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Security

CHINA'S ARRIVAL: THE LONG MARCH TO GLOBAL POWER

KEYNOTE ADDRESS BY:

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**11:00 – 11:40 AM
THURSDAY, SEPTEMBER 24, 2009**

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DEPUTY SECRETARY STEINBERG: Well, thank you, Nate, for that kind introduction.

It's a great pleasure to be back and to be here at this CNAS event. It's great to see, although I had no doubt about it, that CNAS is still thriving despite the Obama Administration's best efforts to deprive you of each and every one of your leading lights. And every meeting I go to seems to be populated by so many of the good people – not only Kurt and Michele, obviously, but Jim Miller and so many others who made CNAS so successful, and the really remarkable achievement in such a short period of time that CNAS has become an indispensable feature on the Washington landscape, no mean feat with the number of competitors that you all have out here, including some that I used to work for. And I think that this study that you're launching today really is a reflection of the continued critical role that CNAS plays in creative and timely work that you do.

Obviously, as everyone in this audience knows, and we will be seeing a lot of it in the coming week or so, this year marks the 60th anniversary of the founding of the People's Republic of China, which, of course, is part of the reason you scheduled this event now. As we think back on those 60 years, for about half of them – for about 30 – the relationship between the United States was not exactly the best, ranging from hostile at its worst, to nonexistent through much of the time.

And so in some ways, from a policymaker's perspective and from a U.S. perspective, the more significant and momentous anniversary is not so much the 60 years since the founding of the PRC, but the 30 years since the United States and China normalized relations under President Carter and Deng Xiaoping in 1979. And I think it's not entirely coincidental that if you look for a date, that you could roughly time the rise of China and its remarkable transformation – it's about that time as well that the rise began – part of which having to do with the bilateral relationship and obviously largely to do with decisions China made about its own internal developments.

I think it's fair to say that despite – I know, the great ambitions and hopes of Kurt and Michele, I don't think even they, perhaps, would have guessed how far CNAS has come. And in the same way, I think those who were present in 1979 probably could not imagine how far China has come in those 30 years. It's really truly a remarkable story. And for those of us who have been visiting China over the years, it's just amazing, each time you visit, how much change you see happening right before our eyes.

It is a remarkable period to reflect back on and the decisions that were made during that period and the transformation of the U.S.-China relationship, and the great insight that began with President Nixon and followed through by President Carter was the fundamental recognition that the long-term interests of the United States were better served not by trying to thwart China's ambitions, but rather to explore the possibility of whether China could become a partner with the United States. And while the motivations for those decisions in the 1970s were largely rooted in the dynamics of the Cold War, when we were focused on getting Chinese help encountering the Soviet Union, it is even more important in today's reality that we recall that basic insight.

Secretary Clinton described that reality recently in her Council on Foreign Relations speech as a reality characterized by two inescapable facts, and I'm quoting her: "First, no nation can meet the world's challenges alone," and "Second, most nations worry about the same global threats."

In this world, and under those circumstances, the logic of international cooperation is overwhelming. Countries have a great deal to gain if we can work together, and much to lose if we don't. But applying this insight to our relations with China poses a fundamental conundrum. Given China's growing capabilities and influence, we have an especially compelling need to work with China to meet global challenges. Yet China's very size and importance also raises the risk of competition and rivalry that can thwart that cooperation.

Now, you all know I'm a part-time academic and so I can't resist this part of the speech, but historians since Thucydides have pointed to a long string of conflicts generated by the emergence of rising powers that disturb the old order and challenge the existing power structure and predict the same gloomy future for China's rise. Political scientists and IR theorists talk darkly of security dilemmas that lead nations to take actions to protect their own security against potential adversaries, and that, by taking those actions, fuel the very conflicts they were hoping to avert.

These academic perspectives obviously have strong resonance in the political debates we hear not only in the United States, but in China today. So how do we square this circle? Adapting to the rise of China, as well as other emerging powers like India and Brazil, while protecting our own national interests. This, I believe, is one of the key strategic challenges of our time. And the key to solving it is what I would call strategic reassurance.

Strategic reassurance rests on a core, if tacit, bargain. Just as we and our allies must make clear that we are prepared to welcome China's "arrival", as you all have so nicely put it, as a prosperous and successful power, China must reassure the rest of the world that its development and growing global role will not come at the expense of security and well-being of others. Bolstering that bargain must be a priority in the U.S.-China relationship. And strategic reassurance must find ways to highlight and reinforce the areas of common interest, while addressing the sources of mistrust directly, whether they be political, military or economic.

Now part of this reassurance comes from sustained dialogue. It's important to recall, and Secretary Kissinger just reminded me of it a few days ago, that we began the new era of our relationship with China with some 25 hours of extended dialogue between Henry Kissinger and Zhou Enlai. And the importance of broad-ranging dialogue is at the core of our decision to elevate and broaden the strategic and economic dialogue between the United States and China. Part of achieving strategic reassurance comes from enhancing transparency.

But if our efforts are truly to be successful, they must go beyond words to actions that reassure. We must each take specific steps to address and allay each other's concerns. The first eight months of the Obama Administration, building on the important efforts of our predecessors – and I want to stress the importance of continuity in the U.S.-China relationship, which has

brought us to this very important stage today – have provided solid evidence that there is a reason to believe that this approach can bear fruit.

When Secretary Clinton traveled to China in February on her first trip as Secretary of State, she set out to demonstrate our commitment to this objective. When President Obama and President Hu met on the margins of the London G-20 in April, they pledged to work together to build a positive, cooperative, and comprehensive relationship for the 21st century. And we have seen in the subsequent meetings, including just the other day in New York and in the President's planned visit to China, our determination to sustain this momentum.

Now the global financial crisis has offered a clear example – both the importance of the United States and China working together and the real benefits that come from that cooperation. China and the United States have implemented the two largest stimulus packages in history – coordinating them with one another and with other governments around the globe. And as China leads the way with renewed growth, the good news is not just that we are seeing the beginnings of a turnaround in much of the world, but we are also beginning to see a new effort to find greater global structures to assure that this doesn't happen again. Just as we have said about getting our own house in order, China understands that it too must play its part by becoming a more important source of global consumption. There is a common commitment to putting growth on a stronger foundation, and we'll see this in the discussions in Pittsburgh.

Of course, this effort takes more than just the combined efforts of the United States and China, and that's why our global cooperation is so important. But without the United States and China working together effectively, the prospects of success would be much dimmer. We're building towards the same kind of cooperation on addressing climate change, driven by the knowledge that the United States and China are the two biggest emitters of greenhouse gases. We in the United States acknowledge our historic responsibility for the emissions that have created the dangers of climate change, the indispensability of our taking strong actions here at home, and the need to accommodate China and other developing countries' legitimate development goals.

At the same time, China is increasingly acknowledging that it must find a way to mitigate the climate effects of its continued development. A memorandum of understanding signed at the Strategic and Economic Dialogue demonstrated a joint commitment to expanding cooperation on low carbon growth and forging a successful international agreement on climate change, a task that we will pursue together in Copenhagen. And the statements of both President Obama and President Hu at the UN Climate Summit, I think, reinforced this sense of mutual commitment.

Our cooperation has also been an essential in forging a common front in response to North Korea's recent missile and nuclear tests. Working with our partners in the Six-Party Talks, we forged a unified position leading to a presidential statement after the missile test, and UN Security Council Resolution 1874 following the nuclear test. And since the adoption of that resolution, we have worked effectively together to implement strong measures, which we hope will lead to a resumption of Six-Party Talks and the North Koreans' recommitment to complete denuclearization.

Now, it will be important for us to demonstrate the same possibility of cooperation in dealing with Iran's nuclear programs through the P5+1. China has also played an active role in fostering security and stability along its western border in Pakistan and Afghanistan, and I'm not just talking about the economic investments that China has made, such as the Aynak copper mine. It's also played a role in training Afghans as well as Iraqis to diffuse landmines, and helping to work to encourage the Pakistan Government to step up its efforts against dangerous extremists.

China is demonstrating its willingness to play a constructive role in securing the global commons by contributing its destroyers to anti-piracy efforts off the Horn of Africa. We've worked together to address the threat of transnational terrorism, and China has begun to do more to support the international nonproliferation regime, starting by joining the Nuclear Suppliers Group. We continue to work and encourage China to enhance export controls and other measures, but it is clear that in recent years, China is increasingly sharing our concerns and beginning to assume greater responsibility for addressing them.

Now, this growing list of areas of cooperation is impressive. But it is important that we neither overlook nor downplay the continued areas of mistrust and disagreement, many of which are highlighted in the volume that CNAS is launching today.

Reassurance is especially critical when it comes to military activities. I think it's timely that I came in just after the few words I heard of the previous panel. As China's economy has grown and its global interests have expanded, its military spending has quite naturally increased, and its capabilities have been extended at sea, in the air, and in space. And in some cases, these enhanced capabilities have been coupled with actions, such as China's over-broad assertion of its rights in the EEZs, that have caused the United States and China's neighbors to question China's intentions.

While China, like any nation, has the right to provide for its security, its capabilities and its actions also heighten its responsibility to reassure others that this buildup does not present a threat. That we have restarted high-level military-to-military dialogues is a positive step. And I'm hopeful that this will allow us to help resolve some of the ongoing tensions, for example, with respect to the South China Sea and the PLA Navy's activities. These discussions between us must be stable and ongoing, not a stop-and-start conversation easily derailed by disagreement.

We also are urging China to increase its military transparency in order to reassure all the countries in the rest of Asia and globally about its intentions, averting instability and tension in its own neighborhood. We're encouraged by the positive dialogue between China and Taiwan, and we encourage both China and Taiwan to explore confidence-building steps that will lead to closer ties and greater stability across the Taiwan Strait.

The risks of mistrust are especially acute in the arena of strategic nuclear weapons, space, and increasingly in the cyber realm. Achieving mutual reassurance in these areas is challenging, but as we learned during the Cold War, essential to avoiding potentially catastrophic rivalry and misunderstanding. Both sides need to devote creative thinking in how we might address these thorny challenges.

Resource competition is another area of concern. With its rapid growth and large population, China's demand for resources, whether oil, gas, or minerals, is surging, but resource mercantilism is not the appropriate response. China's moves in that direction have raised legitimate concern not only in the United States, but also among our other partners and among resource-rich developing nations.

The problem is not just that China's mercantilist approach disrupts markets; it also leads China to problematic engagement with actors like Iran, Sudan, Burma, and Zimbabwe, and undermines the perception of China as a country interested in contributing to regional stability and humanitarian goals.

The United States and China share an interest in stable and sustainable energy supplies. And far from seeing China as a competitor, we're eager to enlist China to help in developing well-functioning markets and bolstering our common energy security in the years ahead. China must, in turn, demonstrate that it will be a constructive participant in its efforts rather than seeking to secure its own energy needs at the expense of others.

Another area of frequent tension is our economic relationship. Our two-way trade and investment has benefited both of us enormously, and we both depend on it for our growth and prosperity. At the same time, it does create tension and misunderstanding. But that is why we have placed our economic relationship so central in our dialogue. And we're making progress, for example, on a bilateral investment treaty while China takes steps to become a constructive member of the global economic architecture, including its membership in the WTO.

I want to say something about the recent dispute about tires. That dispute highlights some of the risks of our economic relationship, and there's been no shortage of commentary warning of spiraling economic nationalism and a coming trade war. But it also is clear that this is a worst-case scenario, which is far from inevitable. We do disagree with the Chinese Government on the substance of this issue, which is why the President reached his decision, and we followed that decision with the imposition of a tariff.

But the important point is this all took place within the WTO framework accepted by the United States and China, as well as our own bilateral understandings. And I am convinced that both sides are intent on making sure that this particular disagreement does not spark a trade war or widespread protectionism. And if we succeed, it will be because we have established well designed avenues of cooperation and dialogue that allow us to handle these disputes in a broader context.

Now, some say that human rights have nothing to do with our strategic relationship, and therefore doesn't belong in the list that I'm discussing today. Indeed, some in China have even argued that our interest in human rights and ethnic minorities and religious freedom is designed to weaken China and so inconsistent with the basic bargain I've been talking about. But I couldn't disagree more.

Of course we stand up for human rights because, as President Obama has said, it is who we are as a people. But we also believe that a China that respects the rule of law and universal

norms provides reassurance to others that it will bring the same approach to its international behavior, as well as providing greater stability and growth for its own people.

Now, strategic reassurance does not only apply to the relationship between China and the United States. Our partners, particularly in Asia, must have the same certainty that China's expanding role will not come at the expense of their interests. And this not only requires that the United States bolster its own bilateral relationships, especially with key allies like Japan, South Korea and Australia, but also that we lead in updating and strengthening the regional and international institutions that shape the context in which China's development occurs, so that change is constructive rather than destabilizing.

In what President Obama calls this new era of engagement, we are refining and reinforcing regional cooperation in Asia, which is why Secretary Clinton recently announced our accession to the ASEAN Treaty of Amity and Cooperation. And along with developing new forums for regional dialogue and cooperation, we will stay committed to our key alliances. They are consistent with a vision of a peaceful, stable Asia that we and China share.

When it comes to the international system, we must ensure that new powers like China – and there are others as well, of course – can take their rightful place at the table without generating fear or mistrust. That means making the institutions more inclusive so that they reflect the world of today, rather than the world of 1945 or the 1970s, and more effective so that we can collectively overcome the problems of interdependence. As we pursue these policies, we will be open to China's growing role, but we will also be looking for signs and signals of reassurance from China. If China is going to take its rightful place, it must make those signals clear.

In the face of uncertainty, policymakers in any government tend to prepare for the worst to focus on the potential threat down the road, and of course, some of that is necessary. But we also have to make sure that by preparing for the worst, we don't foreclose positive outcomes; that we leave ourselves open to the positive, and avoid the trap of self-fulfilling fears. Your volume quotes my predecessor Rich Armitage, "Nobody, including the leadership with China knows how it's going to come out. If it comes out badly, this is bad for us; if it comes out well, it can benefit all of us. And that's what we must dedicate ourselves to." A wise man, that Deputy Secretary. (Laughter.)

And as President Obama said at the opening of the SE&D*, "I believe in a future where China is a strong, prosperous and successful member of the community of nations, a future where our nations are partners, not out of necessity, but also out of opportunity. This future is not fixed, but it is a destination that can be reached if we pursue a sustained dialogue like the one that you and we will commence today, and act on what we hear and what we learn."

We in the Obama Administration will uphold the United States' side of this bargain. We are ready to accept a growing role for China on the international stage, and in many areas, we have already embraced it. China too needs to demonstrate the same commitment to doing its part – reassuring the United States, its neighbors in Asia, and the rest of the world that we have nothing to fear from a more influential China, that Beijing shares our vision of a new geopolitics of win-win solutions rather than zero-sum rivalries. With such strategic reassurance and a shared

commitment to building an international system based on mutual trust, I have no doubt that we can succeed in our common interests, not just in common actions, and that will be a great benefit to us all. Thanks for your time, and I look forward to your questions. (Applause.)

MODERATOR: Secretary Steinberg has graciously allowed to take – has graciously agreed to take a few questions. So we can start.
Yes, sir.

QUESTION: Thank you. I'm Kumar (ph) from Amnesty, International. Thank you, Ambassador, for mentioning human rights, which is a rarity* in Washington. My question to you is that President Obama has planned to visit China in a couple of months. What role will human rights play in that visit? Thanks.

DEPUTY SECRETARY STEINBERG: Well, I – obviously, the specifics of the schedule is something that the President and his team is still working on, but I think he made clear in the speech that he gave to the – our Chinese counterparts at the Strategic and Economic Dialogue that this is an issue which he believes belongs centrally to our relationship, and I'm confident that he will address it while he's there as well. I think he's indicated very strongly that he thinks that having a full relationship with China requires us to address these issues. We've been pleased that in connection with the SE&D*, that China has agreed to move forward on the human rights dialogue that we have, and we will continue to address the full range of issues there.

So without being able to be specific about the concrete activities that will take place, I'm sure that you're going to hear the President be very clear about our perspective on that, as he did here in Washington.

MODERATOR: Yes, sir.

QUESTION: Hi. Could you – Barry Schweid of AP – could you elaborate a bit, please, on China increasingly sharing our concern, I think you said, about the Iran situation? Or did I misunderstand you?

DEPUTY SECRETARY STEINBERG: You did. But – well, I'll – what I said was that I hope that the same spirit that they brought to our cooperation on North Korea will be manifested in how we deal with the P5+1. I do think that we've had very productive conversations with the Chinese about it. This was an important topic in the President's bilateral discussions with President Hu in New York. And I think the Chinese understand the dangers associated with China's – with Iran's pursuit of its nuclear program.

Right now, we're all focused on exploring what Iran is prepared to offer through this dialogue, and we will continue to talk with China, as well as the other parties in the P5+1, about both how we hope to move forward on the positive side, if Iran is willing to engage in substantive dialogue, and what steps we will need to take if it's not.
But thank you, Barry, and good to see you.

MODERATOR: Yes, sir.

QUESTION: I just want to follow up on that. Chris Nelson, Nelson Report. On North Korea, from the conversations you've had in the last week or so, there was some noise out of Beijing – about a week – that Kim Jong-il said, yeah, I'm coming back to the Six-Party Talks, and sure, I'm going to talk about denuclearization.

What elaboration, if any, have you been able to get from the Chinese? Do they take that seriously? Are there conditions involved that make it a meaningless offer? Can you give us a sense of what have you heard in the past week and what the North Korean intentions really are? Thank you.

DEPUTY SECRETARY STEINBERG: Chris, I think what we've heard as – at least in terms of statements by the North, is some suggestion that they may be willing to pursue that path. But I think we're at the stage where what we're interested in is what they're actually prepared to do, as opposed to what they say they're prepared to do. And we are in the process of finishing our consultations among the other five as to just how to pursue finding out what the North Koreans' intentions are.

I think one of the things that has been very clear, both from the discussions in New York and from Ambassador Bosworth's visit to the region, is that, first of all, there's a very strong consensus about what we're trying to achieve, both in terms of process and in terms of result, that all of us agree that we want to get back into a process that is focused on the Six-Party Talks, that this needs to involve all of the key countries of the region.

And second, that the objective of these talks are complete denuclearization of North Korea, and that we want to see this move forward in way that doesn't create the kinds of problems we've seen in the past where there have been steps taken and undone that failed to make progress on the goals that we're trying to achieve.

I think we also have a pretty clear consensus among us about how to begin to explore that, and I hope, in the coming days, that we'll be able to say a little bit more detail about how we plan to pursue this. I will be in the region myself next week and talking to our partners in China, Japan, and South Korea about this as well.

MODERATOR: Yes, sir.

QUESTION: Thank you. Dana Marshall with Dewey & LeBoeuf. There's a lot of discussion, of course, in Pittsburgh now about the need to rebalance various economic trends and the imbalances that we've seen; commitment, apparently, on the part of China to stimulate their own domestic economy, do something about the imbalanced trade picture. I wonder how – if you could characterize what you think their degree of commitment is, and what sort of milestones – if any, what metrics might the Administration use to judge performance, not only of their commitment, but ours, and the other of the G-20?

DEPUTY SECRETARY STEINBERG: Well, I'd hate to put it in terms of specific metrics. But I think that there are lots of ways of looking at the full range of tools that are available to the Chinese Government in terms of the way it manages its economy – fiscal policy, monetary policy, and the like – that reflect an overall strategy – and trade policy, including how they deal with rules governing exports, tariffs, export provisions and the like – that would reflect their overall approach to changing the focus from export-driven to a more balanced strategy for growth.

And so I don't think there's any single metric that you'd look for. But I think if you take the suite of economic tools, of economic management tools that a country like China can apply, and look at how they're adjusting them, it's pretty – it will be pretty clear as to whether they are designed to focus more on domestic consumption and using the tools that would support economic – domestic economic growth, as opposed to strategies that are focused on exports. And I think we've had a productive discussion with them about what those things are. I don't think it's necessary that we want them to do a specific one, so much as to look at the suite of tools that are available that lead to that rebalancing.

MODERATOR: We have time for two more. Yes, in the back.

QUESTION: (Inaudible) with CTI TV of Taiwan. Mr. Secretary, you said that the U.S. is encouraged by the relaxation of tension across the Taiwan Strait. But would the improvement in cross-strait relationship – has any impact on the U.S. decision whether or not to continue to sell weapons to Taiwan, like the F-16 CDs? Taiwan has an argument, because by buying those weapons and proceeding from a position of strength, it will feel more at ease to open up more relationship with the Chinese mainland. Thank you.

DEPUTY SECRETARY STEINBERG: Well, as you know, and almost everybody in this audience knows as well as I do, that the metric for our decisions about arms sales is very clear, and it's set forth in the Taiwan Relations Act, which is that we are committed to help support Taiwan meet its legitimate defense needs. So obviously, as we make decisions about arms sales, we assess, together with our friends in Taiwan, what those needs are. And that's the basis on which we do it. It's – there's no single answer to it, but it is a very straightforward calculation. And so as we look at the overall security environment, we make the judgments about what is necessary for Taiwan to provide for those security needs, and that's the framework on which we're going to do it.

MODERATOR: And our last question.

QUESTION: Hi. My name is (inaudible) from Chinese Embassy here in Washington. Just now, you mentioned that one of the – maybe the irritant will be the resources competition. In that context, you also mentioned particularly China's relations with quite a few countries, which it happened to be the case U.S. is not very happy with them, or you are not getting along well with them. But the point, actually, for China is we have overall partnership relations, and with every country we like to be partners. So actually, you have – you don't very happy to see the relations with China with those countries is not China's problem, and you should sort it out.

The other points I'd like to make, actually, is this will put China in a position that will have more potential to cooperate with the United States to address --

MODERATOR: Sir, could you put a question mark on the end, perhaps?

QUESTION: The question, actually is --

DEPUTY SECRETARY STEINBERG: I'll make a comment anyway.

(Laughter.)

QUESTION: Yeah. The question is: Don't you think U.S. has a role to play in help China to get more access to resources by, for example, opening your market doors* for more Chinese investment? Thank you.

DEPUTY SECRETARY STEINBERG: Let me address the first part, and then the second. I think -- we are going to have disagreements about global strategies and how to -- what is the right mix of carrots and sticks in some places and how to deal with problematic countries. My point here is that what we would -- we'd like to discourage China from getting in a position where it sees its resource needs driving China to take a position which it might not otherwise do if not dependent on them. And what's common about the countries that I identified was that in each case, China does have significant resource interests there. And so it's hard to disentangle whether China's strategy is driven by its genuine view that this is the best way to influence countries, which we may disagree about, but it's a legitimate disagreement, as opposed to protecting its interest in equity and mercantilist interest in those economies.

And so what we would hope to do is disentangle those interests from our broader discussion about how to deal with a problem like Sudan. And to be fair, I think in both the case of Sudan, and maybe to a lesser but not zero extent, of the case of Burma, I do think we've had some constructive relations. And I think that China has increasingly recognized that it's in its own interest to work with the rest of the international community to deal with the crisis in Darfur, to deal with the humanitarian situation in Sudan, to support the CPA between the North and South in Sudan and the like. And I do think there's been improvement in our own bilateral engagement over those issues. But that's my core point, is that it would be important for China to not allow its resource strategy to unduly influence its broader interest in global and regional stability.

In terms of access to markets, yes, I think that it is important for us all to find a way, because we believe, in the long run, that the most effective tools for dealing with energy security are open, free-functioning markets for all of us to work together. We have an interest in not seeing oligopolist suppliers control the markets, and we have an interest in making sure that we, as consumers, can see those markets function effectively.

There have been specific issues that we've had, and we can debate the specific merits about the way in which, particularly, when there are Chinese state-owned investments, as to whether those investments meet market tests. But I think the broad point you make, I think, is

one that we would agree to, which is that if we want China to be supportive of market-based approaches to energy, that we should encourage China to participate in those global energy markets and facilitate that.

Okay. Thank you.

(Applause.)