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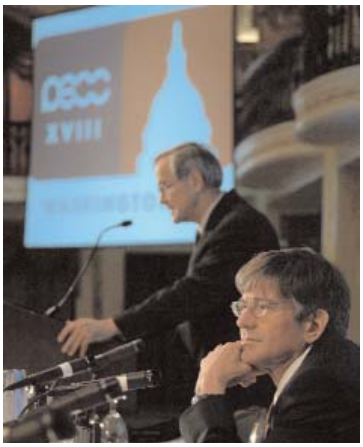
Keynote Address: The Hon. James Steinberg U.S. Deputy Secretary of State Plenary Session, May 12, 2009

CHARLES MORRISON, International Co-Chair, PECC: It is my honor to introduce U.S. Deputy Secretary of State James Steinberg for our keynote address. You have the information in your folders about his biography, but let me briefly summarize.

What you'll notice is that he had a fine education at Harvard University and Yale Law School, and that he's had many years of public service, mainly on Capital Hill, but also with the National Security Council and the Department of State.

Secretary Steinberg has worked for a number of years in institutions of advanced research and education, including RAND, the IISS [International Institute for Strategic Studies] in London, and the Brookings Institution.



Dr. Charles E. Morrison, International Co-Chair of PECC & President, East-West Center (left) introduces U.S. Deputy Secretary of State James Steinberg (seated)

Most recently, he was Dean of the Lyndon Baines Johnson School of Public Policy at the University of Texas in Austin.

He came on my own personal radar screen about 20 years ago. I was talking to my then-boss, former East-West Center President Mike Oksenberg. We were talking about personalities in Washington and Mike said, well, the person he really admired was Jim Steinberg. And Mike was not usually very complimentary in private, and so it impressed me very much.

But Jim has a real reputation for absolute dedication, for tremendous energy, for deep political thinking, and for solid competence. He's known for competence in many subjects, such as intelligence and national security in the Middle East, but I know he has a strong professional as well as personal interest in East Asia.

Secretary Steinberg's most recent book was co-written with Kurt Campbell, Assistant Secretary of State-designate for East Asian and Pacific Affairs. It is entitled *Foreign Policy Troubles at the Outset of Presidential Power*, and it analyzes the kinds of issues that face new presidents early in their terms of offices.

So having done the analysis and provided a road map, he and Kurt will have an opportunity to together help the President and Secretary of State Clinton steer their way through a few foreign policy challenges.

JAMES STEINBERG: Thank you, Charles, for that wonderful introduction. We all get these introductions. They're always a little embarrassing. But that's actually very meaningful to mE—hearing those words from Mike Oksenberg, who all of us admired so much. He was really a mentor in so many ways and gave such great service to our country and really to the transformation of U.S. engagement in East Asia. So we remember him all with great affection and respect.

It's great to be here with this audience. There are so many good friends and former colleagues here—Ambassador Hills, Ambassador Nogami and so many people that I worked with over the years. I can't acknowledge you all, but it really is a privilege to me.

I was grateful for the invitation to be here. I almost wish I was sitting in the audience for this rather than speaking to you so I could hear what you all think about the issues of today.

I want to thank the East-West Center for hosting this event. You're about to have a notable anniversary coming up, your 50th anniversary. As you said, we go back a long way and the contribution of the East-West Center is really

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quite extraordinary, bringing together business and academics and government officials over the years. It's been a tremendous place of discussion and exchange and building relationships that are so critical to this important region.

We also have to recognize that the Center has a special place in this Administration because the President's mother, Ann Dunham Soetoro, was an alumna of the Center. So a little known fact of connection here.

Also, I want to congratulate PECC on its 30th anniversary coming up. It's also a tremendous example of the kind of public-private partnership that is so essential. I know there are a number of the pioneers who have been part of this here and I think one of the lessons we've learned increasingly over the years is the fact that on most of the big challenges, not just economic, the ability to go beyond government-to-government exchanges, but to involve the private sector and academics, is critical.

Your tripartite formula, is really, I think, a path-breaking way to approach these questions which is being increasingly replicated in so many other different forums. So congratulations to you all.

And I don't need to tell this audience about the centrality of the issues that you're discussing today in this region to our common future, our common prosperity,

I hope you have seen how central we believe East Asia and the Asia Pacific are to our own sense of priorities

and security. I hope that you have seen from even the first 110 or so days of the Obama Administration how central we believe East Asia and the Asia Pacific are to our own sense of priorities and issues that we're facing.

Secretary Clinton, as you know, made her first official trip to Asia on becoming Secretary of State. And of particular note was not only the fact that she visited our traditional allies, Japan and South Korea and China, the largest country in the region, but also visited Indonesia in recognition of the critical role that both Indonesia individually and ASEAN in Southeast Asia play to the long-term economic, political, and security future of this region. And her visit is just one example of the central focus that we are placing on East Asia and the Asia Pacific.

As you also know, last February Prime Minister Aso became the first head of government to visit the new administration in Washington and he was followed soon thereafter by Prime Minister Rudd of Australia. In London, President Obama met with President Hu and President Lee and President Lee will be visiting Washington on a state visit next month.

This summer, Secretary Clinton will return to Asia for the ASEAN Regional Forum, to be followed back here in Washington later this summer with the new and enhanced strategic and economic dialogue between the United States and China. And that will be followed again this fall by President Obama's first visit to Asia.

Indeed, I will look forward very shortly to my first visit as deputy secretary later this month while participating in the Shangri-La Dialogue in Singapore and then traveling on to Tokyo for the IISS meeting and conversations with our colleagues in Japan. And since this is a PECC meeting, I don't want to neglect the other part of the Asia Pacific community. The Secretary and the President have also been very engaged in Latin America with their visits to Mexico, the recently concluded Summit of the Americas, and the Secretary's upcoming participation in the OAS General Assembly later this month.

Taken together, these meetings and visits demonstrate a clear commitment to a vibrant and active engagement in the region, which as this group knows, accounts for about 60 percent of global GDP and half of global trade. The figures are at least as striking when we talk more specifically about the significance to the American economy. Sixty percent of all U.S. exports go to APEC countries and taken together, six of PECC's members—China, Japan, South Korea, Taiwan, Canada, and Mexico—are among the top 12 trading partners of the United States.

And yet as you've seen, and I know you've been discussing this, the region is also particularly vulnerable to the effects of the current downturn. So we need to use this existing crisis as an opportunity to forge new kinds

U.S. Deputy Secretary of State James Steinberg delivers the keynote address to the 18th PECC General Meeting

of partnership and cooperation just as we learned from the last economic crisis in the 1990s from the Asian financial crisis.

Of course, most of the Asia Pacific economies rely heavily on global trade, especially with us, for their economic growth. But the World Bank estimates that in 2009, world trade will see its largest decline in 80 years, with the biggest losses in East Asia.

PECC itself projects that the Asia Pacific growth will fall by 1-1.2 percent in 2009, a significant decline from the

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remarkable growth of recent years. And with that decline in growth we are seeing rises in unemployment. For example, just in China alone, the World Bank estimates that 25 million migrant workers have been laid off and forced to return to rural areas.

At the start of the economic crisis, some predicted a decoupling of other Asia Pacific economies from the United States. But in fact, as we've seen, our economies are even more closely linked than ever before and our economic futures are tied together.

So now, more than ever, guaranteeing our individual economic prosperity depends on promoting the common prosperity. We'll need unprecedented cooperation between the U.S. and the rest of the Asia Pacific to overcome the current global economic challenges and build a new foundation for sustainable long-term economic growth.

We have to work together starting now to jump-start the economy, to resolve global economic imbalances, and to move toward sustainable global growth. And we must cooperate, both bilaterally and through regional institutions, like APEC and ASEAN, to pursue the reforms that are needed to protect against future crises.

Such cooperation, of course, has to go beyond governments, because government action alone isn't enough

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to address the challenges of today's interdependent world. It will take bringing policymakers and leaders together with the business community, academia, and civil society, which is why PECC is such a vital institution, especially at this time.

But the economic crisis is only one example of the kinds of transnational challenges that are facing us in this region, which will require new and more energetic forms of cooperation in the future.

Climate change, for example, is perhaps one of the most prominent of these transnational issues. Our efforts to confront it will depend on intensified policy dialogue and strong coordinated international action and the world's largest historic carbon polluter, the United States, must and will lead in this struggle.

We in the Obama Administration have already begun to take real action. The stimulus package contains billions of dollars for clean energy and investment as a down payment for the switch to clean energy economy. The President has asked Congress for legislation that places a market-based cap on carbon pollution and we look forward to the markup in the near future of the bill in the House with Chairman Waxman. The goal is to reduce greenhouse gas emissions approximately 14 percent below 2005 levels by 2020, and an important 83 percent below 2005 levels by 2050.

But as we do our part, others too must do their part. Eighty percent of greenhouse gas emissions are produced outside the United States, and today a growing percentage is in emerging market economies. It will be challenging to achieve both greenhouse gas reductions and strong economic growth, and yet we do need to do both. And that challenge is particularly acute in the Asia Pacific region.

APEC accounts for over half of global energy consumption. China and India alone will account for half of the world's new energy demand between now and 2030. Under current projections, much of that demand will be met by domestic reserves of coal, which could cause regional greenhouse gas emissions to double.

Now, as we tackle the problem of greenhouse gases, we must simultaneously address the problems of energy security. The growing demand for energy in the region offers both risks and opportunities—risks that a zero sum or mercantilist approach to securing energy resources will intensify competition among countries in the region. It could even escalate into military conflict.

But on the other hand, the growing demand for energy in the region presents opportunities for new forms of cooperation that will facilitate opening up new resources and transit corridors and create possibilities of shared exploration and technology cooperation to exploit clean and renewable energy resources.

It will take far-sighted leadership to assure that we take this second path forward towards energy security. The APEC energy working group is an example of public-private cooperation that is so essential to meeting this critical challenge.

The recent H1N1 flu outbreak illustrates the same point with respect to pandemic disease. The Asia Pacific region has had important experiences in the past with Avian flu and SARS, which has helped inform the very effective global response to this new recent crisis. And we now know that these diseases affect the health and well-being of our citizens all around the world as well as posing a risk to international commerce and to undermine economic growth.

Clearly no one could address these kinds of public health threats alone and cooperation in the region and globally is essential. These transnational challenges, and others like it, put the issue of multinational cooperation front and center in the Asia Pacific.

Now, of course, we've now come to the point in every talk like this where we turn to the topic of architecture. And there's no question that institutions play a critical role in building the capacity to address transnational challenges.

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The flourishing new institutional arrangements over the past 15 years, since the first leaders-level APEC meeting in Seattle under President Clinton, is evidence of a powerful demand for new forms of cooperation and we look forward to hosting APEC again here in the United States in 2011.

APEC is front and center in deepening economic integration in the Asia Pacific. It's also providing leadership in addressing the pressures for protectionism that undermine cooperation. This includes efforts to improve social safety nets, to enhance microfinance capacity, and to help small- and medium-sized businesses to better use new technologies. APEC is a tremendously valuable process through which we can pursue dialogue and joint action.

ASEAN and the ASEAN Regional Forum will also continue to be essential. The United States and ASEAN are beginning their fourth decade as dialogue partners. ASEAN has a new charter that provides a framework for greater regional cooperation.

The United States intends to match this dynamism with a new commitment to deepen our engagement with Southeast Asia. And as many of you know, Secretary Clinton recently announced that our Administration will launch the formal interagency process to pursue accession to the ASEAN Treaty of Amity and Cooperation.

But recent experience also shows that less institutionalized forms of cooperation can also play a critical role, as illustrated by the Six-Party Talks on North Korean denuclearization. These talks provide a forum for the countries of Northeast Asia to pursue a solution to a common challenge, but they also establish patterns of cooperation that allowed the United States, Japan, South Korea, China and Russia to forge a common approach in the U.N. Security Council to North Korea's recent rocket launch in violation of U.N. Security Council Resolution 1718.

We remain convinced that multilateral cooperation is essential to convincing North Korea to return to a more constructive approach and to this end, Ambassador Bosworth has just returned from a round of consultations with our partners on the way forward.

Other forms of informal cooperation also supplement this institutional architecture, ranging from the US-Japan-Australia security dialogue to the recently inaugurated trilateral meeting between China, Japan, and South Korea. We now are exploring the possibility of informal trilateral dialogue between the United States, Japan, and China on common challenges such as energy and climate change.

At the same time, we continue to believe that strong bilateral relationships form the cornerstone of stability in the region, beginning with our vibrant alliances with Japan, South Korea, and Australia. Our deepening cooperation with China as evidenced by the enhanced strategic and economic dialogue that will begin later this year provides a platform to expand our far-ranging cooperation on global and regional issues while addressing in constructive ways our differences.

We will have continued disagreements with China on issues from human rights to trade and security, but we intend to address them squarely, to seek solutions where they can be found, and to manage our differences where they cannot.

The range in depth of our engagement with China today has come a remarkable distance since the time I first visited China as a U.S. official at the beginning of the Clinton Administration. And we also remain committed to a vibrant unofficial relationship with fellow APEC member Taiwan as we welcome progress in cross-straits relations.

And our relations in Northeast Asia are complimented by deepening ties with the ASEAN countries, such as the comprehensive partnership we have launched with Indonesia and our close ties with Singapore.

Even when our relationships have been blocked by serious differences, such as Burma, we are prepared to explore opportunities for more constructive dialogue to advance the interests of the people in Burma for a freer, more hopeful future.

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All in all, this reflects an ambitious agenda which is consonant with the central role of this region to our own future. You in this audience and organizations like PECC remain crucial to our ability to address these challenges of the future. So thank you for the opportunity to be here today. I look forward to your questions and our continued cooperation in the years ahead.

QUESTION & ANSWER PERIOD

DICK NANTO, Congressional Research Service: A couple of months ago, Director of National Intelligence Dennis Blair said that the global economic crisis is greater than terrorism in terms of posing a threat to national security. In your travels and monitoring of events, have you seen any change in the security situation coming out of the financial crisis?

JAMES STEINBERG: I think it was a very significant observation by our Director of National Intelligence to recognize the systemic impact that the economic crisis could have, because it plays out in different ways in different regions. But for all of us, it's an enormous challenge not only to our economic prosperity but in many

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places to internal stability as well as dangers of the risk of conflict as a result of the crisis.

Its impact was obviously greatest on the most fragile of economies, ones that are either emerging from periods of conflict or where the economies live just above the levels of marginal existence and where even slight contractions can cause great differences. And we see this from the political turmoil, for example, in many countries in Central and Eastern Europe, who, after a difficult period, were beginning to emerge from their political and economic transformation and to have a more stable future, but are now facing very severe economic challenges.

We see this particularly in a number of very poor countries where dependence on commodities has caused great stress on their economies as prices have fallen. And so we're watching this very carefully. I think that's one of the reasons why the President has been at the forefront of taking such an aggressive approach to leading not only our own efforts to stimulate our economy and address the financial challenges of the current global system, but also for the need for coordinated international action.

And similarly, we work very closely with Bob Zoellick in the World Bank to make sure that we have tools available to deal with the poorest countries, as well as our efforts to strengthen the capacity of the IMF and the regional development banks to provide the needed lending and support to sustain trade and to deal with the countries that are most under economic pressure.

So I think right now we're at a very critical period because we've begun to see some "green shoots" of progress as they like to say in the financial press, but also a recognition that it's very fragile and there's a need for us all to keep very focused on this and to make sure that this current crisis does not become a source of instability.

You know, I think the insight that Admiral Blair brought to this came out of his own experience in the Asia Pacific where he saw the consequences of the Asian financial crisis and how that was not just an economic issue, but it also was a political challenge in Thailand, in Indonesia, and in South Korea.

So I think it's encouraging to see that our leaders have begun to see how profoundly the economic system affects not just economic issues but broader parts of life. I think that insight from Admiral Blair's days at PACOM has served him well in understanding the global consequences here.

NADIA CHOW, *Liberty Times*, Taiwan: You just mentioned there is progress in cross-strait relations, and that the U.S. welcomes that. We also heard many former U.S. officials or think tanks argue for a policy review on Taiwan and cross-straits relations. Do you foresee a possibility or need for a policy review at this moment?

JAMES STEINBERG: It's kind of a hearty staple of administrations that we have Taiwan policy reviews. But I actually believe that we are on a very good trajectory in our relations both with China and with Taiwan, and that we want to encourage that trajectory to continue.

I think we're especially encouraged not only by the deepening economic ties and the recent cross-straits announcements, but also the very important decision to support Taiwan's observer status in the WHA [World Health Assembly], which is extremely timely in light of the H1N1 virus crisis and our experience in the past. So I think this is a case where a sustained and steady hand on the policy has served us well.

There's been important continuity over the years between administrations, Republican and Democratic, on how to encourage peaceful resolution and peaceful dialogue between Taiwan and Beijing and I think we want to see that continue.

STEPHEN LEONG, Universiti Tunku Abdul Rahman, Malaysia: Could you kindly elaborate on the current U.S. thinking on the East Asia Summit?

JAMES STEINBERG: Yes. I can elaborate only to say the following, which is that we have made the decision to move forward with trying to achieve our accession to the TAC [Treaty of Amity and Cooperation]. As we all know, that's a necessary but not sufficient condition to join the East Asian Summit. But I think we are open to exploring various ways for the United States to engage with the East Asian Summit.

We have not taken any specific decisions on how to do that but I think we want to move through this first stage of the process, which is accession to TAC and then explore with ASEAN and the other members of EAS how we can best be engaged. I think we see enormous opportunities. I think we believe that the evolution of these different forms of integration is all very constructive and we want to find an effective way to interact with that ourselves.

HADI SOESASTRO, Centre for Strategic and International Studies, Indonesia: In meetings like this, we talk about APEC and perhaps APEC exists only when officials meet. Is this correct, and if it is, how do you think APEC can be reinvigorated so it becomes a reality for the people?

JAMES STEINBERG: You know, I have been involved with APEC through a good part of my government career. Just focusing on the government-side really underestimates the contribution that APEC makes. I think that we look for the big headlines and the free trade agreements and the like and it's kind of what the press

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follows when it comes to it.

But in many ways, it's the day-to-day work of APEC and its various associated organizations on trade facilitation, on capacity-building, you know, the structures of cooperation that really are the lubricant of regional and global trade that are enormously valuable. They are not startling new headline-type things. But, in fact, that's what creates jobs and growth.

And while we need occasionally high-level political impulse on the policy front, I wouldn't sell short the kind of workman-like and important but less dramatic developments that keep this all going. And I think they shouldn't be taken for granted.

You know, I just came back from several years being a teacher and I always started off my classes on global policy with asking my students whether they thought that globalization was inevitable and irreversible and then they, of course, say yes.

Then I would give them a few scenarios and by the time they were done, they were convinced it was not only not irreversible, but it was doomed. And I think it's an important insight because I think without the kind of work that PECC and APEC does, there are risks to the global system.

We have to remind ourselves that this is a process that continually has to be worked out, that it isn't on autopilot. So I think the APEC process is quite important. It's more than the Leaders' Meetings; it's more than the Senior Officials Meetings. It's a set of interactions and relationships among business and government and civil society that are important.

We're seeing this in energy now, where we see elements of energy cooperation coming out of the working activities of APEC. So although we aren't getting all the headlines that some might have anticipated out of the APEC process, in fact there's a lot to feel good about here.

CHARLES MORRISON: Maybe I'll take the moderator's prerogative to ask a final question. In your speech, you referred to how important structural power of this region is for the United States. But looking at the day-to-day, we have Pakistan, Afghanistan, Iran, Israel, and so forth. How do you, as a challenge, keep the urgent from crowding out the very important?

JAMES STEINBERG: Well, it's obviously a critical question and for those of us who have lived prior lives as policy planners, it's an especially important one. I do think that one of the things that we are very focused on in this administration is the need to be able to handle multiple challenges at the same time. Firm policy is not five-year-old soccer. You can't just work on one thing and have everybody go to the ball. We feel very strongly that you need to develop the capacity in an administration to handle multiple challenges.

There's been a lot of focus on the question of special envoys in the Obama Administration. But one of the great strengths that that brings to us is it allows us to bring extremely high-level talented and experienced people to work on individual problems and not force the full-time, as it were, officials to spend all their time on that.

So when you have an Ambassador Holbrooke working on Afghanistan and Pakistan, when you have a Senator Mitchell working on the Middle East process, when you have an Ambassador Ross thinking about the Gulf and Iran, when you have an Ambassador Bosworth working on the North Korean nuclear problem, it facilitates the ability of the President, the Secretary and the rest of us to keep our eyes sort of looking across the horizon so we can think about Latin America, we can think about Africa, we can think about Asia and Southeast Asia.

And I for one really believe this is a very effective model. We'll see in the end, but I think it's allowed us to get launched on a broad range of fronts and not to neglect important areas of the world and I think it certainly was the motivation behind this approach and I hope it'll bear fruit. Thanks, Charles.

CHARLES MORRISON: Well, before I formally thank Jim, I did want to make a couple of comments. Secretary Steinberg mentioned that the mother of the President went to the East-West Center, but I wanted to extend that remark. It's not just President Obama's mother, but also his stepfather and a brother-in-law who are associated with the East-West Center.

Secondly, I wanted to point out that PECC is indeed working on many of the issues that Secretary Steinberg spoke about. We have a report that we've just finalized on architecture. I won't tell you now exactly what it says, but it does not say that the United States should join the East Asian Summit.

We have projects on trade, on social safety nets, and I think on climate change, so you'll see a lot of products from the PECC network that are not endorsed by PECC as an entity but are a small task force within PECC. We'll be giving you and other government officials in all of the APEC economies recommendations.

And so finally I want to thank Jim Steinberg for a very, I thought, insightful address, but even more incredible responsiveness in answering these interesting questions. Thank you very much for joining us and let's keep in touch with each other closely. Thank you. ♦