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**Secretary of Defense William S. Cohen
Remarks as Prepared for Delivery to the
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Thank you, Ambassador 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. Counsel General 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.

And 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 leader¹ of America's new economy, 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

¹ Steve Case, CEO of America On-Line

new, creative approaches to national challenges; 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 21st 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. I look forward to your questions.