U.S. DEPARTMENT of STATE

Coordinating Allied Approaches to China

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Ladies and gentlemen, distinguished guests, I would like to thank the Tokyo American Center and the Japanese Institute for International Affairs for inviting me here to speak to you again today. As some of you know, I am here to represent the U.S. Government in the Asian Senior-Leader Talks on Nonproliferation, or ASTOP talks, hosted by the Government of Japan. This is the second year Japan has sponsored these meetings and, I would like to thank Japan for taking such a strong leadership role in the world to help counter the spread of weapons of mass destruction. There is no doubt President Bush had allies like Japan in mind when he declared during his inaugural address: "we honor your friendship, we rely on your counsel, and we depend on your help. Division among free nations is a primary goal of freedom's enemies. The concerted effort of free nations to promote democracy is a prelude to our enemies' defeat."

The ASTOP gathering last year represented the first senior-level dialogue among the Asian countries dedicated specifically to the discussion of the nonproliferation of weapons of mass destruction [WMD] and their delivery means as well as their related materials and technology. I look forward to meeting with other senior leaders in the region on Wednesday to discuss the progress we have made, the challenges ahead, and the different tools we have at our disposal to stop the spread of these weapons, the means to deliver them, and how to win the global war on terrorism.

Like Japan, the United States understands its leadership role as well. The President, our new Secretary, Dr. Condoleezza Rice, and the entire U.S. Government are working every day to deliver on our promise that the world's most dangerous weapons do not fall into the hands of the world's most dangerous regimes. With the help of Japan and other like-minded countries, we are taking concrete steps against proliferators by working together to mutually improve our export control systems, share data when necessary to stop transfers, and take decisive action through the Proliferation Security Initiative, or PSI, when necessary. The results have been impressive, though I don't want to leave you with the impression that our work is done--it is not. Just as the proliferators adapt, we must continue to build on our actions both globally and in the region to stop this threat to our way of life.

Today, I would like to discuss with you another tool in our arsenal to counter the threat of proliferation--the imposition and operation of sanctions and embargoes. It was almost exactly one year ago when Japan itself passed sanctions legislation, in this case against North Korea. We know it was a subject of considered, sometimes heated debated in this country, as well it should be. Ultimately, though, we agree with Prime Minister Koizumi who praised the final passage of the law as, "meaningful in that it widens Japan's options." Given that Japan has now added this tool to its arsenal, I thought it would be interesting and useful to share some of the experiences the United States has had with sanctions as well, in particular concerning the People's Republic of China.

Relations between the United States and China have matured to the point we can work together to promote our common interests, yet have serious discussions when there are disagreements. The formal U.S.-China security dialogue, which I have led on the U.S. side, and was established by President Bush with Jiang Zemin at the Crawford Summit in October 2002, is testament to this fact.

At the highest levels, we are engaging China constructively. President Bush in the last two years, for example, has remarked that his exchanges either with former President Jiang Zemin or current President Hu Jintao have been "candid" and "frank." Moreover, as President Bush noted in Santiago last November, he looks forward to working with China "over the next four years to continue our close work on keeping peace, peace on the Korean peninsula and peace through the Pacific region, and to spread peace throughout the world."

This constructive dialogue with China, or our cooperation on mutually shared interests, however, does not mean that the United States will shy away from highlighting areas of disagreement and concern, such as our continuing concern regarding China's poor human rights record. We are having candid and frank conversations with China about the proliferation record of a number of Chinese entities, which sometimes requires the Bush Administration to impose sanctions as a matter of American law. Similarly, we are having discussions with other governments about existing arms embargoes against China and about our concerns that others--such as the EU [European Union]--may lift their embargoes and thereby negatively impact the security of America, and its friends and allies in the Asia-Pacific region.

While the issues of proliferation sanctions and the arms embargo on China are separate in one sense, they are linked by a common theme: the United States is willing to forego its short-term economic interests by limiting trade with China--mostly in closely prescribed areas--in order to promote other interests, whether it is our national security or our support for human rights. Let me discuss each in turn.

In order to understand our calculus for making the decisions to impose sanctions, it is important to first understand the magnitude of the problem. While China has formally improved its posture through commitments to multilateral nonproliferation regimes, promulgation of expanded export controls, and strengthened oversight mechanisms, the behavior of Chinese companies and responsiveness on the part of the Chinese Government remain issues of great concern. We are using our diplomacy and at times imposing sanctions to try and persuade China to more aggressively monitor and punish proliferating entities--which it should do under its own laws. There have been some success stories, such as when China acted on U.S. intelligence to interdict a shipment to North Korea of chemicals necessary for reprocessing plutonium in its nuclear weapons program. But as former Secretary Powell noted, the success of this case has now set a much higher standard for Beijing to vigorously enforce its own export controls.

Each year, the State Department's Bureau of Verification and Compliance is required to report its findings on proliferation to the American people. Last year's report indicated with regard to ballistic missile technology, for example, that, "Chinese state-owned corporations have engaged in transfer activities with Pakistan, Iran, North Korea, and Libya that are clearly contrary to China's commitments to the U.S." and that this continued proliferation calls "into serious question China's stated commitment to controlling missile proliferation."

All of these problems with China's implementation of its commitments are underscored by the continuing problem of business-as-usual proliferation by Chinese companies we call "serial proliferators." On numerous occasions, we have expressed our concerns about these entities to the Chinese Government and have asked Beijing to subject exports by these serial proliferators to persistent and close scrutiny.

Unfortunately, we continue to see transfers by these serial proliferators of missile-related items to rogue states and outposts of tyranny such as Iran. Take, for example, the China North Industries Corporation, known as NORINCO. For some time, we have been alerting the Chinese Government to our concerns about the activities of NORINCO. Nonetheless, we are not aware that the Chinese Government has taken any action to halt NORINCO's proliferant behavior.

In response to this inaction, the Bush Administration is obligated to impose sanctions on Chinese entities--knowing that this will also hurt some U.S. companies as well. Let me assure you: we do not take this decision lightly. It is the result of a lengthy, thorough and comprehensive review by an extensive interagency process within the U.S. Government. We also make a concerted effort when possible to discuss the matter with China beforehand, when so doing is possible without compromisig sensitive intelligence sources and methods. If the Chinese Government does not act in a manner which would permit us to forego sanctions, however, we must apply our law as Congress and the President have ordered.

To be clear, though, we are rigorously enforcing U.S. laws not only because we are required to do so, but because the Bush Administration believes they promote our long-term national security interests. We embrace the view as dictated in the National Strategy to Combat the Proliferation of WMD that, "Sanctions can be a valuable component of our overall strategy against WMD proliferation."

We want to send a strong signal and encourage the Chinese Government to take action on its own, before sanctions become necessary. Before President Bush took office, sanctions were often threatened in order to elicit nonproliferation commitments from the Chinese. In exchange for such promises, however, the United States would usually waive sanctions. The problem with this approach was that, after having forestalled the actual imposition of sanctions by promising to perform, the Chinese companies often continued their proliferant behavior, notwithstanding their government's reaffirmation of its commitments.

In contrast, the Bush Administration has used, and will continue to use aggressively the sanctions process to help change the way China and other countries with proliferation problems behave. We do so because we believe that sanctions are a valuable tool with which to influence incentive structures. And we have made certain that many of the sanctions we impose have teeth. We did not just impose a slap on the wrist to NORINCO for its WMD-related transfers to Iran, for example, we stopped it from exporting hundreds of millions of dollars of goods to the United States.

The numbers support this shift in policy. Between 1992 and 2000, the Clinton Administration sanctioned Chinese entities a total of eight times. This contrasts with the approach of the Bush Administration, where during just our first four years, we sanctioned Chinese entities a total 62 times; that's 62 times in just our first four years, as opposed to the 8 times during the entire eight years of the prior administration.

We will continue this policy as well in President Bush's second-term as the President himself made clear. When asked about the proliferation sanctions we imposed on China just three weeks ago, President Bush was resolute in declaring, "They've heard us loud and clear. We will make sure to the best extent possible they do cooperate. We'll make it clear not only to China but elsewhere that we'll hold you to account--we want to have friendly relations but do not proliferate."

Now let me turn to a much broader type of sanction we have calculated to be in our strategic interest as well--the arms embargo we currently have in place on China. The reason this issue is so important is that as many of you are aware, the European Union is considering lifting its arms embargo on China. The United States and EU countries have different embargoes on China--the U.S. embargo is comprehensive as is Japan's, whereas the EU embargo for many EU countries applies only to lethal weapon. Perhaps it is best to understand why we keep our embargo in place by discussing why we think it is so important for the European Union not to lift its arms embargo on China. We too could lift our embargo and expand our defense trade with China, but we have made the decision that while it might be in our short-term commercial interests, it is not in our broader national interest to do so.

There are two primary reasons why we believe it is important for our allies to join us in maintaining an arms embargo on China. Let me discuss each issue in turn. The first concerns human rights. Many nations, including the United States, Japan and the European Union restricted certain kinds of trade with China after the Tiananmen Square massacre in 1989. We believe that lifting the EU Arms Embargo at a time when China's human rights record remains poor would send the wrong message. As Secretary Rice has said, "one has to be very careful not to send the wrong signal about human rights. And, of course, we do have concerns about the strategic military considerations of doing so."

We believe that lifting the EU arms embargo at a time when China's human rights record remains poor would send the wrong message. While we welcome our expanded trade with China in many areas, including high technology, we believe strongly that economic growth and the protection of human rights are not mutually exclusive; the embargo does not restrict China's capacity to promote economic growth at home or to take an active role in trade-related activities globally. We take note that in adopting the initial arms embargo, the European Council "condemned the brutal repression taking place in China" and "solemnly requested the Chinese authorities to put an end to the repressive actions against those who legitimately claim their democratic rights." It is important to send the message that the international community continues to be concerned about the Chinese Government's continuing human rights abuses.

The U.S., Japanese, and European prohibitions on arms sales to China are complementary in the U.S. view, and were imposed for the same reasons, specifically serious human rights abuses, and those reasons remain valid today. China's human rights record, as noted year in and year out in the U.S. State Department's Report on Human Rights report remains "poor" and China's human rights practices still fall short of international standards. The embargo on arms sales to China is not outmoded. It is just as important to champion human rights today as it was in 1989 when we witnessed the sad contrast of the fall of the Berlin Wall in Europe and the events in Tiananmen Square.

We strongly believe, the arms embargo should remain a key part of EU efforts to support human rights in China. Maintaining the embargo is important to convey the message that Europe continues to care about human rights worldwide. It sends the right message to China that Europe is still concerned about its human rights record and puts the freedom of the Chinese people ahead of commercial gain.

The second reason we oppose the lifting of the EU arms embargo against China was very well stated by our friend Foreign Minister Machimura, when he noted that "We are against a lifting of the arms embargo. The matter of the lifting of the arms embargo is one of great concern not only for Japan but for the security of East Asia as a whole."

Our respective government's positions on resolving the Taiwan-China Cross-Strait issue are well-known. Suffice it to say, though, we are concerned that any measures that allow China to significantly improve its coercive capabilities could make fostering a peaceful resolution of this issue less likely. We concur with Foreign Minister Machimura that it will contribute to regional instability. Moreover, as I highlighted above, no adequate mechanism currently exists to prevent China from transferring technology and lethal weaponry to other, less stable regions of the world, including rogue states, or to use it for the purposes of internal repression.

In response to our concerns, European advocates of ending the embargo have pointed out that without the embargo there could be some limits on sales of arms to China through the EU Code of Conduct. The EU Code of Conduct has not been sufficient in this regard: moreover, the Code is not legally

binding and it is subject to varying interpretation be each EU member nation. The EU Code of Conduct, even if strengthened, cannot be considered a substitute to control sales of arms and sophisticated weapons-related technology to China. It has not been effective in the past as sales of military goods to China from the EU doubled between 2002 and 2003. We would welcome EU efforts to improve the export control standards such as those involved in battle space management, to ensure that all EU members follow a policy of blocking sales of any dangerous technologies to China. But addressing concerns about transfers of military technology to China is not a reason to deem the embargo unnecessary; both human rights and relations with China's neighbors still do matter.

In continuing with the theme, though, of U.S. willingness to restrict our trade with others when we deem it in the interest of our national security, we also have made clear to our European allies that lifting the embargo could have a negative impact on U.S. defense cooperation with EU members. Congress has already flagged this issue. Last year's House version of the National Defense Authorization Act contained provisions that would preclude the Department of Defense from procuring defense articles or services from any "foreign person" who transfers defense items to China. Lest you have any doubt about the feelings of the U.S. Congress on this matter, we should take due note that our House of Representatives overwhelmingly passed a bipartisan resolution just last week by a vote of 411 to 3, condemning the European Union's prospective lifting of the arms embargo.

Fortunately, we have been engaged in ongoing discussions with the Europeans on this issue, and I know Japan has as well. Secretary Rice, in fact, is now in Europe to discuss this and other issues. She has already lined up a very demanding travel schedule and is taking a vigorous, active approach to our diplomatic efforts. The key point is that we are working with the Europeans on this issue. As Secretary Rice said just last Friday in her press briefing with Foreign Secretary Jack Straw, "I feel that the Europeans are listening to our concerns and that we are in a situation in which we are working to understand each other better and to see how we can move forward." We know and greatly appreciate Japan's efforts in this regard as well. We also appreciate your work with China directly on issues of mutual interest and concern. Know that for our part that we will do the same. As Dr. Rice said in her confirmation testimony, "We are building a candid, cooperative and constructive relationship with China that embraces our common interests but still recognizes our considerable differences about values."

Let me close by thanking Japan for taking a global leadership role in tackling some of the world's most complicated and seemingly intractable problems. One need look only to the ASTOP meetings, Japan's hosting of the very successful PSI Team Samurai exercise last October under the auspices of the proliferation security initiative, or Japan's active engagement with the European Union on the lifting of the arms embargo as testament to this fact. I look forward to your questions.

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