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Press Briefing by National Security Advisor Steve Hadley, U.S. Trade Representative Susan Schwab and Press Secretary Tony Snow

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MR. SNOW: The Press Secretary is just putting in a cameo. The real stars are here. I will introduce, and to the extent that I -- I may be jumping in from time to time for comment, but we have National Security Advisor Steve Hadley, and U.S. Trade Representative Susan Schwab to answer any questions about what's going on here or around the world. And without further ado, Steve Hadley.

MR. HADLEY: I'll be very brief, initially, and then pass it on to Susan. The President, obviously, met with President Putin today. They had a fairly extensive, almost two-hour session with just the two of them and their Foreign Ministers and National Security Advisors. That was followed by the press event, which you all saw, and then a rather large, expanded lunch.

I think the two Presidents gave you a very good summary of their conversations. I'll really let that stand, answer any questions folks have about it. The one thing that was done at the lunch was that Ambassador Schwab -- Susan Schwab did talk a little bit, along with her counterpart, Minister Gref, about where we were on the U.S.-Russian bilateral WTO negotiations. And we thought we might start off with -- Susan, if you would, just give folks a little summary of where we stand on those negotiations. And then we can take your questions.

AMBASSADOR SCHWAB: Thank you. We made a lot of progress in these negotiations in the last couple of days. These are tough negotiations, as they are when you've gotten through the first 90 percent of the deal and you've got the last 10 percent or so to address. We've made significant progress and, in fact, have virtually closed the industrial tariff side; virtually closed the services side; excellent progress on intellectual property rights; and very close on agricultural issues, with the exception of some agricultural market access issues, including what is known as sanitary and phyto-sanitary -- SPS -- issues, just having to do with regulatory processes.

We are putting together a blueprint to finalize our negotiations, we hope within the next couple of months, and are optimistic that we'll be able to do that. And at that point, Russia will be moving to the next step in its WTO accession process, which, as most of you know, is then a multilateral process through the World Trade Organization.

MR. HADLEY: And with that, questions.

Q Can I ask, what did you take President Putin to mean when he said that they wouldn't participate in any crusades or any holy alliances? What was that a reference to?

MR. HADLEY: You know, I asked myself the same question. (Laughter.)

Q Did you get an answer? (Laughter.)

MR. HADLEY: I'm still taking it under advisement. (Laughter.) I'm going to let myself know what I think a little bit later.

Q Why hasn't the President called Ehud Olmert, when he's spoken with Siniora, Mubarak and Abdullah? And also, the President has said he urges restraint. Is there a red line for Israel? How much is too much?

MR. HADLEY: As you know, Secretary Rice and I have been very active in calling our counterparts, for now, almost a week on this issue. As I mentioned, when we briefed the press here a couple of nights ago, the President was beginning his own outreach to leaders in the region, and you mentioned, he talked to Prime Minister Siniora of Lebanon and King Abdullah of Jordan and President Mubarak of Egypt. He will have more calls to make. He will, obviously, at some point, want to talk to King Abdullah of Saudi Arabia. He will want to talk to Prime Minister Olmert, as well.

We have had a lot of conversations with the Israeli government. Secretary Rice has talked to Prime Minister Olmert, sometimes a couple of times a day. She's talked to her Foreign Minister counterpart. I have talked the to Prime Minister's Chief of Staff almost every day. So we have a lot of communication.

Secondly, I would say that the Israelis are not feeling neglected by us. They have, in a number of these conversations, expressed both appreciation for some of the things that we have said and done, including what happened at the Security Council yesterday. And they've also given us some of the assurances that we have sought with connection with their activities.

Obviously, we are all troubled by violence and by the loss of innocent life. And so are the Israelis. And one of the things they have said to us is they are trying to take measures to avoid the loss of innocent civilian life. But they've also noted that it is difficult when Hezbollah conducts activities that are terror related in settings where innocent civilians are held at risk. And it's a dilemma for Israel. We've also talked to them about infrastructure and the hardship it imposes. We've talked to them and they have taken steps about trying to ease some of the humanitarian plight, for example, for Palestinians in Gaza, in terms of keeping some of the crossings open and some humanitarian measures.

So there's been good communication. In terms of what we have been saying to them, it is really the things I just talked about, with respect to innocent civilians, infrastructure and humanitarian assistance, and also very strongly the importance that Israel thinks through the consequences of what they are doing, the importance of not destabilizing the Lebanese government, by trying to strengthen the hand of Prime Minister Siniora as he tries to deal with the challenge that Hezbollah has presented.

Remember, what Hezbollah did was to attack across an international border from Lebanon into Israel with rockets, to take operations across that border, seize and kill some Israeli soldiers without telling and consulting with the Lebanese government and the Lebanese government there not able to discuss any country -- with any other country in the region. It has threatened to plunge the region into violence, acting unilaterally, and it raises the problem of Hezbollah. It was a problem addressed in 1559 -- an armed group operating outside the government in a way that risks the security of everyone in the region. And that's why we think part of the solution to this is the implementation of 1559, which would eliminate that and help Lebanon extend all of its authority throughout the whole country.

Q But in least from where we stand, there's not much indication to us that's visible that Israel is listening. The other day, for example, shortly after the President made the point that Lebanon is fragile and they should be very careful, they just went further in. I mean, it doesn't appear to us that much is happening.

MR. HADLEY: Further in was not -- let's look at what we said. One was, loss of innocent civilian life. And one of the things that people have not reported is

how much innocent civilian life is being lost in Israel. And nonetheless, the Israeli government, notwithstanding that, notwithstanding some 50 rockets a day on their cities, notwithstanding the fact that a large percentage of their citizens are now in air raid shelter mode, nonetheless, they continue to try, in their operations, to exercise restraint. They have said they are trying to stop the missiles that are coming into their country. And that is driving their operations.

But what they said is, and I think you've seen some evidence, an effort to minimize the risk to innocent civilian life. It's a real dilemma that they are in, and the President has talked about Hezbollah being responsible for the situation in the way I described, the right of Israel to defend itself and defend its people. But it's very difficult and it's very challenging, because of the nature of this enemy, to do it in a way that achieves the standard that the Israelis have set for themselves, which is to minimize the loss and the suffering of innocent civilian life. It's one of the reasons to make such a terrible situation.

Q Where do you stand on a possible resolution for the G8 on this? There were several drafts out there, and is it coming together? What would you like to see?

MR. HADLEY: Yes, I think it is coming together. And there -- one of the things I would urge people to think about, and what we are trying to do is -- certainly, there is the diplomacy, there are the resolutions, there's the language and the exhortation. What really we need at this point of time is a strategy that can achieve some objectives. And I think those objectives are really the ones the President has been outlining, something that recognizes Hezbollah being at the root of this problem, in terms of Lebanon and Israel, and a need to put maximum pressure on Hezbollah to stop its rocket attacks and ultimately to return the prisoners it's taken.

Secondly, recognizing that this is an action of Hamas, Hezbollah, with, we believe, Iran and Syria very much involved. And that needs to be highlighted and pressure needs to be put on them.

And let me just finish. The third objective is going to be, obviously, to try and get the -- not destabilize the Lebanese government and empower Siniora to deal with this problem. The frameworks, in some sense, for the way out are already established. There's Security Council Resolution 1559, which talks about disarming militias, helping the Lebanese government extend control throughout its country, and it's also the Quartet's statement on what Hamas needs to do in terms of recognizing Israel and being willing to accept the two-state solution still is the best way out. So the framework is out.

And what we're hoping to do is with the U.N. mission that is in the region, one with all the diplomacy that we have been doing, now adding to that diplomacy the mission that Kofi Annan has sent to the region. They will come back here probably sometime near the end of this week, and we will try and hopefully have, at that point, a strategy going forward that can get us from a situation of violence to back on the track of implementing 1559 and moving towards a two-state solution. That's a tall order.

But what we need to be -- in all the discussions about resolutions and phone calls, we need to be thinking through and developing a strategy that's going to get us to where we want to be. And we are starting that actively with our allies to do that.

Q Can you get agreement on something like that, because there is so much difference of opinion among your allies?

MR. HADLEY: I don't think -- I think what's been interesting is how much agreement actually there is. Just one of the things there's emerging agreement on is the role of Hezbollah as the bad actor in this and the precipitator of the current -- of the most grievous aspects of the current crisis. And I think you've seen that in the Saudi statement. I think you actually saw it, first of all, in a statement the Secretary General made, I think three days ago, which was interesting in how it squarely put on Hezbollah the responsibility for risking the peace. I think that's a peace.

Secondly, I think there's consensus that the Siniora government is an aspiration of the Lebanese people for democracy. That government needs to be strengthened. You know, one of the texts here is Lebanon struggling for democracy, an opportunity and beginnings of an Olmert government that clearly was willing to negotiate a two-state solution with President Abbas. We had the beginnings of an understanding between President Abbas and Hamas about how to maybe start moving towards a two-state solution. These were good developments in the interests of democracy and peace that have really been frustrated. And I think it's not by accident that they've been frustrated by Hezbollah and Hamas, with the support of Iran and Syria.

So I think, in some sense, that is also one of the things that people share, is this understanding of the dynamic: Hezbollah is responsible; we need to shore up and help a democratic Lebanon; and that Iran and Syria are playing a very unconstructive role.

So I think, actually, there's a pretty good understanding about what the situation is. And as I said, the framework for where we need to go is also pretty much out there -- 1559, the U.N. Security Council resolution that talks about Lebanon, and the President's vision of a two-state solution in the road map, all widely accepted.

So I think there's a fair amount of agreement about the analysis of the problem and the framework for solving it. But the steps that are going to be required to get us from here to back on those roads, that's where it's going to require some diplomacy and some toughness. And we're going to have to -- not only to add to our own efforts, which will continue to be ongoing, the international efforts that we've begun to get going now.

Q I have one for you and one for the Ambassador. To you, does any U.N. resolution on North Korea have to include reference to Chapter 7?

And to the Ambassador, did I understand correctly you expect resolution of the WTO issue in a couple of months, and does that mean it will be resolved by the time the President sees President Putin at the U.N. in September?

MR. HADLEY: We think that the resolution coming out has to be a tough resolution and tough involves really two things: One, the language ought to be very clear about the threat that what North Korea is doing is a threat to peace and security. And it is both the missiles, which we've all talked about, but I remind people it is also the failure of them to come back to the six-party talks and the failure of them to implement the September 19, 2005 agreement, which was, after all, agreement that came out of those six-party talks, and which North Korea agreed to a nuclear-free peninsula, and a series of steps that would facilitate that. And that's really the nexus of the current crisis, and we need to get them back.

So in order -- if we're going to achieve that, it has to be a tough resolution, both in what it says, and has to make clear that peace and security in the region is at risk, and we would like to have, obviously, as much consensus within the Security Council on that resolution, to show that the international community is speaking with one voice to North Korea. How the language comes out, that's what's being worked. But in terms of our overall objectives, that's what we're hoping to achieve.

AMBASSADOR SCHWAB: Obviously, the issues that are left at the end of the negotiation are the ones that are the thorniest, but, yes, this could be -- these could be resolved and there could be a bilateral agreement in advance of the two Presidents getting together again.

MR. HADLEY: In September?

AMBASSADOR SCHWAB: Oh, not in September.

MR. HADLEY: I'm sorry, did you say September or November?

Q I think I said September.

AMBASSADOR SCHWAB: Oh, I'm sorry -- September.

MR. SNOW: The General Assembly.

AMBASSADOR SCHWAB: Theoretically. I was thinking November and the APEC summit.

Q If November is more accurate, fine. I'm just trying to get a better sense -- in the next couple months --

AMBASSADOR SCHWAB: Next couple months -- two to three months.

Q Ambassador Schwab, can I follow up, please? Can you be more specific on the SPS issue? Are you talking about beef, poultry, or anything else? And also I understand that Minister Lamy and Amorim are coming or in St. Petersburg right now. Do you have any plans to have bilateral meetings and can you give us an update on the Doha Round?

AMBASSADOR SCHWAB: In terms of the outstanding agricultural issues, there's some outstanding agricultural market access issues including the two SPS issues I raised, involving primarily beef and pork. The other market access issues, though, are broader and that involve poultry and a couple of other products.

Q That's imports of beef and poultry?

AMBASSADOR SCHWAB: Yes.

Q To the U.S.?

AMBASSADOR SCHWAB: No, no, no. No, it is access provided by the Russians to imports -- their imports of beef and pork, into their market.

Q Our exports of beef and pork to them?

AMBASSADOR SCHWAB: Yes.

Q And it's access to the Russian market?

AMBASSADOR SCHWAB: Yes, imports to the Russian market.

Q And about Lamy and Amorim?

AMBASSADOR SCHWAB: I have not seen them. I would anticipate seeing them during the next couple of days, in advance of Monday's meeting.

Q Any updates on the Doha Round?

AMBASSADOR SCHWAB: No.

Q I have one for the Ambassador, and one for Mr. Hadley. Was it conceivable that a deal for WTO could have been completed by this morning, as some thought, and, indeed, were you up late in these talks into the wee hours -- to close something for today's --

MR. HADLEY: Was she up late?

AMBASSADOR SCHWAB: I have never been in a tough trade negotiation where the other side gave you their bottom line during work hours. It just doesn't work that way. (Laughter.)

Q That would imply that maybe something could have conceivably been --

AMBASSADOR SCHWAB: This is an agreement that could have been -- it could have been closed in time, it could have been closed a couple weeks ago, it could have been closed a couple months ago.

Q Did you sense disappointment in your Russian partners that President Putin couldn't announce this this morning?

AMBASSADOR SCHWAB: I think both sides would have preferred if we had an agreement.

Q And for Hadley, on Syria and Iran's involvement with Hezbollah, is there any new evidence that shows that they were certainly involved? And also, was the President, in effect, asking Syria could play a sort of diplomatic role?

MR. HADLEY: There is a question about whether they were operationally involved in these particular incidents. I think these are the sorts of things that the evidence of that will come in usually after the fact. So I think we will see. I think the jury is out on that issue. But we have said before, and it's not going to be a surprise to any of you, that Hezbollah is a joint venture between Iran and Syria; that a lot of the funding and direction, in our belief, comes from Iran, and, of course, the vehicle of that is through Syria, where Hezbollah also has a presence, and through Syria into Lebanon, where Hezbollah, of course, is based and has a lot of its people. So we think the role of the two, of those countries, is pretty clear.

And what the international community and the states of the region are saying is, in light of that role, these two countries bare some responsibility for what happened, and they also bare some responsibility from turning it around if we're going to get out of this current situation. And the best way to exercise that is to get Hezbollah to stop shooting the rockets and turn over the hostages back to the Israeli government.

Q With not having U.S. relations with either country, do you have any hope that that message can come through with diplomatic partners?

THE PRESIDENT: You know, let me just speak to that. Our Ambassador, of course, is not in Syria, but we have not broken relations with Syria. We still have an embassy there. People can correct me if I'm wrong on that, but I think I'm right about that. (Laughter.)

Second, we had a lot of conversations. In the first administration we had Secretary Powell at least twice go talk to the Syrians. We had then Assistant Secretary Burns go at least three times. We had various kinds of messages from the United States, all saying one thing to Syria over a course of four

years: You have a strategic choice to make, do you want to get on the right side in the war on terror, on the right side of the democracy movement, on the right side of trying to have peace in the Middle East through a two-state solution, or do you want to continue to be on the wrong side of these issues, and increasingly align itself with Iran?

We've said this: strategic choice. If you make the right choice, there can be a great improvement in your relations with the United States; if you make the wrong choice, you will be isolating yourself from the region. And regrettably, in the last year it's been pretty clear that Syria, in our view, has made the wrong choice -- increasing ties with Iran. And you have seen in the international community, not just with us, increasingly isolation for Syria, Security Council resolutions directed at Syria, strong messages from the region, and a period of time when nobody was talking to Syria.

So, look, that is the history. The problem here is that people are not talking to Syria, and Syria does not understand the message [sic]. The problem is, in the end of the day, people have choices to make, and Syria is making bad choices. And one of the things that the President said about the kind of incident that we have been through, is it has a way of clarifying the situation, and what is at stake, and making clear to people that there are choices they need to make. And lots of messages have been and will continue to be Syria -- sent to Syria -- but the problem is they have a choice to make, and so far they made the wrong choice, from our standpoint.

Q Can you talk about the energy issues that were raised, besides nuclear? And specifically, did President Bush relay the message to President Putin that maybe one of the U.S. oil companies should be picked as the partner to help develop the Stockman gas fill with Gazprom. And did you get any assurance back that what happened -- or the decision has been delayed because of the WTO delay?

MR. HADLEY: There's been a lot of communications through our Ambassador, and elsewhere, to the Russian side about the Stockman case. So the positions are well-known. In the discussions I was in -- I can't vouch for last night -- that particular case did not come up. There was some discussion of energy again today. I can't tell you what happened last night because I was not there.

The energy issues, of course, are going to be on the agenda of the G8 here over the next two days, and also I think President Putin described the statements that were issued today about the joint U.S.-Russian bilateral statement on proliferation and energy issues, and talked about a framework that is both a summary of some of the things we've done on the energy issue, and a prospect for cooperation going forward.

So it didn't figure largely in their discussions today, largely I think because a lot of those conversations have already occurred. There is a framework that has been negotiated between the two countries, and it will be a G8 issue tomorrow.

Q Do you believe the Stockman decision is linked to the WTO being resolved, a decision on that?

MR. HADLEY: Say again?

Q Do you believe the decision on which partner will be picked for developing Stockman will be resolved or will be announced once the WTO has been resolved in the U.S. -- do you think they are linked in any way?

MR. HADLEY: There have been -- and Susan can speak to this -- but I can say for the policy side, there's been no linkage of any other issue to a WTO accession agreement. You know, I've heard people -- some say, well, you held it hostage to cooperation on Iran, you held it hostage to decisions like that, you held it hostage to democracy. This is an issue -- you know, these trade agreements, as Susan will now tell you, are done by the book, on the merits, with an eye toward what works and will get accepted by the Congress. And that's as it should be.

Ambassador.

AMBASSADOR SCHWAB: I would just echo what Steve said. There has been no tie between the negotiation of the WTO accession agreement and any other issue. This is a straight commercial trade negotiation, just like any other WTO accession negotiations the United States has been involved in in the last several years -- with Vietnam, with Ukraine, with Saudi Arabia. These are stand-alone deals and there has not been any kind of relationship.

I would -- if I might, I was probably a little too glib in response to your question about the WTO earlier. You asked, have there been any other developments. The answer is, not since I saw you last Friday. As you know, Pascal Lamy has continued with his bilateral confessionals. That process has been ongoing. He completed those yesterday, as far as I know. But you should ask Director General Lamy about that. He'll go into a second round with trade ministers in the not too distant future. We will obviously be a part of it. I'll be talking to Pascal while he's here.

And the United States remains committed to getting the Doha agreement done, ideally to get the framework in place by the end of July, to get the agreement done by the end of 2006, and we want an agreement that is as ambitious and bold and comprehensive and balanced as possible.

Q Ambassador, the Russians are saying that you didn't get the deal because of problems on intellectual property rights, the farm issue that you talked about, and also airplane tariffs. Is that the way you would describe the road blocks to getting the deal today?

AMBASSADOR SCHWAB: No. As I described it, we have agreement on industrial tariffs. We made incredible progress on intellectual property rights. In the area of services, we're just about closed on services; the agricultural area, I mentioned, you know, those few market access and SPS items. What else did you say they mentioned?

Q Airplane tariffs.

AMBASSADOR SCHWAB: No, that's closed. Well, none of it's -- remember, none of the deal is closed until everything is closed. But what we have talked about, and what we did talk about over lunch, was the importance of locking in all of the agreements, the parts of the agreement that had been reached up to this point. And so I think it's safe to say that we're on a strong track to lock all of those in and then just to isolate those few areas that are left and to clean those up.

Q And could you comment on the report earlier that -- on banking, on services there, that have we agreed that we won't have subsidiary banks, branch banks that are U.S.-owned, that they'll go through the Russians?

AMBASSADOR SCHWAB: As I mentioned, we're very, very close on services and that includes financial services. We're not quite closed on that. And I am reluctant to talk about any specific item in the negotiation.

Q You've talked about Syria and Iran in connection with Hezbollah. But I've noticed the President, himself, did not mention Iran in that context, either Thursday or today. Any particular reason for that?

MR. HADLEY: When he was in Germany, I heard him say he had -- in the press availability he had with Chancellor Merkel, he talked about Syria and Iran. If you go back, I think you'll find it. He spent a lot more time talking about Syria, but I think he mentioned both. I think I have heard him in the last three days, do it.

I know what his think is. His thinking is we got Hamas, Hezbollah, and Syria and Iran that are all acting in a way that frustrates the movements towards democracy in the region, and the movements towards peace. That's really the dynamic that's going on.

Q Mr. Hadley, you said that -- earlier -- that Hezbollah threatens to plunge the entire region into violence. What do you think the way the state of play is now, that the prospects for that are actually happening? And if you could speak a little bit to what the strategy is to try and contain it to where it is now.

MR. HADLEY: I've been talking about our strategy to contain it now for about three days. And I think the best news about that is everybody is aware of the risk. As I said earlier in my comments, everybody has pretty good consensus as who is trying to drive this toward confrontation and escalation. And what I think you've also seen is not only our own diplomacy, but other diplomacy in the region, all directed to trying to find a way to avoid that. You've seen statements out of Saudis; as you know, there is a meeting of Arab League foreign ministers that is going on, I think today. There have been various statements out of European leaders. There is now a U.N. delegation that is going to the region I talked about.

So I think the best insurance we have is, A, people recognize the risks -- including Israel, I might add. Secondly, I think there's a pretty common description of what the source of the instability is. And finally, there is a mobilization to try and avoid further escalation and find a way to stand it down. That's what we're going to be working on over the days ahead.

Q To follow up, do you see an imminent threat of this plunging into violence because of what Hezbollah --

MR. SNOW: I said what I said. I mean, words like "imminent" are difficult words. I've said there is a risk, obviously, of further escalation in the region, and that's what we all want to avoid. We want to get in a situation where the violence starts coming down and we get a framework for going forward to resolving it in the context and the framework I described earlier.

Q Did you mean within the G8 on this framework, or were you talking beyond that?

MR. HADLEY: Talking beyond. I mean, look, you're going to have -- the Arab League will get a shot at it today, the G8 will be get a shot at it tomorrow and the next day. And you know, you'll all be looking for statements, which is fair; statements are very important. But also what's important is the ongoing diplomacy and phone calls where people are strategizing at night about what the game plan is going forward. That's what I think we need to focus on. What is the strategy in the framework we've got established that's going out move this back to where it should be -- implementing 1559, moving towards a two-state solution, getting violence down.

Q Did the President actually bring up the idea of U.N. sanctions on Iran with President Putin?

MR. HADLEY: There was a lot of discussion about Iran, about the kind of message that needs to be sent to Iran. There wasn't a specific discussion about sanctions.

Q You didn't mention Prime Minister Koizumi, just helping each other in the region in the last few days. Have you had any contact with the Japanese counterparts and will you raise this issue in this meeting on the sideline, bilaterally with the Japanese?

MR. HADLEY: Yes, there have been a lot of discussions with our Japanese colleagues. A lot of those have been in New York. I have talked with Mr. Abe a number of times over the last four or five, six days, and we are trying, obviously, to stay very close in our approach to the North Korea issue with the Japanese.

Q I'm asking about the Middle East --

MR. HADLEY: I think -- I will say this -- the overwhelming conversations, given what's going on in New York, have been, of course, on the North Korea issue. I think one of the things President Bush looks forward to doing is having an opportunity on the margins of these meetings to hear from Prime Minister Koizumi, and to get his impressions as part of this effort to try and get a strategy going forward.

Q To follow on Steve's question on Iran. Do you see that the negotiation is moving farther away on the package of incentives now? I mean, the answer didn't come back, and no one is talking about that any longer because the Middle Eastern crisis is, of course, on the front line. So how do you assess the two things together?

MR. HADLEY: Look, we're in a time where -- one of the things the President -- I think we need to step back a little bit on some of these problems we're handling. The issue of North Korea seeking nuclear capability has been an issue we've been working on at least for two decades, and it goes back to the '60s. The issue of Iran is an issue that we've been working on for two decades. Terrorism is something that this country has suffered -- the United States has suffered under for two decades, and other countries, as well. Iraq has been an issue we've been dealing with the '80s and on.

So one of the things I think you have to recognize is, there are a lot of problems of longstanding, particularly in the security area, that have faced the United States and faced all of our countries, and we've been working at for a good long time. I think the lesson the President took from 9/11 is, as he said very publicly, we cannot allow problems to build and fester. We have an obligation -- he feels very keenly that he has an obligation to try and address these issues, solve those on his watch that he can, and for those that aren't going to be solved on his watch, put in place a set of policies and institutions which will allow further administrations to solve them.

So this is a President who came here, as he said, to solve problems and leave the world in a better place. And so we have had as falling to all of our lots and all of our governments to deal simultaneously with a lot of different issues.

So at the same time we have been working with the issue in the Middle East, we've been moving forward on the North Korea issue in the U.N. We are continuing to work forward on the Iran issue. You had a very successful foreign ministers meeting of the five permanent members of the Security Council plus Germany, that has taken a decision that that will also go back to the Security Council and we're working forward on a resolution there.

So none of this is really going backwards, and we don't have the luxury of trading off between them. All of them need to be worked. It's a comment on the times in which we find ourselves.

Q President Bush said that President Putin was pointed with him in their discussion of democracy, said that he told him that he didn't want to be told what his government should do. I'm wondering if you can give us a little more readout of that discussion. And did the President raise the cases that he told the civil society yesterday -- specifically, the case of the prison Khodorkovsky lawyer? And do you know what the birthday gift was?

MR. HADLEY: I wouldn't characterize what the President said the way you said -- the way you did. And I think it's very important to go back and listen exactly to what the President said. And it's not new. The President talked about this in a number of interviews in public situations going forward. He said that, yes, we've talked about our views about Russian democracy publicly, but he thinks he can be more effective if he has the kind of relationship to be able to pursue them in private. And he did that. And he talked about it last night at dinner, and he talked about it some today.

Q -- Khodorkovsky's lawyer?

MR. HADLEY: He talked about -- I can't tell you what he did at the dinner last night. As you know, he met with civil society leaders yesterday, very constructive, interesting meeting. One of the people there was a representative of Khodorkovsky's foundation who made the case very strongly to the President. The President talked in my presence today about that meeting. He talked about at least one, maybe two, of the stories that he heard during his earlier meeting. He didn't -- one of them was not Khodorkovsky. I cannot tell you what they talked about last night. But several times, he raised the civil society meeting, and Condi talked to her counterpart about it, and I talked to mine about it. So it's very much on the agenda.

Let me mention one other thing that -- pardon me?

Q The President thanked President Putin for his birthday present, but didn't say what it was.

MR. HADLEY: I don't know. You'll have to ask Dan Bartlett what that was. I don't know.

I wanted to draw your attention to something -- is this out, Tony?

MR. SNOW: Yes.

MR. HADLEY: On this issue of democracy in Russia, the Press Secretary issued a statement indicating that we have created what's called, the U.S.-Russia Foundation for Economic Advancement and the Rule of Law. This is a successor to the U.S.-Russia Investment Fund. It will be a fund of dollars that are available for projects in terms of economic reform and the rule of law, exactly the kind of activities that one can benefit building, really, the infrastructure in democracy for Russia as it goes forward.

Yes, ma'am.

Q Back on North Korea, what's going on in the U.N. in New York, with the President Hu here -- looking to accomplish? And is President Bush planning on having a bilateral meeting with him?

MR. HADLEY: I think as Ambassador Bolton said yesterday, we hope that we can get a vote on a North Korea resolution in the Security Council today, and the President is very much looking forward to having conversations with President Hu.

Q One quick question. Is it your sense that, in a sense, the political marketplace has now kind of discounted the impact of Iraq and the unpopularity of that issue globally, in terms of the President's diplomacy?

MR. HADLEY: Can you a little more what you mean? I'm sorry.

Q Iraq has been an issue which has dogged the President now for about two years, three years. Is it your sense that it's receding now as an impediment, as people kind of internalize the reality of the war, and have kind of adjusted to it, and it no longer is quite as visible an impact --

MR. HADLEY: I think it's a terribly important issue. It doesn't recede because the President keeps talking about Iraq and what a democratic Iraq can do for transforming the Middle East as part of his democracy agenda. I think the change I've detected is people are less focused on the history and more focused on where we are. And I think there are two things about it -- one, a shared appreciation that the consequences of failure in Iraq not just for the United States, but for stability in the region, the Persian Gulf region, and then for all of us, are enormous. And another way to say it is, we just can't afford to fail in

Iraq. I think that's the first thing that's settled in.

And secondly, I think there is a greater optimism because of the unity government that has now been elected by the Iraqis, pursuant to a constitution that they wrote and ratified, and that is setting priorities and taking action to address the problems of reconciliation of security and the like. I think that's given people some hope.

And I think the third thing I've seen is a willingness of countries to come in and start to help, and put more of an effort to both engage the new government and to help the new government. And I think you've seen that in two ways -- one, a very successful trip that Prime Minister Maliki took to the region -- he went to Saudi and elsewhere; and second of all, I think what we've talked about is the international compact, which will be a framework in which the new Iraqi government will put its program going forward to the international community and seek support and funding of that program.

So I think you're beginning to see an international engagement for Iraq, which is an element of solving the problem.

Thank you very much.

MR. SNOW: Just to add one more point here on your question, because I think you were talking about larger diplomatic issues, correct? Was that what you were trying to get at? You know, Steve has pointed out, there have also been a series of forcing events. You saw it with Hezbollah, you've seen it with North Korea, you've seen it with Iran. And what has emerged in each of those cases is the consensus that you've got a problem that nations has to work together to resolve. And the United States has been leading, in terms of putting together groups of nations who diplomatically are able to exert pressure on the responsible parties.

So it's not merely a factor of people being accustomed, as Steve said, make the intellectual turn from three years ago to looking at the way ahead, but also, as we look at the international landscape, there are clearly people who are committed to trying to disrupt the causes of democracy and peace, and to try to be provocative. And what has been, I think, very interesting about this, and the President look at as an opportunity, is that the longstanding problems that Steve have talked about -- none of these have arisen in the last few days or weeks or months -- is the coalescence of coalitions, where people really are standing together to try to place pressure, in various cases on North Korea, on Iran, on Syria, on Hezbollah, and so on.

All right, thanks.

END 4:33 P.M. (Local)

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