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THE SECRETARY OF DEFENSE  
WASHINGTON

350.001SD

July 31, 2000

Mr. John Paul DeJoria  
John Paul Mitchell Systems  
9701 Wilshire Boulevard  
Suite 1205  
Beverly Hills, CA 90212

Dear John Paul:

I thought you might like to see two speeches I delivered in China during my trip last month – one to the National Defense University in Beijing, and the other to the Shanghai Stock Exchange.

As always, with warm regards, I am

Sincerely,

*Jill*

*Great news for Lou Star  
and Yocco!*

315u/00

U10817 /00



THE SECRETARY OF DEFENSE  
WASHINGTON

July 31, 2000

Mr. Michael Ansari  
MIC Industries, Inc.  
11911 Freedom Drive, Suite 1000  
Reston, Virginia 20190

Dear Michael:

I thought you might like to see two speeches I delivered in China during my trip last month – one to the National Defense University in Beijing, and the other to the Shanghai Stock Exchange.

As always, with warm regards, I am

Sincerely,

*R. J. ...*  
*Many thanks for the*  
*info.*

U10817 /00



THE SECRETARY OF DEFENSE  
WASHINGTON

July 31, 2000

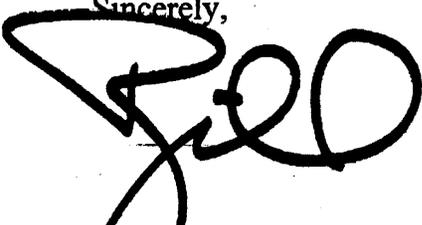
Mr. Maurice R. Greenberg  
Chairman  
AIG, Inc.  
70 Pine Street  
New York, New York 10270

Dear Hank:

I thought you might like to see two speeches I delivered in China during my trip last month – one to the National Defense University in Beijing, and the other to the Shanghai Stock Exchange.

As always, with warm regards, I am

Sincerely,



See you at Home! 

U10817 /00



THE SECRETARY OF DEFENSE  
WASHINGTON

July 31, 2000

Mr. Michael R. Milken  
Milken Family Foundation  
1250 Fourth Street  
Santa Monica, California 90401-1353

Dear Michael:

I thought you might like to see two speeches I delivered in China during my trip last month – one to the National Defense University in Beijing, and the other to the Shanghai Stock Exchange.

As always, with warm regards, I am

Sincerely,

A handwritten signature in black ink, appearing to be "D. Rumsfeld", written in a cursive style.

U10817 /00

AMERICAN FORCES INFORMATION SERVICE  
**DEFENSE VIEWPOINT**

## Address to the Chinese National Defense University

*As Delivered by Secretary of Defense William S. Cohen, The National Defense University, Beijing, China, Thursday, July 13, 2000*

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Thank you very much, President [of the National Defense University] Xing [Shizong]. It is a pleasure for me to return to China with my last visit having occurred back in last January of [1998]. On that trip, I had the occasion to address the Academy of Military Science in Beijing and had a meeting with President Jiang [Zemin] and Minister of National Defense [General] Chi [Hoatian]. I noticed as I walked into the reception room that there was a quote [which was], I believe, taken from Confucius which said it is a great joy to receive a friend from afar. I would like for you to think that I am a friend from afar.

Since my last visit, we have witnessed a time of swiftly moving global events, much of it with direct consequences for the ties between China and the United States. Indeed, the past two years have been a time of both strain and success for the relationship between our two nations. As we get back on course, we need to understand each other better and to improve communications, and this is one of the reasons I wanted to be here and talk directly to you this morning.

I'd like to take this opportunity to discuss U.S. policy goals in the world generally and, more specifically, in Asia. The United States seeks to be actively engaged in world events and world affairs, working with nations in every region to promote peace and stability and to advance the cause of personal economic freedom and security. Indeed, we live [engaged] in the world politically, economically, and militarily because our interests and ideals are dependent on the success and security and the prosperity of other nations.

For the United States, we see this course of engagement as not only being in our national interest but also in the interests of other countries as well. Our strategy for achieving peace and stability is reflected in our overall national security strategy. We want to shape a stable and secure international environment. We need to be able to respond to threats and crises, whether they are destabilizing local conflicts, such as those in East Timor, or humanitarian support, such as in Central America. We want to prepare for the future as well by investing in our forces and the technology they will require.

The United States is deeply engaged and involved in the Asian Pacific region because we recognize its strategic importance and its growing promise and prosperity in the new

century. A tremendous amount of U.S. trade is conducted with many nations in the region, and our future is linked with Asia across the Pacific just as surely as it is linked with Europe across the Atlantic. Our strategy of engagement in the Asian Pacific region itself remains grounded in our alliances with Japan, Republic of Korea, Australia, Thailand, the Philippines; our engagement in multilateral institutions like the ASEAN [Association of Southeast Asian Nations] Regional Forum; our forward military presence; and our active engagement with China.

Both of our nations have an interest in an Asia that is strategically secure and stable, where trade and investment and economic development can flourish. Both of our nations have an interest in a peaceful and nuclear-free Korean Peninsula. Both of our nations have an interest in the peaceful resolution of regional disputes. Both of our nations have an interest in confronting transnational threats, such as proliferation of weapons of mass destruction, terrorism, drug trafficking, and environmental degradation.

Today, the United States and China can point to many areas where we have recognized our common interests and have successfully worked together for the benefit of the region and other parts of the world. Economically, we have worked together to help calm the turbulent economic seas that still churned

around this region during my last visit, and we have worked together to further strengthen our trade relations through the PNTR [Permanent Normal Trade Relations with the United States] and Chinese membership in the World Trade Organization.

Most recently, as many of you probably know, the House of Representatives in Washington embraced closer economic ties between the United States and China, calling for freer and fairer trade and greater openness between our nations. I am confident that the Senate will also approve this major step forward in our relations. I have met and talked with more than a dozen Members of Congress to ask them to support Permanent Normal Trade Relations, and tomorrow, I will be giving a speech at the Shanghai Stock Exchange discussing the importance of PNTR.

Diplomatically, in addition to our efforts with regard to Korea, we have worked together to control the spread of dangerous weapons of mass destruction, notably, with regard to forging an international consensus and a common strategy for pulling India and Pakistan [back from nuclear confrontation]. As our overall relations develop, our two nations can point to many areas where our military relations can develop as well.

When I last visited Beijing, our military-to-military relationship was starting to grow. We had initiated a strategic dialogue between our two ministries. The military commanders were consulting both directly here and in the United States. Our navies had conducted reciprocal ship visits. We had agreed to share information on humanitarian exercises. American forces were proud to offer humanitarian assistance during the tragic earthquakes that occurred in Hebei Province [before] my last visit. And during my visit here I became, I have been told, the first Western leader to visit your Air Defense Command Center in the Beijing region. And we also signed a Military Maritime Consultant Agreement to help avoid incidents at sea and to create a venue for dialogue between our respective navies.

This past January, I am very pleased to say that we reestablished our military-to-military cooperation at our talks in Washington. I return to China as part of our mutual effort to continue that process, a deliberate paced and balanced program that builds confidence and understanding. As a result, we can look forward to Defense Consultative Talks here in September and reciprocal ship visits, including a U.S. Navy ship in Qingdao and a Chinese Navy ship coming to both Hawaii and Seattle. Finally, I have just invited the Director of the PLA [People's Liberation Army], General Political Department General Yu Yang Bo, to the United States this year, and I have extended another invitation to Ministry Chi to come to Washington next year to meet with my successor.

As I said during my 1998 visit, we see a three-fold approach to our military cooperation: deepening our current joint efforts, modestly broadening them into new areas, and advancing from confidence-building to real world cooperation. [We want to create] a relationship, not of distrust, but one of dialogue and above all, one that does not endanger but enhances the security of all of our citizens, our allies, and our friends in the region.

This in turn illustrates a fundamental fact about our relationship with China. The United States cooperates with China not only because China is a great and growing nation. We cooperate with China because we have a great interest in doing so.

Both President Clinton and I have stated on a number of occasions to those who would seek somehow to, quote, contain China, [unquote] -- those in America who advocate such a policy -- that they advocate a policy of both folly and futility. We do not seek to contain the most populous nation on earth. In fact, it is in our interest to cooperate with you. China has a strong and growing economy, and it is increasingly a part of the open global market. It is a permanent member of the United Nations Security Council. It is a member of more than 1,000 international organizations. It would not be in our interest to try to contain a nation that has the potential to offer so much to this region and to the world.

Across the Asian Pacific region, our alliances focus on preserving stability in Asia. The U.S.-Japan security alliance has been and remains a foundation for peace and stability in the region, and under our new guidelines for new defense cooperation, the United States and Japan are actively improving our ability to provide peacekeeping support, humanitarian relief, respond to regional crises, and integrate our

security structures. As I pointed out two years ago, it is a defensive alliance that does not isolate or threaten anyone in the region. On the contrary, like all of our regional alliances and partnerships, it is designed to expand stability for the benefit of all nations.

America's alliance with the Republic of Korea remains a key factor on the Korean Peninsula and, hence, for peace throughout the region. Both the United States and China can be justifiably proud of our role in supporting the efforts of leaders of both North and South to take steps to bring their nations together, and our cooperation is helping to bridge the bitter divide of the past half-century with an indispensable element in the success of the recent summit in Pyongyang. And I think that the recent summit demonstrated not only the desire on the part of the Korean people for peace but the value of U.S.-China cooperation to the peace and stability of the Asian Pacific Region. Now, the path to permanent peace on the peninsula is likely to be a long one. We must remain vigilant even as we are open to change, and there are grounds for hope that the fifty-year confrontation in Korea may be ended if the promise of the summit is finally realized.

Let me try to summarize quickly that we have relations with Australia, an alliance with Thailand and a security relationship and ties with the Philippines, all of which are helping to ensure stability and peace for all of the nations in this region, including China.

And we should face very clearly and up front as great nations that we still, nonetheless, have differences of philosophy and opinion. Some of these differences are very important, and we need to address them through open dialogue. But in the effort to deal with these differences, I think that we can build upon a foundation of important common interest.

One of the areas where we clearly have a difference is around the subject of a National Missile Defense System. I'd like to take just a moment to just explain our perspective. The global spread of dangerous technologies -- chemical, nuclear, biological agents, and the missiles to deliver them -- constitutes a great and growing threat to all nations of the world.

Neither the United States, nor China, nor Russia for that matter, can know with certainty what terrorist groups or rogue nations may threaten us with these weapons in the future. As long as these weapons of mass destruction continue to spread in ever widening circles, that threat will continue to exist. And that's why we must also work vigorously to stop the spread of weapons technology, to deter its use, and to work to develop a system to defend against a limited ballistic missile attack from an irresponsible nation.

Let me be as clear I can, as I was with our Russian friends. I met recently with President

[Vladimir] Putin in Russia and pointed out that our administration is strongly committed to maintaining the ABM Treaty [Anti-Ballistic Missile Treaty] as a cornerstone of strategic stability. Doing so is entirely consistent with updating the treaty to permit limited defenses, while ensuring continued stable deterrence. Such a system would not be designed to address China's missile capability, but its purpose, if the United States decides to deploy it--and the President has made no such decision at this point--would be to stop a limited number of missiles from isolated dangerous nations and terrorists. It is designed to enhance peace and stability, not to threaten the security of any nation.

I know there are calls from time to time to say that the United States should simply remove its presence from the Asian Pacific region, but I would ask you to consider who would fill the vacuum under those circumstances. Would it be China? Would it be Japan? Would it be India? Would it be Pakistan? Who would rush to fill the vacuum that would be left by the United States, which has done so much to preserve stability and therefore, allow investment to flow into the Asian Pacific Region and to benefit China specifically?

I met with Deng Xiao Ping back in 1978, and, at that time, he talked about his four modernizations. As a result of the presence of the United States as a stabilizing force for the Asian Pacific region, China has been able to pursue its four modernizations. China has been able to move from the 20<sup>th</sup> Century now into the 21<sup>st</sup> Century as a burgeoning economy. And so our presence here has been very beneficial, and

we want you to consider that as we move forward to work with you in a cooperative way to continue to promote that stability, that peace, and indeed the prosperity.

As you may have gathered, Taiwan is very much a subject of discussion during my visit. The United States is committed to the One-China policy and the Three Communiqués. We are also committed to the Taiwan Relations Act, and we believe the reconciliation must occur through peaceful dialogue and not through any military action. We are committed to try to find ways in which that can be achieved. I believe, and the President believes, that the newly elected President Chen Shuibian is looking for ways in which to establish a reconciliation and that hopefully a way can be found. But it must be found through peaceful means and not through military action. We recognize how sensitive an issue this is for China and how passionately you feel about it, but we are convinced that ways can be found to achieve your goal through peaceful means.

I would like to shorten my presentation to say something that is very important to me. Too often we tend to talk to each other or communicate over long distances and we do it through a media that at many times presents the United States in a way that is not only unhelpful, but is untrue. The characterizations of the United States as being a hegemon, as a country determined to dominate the world and to contain and dominate China are simply untrue. Yet, we see constant references such as this appearing in the Chinese media, which only provokes a negative reaction on the part of many in my own country. We have an absolute obligation to deal with you directly, honestly, and candidly. That is precisely the reason why I wanted to come to you today, to discuss this in this forum so that we could raise the issues without any filters of either hyperbole or criticism or negativity that, too often, characterize the nature of the U.S. position and policies.

Let me conclude with a quote taken from Lao-tze, who once said that what is firmly established cannot be uprooted, what is firmly grasped cannot slip away, it will be honored from generation to generation. The United States believes, and we hope that China believes, that working together we can firmly establish bonds that will not slip away, bonds that will be honored from generation to generation to the benefit of both our nations and, indeed, the entire Asia Pacific region. Thank you.

<http://www.defenselink.mil/speeches/2000/s20000713-secdef.html>

AMERICAN FORCES INFORMATION SERVICE  
**DEFENSE VIEWPOINT**

## Remarks at the Shanghai Stock Exchange

*As prepared for delivery by Secretary of Defense William S. Cohen, Shanghai Stock Exchange, Shanghai, China, Friday, July 14, 2000.*

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Thank you, [U.S.] Ambassador [to China, Joseph] Prueher for your kind words and your outstanding work here in China. You are continuing to serve the cause of peace in Asia as you did during your days as America's Commander-in-Chief in the Pacific; U.S. Consul General [to U.S. Consulate General in Shanghai] Hank Levine – my thanks to you and your staff for your work in bringing us all together here; President [of the Shanghai Stock Exchange] Tu Guangshao; Vice President James Liu, who helped arrange this event and who knows America well from his time living in the United States; distinguished guests; ladies and gentlemen.

I am very pleased to be here in the epicenter of the burgeoning Chinese economy—no doubt a future engine of the entire Asia economic system. Standing before this futuristic backdrop, the symbol of China's fast-growing free market, is to bear witness to China's amazing transformation in the last two decades: soaring towers of commerce, swarming traffic to rival a New York City rush-hour, and citizens eager to embrace the outside world.

The cause of these changes, of course, is the economic transformation that has been pursued in China in recent decades. But an indispensable component of this economic progress has also been the stable security environment of the Asia-Pacific region: an environment fostered by growing trade and cooperation, a willingness to handle differences with restraint and dialogue, and the stabilizing presence and engagement of the United States.

The United States is deeply engaged in the Asia-Pacific region because we recognize its strategic significance and its growing promise and prosperity in the new century. A tremendous amount of U.S. trade is conducted with many nations of this region. And our future is linked with Asia across the Pacific just as surely as it is linked with Europe across the Atlantic. U.S. efforts to promote stability, peace, and freedom have benefited all the nations of the region, especially China. When American diplomats and military forces work together to help create stability and security, that stability attracts investment. Investment, as all of you know well, generates prosperity. And prosperity – given time – builds democracy, which, in turn, creates more stability and more security. Both of our nations have an interest in an Asia that is strategically secure and stable and where trade, investment, and economic development can flourish.

I am pleased to say that my meetings in Beijing have furthered our military-to-military cooperation—a key ingredient to pursuing security and stability. As I said to the officers at the National Defense University in Beijing yesterday, we see a threefold approach to our military cooperation: deepening our current joint efforts; modestly broadening them into new areas; and advancing from confidence-building to real-world cooperation—a relationship not of distrust, but one of dialogue and, above all, one that enhances the security of all our citizens, our allies, and our friends in the region, and draws China and the United States closer.

As China has opened its economy, and trade with the United States has increased, our nations have indeed grown closer. It has not always been an easy path or one without setbacks. But, despite any obstacles, we have continued to move forward. Indeed, this institution provides a case in point. A year ago, as our diplomatic ties followed the ebb and flow of world events, this exchange announced closer ties with NASDAQ: the source of so much of China's new economic enterprise joining forces with the symbol of America's new economy.

The fact is that the Chinese and American people have come to depend on one another and to appreciate the peace and prosperity our relationship has brought to both nations. Much of our mutual prosperity is built upon the power of free trade, power that can be seen all around us, not only in the IBM computers that run this exchange, but in the more than 20 million individual investors registered here. Indeed, commerce draws people together, creating common interests among citizens and among nations, common interests that are a fundamental ingredient for peace.

This path of free and open trade brings the greatest hope of reducing tensions in Asia, improving human rights in all nations, increasing the exposure of people to ideas from afar, and ultimately, ensuring the safety of America's forces and those of our allies in the region. That is why President Clinton has worked so hard to achieve stable trade relations between our nations. That is why the United States House of Representatives approved Permanent Normal Trade Relations for China, calling for freer, fairer trade and greater openness between our two nations. That is why I met with more than a dozen members of Congress to ask them to support PNTR, And that is why we look forward to quick approval of PNTR by the United States Senate.

I will not make the economic argument for PNTR today, though I would say that the rows of computers behind me are but a foreshadowing of the potential for U.S. businesses and workers in this market of one billion consumers. Rather, I want to briefly lay out what we see as the national security implications of this decision, the strategic necessity, for China and for America, of continuing that circle of stability, prosperity, and democracy.

Becoming a full partner in the world economic system will lead to inevitable change in China. For as this nation opens and flourishes economically, as her interests increasingly reflect those of all nations thriving in the global marketplace, China will be even more inclined to seek to preserve those interests: stability, peace, open markets, and maintaining a positive image among consumers around the world.

One of your counterparts across the Pacific, a leader of America's new economy [Steve Case, CEO of America Online], referred to China's entrance into the world economic system when he said: "Global trade would give the Chinese people access to the world of ideas and information that is the cornerstone of freedom." In a world where economic security and national security have become virtually inseparable, passage of PNTR is necessary for both. We believe that a China with a greater stake in the international system will be a China that is more inclined to work with the United States on a broad range of issues. Indeed, the Chinese-American relationship has already yielded cooperation on issues vital to the security and stability of the Asia-Pacific region, including transnational threats such as drug trafficking, environmental challenges, and terrorism, China's acceptance of the Comprehensive Test Ban Treaty, the Non-Proliferation Treaty, the Missile Technology Control Regime, and the Chemical Weapons Treaty, and recently, our joint efforts that helped lead to the historic summit between the leaders of North and South Korea.

Of course, as the people of China become more prosperous, and the middle class here grows, it will do what middle classes have done throughout history—seek a greater voice in governing; suggest new, creative approaches to national challenges; and push for peaceful solutions to international disputes and stable commerce with its neighbors. In short, a growing, stock-owning Chinese middle class in greater commercial and intellectual contact with the world will do more to keep Asia peaceful, stable and—eventually—democratic than any action other nations could possibly take. And so for all these reasons, we—and I personally—will continue to work for Permanent Normal Trade Relations with China. And our trade relations will be further strengthened through China's membership in the World Trade Organization.

I would note that more than 500 hundred years ago, as European explorers inched down the west coast of Africa, searching for a route to the riches of the East, Chinese ships had already crossed the Indian Ocean and rounded the southern tip of Africa. But despite its superior accomplishment and technology, China suddenly called a halt to its outward exploration, withdrawing behind the great walls of the homeland. As this new century dawns, China once again faces a choice.

In considering this choice, let me recall the words of one of my personal heroes, who was a member of our Supreme Court and a soldier in the U.S. Civil War, Oliver Wendell Holmes, Jr. Holmes once said, "Behind every plan to change the world, lies the question, 'What kind of a world do we want?' " Today, I would ask you, and the people of China: As we remake the world for the 21<sup>st</sup> Century, what kind of world do we want? What kind of Pacific community do we want to leave to the next generation?

The United States seeks an Asia-Pacific region characterized by cooperation where great nations focus on their mutual interests, where our energies are spent on promoting our prosperity, and where freedom and democracy and the rule of law are the fully recognized birthright of all people.

Here in Shanghai, standing before the symbol of China's economic transformation, it is clear that the United States and China do indeed share similar interests and similar goals, and that China's enterprise and ingenuity are a match for any people in the world. It is again within China's grasp to open up to the world and embrace the benefits of free and open trade in industry and in ideas.

All that is required to enjoy the benefits of free and open trade is the will to make the decision to embrace it. We, in the United States, stand ready to welcome you as full members of the world economic community, and to work with you to assure a peaceful and secure future for the entire Asia-Pacific region. When I spoke to National Defense University, I recalled these wise words of the great Chinese philosopher, Lao Tse. He once observed: "What is firmly established cannot be uprooted. What is firmly grasped cannot slip away. It will be honored from generation to generation."

Working together, our nations can build prosperity and peace, bonds that will be honored from generation to generation, bonds that will benefit not only our two nations, but nations throughout the Asia-Pacific region, and indeed throughout the world. Thank you very much.

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