

*Keynote by Peter W. Rodman, U.S. Assistant Secretary of Defense for International Security Affairs, on the Military Dimensions of China's Future*

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MR. ALEXANDER GRAHAM: Good afternoon. Welcome back. Today's opening keynote speaker has led a distinguished career spanning four decades in government. Beginning as special assistant to Dr Henry Kissinger on the National Security Council from 1969 until 1977, he later served as President Ronald Reagan's Director for Policy Planning and as Deputy Assistant for National Security Affairs under both President Reagan and President George H. W. Bush. He currently serves as Assistant Secretary of Defense for International Security Affairs and is a central figure in the formulation of US security strategy for regions including East Asia, the Middle East, Africa and Latin America. He holds degrees from Harvard College, Oxford University and Harvard Law School and has written extensively on National Security and strategic issues. And he is also the author of a history of the Cold War titled More Precious than Peace. Ladies and gentlemen, it is an honor to introduce to you Mr. Peter W. Rodman.

[Applause]

ASSISTANT SECRETARY PETER W. RODMAN: Alex, thank you. First of all I want to add my congratulations to those that have already been expressed to Dan, to Alex, to all of your colleagues in the Chicago Society for what is clearly a very successful conference. I know a little bit about how much work went in to this and I'm very pleased to see what an achievement this is. And again I congratulate you. Second I have to warn everybody here not to be too impressed by all these fancy titles of all these fancy people from Washington who came out here. Colin Powell used to have in his office on the wall, in a little frame, a short anecdote about President Lincoln. It seemed that President Lincoln one day was in his office and an aid rushed in and said, "Oh Mr. President, bad news, there was a skirmish outside of Richmond and we lost a Brigadier General and 10 mules". And Lincoln said "Damn I could make a new brigadier in five minutes but those mules are hard to replace". So I think Chris Hill would agree that's a more accurate reflection of what, what life is like in Washington. And that little plaque by the way was given to Colin Powell by some of his friends when he got his first star as a Brigadier General.

[Laughter]

Now I know that I am all that is standing between you and lunch so I will get on with it. But I have another story. But this, this story will get us quickly into the heart of our topic. Last October I had the privilege of accompanying Secretary Rumsfeld on his trip to China. He has been to China many times in his life, but this was the first visit he had paid to China in his present position as Secretary of Defense in the Bush administration. So the visit had a certain symbolic significance for that reason. But it has a special significance if you look, if you remember what military-to-military relations were like at the beginning of the Bush administration. Remember the EP-3 incident? The EP-3 was an American reconnaissance plane that was forced down over international waters by a Chinese fighter plane and the plane was seized on Hainan Island. And the crew was held for 10 days. That was not a good thing.

But we have put that behind us as governments, long behind us, and Secretary Rumsfeld was

welcomed very warmly last October and his visit I believe was seen by both sides as a very successful visit and that is a good thing. And one of the highlights of that trip was a visit to the Second Artillery Headquarters. The Second Artillery Corps is China's Missile Forces, which is a fast-growing and very significant branch of China's military establishment. In fact the Second Artillery Corps, the missile force is virtually a separate branch of the armed services and the Commander of the Second Artillery is a member of the Central Military Commission which is the senior body of China's military leaders. And I think we were the first outsiders to see the headquarters of the Second Artillery. We were driven to a compound in the northern suburbs of Beijing and found ourselves in an auditorium, an empty auditorium, about this size, with tables and chairs set across from each other. And we were the guests of General Jing Zhiyuan who is the Commander. And he directed his Chief of Staff to give what we would call a Command Brief, which is a PowerPoint, it was a Pentagon-style PowerPoint presentation side show. Now, it didn't have all the super-duper bells and whistles of a Pentagon, you know a first-class Pentagon PowerPoint. And I have to say my military colleagues are still definitely number one in the world when it comes to PowerPoint.

[Laughter]

But this briefing, command brief, it was in English and Chinese and it talked about the structure and the mission and the training program of China's Second Artillery Forces. And it was interesting and it was professional. But of course as with many command briefs it did not give the whole story and there are a lot of important things that were not disclosed in that slide presentation. But as I say it was interesting. And the conversation afterwards was interesting, because Secretary Rumsfeld and the Commander talked for a while about some interesting points of nuclear doctrine. And it was interesting enough for us to want to pursue this new contact we have with the Second Artillery. And when President Hu was in Washington last week, one of the things that he and President Bush agreed on was the Chinese have accepted our invitation to the Second Artillery Commander to come to the States and be the guests of our Strategic Command which is based in Offutt Air Force Base in Nebraska. And they have accepted that invitation. And that's a good thing.

Now looking back on that visit to the Second Artillery I think it illustrates three important things. One is the paradox of a China that is modernizing rapidly in some areas of military power, including its strategic forces. But has a long way to go without any doubt in other areas. So we need to understand clearly and figure out how to assess accurately what capabilities China has, what it doesn't have. Second, there is still a lack of transparency about much of what China is doing in the military field and this contributes to concern not only in Washington but among China's neighbors. Third, the United States approaches this problem with a constructive attitude. We are ready to expand our interaction and our contacts and our exchanges with China in the defense field, to demystify each other as Secretary Rumsfeld likes to say. We don't think conflict between us is inevitable. On the contrary we hope to see China follow the constructive path with China becoming what Bob Zoellick calls a responsible stakeholder in the international system. You heard Chris Hill use that phraseology and that's something we all, an aspiration that we all share.

Now these three themes are the framework for the rest of my remarks, this afternoon. The first as

I said was “How do we assess China’s real military capability?” “How should we assess it overall?” China is rapidly modernizing but we need to keep a certain perspective. Its overall capability is clearly much less than ours. It does not yet have an ability to project power, to project power much beyond its periphery on a sustained basis. It has many vulnerabilities, many weaknesses. But what China is doing is patiently, prudently and systematically expanding and modernizing its capability. Now our visit to the Second Artillery, as I said was, at that visit we were given a certain exposure to one of the more dynamic of the categories of China’s modernizing military. But China is improving its capability qualitatively across all branches of its armed services and at all levels. Its military doctrine as far as we can tell seems to be emphasizing preparations to fight and win short-duration, high-intensity conflicts around its immediate periphery. In the near term this means Taiwan. It’s clearly the focus of China’s military planning. China is rapidly developing capabilities designed to coerce or compel a settlement of the Taiwan problem on its terms. And simultaneously it seems to be generating capabilities to deter or counter possible outside intervention in a Taiwan crisis, which means U.S. intervention.

My office publishes a report every year, mandated by Congress, on the subject of China’s military power. We’re working on the 2006 edition right now. We’re in the process of clearing it around the government. In fact I did some business last night with Chris Hill on some of the issues that have come up. But we hope to publish this in the next few weeks. Well I can tell you that nothing has changed with respect to an important point that was in last year’s report and that is that judging from China’s military acquisitions and from other activities, we think China is gradually generating the ability to operate beyond a Taiwan scenario. It’s developing capabilities that could be brought to bear on other kinds of contingencies down the road, way beyond China’s periphery, such as conflict over resources or territory. Now everybody knows about China’s phenomenal economic growth, 10% a year or so. But China’s official military budget has grown faster than its overall economy. In March of this year China announced that its defense budget for 2006 would increase 14.7% over the previous year’s defense budget to a total which they declared at about \$35 billion. Now this increase 14.7% continues a trend of double-digit defense budget increases going back at least 15 years. But it is also I have to say, it is widely believed among most Western experts, that the official declared military budget does not capture the totality of China’s military expenditure. Many things are not included in the official defense budget. Foreign acquisitions, industrial subsidies, local contributions, strategic forces. Our best estimate is that China’s actual expenditure is two or three times its official figure, suggesting that the figure for this year could be somewhere in the range of \$70 to \$105 billion. At the high end of that estimate this would make China’s defense budget the largest defense budget in Asia.

Now let me offer a few other examples of modernizing capability. I won’t read all the details of what I have in front of me but I can list some categories. We see at least 10 varieties of ballistic missiles deployed or in development. We see significant modernization of older Intercontinental Ballistic Missiles (ICBMs) and submarine-launch ballistic missiles which now have greater range, accuracy and survivability than before. These longer-range missiles can reach many areas of the world beyond the Pacific including virtually the entire continental United States. Shorter range missiles of course are being arrayed against Taiwan. There are now close to 800 short-range ballistic missiles opposite Taiwan. These numbers have increased every year at a rate of about 100

more per year. We see five modern submarine programs, including indigenous produced diesel submarines and nuclear attack and nuclear ballistic missile subs. In addition China is taking delivery of a second batch of the very advanced Russian KILO-class diesel submarines.

Cruise Missiles. China has at least two land attack Cruise Missiles in development and it has at least, has or is acquiring at least 12 different types, 12 different types of advanced anti-ship missiles, including two modern supersonic Russian-made anti-ship missiles and you can be sure the U.S. Navy is paying close attention to that. China is improving steadily its capacity for expeditionary warfare, developments in aviation, air and amphibious lift, army aviation etc.

We all know how great the Chinese people are at information technology. And the People's Liberation Army is tapping into some of that expertise to make significant strides in cyber warfare and China is exploring not only defensive activities defending its computer networks from attack but is also exploring offensive operations against an adversary's computer networks. We also see China emerging as an international space power. Last October they recovered a manned space mission successfully which dramatizes the great advances they're making. At the same time there is evidence that China is developing the ability to deny others access to space with at least one R&D program in ground-based anti-satellite lasers.

Now some of these capabilities have implications over the long-term, some of them are relevant to a Taiwan contingency in the near-term. So we in the Department of Defense have to take China's military modernization seriously. In the Department of Defense we publish every four years something called the Quadrennial Defense Review which is a comprehensive overview of our strategy and doctrine.

And that gets me to the second set of issues which is the issue of transparency. This QDR, the Quadrennial Defense Review, is also mandated by Congress and as I said it's an elaborate full-scale public discussion of basic issues of defense policy. It talks openly about our doctrine, our assumptions, our planning, our procurement, intentions. And it's published not only to assist the Congress in its oversight but of course to contribute to a public debate. In contrast to that, China's leaders have yet to adequately explain their doctrine and their assumptions or their planning or their procurement planning that accompany their military build-up. In addition, Chinese military doctrine historically has put special premium on what our military would call denial and deception. And that is something that the Chinese, that's part of Chinese doctrine. And all of this makes it hard to be sure exactly what lies behind the military build-up.

Secretary Rumsfeld when he was in Singapore, he was at a military meeting in Singapore last June and asked these questions. He said, "Since no nation threatens China, one must wonder why this growing investment? Why these continuing large and expanding arms purchases? Why these continuing robust deployments?" Without greater openness international reactions to China's military growth will understandably hedge against these unknowns. In the early 1990s Deng Xiaoping announced what is often called The 24-Character Strategy. This is a set of maxims that have been quoted often by Chinese strategists since then. "Observe calmly. Secure our position. Cope with affairs calmly. Hide our capacities and bide our time. Be good at maintaining a low profile and never claim leadership." This is an interesting set of maxims. It suggests they desire to downplay ambition in the near-term and it suggests a patient, prudent, long-term strategy to build up China's

options for the future. The uncertainty that all this creates about China's evolution and its future military posture is a concern as I said not only for the United States but for many of China's neighbors. Secretary Rumsfeld asked about these issues. He spoke about them quite candidly when he was in Beijing and President Bush spoke candidly with President Hu about these issues.

So this brings me to the third point: our desire to see this all evolve in the right direction. This applies to the security field just as much as it applies to trade or the diplomatic issues. That is the goal of our military to military interaction with China. Our QDR Report says "We remain focused on encouraging China to play a constructive peaceful role in the Asia-Pacific region and to serve as a partner in addressing common security challenges including terrorism, proliferation, narcotics, and piracy." When Secretary Rumsfeld was in China we agreed, the two sides agreed to expand senior level visits of Defense Officials, naval ship visits, military academy exchanges and other interactions especially among junior officers. We think these kinds of exchanges have the potential to improve understanding, to reduce misunderstanding, and to help demystify one another.

The two countries' Defense Ministers have now exchanged visits in the last few years as have the most senior officers, the Chairman of our Joint Chiefs of Staff, their senior military officer. The Commander of the U.S. Pacific Command, Admiral Bill Fallon, has been there several times. He's going again in May. China's top military leader, the Vice-Chairman of the Central Military Commission, General Guo Boxiong, is coming to the United States this summer, I think in July. I plan to be in China myself in June for the eighth round of what we call the Defense Consultative Talks. Now the Defense Consultative Talks are a forum of senior-level strategic discussion between our two defense ministries and we will use that meeting to follow up on the leaders' commitment to expand exchanges. And one area where I hope to advance the discussion relates to nuclear doctrine and policies as I mentioned, building further, trying to build further on our visit to the Second Artillery and the invitation to visit our strategic command.

Let me conclude. The United States is a Pacific power. We have interests; we have a network of alliances and friendships in that region which constitute a vital interest of the United States. We will defend that interest and we do our best to deter conflict and deter the use of force. That is the mission of the Department of Defense. But the Asia-Pacific region is not a zero-sum game. A China that is an engine of economic growth, a China that's a constructive player in the international system is a positive prospect. The President's, our President's National Security Strategy Report published again just a few months ago sums it up. "Our strategy seeks to encourage China to make the right strategic choices for its people while we hedge against other possibilities." So we in the Department of Defense are confident that our relationship with China is in the framework of the overall national policy announced by the President. And we're mindful also of our allies and friends in the region. And our allies and friends first of all rely on our commitments, they count on us. But second of all they share the goal of a positive evolution in the U.S./China relationship and in their own relationships with China.

Now we all know that China is a proud nation with an extraordinarily rich history and culture and a people of extraordinary talent and industriousness. We see great opportunity for cooperation across the whole range of issues, economic and political, where our interests converge as Chris Hill described last night. A China that is a constructive player in the economic system can be a power-

ful partner in trade and investment and make a contribution to the economic dynamism of this country as well as to the whole Asia-Pacific region. China can be a contributor to international stability. It can be a partner in confronting the global challenges of terrorism, proliferation, or in responding to humanitarian disasters or combating infectious disease. That is the positive potential. At the same time we have to recognize the challenges to this relationship. It's a relationship that has had its share of ups and downs. We must be realistic. I can assure you that Chinese are realistic. And in the Defense field I am sure that the military and the defense establishments of both sides are very aware of the potential for less positive possibilities. But the President and all of us in the administration are committed to a positive course and President Bush said on the South Lawn of the White House last week, "the United States and China will continue to build on our common interests. We will address our differences in a spirit of mutual respect." That's the commitment of the whole U.S. government and it's the task ahead of us. Thank you very much.

[Applause]

ASSISTANT SECRETARY RODMAN: We have time for some questions.

QUESTION: Mr. Rodman, one issue is that you mention the importance for the U.S. to be hedging with regards to China. But, for example, with our commitment to Taiwan, that seems to encourage the Chinese to invest in deterring intervention in case there is a conflict across the Taiwan Straits. So in other words actually what is developing potentially is the security dilemma which you are, I'm sure, very familiar with. So what are you doing in that sense to try to deal with the security dilemma that seems to be evolving?

ASSISTANT SECRETARY RODMAN: As I said we don't see conflict as inevitable. It's quite clear that there's a divergence over Taiwan. Both sides share the aspiration to see a peaceful settlement of the Taiwan issue. That's far preferable and that would solve the problem. But as I said we have to be realistic. There are less hopeful possibilities there. But this is an issue for political leadership. It's the political leaders on both sides who will make decisions about Taiwan or if any differences should become more acute. In fact, it's a three-sided game. The leadership on Taiwan has a certain responsibility obviously. Our job in the Department of Defense is to be prudent and to be ready to deter and the United States has made commitments that are enshrined in our legislation, The Taiwan Relations Act. So we have certain commitments and our job in the Defense Department is to be ready to fulfill them and that's why we watch what China is doing. But as I say we see this in the framework of our overall policy which doesn't pre-judge the outcome and certainly does not pre-judge a negative outcome. Yes.

QUESTION: Mr. Secretary, thank you for your keynote. My question is a two-part question. The first part relates to the beneath or underneath the diplomatic niceties, the diplomatic language of partnership, of peaceful and responsible China. There is an ongoing relentless military preparations, on the two sides I believe, for probable future conflicts. You said that the American forces and military deployments in East Asia are aimed at deterring conflicts. My question is what kind of conflicts are you expecting? From a Chinese perspective, the only source of conflict would be Taiwan. From a Chinese perspective again Taiwan is part and parcel with China. This has been the consistent American policy.

The second part of my question is, you are talking about military transparency. You have not mentioned Japan. We know that Article 9 of Japan's Constitution says that Japan could not spend more than 1% of its budget in military issues. But remember the standard of living and the GDP in China, \$900 a year, is almost 10 times higher in Japan. So if Japan spends 1% of its GDP we end up having Japan spending more money, much more money, than the Chinese themselves on their respective militaries. Thank you.

ASSISTANT SECRETARY RODMAN: First of all you said "relentless build-up on both sides." We try very hard in the Pentagon to avoid emotion-laden words about this and this report that we publish we try to be factual, descriptive analytical and not say "threat," you know, or use alarmist words. We're just reporting facts which I think contribute to discussion. And as I said again both sides' political leadership has a responsibility to make sure that the military situation is managed. In fact the whole relationship as a whole can be managed and is being managed.

Japan. You know, when I gave the statistics, the point was that if our estimates of China's military budget are correct, at the high end they are greater than Japan's, that's the point. Japan's is limited to 1% of GDP but China's GDP is growing a lot faster and the military budget as I said is growing faster still. Japan publishes a White Paper, I think every year. They have a Parliament; they have to get their defense budget through the Diet. So there's a transparency in Japanese Defense Policy. They have been saying for 10 years or so that they're worried about the Chinese missile build-up, the Chinese naval build-up, or the other aspects of China's build-up. And the Japanese care about a peaceful resolution of the Taiwan dispute. In fact I would say that we know that China sees Taiwan as a domestic issue but I can say that the whole region is very sensitive to any use of force by China. We saw this 10 years ago, there was a small crisis in the Taiwan Strait; there were minor episodes of conflict between the Chinese and the Philippines in the Spratlys. But even if these were minor episodes, I think the rest of the world looking at China and the immense power that is accumulating, they are hypersensitive to uses of force by China and I assure you that a Taiwan conflict would have international ramifications no matter what China's legal doctrine may assert.

QUESTION: Mr. Secretary, my name is Richard Carmichael. I'm a Boren Scholar from your Department. And with so much that's been happening in Andijan (Uzbekistan) and Manas (Kyrgyzstan) and so on and so forth, I was wondering if you would comment on American strategic goals in Central Asia for the near term.

ASSISTANT SECRETARY RODMAN: We have, first of all since the Soviet Union disintegrated it was clear that the independence of the small states of the former Soviet Union are an interest of ours. And I think the world community has an interest in the independence of these states. Since September 11th we have been operating in Afghanistan and we have had the benefit of access to facilities in some of these countries. And these countries continue to be willing to give us this access. They are under some pressure by their comrades in the Shanghai Cooperation Organization and Chris Hill spoke about this last night. We don't think it's a good thing for small states to be pressured by big neighbors like Russia and China. But our interest in Central Asia is not--we're never going to have bases there. We're not talking about bases and never have. We have benefited from access to some of these facilities. We have benefited I think from relationships we have with these newly independent states and we would like to continue those relationships. We are using

these facilities for the Afghan conflict. And over the long term it would depend on whatever we and those governments agree on but I hope those governments would be free to make their own sovereign decisions without pressure from any outsider.

QUESTION: MAD or Mutual Assured Destruction worked very well during the Cold War with the Soviet Union. Do you think that MAD is sufficient now or do we also need a National Ballistic Missile Defense System and if so don't we also need a defense against cruise missiles?

ASSISTANT SECRETARY RODMAN: I can assure you that a lot of my colleagues are working hard on how to defend against cruise missiles. We haven't neglected that technological task. Missile defense is a big priority of this administration. We are worried specifically about the North Korean threat and the North Koreans have lobbed missiles over Japan and so the Japanese not surprisingly have an interest in cooperating with us on missile defense. We have been saying from the beginning of this administration that what we're doing in that field is not aimed at China. We're convinced of China's capability. China may well have the ability to overcome defenses just as the Russians have the ability to overcome defenses. We got into this missile defense business in this administration I think aiming particularly, worrying particularly about what we used to call rogue states like North Korea and possibly Iran. And these are modest missile defense deployments that are now under way but I think they're long overdue.

QUESTION: Mr. Rodman, I wonder if you might shed some additional light on the \$90 billion number of the Chinese defense budget. The rest of the world goes to China for low-cost goods and low-cost wages and China's paying world price for some of its defense needs. I was wondering if you could parse the number out, what in that number is going for goods it must pay a world price for and what is it paying a low cost for?

ASSISTANT SECRETARY RODMAN: There are some useful studies by the RAND Corporation that have looked into this. My understanding of it is that the discrepancy is accounted for by a number of things. One is, I think it's purchasing power parity. We measure partly what the output is and measure that output by what it would cost if we were doing it. During the days when we were trying to assess the Soviet military budget I think that was one of the sources of the different figures given by the two sides. So again we're assessing what the Chinese are getting not what they would pay given as you say they have obviously cheaper labor and costs. Secondly there are things omitted, that they omit from their official figure as I mentioned and these are very significant things including a lot of research and development. They have institutions that do R&D and they don't always observe a clear line between military and civilian R&D. And they have every sovereign right to do that but when one tries to compare defense budgets one should be comparing like with like and our assessment is a lot of significant things include foreign arms purchases, I think do not happen to be in their defense budget. So we add all these things together and look at it in a different way and I think as I said we'd come out with this figure, two or three times more than the official figure, which is a pretty big discrepancy. But I think there's a consensus on this. As I say there are private analysts like RAND and others that are doing this and come to more or less the same conclusion. Yes.

QUESTION: Secretary Rodman, one thing I always miss in discussions of foreign military budgets is a discussion of our own. The figures you gave amount to about \$90 to \$100 billion that

China actually spends on its military, but we spend of course several times that, plus the cost of the Iraq War. That's a lot of money. So you speak of their build-up as being enigmatic but does not this context of Chinese military spending in a world where ours is so much greater, perhaps suggests that their build-up is the effect of a sort of self-fulfilling prophecy of the Department of Defense?

ASSISTANT SECRETARY RODMAN: Well, we have a global foreign policy. We have interests all over the place and so it isn't just Asia. We have a big budget and it's also transparent. And what we're doing it for, what we're buying, most of our budget I think goes for manpower costs and so people know what we're up to. It's not a secret. Like nothing is secret. Well I won't say nothing is secret but -

[Laughter]

ASSISTANT SECRETARY RODMAN: - we try to keep some things secret. But that's another subject for another panel. No, everybody knows what we're spending and what the purposes are and we have deployments in many different places. The issue with China is as Secretary Rumsfeld says, "Who's threatening China?" China, I think, is deciding of its own accord that as it becomes an economic power it ought to have military accompaniment of that power. It isn't clear for what purpose or who their enemy is. Taiwan crisis, yes that's one of their issues. But as I said there are indicators that they are looking beyond Taiwan and they have some strategic thoughts of maybe being able to project power more broadly as they develop the capability to do that. And I can tell you that their neighbors are asking the questions that we're asking and it's not an accident comrades that a lot of these countries are coming close to us. Our defense relations with a lot of countries; India, Vietnam, Singapore, Indonesia, Australia, Japan, Mongolia; a lot of these countries are asking the same questions and wanting our, wanting some reassurance that we are there in the region as a factor of stability. The reason we are there; we don't impose ourselves on people. If somebody asks us to leave, we leave. The reason we're in the Asia-Pacific region is there are a number of countries who look at China; for a long time they worried about the Soviet Union. And now they look at China and that's one of the things that is leading them to want some reassurance that we will stay in the region. So we consider that we are a factor of stability. And so China has to ask itself what is its attitude to this existing equilibrium, this existing balance in the Asia-Pacific region. If China's emergence is consistent with existing relationships and the existing stability then there's no issue. But this is a question China has to ask itself and it's why we look at this with some interest and as the President has said we hedge against some possibilities even if we hope for a more, in fact expect, a constructive outcome of all this.

QUESTION: In this day and age of the globalization of business, concepts such as "Just in Time" and "Extended Supply Chains" are pretty much the norm nowadays. What concerns does the Pentagon have about this globalization of business particularly in regards to the electronic sector and the IT sector which is pretty much centered in greater China nowadays?

ASSISTANT SECRETARY RODMAN: No you're right. I don't work on this personally, but I know my colleagues, as you said they look at the advances in technology now are coming in the private sector and they're coming more cheaply. If the Pentagon buys something on its own account, it is so burdened by regulations and requirements that it could take 10 years to do something that is obsolete before the contract is signed. So we are looking at ways to rely on the private sector and

benefit from the flexibility and the efficiency of our private sector which far rivals, far outmatches the cumbersomeness of Pentagon procurement or government procurement. It's a problem. I think there must be ways to do it. Our procurement system is a total mess and every administration knows that. But it is burdened by legislation, by regulations and every time there's a scandal about procurement there are new laws and regulations. And this does not add to flexibility. The private sector has the freedom to make decisions quickly, to abandon this to move to another area to do things. We envy that and we need to be able to figure to benefit from that. You're right.

**QUESTION:** Relating to the question about missile defense. Could there reach a point where China could use an intercontinental nuclear threat to deter American defense of Taiwan and since there had been threats of that sort made even by John Foster Dulles and Yeltsin and many others have threatened to extend the nuclear umbrella, deterrent umbrella further than one would think it could extend, since there's a touch a madness involved in that. Could that indicate an actual motive as to why some in China might see a benefit in having a somewhat mad regime in North Korea have nuclear missile capability? And how would, what American policies would prevent that attempt to extend a deterrent umbrella by the Chinese regime over Taiwan?

**ASSISTANT SECRETARY RODMAN:** Well there are a couple of different threads there. I don't think China wants a nuclear North Korea. I take them at their word that North Korea is a pain in the rear for them and a nuclear North Korea is a source of many problems. And whatever one thinks about how the diplomatic minuet that's going on which is Chris Hill's area, I certainly believe China is in good faith when it says it would rather not have a nuclear Korean peninsula. So I don't think they want a mad North Korea. China has ICBMs. I mean to go back to your first point. They have ICBMS. They don't need ICBMs to reach Taiwan. And they have assured us of their, they have a no-first-use doctrine, a doctrine of no first use of nuclear weapons, even though there are occasional generals who speculate about a different approach. But that's one of the reasons we want to have a discussion with their strategic forces people. To get a little more clarity about their doctrine, the doctrine that accompanies their growing missile forces. And that's a good thing. Yes.

**QUESTION:** Hi, my question is about the nuclear pact that President Bush just signed with India. Do you think China and Pakistan will really have the faith to believe the promise that this deal is strictly for economic, civic, power and if they don't have the faith would this actually start a new race of nuclear power?

**ASSISTANT SECRETARY RODMAN:** India exploded a nuclear device first of all in 1974 and then in exploded a weapon in 1998 and that was not our doing. We didn't like this at all. That's a fact. India is a nuclear power, de facto and that's the reality and as I say it's not our doing. What we think the benefit of this civil nuclear agreement is that India has been totally outside of the non-proliferation treaty, outside of non-proliferation safeguards and so on, and that by this agreement they are agreeing to come into that non-proliferation regime to an unprecedented degree. To separate out their military programs which are their own from their civilian nuclear reactions which will for the first time come under safeguards. And if they do that then it opens up civilian nuclear trade. I think it's a civilian agreement. If the Chinese have a concern, I mean if they have a concern about India's nuclear weapons, that concern already existed. They may have a concern

in a broad political sense about the closeness of U.S./India political ties. I mean the United States and India, I think it's fair to say, are becoming closer. There's a sense of partnership over a range of things – economic, complementarity. In fact the Indian interest in this civil nuclear thing is precisely because they would like American technology for their civilian energy sector. I think there is a significant new dimension to the U.S./Indian partnership. And the fact that we're democracies and so on and the distortions of the Cold War era are over with.

Pakistan I'll just say a minute about. You know we have a strong relationship with Pakistan as well. And it has its own logic, its own requirements. The Indians grumble sometimes about what we do with Pakistan, but I think we've been very lucky the last five years, touch wood, that we have deepened, we've managed to deepen our relations with both India and Pakistan or each one without sacrificing the relationship with the other and that's I think partly because the India/Pak relationship has improved. But this is a strategic evolution. It is not necessarily harmful. And I think it is certainly in the hands of statesmen in India, China, the United States and Pakistan to manage all of this without any harm befalling. Yes sir.

QUESTION: Mr. Secretary, as you are probably aware, there is sometimes even strong anti-American sentiment in China and the rest of the world. And my understanding is that once source of the anti-American sentiment comes from the perception of United States application of double standards in international affairs. And in your answer to the gentleman maybe five or 10 minutes ago about comparison of military build-up budgets, if you allow me to put my spin on it, you seem to be saying that it's okay to apply double standards because "we have no secrets." So my question is imagine you go to sleep tonight and wake up tomorrow morning, turn on a TV and you turn to CNN and all of a sudden China becomes a democratic country with a political system that's similar to the United States. So in that case would you think the tension between the militaries would be able to go away? Would you sleep well at night? Allowing China to have a military build-up budget comparable to that of the United States, relative to its economic size and population? Thank you.

ASSISTANT SECRETARY RODMAN: I think it makes a huge difference. I think the Chinese domestic system has a significant effect on its foreign policy. I think a change of government, a significant political change on the mainland would make a Taiwan settlement a lot easier. So I think it would have huge effects on how China defines its role in the world. I think a different government, I mean I'm not recommending, it's up to the Chinese to decide how they want to do it, but I think certainly the internal system, the nature of an internal system, does make a difference in foreign policy. And to go back on the defense budget, as I said we, our role in the world comes from the fact that countries want us and see us as a fact of reassurance whether it's in Europe or in Asia or the Middle East. And we have a big defense budget. That is not a secret. And a global foreign policy. That is not a secret. And we don't apologize for it. But anyway, that answers both your questions. Yes sir.

QUESTION: Mr. Secretary –

ASSISTANT SECRETARY RODMAN: [Interposing] This is the last one.

QUESTION: I'm honored. I just want to follow the question of Professor Yang Dali and this

gentleman. I'm Dr. Li Yi. The question is that just like Professor Yang Dali said, you repeated many, many times, you said "We don't know why China builds this kind of military capability." Is this possible that because China feels a big threat from United States? Because some Taiwanese want to go to independence and like you were saying the United States has the commitment of that if you attack Taiwan, we are going to attack you. So China says, okay, you are going to protect Taiwan. Taiwan is going to become independent, so we are going to have to build some kind of military capability number one, we are going to attach Taiwan. Number two, if we are going to attach Taiwan, you are going to protect Taiwan. If we are going to attack Taiwan you are going to protect Taiwan we are going to attack you.

[Laughter]

QUESTION: So this is a basic logic of Professor Yang Dali. So if--I hope I am totally wrong--I'm right, the reason of China to build a military capability is because you are going to build the military capability first. This is number one. Number two, following this, as you say the United States will have about, this year \$400 billion plus \$75 billion in Afghanistan and Iraq. And I know you are going to have more, \$500 or \$600 billion in the next five or ten years and as you said Japan right now is 1%, maybe I'm wrong, a \$40 billion or \$50 billion military budget. And China as you said right now is just maybe \$90 billion or \$105. But if I am a Chinese leader I'd say, hey United States you have \$45, I'm going to try to have \$100, or you have \$400, I'm going to try to have \$100, \$200, \$300. I want as much as you have. You have global interests. I want global interests too.

ASSISTANT SECRETARY RODMAN: You know you may be right.

[Laughter]

ASSISTANT SECRETARY RODMAN: You may be right.

[Applause]

ASSISTANT SECRETARY RODMAN: Now China, I think I get the question. I get the question.

QUESTION: Let me finish.

[Laughter]

QUESTION: So if you are going to have this kind of thinking, we are going to see a very bad world. You say you have in the United States 400 or 500 we have China catch-up with the United States. This is a very bad world. Do you have a better --

ASSISTANT SECRETARY RODMAN: [Interposing] Well you may be right. I wish we knew more about what China is spending it on and so forth. I think transparency in defense planning is not the answer to all, it's not the solvent of all international conflict, but it would help. We see new systems coming along and--I think, let me put it this way: China is a sovereign country. It can spend whatever it wants on its defenses. But I think we and its other neighbors would be reassured if we knew a little bit more about what they're doing, what their doctrine is, what their planning is. I mean we are unusual to an extraordinary degree transparent. In fact most western countries

that are answerable to parliaments have to be pretty explicit about defense planning. I've heard Secretary Rumsfeld say this. China can choose to spend whatever it wants. This issue is not so much the amount, it's the uncertainty about what China is up to, and as I say we see some indicators that China is, some Chinese strategists are thinking beyond Taiwan, are thinking about power projection and projecting into the ocean, becoming a more global military power. But if that is the case that's interesting to us.

[Laughter]

ASSISTANT SECRETARY RODMAN: And whether it's a source of conflict is a function of the wisdom of political leaders who, there are a lot of historical examples of a power that emerges and changes the status quo. Does this mean a disruption and some violent clash, or is it something that can be absorbed flexibly in the international system? That's the challenge for political leaders. And as I say our job in DOD is to watch this to make sure we are prepared to carry out our commitments, but our policy is not our independent DOD policy. Our policy is in the framework of national policy as our President determines and our constitutional system. So that's one of the points I wanted to emphasize, that we are doing what our job is but in the context of a national policy which is prudent and as the President's report said we hope for a good outcome but we hedge against other possibilities. Thank you very much.