

Conference Transcripts

*Opening Keynote by Ambassador Christopher R. Hill,
U.S. Assistant Secretary of State for East Asian and Pacific Affairs,
on Current and Future United States-China Relations*

MR. DANIEL MICHAELI: Ladies and gentlemen, welcome back. I am now pleased to present you with one of the current government's foremost thinkers on U.S./China relations. This is the Assistant Secretary of State who is our lead negotiator in Beijing for the talks on North Korea's nuclear program. Ambassador Hill has served as an ambassador in Macedonia and Poland as well as special envoy to Kosovo. He won the Robert S. Fraser award for peace negotiations for his work in the Kosovo crisis. I'm not going to say more because I think Ambassador Hill will tell you about his work with China in a very interesting manner and I'm really very honored to present you with Ambassador Christopher R. Hill.

AMBASSADOR CHRISTOPHER R. HILL: Well Daniel thank you very much for that very kind introduction. You left out one thing though; I was Ambassador in South Korea and I wasn't there very long alas because I was asked to come back to Washington and become the Assistant Secretary for North Korea. But fortunately it's not just North Korea. There are a lot of other things going on in Asia and I think our relationship with China is the most important, frankly.

So it is great to be here in Chicago. It's also great to be out of Washington, but that's another story. This is truly one of the great cities; one of the great baseball cities in the world so I always appreciate it. I don't understand how you can have two teams though. I mean that just strikes me as a recipe for some real problems, but I understand we are in the south part of Chicago so I know which team that works on.

Anyway, it is a great pleasure to be here. We are now a week after the visit to the United States of Chinese President Hu Jintao and actually we're two weeks away from the visit to China of the Mayor of Chicago, Richard Daley. So I think it's an appropriate time and an appropriate place to talk a little bit about the U.S.-China relationship.

So let me say a few things about China and Chicago, Illinois and then we'll address the broader issue of China and I guess the title, China and the Future of the World, which is a subject that is a little beyond my scope but I'll do my best.

I think Chicago and Illinois' future, like perhaps the rest of America, increasingly look to the Asia-Pacific region. There have been predictions of the age of Asia, the century of the Pacific and I think finally they are coming true. There are many important American companies located here in the state and in Chicago; Accenture and Aeon are here; Motorola. And anyone that's been in China knows how many cell phones there are in China; knows how many cell phones are made by Motorola there. Some of our great aviation companies are here in Chicago, Boeing, and indeed when President Hu Jintao arrived in Seattle and met with Boeing at the factory of Boeing he told the workers, I'm glad to be here because I've just come from China in a Boeing jet. I've also come from China in a Boeing jet, but also with United Airlines, another Chicago based company.

I know that in Illinois there are some of our enormous agricultural industries such as Archer Daniels Midland and also Caterpillar. So these are companies that have really made themselves indispensable by providing the tools that have helped really feed the people of China and the harvesting of crops there.

So it was no surprise therefore that I think Chicago was much of a natural stop for China's Vice Premier Wu Yi and her trade delegation when they came to the United States on their way to Washington for some economic meetings. They purchased some 4.9 million metric tons of soybeans while they were in Chicago. It represents about half of the year's exports to China from the U.S. and since Illinois is our number-one soybean exporting state much of this trade will benefit local farmers and agricultural industry. The business people who were part of Madame Wu's delegation were also very clear that these kinds of purchases are not just one-off purchases, but the start of long-term contractual arrangements that will help spell success for America's farmers and food industry. If that is the case we are at the beginning, but I must say it is only the beginning, of addressing what has become an annual 200 billion dollar trade imbalance with China.

Today's debate about China's future is usually presented somewhat rather starkly. Is China a threat or is it an opportunity? But in fact President Bush has made it very clear that he sees China as very much of an opportunity and I think many of you in this room see it that way as well, but it is certainly a multi-faceted and indeed a very complex opportunity. During his meetings in Seattle, and as they say in Seattle - the other Washington - and then when he went up to Connecticut and spoke at Yale, President Hu sought to allay the concerns of many Americans that there is something inevitable about the equation that a rising China indicates a declining America or that somehow more China will mean less U.S. President Hu Jintao emphasized his government's desire to work peacefully and responsibly within the international system and not to challenge it and in fact he himself used the term that our Deputy Secretary of State Bob Zoellick has used in recent months. He said that China intends to be a responsible leader, in fact a responsible stakeholder, cooperating with the United States. But he also acknowledged that China's number one focus remains on its own economic development. China's leaders know that if they do not achieve 8 to 9% growth each year, which is a rather startling figure, they won't be able to generate the 15 million jobs they need each year just to provide a livelihood for new entrants to the job market. And if they cannot deliver the economic goods they will find themselves increasingly hard-pressed to maintain their hold on government.

So how does China get to a future where it is a strong, responsible, economically advanced country? A recent book, in fact a book that was published this month, *China: The Balance Sheet* published by the Center for Strategic and International Studies and the Institute for International Economics posed four questions that I think are fundamental to this goal and to the theme of this conference. Will China continue to grow or will it collapse? Will it democratize or will there be disorder? Does China represent an economic opportunity or a threat? Will it be a security partner or a rival? All of these are good questions and the authors tried to answer them comprehensively and objectively without any particular ideological bias.

Where they came out is where I must say I came out; that there are many Chinas with which we have to deal. American policy makers must contend with China's contradictions, with its diversity and its many paths to the future, both the known and the unknown, and not get locked into place

with assuming only one outcome. Moreover just as China seems a mystery to many of us, so are we at times as the world's sole superpower a mystery to China; all of which argues for the kind of engagement that President Bush and Secretary of State Condi Rice are pursuing, a comprehensive, across the board discussion of a changing global community.

As major powers both the United States and China share many common interests and more importantly many common responsibilities in the world today. The extent to which we're able to cooperate on these interests and share the burden of these responsibilities will indeed be a key factor in defining the future of the world we leave behind to our children and grandchildren. It is in this context that I'd like to discuss "China and the future of the world."

Many of you no doubt watched President Hu's visit last week with great interest and followed the media coverage of the specific bilateral issues between our two countries. Lost though in much of the media coverage of the visit last week, and I must say with the protest of the Falun Gong journalist on the South Lawn of the White House, an action that I strongly believe was irresponsible as a journalist because a journalist should be covering the news not trying to make and be part of it; but somewhere lost in that coverage was the fact that President Hu received a very respectful and cordial reception from the American people and from our President. President Bush re-stated the general theme of U.S. policy noting that the United States and China are two nations divided by a vast ocean yet connected through a global economy that has created opportunity for both our peoples. The United States welcomes the emergence of a China that is peaceful and prosperous and that supports international institutions.

No single visit of course solves every single problem that bedevils it, but insofar as the U.S. and China are concerned I can't think of a single issue whether it's the six party talks or avian influenza about which we don't have a conversation bilaterally in regional fora like in APEC and in the ASEAN Regional Forum or in global organizations like the United Nations or the WTO. Certainly that was hardly the case some 30 years ago when the U.S. and China approached each other with great suspicion. At that time we were talking about little other than pressing an isolated China to open up to the world and embrace globalization in a market-oriented international economic system and yet we did have a bit of an agenda as well seeking China's assistance in a triangular diplomatic game that played out vis a vis what was then the Soviet Union.

But in any case as Deputy Secretary of State Bob Zoellick has said it's time for us to acknowledge that in fact we have succeeded in this effort. The Soviet Union is gone and China is a member of every important international organization. It's time to move on to find ways in which we can work together to realize the kind of world we would like to see in the next 15 to 20 years. That's been what we've been trying to accomplish in our recent approach to China and through the Hu Jintao visit. I would suggest this visit was to realize the culmination of a series of engagements over the last 12 months of high level ministerial discussions in Washington, in Beijing, in New York and Geneva of working group meetings on topics like joint legal cooperation and the fight against transnational crime, avian influenza and very importantly cooperation on energy conservation and improving the environment; also market opening and transparency. All of these are necessary to sustain support for the relationship between our countries.

Many analysts point to the impact of China's economic decisions at the Joint Commission on Commerce and Trade chaired by our Secretary of Commerce and our U.S. Trade Representa-

tive which preceded the visit. At that session we tried to find ways to better balance our trade ties but not to seek balanced trade. What we wanted and what we continued to seek is a balance of benefits and greater market access in China; and transparency on how China, our third largest trading partner and our fastest growing export market, conducts its trade. What we are looking for is China's embrace of structural reforms to level the playing field for our exporters, our software engineers, our farmers and our workers.

What we got out of that meeting was I think rather significant. The Chinese have agreed to open their markets to exports of U.S. beef, to mandate that all computer sales in China be made with pre-loaded legitimately-obtained software, to provide greater protection to intellectual property and to subject their government procurement policies to the kind of WTO scrutiny that will provide foreign firms fair opportunity to compete for government contracts. What we did not get and what we have yet to obtain more satisfaction on from the Chinese is more rapid movement toward a flexible market-based exchange rate. One item of note that the Chinese discussed throughout the meeting and that was subsequently taken up by President Hu is that China plans to become a consumer economy moving away from being an export-oriented one. That is indeed good news for American business.

Beyond the economic issues, our relationship with China continues to evolve in ways that would have been frankly unthinkable just a few years ago. Today we talk about the environment, public health, counter-terrorism, law enforcement, security and energy. With respect to the latter we will continue to urge China to cooperate to achieve energy security and to develop alternatives to fossil fuels and new technologies to help us become better stewards of our natural resources and not to let their search for energy resources work at cross-purposes with international consensus on such troubled places as Burma, Sudan, Venezuela and Iran.

We are also talking about finding ways to enhance our military-to-military discussions with exchanges of mid-level officers, not just senior level officers, but mid-level officers as well; our respective militaries' leaders for the future. Of course there is more that China can do to advance transparency, to improve understanding of its military modernization and to allay fears that what we think may be China's intentions don't translate into misunderstanding and to increased tension.

Many of you know that the U.S. believes that China has a critical role to play in securing peace and security on the Korean Peninsula and in northeast Asia. We share a common interest in ending North Korea's nuclear program through the immediate resumption of the six-party talks and through full implementation of the September 2005 Statement of Principles. In response to China's request for patience and flexibility on our part I can assure you that we have done so and we will continue do so; although I must acknowledge that I have occasionally been one to tell the Chinese that what we need from China is a little less patience.

The United States is very much prepared to stay the course and to work through the six-party process in Beijing to achieve de-nuclearization of the Korean Peninsula. We continue to be active participants. We talk to all parties who are participating in the process. We have multilateral discussions but we also have many, many bilateral discussions within this six-party process. We are prepared to do all we can to work as hard as we can to achieve this diplomatic solution.

On Taiwan, President Bush has made clear again that cross-strait differences should be resolved

peacefully and in a manner acceptable to people on both sides of the strait. The U.S. does not support Taiwan independence and is opposed to unilateral steps by either side that would change the status quo. We understand how important this issue is to the People's Republic of China. They understand I believe how essential it is that China takes no action that could be misconstrued as a provocation.

But while Korea and Taiwan are the two potential flashpoints that generate the most attention when discussing security concerns involving China, there are other areas of global security where we have asked China to support our efforts and to work together to share responsibilities. China has worked with us in the U.N. Security Council to achieve an international consensus to convince Iran to relinquish its nuclear ambitions. It has helped to support the new sovereign Iraqi and Afghani governments and it has indicated that it is prepared to assist in preserving the peace in Sudan along with the African Union provided the government in Khartoum is willing to work with U.N. peace operations. In all of these areas we need to work together very closely.

President Hu himself commented that if there is no democracy there will be no modernization. I think of great concern to President Bush and ultimately to China is the status of human and religious freedoms in China. It is important that Chinese citizens have the right to speak their minds without fear of reprisal from the government, to participate in government decisions that affect their lives, to secure protections from the court and the legal institutions and to have information including from the Internet that they need to learn to do business to go about helping build their country's legal, commercial and political infrastructure and finally to worship as they see fit according to the spiritual and religious views that they hold.

As President Bush stated in Kyoto in November last year, by meeting the legitimate demands of its citizens for freedom and openness, China's leaders can help their country grow into a modern, prosperous and confident nation. The free flow of information, the freedom to use the full potential of the Internet will be essential to China's shift from an export-led to an innovation-driven economy and to its development of a strong civil society. It does not serve China's own purpose to engage in monitoring or harassment or intimidation or arresting or imprisonment of journalists. Internet writers, defense lawyers, religious activists and political dissidents all must be allowed to do their jobs. Nor does it help to curtail the activities of non-governmental organizations or limiting access to potentially vulnerable groups including North Korean refugees in China. These act to create a society in which fear and force ensure conformity to government views rather than the hope and openness which people need to lead constructive lives that promote a nation's prosperity.

Finally I'm going to close where I probably should have begun and that is to make some comments about the role of the Foreign Service in carrying out our nation's foreign policy. I know there are a lot of young people here but I think it's important for you all to understand that the United States is at a very crucial juncture in our history where the need for diplomacy has never been greater. I hope you will give some thought to joining me and joining my colleagues in that.

So much has been written and said about the U.S. as somehow the only superpower, but in fact there has never been such a diffusion of power and of challenges around the globe. The emergence of China; the emergence of India; extraordinary accomplishments of South Korea and the various countries in Southeast Asia; the challenges in Africa where in fact I began my career

in public service as a Peace Corps volunteer. The continued challenges but the hopes in Latin America, where there is really a lot of work out there for diplomats. I hope that you will think about taking the Foreign Service exam. It's free. You don't have to pay a nickel for it and you know probably, unlike in some of your University of Chicago courses, if you don't pass you just take it again. Finally when you pass it and you take the oral and you think what was that all about, before you know it you're in. In your first assignment you'll probably be stamping visas somewhere and you'll think, "I'd rather be making tennis shoes somewhere." But in fact when you are stamping visas, when you are adjudicating visa cases, you will be confronting people in 90 second intervals which for you are 90 seconds and for them their whole life. It is very, very important work.

Then you'll move on and you might move on to consular areas. You might move on in economic areas. You might become a political officer. You might be a management type where you like to build embassies and get stuff done internally. I think what you'll find as you look back in your career is that you've probably done some pretty fun stuff. So I hope you do give it some thought. Thank you very much and I'm hoping for your questions.

You know it's tough being here because I realize I have a former boss in the front row of the hall here, Ambassador James Lilley who was the Ambassador in South Korea when I was there in the 80s. So Jim, I'm always a little intimidated when you're in the audience, but I'll try to manage here. Yes?

QUESTION: I have a question for Ambassador Christopher Hill. Thank you for coming first and I'm a Fulbright here in North Central College in Naperville, Chicago and I have been very interested in the last seven or ten years in the area of East Asia although I am from the Middle East, from Tunisia. But my question here is over the last ten years probably, mainly after the end of the Cold War, there has been a lot of talk and official statements from both the Clinton administration and the current Bush administration that the United States "welcomes the rise of a peaceful and responsible China." Would you please explain to us what is exactly meant by "peaceful and responsible"? Do you mean peaceful that it would never think ever of taking back Taiwan which is considered a renegade province in China, a symbol of national honor since Sun Yat-sen the father of modern China, the beginning of the 20th Century? What do you mean responsible? Do you mean responsible China, a country that doesn't challenge the status quo in East Asia which from a Chinese perspective could mean American hegemony, an American preponderance in East Asia, that it should acquiesce to the reality of politics in East Asia, and that the United States should be always number one and China should follow? Thank you very much.

AMBASSADOR HILL: Okay. First of all let me just mention the Taiwan situation. I know the depth of feelings in China about Taiwan, but I also know what has been going on in terms of economic relationships; what has been going on in the Shanghai area, a number of people from Taiwan living there, the number of investments going on, really the importance that Taiwan has played in China's economic rise. And I also know something very fundamental: that if violence were ever to be used to solve this problem it would be catastrophic. It would be catastrophic for China. It would obviously be catastrophic for Taiwan.

So it is simply hard for me to imagine that violence could be a way through this problem. It is our strong view that this problem needs to be solved through a process of dialogue and we think it can be. We feel very firmly about that because the alternative is simply something that one I think has

a hard time contemplating.

With respect to the peaceful rise of China, it should tell you something though that this is something that President Bush has said, President Clinton, frankly other Presidents have said. There is really a consensus in the United States about really welcoming China's rise. We are not looking for China to be subservient to the U.S. by no means at all. China is going to emerge in a way that it has global interest. China is a big player. China is now involved with peacekeeping in some areas. China has a substantial foreign aid budget. China is going to be weighing in on a number of situations all around the world.

So what we want to see China develop into is a country that has internationally-sustainable institutions. We believe political change, which I think in some ways is already underway in China, must continue. So we would like to see political change. Again, peaceful. We have no interest whatsoever in anything but peaceful development, but we'd like to see China reach out and deal with these problems in the world as other great nations deal with these problems. By the way, I am uncomfortable with the notion as the U.S. as somehow the only superpower. When I sit in the six-party talks I don't feel I'm lording over the other five by any means.

We look forward to working with China and frankly there are some really good signs because some of the Chinese diplomats that I deal with are really second to none. They are first class. One of them went to Georgetown but I'm sure that there is someone who went to the University of Chicago as well. They are first class. So we see good things ahead, but we need to work through these problems and we will.

QUESTION: I was wondering if you could comment on the Shanghai Cooperation Organization and the attitudes within your department with regard to the SCO.

AMBASSADOR HILL: With regard to the Shanghai Cooperation Organization, frankly we welcome multilateral efforts to deal with issues like the ones that organization is dealing with. But I think at the end of the day you have to judge how the organization is dealing with the problem and whether there are other ways to deal with those issues. We've had some concerns about the thrust of what has come out of that organization and so I can't say we're big supporters of it. Ultimately it's up to the members to see whether it's really addressing the problems that they felt it could address. You asked me for our attitudes, frankly I'm not so convinced that it's doing such a great job on these issues.

QUESTION: Hi my name is [unintelligible]. I'm an undergraduate here concentrating in history and I was interested in your comparison of the past administration to the present administration under Hu Jintao especially not just in terms of U.S.-China relations, but what you have observed going on within China. I know Jim Yardley just won the Pulitzer writing about this. The economists have been doing it. There are economist blogs looking at it. What is your experience on how President Hu has been changing direction or starting new directions given the recent visit and what else you're seeing in your experience with China?

AMBASSADOR HILL: These are highly impressionistic views and certainly not necessarily policy views, but just impressionistic views of what is going on. First of all when you're talking about China you're always sort of moving the goal post. I mean you're really changing what the field

looks like. I think China today has much more of an international stakeholder position that it should try to establish than it did previously.

I think there are some changes in their foreign policy. I think it's much more active on the foreign policy side. I think some of that is good. Some of that is something we have to keep an eye on how they're handling things. We've been concerned at various times about how they're handling countries like Burma, etc. So I think there has been a change to a little more activism on the foreign policy side.

Domestically one does have the impression that the current leadership is much more focused on some of the problems that have emerged in the rural/urban dualism. But you know to some extent that's reacting to issues and reacting to growing strains rather than necessarily a policy thrust. It could just be a reaction. I think though when you step back from it, it's still a fairly gradualist shift and there have been no major shifts in emphasis.

QUESTION: Without being undiplomatic, could you give a bit more of a diagnosis about why China isn't being as helpful as it could be on North Korea and Iran? In particular is their concern for sovereignty and not intruding on sovereignty really connected very much to the desire to prevent political competition in China? How much is it the case that there really couldn't be a functioning group of Security Council powers that established what the U.N. was envisioned to be until there is less difference in the domestic regimes of the powers on the Security Council?

AMBASSADOR HILL: There is no such thing as an undiplomatic question, but there are undiplomatic answers so let me walk through this one a little. With regard to the six-party talks I commented how the Chinese tell us to be more patient and we tell them to be less patient. I think to some extent China has played a very important role as a host to these talks. I was frankly speaking extremely impressed; not surprised, but just very impressed with how the Chinese delegation handled the July, August, September talks we had where we were able to emerge with a Statement of Principles.

So as hosts I think they do a pretty good job, but I think to some extent as a participant in trying to fulfill the interests of de-nuclearizing the Korean Peninsula maybe China could try to do a little more. The United States does not have a lot of influence with the Kim Jong-il regime in North Korea, but China does. China has become North Korea's main trading partner. As trade between North Korea and Japan has declined precipitously, China's trade with North Korea is increasing. So the question is whether China should be relating some of its trade to its overall approach to North Korea.

Pundits will say that China is worried if North Korea collapses 22 million North Koreans will leave and China will have a lot of problems with North Korean refugees, and that's why China is worried about doing more. I think it's far, far more complex and I think it has to do with the fact that China and North Korea have a shared history. It goes back half a century. They have their party-to-party ties, military-to-military ties. There is a whole bunch of stuff, a lot of stuff that needs to be unraveled there. When I say maybe they should do more I understand the complexity and I also understand they're a neighbor and being neighbors always, no matter what the history, can bring its share of complexity.

Frankly speaking, North Korea I won't say is China's creation, but let me just say China should take some responsibility for the fact that that little country started producing nuclear weapons and I think they ought to take some responsibility for working vigorously trying to get this done with so we can move onto the next problem.

Speaking of which, Iran, which is the next problem, is actually coming first. China does have a principled rule about sanctions. They are principled in their view of some of this stuff. I think what's important is that we try to work directly diplomatically. As the President said this morning we have a long way to go diplomatically. I think China has a tough time getting around to sanctions. It's just not how they've dealt with problems. They also don't tend to link economic issues generally to political issues. So we see efforts to sign up oil deals in Sudan and Iran at kind of critical political moments. It's a process we'll get through. I think we can work on these things together with the Chinese. I have a lot of faith in our ability to sit down with China and work these things through because as Deputy Secretary Zoellick said so eloquently we both are stakeholders. We both have an interest in what's going on out there so we ought to be able to work this through.

QUESTION: Ambassador Hill, at the end of your address you mentioned that students should be encouraged to join the Foreign Service. Could you tell us some of the highlights of your career as ambassador as well as Assistant Secretary of State for East Asian affairs? During your interactions with China what are some of the challenges that you've had as well as successes? And if you could tell us a little bit more about some of your personal interactions and how a meeting of the cultures can possibly be very important in terms of creating good foreign policy. Thank you.

AMBASSADOR HILL: I could sit here telling you Foreign Service war stories until you all fell asleep. I think if you go into the Foreign Service, the right attitude is you're not going to be Henry Kissinger on the first day, that it's going to take a little time. I remember when I was a first tour officer in my first six months, I went out with the ambassador to pick up a visitor and I was just delighted to ride in the Ambassador's car. I had never been anywhere near the ambassador's car and there I was riding with the ambassador. We get out to the plane side and the visitor comes out carrying his bag and my ambassador, a guy named Larry Eagleburger, said to the visitor "Welcome. What are you carrying that bag for? That's what Hill is here for." You know I never give my bags to anyone as a result of that. I carry my own bags.

So you've got to learn a little humility in this business. You feel pretty good about passing the Foreign Service exam but then you're out there having some tough times as a junior officer. But you know if you get the right assignments and if you go to interesting places there can be some really exhilarating moments. I'll mention one that happened when I was in Macedonia and I'll try to do this very quickly because I know there are other questions. The war with Serbia, the NATO bombing, had gone on for 77 days and we had some 200,000 Albanian refugees staying in refugee camps around Skopje where I was living. And the bombing had gone on and I was worried about when it would end because the bombing of Serbia was really to get Milosevic to change his mind to allow the international community to come into Kosovo. So what were you bombing? You were bombing something to change Milosevic's mind and so NATO was hitting things like bridges. We just didn't know when it was going to end. Finally it did and it was around noon time beginning of June and I felt just terrific. Finally the Serb generals met with NATO generals and it looked like it was going to be all over in a couple of days.

So that night I came home at around 11:00 and I got a call from one of the embassy people saying that a riot had broken out in the prison camp and I went out. He asked if I could come out because I was very well known to the Albanians at that point because I had been the negotiator through the peace process and he came out and asked me if I could do something about it. The riot was because the Albanians had seen members of the Roma community, gypsies, and they had accused the Roma of supporting the Serbs and so they had attacked these Roma and about 15 of these people were hiding in the Catholic Relief offices there surrounded by this angry mob.

So I went out there and it was about midnight. I met the head of the camp. The head of the camp who was from Catholic Relief asked me to talk to the camp elders. I talked to this group of five octogenarians, five 80-year olds, and I gave a nice talk to them for a couple of minutes and they said well thank you very much but you really need to go in the camp and talk to the people who are causing the ruckus. So I went in there and I stood up on a Coca Cola crate and I addressed several thousand rioters. I started in Albanian and it is important to learn some of these crazy languages, but I did switch to English. I said look I want you to know that today NATO met with Serbian generals and it looks like we're going to go back into Kosovo. Everyone started cheering and I realized I had sort of whipped them up and so I said so now we all need to get some rest because we're going to go into Kosovo, we're going to find it destroyed and we need to rebuild everything and the first thing we're going to rebuild is a rule of law and we're going to start right now. I got them to go back to their tents and I felt pretty good. I couldn't get to sleep that night I remember. For an American foreign service officer to go out there and get a riot to end is a pretty good feeling. I never sent a telegram on it. There was a small mention of it in the paper so it was never a big deal but for me it was a huge deal. In the career of a Foreign Service officer, which I've been for almost 29 years, at some point something like that is going to happen.

With respect to the six-party talks, that was an ordeal. It was a complete ordeal. It was telephone calls all night with Washington and meetings all day with North Koreans and I can't tell you which was worse. We finally that morning went into extra time. I went to my counterpart, the Chinese Vice Minister Wei, I said, "okay, I think we've got a deal on our side. We can accept the text." He reported the others have accepted the text and that the North Koreans, the DPRK, had accepted the text. What a great moment. I just was so exhilarated because I thought finally the DPRK agreed to put all of their nuclear programs out of commission; not just nuclear weapons programs because we didn't want to get into a long argument about what's a weapons program and what's a nuclear hair spray program or something. So we wanted to include all nuclear programs and I was totally exhilarated.

But you know the trouble with the career is one day you're up and the next day you're down. I've been a little concerned about the fact that the DPRK has not done any homework and they haven't given me much to work with. As you know, the DPRK is boycotting the talks now because there was an action taken against a Macao-based bank which had some DPRK accounts in it. The DPRK is saying until that's over we don't come to the nuclear talks. We estimate the money is around 20 million dollars. It would be equivalent to about one week of the energy provisions of the six-party agreement, just one week, so why are they holding this up? Every week the North Koreans lose 20 million dollars in effect so why are they holding this up for 20 million dollars when they lose 20 million dollars every week by holding it up? It's frankly inexcusable and what I'm worried about is maybe it means that they just haven't quite gotten to the point where they want to implement the

thing. I've asked them, "why don't you do some homework? Show me that you've identified some of your sites. Okay we don't have a deal, there's nothing decided unless everything's decided, but show me how many nuclear sites do you have that would require dismantlement." They won't do that.

I'm a little worried that we'll get to the next round and like some kid doing a term paper the night before it's due, it won't be a very good paper. So I'm a little worried about that, but we'll see. I'm still very dedicated to this and I must say diplomats and negotiation are like a kid with a hammer; everything looks like a nail. I'm a believer that everything can be negotiated but I tell you it has been tough. I've been with Slobodan Milosevic. I've dealt with the Kosovo Liberation Army, that crowd. I dealt with Tudjman, all those people. It's never been like what I'm dealing with right now. Thank you. Sorry about that long answer.

QUESTION: Going back to the Taiwan question, President Chen Shui-Bian recently told some of his friends that his accomplishment for his six years in the presidency is that he firmly established one side, one country. That means two countries, too. What is the American attitude toward this? About two months ago was the *zhong tong*, the end of these two counsels. Is your position that these two things still exist? President Chen Shui-Bian does not agree with this. How is the newest development of this? Do you still insist that *zhong tong* is not ending or it's just inoperative but not out of existence?

AMBASSADOR HILL: Well we agreed on language with respect to that but our view is that the *zhong tong* has not been abolished and it doesn't say it's been abolished. With respect to President Chen Shui-Bian's accomplishments as President it's not for me to comment on his accomplishments. I mean look I don't even interfere with my own country's internal political affairs let alone someone else's. I'll leave that to the Taiwan people and I'll leave that to historians to contemplate. What I feel about Taiwan is there is much that can be worked on, negotiated. And we have this very strong view that there should not be unilateral moves. As I said earlier, as the President said earlier, we do not support Taiwan independence. We have to be I think pretty clear about that and our position has not changed. I'm frequently asked these questions and they look for little nuances in my answers because sometimes I get tired and I use the wrong word or something, but it's all the same; boringly the same.

I really think there is a lot for the two sides to sit down and negotiate. China began a consultative process last year with some of the opposition politicians. We would have liked to see that process continue with the Taiwan government elected officials as well, but beyond that I just don't want to make any news on Taiwan.

QUESTION: It's great to hear you touching on all these aspects of U.S. and Chinese relations. There is one area that you have left unspoken yet which is also your responsibility; that is the relations between China and Japan. As China grows much stronger, China's international image is growing larger. U.S.-Japan relations are strong militarily and politically. What is the U.S. government's view of the relations between China and Japan? President Bush has touted time and time again even during his campaign that he and Prime Minister Koizumi are good friends and that the U.S. government and officials can use their friendship to help the Chinese and the Japanese resolve their problems. That would be beneficial to both sides and also to U.S.-China relations. Thank you.

AMBASSADOR HILL: The U.S. is not playing a mediating role between China and Japan. We've played mediating roles. I've personally played mediating roles in places in the Balkans, but China and Japan I think are adults and I think they can solve these issues. I do want to make very clear that the United States first of all is very proud of our relationship with Japan. It has been a very good relationship. Japan has come a long, long, long way since 1945; extraordinary really. It's a good relationship. We talk to the Japanese about all kinds of issues all over the world. In fact on Monday morning we will have a meeting with the Japanese Foreign Minister and the Japanese Defense Minister. Our Secretaries Rumsfeld and Rice will meet with them on Monday morning. I'll be there. It's an excellent relationship.

What I think is important though for people to understand is that the U.S. wants to see China and Japan also have an excellent relationship. It does not do us any good whatsoever to see the current difficulties in the relationship. We want them to have a successful relationship. It is not in our interest that they don't have such a relationship. Thank you.

QUESTION: Thank you for coming Ambassador. I was wondering if you could comment on China's involvement in Sudan and how that relates to the Darfur conflict. I know Petrol China is a large company that currently has large investment in the Sudan. Is that complicating any resolutions in that situation?

AMBASSADOR HILL: Well I think China's interest in Sudan was economic. If you look at a lot of China's foreign policy frankly it's to sustain this economic growth. Economics I think is important in anyone's foreign policy. It's certainly important in ours, but I think in China's case it takes on a very dramatic importance and so I think China's interest in Sudan was to look at it as a source of oil.

Our view is we're talking about a Security Council member, Perm-5 member, and we think China ought to be looking Sudan in a broader context. I think there are signs that China is doing that. Clearly we need to get to an agreement; figure out how we're going to get to an agreement to get a proper peacekeeping setup there and to end what is just atrocious suffering of the people there. It's a process. We're dealing with the Chinese. We're talking to them every day on this issue. In fact I think you'll have the Chinese Ambassador from the U.N. here tomorrow and I hope you ask him the question on how they are doing. You can't just go to a country and just deal with its mineral wealth. You've got to look at relationships with countries in a broader context. We realize that China can't look at Sudan without looking at oil, but we don't think it should just be looking at oil. I think we're trying to work with them on this. We're not through this yet. We have some disagreements, but I think what's important is we have a diplomatic process with it. Thank you.

All right I'll take one more. I hope it's a good question.

QUESTION: Representative Kirk just mentioned in his presentation that the White House, State Department, and the U.S. Congress has different takes on U.S. policy in China. So my question is as an Assistant Secretary of State how do you address this issue and will this internal conflict among U.S. government agencies will be an obstacle to a coherent but pragmatic U.S. foreign policy toward China?

AMBASSADOR HILL: Yeah. Well a lot of this is rooted in what we call the inter-agency process.

It's not on China policy. It's a lot of different issues. You ask five U.S. government agencies a position on something, some issue, and you'll get six different answers. Usually the State Department gives you two because we're so smart. A lot of what you do in government is you sit in these meetings. The Pentagon will have a certain view. The Commerce Department will have a view. The National Security Council will have a view and you try to work through and of course what you look for is having a President who has a view and we have a President who does have views. That definitely helps as an organizing principle.

I think in terms of the inter-agency process on China it's not that bad. I think there is a lot of consensus on this. The Pentagon looks at what they have to do. They have to look at military issues. That's their first job. It might sound different, but it's not necessarily different. It's just that they're looking at one part of the issue. With respect to Congress I know you have Mark Kirk somewhere here and I'm sure Congressman Kirk can tell you all about what goes on in Congress.

I think what is interesting in China is many Americans, and even people in Washington, have not made up their minds about what China means. What is China going to be? People are very curious. As I mentioned earlier, China is a bit of mystery for many Americans just as many Americans are a bit of a mystery for China. You can see a sort of learning process going on in Washington. What's interesting is you'll have someone who has a different view of China from one year to say two years later. People are changing their views on China. It's so important. People read the press. Sometimes China I don't think understands the degree to which people are absorbing new information on it and making their mind up based on new information. What makes working on China so interesting is the development of different views.

My time is up I gather. Oh all right. One more. One more, okay.

QUESTION: I have a question about U.S. debts. As you know the U.S. is heavily indebted to China. To what extent do you think this is a problem and to what extent does this affect U.S.-China relations?

AMBASSADOR HILL: A problem for whom? A problem for the U.S. or a problem for China? You know when you look at the world's capital markets, you look at financial flows, it's in the billions and trillions. It's enormous. So to be sure, China is holding a lot of treasury instruments so occasionally you'll see commentary that China could dump those treasury instruments and cause interest rates in the U.S. to go up and destroy the U.S. economy. Would that really be in China's interest even if that could be done? I don't think so.

I think what a lot of this implies is that China and the U.S. are in the same boat. We need to paddle in the same direction. China has merchandise trade surplus with the U.S. that's 200 billion dollars. Economists will tell you it doesn't really matter. Politically it kind of does matter. Politically it's kind of hard to sustain because to some extent China has become the metaphor for economic transition in the U.S. Someone loses a job in South Carolina and it may have nothing to do with China, but they think it has something to do with China. China has become kind of a metaphor for economic transformation in the U.S.

I think it's very important for China to work with us and China is. As I said earlier we've made some real headway. We have to see how it looks six months from there but there are some posi-

tive signs and I think the Chinese leadership gets it. They understand the importance of trying to work on expanding domestic demand and not just export growth. It was a very moving moment I must say, when I was in Seattle and Hu Jintao got up in front of the Boeing work force and Boeing treated him like their best customer. Do you know why? Because he is. It was just very moving because he got it. He saw there were Americans out there who have jobs and they depend on making things to keep those jobs.

I'm not so pessimistic about this. Clearly China has a view: gee, we're new, we're young, we have to pedal really fast otherwise everything is going to fall over. I think if you talk to the economic community in China especially I think people kind of get it. I think there are not going to be any dramatic events. I think to use an American football metaphor we're three yards and a cloud of dust, but I think we'll get down the field with this. Thank you. Thank you very much.