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The B.C. Lee Lectures

Strategic Imperatives in East Asia

The Honorable Donald Rumsfeld

March 3, 1998



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**Strategic Imperatives
in East Asia**

The Honorable Donald Rumsfeld

Wednesday, March 6, 1991

Four Seasons Hotel

Washington, D.C.

Heritage Lecture 140-003

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THE HERITAGE FOUNDATION
1773 Massachusetts Avenue, N.W.
Washington, D.C. 20036

(202) 544-4000

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The Fourth Annual
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The Asian Studies Center of The Heritage Foundation was established in 1983 to focus the attention of policymakers in Washington on U.S. economic and security interests in the increasingly dynamic Asia-Pacific region. Its purpose is to promote mutual understanding and enhance cooperation between the United States and the countries of the Asia-Pacific region.

The Heritage Foundation also has taken great pride in dedicating an executive conference room to the memory of the late B.C. Lee. Mr. Lee was a true visionary. Through his leadership, the Samsung Group contributed greatly both to the economic development and well-being of the Korean people and to the development of mutually beneficial relations between the people of the Republic of Korea and the United States.



The Fourth Annual B.C. Lee Lecture

Welcome

Edwin J. Feulner, Jr.

Invocation

The Reverend Winthrop Brainerd

Dinner

Introduction

Edwin J. Feulner, Jr.

The B.C. Lee Lecture

The Honorable Donald Rumsfeld

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Strategic Imperatives in East Asia

By Donald Rumsfeld

Ladies and gentlemen, distinguished government officials past, present, and I suspect future, good evening. It is a pleasure to be with you. I have read the articles and testimony of so many of the Asian specialists here this evening that I hasten to thank you all for your valuable contributions.

Ed Feulner, I salute you and The Heritage Foundation for your 25 years of commitment to building an America where “freedom, opportunity, and civil society flourish.” Yours is an enormous accomplishment—one which anyone would and should be proud of.

And I thank you for your invitation to deliver this fourth B. C. Lee Lecture on U.S. relations with East Asia. That relationship is crucial to the world’s future, and I commend you for focusing our attention on it.

The U.S.-East Asian relationship requires two qualities not always in evidence, but both of which are staples of the Heritage Foundation: far-sighted American leadership and good common sense.

Hans Morgenthau is said to have remarked that, in general, good foreign policy makes good common sense, and good common sense makes good foreign policy. My 20 plus years in government have persuaded me of that truth.

Recently, I ran across a document that sums up surprisingly well the application of both common sense and leadership to our relations with Asia—even though it was written a quarter century ago. It reads, in part: “America, a nation of the Pacific, has a vital stake in Asia, and a responsibility to take a leading part in lessening tensions, preventing hostilities and preserving peace. World stability and our own security depend on our Asian commitment.” It goes on to make six points:

First, that “American strength is basic to any stable balance of power in the Pacific.”

Second, that “Partnership with Japan is a pillar of our strategy.”

Third, that “a major premise of a new Pacific doctrine is the normalization of relations with the People’s Republic of China, the strengthening of our new ties...” (I would update that to read “re-normalization,” considering the hit those ties have taken since the Tiananmen massacre.)

Fourth, that a “principle of our Pacific policy is our continuing stake in the stability and security of Southeast Asia.”

Fifth, that “We remain committed to peace and security on the Korean peninsula.”

And last, that “Peace in Asia requires a structure of economic cooperation.”

Those were goals set forth by then-President Ford and included in my annual Secretary of Defense Posture Statement at that time. They were valid then, and they’re valid today.

In the grand sweep of history, great leadership has always been strategic. The essence of strategic leadership is the process of examining events in their many dimensions; testing immediate issues in the context of broader long-term goals; establish-

ing priorities based on a balance among importance, urgency, and achievability—and then pursuing policies in the nearer term aimed at securing the long-range objectives. Leadership is random when each issue in the President's in-box is dealt with in isolation, apart from any broader context or strategic direction. The first responsibility of foreign policy is that there be one.

A serious foreign policy cannot be simply a grab bag of ideas, reactions, and hopes. Our conduct must represent a direction that is clear and an approach that is coherent—that is, one that is both understandable and understood by our friends and our adversaries alike.

At home, uncertainty leads to confusion, and with it a lack of resolve. To our allies, it represents unreliability; to our enemies, weakness. It invites miscalculation. And in this era, when weapons of mass destruction are spreading so insidiously, miscalculation invites disaster.

Just as military weakness provocatively tempts others into adventures they would otherwise avoid, uncertainty and unpredictability in foreign policy are provocative in the same way and for the same reason.

East Asia is too vast, too varied, and much too significant to be dealt with comprehensively in the short time we have here. Southeast Asia in particular has made stunning advances in recent years. Despite its present troubles, it has extraordinary prospects for renewed economic growth in the coming decades. Rapid expansion does bring problems that have to be dealt with, but that would require an evening in itself. Tonight, therefore, I will narrow my focus to China, Japan, and the two Koreas, North and South. I do so because of the way in which, in strategic terms, the challenges and opportunities they present are central to the future of every nation in the region.

While I will not dwell on Asia's current economic turmoil, its lessons are as important as they are obvious. The turmoil

will pass, though perhaps not quickly. Meanwhile, we must not let the shorter-term economic aspects blind us to those broader strategic issues of which they are a part, but only a part.

Americans should not respond smugly to the turmoil, suggesting that “they asked for it”—that closed markets, cronyism, widespread corruption, lax regulation, manipulation of the banking system, and hubris all simply made it inevitable.

Those were factors. But other countries, including our own, have at one time or another had to deal with all of them. Overcoming them is part of a nation’s, and in this case a region’s, development.

So it might be useful for us—for Asians, for the IMF if it is to survive, and leaders of still-emerging nations elsewhere—to treat this as a learning experience. Without a reasonable degree of transparency, openness, fairness, and the rule of law, modern economies are not likely to sustain themselves. In the short run, governments can get away with trying to manipulate markets. But in the longer run, in today’s interconnected world, a nation’s market system has to be free to work—rewarding success and, importantly, penalizing failure without government management or manipulation and without favoritism. Over time, governments that try to pick winners risk becoming losers.

The great challenge for the next century is China. It is vital that we carefully define our strategic objectives with regard to the People’s Republic of China.

We of course hope for a democratic, free-market China, stable and prosperous. But while we prefer that China evolve in that direction, the strategic key is how China behaves in the region and the world. We need to work toward an external environment that encourages China to act internationally as an increasingly responsible member of the world community,

recognizing that how it evolves internally will affect its behavior in the world.

China today is not the China of the 1950s and 1960s. Ever since Deng Xiaoping won control, China's leadership has increasingly bet its future on being a part of the global economy.

Since 1979 China's real gross domestic product (GDP) has quadrupled. Life is more free. It is now in the process of unprecedented economic and social transformation. Its leaders talk the language of market capitalism, although one must wonder whether the meanings are as yet fully appreciated. Last September's 15th Communist Party Congress reaffirmed the collective leadership's commitment to economic reform, with emphasis on privatizing many of the massive, money-losing, and often corrupt state enterprises and developing a more dependable rule of law. This last is important to the world's capital markets. Absent a level playing field, wise foreign investors will continue to tread cautiously.

Thus far, China has been relatively insulated from the Asian crisis. Indeed, it may even benefit in some ways from its neighbors' difficulties.

But even positive changes can bring near-term problems. Housing is short. Unemployment is rising. Strikes are increasing. The government has had to reinforce its internal security forces in areas where large state enterprises face layoffs. With energy consumption increasing, the need for oil could well affect China's behavior with regard to its neighbors, the sea lanes, and nations such as Iran.

As a military power, China is rapidly strengthening. Its interests will sometimes coincide with ours, sometimes conflict. It may cooperate with us on one regional issue or another but still work to weaken the U.S.-Japan alliance, threaten Taiwan, or help arm Iran and other rogue states. Like other ambitious

powers, it will try to bend international institutions and rules to its own advantage. It is not likely to subordinate what it sees to be in its interests to the interests of multinational organizations.

We cannot and must not ignore Taiwan.

When I was at General Instrument Corporation we had some 5,000 employees in Taiwan, so I visited there over the years. And I have never ceased to be amazed at what the handful of people on that relatively small island have succeeded in doing. Taiwan's accomplishments are indeed breathtaking.

Taiwan's still-evolving democracy is thriving. Despite its high domestic borrowing, thus far at least its vigorous free-market economy has been an island of relative stability in a sea of Asian financial turmoil. It has an impressive history as a constructive member of the world community. The hope for China's future is that Taiwan becomes more the model for the mainland than the other way around. The Taiwan Relations Act of 1979 has contributed significantly to peace and stability in the region, and the world has and will continue to have a large stake in maintaining respect for Taiwan's rights.

Unfortunately, the Administration's rhetoric has simplistically portrayed our choices on China as either "containment" or "engagement." It seems to prefer imprecise, even amorphous language rather than well-defined objectives. It has not yet set forth a long-term strategy.

Containment is not realistic. "Engagement," per se, is meaningless. With China, in the early 1950s, we were "engaged" in a brutal war on the Korean peninsula. Later we were "engaged" in a loosely structured partnership against Soviet aggression. We will continue to be "engaged" with China. The real question is not whether, but how, and to what ends.

First defining and then pursuing that engagement is a primary responsibility of whoever sits in the Oval Office. This requires telling the American public what is and is not realistic.

Setting clear goals and explaining them to Congress and the country—these are key leadership duties. This means making clear that there is no magic wand, no set of demands, that will transform China into what it is not—and that we would be foolhardy to think we can force China to adopt our chosen model for its own development.

We must recognize the limits of what our policies can achieve, and proceed with small but meaningful steps that address the concerns of both sides. Incremental progress is real progress, and most real progress is incremental. But we must also keep our eyes on our larger objectives.

Last fall's Washington summit made some modest progress. Agreements to open a Drug Enforcement Agency office in Beijing, to expand military-to-military contacts, and to set up a Washington-Beijing hot line were small steps forward. So was China's decision to join the International Telecommunications Agreement and open its telecom market. As the Chinese might put it, these were efforts "to cross the river by feeling for stones."

Yet the summit's centerpiece—President Clinton's decision to certify China as in compliance with U.S. non-proliferation laws—was premature. The proliferation of weapons of mass destruction is a serious world problem, in which China has been notably unhelpful. The Administration's boast that the summit marked the start of a "strategic partnership" only underscores a preference for spin over substance.

The first responsibility of a U.S. President is national security. With China, that includes three crucial items: cooperation on the Korean peninsula, peace in the Taiwan Straits, and non-proliferation of destabilizing weapons and technologies.

China's military modernization program is moving steadily and rapidly forward. It has acquired a number of advanced weapons systems and is seeking more. By the testimony of senior Chinese military commanders, China is focusing

on information and counter-information technologies as primary systems for the 21st century. On the conventional side, many of its new capabilities are aimed at enhancing China's power with respect to Taiwan and other neighbors. At the same time, it is increasing the size and survivability of its nuclear missile forces.

All this has clear implications for our own long-term security interests. The greater the uncertainty about what China's future intentions might be, the more urgent those implications become.

This is made more crucial by President Clinton's roller-coaster ride through China policy. His changes of direction invite misunderstanding and miscalculation, particularly with regard to such matters as the relationship between China and Taiwan—unquestionably the most sensitive issue for both sides.

To some extent, how China behaves internationally may be a function of how its leaders view the world's reaction to their aim of becoming the preeminent power in Asia. The danger is that this may make them more aggressive, especially toward Taiwan. The hope is that over its 4,000 years, China has learned to be patient. It was, after all, Zhou Enlai who replied, when asked to interpret the French Revolution, "It's too soon to tell."

Both strategically and economically, China is the potential Asian colossus of the future. The economic colossus of the present, however, is Japan—even in recession, the world's second largest economy and a global leader in technology.

No two major nations have interests so congruent, and assets so complementary, as the U.S. and Japan.

I have been an interested party since the 1960s, when as a young Congressman I helped found the U.S.–Japan Parliamentary Forum. Back then we were concerned about such since-solved problems as the Security Treaty, Okinawa, and nuclear ship visits.

Today, ours is a unique and sturdy relationship, but one that does have problems. Many of these have centered on our efforts to pry open Japanese markets, and Japan's resistance to those efforts. From my days as a corporate chief executive officer, I remember only too well that those efforts have been hard, slogging trench warfare. In my two companies, it was first medical equipment and pharmaceuticals and then later electronics; and for others, beef, citrus, semiconductors, automobiles, glass, and, most recently, film. We have won some and lost some. But by slow, reluctant steps, Japan has been changing.

Japan is coming to recognize that having a 21st century economy requires opening its markets to competition and reforming its banks and financial institutions. In 1995, Japan's own Economic Planning Agency called for an opening and restructuring. Asia's present troubles have reinforced that summons.

A few examples of progress: I am told that Amway Japan's million-plus-person sales force now grosses some \$2 billion in sales. In less than a month, Japan will begin its own Big Bang in financial deregulation. This should do more to open, restructure, and reshape the Japanese economy than a dozen trade agreements combined. And it will be more effective than external pressure because it will be driven by spirited internal competition on a more level playing field.

If trade conflicts diminish, our shared strategic interests will stand out more sharply. Japan is the anchor of freedom and stability in East Asia, the key to the U.S. position in Asia, and an important pillar of our global strategy.

Japan's own security options are limited. Unarmed neutrality is not an option. Given Japan's history, neither is a nuclear-armed Japan desirable. And given Japan's commitment to its post-war constitution, even steps toward a conventionally armed, independent Japan would invite both a wrenching

internal debate and a potentially destabilizing arms race across Asia. Japan's neighbors do remember World War II, and when it comes to Japan's military they still cast a wary eye.

In providing for Japan's security, the U.S.-Japan alliance reassures those wary neighbors by visibly discouraging any resurgence of the kind of conduct that brought Japan to near ruin in 1945. It is central to the stability of Asia, and the critical constant in the security calculus of governments across the Asia-Pacific region.

It is also a central element in U.S. global strategy. Our ability to deploy from Japan enables us to operate effectively in strength across Asia to the Persian Gulf. We need to be able to work with Japan in meeting the security needs of Northeast Asia. We need Japan as an active and helpful player, however constrained by history its actions might be.

In strategic terms, China and Japan epitomize both the challenge and promise of Asia's future. In different ways, so does the Korean peninsula.

South Korea is far more than a key U.S. ally. Our ties have been forged in war and sustained by joint response to a common danger. The two Koreas present the world's most dramatic single example of why, in the clash of ideologies between communism and freedom, communism simply cannot compete.

Last December's presidential election was a milestone in Korea's democratic development. Kim Dae Jung, long a prime leader of the democracy movement, brings to his post great moral authority.

It is an interesting coincidence that during the transition from the Carter to the Reagan Administrations, that same Kim Dae Jung, then a freedom-fighting dissident facing a death sentence, was aided by my friend of some 35 years, The Heritage Foundation's own Dick Allen. Fortunately, Dick was then

foreign policy advisor to President-elect Ronald Reagan. He was thus in a position to put in the right words, at the right time, in the right places, with the right results. Had he not done so, history might well have been different.

Since his election, Kim Dae Jung has moved boldly on the tough reforms a freely functioning market economy needs. South Korea's economy is already the world's 11th largest. Though badly bruised, it now gives promise of rebounding to new heights.

By contrast, North Korea remains self-exiled from the rest of the world: a closed, Stalinist holdout, with starving millions but with modern munitions, including, perhaps, nuclear weapons; a constant threat to South Korea, to Japan, and to the region. A prime strategic objective must remain the peaceful reunification of the divided Korean peninsula—and as soon as possible, for several reasons.

First, the interests of the North's brutal regime are so diametrically opposed to the interests of its people that it would be fatuous to expect it to change—risking its own survival. As long as it holds on to power, it remains a threat to 37,000 American troops and millions of South Koreans.

Second, the regime is not only illegitimate. It is immoral, or amoral, or both. It starves its own people to build and maintain its military machine. The famine in North Korea mirrors Stalin's infamous terror famine in the Soviet Union. For Kim Jong Il, as for Stalin, it is a matter of addition by subtraction—adding to his own strength by brutally subtracting those who don't contribute to it.

Third, our present nuclear agreement with North Korea unfortunately does not end its nuclear menace. It merely postpones the reckoning, with no assurance that we will know how much bomb-capable material North Korea has. As long as such a regime maintains such capabilities, there is danger.

In the Reagan Administration, the guiding principle of our Korean diplomacy was to move the North toward dealing directly with the South. This was rooted in a conviction that only through direct North–South talks could the peninsula be peacefully unified.

It's hard to tell what the present Administration's long-term objective is. My view is that the Four-Party Talks, which put the U.S., China, South Korea, and North Korea together in the same room, could invite the North to drive wedges between Washington and Seoul.

Meanwhile, food aid to North Korea has become the foreign policy equivalent of PBS's annual fund-raising weeks. With PBS, the contributors at least get news and entertainment. With North Korea, we get only more requests for food coupled with adamant refusals to deal with the source of the shortages—its own unworkable economic system.

The result is a paradox: North Korea—with which we have no diplomatic relations, against which we maintain a trade embargo, and which presents the greatest threat to peace in the region—is the region's largest recipient of aid. There's something wrong with this picture. Common sense argues that any aid should at least be conditional.

This post–Cold War era presents us with a new set of challenges.

For most of our lifetimes, from World War II onward, we had relatively clearly defined friends and enemies, good guys and bad guys, along with compelling priorities that often made the present loom larger than the future even in strategic terms. Today's world lacks that defining clarity. So we have to be wiser. We have to deal with shifting ambiguities in ways that advance our own national interests while also meeting our unique leadership responsibilities in the world.

There is not likely to be any single, simple “doctrine” to guide us. It is going to take judgment, common sense, and the wisdom to set the right priorities—and the courage and perseverance to lead.

As the sole world power, we have an opportunity to contribute to peace and stability in our still dangerous and untidy world. But we can do so only if our diplomacy is backed by military capabilities appropriate to the next century.

The U.S. now spends only about 3 percent of gross national product (GNP) on national defense, a level below even that of the pre-World War II period. This is not enough to keep us ahead of other countries in exploiting the revolution in military affairs, in seizing the growing opportunities and meeting the mounting requirements in information warfare, and in gathering the necessary intelligence in our modern world. As with terrorism, the new technologies are force multipliers. They thus place defenders at a distinct disadvantage.

But while closely connected to my remarks this evening, that subject requires its own elaboration on a separate occasion.

Over the years, I have compiled a few reflections on politics and policy that have come to be called Rumsfeld’s Rules. One of these rules holds that “Simply because a problem can be shown to exist, it doesn’t necessarily follow that there is a solution.” Or, as Shimon Peres once put it to me, “If a problem has no solution it is not a problem, but a fact, not to be ‘solved’ but to be coped with over time.”

In a sense, we now have to “cope” with the world. This requires certain disciplines.

It means that the world requires our attention. This does not mean committing our resources everywhere. It does mean keeping our eyes out everywhere. It means understanding that what we do or fail to do one place makes a difference else-

where. Neither our acts of commission nor those of omission go unnoticed.

It requires foresight.

It requires setting priorities.

One thing incandescently clear is that, for the foreseeable future, Asia must be in the top tier of those priorities.

Asia is no longer the mysterious East. It's the dynamic, vital, often troubled, but enormously promising center of changes that are dramatically re-shaping the world.

As a nation, we can see great risks and great promises, and Asia could well hold the most of each.

As the world's leader, working with the nations of Asia toward capturing the hope of that future is both our challenge and our opportunity: our challenge because of its transcendent importance to our 21st century world; our opportunity because Asia's success will mean so much to America's own security and prosperity in that world.

About the Speaker

The Honorable Donald Rumsfeld is an advisor to several companies; non-executive Chairman of the Board of Directors of Gilead Sciences, Inc.; and a member of the board of directors of ABB AB, Gulfstream Aerospace Corp., Kellogg, and Tribune Company. He also is Chairman of the U.S. Commission to Assess the Ballistic Missile Threat to the United States.

Mr. Rumsfeld has served as CEO of G. D. Searle, a worldwide pharmaceutical company, and Chairman and Chief Executive Officer of General Instrument Corporation, a leader in broadband and digital high definition television technology. He is a member of the boards of trustees of the Chicago Historical Society, the Eisenhower Exchange Fellowship, Freedom House, the Hoover Institution at Stanford University, the National Park Foundation, the RAND Corporation, and the RAND-sponsored U.S.–Russia Business Forum.

Elected to Congress in 1962, he resigned in 1969 to join the President's Cabinet, serving first as Director of the Office of Economic Opportunity and Assistant to the President, and then as Director of the Economic Stabilization Program and Counselor to the President. In January 1973, he became U.S. Ambassador to NATO. In 1974, Mr. Rumsfeld was Chairman of the transition to the presidency of Gerald Ford. He was White House Chief of Staff and a member of the President's Cabinet from 1974–1975, and Secretary of Defense from 1975–1977. More recently, he has served as President Reagan's Special Envoy for the Middle East and as a member of the President's General Advisory Committee on Arms Control and the National Economic Commission.

In 1977, Mr. Rumsfeld received the nation's highest civilian award, the Presidential Medal of Freedom.

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