile program – missiles which, by the way, are targeted for the United States. In light of that, what is your view of the administration’s position to lift some of the export controls to China on lethal weapons?

SEN. MCCAIN: You know, one of the – kind of – I think it’s conventional wisdom, but I think it’s very wrong – this conventional wisdom that we have is that China is a country that looks hundreds of years in the future, they have thousands of years of history, and China knows – they – they’re thinking three moves ahead of us in the chess board.

If that’s true, why in the world do they continue to prop up the North Korean regime? Why in the world would you want to prop up a regime that has 150,000 to (250,000 ?) people starving to death in a gulag? Why would you want to support a regime that is – that continues – its only cache in the world is nuclear weapons and continues to try to move forward, not only with the development of means to deliver them, but exporting those kinds of technologies into the most volatile parts of the world?

And the new Chinese leader was here in town, and there was a – four or five of us that met with him. And I said, why? Why do you continue to prop up this regime? It’s a blot on the reputation of your government. And his answer was – and I’m not making this up; Chinese translated – Senator McCain is well-known in China for his candor. (Laughter.) Now that was his answer. (Laughter.) That’s not a serious answer. I’m a serious person; that’s not a serious answer. But it was this kind of charm tour he was on in the United States.

So I worry about irrational behavior on the part of the North Koreans. I worry about a young man, you know – (inaudible) – I guess General Custer was a general at age 23. Well, they've got a now – guy in North Korea – he's a four-star general in – at age 27, is it? What – great, I mean – but the point is that there's a – there's a great – there's instability there. And it's a very unstable situation. And we need to worry about it.

And why China and Russia continue veto sanctions on Syria, why the Chinese continue to prop up this regime – and they are the only ones that can really influence this regime, as you know – is something that I don't understand. And with all this recent events – the guy – (inaudible) – (Chen ?) and the murder of a Chinese – of the British citizen – I wonder. I wonder about the real permanency of this regime that's now running China, and whether, with things like a BlackBerry and a tweet and all of those things – whether there may not be maybe some real dissent in China as a result of some of things we are finding out.

I don't see how a group of men, who most of the 1.3 billion people in China don't even know their names, can continue to meet once a year in a seaside resort and determine the future of 1.3 billion people without something having to change either sooner or later. I do not predict any cataclysmic events in China; please don't get me wrong.

But that – I guess what I'm trying to say in summary is – when I was present as a – as a not-so-young naval officer with a group of senators at the occasion of the normalization of relations with China in the great hall, and Deng Xiaoping was going around and everybody was having to drink that kerosene – (laughter) – and I'm sure he was drinking water – (laughter) – that we had – we had high hopes for China. We didn't – we thought that there would be a significant amount of progress. And in a number of areas I don't think we have seen – those – a number of areas, I don't think those expectations have been fulfilled.

Again, I do not envision any confrontation between the United States and China. It is not in China's interest. It's not the United States' interest. I do not envision that. But I do think that there's going to be some internal problems that the Chinese are going to have to grapple with.

The young woman in the back, in the black.

Q: Thank you very much. Good morning. Thank you, Senator. My name is Nike Ching with Voice of America, Chinese branch VOA. Yes, thank you for your candid answer. Now a follow-up – kind of follow-up to Joe's question: The United States and China just concluded the fourth Strategic and Economic Dialogue not long ago. I remember years ago you voted yes to grant China normal trade – PNTR, the permanent trade – normal trade relations to China.

Do you think the trade between United States and China is in the right track? And also would you please elaborate what you just said, that you support a free trade agreement between China – and between the United States and Taiwan? Thank you.

SEN. MCCAIN: I do support a free trade agreement between the United States and Taiwan. And I support free trade agreements – I – actually, you know, the proposed Pacific overall trade agreements.

The first question – part of it.

MR. : (Off mic.)

Q: Is the trade between U.S. and China on the right track?

MR. : Is U.S.-China trade on the right track? U.S.-China trade.

SEN. MCCAIN: I think that the trade – we obviously, as we all know, have a serious trade deficit with China. And I do believe that we could make significant improvements there. We're becoming more competitive. If there's any bright spot in this terrible recession that we have been through, it's the productivity of the American worker has dramatically increased and made us far more competitive throughout the world – at great cost.

But the looming issue between the United States and China is cybersecurity. We are grappling with that issue in the Congress now as far as legislation. We created a Cyber Command. We are trying to address this issue not only from a military standpoint of cybersecurity, but as importantly on a trade and intellectual property issue. We know for a fact that the Chinese have hacked into and gotten many – a lot of our technology they've been able to acquire through the cyber – quote, “cyber activities.” I'm not saying cyberwarfare, but cyberactivities. Hell, they even hacked into my campaign. That shows you the depths that they would plummet is amazing. (Laughter.) Must have been a boring day in Beijing when – (laughter.)

But anyway, so I think that our trade situation with China can show significant improvement. But the issue of cybersecurity between the United States and China and the United States and other countries – not just China, but China is the greatest violator – is going to be a very serious issue in relations between our two countries.

Q: Senator McCain.

SEN. MCCAIN: I – he's –

Q: Paul Courson with CNN. Nice to see you. To build on your response to the North Korea question, you said that China is the one who really holds the only influence over them. Is that to say the U.S. doesn't have a – an ongoing role trying to influence North Korea directly?

SEN. MCCAIN: I think the United States should do everything it can. And in fact, the sanctions that unfortunately were lifted by the Bush administration, including their bank accounts in Macau, and other activities that we had sanctioned, I think, is one of the great mistakes the Bush administration made. And I think we should continue to make every effort to modify their behavior. We could do that by closer relations with South Korea, maintaining our military presence. There's a number of areas that we continue to be active in. But the only country that can really force change in North Korea obviously is China. They could shut down their economy in a week or two at least. That's maybe an exaggeration, but they certainly can

have a significant effect on North Korean behavior. And they're – they've got the levers of power to do that.

And I keep hearing from – maybe if not the apologists, but certainly those who have a differing view than I do saying, well, China is afraid of a unified Korea. If Korea became unified, you think that Germany had problems in absorbing what was then East Germany into their economy? My God. This is – this is, what, since 1945, a country that knows no principles of capitalism, of free enterprise, of democracy. The challenge that would be, to me, to integrate North and South Korea would take years and years and years. It wouldn't be a threat to China. How could – how does – how does a unified Korea really pose a threat to the world superpower? It's just foolishness.

And so again, you know, we all – all countries develop reputations in the world. And I want us to have the closest and most progressive relations with China possible. But when they – when they veto sanctions – join Russia and veto sanctions on Syria, when they – when these recent activities such as Mr. Chen having to come to the embassy, the murder of the – of the British citizen, the Chinese have to understand that as a world superpower, that there's a certain level of conduct that the world expects them to maintain. And I think a lot of people would make a judgment that they are not measuring up to those standards that a major contributor to peace and progress in the world should be making.

MR. BOWER: Senator, I'm mindful of your time.

SEN. MCCAIN: Could I do two more?

MR. BOWER: OK. We'll do two.

SEN. MCCAIN: Please.

MR : (Off mic.)

MR. BOWER: Go ahead.

Q: Thank you. Thank you, Senator. My name is Jiling Nguyen (ph) with Voice of Vietnamese Americans. I thank you very much for all the time that you have served in Vietnam and now as well. And I'd like to come back to one question that I had a chance to ask you last fall regarding the United Nations Convention on the Law of the Sea, the UNCLOS. You had promised us, at the time, that you would (look ?) to a ratification of that. Would you kindly update that?

And I'd like to also come into the second part of the UNCLOS, regarding the unfair posture that China has exerted on the South China Sea. On – two days from now on May the 16th, they're about to ban fishing in that whole area – 80 percent of the South China Sea – from May until August. And that truly will affect a lot of millions of people living around that area with fishery. And here I'd like to come back to one statement, just to thank you for your focus in Asia. And I'd like to connect this with the focus that President Obama has somehow initiate and

led us to pivot to Asia. So then you and him somehow share the same – share the same interest for Asia. So I'd like to, in a way, defend the president with his TPP, because of the level playing field – level playing field requirements that he put out. And I felt that's very much important for us to – by pushing the TPP forward, we need to observe that. Thank you very much.

SEN. MCCAIN: Well, I'm all in favor, as I said, of a partnership agreement. And when we – I want us to move forward with it as quickly as possible and place it as a – as a high priority. I don't think the word pivot is the right word to use concerning our re-emphasis, our emphasis on our relations in Asia, because a lot of things are happening in that part of the world, too. And we don't want our European friends to think that pivot means that we are leaving one part of the world. And by the way, to the secretary of defense's (sic) credit, she has not used the word pivot. It's been others that have. I – you covered a lot of ground, but – what's that?

MS. : (Off mic.)

MR. : (Off mic.) United Nations – (inaudible) –

SEN. MCCAIN: That's going to be – I think, again, it's up to – I have not heard one – the president utter one word that he wants the Law of the Sea Treaty ratified.

MS. : (Off mic.)

SEN. MCCAIN: Pardon me?

MS. : (Off mic.)

SEN. MCCAIN: Yes, but it has to do with presidential leadership. It has to do with the president saying he wants the treaty passed by Congress. There's not been one word that I have heard. Second of all, now it's probably going to be up to either the second Obama administration or the Romney administration as to whether that treaty is moved or not. And that'll be a decision – the leaders of Congress follow the leadership of the president of the United States. And so we will see whether the incoming Romney administration or the continuation of the Obama administration is – it places the Law of the Sea Treaty as a priority. As you know, it has been languishing for – now for some 40 years or so. My dear friend John Warner continues to come and see me and advocate for it.

MR. BOWER: Final question, here. Go ahead.

Q: Senator –

Q: I'm sorry. Thank you very much – sorry. Senator, first of all, I'd like to introduce myself. I'm Isa Mohammed (ph) with HI Communications (sp). And I had the question that – I wanted to know why are we so focused on Iran if they are so far away from us? That's my question.

SEN. MCCAIN: Well, I think we're worried about them developing missiles that can reach us. But the Iranians – well, they not only are developing nuclear weapons – we all know that; there's a great debate as to how far along they are and what their real intentions are – but they have enriched uranium. They have taken other steps to further the development of nuclear weapons. But the Iranians are also behaving badly throughout the world, including here in the United States of America. They had a plot to assassinate the Saudi ambassador here in Washington, Café Milano. It's too expensive for my taste, but I can see why the Saudi Arabian ambassador can afford to pick up the tab. But the point is – actually, it's a very fine restaurant. (Laughter.)

But look, the – it's – only part of their activities is the effort to develop nuclear weapons. And this is my criticism. We need to look at Iranian activities in their entirety. Right now, there are Iranians on the ground in Damascus showing the Bashar al-Assad regime how to kill people, and there are Iranian weapons coming into Syria as well – unspeakable.

Iran is the country – is the – this is the government that when a young woman named Neda was bleeding to death in the streets in Tehran and 1 ½ million people were demonstrating saying, Obama, Obama, are you with us or are you with them, in English – and this administration refused to stand up for them; one of the great mistakes of the 21st century, in my view. So I worry about (an ?) Iran that is dedicated to the radical Islamic agenda that –

Q: (What's wrong with that ?)?

SEN. MCCAIN: What's wrong with that? If it means destroying – quote, “wiping Israel off the map,” then that's what's wrong with it, in my view.

Now, there are some who may not find that – may just find that to be an idle threat. I don't. When a country dedicates itself to the proposition of wiping a neighbor –

Q: (Off mic.)

SEN. MCCAIN: -- of wiping a neighbor off of the map. So I guess you and I have a very different view of the threat that Iran poses to peace and stability in the world. I respect your obvious views, and I hope you'll respect my views on that issue.

Can I say, I thank CSIS again for not only giving me the opportunity to make remarks, but most importantly, to be able to have an exchange with some of the smartest people that I know. And so thanks again. And remember that – the words of Chairman Mao who once said, it's always darkest before it's totally black. Thank you very much. (Applause.)

(END)