



U.S. Policy on China and North Korea

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Good Morning. Thank you, Mr. Marino and Jerry Leach, for your kind introduction. I am delighted to have an opportunity to speak to the national conference of the World Affairs Councils of America. As a long-time board member and officer of one of your strong Councils, I know that this organization performs a magnificent public service in informing Americans where they live and at this meeting, which brings together so many talented and thoughtful people from all over the country to share perspectives on foreign policy issues. We owe you our special gratitude.

Before I speak about China, a subject so dynamic and important that it is never far from the minds of Asian specialists, I would like to make a few remarks on North Korean issues, which in recent weeks have dominated the news from East Asia. Rather than attempting a comprehensive overview of our East Asian relations in the short time allotted to me, I would like to convey a snapshot of where we are in our relations with North Korea and China.

North Korea

North Korea's pursuit of a nuclear weapons program, in clear violation of its international obligations, presents both a challenge and an opportunity to the international community. The challenge the North poses is self-evident: its pursuit of nuclear weapons -- which we know has gone on for many years -- flouts the global nuclear non-proliferation regime established by the Nuclear Nonproliferation Treaty (NPT). With 190 signatories, no country has ever resigned from the NPT. The North's program also threatens the incipient reconciliation between North and South and the security of the entire Asia-Pacific region.

Despite the attempt to put the nuclear issue in a U.S.-D.P.R.K. focus, the issue is inherently multinational. And, the international community has made clear that North Korea must reverse its course or risk further isolation and condemnation. The United States will not be pressured or blackmailed into providing the North with quid pro quos to meet its existing obligations. But, if the North is willing to return to its obligations, we will talk with them about how to do so. And, if the North abides by its obligations, we are prepared to work with it for a different and better future for its people. Therein lies the opportunity -- for a revitalized process of reconciliation between North and South, a new relationship between the U.S. and North Korea, and a new and more solidly founded era of peace, stability, and prosperity in Northeast Asia.

Certainly, the most serious challenge from North Korea is its nuclear program, but this is not the only problem the North poses. Production and export of ballistic missiles, broad disregard of human rights, and a tolerance for starvation and death from disease are other serious challenges.

One such is the failure of North Korea to reform its economy. This is both a threat and a challenge to North Korea's own future, to neighbors who fear the consequences of a collapsing state, and to the world community that is already bearing much of the burden of the North's economic policies. First of all, resources are misallocated in an "army first" official policy. The small and insufficient, but nevertheless significant steps, which the North undertook last summer to reform its collapsed economy, seem to be doing very poorly, with inflation and worthless currency playing a role.

North Korea remains a threat and a problem. As the President said, we need to work with others -- South Korea, Japan, China, Russia, and the EU -- to begin slow change. But, stepping back from nuclear weapons is essential.

I don't want to leave the impression that the U.S. is fixated on North Korea, so let me also take a moment to review our relationship with the vibrant democracy and growing economic partner just to its south. The Republic of Korea is one of our leading partners in Asia, not simply or even primarily because of our alliance and security relationship. The South is a growing diplomatic and military partner that is making an impact around the world, as witnessed by its support of Operation Enduring Freedom. South Korea is an engine of growth in East Asia and one of the top ten U.S. economic partners.

The election of Mr. Roh Moo-hyun in December confirms South Korea as a shining example of liberal democracy in Asia and represents a generational change that creates opportunities to reinforce this alliance for many decades to come. The exemplary partnership between the Republic of Korea and the United States, countries both built upon open societies of free and empowered citizens, will be deep and lasting. President Bush has invited President-elect Roh to come to Washington as early as he can comfortably do so in his presidency. We look forward to working closely with South Korea and the Roh Administration in the years ahead. We face together the immediate challenge of North Korea's nuclear weapons program, the larger challenges posed by North Korea, and many other complex questions confronting democracies. Our relationship will be based on mutual respect and a profound understanding of our inter-dependence. This relationship will continue to strengthen and to deepen. Together, I am confident that we will meet the challenges ahead of us.

China

Let me now leave the Korean Peninsula and turn to China. Many have tried to sum up the United States' relationship with China in a catch phrase. I don't believe such characterizations are useful or accurate. Our relationship with the P.R.C. and its 1.3 billion citizens is too complex, varied, and fast changing to be reduced to soundbites.

President Bush, Secretary Powell, and all of us in the administration have worked over the last two years to forge a candid, constructive and cooperative relationship with China. In the spirit of dealing straightforwardly with our differences and building on common interests the President paid an unprecedented two visits to China in his first 13 months in office, and hosted President Jiang Zemin in Crawford last October.

While not minimizing the differences that remain over human rights, nonproliferation, and Taiwan, I can report to you that the administration's approach to China has resulted in a U.S.-China relationship marked by close cooperation on a broad range of issues: the war on terrorism, our economic and trade agenda, and critical regional security issues are just three examples.

Both China and America understand that what we need -- what is in both of our interests -- is a relationship that is pragmatic, based on mutual respect, and focused on furthering peace and stability in the world.

By pragmatic, I do not mean that we sacrifice our core interests or values. We have real and important differences with China regarding its human rights record, proliferation activities, and the nature of its political system. We must continue to encourage China's evolution as a responsible global power that respects the rights of all its citizens. But it is possible to have a relationship with the P.R.C. that furthers cooperation on critical issues that affect us both and that also stays true to US ideals and principles.

When I was recently in Beijing, I had the chance to speak with a number of P.R.C. officials. On the most pressing issue in the East Asia region -- the situation in North Korea -- I held lengthy and productive discussions with my Chinese counterparts. All of them stressed their disapproval of the D.P.R.K.'s announcement of its intention to

withdraw from the Nuclear Non-Proliferation Treaty, their concerns over North Korea's nuclear activities, and China's desire to see a non-nuclear environment maintained on the Korean peninsula.

Some have said China is not doing enough in this regard. Certainly, we need to keep urging China to use its relationship and leverage with the North Koreans to impress upon them just how worrisome and potentially destabilizing their nuclear activities are. But it bears remembering that 50 years ago the U.S. and the P.R.C. were fighting on opposite sides of a conflict on the Korean peninsula. Today, by contrast, we share a common goal in preventing North Korea's development of weapons of mass destruction. China's appreciation of the need to bring North Korea back into compliance with its international commitments is significant indeed.

China's diplomatic support in the war on terrorism and in ensuring Iraqi disarmament has been of great value. The P.R.C. voted in support of both UN Security Council resolutions after the September 11th attacks. Within two weeks of 9-11, we initiated a U.S.-China counterterrorism dialogue to improve practical cooperation. China also publicly supported the coalition campaign in Afghanistan and contributed to Afghan reconstruction following the defeat of the Taliban and our successes in disrupting and setting back al Qaeda. Beijing lent its good offices to counsel restraint on the part of Pakistan and India over Kashmir over the past thirteen months.

In addition, China voted for [UN Resolution 1441](#) authorizing renewed weapons inspections in Iraq, and has publicly decried Baghdad's attempts to play games with the UN Security Council.

Clearly, China and the U.S. do not have identical perspectives on world affairs. Our differences on Taiwan are an example of this. However, we can say that on some of the most important international issues of the day, China and the United States have overlapping, if not identical, interests, and that the areas of shared interest and cooperation are growing in both scope and intensity.

I want to highlight today the profound importance of China's extraordinary, on-going economic transformation. Discarding a bankrupt communist economic system, China implemented market-oriented reforms over the past two decades and unleashed individual initiative and entrepreneurship. The result? The largest reduction of poverty and one of the fastest increases in income levels ever seen.

China's economic relations with the United States and the world have also been transformed. Largely closed to foreign firms until 1980, China is now the world's fourth-largest trading nation with total trade near \$300 billion. Trade between the U.S. and China has led the way, reaching more than \$130 billion through November of last year. China is now America's fourth-largest trading partner, seventh-largest export market and fourth-largest source of imports. I should note that China is also the largest contributor to the U.S. trade deficit, an aspect of our trade relationship that we will insist become more balanced as China implements its WTO market opening commitments. Our deficit with China is now approaching \$100 billion annually.

Foreign investment in China has soared in recent years. When the final statistics are calculated for 2002, China is slated to emerge as the world's largest recipient of foreign direct investment (FDI). China received over \$50 billion from foreign investors in 2002, including more than \$5 billion from U.S. firms. As recently as 1990, China barely received \$3 billion of FDI from all investors.

China's WTO membership, following more than 15 years of negotiations, marked both the final step in normalizing U.S.-China trade relations and the first step in working constructively with China to help it implement fully its WTO commitments on trade liberalization. We support China's WTO implementation not only because it will accelerate China's economic reform through the creation of a more institution-based and market-driven economy. Just as significantly, it means more export and investment opportunities for U.S. companies and ultimately more jobs for American farmers and workers.

Since joining the WTO in December 2001, China has taken important steps to improve market access, including lowering tariffs on a range of products important to U.S. exporters. For example, the information technology industry reports that lower tariffs have already resulted in \$500 million in savings. In addition to increasing market access, China has agreed to undertake broad reforms that will foster greater transparency, providing for notice and comment on regulations, permitting judicial review, and applying laws uniformly. All of these steps make it easier for U.S. companies to do business in China, as well as provide a "rule of law" model for other areas in China.

I want to emphasize that monitoring and enforcing China's implementation of its WTO commitments are top priorities for the U.S. government. We still have some serious concerns with China's WTO compliance in certain areas and are working closely with the Chinese to address these concerns.

Some of our most serious disputes with China today relate to the nature of China's political system and its internal policies. Growing access to information from outside China, and the imperatives of economic reform have made it impossible for the Communist Party to completely control social and political thought or activities, and Chinese citizens today have greater personal freedom than at any time since 1949. Over the past year, China has taken some limited, but still unprecedented, steps that demonstrate that the P.R.C. knows that its human rights record is a stumbling block to a better relationship with the U.S. and the international community and that it wants to take steps to address those concerns.

Yet China remains a one-party system where the people who rule and who make the rules are by and large not accountable to the general population. The abuses that such a system invites are manifest in China's lack of respect for the rights of its citizens. Any individual or group the regime sees as threatening -- whether they be democracy activists, Falun Gong practitioners, Christians, Tibetans, Muslim Uighurs, journalists investigating corruption, laid-off workers protesting, or even university students venting on the internet -- any of these people run the risk of detention or worse if they cross an ill-defined line, with few of the protections of due process or a fair and transparent legal system. There is simply no other way to put it -- ongoing gross violations of human rights are a serious impediment to better relations and undermine the goodwill generated by individual releases or other steps. An example of non-transparency was the execution this week of a Tibetan. The act was sudden and sooner than we had been led to believe, and it followed a secret trial that cannot be assessed for fairness or concern for the protection of his rights.

There are also steps that need to be taken with regard to nonproliferation. The Chinese have expressed their desire to stem the proliferation of missiles and WMD, and we are heartened by recent steps taken in the right direction. Under Secretary for Arms Control and International Security, John Bolton, was just in Beijing for the inaugural round of a semi-annual security dialogue aimed at moving forward on -- among other key issues -- halting the spread of these deadly weapons and technologies. China recently issued updated regulations on the export of chemical and biological agents -- in addition to missile-related export controls. Getting these commitments on paper is important, but full implementation and effective enforcement are even more critical. We still see disturbing trends in the proliferation activities of certain Chinese firms, and China must realize that this kind of proliferation not only damages its relationship with the U.S., but also ultimately hurts its own interests and security.

The U.S.-China relationship is a work in progress; but we have withstood some rocky moments-- notably the accidental bombing of China's embassy in Belgrade, and the EP-3 crisis-- and recovered quickly to resume building constructive relations.

Contrast those difficult moments with where we are today -- three presidential meetings in a little over a year, a common stand on some of the most pressing matters of the day, and a relationship that across a number of different dimensions is enormously robust. I do not underestimate the complexities and challenges of our relations with China, and we must continue to speak frankly and forcefully on issues that concern us. A U.S.-China relationship that is candid, cooperative, and constructive, is both necessary and possible today. Thank you.

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