

RELEASE IN
PART B6

From: Sullivan, Jacob J <SullivanJJ@state.gov>
Sent: Tuesday, April 12, 2011 3:56 PM
To: H
Subject: FW: 4/11 FTA Target? Bader/Asia policy; Libya; Budget Wars

FYI

From: Campbell, Kurt M
Sent: Tuesday, April 12, 2011 1:47 PM
To: Sullivan, Jacob J
Subject: Fw: 4/11 FTA Target? Bader/Asia policy; Libya; Budget Wars

In case you had lingering doubts

From: Steinberg, James B
Sent: Tuesday, April 12, 2011 06:20 AM
To: Campbell, Kurt M
Subject: Fw: 4/11 FTA Target? Bader/Asia policy; Libya; Budget Wars

Really makes you feel good about public service.....

From: Chris Nelson [mailto:]
Sent: Monday, April 11, 2011 07:21 PM
To: Steinberg, James B
Subject: 4/11 FTA Target? Bader/Asia policy; Libya; Budget Wars

B6

The Nelson Report

April 11, 2011

**NSC'S BADER LEAVING FRIDAY, RUSSELL STEPS UP
CHINA POLICY LEAD STAYS WITH NSC/DONILON
NSC, VIA McDONOUGH, KEEPS KOREA, JAPAN
USTR EXPECTS COLOMBIA TO CAP HILL 'IN WEEKS'
THE BUDGET COMPROMISE...actually, many details uncertain
OBAMA'S BIG SPEECH WEDNESDAY ON FY'12
FRENCH ROLE IN COTE D'IVORIE A "MESSAGE" TO GADDAFI?
'PERSPECTIVE' Dean Cheng on integrated China policy**

SUMMARY: for the past several months, the question on NSC Senior Director for Asia Jeff Bader was not *if* he would step down for the private sector, but *when*. Now the answer is official...this Friday, April 15.

The questions behind *that* question for months have centered on who/where will China policy be formulated and enforced, what's up with Korea policy, especially toward North Korea, and who will be the lead on Japan?

In brief, informed sources firmly maintain that the answer to *all three* is "right where it's been all along, at the White House and the NSC." Tonight's headlines give you the "bulletin".

On the Korea policy item most under public discussion...food aid to the North...it doesn't sound like any decision to change US policy is coming anytime soon, despite WFP's findings, and anything Jimmy Carter might come out with. Details, below.

On Friday night's "last hour" deal between the President, and the Speaker, with the Senate Majority Leader in attendance, most analysts agree that it's a big win for Boehner, a critical win/save for Obama, but also something of a work in progress, since it turns out that "thousands" of budget details remain to be determined, yet the House is supposed to vote on Wednesday, followed on Thursday by the Senate.

And Obama has now set a Wednesday speech to do what the White House had been under severe criticism for *not* doing up to this point...setting out clear details and desired bottom lines on the tough questions. According to the pre-speech briefings underway, the President, it is claimed, will call for major cuts in defense, he'll reach out to the Republicans with calls for major cuts in Medicare and Medicaid, and he'll try to keep the very, very antsy Democratic base happy with a call to end the Bush tax cut on "the wealthy", defined as those making more than \$250,000 a year.

The White House calculates (hopes) that the Democratic base will come to see Obama's plan as courageous in the face of the House Republican budget of chairman Ryan, which proposes draconian reforms on Medicare and Medicaid, including basically dumping the costs down onto the states with no serious plan to deal with rising costs, and continues the GOP argument that revoking the Bush tax cut is a "hike", and therefore unacceptable.

Whether all this proves to be premature is a question worth asking, since the real T-Parties/GOP freshman reaction to Friday's budget deal remains to be quantified, and some curmudgeons remember that the first "agreement" between then-President Clinton and then-Speaker Gingrich was defeated.

On balance, most observers feel the Frosh won't want to pull the rug out from under Boehner with the real fights only now getting started...but there's still some tough talk from the Frosh about holding the line now in preparation for the Debt Limit fight, itself seen by the budget radicals as an essential first step in fighting Obama (and Boehner?) on FY'12.

The White House today tried to do an "oops, never mind" on then-Sen. Obama's famous vote *against* extending the Debt Limit back in 2006,

saying he now understands why that was a mistake to charge the Bush White House with "shifting the burden of bad choices today onto the backs of our children and grandchildren. America has a debt problem and a failure of leadership, Americans deserve better."

Likely his words back then will be liberally thrown at him now, hence the decision today to confront it with a mix of humility and panic, spokesman Carney calling refusal to extend the Debt Limit "Armageddon-like...devastating...dangerous...catastrophic...calamitous".

On what's increasingly looking like a nasty stalemate in Libya, unless some deus ex machina event somehow removes Gaddafi, observers say the increasingly aggressive international military role being played by France, under President Sarkozy, is intended to let Gaddafi know that as went (today) the former Cote d'Ivoire dictator/war criminal, so too will Gaddafi if he won't leave voluntarily.

This tid bit is fascinating, and way out of our geographical comfort zone, but comes from sophisticated, if cheerfully cynical source Richard Medley, so we cheerfully pass it along...with a couple of more of his thoughts on this, below. Meanwhile, Sec St Clinton today reacted with caution to the Libyan rebels rejection of the Africa Union's cease-fire proposal which would have allowed Gaddafi to stay around.

Don't close any doors to stopping the fighting, seems to be the implied US message.

-0-

FTA SCHEDULE GETTING CLEARER? With the following, courtesy of The Washington Trade Daily, we should hear shortly from Speaker Boehner (perhaps thru Ways & Means chair Camp) that the Informal "hold" has been lifted on starting with Capitol Hill on the KORUS Implementing legislation.

WASHINGTON TRADE DAILY Alert -- Moving the FTAs

The US-Colombia free trade agreement could be ready to go Congress "in a matter of weeks," Deputy US Trade Representative Mirlam Sapiro said today.

The Obama Administration wants to work with Congress on a timeline for moving the three FTAs -- with Panama and South Korea -- along with other trade initiatives important to the White House. Those include renewal of the expired Andean and Generalized System of Preferences trade programs, expanded Trade Adjustment Assistance benefits and permanent normal trade relations for Russia. "We don't want to leave any single one behind" she told reporters following remarks to the NDN.

KORUS is ready for Congress and Panama is expected to complete the last step it needs to take - approval if a tax information exchange agreement very soon, she said.

Details in tomorrow's WTD

-0-

LINKING LIBYA AND COTE D'IVORIE...Sec. St. Hillary Clinton today reacted "with caution" to a rejection of the Africa Union's cease-fire proposal by

Libyan rebel leaders, who objected to anything allowing Gaddafi to remain in power. Clinton leaves later this week for more NATO foreign ministers meeting on Libya, and then on to South Korea and Japan.

Reuters reports speculation that Clinton's mission in Seoul is part of a "diplomatic flurry that seems to be designed to resume talks on ending North Korea's nuclear programs", adding "A South Korean nuclear envoy is in Washington this week to meet top officials, including Deputy Secretary of State Jim Steinberg and Stephen Bosworth, the US Special Representative for North Korea policy."

We'll discuss the Korea aspect below.

On Libya, bservers speculate that Clinton and the President don't want to preclude anything which might produce a cessation of hostilities, given the pressure Obama is under from domestic critics of US over-extension in "three wars".

Meanwhile, this from Loyal Reader (and former Sen. Byrd colleague) Richard Medley, Medley Global Advisors, to his clients this morning, on the increasingly aggressive role of France in the Ivory Coast, as a possible "preview" of more to come in Libya:

"Whether the French turned over Gbagbo or "let" Quattara's forces capture him is irrelevant. Today they showed a willingness to move and move powerfully when it was time to end a fruitless stand-off.

Hello Tripoli. Discussions with several senior officials at State, the NSC, and important diplomatic posts in Europe paint a picture of an administration that hopes the defection of Musa Kusa, as well as the outreach by former Deputy Foreign Minister (now Foreign Minister) Obeidi and Saï al Islam Khadafy indicate a fracturing regime.

They recognize, however, that it may take a while for that to happen. After all, Gbagbo held out for six months of intense military and diplomatic pressure, despite walking out of the compound looking like Gandhi after being on the Atkins' Diet.

We are in the middle of that process with Khadafy, although defections, etc., are running hotter now. The dictator and his regime want to stay in place in Tripolitania. The threat of a prolonged stalemate and a de facto partition of the country into a rump Tripolitania and rump Cyrenaica (this reflects long-standing divides in Libya since the time of the Ottomans) is a very real prospect but US and French officials sincerely believe today's strong action will ring a bell..."

-0-

NSC ASIA POLICY...we can confirm that NSC Senior Director for Asia Jeff Bader will formally leave the White House staff this Friday, April 15. He'll take a two week personal break, then start work at the Brookings Institution on May 2.

Bader's successor (as long ago reported by Josh Rogin, *give credit* where it is due!) will be his deputy for Korea, career State Department Japan and Korea expert Danny Russell.

Bader's immediate plans are to think about writing a book, presumably about China policy, and to contemplate various private consulting options.

Since the likelihood of Bader's retirement and the promotion of Russell first hit the gossip mill, there have been additional senior foreign and defense policy officials also on the move, including Deputy Secretary of State Jim Steinberg at the end of April, to be replaced, the Senate willing, by Under Secretary Political Bill Burns, and Lt. Gen. Wallace "Chip" Gregson, Asst. Sec. East Asia at DOD, apparently to be replaced by Obama intimate, former NSC staffer Mark Lippert...although sources lately say that one is not (yet?) 100%.

Also leaving DOD is Gregson's Principal DAS, Derek Mitchell, slated for the long-vacant Burma Special Envoy position, which also requires Senate confirmation. Sources agree Mitchell is a popular choice, and substantive opposition is not expected. The gossip mill on his replacement as PDAS has to date been useless...if you know something, you know what to do on that, as well as Lippert.

-0-

The Bader move has long been under (until now) private discussion in the policy commentariat, and it's no secret that the China constituency has been increasingly anxious that with each departure, the cadre of established, senior "China people" in the Obama Administration gets smaller and smaller.

The "announcement" of Bader's imminent departure, via a carefully placed item in Saturday's New York Times, coming on the heels of the Steinberg and DOD changes noted above, has naturally stimulated intense discussion of who (both people, and bureaucracy) will now be in charge of which aspects of Asia policy.

Let's mention, in order, China, Korea and Japan policy, but first, on the continued overall primacy of the NSC:

With the rise of the enormously respected Bill Burns from UnderSecState/Political to Deputy, and with A/S EAP Kurt Campbell, a seasoned Asia hand, remaining in place, there has been much speculation that the White House might be ceding the lead on China policy to State, since there will be no senior career "China hands" on the NSC.

Such speculation is wrong, we are reliably, and indeed, firmly informed, as it manages to overlook the increasing involvement of National Security Advisor Tom Donilon directly on China policy at the highest levels. Most recently, it is noted, Donilon accompanied Bader to Beijing to "advance" the Obama/Hu Summit here in Washington.

Further, it is argued, Obama's close comrade from the Campaign, Deputy National Security Advisor Denis McDonough, not only will remain in the White House, but will continue his role of recent months in "rigorously chairing the Deputies meetings on both Korea/N. Korea and Japan policy".

(See the next section on Korea policy per se.)

And Russell, of course, is a highly respected career FSO NE Asia expert, with language, on both Japan and Korea, sources note, adding that in recent months he has had increasing "face time" with the President, in addition to building working relationships with McDonough and Donilon. That he has won their confidence is clear, through his coming promotion, It is noted.

Finally, in terms of assumed tectonic shifts in the balance of power between State and the White House, an observer of the turf wars endemic to Washington notes, even with all the changes underway, "not since the days of Henry Kissinger have you had a situation where State called the play on China, not the White House, and I can tell you that *isn't* going to change under Obama!"

OK, fair enough, but the US-China "engagement calendar" helps explain the quite frankly expressed (if always "on background") concerns about the practical implications of the departures of Bader and Steinberg, known primarily for their years of personal China expertise and high-level contacts.

It was certainly made very clear in public that A/S EAP Campbell carried the major sherpa's load in negotiating the final details of the Obama-Hu "Joint Statement" on policy across the board, although, of course, final approval came from Obama/McDonough/Bader.

With the Security & Economic Dialogue coming up so soon, on May 10, concerned observers, and critics, ask who will be carrying the load for the "Security" part, given that, of course, Treasury's Gelthner will continue to have the financial/economic portfolio in hand...see Friday's decision to again delay the Currency Misalignment Report to Congress?

One frankly skeptical non-Administration China hand worries as follows:

"Chris,

In the next three months, we have:

- 1. Human rights bliat.**
- 2. S&ED talks on May 9-10**
- 3. Central Military Commission "senior member" Chen Bingde visit (to US)**
- 4. VP Biden visit (to China)**
- 5. Presumed Hu successor Xi Jinping visit (to US)**

In the midst of this, we've got changes at DOD, DOS, AND the NSC?? Then, the newbies are ALL non-China experts? And finally, the bureaucracies are ALL going to have to adjust SIMULTANEOUSLY? Was this by design, or just accident? And anyhow, given the calendar, why couldn't POTUS get ANY of them to delay their moves/departures?"

-0-

KOREA POLICY...we noted at the top of Reuter's Libya piece its speculation that Clinton to Seoul is part of a "diplomatic flurry designed to try to resume talks on ending North Korea's nuclear programs".

Presumably the anonymous State Department source who said something nice about Jimmy Carter's planned mission helped feed this impression. Frankly, from our conversation with Administration policy-makers on this, we urge not to exaggerate either the situation, or the missions or either Carter or Clinton.

As we just reported, above, there is not going to be any diminution of Korea policy control by the White House insofar as Deputy National Security Advisor McDonough is concerned, and with soon to be Sr. Director Russell's professional specialty, his views on Korea policy will continue to be those most immediately at hand.

Substantively, on food aid: despite some characteristically optimistic, or humanistically phrased Congressional testimony by State's Campbell, backed-up by Steve Bosworth, that the US "Isn't going to let anyone starve", we do not detect any lessening of the fundamental skepticism of why it's a good thing to resume food aid to the DPRK under current circumstances.

"We are not in any hurry" is said, if privately, time and time again.

And as Bosworth and Campbell both were careful to explain to Capitol Hill, the humane instincts of the American people will be filtered through the very practical constraints imposed by the history of what the White House sees as a demonstrable history of diversion of food assistance from needy women and children to Kim regime supporters, especially the military.

We've spent much of the past week running the pros and cons of resuming food aid to N. Korea, so need not repeat the arguments tonight.

The bottom line: until or unless a fully reliable verification regime is agreed to and is up and running in the DPRK, Obama policy is going to remain in place, we'd argue, even if the S. Korean government changes its mind about the situation, which seems highly unlikely without some overall improvement in N/S relations (the preconditions for which are well known).

Finally, even if it's decided to try to forge ahead with N. Korea, this White House is fully aware of the practical problems encountered, dating from back in the Clinton Administration, when it tried to get money from Congress for N. Korea, even if to support a nuclear freeze agreement. With Republicans now firmly in control of the House, this situation is back in play, in full force.

-0-

JUDGE MORRIS/GLOBAL BUSINESS DIALOGUE...TODAY'S TALK...

REFLECTION ON A GREEN LIGHT

"We've been working on getting a green light for this [the FTA with the United States] to go to Congress for five years, and we got that green light today."

**Juan Manuel Santos
April 7 2011**

"So today, I am very pleased to announced that we have developed an action plan for labor rights in Colombia....Now there's obviously a lot of work to do to translate this action plan into reality."

Barack Obama,
April 7, 2011

Context: On Wednesday, April 6, the White House issued a very positive statement on the pending free-trade agreement with Colombia. The statement explained that the Obama administration has been working hard with the Colombian government to resolve outstanding issues and said that:

"The result is an agreed "Action Plan Related to Labor Rights" that will lead to greatly enhanced labor rights in Colombia and clear the way for the U.S.-Colombia Trade Agreement to move toward Congress."

On Thursday, April 7, President Santos called on President Obama at the White House, which provided the opportunity for a joint press briefing. Today's quotes were taken from that briefing.

Comment: Unquestionably, last week's announcements- the action plan, the press briefing, all of it - were a major step forward in the life of this long-drawn out agreement. To recap, it is an agreement that was first discussed in 2003, signed in 2006, and submitted to Congress by President Bush in 2008, only to be dispatched to a diplomatic holding pen where it has languished ever since.

Our impression is that many if not most of the American supporters of this agreement believe that, at last, the deal is done. Yes, Congress needs to act, but the votes are there and it is simply a matter of time - and presumably not much time - before the agreement is approved and implemented. And such an interpretation probably comports well with the President's intentions. In the same press conference, for example, President Obama said he was looking forward to attending the Summit of the Americas next year in Cartagena, Colombia. That will be a pretty awkward meeting if the U.S.-Colombia FTA isn't up and running by then.

Not everyone is sanguine about the future of this deal, however. According to a recent *Wall Street Journal* article, the people of Colombia still only give the agreement a 50 percent chance of being approved by the U.S. Congress. And presumably those who find the deal inadequate - organizations like the AFL-CIO and political leaders like Rep. Sander Levin (Dem. - Michigan) are prepared to fight against it.

Exegesis. One way to look at all of this is to ask questions of the text from last Thursday's remarks by the two presidents. When President Obama said there is a lot of work to do, just how much work did he have in mind and over what time period? When President Santos said, "We got that green light today," it sounded as if he meant that the last obstacles facing the agreement had been cleared away. And indeed, that's probably what he did mean, and he may have been right. Alternatively, this agreement's journey may be far from over, with more obstacles, more intersections, more red lights still ahead.

SOURCES & LINKS:

Two President Talk To The Press takes you to White House transcript of the statements issued by President Obama and President Santos last Thursday.

Doubts in Bogota is a link to the Wall Street Journal article that discusses Colombia's reaction to the most recent developments.

Fact Sheets is a link to April 6 White House statement mentioned above, including the Action Plan and other fact sheets.

No Good Enough Yet is a link to the statement by the Ranking Member of the House Ways and Means Committee, Sander Levin of Michigan in response to these most recent developments.

-0-

"PERSPECTIVE"...Loyal Reader Dean Cheng, of the Heritage Foundation's Asia Studies Center, like most of us, has been worried about/thinking about recent trends in Chinese policy across the board. Dean says this piece, while published today, was prepared before last Friday's State Department Annual Report on Human Rights...the substance of which on China he would have mentioned, and praised:

China's Crackdown and America's Response: Supporting Liberty in Distant Places

The Heritage Foundation, WASHINGTON, April 11, 2011

As the "Jasmine Revolution" continues to unravel traditional power structures in the Middle East, Chinese authorities have been cracking down on dissidents and activists on a scale not seen in over a decade. On the eve of the next round of Strategic and Economic Dialogue talks, and with much less experienced Asia team members for the U.S.-many of whom have no China experience-there will be great pressure to overlook these harsh measures. But doing so would not help the dissidents but instead betray American ideals.

Reasons for the Crackdown

Western media has noted the arrest of Ai Weiwei, an internationally recognized artist. But other reports indicate that a host of activists, human rights lawyers, and dissidents have been detained. Reports suggest that at least 20, and perhaps between 50 and a hundred people have been arrested or have otherwise disappeared.[1]

Part of this effort is almost certainly in reaction to developments in the Middle East. Very clearly, the Chinese authorities are worried that the winds of popular discontent and demands for political reform will blow through China. This is likely exacerbated by possible similarities in the domestic situation in China and parts of the Middle East. These include increasing frustration with corruption and growing disparities between urban and rural populations. Both of these are likely factors in the mounting number of "mass incidents" reported throughout China, now likely exceeding 100,000 a year.

Less widely recognized is the issue of urban unemployment. In the Middle East, there is a large population of underemployed, educated youth in the cities. Officially, this is much less of a problem in China, where urban unemployment at the end of 2010 was only 4.1 percent. Yet Chinese articles nonetheless document a similar phenomenon of

underemployed and unemployed youths congregating in cities such as Beijing, Nanjing, and Chongqing. Often referred to as "ants," they are believed to number anywhere from a million to 3 million.[2] Like the urban youth in Tunisia and Egypt, they constitute potential tinder for any kind of popular movement against government controls-educated yet dissatisfied.

The current crackdown may be further motivated by the upcoming plenary meeting of the Chinese Communist Party (CCP). It is reported that this meeting may determine the makeup of the next Politburo Standing Committee, the true Chinese leadership.

Instability in the streets not only may disrupt the plenum but would potentially also introduce unpredictable factors into the various factions' maneuvering for power and advantage. For all the involved parties, there is likely to be great interest in limiting the potential for embarrassing incidents.

Don't Get Your Hopes Up

Several recent Chinese publications provide additional food for thought regarding this crackdown. The Twelfth Five Year Plan (2011-2015) shows that Beijing will spend more on internal security forces than on the military.[3] In addition, the 2010 Chinese defense white paper, which was released only last week, prominently notes that a major task of the Chinese military is to "maintain social harmony and stability." [4] The People's Armed Police, part of the Chinese armed forces, is given this task on a day-to-day basis, but it is important to remember that the People's Liberation Army is the armed wing of the CCP. There should be no doubt that, if necessary, the Party will use every available means to enforce its will.

Meanwhile, *Global Times*, part of the *People's Daily* newspaper system published by the CCP, editorialized that Ai Weiwei's arrest was not for his dissidence but for his violation of Chinese laws.[5] The editorial highlights a growing trend in Chinese suppression of dissidents: the aggressive use of the law as a rationalization for punishment. As one Chinese official warned foreign journalists who were assaulted by police, for those who seek to make trouble for China, the law is not a shield and offers no protection.[6] This attitude of rule *by* law rather than rule *of* law should disabuse those optimists who had looked to Wen Jiabao's speeches as presaging some kind of fundamental political reform or even the stirrings of democracy. That even high-profile dissidents can be legally punished simply for pushing the limits highlights how concepts of "legal warfare" apply not only internationally but domestically.

As long as the CCP remains in power, there will be little meaningful movement toward democracy. The CCP has little incentive to cede power. Indeed, recent events in the Middle East only underscore, from the Party's perspective, that loss of power ultimately leads to exile and at worst to civil war—a very zero-sum view. Belief that democracy is "just around the corner" is, of course, foolish. But, as Wu Bangguo emphasized at the recent National People's Congress, "We will never simply copy the system of Western countries or introduce a system of multiple parties holding office in rotation." [7]

Recommendations

The U.S. should:

- Retain the Tiananmen Square sanctions. Leaving aside the national security implications of the Tiananmen sanctions, it is important that the leadership in Beijing recognize that its actions have consequences. In particular, when a government turns its guns on its own people, it must know that this will be deemed unacceptable behavior and that it will not change simply with the passage of time. In this regard, Washington should also persuade its allies to keep those sanctions in place. Otherwise, they would have little meaning and less impact.
- Link ideals and individuals. Supporting human rights is not only a matter of speeches and resolutions—it has individual faces as well. Foreign attention is

often the only protection for many dissidents. It is also one of the most powerful means of assuring them that their struggle is not forgotten or ignored. American officials from the President to the Secretary of State to the Ambassador and embassy staff should not shy away from championing dissidents in their official dialogues, private discussions with Chinese officials, and public statements.

- Support the study of legal warfare as a weapon of future conflict. Some Western scholars look at China's efforts to create a judicial system-and especially a national code of laws-as somehow presaging a shift from Party rule to the rule of law. But Chinese actions make clear that the law will be increasingly used as an instrument of justifying various measures by the state, not as a means of ensuring justice. Just as the American military in the 1930s began to prepare for future conflicts by developing naval and land-based aviation, American policymakers today should be supporting efforts at studying the potential for legal warfare, both offensively and defensively. Military lawyers should incorporate the study of foreign-and especially Chinese-laws and legal warfare into their training.

What Does the U.S. Stand For?

The exceedingly dim prospects for democratic reform in China does not mean that the United States should abandon its support for it. Support for democracy worldwide is a fundamental American tenet, elemental to American ideals and principles. Both rhetoric and action are necessary.

Dean Cheng is Research Fellow in Chinese Political and Security Affairs in the Asian Studies Center at The Heritage Foundation.

-0-

THAT'S IT FOR TONIGHT...

<p>The Nelson Report Samuels International Associates, Inc. 202-223-7683 www.samuelsinternational.com</p>	



This email was sent to steinbergjb@state.gov by cnelson@samuelsinternational.com |
[Update Profile/Email Address](#) | Instant removal with [SafeUnsubscribe™](#) | [Privacy Policy](#).
Samuels International Associates, Inc. | 1140 Connecticut Avenue NW | Suite 950 | Washington | DC | 20036