

Asia Policy Debate 2008: The Next President's Strategy for Engagement

The National Bureau of Asian Research

McCain and Obama Advisors Debate September 22, 2008 at the National Press Club

Lori Matsukawa: Good afternoon. Good evening everyone. And welcome to Asia Policy Debate 2008 brought to you by NBR. NBR is the National Bureau of Asian Research, a nonprofit, nonpartisan research institution dedicated to informing and strengthening foreign policy.

NBR is headquartered in Seattle, where I live. Hence, my name is Lori Matsukawa, a news anchor at King Television in Seattle. I've been covering news now for 30 years, filing stories from throughout the northwest and also from Canada, Japan and China.

I'm proud to live in a state which produced the late Senator Henry M. "Scoop" Jackson. Senator Jackson foresaw, of course, China's strategic importance in the world and pushed very hard for a constructive and positive relationship between the U.S. and China.

He was also a key figure in rallying the United States to stay the course in the successful outcome of the Cold War.

Scoop, as we all called him, believed there was no place for partisanship in foreign and defense policy. He used to say, quote, in matters of national security, the best politics is no politics.

Scoop relied very heavily on the advice of top academic advisors. And the foundation that bears his name helped found NBR to connect those leaders with specialists to better inform policy decisions.

I also have a deep respect for NBR's chairman, George Russell, the visionary behind what is now known as Russell Investments. And you've heard of the Russell 2000. That agency is headquartered in Tacoma, Washington, and I appreciate George's life-long interest in foreign policy issues as well.

Tonight we want to give special thanks to the Henry M. Jackson Foundation, the Russell Family Foundation, and the Legatum Institute for their support of the debate.

I'd like to welcome the audience here in Washington D.C., but I'd also like to extend a welcome to those who are joining us from campuses across the nation and from groups who are watching this throughout the world. As you know, one of NBR's goals is to engage as many people as possible in the discussion over this U.S. policy in the Asia-Pacific region.

So to that end, we've set up several host watching parties at host universities that include the State University of New York at Buffalo, the University of Michigan, the University of Vermont, the University of Washington, Fordham University and Tulson State in Maryland. And we'd also like to welcome other groups that are watching throughout the world.

We're extremely pleased, too, to have within our audience people from throughout the international community. It's an indication of the worldwide interest people have in this presidential election and the candidates.

Today Asia is the most dynamic region in the world. Power, opportunity, and risk are concentrated there, as has been highlighted by the rise of China and India and the events happening in Pakistan.

U.S. policy towards Asia will affect our prosperity, our security for decades to come. In recognition of Asia's importance to U.S. long-term interests, Senator McCain and Senator Obama have sent their top Asia specialists here to share with us their strategy toward this critical region.

Four days from now, the presidential candidates will be having their first debate and it will be focused on foreign policy. They will be advised by the participants joining us tonight.

Advising John McCain on Asia policy are Michael Green, Senior Advisor and Japan Chair Center for Strategic and International Studies. Dr. Green is also an Associate Professor of International Relations at Georgetown University and has served as Special Assistant to the President for National Security Affairs and Senior Director for Asian Affairs at the National Security Council for two years, ending in December 2005.

Also joining us is Daniel Blumenthal, a member of the U.S. China Economic and Security Review Commission. Mr. Blumenthal is a resident fellow in Asian Studies at the American Enterprise Institute for Public Policy Research. He previously worked for the Department of Defense in international security affairs during George W. Bush's first term.

Advising Barack Obama on Asian policy are: Ambassador Robert Gelbard, Chairman and Co-Founder of Washington Global Partners, a strategic advisory and consulting service. Dr. Gelbard has over 35 years of diplomatic experience. He was ambassador to Indonesia and Bolivia, and served as President Clinton's special envoy to the Balkans and Assistant Secretary of State for International Narcotics and Law Enforcement Affairs.

Also joining us is Frank Jannuzi. Mr. Frank Jannuzi serves as the East Asia Specialist for the Democratic Staff of the Senate Foreign Relations Committee. Mr. Jannuzi reports to Joseph Biden, the Chairman of the Foreign Relations Committee.

From 1989 to 1997 he worked as the East Asia Regional Political Military Analyst for the Bureau of Intelligence and Research in the U.S. State Department.

Tonight Mr. Jannuzi is not representing the Senate Foreign Relations Committee, and his views are not necessarily those of the committee or its members.

Okay. And, of course, we are delighted to have as our moderator tonight, Ambassador Thomas Pickering. In a diplomatic career that spanned five decades, Mr. Pickering has served as U.S. Ambassador to the Russian Federation, India, Israel, El Salvador, Nigeria and Jordan, earning him the rank of career ambassador, the highest in the U.S. foreign service.

Ambassador Pickering served as Boeing's representative on NBR's board, and is currently a senior advisor. And I asked him before today's event: What does a legend do in their spare time? He says he takes photographs and he also cleans up around the house. (Laughter) and takes part in woodworking, which is a wonderful, wonderful hobby and we are so pleased.

Ambassador Pickering speaks French, Spanish, Swahili, Arabic and Hebrew. And he will outline the format of tonight's debate in English, we hope. Ladies and gentlemen, Ambassador Thomas Pickering.
(Applause)

Ambassador Pickering: Thank you, Lori, for that very kind introduction of us all. Thank you all for being with us. Thank you, National Bureau of Asian Research, for sponsoring the debate.

I want to cover the debate rules. They're simple, but let me do that first. The questions tonight will address key United States interests in Asia. For purposes of definition, that includes East Asia, South Asia, India, Pakistan and Afghanistan, Southeast Asia, Australia, New Zealand and Russia as an Asian power. The debate will last two hours until 7:00 p.m.

I have a number of questions. The debaters have not, I hope, seen them. To facilitate a substantive debate, we will have two rounds of exchange on each question consisting of a two-minute initial response and a two-minute rebuttal for each side.

I have the option of extending discussion by one minute for each of the two sides if I find that the debate is interesting and might proceed. Debaters are asked not to direct questions to one another.

There will be four-minute closing statements but no opening statements. After I have asked a number of questions, members of the audience will have the opportunity to pose a concise question to the debaters. If I call on you from the audience for a question, please proceed to one of the two standing microphones positioned in the front of the room. Please do that rapidly.

And please keep your questions to 20 seconds or less. And there is a light system that the debaters have before them. And I do, too. There will be a green light for the first 90 seconds on the side for the answers. Followed by a yellow light, giving them 30 seconds to wrap up their presentations, and a red light means they're done. I will hold the debaters to these times.

I ask that audience members remain quiet throughout the debate. Do, please, refrain from applause, cheering or booing. Please turn off your cell phones and pagers.

The order of the first question has been determined by lot. And the first question will be responded to by the Obama/Biden side. They will, as a result, also be the last to speak on their closing statements.

We are now ready for the first question. And let me, if I may, go ahead with that.

The center of the global economy has shifted to the Asia-Pacific. The region now accounts for over half of global trade. The current financial crisis is competing for our leadership attention here at home. And, as well, will increase the need for capital inflows from China and Japan and elsewhere in Asia.

What is the import of this crisis to our ability to continue to lead in Asia, and what would you do about any impact that this crisis is having on our leadership role?

Obama.

Ambassador Gelbard: In a dramatically globalized world, there has been increasing interdependence. Relationships have become completely intertwined between key nations in Asia and the United States, as well as the rest of the world. Significant U.S. debt is now held, not only by China and Japan, but by many other countries in the world.

This has a serious effect, not just on the United States economy but on theirs as well. We need, of course, in the first instance, to take

care of our own house and make the necessary kinds of reforms to make the dramatic changes in our own economy both on Wall Street and on Main Street that are really needed to change structurally what is required to get our economy moving in the right direction, which is certainly what Senator Obama has advocated in his plan.

And at the same time we need to continue engaging in a much more robust way, both bilaterally and multi-laterally. The key nations of Asia, which have a stake in our economy and in other parts of the world, we need to see them grow and we need to see them grow in the right way.

Changing the kinds of distortions which have affected them as many of them grow, particularly China, but we need to help them as they integrate into the global economy and as they have integrated to be responsible citizens.

Frank Jannuzi: I would just add briefly a couple of points. One is that the crisis we're facing now in Washington underscores the vital nature of the U.S. China U.S. Japan relationships. If there were ever a time to not be drawing dividing lines in Asia, it is today. The world is interdependent and integrated.

China holds \$400 billion, excuse me, \$400 billion in Fannie Mae and Freddie Mac. I was in China a couple of weeks ago meeting with their --

Ambassador Pickering: Please wind up, Mr. Jannuzi.

Frank Jannuzi: He warned us that we need to work together to solve the current crisis, and that is essentially what Senator Obama is going to do.

Ambassador Pickering: Thank you. I now go to McCain Palin.

Michael Green: People are saying this is the largest financial crisis since 1929. And, of course, 1929 was followed by Smoot-Hawley protectionism tariffs and ultimately war in the Europe Pacific.

And one thing you can count on with John McCain, he will stand for free trade and open markets. He supports the most important Free Trade Agreement we have negotiated in Asia, the U.S. Korea Free Trade Agreement, because it will shore up our alliance with Korea. Because it will keep a transpacific open economic framework in place and because he knows it's the card for us to play and to lead in future free trade agreements and multi-lateral arrangements in Asia.

It's also a reminder that the next president is going to face challenges in Iraq and Afghanistan. We'll talk about these, global economy, and you need a president who comes into office with a very clear set of experiences, principles and an understanding of the nature

of American power and purpose in Asia, which I think we'll have a chance to get to.

And Frank is right, it underscores the importance of a steady hand on U.S. China relations. Senator McCain was one of the leaders for PNTR with China, and we'll get into China more. But I think on that one you'll find some agreement that we do need a steady hand with China. And Senator McCain has taken a lead even at times when it was unpopular in his own party to keep an open economic relationship with China.

Dan Blumenthal: I would just add, to underscore the importance and the difference between the two candidates on the Korea FTA. This agreement is one of the largest agreements that the U.S. has negotiated in some time.

The addition of exports for U.S. jobs and across the dimensions of all sectors is just key. And Senator Obama has campaigned heavily against it giving congressional democrats room to say they're not going to bring it forward this session. It's a key difference. Leadership on trade at this time in this crisis is key.

Ambassador Pickering: Thank you. Your time has just expired. I'll go back to the Obama/Biden team, please.

Ambassador Gelbard: Senator Obama is in favor of free trade. This is something which has been distorted by the McCain campaign and needs to be very clear. What's important about the Korea U.S. Free Trade Agreement is that qualitatively and quantitatively this comes much, much differently than the Free Trade Agreements that have been negotiated by this administration so far. Because this one is so important, it needs to be looked at in a very serious way. There has not been adequate consultation with Congress. The Congress is key, obviously, since it needs to approve it.

And there needs to be a serious look in terms of what has to be done to create jobs for American workers, in addition to creating jobs for Korean workers.

The process of trade is something that is critical to the American economy just as it is critical to the Asian economies. But the rules need to be made very clear and the rules need to be obeyed. This is what Senator Obama stands for.

Frank Jannuzi: One of the things that Senator Obama will do as President is to work with the Congress to pass trade adjustment authority. This president has resolutely refused to pass trade adjustment authority, which is essential to those American workers who are not on the winning side of international trade. Senator Obama is free trade at the core. But this agreement is flawed. It has inadequate treatment of United States automobile exports to Korea.

And it needs to be improved. Especially there needs to be protections for those workers in the United States who are going to need extended unemployment insurance, healthcare, job retraining. This is what trade adjustment assistance can do to help make sure that all workers benefit from Free Trade Agreements and not just those who happen to be in those sectors that are particularly advantaged.

So an Obama Administration is going to do a better job of getting the KORUS agreement ratified, and it will be ratified in an Obama Administration, but ratified with the proper safeguards.

Ambassador Pickering: McCain/Palin.

Michael Green: The reality is that this Free Trade Agreement was negotiated with Korea. The Congressional leadership, after the 2006 election, Senate and House, went to the administration and said you need to make the following changes if we're going to support this.

They did. They reopened the negotiation with Korea. It was painful. It did damage to our relationship but the Korean side came through. And then it was on the fence whether this would go through. People hoped Senator Obama would be quiet and stay neutral on it, but he came out strongly against it, which tipped the balance heavily against those trying to push for this.

It's an important agreement. Economists outside of the government estimate that it will mean 10, 11, \$12 billion of new exports for the U.S. It underpins our alliance. And as we talk about multilateralism in Asia, which I think both camps would like to do more, we need the cards to play this game with.

If we pull out of the largest and best quality Free Trade Agreement yet negotiated in Asia, we have a very, very thin hand to play.

Trade adjustment assistance is a legitimate thing to talk about. It's another issue. The Bush Administration didn't support it. That doesn't mean that it's not something that can be discussed. The key thing is which leader is willing to push for free trade to make the case. It's not popular. And leadership is about explaining the benefits of free trade to workers, to our economy, and to our alliances in Asia.

And I think that's quite clearly where Senator McCain, even though it wasn't always popular, has stood a very steady course.

Dan Blumenthal: I think I would underline that point. It's not popular, and yet Senator McCain has campaigned for it very heavily on strategic grounds because of the importance of enmeshing ourselves more deeply with the South Koreans, as well as the fact in our financial

crisis right now, exports are what's keeping this economy growing. And right now we have a chance, and Senator Obama campaigned against it because it's unpopular.

Ambassador Pickering: Thank you. The next question: China. China's arguably our most important relationship in the region. That relationship is characterized by an enormously complex balancing act.

On the side of security, the next administration has to emerge, has to manage China's emergence as a likely regional preeminent military power, and as well a potential conflict over Taiwan. That has to be balanced with critical issues such as the six-party talks. While China is now the fastest growing major market for U.S. exports, significant challenges exist in the bilateral economic relationship, including issues from managing China's currency to food and product safety.

What is right and what is wrong with the current U.S. policy toward China? And what would you do differently? And this now goes to the McCain/Biden camp -- I mean McCain/Palin camp. (Laughter) another Freudian slip. The McCain/Palin camp for the first response.

Dan Blumenthal: Senator McCain and Senator Biden have worked on so much legislation together, this slip is not that much of a slip.

I think everyone, including Senator McCain, is for both engaging China and hedging against outcomes that we don't want to see in China.

Senator McCain was a leader, as Mike mentioned, on permanent normal trade relations with China. He's also been always a leader on arms sales to Taiwan. He's always struck that balance in terms of principle and pragmatism.

He's never been naive about the issue. He's always said that, when he was making his argument for PNTR, he argued not that this in and of itself is going to change China to be more peaceful and more democratic, he's always been very clear how it's important to be candid about China's human rights problems and abuses.

He seeks common interests but also knows that until there is a transition in China we will find periodic interests to share, but basically it will not be based on the same bedrock values.

Senator McCain has been a leader on this issue on both the engagement and hedging side for years. In 1995, he wrote an Op Ed when he was pushing for Vietnamese normalization. He wrote about the importance of bringing Vietnam along so we don't see China become too dominant in the region while we welcome its rise at the same time.

Michael Green: You might use the catch phrase to get China right, we have to get Asia right. So an important thing for Senator McCain will

be, while we do all of the things Dan mentioned to engage China and expand those areas where we have cooperation, not lose sight of our alliances in other key partnerships to make sure we have a region that is stable and where there's a balance of power that encourages China to continue playing by the rules that we all, I think, at this table and in the region want China to follow.

Ambassador Pickering: Obama/Biden.

Frank Jannuzi: I think on China, this debate might be more interesting, instead of having a McCain-Obama debate, we had a McCain-McCain debate. Because the fact is that not everyone on the McCain camp believes in engagement with China. Not everyone believes in prudent hedging about China's rise and the uncertainties that are incumbent in that rise.

One of the members of the panel here has spoken very disparagingly about both engagement and hedging with China as unsustainable policy. So I'm a little bit surprised to hear him be an advocate of those policies today.

Senator Obama strongly supports engagement with China, but it's a hard-headed and principled engagement. It's one that has three major components. One is our traditional bilateral engagement with China across a whole slew of areas. We need a huge new initiative on energy and the environment. Because without partnership with China in this area we're not going to be successful in saving the planet or in reinvigorating our economy.

But we also need to integrate China more thoroughly into the world. China today is not fully integrated. Senator McCain opposes any plans for membership of China in the G-8. Senator Obama would like to explore that membership opportunity because he believes that the problems of the global economy are too complicated, too mammoth for any one country to solve alone. It's ridiculous to exclude one of the world's largest economies, third largest economy from that grouping.

Senator Biden and Obama also believe that in addition to engaging and integrating China, we do need to balance China's rise. And that means reinvigorating our traditional alliances. U.S. Japan alliance is the cornerstone of our security framework in Asia. But we also need to build a 21st century partnership with South Korea. We need to reach out to ASEAN, new partners, Indonesia Vietnam, Thailand. Senator Biden will weave these three elements together into an effective strategy to deal with China's rise to work and explore new partnerships and to bring us into a new era in the Asia-Pacific.

Ambassador Pickering: Senator Biden is in charge of China policy for the Obama/Biden campaign.

Frank Jannuzi: Senator Obama is in charge of China policy in the Obama/Biden campaign.

Michael Green: I'm stuck on that last tongue twister.

Senator McCain has written and has said frequently that we have overlapping interests with China. Those overlapping areas of interest are going to grow. And responsible stewardship of the U.S. China relationship means growing them. He's mentioned specifically working on climate change. He's talked about North Korea. He's talked about the six-party talks.

That's the way we need to work with China's expanding those areas of cooperation. But there is in Asia still uncertainty about China's future, uncertainty about China's relationship with regimes like Sudan and Burma and others. Uncertainty about whether or not China will play by the rules, about China's military buildup. So investing our alliances in other partnerships is important.

And that piece of the puzzle requires more than just saying alliance is important. It requires hard calls. The U.S. Korea Free Trade Agreement is one example of a hard call. John McCain has made for an alliance relationship. Abductees with Japan is another. Making sure when we do diplomacy with North Korea we don't get it backwards; we don't negotiate with the North Koreans, brief the Chinese and then inform our allies.

So being there for the allies, when we don't need them, so that they're there for us when we do, is going to be a critical part of a very disciplined and careful approach to Asia, which ultimately sets the stage for much more effective engagement of China. And on that you'll see a lot of similarity. You'll see both candidates looking to bring China in on climate change to work together on multi-lateral institution building. It's whether you have the rest of it right that will determine whether or not you succeed.

Dan Blumenthal: I'd also say that Senator McCain has gotten both the engagement and the hedging piece of it right. It's very difficult to engage China. When Senator Obama ran in the primaries criticizing Senator Clinton for her husband's voting for permanent normal trade relations with China. It would be very difficult to engage China if we didn't have a strong economic and commercial relationship.

And I think Senator McCain has, throughout his history, found the right balance.

Ambassador Pickering: Please wind up.

Obama/Biden.

Ambassador Gelbard: We can't really tell which John McCain is really involved in this. Could it be the John McCain who says we shouldn't be talking to our enemies? He talks harshly about China but then he says he wants to engage with China.

What we need to do, after eight years of neglect in terms of our relationship with Asia, of unilateral policies as opposed to is much more bilateral engagement, much more multi-lateral engagement and have a much more serious and much broader and deeper engagement with China in particular while working on the multi-lateral side, too.

We need to help them develop sustained economic growth. This means developing not just an economy based on export industries but also based on increased domestic consumption.

We need to increase that dialogue to emphasize, as we agree, dialogue and performance on climate change, on energy security, on stability, regional stability, bilateral stability, and responsibility within the region and outside the region.

We need to work with China so that as they have grown and been a global power, we need to get them to demonstrate how to be a responsible global power in a variety of places around the world.

And that means strong engagement and working with them in every possible forum that we can.

Frank Jannuzi: Just to add a couple more words on that. This engagement with China also has to go into the security realm. We need to have talks with China about regional security. But we need to go first to our allies, to Japan, to South Korea, to Australia, to talk to them about their vision for a new regional security mechanism for East Asia. But then we need to go to Beijing, too, and work with them because there's no peace and stability in East Asia without China's constructive participation.

Our opponent in this campaign would not have the same attitude about engaging China. In fact, he's resolutely been suspicious of it.

Ambassador Pickering: For each of you, a one-minute extension. And the question is: Would your candidate want, if elected, go early to Asia on a trip? Would you change the usual order of going to Europe first? Is Asia now the most important region of the world for your candidate?

And I'll start with the McCain/Palin side.

Dan Blumenthal: We can't make any commitments on where our candidate would go.

Ambassador Pickering: It's what your recommendation is.

Dan Blumenthal: A strong recommendation would obviously be to go, would be to go to Asia. And I think there would be a lot of repair work to do. If the Korea FTA doesn't pass, for example, we'll have -- the government could be in trouble there and we'll have a lot of repair work to do in South Korea.

And that's not because of this president, it's because of Senator Obama's campaigning and the congressional democrats who have held it up.

We will have some work to do with Tokyo as well as we go forward. And, of course, we have a lot of work to do with Beijing on economic issues.

Again, on economic issues, I think that Senator McCain has been, you could ask the same question of Senator Obama, which Senator Obama is it? The one who campaigns in Michigan and Ohio against PNTR with China and against the Korea FTA because of a special interest that's hurting our country in general? Or is it now his advisor saying something different?

Ambassador Pickering: Obama/Biden, travel first to Europe, importance of Asia.

Frank Jannuzi: You're looking at the strongest advocates of an Asia trip, but it will be balanced off against all the competing advice.

So, yes, I would hope he would go to Asia first and that his first stop would be Tokyo, and that it would continue on to our key allies and to Beijing. And I think the reason to go are obvious. The center of gravity of our economic future has shifted to the Pacific.

The most difficult unsolved security problems in the world, some of them reside in Asia, most specifically North Korea nuclear ambitions. So, yes, he should go. And I hope also that Governor Palin will have a chance to make her first trip to Asia some day. (Laughter)

Ambassador Gelbard: It's difficult, given the state of disrepair of our relations around the world, it's hard to talk about really where President Obama would first go.

The state of our NATO relationship is poor, probably as poor as I can remember having seen it. And we need to get that back into place. But I at least have to say I agree that it's important to go to Asia as a very high priority, but not necessarily just because of the Korea FTA. The whole range of relationships are in trouble. In no small part because of the neglect of the ASEAN countries. And we have to recognize the real importance of Asia that has developed over the last

eight years with a great deal of neglect from this administration and under Bush/McCain it would certainly continue that way.

Ambassador Pickering: I'm going to continue around China with a somewhat different question, one that's posed by the security problems.

China and Taiwan have one of the greatest potentials for conflict in the region. The United States has supported a one China policy. China has not renounced the use of force to solve the issue of reuniting Taiwan with the mainland, nor has Taiwan renounced seeking independence for itself.

What would your administration do in the event of the use of force by China on this question, or a declaration of full independence by Taiwan and in finding an opening to assist the parties diplomatically to reach a settlement?

The first response goes to Obama/Biden.

Frank Jannuzi: I'm not going to answer the hypothetical, but I am going to tell you where Senator Obama is on China/Taiwan. Senator Obama believes that there is one China; that our relationship with China is governed not only by the three Shanghai Communiques but also by the Taiwan Relations Act, which obligates the United States in no uncertain terms to help Taiwan meet its legitimate defense needs.

The Taiwan Relations Act has recently been discarded apparently by this president who has failed to approve arms sales to Taiwan which are necessary to address a threat which Taiwan faces from growing Chinese military capability.

And yet we need to keep sight of the big picture. Cross Strait tension is at a historic low point. We should all welcome the development of efforts by Taiwan and China to resolve their differences peacefully through dialogue.

We should welcome the efforts undertaken by president Ma Ying-jeou to reach out to Beijing to expand ties in the economy, culture, education, travel. These are very welcomed developments.

Unfortunately, there are many in the McCain camp who seem to view these developments as a threat. Dan Blumenthal has written that the one China policy is shop-worn, cannot endure. He has embraced Taiwan independence.

Senator Obama believes that in fact our approach to China is one as followed over the past seven presidents that actually is working. And that when we look at the cross Straits relationship, we can see the fruits of America's resolute commitment to Taiwan's security but also our commitment to say that the final solution between China and Taiwan

is one that they have to work out, consistent with the wishes of the people of Taiwan through a democratic process, not a coerced solution.

Any attempt to do otherwise by China would be of, as the diplomats always say, "of grave concern to the United States". But not to make a joke of it, any such move by China would clearly threaten the entire underpinnings of the Asia-Pacific security realm and therefore would have to be addressed by a U.S. president with the utmost seriousness.

Ambassador Pickering: McCain/Palin.

Michael Green: You don't have much debate, nor have you in a number of presidential cycles on this question about the fundamentals of our approach to this issue, one China policy, the three Communiques, the Taiwan Relations Act, and of course our opposition to unilateral changes by either side. It's not really in play this time. It's a good thing. There's consistency on this issue over several presidencies.

John McCain would certainly not declare a freeze on arms sales to Taiwan, because it's inconvenient in terms of our diplomacy with Beijing on other issues. Consistency and commitment are critical to maintaining stability on this issue.

John McCain has been very clear that he would continue strengthening alliances and focusing on alliances across Asia, because the more we are fully engaged, the more we are resolute in our relationships, the more that complicates any possible Chinese thinking about use of force.

And I think that John McCain would stand out, certainly in contrast to Senator Obama, in emphasizing the importance of Taiwan's democracy. Senator McCain in this campaign has been quite outspoken about values and democracy. In the case of Taiwan that's an important factor. Ma Ying-jeou, by May next year, is going to come up against this question of the World Health Assembly and international space. If he doesn't get something from Beijing, it's going to start to undercut his support at home.

Taiwan's leverage in this, Taiwan's efforts to get something out of this are resting in large part on whether or not the rest of the world, in particular the democracies, see value in Taiwan's democracy. So standing by democracy, standing by successful models of democracy is going to be an important part of encouraging progress on this issue.

And on your question about what we do, there's certain intellectual facilitation, the U.S. is not going to change its policy I think under either president and push for some imposed settlement.

Dan Blumenthal: I'd say it's interesting, because Senator Obama doesn't have a record that my record is being brought up and distorted.

But Senator McCain, of course, has voted on every Taiwan arms sales package.

Ambassador Pickering: I'll ask you to wind up.

Dan Blumenthal: And Sarah Palin looks forward to traveling with Senator Obama to South Korea and Japan I believe for his first time.

Ambassador Pickering: Let me now raise climate change. You've introduced the subject. It's a serious and important problem for us in the future. And one of the critical questions is how do we bring China and India to the table as real partners in tackling global climate change. More broadly, what initiatives will your administration pursue with regard to Asia and Asian countries to safeguard energy supply by promoting regional cooperation, managing tensions and reducing demand growth? And how will you work these key players into the climate change negotiations?

And the first answer to this goes to McCain/Palin.

Michael Green: Senator McCain led on climate change eight, nine years ago. He broke with his party and supported legislation to fund research and a more active approach on this.

He has proposed a cap and trade system, a market-based technology development. And he's been very clear that to make progress on climate change we need India and China to be in this international framework.

Now, Senator Obama's also had some of these positions. One thing that's quite different is Senator McCain has been a stronger and more consistent proponent of nuclear energy. Senator McCain has been a more consistent proponent of the nuclear deal with India. India wants to move to approximately 40,000 megawatts of nuclear power over the next generation.

That will reduce greenhouse emissions, and it will be an important point for us to discuss with India, getting them into this process. Senator Obama sponsored or supported legislation that had what Senator Biden called killer amendments on the U.S. India nuclear deal. I think he's for it now. We're not allowed to ask questions so I'll leave it at that.

Senator McCain has been for it all along, for strategic reasons. But also because India has to be part of this climate change solution. And nuclear will be part of their answer as it will be for China. And it will be part of our demonstration to the Indian people that we care about their development. We care about helping them get this right.

I think there's a lot of things we all agree in terms of how you use APEC, how you use the Asia-Pacific six-party energy forum that was

initiated a few years ago. Those are all parts of the solution, but I think the differences on nuclear, the differences on relations with India are important because we do need India in this as well as China.

Ambassador Pickering: Obama/Biden.

Frank Januzzi: In order to have an effective energy policy and global climate change policy, you need to believe that global warming is real. You need to believe that we cannot afford to do nothing in response to it. You need to believe that the solution has to be something more than drill, drill, drill.

Senator Obama believes that global warming is real and he's determined to lead the United States into an energy future where we are first in energy efficiency. Currently Japan is three times as efficient as we are per unit of GDP. Europe is twice as efficient as we are per unit of GDP. So we need to do a much better job, and we need a major investment in energy efficiency, alternative energy sources.

Senator Obama has not, contrary to the expectation of some, in any way ruled out nuclear power as a component of an effective energy strategy for the 21st century.

And to cite one specific area where he's looking to explore new areas of nuclear energy cooperation, it would be with the Japan/China/U.S. tri-lateral cooperation. Japan has some of the most advanced nuclear power reactors in the world. I've visited many of them. There's opportunities to work across the straits and across the East China sea to use energy cooperation and environmental cooperation between China and Japan to actually help to reconcile these two uneasy neighbors. Senator Obama also would look to see real change at home.

And I think that he has talked about -- I know that he's talked about billions of dollars to be invested in basic R&D to search for alternative energy sources at home. We really need to get with that immediately.

Ambassador Gelbard: Again, one of the key points here is engagement, engagement multi-laterally and bilaterally, an area where the Bush Administration, and I have to believe Bush 3 would continue the same kinds of policies.

Drill, drill, drill is really only applicable to dentists. It doesn't make any sense. When the United States decided not to go ahead with --

Ambassador Pickering: Would you please wind up.

Ambassador Gelbard: -- with a global environment agreement, we abandoned the field and have no credibility left with India and with China.

Ambassador Pickering: Now on to McCain/Palin on this.

Michael Green: I would encourage Senator Obama and his advisors to talk to our Korean friends about the U.S./Japan/China tri-lateral idea. You might hear a great deal of enthusiasm.

On the climate change, Senator McCain broke with his own party as he did with many other issues. Senator Obama has not, of course, on any issues. The other aspect you asked about is energy security.

And we have not mentioned Iraq yet. And maybe you'll ask later. But one important difference --

Ambassador Pickering: It's not in our definition of Asia, so you can mention Iraq if you like.

Michael Green: The reason I bring it up is, the reason I bring it up is because when you talk about energy security, our Asian allies and our friends, Japan, Korea, Taiwan, China, they are heavily dependent on energy resources in the Middle East.

And as Lee Kuan Yew wrote in the Washington Post several months ago, a precipitous withdrawal from Iraq, an unconditional withdrawal from Iraq is not going to reassure Asian allies you're taking Asia more seriously, it's going to create an intense anxiety that U.S. is going to cede Iraq to forces that would bring chaos to the broader Middle East and upset their energy supplies. Similarly, the transformation of our relationship with India rests in large part on whether or not the United States is standing consistent on this U.S. India nuclear which John McCain has been. He did not introduce or support killer amendments as Senator Obama did.

So getting the energy security picture right is not just about getting our alliances right, which we've talked about; it's also about getting India right. It's about getting engagement with ASEAN right. And I don't think we'll disagree with that between the two camps.

It's also about the role of the Middle East on Asian security, which John McCain has done, and is one of the reasons why he pushed for the surge when that was unpopular and when his own party didn't support him and pushed for a stand which has put us in a much better place and is much more reassuring in terms of energy supply to the region.

Ambassador Pickering: Second round to Obama/Biden.

Ambassador Gelbard: Since we've moved Iraq into Asia I'll have to comment on that. Having been to Iraq a few times before, it is impressive to see that Iraq now has a \$79 billion budget surplus generated by oil supplies. And it's encouraging to see that oil is

finally moving. And we look forward to the Iraqis being able to finance their own programs instead of the United States having to pay \$12 billion a month to continue to sustain them.

The 16-month timetable that Senator Obama has advocated is one in which there's an opportunity for Iraq to finally be pressured to take the kinds of measures that they need to take in order to pass the kinds of laws, including oil wealth sharing laws, that are needed in order to make that state sustainable again.

We need, instead, to focus our troops on the nexus of terror in this world, which is the Afghanistan/Pakistan problem, which I have a feeling we may be asked about.

But we want to continue to work with Iraq. It's not as if Senator Obama would leave that field completely. There would continue to be serious U.S. engagement, including military engagement, of course. And one part of that would be to make sure that those oil fields would continue to be pumping and flowing and that new drilling, new exploration would take place.

One bright star in the otherwise pretty dim eight years of the Bush Administration has indeed been engagement in India.

India is indeed reliant on this. And I just want to clarify the record: Senator Obama did indeed vote in 2006 in favor of the India nuclear deal. We need to continue to work very closely with not just India and China but with other nations in Asia on energy and energy sustainability, energy policy, energy and climate.

One of the key issues I'm afraid that's been neglected is the ASEAN countries again. One of the major sources of --

Ambassador Pickering: Would you please wind up.

Ambassador Gelbard: -- of problem in terms of climate change is Indonesia. And it's one initiative that we could join on to now is the heart of Borneo Initiative started by Brunei, Malaysia and Indonesia, among other things, that we need to work with on Indonesia and Malaysia and other countries in that region.

Ambassador Pickering: I gave you a little extra time. Does McCain/Palin want extra time? I'll give you another 30 seconds.

Michael Green: Just to clarify. Senator Obama voted for a bill in 2006 on the U.S. India nuclear deal that had in it what Senator Biden, who supported the U.S. India nuclear deal called killer amendments. So, yes, he did vote on a bill in 2006, that's true.

Ambassador Pickering: It was suggested I turn to Afghanistan and Pakistan. It just so happens you have a mind reader among the debaters.

Pakistan is a critical importance to our objectives of dealing with the Taliban and with Al-Qaida in Afghanistan as well as the broader challenge of eliminating the threat from Islamic extremist elements both in Afghanistan and Pakistan. This morning Pakistanis fired against on U.S. forces attacking terrorists in the frontier area.

The prime minister of Pakistan warned in the last few days that it would not tolerate further infringement of Pakistan's sovereignty from U.S. anti-terrorism forces.

As we know, just two days ago, a terrorist bomb exploded at the Marriott hotel in Islamabad, killing a large number of people. Pakistan's government is at best, and the Pakistani ambassador won't thank me for saying this, shaky.

It is a difficult situation intertwined with Afghanistan. Working with Pakistan's government is critical to dealing with terrorists hiding in the tribal areas.

What policies would your administration advocate to put Pakistan back on track and to make progress in dealing with both disbanding Al-Qaida and the Taliban in Afghanistan?

And the first answer is to Obama/Biden.

Ambassador Gelbard: As I said before, I see the nexus of Afghanistan/Pakistan as the most dangerous area in the world. Senator McCain started off in 2001 by saying this wasn't terribly interesting, didn't deserve serious U.S. engagement. And instead he really wanted to focus on Iraq.

You can always get experience. It's hard to get judgment. At this point, we need two sets of issues. We need to demonstrate that we have a long-term commitment in Afghanistan. The Afghans have said in the past that they have been frustrated by the United States showing very little interest or interest over the short term. They need to know that there is a long-term interest on the part of the United States, not just militarily, but including militarily, but also in terms of economic development and political development.

We also need to work very closely with the new Zardari government. We need to shore up that country which is in such a dangerous situation right now.

The current balance of payments, the current cash on hand is minimal. One to two months of imports. We need to support a robust

macroeconomic reform program of the kind that this government is starting to put into place.

And we need to work with the government of the President Zardari in not just supporting what is a strong macroeconomic plan but getting the IMF, multi-lateral institutions, and EU and others around the world to support that kind of plan, too.

We need to make sure and make very clear to all democratically-oriented institutions in Pakistan, starting with the government, but not only the government, that we're prepared to engage over a serious period of time to make sure that country becomes stable and sustainable over the long term.

And, finally, we need to work very closely to assure, to work with both Afghanistan and Pakistan on the stability of the Pashtun tribes across the border which come to about 40 million people.

What concerns me --

Ambassador Pickering: You're in the wind-up now.

Ambassador Gelbard: In terms of these cross-border attacks right now is the Bush Administration was not able, they blew the opportunity to get Bin Laden, and I'm afraid in the last couple of months they're making a desperate attempt which could be destabilizing to this new government in their efforts to do so.

Ambassador Pickering: McCain/Palin.

Dan Blumenthal: I agree with a lot of what Bob said. What I disagree with what, and what Senator McCain disagrees, what Senator Biden disagrees with Senator Obama on is talking about striking an ally unilaterally in Pakistan.

Senator Biden, of course, mentioned that to Senator Obama in the democratic debate. Of course, it's been the policy of the United States to go after Al-Qaida terrorists. But we must speak softly. Talk about getting away from unilateral cowboy diplomacy, we need to speak softly and carry a big stick on that. And it's not very constructive to talk about unilaterally striking Pakistan.

In that, Obama is much more like President Bush than Senator McCain. I agree with a lot of -- the other thing I would note is that Senator McCain, of course, was with the first congressional delegation into Afghanistan in 2001.

He's been calling for increased NATO troops, which has happened. They've doubled in Afghanistan. Early on, he knows how to turn around

a war. He broke with his party. Took on his president to increase the number of troops.

And, most importantly, to change the strategy to a David Petraeus-led counter-insurgency strategy which is what we needed in Afghanistan. I agree NATO is very important; but, again, Senator McCain has been very curious about why Senator Obama, who chairs a subcommittee, hasn't held a single hearing on NATO since he's been the head of that subcommittee.

Michael Green: I was in the FATA two years ago and the U.S., Japan and E were building schools, roads.

Ambassador Pickering: That's the tribal area of Pakistan, not the Palestine Liberation Movement.

Michael Green: Correct. That would be a headline. McCain advisor. And there was some enthusiasm -- do I get three minutes back?

Ambassador Pickering: Yes, sir.

Michael Green: There was some considerable enthusiasm among tribal elders and others because the infrastructure was being built for the first time in millennia, with schools and roads. The security situation deteriorated. That's fallen off.

Ambassador Pickering: Mike, you can finish that in the second round. And I'll go to the Obama/Biden folks, and then let you pick up on that.

Obama/Biden.

Frank Januzzi: Senator Biden and Senator Obama have authored a plan, seven and a half billion dollar, five-year Afghanistan engagement plan, which the Congress is going to support. They've also offered a comprehensive plan because they understand that the Afghanistan and Pakistani situations are linked.

Beyond that, I think I'll just follow my boss's sterling reputation for brevity and say amen to everything that Ambassador Galbard said and ask if he has anything to add.

Ambassador Gelbard: One of the key problems from the very beginning in Afghanistan was the unwillingness of the Bush Administration to provide sufficient numbers and types of troops. They blew the opportunity to get Bin Laden at the beginning of the war. And we never had the right number of troops. Just as in Iraq. Now, this has become a NATO mission. But, again, we don't have the right number of troops and many of the NATO troop contributors are reluctant to have the right kinds of rules of engagement.

A number of them even refuse to get involved in combat. This is why I go back to what I said earlier about the need to reengage with NATO, to improve the status of that kind of relationship, the most successful military relationship in the history of the world.

We need, and I know President Obama would be able to do this, is to reengage with our NATO allies as a way of getting them first to contribute more troops and troops who are willing to engage in combat.

Second, to contribute significantly increased financial contributions to Afghanistan, to move that country from being almost a narco state into an improved situation.

Third, working with them in a very positive way to improve the problem of opium poppy cultivation and getting them to realize that that heroin that's being produced is going to Europe, not to the United States, and is a major financial contributor to the Taliban.

Ambassador Pickering: The McCain/Palin side for your second round.

Michael Green: The reason I mentioned the FATA was because you can turn the corner on this. The Pakistani side has to provide security. The international community with American leadership has to provide development assistance. We do need more troops in Afghanistan on that side of the border. Senator McCain has said he wants to send three brigades there to deal with that.

But the thing we have to always keep in mind with Pakistan is this is not a situation where you can come up with a black-and-white situation. The cooperator will attack. Senator Biden has supported or sponsored legislation that puts very, very crude simplistic conditionality on aid to Pakistan.

This is a country where we're asking them to move towards democracy, to deal with the AQ Khan proliferation network, to engage in dialogue with India to reduce and close down the camps to deal with the border. This is a multi-dimensional problem. And as the 9/11 Commission report says we're going to have to make some hard calls with Pakistan. But we're going to have to keep engaged, have to keep pushing them. But it's not a problem that lends itself to a sort of simple set of crude conditionality for aid, let alone political statements that we'll attack them if they don't do the job.

Dan Blumenthal: I agree with that. And I would just add that Senator McCain has called for the three brigades. He's been pushing, he goes to the summit and NATO every year. He's been pushing for more NATO troops. But it's not just more troops, it's not just more money. It's a new counter-insurgency strategy of the kind that Senator McCain pushed so hard on Iraq or the kind that's been so successful.

We finally do have the right numbers of troops in Iraq. Senator McCain has been calling for that since August of 2003, when he called for Secretary Rumsfeld's resignation, and he's been pressing it on the Afghan question, too. It's not just more money. It's building up the Afghan National Army, and it's a new counter-insurgency strategy all together.

Ambassador Pickering: I'm on to the next question now. And you've talked about Afghanistan. And indeed some of you have recited some of the problems. Recent reports have shown us that there is no overall plan that we know of which incorporates the allies for dealing with Afghanistan. We're struggling with the question of unity of leadership, particularly military leadership. It's supposed to come together, but it's still bifurcated. The government of Afghanistan is suffering from bad governance and good corruption, if I could put it that way.

Foreign aid is falling short in its ability to deliver and falling short in its level of commitments. And one of you just mentioned a moment ago that there is rampant production of opium, poppy. The gurus tell me that 90 percent of the heroin in Europe comes from Afghan production.

What specifically will your administration do to deal with this rampant and growing set of problems in Afghanistan that, as one of you just said, is perhaps the most important question in Asia for us today? And the first opportunity to respond will go to the McCain/Palin group.

Michael Green: One thing Senator McCain will not do is argue that Afghanistan is so important we need to start pulling out of Iraq before we're ready. Because that would make the Afghanistan situation even worse.

You can't imagine anything that would embolden the Taliban or Al-Qaida in Afghanistan on the Pakistan side of the border more than the sight of American forces retreating because there wasn't political will at home to see the job through.

Fortunately, because of the surge, we are moving in the right direction in Iraq. And some of those same principles, as Dan mentioned, apply to Afghanistan.

There's obvious differences. You don't have the poppy problem in Iraq that you have in Afghanistan. And there other differences you can cite.

But some of the essentials of counter-insurgency strategy that General David Petraeus championed in Iraq, he now, as commander, I think is going to start working on with Afghanistan. It means more troops, three brigades. But that's necessary but not sufficient.

It means retraining and building up the Afghan National Army. There's lots more of the countries, including a lot of countries represented in this room could do, to help on training the Afghan police and Afghan National Army. We need to go around and redouble our efforts on international development assistance. And Pakistan, I mentioned a moment ago, but I would just replay that point that we need to get Pakistan right in all its dimensions and help this government of Pakistan succeed.

Not give them a blank check, keep the pressure on, but recognize the complexity that they face and that we need to face with them.

Dan Blumenthal: I would just add to that the importance of making sure that the Pakistan/India tensions are stabilized so that's removed as another issue of the host of issues that Mike mentioned that Pakistan has to face. Pakistan has to be looked at in its totality. Of course, the threat coming from Al-Qaeda is very important, but we must see that government succeed.

Ambassador Pickering: Obama/Biden.

Ambassador Gelbard: Well, Senator Obama certainly agrees there needs to be more troops in Afghanistan. But the question is: Where do they come from?

Iraq was a war of choice. Senator McCain made a bad choice. We need to focus right now on beginning to draw down these troops that were there for the surge. The surge did provide some sense of security, additional sense of security. What it did not do was, as I said earlier, cause the Iraqi government to take the decisions that need to be taken so that they can become a self-sustaining government. And Lord knows when that will happen. But there need to be serious discussions involving the United States and Iraq to begin to make that happen.

But even as that's going on, President Bush disappointed everyone, I believe, by deciding that, maybe except for Senator McCain, by announcing he was only going to withdraw a few thousand troops and move them to Afghanistan. A lot more need to go. They can only come from Iraq.

Certainly we agree that the kind of strategy that David Petraeus advocates and others do is what's required. Why hadn't this been happening all along? Senator McCain, in fact, was right there standing with President Bush advocating that they keep the number of troops in Afghanistan to a minimum, and that's why this situation has deteriorated so much.

The training of the Afghan Army has gone rather well. There have been significant achievements in that side of it. What has been neglected is the governance side.

And the other side of security, the police. There does need to be significantly greater funding. This can be done through international financial institutions; but, again, President Obama would be able to have much greater leverage in working with our NATO allies and with others to provide that kind of financing and the kind of mentoring that is needed in Afghanistan right now.

Ambassador Pickering: In the second round, because you raised it, but it remains a little effinescent at the moment. What would you do on your side to deal with India, Pakistan and the problems between them? They're both nuclear powers. The situation in the region has never been totally settled. What would you do; and, of course, use the opportunity as well to respond to the rest of the question on your second round.

Dan Blumenthal: First, with the first part of your question. The reason Senator McCain was such a staunch supporter of the new relationship with India, which again, if it had been up to Obama we would not be, we would not have today, because he voted for those five killer amendments before he voted against them.

But making India confident and making India think, giving India a place at the table, bringing India in, engaging it, making it, accommodating it as a great power I think it's given it a lot of confidence to stop focusing on Pakistan, a lot more confidence in dealing with Pakistan. They want to speak with us about different contingencies in Pakistan, but it's not their, it's not as tense of an issue as it was beforehand. A lot of that is because of the way we've treated India since then.

Again, Senator McCain, on the issue of Afghanistan, he has had the courage to break with his party, to put his country first in a very unpopular time to lead the counter-insurgency strategy against Iraq, to push General Petraeus and work with him to do that. Senator Obama, in voting for failure in 2007, also voted against supplying troops in Afghanistan, armor in Afghanistan, and more support for the Afghan National Army in that same supplemental. He voted not only for failure in Iraq but failure in Afghanistan.

Michael Green: On India/Pakistan, we, the international community, India/Pakistan have had some success over the past years dehyphenating the relationship. The key to that was we engaged Pakistan fully in the ways I described earlier. We gave India confidence in the way Dan described.

We worked with international partners, UK, EU, China and others to move from 2002 where there was a possibility of war to a much better

position. But Jammu Kashmir could start getting shaky again. It's going to be important. I'm certain that a McCain Administration would work with our allies, with NATO, with EU, but also with China and other states that have influence on the dynamics in South Asia.

Ambassador Pickering: Let's go to the Obama/Biden team for their response.

Frank Januzzi: Well, listening to Michael I'm reminded why it is that Bush's policy in Asia has been more successful than his policy in most other regions of the world. And I only wish his authority at the National Security Council had been a bit greater than it was.

He's exactly right about the efforts.

Michael Green: Thanks. (Laughter).

Frank Januzzi: He's exactly right about how the India Pakistan.

Ambassador Pickering: This debate is falling apart. (Laughter).

Frank Januzzi: He's exactly right. Do I get my time back for that laughter?

About the India Pakistan dynamic. And thankfully the situation in Kashmir is a bit calmer at the moment than it has been. But frankly it's still tenuous. It's one of the reasons why Senator Biden has these tricky onerous little requirements about military assistance.

We want to make sure that Pakistan gets the military assistance they need to deal with this threat of terrorism and instability in the FATA. But we're not convinced that we want to provide that kind of military assistance that might inflame India/Pakistan relations.

Finally, on the India nuclear deal, it's absolutely right that Senator Biden and Obama disagreed on several amendments to that deal. I think it's a tribute to Senator Obama that he chose a vice president with whom he sometimes will disagree. He wants honest, candid, expert advice and he's going to get that from Senator Biden.

Ambassador Gelbard: What I would say to Dan, quoting one of my favorite Republican presidents, Ronald Reagan, there you go again.

What is clear is that Senator Obama has been a strong advocate of a strong relationship, a broad and very deep relationship with India that is not mutually exclusive from having a strong, broad and deep relationship with Pakistan.

There is a great opportunity right now, and there's an opportunity to have even a tri-lateral set of conversations involving Afghanistan,

Pakistan, India, particularly because President Zardari took the courageous step of inviting President Karzai to his inauguration. There's also the great opportunity to begin some serious talks about Jammu and Kashmir, as Mike said. And this opportunity cannot be missed.

Ambassador Pickering: Thank you all. For the audience, this is my last question before I ask for your questions. And I'm now going to move the focus back to Northeast Asia and the Korean peninsula.

There are rumors, seemingly at least semi-verified, that Kim Jong-il is once again in ill health. North Korea is reassembling its plant at Yongbyon, a move that further jeopardizes the nuclear deal, and the talks have stalled, seemingly, over disagreement in part over verification methods.

What will your administration do about these developments? Would you take a chance and take North Korea off the terrorist list? Would you institute, on the other hand, new sanctions that might possibly risk the six-party talks' continuation?

And the first opportunity to respond to this goes to Obama/Biden.

Frank Januzzi: Thank you. Well, we tried the Bush/Cheney/McCain approach with North Korea for the first six years of the Bush Administration. And the record is very clear. During that time, North Korea quadrupled their stockpile of FISA material. Went from a situation where they were inside the MPT, their facilities were frozen. To a situation where they were out of the MTP, inspectors were gone. And rampantly producing FISA material. And testing ballistic missiles and exporting those missiles. Proliferating nuclear technology apparently to Syria.

We know the results of what happens when you subject this relationship and this problem to a policy of malign neglect. If we had followed Senator McCain's advice and further cut off talks with North Korea after their nuclear test, by this time today they would have had another 8000 fuel rods that had been reprocessed and another 25 to 30 kilograms of plutonium. The problem is not that we're not talking. The problem is we're not talking in an effective, principled consistent way.

I commend the President. Senator Obama has commended and repeatedly supported the President in his initiatives to reach out to North Korea, multi-laterally, as well as through direct talks. But Senator McCain opposes direct talks with North Korea. He doesn't apparently understand the way that the decision making works inside North Korea.

You need to get to the top. Now, instead of walking away from the negotiating table, as McCain has proposed on more than one occasion,

every time the going gets tough, he seems to want to walk away. We need to get clarity. We need to get a verification regime out of North Korea. We should not lift sanctions until we get agreement on that verification regime.

But when we get that verification regime we need to move forward step-by-step on an action-by-action basis to dismantle that program, eliminate it verifiably, and move toward a Korean peninsula that's at peace and where our relationships are normalized. And it's going to take a lot of hard-headed diplomacy to get there.

Ambassador Pickering: McCain/Palin.

Michael Green: Senator McCain has said and written in some of your newspapers [indiscernible] and elsewhere that diplomacy is an important tool in dealing with this problem, including the six-party talks.

It's a means not an end. And the problem is that we have confused our means with our ends. We, and in particular his opponent in this election, have talked about diplomacy as if it's an end in itself. The reality is with North Korea, you're not going to get significant change without pressure.

This is a point that the Prime Minister of Japan and others have made. You need pressure and coercive elements to get results from your diplomacy. The agreed framework in 1994 had important elements, but there was no pressure that followed from it. The North Koreans cheated and brought us to the current crisis we're in.

After the nuclear test in October 2006, the Security Council unanimously passed Resolution 1718 that had real sticks, had real teeth. Never implemented. Fell into a pattern of engagement without consequences.

We eventually got a result by narrowing our demands to the point where North Korea could finally say yes. Now we see they can't even say yes to that because they refused the verification. The lesson from all this, diplomacy is an important tool. But diplomacy without consequences, without pressure, is not going to get you anywhere, it's just going to buy North Korea time. And especially diplomacy that would be, as Senator Obama suggested eight times during the primary, the President of the United States unconditionally and directly negotiating.

Now fortunately it's Frank and others who know this region well, walking back from that, from meeting unconditionally, to meeting with preparations, and meeting with tough and principled engagement.

But the reality is, with North Korea, you have to have another element to your diplomacy. You have to have some pressure and stronger

alliance coordination. It's in Resolution 1718 that the allies and that the Security Council should meet, if North Korea doesn't deliver. The Chinese signed onto that. That's where we are.

Ambassador Pickering: I'll go back to Obama/Biden for the second round.

Frank Januzzi: Well, as usual I do tend to agree with Michael on many points but not all on North Korea. Leverage is essential in dealing with North Korea. The North Koreans do not respond well when you're just dangling carrots in front of them.

I had a Korean friend once who told me a story, it's too long for me to tell right now, but basically the gist of it is if you want to get anywhere with North Korea in negotiations, you gotta get their attention.

In getting their attention, it does require retaining all of your options, including the option of force. President Obama will never take any option off the table. But he especially won't take the diplomatic option off the table. It's ridiculous to engage North Korea with our most powerful tools tied behind our backs.

The power of our values, our ideals, our engagement, our economic might, all of these things need to be brought to the table. So, absolutely, leverage is essential. We'll never get anywhere with North Korea without it. We need to engage North Korea on human rights and other issues of concern to the American people. North Korea is a multi-dimensional threat to the United States. And we need to have a process of engagement with North Korea precisely because we need to get at all of those elements.

Ambassador Gelbard: When someone says that it's policy on Iran, it would be bomb, bomb, bomb, bomb Iran, then it's hard to wonder about the seriousness of engaging with countries that are extraordinarily dangerous.

Yes, diplomacy is a tool and it is a means. Nobody ever said it was an end. That's a distortion. Senator Obama has talked about using the full range of potential tools that we have, including both bilateral and multi-lateral and not excluding by any means the use of force.

In order to make sure that our goals are accomplished in North Korea, just as in another extraordinary moment of clarity the Bush Administration used diplomacy in its one success which was in getting Qaddafi to end its nuclear program.

Ambassador Pickering: You're out of time. I'm now going to move to questions from the audience. As I mentioned earlier, if you are called upon, please proceed as quickly as possible to one of the two standing

microphones at the front of the room. Please first provide your name and affiliation. Questions should be limited to 20 seconds or less.

And for reasons of management --

Dan Blumenthal: You missed our rebuttal.

Ambassador Pickering: I apologize. You're back on.

Dan Blumenthal: Five minutes, please. (Laughter).

Dan Blumenthal: No, we don't need five minutes.

Ambassador Pickering: You'll get your full two minutes and nothing more. (Laughter)

Dan Blumenthal: Yes, sir. Senator McCain has always had a comprehensive approach to North Korea. The approach begins with the united front of the democratic allies, South Korea and Japan. It's going to be very -- it's one thing to talk about engaging with the allies, and it's another thing to make the hard calls to do that. And, again, this is why we keep coming back to the Korea FTA and how important it is to get that back on the agenda in order to successfully enmesh ourselves with the South Koreans and engage in a united front going forward on talks with North Korea.

Senator McCain's policy on North Korea has been engaging in the six-party talks, get the South Korea and Japan relationship on better footing. Now we have the chance to do that. Hopefully we won't be set back too much again by this Korea FTA.

Very much focused on human rights and humanitarian issues. And on that I think a lot of people are very disappointed with Senator Obama, in particular, who, as a member of the Illinois delegation, wrote a letter that he would never agree to take North Korea off the terrorism list until Reverend Kim Dong-Shik, who was called the Raoul Wallenberg of North Korea in terms of bringing prisoners out, was released from his abduction in North Korea and has reversed himself on that issue.

Human rights, as Frank said, is incredibly important. We need to keep that in every working group as we go forward and talking to the North Koreans, alleviate their human rights situation, and we also need to take our allies into account when they talk about the conventional threat, which has been left out. The ballistic missile threat, the dagger pointed at Seoul. The missiles pointed at Japan.

So Senator McCain's approach is very comprehensive. It's talk in the six-party talk context. It's talk in the three-party context. It's the leverage, and it's dealing with a whole panoply of issues that our allies care about.

Ambassador Pickering: Good. Thank you again for reminding me that I jumped over you. I'm going, for purposes of management, to start on the right-hand side of the aisle. There's a hand up back there, please.

Question: My name is Michael Gadbow. I'm with Georgetown Law School. It's inherent in the nature of a debate that both sides try to emphasize their differences. But there are issues here like, in particular, the Afghanistan/Pakistan problem that is so complex and so compelling that it doesn't necessarily lend itself to the kind of discussion that we've had today.

What do you think of the suggestion that was made to bring, that the President bring both candidates together and, together with the administration, think through the decisions that have to be made now that will clearly carry over until next year and influence the setting that whatever candidate is elected will face in that part of the world and try to hammer out together a consistent and concerted national strategy that we could support together?

Ambassador Pickering: Thank you, Mike. I'll go first to McCain/Palin.

Michael Green: Well, I very much appreciate the sentiment in your question, or your suggestion. I'm afraid it's politically unrealistic in this election cycle or any other to have the process stop so that the candidates can sit down and agree on things. It's just not how the democratic political process works here anyway or anywhere, if there's a real contest of ideas and a real appeal to the American voters.

I think you'll hear in between the lines an awful lot of consistency and continuity in American foreign policy towards Asia. It should be reassuring to our Asian friends listening to this. But you'll also hear some important differences.

I would say, and hopefully this won't get me in trouble with the campaign, we do have a good system. We have active think tanks and universities. And these ideas get debated. I was off with the Aspen Strategy Group with people from both camps. So people recognize how hard these problems are. They share ideas. In forums like this we debate about the differences. I'm afraid a summit with the leaders on Afghanistan, as appealing as it sounds, is not politically likely. But there is ferment a discussion in our public life, and I think people do recognize how hard these are and there are a lot of points of similarity. What we're doing today is pointing out some of the important differences, which I think is the purpose of this debate.

Dan Blumenthal: And I think there are real differences, and the people in our country really need to know those differences. Senator McCain

did suggest to Senator Obama early on a series of town hall-style meetings, something different, something new. Really a new politics. Probably would have gotten us more focused on substantive issues such as the ones brought up today rather than other types of issues.

But Senator Obama rejected that. That, I think, is something we need in our politics: Greater discussion on the substance. There are real differences. They're really different. We're voting for a Commander-in-Chief who had the judgment to turn the Iraq war around and who has the judgment to turn the Afghanistan war around and who had the judgment already to call for more NATO troops early on.

Ambassador Pickering: Obama/Biden.

Ambassador Gelbard: I'm surprised to hear that Mike Gadbaw has moved into academia, and his question reflects that. But I agree with -- (Laughter) I knew him when he was a real businessman.

I largely agree with what Mike Green has said, in the sense that it's a little late for this. And the additional point is that the Bush Administration's credibility is so low on some of these issues that it certainly would be my advice to our candidate that it wouldn't really be good timing in terms of this.

But I think, as you've heard, the overall sense of where what we would tend to advise in terms of Afghanistan/Pakistan is largely similar. It's crystal clear that the extraordinary dangers which exist in these two countries right now need to be dealt with with tremendous urgency, with tremendous thought, and there is no time to be lost on this.

What is truly unfortunate is that the Bush Administration wasted seven years; that they really mishandled the Afghanistan situation. And I do have to repeat again: It is clear, and it's on the record, that Senator McCain, who may be supporting having more troops now, was against it earlier.

We need to get those troops moved from Iraq because there are no other places where we can find troops, certainly from the United States. We need to develop this kind of policy on Pakistan to shore it up, to get, to encourage President Zardari and others in his government to make the kinds of structural forms that are necessary over the long term, but also to take the kinds of short-term measures which are really imperative right now to regain the confidence of their own people and to really emphasize and focus on that border issue, as Frank mentioned, but also as Mike mentioned, and try to work to find structural and cross-border institutions which can help solve the problems of the Pushtans over time.

Ambassador Pickering: Second round.

Michael Green: Same question?

Ambassador Pickering: Yes, same question.

Michael Green: I didn't realize there was a second round. Do you want --

Michael Green: I've run out of nonpartisanship. I'm sorry.
(Laughter)

Dan Blumenthal: Bob is right. This is one area we need the comprehensive strategy, Pakistan is going to be the key. It's going to be the key going forward. But it's really impossible to disconnect success in Iraq from success in Afghanistan.

Failure in Iraq would make the job in Afghanistan that much harder. As Mike mentioned before, it will embolden our enemies and it will very badly hurt the morale of this nation as well.

So Senator McCain leading the charge for success in Iraq will make leading the charge in success for Afghanistan all the better.

But I think in the spirit of bipartisanship, we all realize the importance of a comprehensive approach to Pakistan. If Senator Obama was running against President Bush, some of the jibes would be more credible. But he's running against Senator McCain, who has broken from President Bush on so many issues where he agrees with Bob and Frank have hurt our credibility, whether it was breaking with his party to call for the close of Guantanamo, or breaking with his party to lead, again, against his party, leading the charge in terms of the torture of detainee issue.

He understands very much the need to, and has consistently in his career, broken with his party, put his country first. And understands the need to, if America is going to be a beacon, needs to lead in that regard as well.

Michael Green: And the brigades are there for Afghanistan without withdrawing all U.S. combat brigades from Iraq in 16 months without conditions as Senator Obama has proposed.

Ambassador Pickering: Obama/Biden second round.

Ambassador Gelbard: First, we're not talking about failure in Iraq. We're talking about bad judgment in pushing for a war in Iraq to begin with. Second, and overall, in terms, focusing on Pakistan, there's a broader issue, and it's a global issue, which is the standing of the United States in the world. America's moral standing has dramatically decreased over these last eight years, I agree.

We need to get Guantanamo closed. We've been stained by Abu Ghraib. We need to focus on how to communicate, how to regain that kind of moral leadership again, which will help us both with our long-time allies, where our status has dropped dramatically, as well as with friends, as well as with enemies.

One of the key issues in a place like Pakistan is that the United States has lost enormous credibility. I'm on the board of trustees of a college. We couldn't get a Pakistani student a visa to come to the United States to start freshman year a month ago. And one of the things that's hurting us dramatically is the whole issue of education. We really need to focus on this, and we need to get away while safeguarding our homeland security. And as I'm fond of saying, we don't need to reorganize the Department of Homeland Security, we need to organize it.

And one of these things is we've got to get away from this problem of young people and other people to not being able legitimately to get visas to come to the United States.

Frank Januzzi: Let me briefly add that this issue of America's standing in the world, there's the Chicago Council of Foreign Affairs poll out today. They asked people what 12, 13 different things are important to them, things like solving world hunger and climate change. The number one thing was improving America's standing in the world.

And there is nothing that the United States could do that would affect that more rapidly and dramatically than the election of Barack Obama and Joe Biden.

Ambassador Pickering: Over on the left side. Any questions here?

Question: I'm Josh Rogan with Congressional Quarterly. My question is about Japan. Both sides have nodded to the U.S./Japan bilateral relationship as being important in any future security structure. But there's also a fear of Japan passing the idea that a future administration would be more focused on emerging powers.

But also the idea that Japan's post World War II security structure limits its ability to play a role. So I'm asking, understanding that these are Japanese decisions but that the Washington message plays a role in this process, my question is: How would each candidate approach the U.S. encouraging Japan to achieve a more, quote, unquote, normal status? This could be related to its status on the Security Council, constitutional revision, its use of the self-defense forces outside of Iraq, or the sale of high tech weaponry such as advanced fighters from us to them.

Ambassador Pickering: First response goes to the Obama/Biden camp.

Frank Januzzi: It's an excellent question. And it's essential to the future of U.S. policy in the Asia-Pacific. And Senator Obama believes that our alliance with Japan is the cornerstone of our security policy in the Pacific and therefore he's going to undertake every effort to strengthen and further consolidate that alliance, not only to focus on the challenges of East Asia, especially North Korea and the rise of China, the unpredictability that's associated with that, but also on a global basis, on climate change, on peace operations in the Middle East, on economic development, on democracy promotion. So that relationship is absolutely essential. I was pleased to spend a year in Japan, courtesy of the Council on Foreign Relations, in 2006/2007.

I had the great opportunity to admire what the Japanese people have done constructively in the world in East Asia, with efforts to try to improve their relationships in the post Cold War era.

And I think that we must continue a process which was started through a bipartisan effort that Michael and I were both a part of called the Armitage Report 10 years ago.

The process of strengthening that alliance is well underway. But I think we also, at this stage, we need to be mindful and respectful of Japan's democracy. The people of Japan, and not people, think tank people here in Washington, have to decide what role is appropriate for Japan in the world. We should respect their choices.

There may be areas where Japanese people in public don't want to go. And we need to find ways to work with them in those areas where Japan is comfortable. I yield back the balance of my time.

Michael Green: On many of these issues, Frank and I are in violent agreement. Senator McCain asked Senator Joe Lieberman, his good friend and advisor, to go to Japan in June, and he had meetings in Tokyo with politicians from both sides of the aisle with officials to hear what the Japanese side had to say about our alliance.

And I think it's fair to say that he came back with some good news but also some concerns. Polling on us, on the U.S. and Japan, has been generally quite good. It took a dip over the last year or so.

I think the problem, it's the problem that Senator Lieberman heard, is that our Japanese friends worry that we're not keeping our eye on the ball, that we're not tending to real security and other issues that concern our allies.

One of those is North Korea. And one of the reasons that Senator McCain has said that he would not support lifting sanctions without progress in the abductees, without verification, is because he understands this is not just a political or emotional issue in Japan

about the abductees, it's a real litmus test for our Japanese friends of our strategic commitment.

I think you can also expect that as president, Senator McCain would encourage Japan to keep moving on the path of playing a larger role, including security council membership, where I think there's bipartisanship for Japan's membership, and a recognition that Japan's influence in the world depends obviously on their economic power, on their ideas and playing a leading role in places like the G8 and on people, people on the ground.

In showing the Japanese public support for progress in places like Indonesia or Afghanistan or elsewhere. So it's going to be a priority for McCain administration. No doubt about that.

And the real question will come down to which candidate is ready to make the hard call on issues like trade or on the negotiating process with North Korea and keep a focus on our allies' interests, as I said, because we need them. We've got to be there for them when we don't.

Ambassador Pickering: Obama/Biden, do you want to come back?

Frank Januzzi: Very quickly and then I'll turn to Ambassador Gelbard.

Japan is the second largest economy in the world. And there's so much we need to work on together. If we have four more years of Bush McCain, they may be able to move back to the number one position. So then we would have to expect even more of them.

Ambassador Gelbard: How do I go after that? (Laughter).

One of the things we really need to do is listen, and listen to our friends and our allies. Japan has been saying a lot to us, and under the Bush Administration -- and I can only assume it would be the same under Bush III -- that we don't listen.

Japan has been asking us to become more engaged in Asia, both multi-laterally and bilaterally. We haven't listened. We need to listen to them. We need to listen to countries like Australia, our other close allies, and become much more engaged, particularly in the regional architecture of the region.

We have managed to walk away as Asia has been moving forward on a lot of this regional architecture, particularly over the last decade, and we've left the terrain wide open for China and Russia as it's moved forward.

One of these issues could very well be signing onto the Treaty of Amity and Cooperation, with reservations. With the reservations we need to assure our own basic fundamental security issues, including nuclear

issues, so we can then have a seat at the table, literally, for the East Asia Summit and for ASEAN plus three and others.

We need to be there and listening to what Japan has been advising us for a long time.

Ambassador Pickering: McCain Palin, second round.

Dan Blumenthal: I completely agree on the listening point. So we very much look forward to Senator Obama's first trip to Japan and his ability to listen to prime minister and leaders there.

As Mike said, Senator McCain's experience with Japan has gone back a long ways. He knows that it is the key and cornerstone ally in the Asia-Pacific based both on common interests in terms of the way they view the North Korea situation unfolding, not just the nuclear situation, but they talk a lot about the ballistic missile situation as well and abductee situation, as well as common values, which are very important to Senator McCain as well.

He sent his top surrogate early on straight to Japan, as Mike mentioned, to show the importance of that relationship to him on his way to the Shangri La dialogue. He's been to Japan, been all over to the region many times, talk about Australia. I'll turn it over to Mike here, but Senator McCain just wrote an Op Ed speaking to Australians. I don't know if you want to talk about that.

Michael Green: Those of you who get The Australian, it's in the Sunday edition. A little bit of history about the McCain family. His great grandfather was part of The Great White Fleet hundreds of years ago. Generations of engagement with our friends and allies.

You know, Ambassador Gelbard, Bob makes an important point. The next administration is going to have to look at the East Asia summit, look at the Treaty of Amity and Cooperation. My own view, I think many Asian experts would say, as Bob did, we need to look at a way to get more engaged in East Asia summit. That gets us in the door.

I think the question is what do we do when we get in the door. That's why Dan and I keep coming back to the U.S. Korea FTA because that's where the rubber hits the road. Are you going to be part of this multi-lateral economic framework, engage actively, be a part of this, or just cede the field and let the various FTAs that were proposed that were not in dominate.

Ambassador Pickering: Another question from the audience over here on the right. And I'm holding my hand up in this crazy salute because I cannot see. I'll take this lady just in the first row to the right, please.

Question: You've all commented on the bilateral.

Ambassador Pickering: Please identify your name and affiliation.

Question: Pat Haslach, U.S. Senator Official to APEC. You can guess what kind of a question I'm going to ask.

You've all commented on the bilateral and the Korean free trade agreement. Wonder for a moment if you could focus on the multi-lateral, what's happening on the Doha round and on APEC, President Bush announced in Sydney last August we would be hosting in 2011. That's a real opportunity for us. I'd like to hear your views on that.

And just one other question, because you've talked a lot about India and some of the other countries in the region, what the position would be on whether you would be for enlarging APEC to more than the 21 economic members that we currently have. Thank you.

Ambassador Pickering: Thank you, Pat. The first response to this goes to McCain/Palin.

Michael Green: This question of regional architecture -- there you are -- this question of regional architecture, if or how, I think the answer is going to be how we participate in East Asia Summit, what we do about an ASEAN summit, which I would support, which Senator McCain has looked at and talked with ASEAN ambassadors about sort of informally to get views. This is all part of a larger architectural question we have to look at.

There's a lot going on. And we have to consider how we economize these various forums or how we empower the Secretary of State or others to show the flag for us, I think on the need for multilateralism in Asia, this is something that's been building from Bush 41, to Clinton, to Bush 43. And it's going to keep building.

The real question, I keep saying, where's the beef, where is the content. Trade will be part of it. The U.S. Korea free trade agreement has the enormous potential being part of a building block with Singapore that we're discussing and Malaysia and Thailand to build some broader trans-Pacific vision. It has the advantage that it has more FTA more depth than what China or others are doing in the region with FTAs we have to have that card if we're going to be taken seriously.

I think we also have to have a very strong relationship with our allies because as we move towards more multilateral institutions in Asia, including eventually in northeast Asia, building on the six party talks, we need to recognize that the basis for our security is our system of alliances.

And we need to have the kind of trust and the kind of strategic dialogue with our allies so that we're enhancing their security and not in any way making the mistake the United States made in the 1920s when we shifted or pushed Britain to shift from bilateral to multi-lateral alliances. Alliances will be key to this, too. Free trade and active engagement in the region.

Dan Blumenthal: I would just add the thinking of Senator McCain on the Korea FTA it can become a template for competitive liberalization. It will put pressure on Japan to step up to the plate. Thailand. He's talked about Thailand, New Zealand and Asia as well. APEC being an important institution as well because Taiwan is already included you don't have to renegotiate that it's part of Asia. That's his vision harmonizing the FTAs once they go through.

Ambassador Pickering: Obama/Biden.

Ambassador Gelbard: This is Pat Haslach's revenge for having worked for me once. (Laughter) The Bush Administration has had particular emphasis on bilateral free trade agreements. They've gone after the low-hanging fruit to a very large extent. KAFTA, Peru. Australia.

But as I said earlier, there's a qualitative difference in terms of the agreement with Korea. We're getting into the big leagues here, and we really need, at this time, to look at the interests of the Korean workers but also the American workers. And we need to make sure that American jobs are not lost just -- that this isn't a zero sum game and that only Korean workers benefit from this.

To be very clear because of all the distortions that have been made here, Senator Obama is not opposed to the Korea U.S. FTA agreement. He thinks it needs to be worked on over time.

But, the key point is that, what I didn't hear from them, is that we need to really focus again on the multi-lateral trade negotiations, because that is something which is critical to the sound structural functioning of the world trade and payment system.

The Doha round sadly didn't work out. But Senator Obama continues to feel that we need to push and push and negotiate and negotiate to try to get it right, because that will help benefit the entire world if it's done correctly.

We feel that regional trade negotiations need to be focused upon, too. One of the things is ASEAN, that we need to look on. And I'm afraid, I've got to say right now that one of my disappointments in all of this so far is we haven't talked about Southeast Asia, an area that's been sadly neglected by the Bush Administration.

We need to look at ASEAN as a region, regrettably, of course, Burma is part of it, but we really need to look at the whole region.

I've discussed very recently --

Ambassador Pickering: Time, Bob.

Ambassador Gelbard: Just a few more seconds.

Ambassador Pickering: We'll go to McCain/Palin for the second round.

Dan Blumenthal: Let's be very clear on the Korea FTA. Senator Obama wrote a letter to President Bush that anyone can access asking him not to go forward with it. So Bob might disagree with it, which I'm happy about and Frank might disagree with Senator Obama's letter but he's on the record in disagreement with it. Let's also be very clear about the benefit of this trade agreement. The independent trade commission did a study of just how many jobs it would create for Americans.

We're talking about one industry that's opposing it. And it happens to be an industry in a heartland state. This is about politics. This is not about the actual agreement. We're talking about \$10 billion in exports, in every dimension, from agriculture to machine tools, across the way.

We're talking about a president in South Korea who has put his presidential life on the line, his political life on the line, in order to get support for this. Time is running out. We can't wait and renegotiate based on one special interest.

Michael Green: I would only clarify. It wasn't only one industry, it was one part of one industry. And it happened in the context of a democratic primary fight. They got pretty fierce, and Senator Obama to compete against Senator Clinton came out against NAFTA and NPTR, the whole laundry list of free trade agreements, negotiated under discussion, future, and I think, unfortunately, fundamentally changed the trade debate in Congress.

After the Koreans had renegotiated the agreement to satisfy Speaker Pelosi and the leadership at great political risk for President [indiscernible] and President [indiscernible]. It's going to be very hard for the next president to go to an East Asian summit and say we want a transpacific open free trade framework when we haven't done anything to show that we're serious about it. And the Korea FTA is absolutely essential for that.

Ambassador Pickering: Thank you, Mike. We go to Obama/Biden for the second round.

Ambassador Gelbard: To repeat myself, there you go again. What the industry, in case there are any of you in the audience who don't know, is the automobile industry. And it's located in the state of Michigan, with the highest unemployment rate in this entire country.

Senator Obama cares about workers. He cares about jobs. This is why he supported the idea of an increase in the minimum wage, which hadn't been increased in this entire administration, until the democrats took over the Senate and the House of Representatives.

But going back to this issue of multi-lateral trade. The issue of increasing the size of APEC, the member of APEC, is an interesting idea.

I was just in South America last month, and in a meeting with President Uribe of Columbia. We were discussing this very issue. They are indeed a Pacific nation, for those of you who don't know Latin America.

And it is worth considering. And this is, I have to say, only my opinion. It is worth considering looking at an expansion of membership. One of the interesting things that's going on is that countries like Brazil are really anxious to get involved in APEC. So right now major Brazilian corporations are establishing themselves in Peru. Precisely so on the one hand they can take advantage of APEC. And on the other, in terms of the free trade agreement with the United States.

So, again, we need to look at free trade, which Senator Obama strongly supports. I hope that's clear. And we need to look at the idea of how to fortify a trade and payment system which has been badly damaged by the unfortunate occurrences in the collapse of the Doha trade round.

Ambassador Pickering: I'm going to squeeze a little. I'm going to take one more question over here on the left-hand side, and I'm going to give you two rounds on that. And then we'll go to final statements. Please, over here. Sir, right there.

Question: John Hanley for Institute of Defense Analyses. The question is: Much of the reserves, currency reserves that can be required to resolve the current financial crisis reside in Asia. Access to that currency is going to require confidence in the investment by investors that the money will be well taken care of and that it will make some reasonable return.

Can you talk about what your candidates are willing to do to provide confidence to Asian investors?

Ambassador Pickering: The Obama/Biden group has first opportunity to respond.

Ambassador Gelbard: I think there's a range of possibilities here in terms of the investment climate. There obviously has been a lot of concern over the last decade in terms of entry into the United States and certain kinds of strategic investments, and that's resulted in new legislation regarding CIFIUS, the interagency, the interdepartmental organization, which vets and approves certain kinds of foreign investment.

There has been certain concern, of course, that has caused some bilateral problems with China, particularly regarding the purchase of Unocal, for example.

Now, but fundamentally I think, and I don't think there would be much disagreement between the candidates on this, the United States wants to maintain itself as an open economy as much as possible for foreign investment. Perhaps the most open in the world.

The United States has welcomed Chinese investment. They bought Lenovo, which is now the IBM PC company for Lenovo. There are other areas that have been very successful.

What needs to be looked at are the sovereign wealth funds. There's no question that certain -- that all sovereign wealth funds are not created equal. Some have invested and are investing a great deal in the United States and have done very well. I'm particularly familiar with the investments done by sovereign wealth funds from Singapore. These need to be looked at carefully. But, in fact, the Chinese government even, in fact, bought, if I'm not mistaken, a percentage in Blackstone, one of the most important private equity firms in the world.

So we need to maintain ourselves as an open environment for investment because it produces jobs for American workers.

Ambassador Pickering: Thank you. I'll go right away to McCain/Palin on the question.

Michael Green: Implicit in your question was a suggestion that somehow although all the leverage is now disadvantageous to us because of this. I do think that when you look at the large currency reserves held by countries like China or Japan or others, they rely on our market. That makes the whole thing work. We're in this together.

It's, therefore, very important that our friends in Asia see a president who is making the call even when it's not popular for open markets and for free trade.

I also think that the world is looking to see that the next president has a plan. And Senator McCain has come out with some specifics on how he would manage this bailout in terms of board of governors and

oversight and accountability and transparency. I think it's important. I'm not going to go into all the details. It's not an economics forum. But it's important for the candidates to be president to demonstrate that they're going to get on top of this and keep the markets open, keep the oversight of any bill out transparent and then have accountability.

Dan Blumenthal: I agree with much of what Bob said. The sovereign wealth funds, we have to pay some -- it's fine -- I think the Chinese took a big loss on the Blackstone investments. So that's not really a problem for our national security but those do have to be watched because of transparency questions.

But coming back to the strategy on the Korea FTA and what it might do to Japan other countries in terms of investment liberalization as well. If you talk about good jobs in the heartland, go to those Hyundai and Honda plants that are because of Korean investment and Japanese investment. And the competitive liberalization process will also affect investment into the United States and will make investors from Asia find good buys and create better jobs here. And that's really the solution in a crisis.

As Mike mentioned Smoot-Hawley before. This is just the time right now to make sure that our markets are open and that we go forward with these FTAs.

Ambassador Pickering: To stay on track I'll give you each a minute in the second round on this. I'll begin with Obama/Biden.

Frank Januzzi: We're coming back to the Korea FTA a lot. And I think that's appropriate, because the U.S. Korea relationship is so vitally important. They're two and a half Korean Americans in this country. One of our largest trading partners in the world. I think it's seventh or eighth largest U.S. trading partner. It's essential that we get the U.S. Korea trade relationship right.

At the time that Senator Obama expressed his concerns about this agreement, concerns that he still has, he cited several things. He cited concern about autos, because the agreement does not provide adequate provisions to get U.S. autos exported to Korea. He cited concern about beef. Because, remember, at the time that he voiced his opposition, the Korean market was closed to U.S. beef. \$2 billion annual export that affects dozens of states, not just Michigan.

And he cited the failure of the Bush Administration to pass trade adjustment authority to protect those workers who are disadvantaged by international trade, because in fact not everyone is a winner.

So with those issues addressed in the future of the Obama Administration will be delighted to move forward with the Korea FTA, and I think that his election is the best way to get it done.

Ambassador Pickering: McCain/Palin. One minute to respond.

Dan Blumenthal: I'm very happy to get that pledge here from Frank on the Korea FTA. It's good for the country. But hopefully we'll still have time, in all seriousness, with the risk the Korean president took in settling the beef issue and the way his popularity went down.

So it's really important that we act fast. There was a group of leading congressmen who cited their Obama mandate not to bring up not just the Korea FTA but the Columbia FTA and other FTAs. So they did change the dynamic this year, and that's very important. We need to keep the markets open.

Besides that, on your question, investment in the United States is obviously a good thing. Something we want to continue. The sovereign wealth funds will be a big issue for everybody to grapple with.

One issue in terms of continued engagement with China is to continue to talk with them about reshaping the basics of their economy so that they don't build up so many reserves and the structures of the two economies aren't so maladjusted.

Ambassador Pickering: Thank you. We've been sliding into a small orgy of bipartisanship here. We're moving on to final statements. Maybe there could be more differentiation. Each of you has four minutes. And we begin with McCain/Palin.

Dan Blumenthal: Thank you very much. Thank you very much to the National Bureau of Asian Research and thank you to Bob and Frank for your comments. And thank you to everyone who is watching. I think the differences are very real. I'll talk very much about our candidate.

His basic view coming out of five and a half years as a prisoner in a Vietnamese prison camp is deep, deep commitment, because his basic human rights were robbed from him, a deep commitment to basic human rights.

That's the way he views the world. This is a man who is principled, pragmatic, realistic and idealistic. You saw it when he turned around and actually pushed President Clinton to normalize relations with Vietnam.

We talk about re-engaging with Southeast Asia. This isn't just talk. This is action. He took on his party. He took on the right wing of his party and pushed for that, gave Bill Clinton the push he needed. And now we have a more thriving Vietnam.

He saw that we needed a counterweight in Southeast Asia to the growth of China as we move forward and engage China. He saw that we also needed to engage China and he pushed forward with PNTR with China.

But he sees very clearly that that wasn't enough. We have to make a distinction. We engage with the Chinese people on crucial economic issues and on crucial transnational issues like climate change. But we also engage the Chinese people. Those who want reform. And the best way to get reform in China, which will be the number one question faced by all of us, is to have strong allies, strong democratic allies along the periphery, so that those in China who want change will see that there are successful -- economically vibrant orderly democracies around their periphery and they, too, will want and can have that.

John McCain makes the tough calls. It's not a popular time to call for free trade in the United States right now during an economic crisis. He has been stalwart. He's been stalwart going into the Heartland and talking about the Korea FTA.

He's been stalwart because he has a vision for the region of an open region, a region, as Ambassador Pickering said, is becoming of vital importance to us. We can't fall behind the protectionist walls.

John McCain makes those hard calls. He makes those hard calls. He still realizes the importance of hard power. We saw that there are many, it's still a dangerous world. The Georgia/Russia issue. We saw the differences between Senator McCain and Senator Obama who finally came to Senator McCain's position that we need a strong military and strong Asia-Pacific, need a strong military presence as the region changes. And I'll turn it over.

Michael Green: You'll hear a lot about soft power. I encourage people to look at the Chicago Global Affairs Poll on soft power in Asia which demonstrates in all categories that Asians think that the U.S. has the most soft power. But that's something that is a delicate asset we need to take seriously.

And where Senator McCain's stands apart, I think, that he understands that American credibility, American leadership and American soft power rests not on our willingness to meet with Kim Jong-il or to turn down free trade agreements. The key to it is the credibility of the American word on trade, on our commitments to allies, and on our commitments to human rights and democracy. And on these three areas he's been consistent. He's been willing to take on his own party, as Dan said. And he's made the case to the American people.

And leadership at a time of so many challenges is not just about telling the American people what they want to hear. It's about making the case to the American people about of what we have to do to stay

engaged in the region and in Asia. What are the sources of our leadership, even when it means criticizing his own party on corruption or the Bush Administration on torture, on Guantanamo Bay or detainees. He's standing by his word, leading and making the case to the American people about what we have to do, why we have to be engaged internationally.

Ambassador Pickering: Thank you McCain/Palin. I go to Obama/Biden for their final statement.

Frank Januzzi: Let me thank the audience and NBR for hosting this event. I think it's very important and timely. We have two men running for president, both of whom who have been profoundly shaped by Asia in very profoundly different ways.

And I think what bodes well for our country, given the preponderance of Asia looming large, economically, strategically, is that no matter who wins, you're going to have someone who has an appreciation for how vital this region is to the future of the world and especially to our own economic future and economic, and security.

Senator Obama has a very clear four-point policy, if you will, toward the East Asia-Pacific region. It's first to invigorate our alliances, Japan, Korea, and with ASEAN. It is, second, to maintain our forward deployed military forces. And, as necessary, strengthen them to make sure that we are well prepared for the challenges of the 21st century that we face.

And, third, to look at China and seek areas of partnership. We must exploit the areas with China where we have common interests. We are going to have differences. We are going to have differences especially on human rights and on the pace of their democratization which we hope to accelerate.

But, ultimately, we cannot afford to wait for China to become a multi-party democracy before we engage with them on energy security, before we work with them on Iran and North Korea, before we work with them on global warming, before we try to make sure the products coming into our country are safe. These things must be dealt with on an urgent basis.

Finally, Senator Obama looks at the threat posed by North Korea as a critical one. He understands that all the tools of American diplomacy must be brought to resolve this crisis. Again, it requires both multi-lateralism and a willingness to engage directly.

This is what I would call not hard power or soft power but smart power. It's the smart power borne out of judgment and wisdom that Senator Obama will bring to the White House. And he'll restore our own democratic smart power first at home where we need to restore our

commitments to those ideals and democratic principles and constitutionalism that made our country effective in the world to begin with.

Ambassador Gelbard: When I travel around the world, and I do frequently, I find whether it's in Asia or Europe or Latin America, it is overwhelming that there is a sense on the part of the governments involved or the peoples with whom I speak that they want Barack Obama to be the next President of the United States. And the reason is that they see that the kind of change that they feel is necessary is the kind of change that they want.

They don't feel the same thing about John McCain. It's overwhelming. Of course, you hear this in Indonesia where he grew up. He could probably be elected president of Indonesia. But -- (Laughter).

But he can do both, I guess, the United States and Indonesia.

What's interesting, in contrast, Dan talked about Vietnam. I had the privilege of being the person who informed the government of Vietnam during a visit to Hanoi that we were prepared to start diplomatic relationships with them in 1995.

John McCain and John Kerry, who has seem to have faded out of this picture, were instrumental in pushing for this. But what we have now is a different John McCain.

What we had then was a John McCain who had the courage to forget about 55,000 dead American military, a country which was and still is undemocratic, and was prepared to be courageous in wanting to have dialogue and trade and other relationships with them.

But that John McCain today says he doesn't want to talk to countries unless they're democracies.

We need to be prepared to engage countries across the board. We need to be prepared to talk to North Korea. We need to be prepared as has been said to use the full array of possibilities in solving major problems.

Diplomacy is not an end. It's a means to solving difficulties. I've dealt with some of the worst dictators in the world, including Slobodan Milosevic. It wasn't because I wanted to sit down with him, we needed to solve some serious problems.

Ambassador Pickering: I think you're finished.
(Laughter)

Dan Blumenthal: That's what he said to Milosevic.

Ambassador Pickering: Let me first thank NBR for a very, very wonderful debate. I was pleased and honored to participate in it. Let me thank our debaters. They're all clearly experts on their subject, and I think we have seen from the quality of the debate that this election campaign will benefit enormously from these kinds of opportunities and activities.

They were civil, substantive and sharp, and I congratulate them. Let me thank you and the audience for not only obeying the rules but producing excellent questions. And I'd now like to ask you to break a rule and have applause, catcalls and boos, as you see fit.
(Applause)

Lori Matsukawa: I echo Ambassador Pickering's remarks about our debaters. I thank them for being here today. And, please, a warm round of applause for our expert moderator, Ambassador Thomas Pickering.
(Applause)

And one final housekeeping note. You may view the debate you just saw on the NBR website within the next -- after 24 hours, I've been told. After 24 hours. End of business day tomorrow. www.nbr.org. And you may participate in a post-debate discussion hosted by the State Department at blogs.america.gov/campaign.

Again, on behalf of NBR, thank you all for your time and energy and we'll see you next time. Thank you.