

**“Policy Challenges and Opportunities for the United States in Asia”
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Well thanks so much. It’s great to be here. I am honored to be with such a distinguished audience: Congressman Dicks, Bob Scalapino, the dean of us all, and so many people who have spent so much time working hard on these issues. I’d mention others by name but the lights are hard to see. I see Stan Roth in the audience, among other good friends.

It’s a pleasure for me to be back. It’s my second time talking to NBR and to the Wilson Center. I congratulate you on this gathering, because they are an important set of issues and while some of the issues that we deal with day to day, as you said, in our 24/7 world tend to get more headlines, whether it’s Iran these days, or Afghanistan and Pakistan, there’s no doubt that what’s transpiring in East Asia in the broader Asia region is as important and as consequential for the United States and for our future as anything that’s going on in the world, and one of the things that I’ve learned over my years in government, particularly in my path as a policy planner, is that you take your eye off these longer term trends at your peril, if you only focus on the challenges of the moment. And so we have some near term challenges, of course, in Asia as well, but even more importantly is to prepare ourselves for the long term and to do the kind of thinking that’s necessary and both at the Wilson Center and NBR you’re doing just that and so we’re grateful for that. I am an admirer of the work that you do, and so it’s nice to be able to have the chance to both talk to you and then with you, after I’ve made some initial remarks.

As I think you know, and as I tried to indicate when I was here last year, from the outset President Obama and Secretary Clinton have placed an enormous priority on strengthening our ties to both traditional allies and emerging powers in Asia as a part of our U.S. long-term strategy in a recognition that our future very much depends on this.

You will all recall, as I mentioned last time, that it was no accident that the Secretary’s first trip was to Asia, and it was no accident that the president has put such an emphasis himself on this. And so we’ve had a year and a half in office and when I last spoke with you we had just come from this initial set of engagements. I am now having the chance to talk to you on the front end of what will be another deep and extended set of engagements with key partners in the region.

As you know, just a few weeks ago we had the second Strategic and Economic Dialogue in China, followed by the first Strategic Dialogue with India here in Washington. But in the coming months the Secretary will return to Asia for the ASEAN meetings in Viet Nam, Secretary Gates was just of course in Shangri-La for the Shangri-La Dialogue, and then this fall the President will

engage in I think a very visible demonstration both of our vision and of the importance that we attach to East Asia by his visit first to India and then to Korea for the G20 and to Japan for APEC, both stressing the bilateral ties in each of those stops, but also the regional dimensions as well.

I think there is no clearer indication of the importance that we place on both these individual relationships and the regional and multilateral dimensions than this deep engagement at the very highest level of our administration on these issues. I think that that framework is a way of helping us think about the way that we're structuring our overall approach, which is to begin by strengthening the core, traditional bilateral alliances that we have in the region, building with the new emerging powers, and then trying to build the structures of regional cooperation that will allow us to deal with the challenges that no country alone can develop.

You never know quite where to start in these things because there is always an implication that if you start in one place it prioritizes one over the other. But I think it is appropriate, once again, to begin with our relationship to Japan. I think this continues to be an enormously important relationship for the United States, one which has stood the test of time. We're just in the midst of celebrating an important series of anniversaries of the security relationship between our two countries. But even more important, what we've demonstrated over the past year or so, is the fact that although we have important and core security challenges that we're working on, and I'll touch on just a little bit more, what is most important and what drives the relationship is our common commitment to our democracies and the values that we share in common.

Although Japan is going through a lot of discussions about its future and questions about its own political evolution, nothing is more important, from our perspective, than this very positive set of trends that we think represents a deepening and a strengthening of democracy in Japan which in turn makes Japan a powerful and valuable partner for the United States. We worked very closely with both the LDP government when we first came to office, and then with Prime Minister Hatoyama who made important contributions to that relationship, and now with Prime Minister Kan we look forward to moving to yet another stage in building a future-looking relationship that serves the not only Japan and the United States but the region beyond. While there had been a lot of focus on the security relationship, and we obviously attach enormous importance to the two-plus-two joint statement, and the very strong commitment that Prime Minister Kan made in his opening speech as prime minister to the U.S.-Japan relationship, I think it's important, aside of the fact that the relationship goes far beyond that, it extends to a broad range of issues, whether they're nonproliferation or counterterrorism or climate change or global economic growth and reform and involvement in Japan's great contribution both through economic assistance and development roles in Afghanistan and around the world. So it continues to be a very vibrant and strong relationship in which we both have a lot of confidence and a lot of optimism for the future of the direction that we're headed.

The partnership with Korea, too, has obviously been very prominently in the news recently, and I think that we can look back with some satisfaction on both sides to the continued strengthening of that relationship since we took office. We have a very important bilateral relationship there and clearly our engagement together is a key element of our broader engagement in Northeast Asia and in the region as a whole. Again, although we tend to focus on the security issues,

particularly with the challenges that we face from North Korea over the last eighteen months, I think it is important not to lose sight of the broader set of relationships that are outlined in the 2009 vision statement that our two presidents issued, and the close and deep and ongoing engagement – the personal relationships, the meetings, the phone calls – between President Obama and President Lee, and Secretary and her counterpart Foreign Minister Yu, really are a reflection of the importance that we attach to that relationship.

We have worked very, very closely together to deal with a very challenging period in our relationship with North Korea, and I think that at the core of our effort to manage this very difficult challenge is the absolutely close and engaged dialogue and cooperation between the United States and South Korea. The fact that we do consult so closely, discuss the issues so closely, and develop common strategies I think is a core element of our long-term conviction that the way that we will bring North Korea to realize that its only way of establishing a positive future for its people is to turn back the direction its headed both with its nuclear program, its missile program, and its other provocations and recognize that it's not going to be rewarded for misbehavior, and that if it wants to try to extricate itself from the deep difficulties that it's facing, that the only way to do it is to show a willingness to address the core issues, the security threats that it poses to South Korea, to the other countries of Northeast Asia, and to the United States.

We also made clear that in response to the sinking of Cheonan that we very much value the very careful, prudent approach the South Korean government has taken, that careful investigation that it undertook with strong international engagement which gives tremendous credibility to the conclusions of that report, and I think it's important that the international community take note of those conclusions and draw the conclusions from that about the need to send a strong signal to North Korea that this kind of provocation is unacceptable and that if North Korea wants to move away from this regime of very significant sanctions that were imposed last year, that it's clearly going to need to rethink its approach going forward.

We continue to want to build on the economic relationship with South Korea. We recognize the importance of trying to build a stronger trade relationship and we remain committed to working through the remaining issues surrounding the FTA so that we can move forward.

Clearly, those are the partnerships, the treaty relationships that are most in the news, but we continue to rely very importantly on our other key allies in the region as well, beginning with Australia, which continues to be a critical partner for the United States, as sharing interests in the region but also in terms of their global engagement and the contribution that Australia is making in Afghanistan and the continued close cooperation that we have on a number of important security-related issues.

We continue to work very closely and are very encouraged by the recent elections in the Philippines and recent certification of the new president, President Aquino there, a positive step forward in the Philippines economic development.

And finally, with Thailand, we are trying to work very closely with our partners there to try to bring about a peaceful resolution of the political difficulties there, a process of reconciliation along the lines that the prime minister has announced, I think is an important step forward. We

call on all parties to show restraint and to turn to a political dialogue that will allow Thailand to continue to develop both its own political institutions, but also its economy for the benefit of its people.

We also have other important partnerships in the region. I was pleased just the other day to meet with New Zealand's defense secretary, and I think that for those of you who follow it you know that we're on a tremendously positive path in terms of deepening our security cooperation between our countries, developing a forward-looking approach to deal with how we work together rather than dwelling exclusively on the issues of the past. That's an approach that will not only strengthen bilateral relations, but also allow New Zealand to make a greater contribution in the region and beyond. We're also appreciative of their engagement in Afghanistan as well.

As I said, that's the starting point, the traditional relationships that we have cultivated over the years. We also obviously have other important new partnerships that we are developing, and there are no more important than the two emerging powers in the region: India and China. As I mentioned, this has been a critical period of engagement and moving forward on both our relationships with both countries. I think that we have seen, in the case of India, the opportunities for broadening this relationship are enormous.

I said not long ago in a speech at Brookings that you can think about the United States in relationship with India as in three stages. The first stage – the lift off stage – with President Clinton's very important visit to India at the end of his second term. The second stage moving the rocket up into the stratosphere was the agreement that President Bush reached with India on civil-nuclear cooperation. But now the challenge is to move to this third stage that puts the relationship into orbit – a broader and more comprehensive relationship with India, and our strategic dialogue is a reflection of that. Next week we'll host the U.S.-India CEO Forum here in Washington, and as I mentioned this fall the President will make his first trip to India. I think the opportunities there are enormous in terms of deepening our economic ties, deepening our cooperation on regional issues, on security issues, but also on key issues that matter to the people of India and to the world at large, such as agriculture and global public health, where India both has its own needs but also can make a contribution and be a global partner for the United States. The opportunities there are great. I myself visited India a few weeks ago, and the opportunity for deepening this partnership is very strong, and there's a very strong commitment on both sides to try to achieve that new level of engagement.

Similarly with China, obviously it gets a lot of attention, and the fact that we have now completed our second S&ED really does demonstrate there too the breadth of the relationship. There were over 200 U.S. officials who participated in that second S&ED, and it ranged across the full spectrum of issues of concern to both countries, clearly with a lot of focus on common security issues, including our efforts to deal both with North Korea and Iran, and the very important step forward that we took by the decision of the Security Council with China's support to take significant new measures in response to Iran's continued defiance of its obligations under the NPT to the IAEA and under five previous Security Council resolutions, but also a recognition that we need to work together on the great global challenges of our time, ranging from nonproliferation to climate and energy to public health and the like. We clearly have some important economic issues that we need to address. It's important that China demonstrate that

it's moving forward in a way that benefits not just its own economy but the global economy as well. Those issues will continue to be important, not only as a part of our bilateral relationship, but in the multilateral discussions that will be taking place in the coming weeks.

Similarly we've attached a high priority to strengthening our ties to our partners in Southeast Asia. It's a reflection of the fact that we recognize that to achieve long-term prosperity and stability in the region we need to have all the countries engaged and a sense that this is not a zero sum competition throughout the region, but rather one in which we need to enhance global cooperation. The prospects and the role that ASEAN can play – and not only key member states like Singapore and Indonesia, Malaysia, Viet Nam, and the like, as well as our treaty partners Thailand and the Philippines – but also as an organization to contribute to our global growth, to increasing the opportunities for trade and investment, and to deal with issues like water and our Lower Mekong Initiative, climate and the important role that Indonesia and others can play in dealing with the climate problem is critical. It's also critical that we work together to deal with some of the threats to the region, and particularly that we develop strategy moving forward to demonstrate to the leadership in Burma that there is a positive path forward, but that if Burma is truly going to be able to take advantage of it, it not only needs to address the problems of security and its relationship with problematic actors including North Korea, but also the need to develop a more open political system, a more accountable system that allows the full participation of its citizens. ASEAN has a critical role to play, because Burma is a member of the organization and as its neighbor, to make clear that ASEAN countries expect Burma to live up to the standards that the others are living by themselves. I think it will be an important opportunity as the Secretary gathers with the ASEAN leaders in Viet Nam next month for us to make clear the importance that we attach to a common approach on this issue.

As I said, these are the bilateral relationships, but ASEAN demonstrates that we can't deal with these challenges simply through bilateral relationships, that we need to find ways to strengthen the tools and the structures of cooperation that allow us to tackle these common challenges. So whether it's in regional organizations, like APEC, or whether it's through the increased role and activities of key Asian partners and global organizations, such as the G20, which is so significant that the G20 meeting will be taking place in South Korea, which really demonstrates how important this region is to the broader global set of challenges, that we need to find ways to make these formal and informal multilateral engagements more effective.

On the trade side, we've made our own commitment, the President made clear on his last trip to the region that we look forward to trying to move forward with the Transpacific Partnership which holds the prospect of extending the possibility of high quality trade agreements through much of the Asia-Pacific and create an environment in which we move beyond the kind of business as usual, growth as usual approach, and develop a stronger and more reliable foundation going forward.

We've also seen that there are opportunities on the security front for greater cooperation. We see greater engagement by countries throughout the region in issues not only in Afghanistan, but also dealing with the issues of piracy, and the problems of proliferation. We need to find ways to strengthen our security cooperation, whether it's through the ASEAN Regional Forum, or otherwise, the ability to come together as a region to discuss these things and find collaborative

solutions I think is critical. We all recognize that some of the challenges that we face, like North Korea, may take some time to reach a final and satisfactory resolution, but we also recognize that it's through this engagement with our partners, as has been demonstrated in this common approach that the Northeast Asian countries have taken in dealing with the threat and challenges posed by North Korea, that offers the best prospect of getting to a good result. We recognize that despite the barriers of time and distance that often go with a deep engagement with our partners in East Asia and beyond and with the rest of the Asia region that we simply cannot afford not to have that kind of personal engagement, the kind of deep understandings that you've been promoting through your work that allows us to understand each other, understand each other's perspectives, to look for common solutions, to try to avoid the kinds of competition which can create instability and division in the region and find a common way forward. So again, thank you for your work and for your time, and I look forward to taking a few of your questions.

Rich Ellings: So please, Jim is willing to take some questions. Jim, I will let you moderate this, if you want, if you can see the hands, we'll try to – wave! Stand up and wave so we can get you a microphone, and Stanley Roth?

Q: Well, thank you, Jim, for a terrific set of remarks. And I can't tell you what a relief it is to hear an Asia policy speech that doesn't start with the rise of China. I think you have set us on a course today to remember that there is an entire region, because China will indeed be a disproportionate amount of the discussion. But having said all that, I actually do want to ask you about China [laughter].

Like many in the room, I've come back from the Shangri-La Dialogue, and I think there were two themes amongst many of the participants, none of which emerged in the speeches, I should say, by the ministers. But one theme was growing concern about China in the region, a combination of how they handled the Korean incident, naval activities vis-à-vis Japan, and the statement about poor interests for the South China Seas, seems to have gotten the whole region's attention. But that was combined with the part I really want to get your views on and give you an opportunity to respond to: a sense that China had bested the U.S. in the first year of the Obama administration, a sense that the U.S. had thrown its lot in with engagement, taken some issues off the table, or appeared to, like human rights, and that China had not lived up, whether it had any mutually beneficial responses in terms of the currency, in terms of climate change, and that we finish the year in a rather weak position, both with respect to the Summit itself, and Copenhagen not getting Chinese support on an agreement, thereby forcing the administration to do a course correction. Obviously, this is not the administration's view. Many of us have talked with Kurt Campbell all the time, but I thought I'd give you a public opportunity here to do two things: your take on the first year of China policy, and, more importantly, going forward, where you think the opportunities for progress are?

James Steinberg: Thank you, Stanley, for the opportunity. I was kind of hoping you were going to engage us on the prudent and pragmatic policy we have toward North Korea, but I commend the Assistant Secretary for his remarks on that, but I think it is important to reflect on where we are with China. I think it is also important to reflect what we have achieved, both in the near and practical term, and what we are positioned to do over the longer term.

When the president took office, he identified two to three issues that were his top priorities, for the long term, for the United States. Among them were non-proliferation and climate. So if you look at the issue of nonproliferation over the last eighteen months, on the two most pressing issues of our time, beyond the broader framework of non-proliferation regimes, they are Iran and North Korea. I think the success that we have had today both in enacting first Resolution 1874 last June and Resolution 1929 this month, reflect the deep engagement that we've had with China and the recognition that we both need to work together and that we have common interests in this. It is an outcome of a lot of things, but not least of which is the deep engagement that we've had from day one on these issues. So I think that the results that we achieved on those to very important and very significant resolutions would not have been possible without that engagement and there were some things that were very critical and as high a priority as we have in the administration.

On Copenhagen I have a different view. I actually believe that Copenhagen was a significant success, because, for the first time, notwithstanding the framework through which the climate change negotiations had been approached, in which there was a kind of a narrative which suggested that developing countries were not going to take on any commitments, in fact we created structures in Copenhagen protocol where countries make national commitments, but they commit to the international community those national commitments and have agreed to work out transparency and accountability mechanisms to do that. China has joined that Copenhagen protocol, and has basically made a commitment to the international community to live up to its national program. You can quibble with the level of carbon reductions in their program, but the very fact that they've committed to this, albeit not in a legally binding treaty, but I would challenge those who even support a legally binding treaty to know exactly what would make it binding or legal. But we have a framework now, not just with China but with India and others, key developing countries now fully engaged in this process. So I think it's an enormously positive step forward, and I think that despite the obviously contentious process that got there, the engagement of Premier Wen, the decision of China in the end to be a part of this, will prove to be one of the most significant decisions in terms of our global effort to deal with climate change going forward.

I might add, although clearly this was not where the president started by the time he took office, if there was a third top priority it is the global economy, and there too our engagement with China has been critically important. Yes, we have ongoing issues with China. But nonetheless we have worked with China to deal with the problem of sustaining and stabilizing the global economy through the G20 and elsewhere over the past eighteen months, and that's been an important part of our engagement as well. At the same time, as you know, we had a bit of a rocky period with the Chinese, but because there are some things that are matters of principal to us we are not prepared to concede, whether it involves our commitment under the Taiwan Relations Act or our strong belief that we need to speak up for the cultural and religious rights of Tibetans, those are principled positions of the United States, and as much as we value our relationship with China, we demonstrated that we are going to continue to pursue those as well. So I don't buy the narrative, and I also think frankly that if you look at our security relationships in the region, and the strengthening of our ties both with Japan and South Korea, as well as our continued good ties with Australia and others, and the building of our relationship with India, I think we are in a strong position. These are not designed to contain China, but they do

demonstrate that we are not ceding the field or neglecting that aspect of our engagements. I am pretty comfortable with the score-card, in that respect. We're not going to agree with China on everything, and we're also not going to change everything in China to our satisfaction. There are some things that we are going to continue to disagree about. But I think we have demonstrated a tremendous capability of working together, even when we have disagreements, as the diplomacy over the last few months has shown, that we can work through those disagreements, and we can find ways to cooperate when we need to. So it is an important relationship. We will not, as I say, see eye to eye on everything, but I think we have both pursued our national interest, and done it in a way that can be largely cooperative with China over the past eighteen months, and I anticipate that that will continue going forward.

Q: Teresita Schaffer from CSIS. First of all, I'm struck by the fact that your presentation this morning focused on countries, and was organized by categories of countries, but your description of the administration's objectives was organized by global topics like environment and nonproliferation and the global economy. I wanted to ask you a question somewhat similar to Stan's but about India.

We've just had a strategic dialogue with India. This has been an emerging partnership for some time. Where are going and what do you see if you peer into your crystal ball, say ten years down the road, as the relationship among the U.S., China, India, Japan, in the Asian region, looking down the road – not just the bilateral, but the regional.

James Steinberg: First, just to comment on your first observation, I think it's clearly right that states are not the only actors in the global system. One of the things that we've stressed quite a bit is that to deal with many of these global challenges, we need not only to deal with the states but we need to deal with civic organizations, with business, with civil society, with international organizations and the like, but I also think that, on many of these key challenges, that our partners and other states are clearly key elements of overall strategy. So in order to address issues like climate and nonproliferation we need to engage with key partners. That's why I put the emphasis on that.

In terms of India, I think that it's been a truism. We've all read Dennis Kux books, we've studied this all our careers that the untapped potential of the U.S.-India relationship has just been enormous. We all know the history as to why we haven't been able to do that over time, but a dramatic new chapter opened about ten years ago, and the potential, I think, is enormous. I think we also have to recognize that we're not going to agree on everything, just as with other countries, even other democracies, we have our differences on some issues, but there are so many things in which we have common interests, and all these thematic issues that you mentioned, that we can do so much together, whether it's on terrorism, whether it's on global public health, whether it's on energy, whether it's on education – a tremendous opportunity, which I think is about to open up in terms of our collaboration and bilateral work together – that the character of the relationship that we'll have will go beyond sort of the state to state type things that we will be dealing with in the region, but will deepen and depend very heavily on the fact that we already have a good core of people-to-people relations and that will provide a very strong basis going forward.

For that reason, obviously, we welcome a deepening and greater role for India in the broader Asia region. We think that India can and is now ready to try to step up to that stage. It's obviously had a certain degree of engagement in South Asia over time, but I think India sees itself in the broader picture, in deepening its ties to the key countries of East Asia, but not, again, in a zero sum competition. They are trying to build stronger ties with China just as they're trying to build stronger ties with Japan, and we welcome that.

We're not looking to try to create new blocks or new arrangements in the region, but rather we certainly support and welcome these ties. They're historical and cultural, India has a long set of ties in Southeast Asia, as everybody here knows, and India can play an important and valuable role as a democracy, as a country that can contribute to trade and investment throughout the region, technology, dealing with these big challenges, like climate and water and food. The potential for this partnership through the region and India's deeper engagement is something that is quite critical going forward, and I'm quite optimistic that India both seeks to play that role and will be welcomed in the region as a positive and clearly significant partner throughout the broader Asia region. Thank you.

Q: I'm with Voice of Vietnamese Americans. Thank you, Deputy Secretary of State. Would you give us your assessment, your view, and your vision about the Southeast Asian Sea?

James Steinberg: Peace, tranquility, and economic development. [laughter]

You know, Stanley Roth obviously alluded to the fact that there has been a lot of attention to it. I do think that there are challenges ahead, and I think it is important that the United States has in some respects a privileged position, because we are one of the few countries that don't have claims in the South China Sea, and therefore can be a friend to a process and encouragement of all the countries to work together to find ways of reaching political understanding about how to move forward. There are tremendous resources that can benefit everybody in the region, but there are also significant risks for conflict. This is a real challenge to diplomacy, it's a real challenge for the countries of the region to try to use both formal and informal frameworks to try to resolve these differences, to try to develop creative strategies that will allow us to take advantage of the resources there in ways that don't generate conflict, that are protective of the environment, protective of other interests that we all have in the South China Sea. I think it will be a test for all of us going forward about whether the countries can find pragmatic approaches that take into account their mutual interests and recognize in these things that there are ways to solve competing claims, there are lots of historical examples about how to address this kind of challenges and it will be important to us for the countries and the region going forward.

Q: Mr. Secretary, thank you. In your previous remarks, I remember you said you support confidence-building measures between Taiwan and China. Yesterday Senator Feinstein indicated that when she visited China, she heard from Chinese leaders that they're willing to redeploy their military posture, but that they want to see an adjustment of U.S. arms sales policy to Taiwan. I wonder, first of all, has this subject ever come up during the official discussion between the U.S. and the PRC? And second, will the people in Taiwan be guaranteed that the decrease of tension in cross-strait won't compromise U.S. arms sales policy to Taiwan? Thank you.

James Steinberg: To my knowledge, I take what you say about Senator Feinstein but I haven't heard that directly, and so I'm always reluctant to comment on secondhand accounts, but we have not heard directly from the Chinese any specific proposals along those lines and so I'd be reluctant to delve into the hypothetical. We clearly would welcome any steps that Beijing would take to reduce the threats to Taiwan and to move towards what has been a clear and unequivocal position of the United States through many administrations that the differences across the straits should be resolved peacefully and without the use or threat of force. To the extent that these deployments represent an element of coercion, we think that if they would remove that, that would be a positive development. Beyond that I'm not prepared to speculate.

Congressman Dicks?

Q: One of the big issues that we're facing as a government is cybersecurity. I just wanted to ask you: do you see a role for diplomacy here? We've had arms control agreements, nuclear nonproliferation treaties, is there some way that we can try to get a handle on this issue through diplomacy?

James Steinberg: It's a great question, and it's one of the most difficult questions I think we face, as a matter of policy. I think we've all become sensitized in recent years to the critical importance of the cyberworld, both as a field of opportunity for economic growth, for human expression, for the development of human potential, for sharing ideas, for developing cultural understanding, but also because of the threats that it represents—because of the threats from terrorism from organized crime, and in some cases the risk from state actors, that it would be used in ways that threaten our national security.

It's obviously among the most difficult challenges because the nature of cyber is the very fact that it doesn't have the same kind of geographical location – it's often able to disguise origins, identities and the like. So most of the tools that we traditionally use in the context of arms control – and particularly the critical importance of verification and compliance – are harder, in the cyber context.

It doesn't mean they're impossible. We participate in discussions. There were some discussions in Russia just a few weeks ago with people sharing ideas about directions that people might go. We certainly are not ruling anything out, and more broadly going beyond traditional treaties and the like, which is a challenging concept to imagine, diplomacy does have a role, because in terms of our understandings we do make very clear in our diplomatic engagement about the dangers, and risks, and the common interests in secure cyber space.

That's certainly important in a counterterrorism world, but it's also important in building confidence. So whether we can get to formal agreements or not, we do have an important engagement with partners to make clear that we expect them to behave responsibly, that we expect that all the usual dangers that security threats can pose also exist in this world, and that countries need to be very prudent and careful as they consider what their options are. Diplomacy clearly has a critical role to play, and whether there's something more formal is something that we are certainly not ruling out but, but recognize pose very, very difficult conceptual challenges.

Q: Bill Ichord with ConocoPhillips. Wondering if you could say a bit more about the agenda with Indonesia, especially in light of the fact that you've had to defer the president's trip to Indonesia recently.

James Steinberg: We have enormous respect for and admiration for President Yudhoyono and the evolution of Indonesia. As someone who served ten years ago and saw the challenges the country went through during the Asian Financial Crisis – which in some ways probably had as deep a consequence in Indonesia as in any country in the world, both on the economic and the political front – the enormous recovery and the resilience that Indonesia and the Indonesian people have shown, the strengthening of democracy, the restoration of economic growth, and the very positive role, role model, that Indonesia represents for the region as a country with a large Muslim population, but also a diverse population, and the ability to make that country work as a pluralist society is something that we in America can appreciate very much, and sends very positive signals not just in Southeast Asia or even in Asia, but around the world.

So our partnership is based on our strong commitment and our stake in having Indonesia thrive and prosper as an open democracy, as a critical partner in a critical part of the world, its role in the key sea lanes, its role in energy and environment issues, its role in dealing with some of the security challenges in the region, as a partner in dealing with some of the problems like Burma, where President Yudhoyono and the Indonesian government has also been, a very important interlocutor, but also in terms of its global leadership through the OIC and through its other global engagements. It's a very comprehensive agenda that we have with Indonesia, and I think it's also clearly in the enviable position of being able to go beyond just this government to government stuff because of the president's own history to demonstrate the importance and the opportunity of building ties between the Indonesians and the people of the United States.

Rich Ellings: I wonder if we could have a question about Korea?

James Steinberg: Prudent and pragmatic policy. [laughter]

Q: There are those who argue that our policy, although explicit and consistent, denies the possibility of seeing what comes ahead in Korea. How, under circumstances, both we and the ROK, for understandable and appropriate reasons, will continue to limit our dealings with the North. How do we find a way to influence what comes next in the DPRK, if we can?

James Steinberg: Well I think clearly this has been a vexing challenge through many administrations going back to at least the first President Bush, and I think that what we recognize is that there are no guarantees of any set of policies, but we have seen what has worked and what hasn't worked. One thing for sure that hasn't worked is relying solely on inducements for North Korea to come forward. This has not persuaded them that that is the path they want to take, but they tend to pocket the inducements and keep what they've got. We came into office on the one hand determined and committed to continue to pursue diplomacy with North Korea, both with respect to its nuclear program management, but also to make clear that North Korea is not going to be rewarded simply for talking, or that it would be allowed to provoke, and then – in order to stop the new provocations – get rewarded, because all that did was to incentivize them to continue to provoke. It's a bumpy ride, and we obviously are not at the place where we want to

end up. Everybody agrees that the place where we want to end up is a denuclearized Korean peninsula.

There are not simple steps or magic bullets that will get us there, but there are some things that I think we believe very strongly are critical to the solution. The first, and the beginning place, is strong partnership between the United States and South Korea. We've placed a particular priority on that, and I feel quite good about the way we have been able to proceed – the deep interaction, engagement, consultation that we have on a sustained basis. As many of you know, Assistant Secretary Campbell is just now returning from yet another visit there. The president has met with and talked with President Lee – I don't have a full score card – but probably as often as any leader in the world today. And the fact that in dealing with challenges like the missile test and nuclear test last year and the sinking of the Cheonan this year that we have been shoulder to shoulder in developing our strategies, is the starting point for an effective answer, to demonstrate to the North Koreans that they cannot split us apart, that they cannot try to play the one of us off against the other.

That's the first principle. The second principle is the importance of engaging the other key countries in the region, and as I mentioned in response to Stanley's first question, I think part of the payoff – by the way, not just with China, and I didn't mention Russia in my list of countries, but of course Russia has an Asian dimension as well and deserves to be on my list – but the investment that we made both in our relationship with China and Russia has paid off in sustaining this very strong sense of community in dealing with the challenge of North Korea. They can't also split off the others, and I think that message is an important part of setting the stage over the long term for a successful resolution of the challenges posed by North Korea. So if the key elements are strong partnership with South Korea, strong partnerships with the key countries, Japan, China, Russia, in the region, and then a clear indication that on the one hand we are prepared to go far in terms of normalizing our relations with North Korea, but only if North Korea addresses the core threats it poses to the region, that remains on the table – the willingness to engage in diplomacy remains on the table, but it requires concrete and demonstrable actions by the North Koreans. That, in our judgment, is the only way forward. Some people have said, well, you're taking too much time, but I think there are no magic solutions to this. I do think we have put ourselves in a posture, given all the challenges and uncertainties associated with the speculation about what might be going on politically in North Korea, to make it possible to achieve a good result, and to demonstrate to North Korea that there really is another way forward for them. I can't guarantee that it's going to produce the results that we want, but I do believe that it is the right path forward.

Q: I was wondering, how does the United States view the Shanghai Cooperation Organization, because the organization already has China and Russia as the members, and I am asking this question because in the future it is quite possible that India and Pakistan are also going to be in this organization, so I was wondering whether you can comment on this? Thank you.

James Steinberg: It's a very good and interesting question. For those of you who couldn't hear, the question was on the Shanghai Cooperation Organization.

One of the things that we are perfectly comfortable with is that there are many organizations and groupings in the world, and we don't have to belong to all of them. In general, I think that when you have a group of countries in a region coming together, as long as that's consistent with international principles, consistent with the Charter, not directed at anybody else but designed to build regional cooperation, and in a very critical region which is not well integrated, Central Asia, and that it can build ties with countries around them, then that's a positive development. I think in general, although there are a lot of fears and suspicions about the SCO, I don't think that in fact they've proven to be a source of concern and I do think it's important that we continue to interact with the SCO. We've participated informally in the past in some of the meetings. There are different ways in which non-members can engage with them. There certainly are lots of attractions from our perspective of having other countries in the region be associated with it, to give the countries of Central Asia a sense that they have multiple options and multiple partners. So while we obviously think it's important that it continue to be open and transparent and positively contributing to regional security and economic development, focusing on issues like terrorism and things of the sort that it does, can create global public goods that we are the beneficiary of. In general I think that this is something that we see as part of a general trend towards deepening regional cooperation, which the United States is entirely comfortable with going forward.

Well thank you all once again, and good luck with your conference.