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I. Opening remarks and Introductions (PRC lead as host)

- U.S.-China relations of enormous importance to both and to region
- Both sides have worked hard to improve over past year. WTO/PNTR is an excellent example.
- Glad to be here to carry process forward, especially regarding military-military relations, and to discuss overall relations, Korea, Taiwan, proliferation
- My goal is to leave to the next administration U.S.-China relations on sound footing

• 9th visit, 1st in 78, vast changes.

- new century, new building - symbolizes

- thru good & bad, maintain ability for constructive dialogue

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II. International Security and Global Issues (U.S. lead)

A. General Assessment/Overall Security Outlook

- The U.S. and China have significant agreements on the global strategic situation in the new century.
- The overall global trend is toward peace and development.
- The United States believes that the global trend clearly leans toward greater political openness, the rule of law, and democracy as the most productive approach to ensuring international stability.
- Our national security strategy has three core objectives:
 - To enhance security;
 - To bolster economic prosperity;
 - To promote democracy.
- These goals serve all nations' interests – and require cooperation among nations to achieve.

Transnational Threats

- Also affecting U.S. perceptions of 21st century security are the growing threats that we all face.

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- Would-be regional aggressors, ethnic conflicts that threaten regional stability.
- Transnational threats -- terrorism, the illegal drug trade, international organized crime, piracy, and environmental degradation. These threats do not respect national borders and often arise from non-state actors.
- To address transnational threats in the future will require transnational cooperation. We look forward to expanding such cooperation between our countries.

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B. Nonproliferation

- The development and proliferation of advanced offensive weapons and technologies -- nuclear, biological, and chemical weapons and their means of delivery -- will continue to pose a major challenge to peace and stability.
- Past experience indicates that where China and the US work together on nonproliferation issues, we are better able to make a positive difference. Good example is NPT Review Conference.
- The real problem arises from Chinese transfers of missile technology to Pakistan and Iran.


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- Einhorn*
- We now need to resolve the missile technology issue.
 - Dialogue with Assistant Secretary Einhorn and Special Assistant Holum has been useful (b)(1) 
 - The key now is to continue engagement. [NOTE: We are pushing for experts meetings in August.]

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- It would remove a long-standing irritant in bilateral relations.

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C. Missile Defense (NMD/TMD/ABM)

- Proliferation of missiles and WMD forces us to consider how to meet it.
- Part of overall response – diplomacy, international non-proliferation efforts, deterrence.
- In addition to prevention and deterrence, we believe that direct defenses can play a role. It is now becoming technologically feasible to defend against missile threats.
- We are working on TMD to protect our troops and allies.
- Regarding NMD, we have to consider protecting the U.S. homeland against limited direct attack by rogue nations.

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- This program has broad support in the U.S. and responds to a direct threat to the U.S. homeland and population. The President is committed to protect the American people against the emerging ballistic missile threat.

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- This system is not designed against China's missile capability, nor do we expect that relations between China and the U.S. would be such that there would need to be a question of a Chinese missile attack on the U.S.
- By contrast, North Korea, Iran, or Iraq are potential threats, and the system is designed to defend against the kind of threat such states may pose in the coming decade.

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- We fully understand the importance of the ABM Treaty and other strategic arms control measures for stability, both in terms of technical impact on the nuclear relationship and in broader political terms.
- The limited NMD system we are considering is completely consistent with the underlying purpose and principle of the ABM Treaty.
- We are working with Russia to amend the Treaty to permit deployment of a limited NMD and to explore possible cooperation on active defenses.
- We have noted Russian interest in cooperating in Europe on a missile defense system to address this threat. Russia has not defined his idea very clearly, and we will seek to elicit more information about it.
- We believe Russia will understand that the U.S. possesses no real threat to them -- and that the way to insure that is to agree to update the Treaty,

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so that the deployment proceeds in a framework of transparency, cooperation, and arms control, not in an unconstrained way.

- Similarly, the U.S. and China need to discuss the issue of strategic nuclear arms control policy issues in a comprehensive fashion.

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III. Asia-Pacific Regional Security Issues (U.S. lead)

General

- U.S. strongly committed long-term to fostering security/stability in Asia-Pacific region because essential to our interests.
- Key elements of our policy – active engagement, security cooperation with allies, forward military presence, open markets/economic opportunity, build multilateral institutions.
- AND solid relationship with China.

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A. Japan (including the U.S.-Japan Security Alliance)

- In the last several years, the U.S. and Japan have undertaken several measures to adapt our alliance to the post Cold War world. These include the 1996 Joint Security Declaration, the Defense Guidelines, measures to realign our basing in Okinawa, and cooperation in Theater Missile Defense.
- These changes focus our alliance on maintaining capabilities that we both believe will be necessary for maintaining a stable and prosperous environment for the Asia-Pacific region in the 21st century.
- The alliance is an essential element in general security in the region. It assures Japan's security in a cooperation framework.

Defense Guidelines

- The Guidelines emphasize preparedness for dealing with situations that affect peace and security, and are situational in nature; do not focus on any specific geographic area.

Ballistic Missile Defense

- Our Ballistic Missile Defense cooperation with Japan focuses on technical risk reduction activities that support our Navy Theater Wide program.

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- While we both remain committed to efforts to reduce ballistic missile proliferation, the ability to defend against ballistic missile attacks is an increasingly important element of deterrence and defense.

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B. Korean Peninsula

- The United States is pleased by the encouraging outcome of the Korean summit. Such progress has been a shared objective of our two countries.
- We sincerely hope that the two sides will be able to continue this momentum and begin work on the implementation of the agreements reached in Pyongyang.
- We also hope that such progress will lead to broad cooperation and a reduction of tensions on the Peninsula.
- It is important for all of us to continue to support President Kim Dae Jung's engagement policy, both privately and publicly, and that we continue to encourage the DPRK to engage constructively with the international community.
- We welcome the DPRK's participation in the ASEAN Regional Forum.
- We appreciate China's role in supporting North-South dialogue, encouraging DPRK involvement in the Four Party peace process, and in urging DPRK restraint in missile activity.
- Militarily, the situation has not changed. Forces are still facing each other and North Korea continues to maintain a significant military force capable of inflicting enormous damage on the Republic of Korea.

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- That force continues to train at a high level, with the bulk of the active force deployed close to the demilitarized zone.
- U.S. forces in Korea are essential to deterring aggression and maintaining stability.

(If needed: Any change to U.S. force structure in Korea is a subject for discussion between U.S. and the Republic of Korea.)

- I would like to hear your reaction to the summit meeting, as well as your impressions of the visit to Beijing by North Korean leader Kim Jong-Il.

U.S.-DPRK Relations

- The U.S. continues to urge the North to choose a path that embraces peaceful and productive engagement with the international community and avoids destructive actions.
- As a result of progress in our relations with the DPRK, the U.S. announced on June 19th that we would implement the limited sanctions-easing steps that President Clinton announced in September 1999.
- The U.S. welcomed the North Korean June 21st statement regarding a reaffirmation of their commitment to a moratorium on flight-testing of long-range missiles as our discussions to improve relations move forward.

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- The resumption of missile talks with the DPRK, which are being held this week (10 – 12 July) in Kuala Lumpur, was the first step toward addressing our concerns over the North Korean missile program.
- Our overall objectives for our missile negotiations with the DPRK remain unchanged. We continue to seek constraints on North Korean's exports of equipment and technology for missiles and its development, testing, production, deployment and acquisition of missiles.
- *Given our shared missile non-proliferation goals, we hope you will use your contacts and unique relationship with the DPRK to underscore the importance of continued North Korean missiles export and indigenous program restraint.*
- We greatly value your cooperation and support in this area.

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C. South China Sea

- The past year has seen some progress in defusing tensions in the South China Sea.
- Despite China's position that all territorial disputes in this region be resolved bilaterally, China has been willing to enter into regional negotiations with the other claimants over a regional code of conduct.
- Several rounds of negotiations have helped to narrow differences, although significant differences exist between the Chinese draft and the ASEAN draft.
- We hope additional negotiations can resolve these differences.
- Meanwhile, bilateral negotiations between the Philippines and China are helping to defuse some of the more contentious disputes, such as Mischief Reef.

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- What is the status of these talks?

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- The U.S. is not a party to any of the disputes and have certainly not sought to Americanize the issue.
- Our interests on the matter have been consistent: maintaining freedom of navigation is a fundamental interest of the United States; we take no position on the legal merits of competing claims to sovereignty in the area; and we look to the claimants to resolve the conflicting claims peacefully, refraining from unilateral actions that increase tensions in the area.

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D. Sub-Continent/South Asia

- We remain deeply concerned about the possibility of escalation of regional tensions in South Asia.
- We have been working hard to reduce tension between India and Pakistan.
- We called for restraint along the Line of Control in Kashmir, resumption of dialogue, and renunciation of violence.
- We have urged other nations, including China, to reinforce these points in their contacts with India and Pakistan.
- The Kashmir problem can be solved only by a bilateral dialogue that addresses the root cause of tension.
- The President's trip earlier this year to India turned a new page in our relationship with India, building on our common interests even as we continue discussion of differences in areas like non-proliferation. First visit in 22 years.
- He outlined areas of new cooperation, especially in the fields of economics/trade, economy and the environment, and science and technology. We will have regular summits and annual Foreign Ministers meetings.

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- We remain strongly committed to UNSC Resolution 1172 [which condemned India and Pakistan for their nuclear testing and urged both sides to join the NPT].

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E. Southeast Asia

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F. Russia (NOTE: Putin will visit China July 18-19)

- The U.S. has made great efforts to build closer ties with Russia.
- We view this as a crucial relationship – for Asia-Pacific security as much as for other regions.
- Russia faces many challenges – economic, political, social – and military.
- Its current problems limit its current role, but it has great potential.
- President Putin appears to be committed to face the need for change.
Important that he do it in ways that preserve democracy and make Russia a constructive force in international affairs.
- Important summit in June, after which I went to Moscow to follow up on security issues, including restarting modest mil-mil contact program.
- We cooperate with Russia on many issues, including recognizing their need for international investment, need to deal with international terrorism.
- We continue to have differences over proliferation activities with Iran and how to deal with Iraq.

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- We also have differences over Russia's tactics in Chechnya in pursuit of legitimate goal of preserving territorial integrity and fighting terrorism.
- Also differ over NMD – though Putin did acknowledge the reality of the emerging threat of missile proliferation.
- We will continue dialogue.
- We are open to follow up on Russia's ideas for cooperation on missile defense, whether TMD or boost phase NMD, and we are confident that ultimately Russia will recognize that defenses against limited attack by rogue states are no threat to Russian interests.
- We hope for progress on START III in context of resolving differences over NMD.
- Russia's real security problems are to the south – in the Caucasus, with the Taliban.
- Idea that NATO is a threat to Russia is an illusion.
- Russia is also a Pacific power – with potentially important role to play in Asian security.
- We welcome Russia's contribution to urging DPRK to reduce tensions, and Russian participation in regional forums like ARF and APEC.

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- We do not regard the improvement of relations between Russia and China as any sort of threat to our interests. Rather we see the reduction of tensions between you – and cooperation with nations of Central Asia – as conducive to regional stability.
- It is in the interest of the U.S. that Russia and China have good relations.

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G. Multilateralism

Asia-Pacific Regional Initiative/"Security Communities"

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- While we recognize the differences in strategic situation of Europe and Asia, we believe that the trend toward regionalism in Asia is on-going; we seek to encourage its further development through concrete initiatives to enhance regional readiness to address non-warfighting contingencies.
- Such contingencies include humanitarian assistance, disaster relief, peacekeeping operations, search and rescue, and perhaps piracy.
- These interactions will promote a constructive atmosphere of cooperation and trust.
- We are in the process of developing this program, which we have named the Asia Pacific Regional Initiative.
- Our intention for the program is to start slowly and gradually develop it step-by-step according to regional conditions.
- APRI initiatives include a regional computer network to facilitate the timely exchange of information and expertise on non-warfighting

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contingencies, and expansion of bilateral exercises to include additional countries to address peace enforcement and non-combatant evacuation scenarios.

- We have so far involved our allies due to our traditional military relationships with them. In the future, we hope many nations will participate.
- We want to assure you that this program is not intended to exclude any nations, including China. Indeed, we would welcome China's participation.
- We do not intend for the APRI to supplant activities within the ARF. The program is fully intended to complement the work of the Forum and to be entirely transparent to the ARF.

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IV. Overall Bilateral Relations (PRC lead)

General

- U.S. and China need a constructive relationship as basis for security/development in Asia-Pacific region
- Policy of engagement has opponents in U.S. who would favor containment
 - But broadly supported in both parties and in both executive and legislation branches
 - Demonstrated by political capital expended for PNTR
 - WSC: "If we treat China as an enemy, then it will become an enemy." Many in U.S. recognize this, and have worked hard to treat China as important partner, not enemy.
- Of course, we have differences, some very important (human rights, proliferation, Taiwan), but need to resolve through dialogue, not threats/confrontation
- Relations have improved remarkably since troubles of last year – result of work by both leaderships
- Now need to build on that opportunity

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Chinese Rhetoric

- Given the positive momentum in the relationship and our mutual interest to promote constructive ties between our two nations and peoples, I must raise an issue of personal concern.
- I have noticed in China's official media and talks with other nations a persistent stream of negative images of U.S. behavior and intentions around the world.
- Terms like "hegemony," "power politics," "Cold War mentality" are common negative code words for U.S. conduct.
- Chinese articles commonly address preparation for conflict with the United States.
- These terms and articles are very unhelpful, and the perspectives on U.S. motivations inaccurate.
- We may have differences, but the characterization of our differences is important if we are to have a constructive relationship.

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A. PNTR

- The Clinton Administration has strongly supported PNTR for China.
- President Clinton took the lead in our intense campaign to achieve victory. The aim was not only to receive enough votes for passage in our House of Representatives, but also to secure a healthy margin of victory and broad public support in the American populace for the bill.
- I took personal interest in contributing to this effort as well.
- We are pleased with the result of the House vote and are confident about timely success in the Senate.
- PNTR for China has broad bipartisan support in the United States, as does constructive relations with China in general.

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B. Taiwan

(NOTE: The current line in China, apparently, is to urge the U.S. to do more to pressure Chen Shui-bian into accepting "One China." Some Chinese have also suggested that increasingly unambiguous support for Taiwan is helping to boost independence sentiment. Arms sales to Taiwan as always remains a sensitive issue.) ✓

- Recognize difficulty and sensitivity of issue – but cannot let it overshadow all others – or no context for relationship
- Basic U.S. policy
 - One China policy/3 communiques, support for dialogue, unofficial relations with Taiwan consistent with Taiwan Relations Act
 - Premise is that any resolution must be peaceful

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Reply when PRC side raises arms sales:

- U.S. sales are consistent with 3 communiques and Taiwan Relations Act
- U.S. is committed to supply Taiwan with sufficient self-defense capability
- TMD not ruled out, no decision – inevitably decisions will be affected by PRC deployments that threaten Taiwan
- Our arms sales based on situation in region, urge dialogue to ease tensions, resolve problems

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V. Bilateral Defense and Military Relations (U.S. lead)

- Since the Defense Consultative Talks in Washington in January, we have re-established a modest bilateral military-to-military relationship.
- Military relations are an important component of the bilateral relationship to reduce uncertainty, help prevent miscalculation, promote trust, and enhance mutual understanding of each other's posture and intentions.
- Relations should be re-established gradually, in a step-by-step manner, and remain consistent with the pace and development of the overall bilateral relationship.
- I am pleased that our exchange program has resumed.
- The Defense Consultative Talks in January were very successful, and we look forward to another set of talks late this year in Beijing.
- We also exchanged highly successful visits of our CINCPAC, Admiral Blair, in late February, and the PLA Navy Commander in April.
- In late May, we resumed talks on implementation of the Military Maritime Consultative Agreement in Hawaii, an important confidence-building measure to avoid incidents and miscalculation at sea.

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- We also welcomed the recent visit of the Nanjing Military Region Commander and his delegation in June. We viewed the visit as a good opportunity for mutual understanding.
- I regret that I was out of town on the day he was in Washington but understand he had a good meeting with my deputy, Rudy DeLeon, and with the Vice Chairman of the Joint Chiefs of Staff, General Myers.
- Furthermore, we appreciate your agreement to accept a visit by my Deputy Assistant Secretary Robert Jones later this year to begin the interview process of our Korean War oral history program.
- The issue of Korean War accounting has become a much more visible concern to the American people and the Congress, and your cooperation on this program is much appreciated.
- I would like to reiterate my invitation to General Yu Yongbo to visit the United States this year. I understand we are working on a mutually convenient time for his trip, perhaps this fall.
- Let me conclude by extending an invitation to you to visit the United States next year.
- I am very confident that a consensus on the benefits of our defense ties exists in the U.S., and will remain regardless of the Administration in office.

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[If concern raised about constraints on mil-mil due to FY2000 Defense Authorization Act:]

- The military relationship must be consistent with congressionally mandated requirements, particularly the FY2000 Defense Authorization Act, which limited the scope of exchanges, although not to a degree beyond which DoD would otherwise have engaged.

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