

GLOBALIZATION'S IMPACT ON THE CHINESE WAR MACHINE

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USAWC STRATEGY RESEARCH PROJECT

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ABSTRACT

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In 2003, the leadership of the People's Republic of China (PRC) began using the term "Peaceful Rise" to describe China's increasing economic power and international influence. This "Peaceful Rise" mantra coupled with the much anticipated 2008 Summer Olympics hopes to portray China as a peaceful nation ready to assume superpower status. Projected to have the world's largest economy by 2030, China is already the United State's largest trading partner. With an insatiable appetite for natural resources to sustain the economic growth China has diligently applied soft power elements to enter long-term agreements with "key" countries worldwide. Some range from dubious to outright terrorist states. The liberation of Kuwait became a wakeup call for the Chinese. Using state-of-the-art weaponry, U.S. led coalition forces had soundly defeated an Iraqi Military supplied with Chinese armament and tactics. China's take away from this defeat was to modernize its forces. Will external factors prompt China to engage this new military might, or will it continue its diplomatic course and grow its economy while the United States falls from grace in the world's eyes? This paper

addresses these issues and provides recommendations for future U.S. policy to deal with an increasingly powerful and assertive China.

GLOBALIZATION'S IMPACT ON THE CHINESE WAR MACHINE

In 2003, Chinese President Hu Jintao espoused a "*Peaceful Rise*" edict to describe China's national strategy. However on 24 April 2004, Jintao modified the phrase to "*Peaceful Development*" at the urging of Ministry of Foreign Affairs and PLA representatives, since some skeptics argued that a peaceful rise is not possible in today's climate. A burgeoning economy that has shown two-way trade with the United States increasing from \$33 billion in 1992 to over \$263 billion in 2006, China is expected to have the world's largest economy by 2030. While China reaps the rewards of Globalization, it is also retrofitting its military at an alarming pace to leapfrog into superpower status.

The liberation of Kuwait by U.S.-led coalition forces on February 27, 1991 during Operation DESERT STORM served as a reality check for the People's Republic of China's (PRC) People's Liberation Army (PLA). Led by superior U.S. high-tech weaponry, the coalition forces soundly defeated the Iraqi Army and in doing so exposed many weaknesses in the Chinese military hardware and tactics that the Iraqis had employed. Certainly the military war machine will be well hidden during the Beijing 2008 Olympics as the world witnesses China's transformation into a peaceful economic juggernaut. However, concerns over Taiwan independence, globalization's negative impact, NATO expansionism, and U.S. unilateralism threaten to turn this "Peaceful Rise" into a "War Zone" in the blink of an eye. Is China ready to become a *Superpower* by permitting socialism and capitalism to coexist on the world's stage or will it apply military force to promote its global economic agenda?

This paper describes China's quest for both national (reunification with Taiwan) and global ambitions. The PRC believes it can obtain these goals by applying diplomatic, economic, informational, and perhaps most worrisome military elements of national power. It further explains how China pursues bi-lateral and multi-lateral strategies both economically and through arms trade to establish long-term relations with "key" global partners. Finally, the paper provides recommendations on how the United States could influence these growing ambitions so China could become an equal partner in global security.

China's National Interests – *One China*

A Chinese national interest imperative has been the reintegration of all territories that had been a part of the Chinese empire. In an attempt at reunifying wayward regions in a way that would be acceptable in the eyes of the international community, Deng Xiaoping proposed a "one country, two systems" approach for the former colonies of Hong Kong (Great Britain) and Macau (Portugal) reclaimed in 1997 and 1999, respectively. Both colonies were provisioned under Article 31 of the Constitution of the People's Republic of China as Special Administrative Regions (SARs). Each would maintain all elements of government and adopt only a modicum of PRC homogenization in the realm of diplomatic relations and national defense.

Likewise, it appeared that Taiwan was poised to assume the ranks of the SARs until the rise of the pro-independence Democratic Progressive Party (DPP) propelled into the Taiwan presidency Chen Shui-bian, who denounced reunification with the mainland and promoted Taiwanese independence. This was a position that has enraged the PRC and forced key democratic allies of Taiwan to openly support UN

General Assembly Resolution 2758 (Jan 1971), through which that body decided “to restore all its right to the People’s Republic of China and to recognize the representatives of its government as the only legitimate representatives of China to the United Nations, and to expel the forthwith the representatives of Chiang Kai-Shek.”¹ As colonies, Hong Kong and Macau embraced Beijing, Taiwan, which enjoyed democracy, would fight the PRC to maintain it. Each realized, however, that its economic survival would be determined by their relations with the mainland.

Hong Kong

Now part of the PRC, the Hong Kong Special Administrative Region (HKSAR) no longer has the autonomy it was formerly granted as a British colony complete with democratization and individual political freedoms not afforded to those residing in mainland China. But special economic programs like the Closer Economic Partnership Agreement (CEPA) and Individual Visit Scheme helped Hong Kong rebound from the Asian financial crisis of 1997 and Severe Acute Respiratory Syndrome (SARS) epidemic of 2003.² CEPA provides “a free trade agreement under WTO rules with preferential access to the mainland market for Hong Kong-based companies.”³ Similarly the Individual Visit Scheme (IVS) rescued Hong Kong during the SARS outbreak by permitting travelers from China to visit. Prior to the IVS, mainland residents could only travel to Hong Kong on business visas or in tourist groups.⁴

Hong Kong has been allowed to trade in Yuan and is quickly being integrated into the Pearl and Pan-Pearl River Delta regions. Cynics believe this is only a pretense to promote foreign investment and grow a logistics and transshipment hub at Shanghai and Shenzhen in the Pearl and Yangtze River delta that would eventually displace Hong

Kong as Asia's premier trade zone.⁵ Despite Hong Kong's high cost of living and pollution, it nonetheless retains advantages in the eyes of international businesses that are skeptical of the PRC's judicial system, communist ideals, and intellectual property rights violations. This, coupled with the Hong Kong Policy Act⁶ whereby the U.S. Government maintains a liberal export control regime, extradition treaty, and normal trade relations, clearly give the advantage to Hong Kong for the foreseeable future.

Finally, there is China's ability to circumvent the *Basic Law*, which promises direct elections as the ultimate goal. Impeding that promise is the fact that on March 27, 2007, Hong Kong's current Chief Executive, Donald Tsang, won his second five-year term through an 800-member electoral college that is pro-Beijing.⁷ Furthermore, 60% of the Legislative Council (LEGCO), the law-making body, is elected from business and social groups supporting the status quo.⁸ Nonetheless, as a result of pro-democracy protests, Hong Kong conducted a 3 month study whereby it was determined that "free elections" could be held with a bill approved by two-thirds of LEGCO, endorsed by the Chief Executive and ratified by China's legislature – the National People's Congress.⁹ While certainly a small degree of discomfort is evident among Hong Kong's populace in becoming a SAR, China has made sure that, to the international community, Hong Kong stands as the model for its reunification agenda. This business as usual approach undermines any Taiwan argument that reunification will leave Taiwan to the mercy of a communist regime.

Taiwan

Despite the increased efforts of Taiwan President Chen and the Democratic DPP to gain international recognition for Taiwan as a sovereign nation, the United States

upholds the One-China Policy that normalized U.S.-PRC relations in 1972. Still, the United States also remains steadfast in supporting the Taiwan Relations Act (TRA) of 1979, which serves to maintain diplomatic-like relations with Taiwan through the American Institute in Taiwan (AIT).¹⁰ This act affords Taiwan the same treatment as “foreign countries, nations, states, governments, or similar entities.” The act defines the United State’s position by stating the “expectation” that Taiwan’s future “will be determined by peaceful means.” It also allows arms to be provided to Taiwan exclusively for defensive purposes.¹¹ While President Chen espouses Taiwan independence, both President Bush and Hu remain steadfast in supporting eventual reunification with China.¹²

Recently President Chen and the DPP have pushed to join the United Nations (UN) under the name of “Taiwan” and petitioned to change from World Health Organization (WHO) *observer status* to *regular membership*.¹³ Not only does the United States oppose these endeavors, they also risk alienating other historic allies by jeopardizing regional stability. On May 14, 2007, the World Health Assembly (WHA) voted 148-17 to reject Taipei’s application on the grounds it was not a sovereign state.¹⁴ The World Animal Health Organization (OIE) did grant non-sovereign regional membership as “Taiwan, China,” a move Beijing claimed as a victory and Taiwan viewed as degradation.

China’s Peaceful Rise

Another fundamental Chinese national interest has been the development of China into a strong, internationally influential nation. Chinese leaders have countered international suspicion that a powerful China harbors a hostile intent by describing their

strategic goals as a “*peaceful rise*” or “*peaceful development*.” But it could be said that China’s “peaceful rise” began well over 35 years ago with President Nixon’s historic visit to Shanghai in February 1972. After Nixon’s meeting with Mao Zedong and his participation in substantive Sino – U.S. negotiations, China emerged from the shadows of communist isolation with both nations’ diplomatic contingents prepared to enter bilateral trade and adopt a “one China policy” as reflected in the *Shanghai Communiqué*. Perhaps the most notable quote during this momentous event was China’s position regarding “superpower” status: “China will never be a superpower and it opposes hegemony and power politics of any kind.”¹⁵

The *Shanghai Communiqué* was significant, but it would take the United States and China seven years to establish official relations through the *Joint Communiqué on the Establishment of Diplomatic Relations*.¹⁶ Endorsed by President Jimmy Carter and Deng Xiaoping on January 1, 1979, this communiqué established diplomatic relations after the United States agreed to end official recognition of the Republic of China and to withdraw all U.S. military personnel from Taiwan.

A third and final communiqué issued on August 17, 1982, emphasized the desire of both countries to conduct economic, cultural, educational, and science and technology exchanges.¹⁷ This last communiqué reinforced the Four Modernizations created by Zhou Enlai in 1975 and which Deng incorporated into his speech before the Eleventh Party Congress in August of 1977.¹⁸

China’s amazing economic rise had begun, but its hard-line military actions were viewed as a source of major consternation. In June 1989, the Chinese Army brutally crushed pro-democracy demonstrations in Tiananmen Square, Beijing. In 1995, the

Chinese military occupied the Mischief Reef, a set of islands also claimed by the Philippines and located in the Spratly Archipelago. Actions such as these coupled with increased missile deployments and military exercises were viewed as a source of instability by China's Asian neighbors.¹⁹ Foreign perceptions such as these were the basis for Zheng Bijian's creation of the *Peaceful Rise* (*heping jueqi*) concept, which made its debut in November 2003 at the Boao Forum for Asia (BFA).²⁰ China shortly thereafter adopted the *Peaceful Rise* moniker for its national strategy, but not without controversy.²¹ It was after President Hu Jintao's subsequent Peaceful Rise speech at the Boao conference the following year on 24 April 2004, that some Chinese officials came to believe the term "peaceful rise" contradicted Deng Xiaoping's 1990 policy of "bide our time and hide our capabilities" (*tao guang yang hui*). Furthermore, some senior members of the People's Liberation Army (PLA) believed the phrase weakened support for China's military modernization and sent the wrong message to those who might challenge China militarily (i.e. Taiwan). This reasoning prompted China's leadership to instead promote the term *Peaceful Development*.²²

The PRC's economic upturn began with Deng Xiaopeng in the 1970s when he said that a market economy was not exclusive to capitalism. Deng declared,

....planning to market forces is not the essential difference between socialism and capitalism. A planned economy is not equivalent to socialism, because there is planning under capitalism too; a market economy is not capitalism, because there are markets under socialism, too. Planning and market forces are both means of controlling economic activity.²³

Globalization

Since Deng's economic reforms, China has leveraged globalization to the point of becoming the next superpower. By expanding transnational shipments of capital,

goods, information, and technology throughout the 1980s, China emerged as a manufacturing giant in the 1990s. Buoyed by foreign investment, China secured \$562.1 billion in Foreign Direct Investment (FDI) and became the envy of many industrialized nations.²⁴

President Hu Jintao views globalization as the key to economic development and the salvation for the PRC's 1.3 million impoverished people. To achieve this goal, he believes China must embrace an international marketplace and establish strategic economic and technological partnerships.²⁵ In fact, over 400 Fortune 500 firms have invested in China, with over 700 companies establishing R&D facilities.²⁶ China lags the United States in total GDP: \$13.75 trillion to \$2.879 trillion in 2007 as depicted in Figure 1. But China has steadily increased its rate of GDP growth when compared to the United States for the past several years as reflected in Figure 2.²⁷ Given that China directly ties its military spending to its GDP, significant military growth is likely for the foreseeable future.

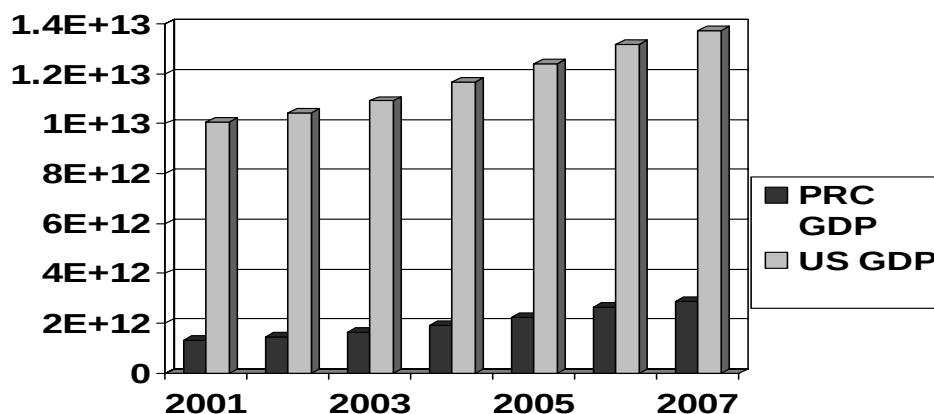


Figure 1. U.S. and China GDP 2001 – 2007

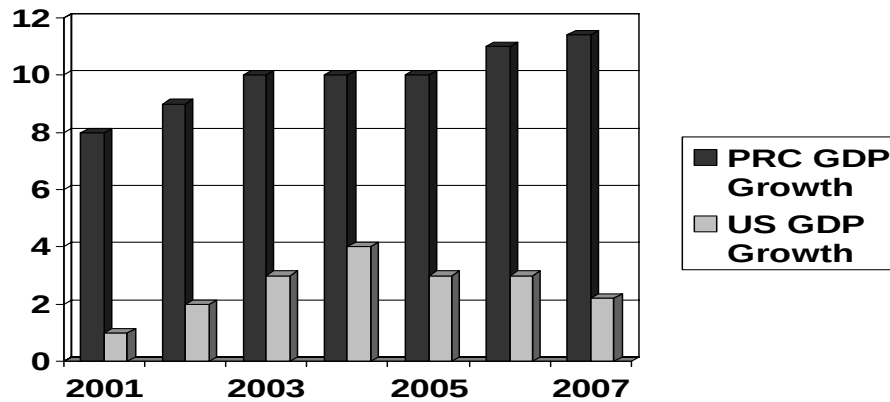


Figure 2. U.S. and China GDP Growth Rate 2001 – 2007

Globalization's downside is that it exposes economic vulnerabilities such as those that led to the Asia Financial Crisis of 1997-1998 and reveals legal and regulatory deficiencies, such as inadequate copyright laws and the lack of quality control reflected in the recent tainted pet food (Melamine) scare and lead-based paint on toys debacle. Globalization also exposes China to nontraditional threats such as terrorism, civil unrest, infectious disease, and political instability. While China hopes that globalization will fuel foreign investment in advancement of science and technology, global interdependence will unequivocally have a dramatic impact on its social, cultural, political, and security interests as well.

International Behavior

China's Rise is inextricably linked to its economic and security affairs. China seeks to fortify its position and expand its influence through bi-lateral and multi-lateral global relations. Key and essential to this end is achieving five foreign policy objectives:²⁸

1. Maintain a favorable and stable international environment to support economic reform, development, and modernization.
2. Reassure Asian States that China's rise is not a threat, but an opportunity.

3. Countercontainment through regional acceptance to reinforce China's rise while diminishing Asian support for the United States in a Taiwan Strait event.
4. Diversify its access to energy and other natural resources through diplomacy in Africa, Latin America, and the Middle East.
5. Reduce Taiwan's international relevance by establishing multi-lateral and bi-lateral agreements to induce reunification.

Strategic Partnerships

China has forged long-term strategic bi-lateral partnerships that include all elements of national power - Diplomatic, Informational, Military, and Economic (DIME). This approach is particularly evident in Africa and the Middle East. China formed the China African Cooperation Forum (CACF) in 2000 and fostered increased trade with six Gulf Cooperation Council (GCC) states totaling over \$32 billion through 2005.²⁹ China has such strategic partnerships with 17 nations.³⁰

Membership in Regional Organizations

China continues to demonstrate its willingness to partner with other countries and uses memberships in regional organizations to reinforce this position. Through active participation and dialogue, regional nations are reassured about China's intentions as it grows in economic strength and regional influence. China is currently a member of the Association of Southeast Asian Nations (ASEAN), the ASEAN Regional Forum (ARF), the Asia-Pacific Economic Cooperation (APEC) forum, and the East Asia Community (EAC). It has observer status in both the South Asian Association for Regional Cooperation (SAARC) and the Organization of American States (OAS).³¹

PRC - Established Regional Organizations

Regional organizations established by China clearly include high value areas such as the Middle East and Africa that hold long-term strategic interests. This economic leg of diplomacy is not limited solely to trade, but includes direct investments, foreign assistance, and free trade agreements to strengthen China's position. Regional Organizations founded by China include the Shanghai Cooperation Association (SCA), China-Africa Cooperation Forum (FOCAC), China-Arab Cooperation Forum (CACF), and the Boao Forum for Asia (BFA).³²

2008 Summer Olympics

The most highly anticipated event for China to obtain global acceptance is the 2008 Summer Olympics. Will China be propelled into an economic and political juggernaut like Japan (1964) and South Korea (1988), or project the image of oppression and despair like Germany (1936) and the Soviet Union (1980)?³³ An authoritarian state, China is anxious to present itself as an affable host and the epitome of a true global leader. China views the Olympics as a mechanism to deliver Zheng's *Peaceful Rise* message – the “perfect storm” for an international strategic communications campaign. Expect China to assume a *tianxia* – “all under heaven” -- persona.³⁴ This identity is sure to have global appeal and would be in stark contrast to current global perceptions of America's drive for global supremacy.

The Beijing Olympic Mascots are five good luck dolls (*Fuwa*) whose names are derived from the Chinese pronunciation of Beijing Welcomes You (*Bei Bei, Jing Jing, Huan Huan, Ying Ying, Ni Ni*). Collectively, they represent a message of friendship, peace, and good wishes from China to children all across the world.³⁵ With Beijing as

host city, 2008 Olympic events will also take place in six other cities with state-of-the-art facilities for their respective events. They include Qingdao for sailing and Hong Kong for equestrian events, with the football preliminaries to be held at Qinhuangdao, Shanghai, Shenyang, and Tianjin.³⁶

Laws Contradict Olympic Slogan

Despite the 2008 Olympic slogan of “One World, One Dream” (*Tong Yi Ge Shi Jie, Tong Yi Ge Meng Xiang*) China has instituted several actions to ensure success.³⁷ Over 70 laws and mandates have been issued, from banishing vagrants to dissuading protests by both Chinese and foreign non-governmental organizations (NGOs). This also includes prohibitions against disseminating any propaganda against the state.³⁸ The Centre on Housing Rights and Evictions, a Geneva-based group, estimates that 1.5 million Beijing residents will be displaced because of the Olympics.³⁹

Causes for Concern

To date, no nation has chosen to boycott the 2008 games. Chinese intelligence services are working full time to track threats from various groups that are encouraging protests, terrorist acts, and anti-American demonstrations.⁴⁰ Specific groups calling for boycotts or protests during the Beijing Olympics include the following:

- *Students for a Free Tibet* who favor Tibet’s independence and resent the use of the *chiru* (Tibetan antelope) as one of the five mascots.⁴¹
- *Reporters Without Borders* who support freedom of the press and are concerned over free speech and human rights violations⁴²
- *Olympic Dream for Darfur* campaign organized by activists to halt the violence in Darfur, Sudan⁴³

- *Myanmar Intervention* – On September 28, 2007, South African Bishop Desmond Tutu urged China to intervene in the Myanmar protests by admonishing the military junta or he would “join a campaign to boycott the Beijing Olympics.”⁴⁴

Air pollution is another problem facing the host nation. It was a major concern for the International Olympic Committee (IOC) during the 2001 bidding process, leading Beijing Municipal Government officials to guarantee that pollution levels would be lowered. However, despite cutting emissions by removing 60,000 buses/taxis and relocating over 200 factories, current levels remain 2 to 3 times higher than the World Health Organization (WHO) recommends.⁴⁵

Finally, in an attempt to inflame Beijing, Taiwan President Chen blocked the Olympic Torch route, appealing to the IOC. Taiwan did not want the torch passing from Hong Kong to Taipei, as it would give the appearance that Taiwan was a part of China. Taiwan also preferred the Olympic name “Chinese Taipei,” while China encouraged the IOC to use “Taiwan China.” As negotiations reached an impasse, the IOC decided to bypass the Taipei leg of the route.⁴⁶

World Superpower

The Shanghai Cooperation Organization (SCO) is China’s primary “stick” in fomenting regional anti-U.S. sentiment in Central Asia and is viewed by many as the anti-West NATO-type military alliance.⁴⁷ Its 2005 communiqué stated that “Models of social development should not be exported,”⁴⁸ an obvious reference to the United States policy of promoting democracy. In fact, after a SCO summit meeting in Astana, Kazakhstan, the SCO chairman asked the United States to provide a timeline for

withdrawal from bases in Kyrgyzstan and Uzbekistan.⁴⁹ Member states claim the SCO was developed to promote peace and sustainable development, but each member must pledge to come to the aid of the other in a time of crisis. Furthermore, both China and Russia hope to establish bases in Central Asia when and if the United States departs.⁵⁰ This anti-U.S. sentiment was underscored by the Sino-Russian Peace Mission of 2005.⁵¹ The primary goal of the exercise was to showcase a joint counterinsurgency (COIN) capability; however, the conventional forces used were more applicable to a traditional force-on-force engagement, such as against U.S. forces in Taiwan or on the Korean Peninsula.

China's Economic and Military Strategic Objectives

The Chinese proverb of “enrich the country and strengthen the army ‘holding sway’” appears to succinctly capture China's Economic and Military Objectives.⁵² The PRC has embarked on an economic goodwill tour to promote its peaceful rise and invite its strategic partners along for the ride. Leveraging all elements of “soft power,” China has suspended military actions. It now pursues long-term economic agreements with nation states and organizations within Asia (ASEAN), Africa (African Union), Europe (European Union), and the Middle East (Gulf Cooperation Council), to name a few. China has even taken the high road vis-à-vis Taiwan by offering economic opportunities and supporting its political agenda instead of threatening military action in response to President Chen's inflammatory statements and actions.

Apprehension over China's intent still remains for other nations such as Japan and the United States. China's increased military spending for modernization gives the impression of a nation that is preparing for mobilization. Unprecedented spending on

ballistic missiles, submarines, aircraft, and even space weaponry signifies that China is readying itself to secure its global interests and to deny access to any military force coming to the aid of Taiwan. More troubling, however, is China's continued military support to rogue states such as North Korea, Syria, Pakistan, and Iran.

Taiwan's Current State

President Chen Shui-bian's hard-line position to formalize Taiwan's independence spelled doom for the DPP in legislative elections on 12 January 2008. In a landslide victory, the opposition Nationalists – Kuomintang (KMT) who favor unification with the mainland, took 81 seats of the 113-seat Legislature to only 27 seats for the DPP. Chen stated, "This is the worst defeat since the founding of the DPP," and then promptly resigned as DPP Chairman.⁵³ Chen's attempt to force a referendum on entry of Taiwan into the United Nations as a separate national entity inflamed China and strained relations with the United States. Preliminary polls for the 22 March election show former Taipei Mayor Ma Ying-jeou (Nationalist Party) with a 20-point lead over the DPP's candidate, Frank Hsieh.⁵⁴ If Ma wins, can the road to unification be far behind? This single event could lead to the PRC's *One China* mandate.

There are other indicators that suggest eventual unification is not unthinkable. October 1998 marked the last time official government negotiations took place between Taiwan and China. China's Koo Chen-fu, Chairman of the Straits Exchange Foundation (SEF), met with his counterpart Wang Daohan, President of the PRC's Association for Relations Across the Taiwan Straits (ARATS), in Shanghai.⁵⁵ While official trade negotiations have stalled, progress has been made, starting with the creation of the Mini Three Links (xiǎo sān tōng) in 2001. These links encompass postal service,

transportation, and trade between China's Fujian province and Taiwan's islands of Quemoy and Matsu.⁵⁶ Since that time, China has passed the United States as Taiwan's largest trading partner. Chinese exports to Taiwan climbed to \$15.18 billion (14.4 percent) in the first eight months of 2007 while imports from Taiwan grew to \$62.36 billion (12.6 percent). This represents a projected total of \$110 billion for 2007.⁵⁷ To the DPP's chagrin, this economic growth has created a groundswell of support by the business community to ease travel restrictions to the PRC. Each side was authorized 48 flights in 2007 up from 36 in 2006 to celebrate the Lunar New Year (February 13 – 26).⁵⁸ The DPP fears such unencumbered access will undermine Taiwan's economic interests.

Taiwan Military Growth

TRA provisions provide for U.S. sales of defensive military weapons to Taiwan. In 2001 President Bush approved a military package of eight diesel submarines, twelve *Orion* P-3C aircraft, and four *Kidd*-class destroyers; deferring a decision on *Patriot* antimissile batteries.⁵⁹ This decision represents the largest arms package for Taiwan since the \$18.6 billion deal for 150 F-16 fighters in 1992.⁶⁰ Taiwan's declining military budget and legislature battles have seen President Bush's proposed deal shrink from \$18.2 billion to just \$6.3 billion, including \$6 million for a feasibility study for the diesel submarines and initial funding for twelve excess P3-C planes.⁶¹ This decision caused AIT Director Steve Young to issue this harsh warning to Taiwan legislators: "The United States is watching closely and will judge those who take responsible positions on this as well as those who play politics."⁶² Another decision by Taiwan legislators to reduce Taiwan's Defense Budget from 2.85 to 2.6 percent of the GDP has U.S. lawmakers

puzzled.⁶³ While rhetoric from President Chen and other DPP members erodes any possibility for compromise with China, Taiwan cuts the defense budget while looking to the United States for protection.

Africa

In the 1960's, China's intentions in Africa were primarily diplomatic and aimed at gaining influence in the region to negate Taiwan's presence and win enough support to replace Taiwan at the United Nations.⁶⁴ A secondary objective was to attain world superpower status by demonstrating that China could compete abroad with such nations as the United States and Russia. Sensitive to African nations views on colonialism, China limited its original involvement to infrastructure projects and various forms of aid, to include engineering, medical relief, and student scholarships. However as China's economic footprint became larger, so too did its appetite for oil and natural resources. China views Africa as a key supplier for these essential products. Civil war and human rights violations forced western oil companies to withdraw from a very lucrative Sudan. Despite negative global reactions, China quickly filled the void as the principle investor in Sudan's oil, transportation, and infrastructure sectors.⁶⁵ China's interest in Africa as a primary of supplier of natural resources goes well beyond the Sudan. Areas of interest for mining initiatives include the Democratic Republic of Congo (DRC) and Zambia for copper and cobalt, while South Africa supplies iron ore and platinum.⁶⁶

African Oil

A key exporter of oil to China, Africa has supplied almost 30 percent or 701,000 barrels per day (BPD) through 2005.⁶⁷ With an oil consumption increase expected to

rise over 25 percent in the next ten years, President Hu Jintao looks to create long-term oil and gas agreements with Algeria, Angola, Cameroon, Chad, Congo, Egypt, Ethiopia, Equatorial Guinea, Gabon, Libya, Nigeria, Sudan, and Tunisia.⁶⁸

African Arms Trade

A major supplier of military arms to several African nations, China assists them in exchange for long-term trade agreements. A recent arms package with Sudan consisted of *Shenyang* fighters and attack helicopters totaling \$100 million. In 2004, a \$200 million deal with Zimbabwe provided twelve FC-1 fighter aircraft and 100 military vehicles. Other arms deals with Equatorial Guinea (military training and heavy equipment), Burundi (152 tons of ammo and light weapons), and Tanzania (13 covert shipments of weapons) demonstrate China's arms supplier status in Africa. In fact, from 1998 – 2000 China sold the warring countries of Ethiopia and Eritrea a combined total of \$1 billion in weapons to sustain their border war.⁶⁹

Middle East

The Middle East currently provides China with over 40 percent of its oil imports and that number is expected to exceed 70 percent by 2015.⁷⁰ A newcomer into the geopolitical climate of the Middle East, China was forced to politically align itself with rogue states such as Syria and Iran. Such partnerships have led the PRC to legitimize such terrorist organizations as Hamas, Hezbollah, and Kurdish militants to protect their oil interests. For example, China blocked the U.N. from forcing Syria to cooperate in a fact-finding investigation into the assassination of Lebanon's former Prime Minister Rafik Hariri.⁷¹ Self-serving decisions such as these promote regional instability and call

into question China's sincerity in claiming to promote global agendas and bring peace to the region.

Trade between China and the Arab states crossed \$51.27 billion in 2005 and is expected to exceed \$100 billion by 2010.⁷² To secure long-term agreements China uses two leverage vehicles – The China-Arab Cooperation Forum and the Gulf Cooperation Council comprised of Arab Gulf States (Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the United Arab Emirates). Established in January 2004, the China-Arab Cooperation Forum seems on the verge of allowing China-favored regional oil deals.⁷³

Saudi Arabia

Of the GCC states, it is not surprising that China has the closest relations with Saudi Arabia, the world's largest oil producing country. Today, China is Saudi Arabia's fourth largest importer and fifth largest exporter. Saudi Arabia is China's tenth largest importer and biggest oil supplier. The Saudis now account for almost 17 percent of China's oil imports. According to the Chinese Ministry of Commerce, trade between the two nations exceeded \$15 billion in 2005, a growth rate on average of 41 percent a year since 1999.⁷⁴

Saudi Arabia's oil exports to China increased to some 500,000 barrels per day in 2005, up from 440,000 barrels in 2004. This is set to increase further with Saudi oil giant Aramco agreeing to provide the China Petroleum and Chemical Corporation (Sinopec) with one million barrels per day by 2010. Abdallah Jum'ah, president of Aramco, described China and Saudi Arabia "as among the most important energy relationships on the planet."⁷⁵

Saudi-China relations reached their pinnacle in April 2007, when King Abdullah became the first Saudi leader since the establishment of diplomatic ties to visit China. This was King Abdullah's first trip outside the Middle East since ascending to the throne in 2005, potentially signaling a new strategic alignment. During the three day trip, King Abdullah told Chinese legislative chief Wu Bangguo that Saudi Arabia considered China a "truly friendly country" and hoped that their relations would become "better and better."⁷⁶

The summit in Beijing saw the signing of five agreements, including a landmark pact for expanding cooperation in oil, natural gas, and minerals, as well as in the economic, trade, and technical areas. Taxation agreements were also signed and Saudi Arabia granted China a loan to improve infrastructure in the city of Aksu in China's oil-rich Xinjiang region. Saudi Arabia has also offered Chinese companies investment opportunities in the country's enormous infrastructure sector that includes petrochemicals, gas, desalination, power generation and railways and is worth an estimated \$624 billion.⁷⁷

The Sino-Saudi relationship was more than two decades in the making. The international spotlight was first cast on this relationship with the disclosure of an arms transfer agreement that resulted in China's delivery of 36 CSS-2 missiles and nine launchers to Saudi Arabia in 1998.⁷⁸ That same year, Beijing and Riyadh signed a memorandum of understanding on the opening of trade offices.⁷⁹

Iran

China's relationship with Iran is perhaps its most important in the region. Iranian Oil Minister Bijan Namdar stated that he wanted China to replace Japan as Iran's

largest oil and liquefied natural gas (LNG) importer.⁸⁰ Iran currently provides China with 15 percent of its oil imports. Western companies abandoned Iran, leaving crude oil and gas reserves untapped. In March 2004 a \$20 billion deal was struck with China's Zhuhai Zhenrong Corporation to provide 110 million tons of LNG over 25 years starting in 2008.⁸¹ Similarly an October 2004 SINOPEC deal estimated to be worth \$70 to \$100 billion, calls for 250 million tons of LNG over 25 years in exchange for a 51 percent in development of the Yadavaran oilfield.⁸²

China has offered not only to help develop Iran's oil and gas industries, but to provide Iran with technology, financing, and engineering services, as well. Chinese companies are helping build Iran's broadband infrastructure, jumpstart its appliance industry, and recently built an assembly plant to produce 50,000 cars a year. There is even a \$680 million deal with Chinese NORINCO to provide contract support on Tehran's new subway system.⁸³

Of greatest concern to the United States is China's weapons sales and nuclear support to such rogue nations as Iran and Syria. In 1992, China agreed to honor the Missile Technology Control Regime (MTCR) and the Nuclear Non-Proliferation Treaty (NPT), later joining the Zangger Committee to address NPT in 1997. The PRC signed the Chemical Weapons Convention (CWC) in 1993 followed by the Comprehensive Test Ban Treaty in 1996.⁸⁴ Nonetheless, Chinese weapons sales to Iran have included "SA-2 surface-to-air missiles, F-7 combat aircraft, fast-attack patrol boats, and C-802 anti-ship cruise missiles."⁸⁵ In the case of the C-802, some in Congress believe the sale is a violation of the Iran-Iraq Arms Non-Proliferation Act of 1992 (U.S.C. 1701).⁸⁶

On 16 January 2008, Deputy Secretary of State John Negroponte announced that the United States would seek new sanctions against Iran because of its nuclear weapons program.⁸⁷ This announcement came just nine days after five Iranian go-fast boats threatened three U.S. Navy warships (USS *Hopper*, USS *Port Royal*, and USS *Ingraham*) transiting the Gulf of Hormuz.⁸⁸ Lawmakers are doubtful that any sanctions will pass, since Russia and China blocked similar sanctions in the UN Security Council almost a year ago and since a recent U.S. National Intelligence Estimate (NIE) revealed that Iran quit working on a secret nuclear warhead program in 2003.⁸⁹ Negroponte acknowledges that Iran has stopped development of a warhead, but he believes they continue work to enrich uranium and develop missile technologies to pursue their Weapons of Mass Destruction (WMD) program. Still, the Government Accounting Office (GAO) doubts any proposed U.S. sanctions would deliver the desired effect, as Iran has signed contracts totaling almost \$20 billion since 2003 – mostly with China.⁹⁰

Syria

Syria uses China's prominent position on the U.N. Security Council to its fullest advantage while continuing their subversive activities throughout the region. For example, in October 2005 the U.N. Security Council sought Syria's cooperation in the investigation of the assassination of former Lebanese Prime Minister Rafik Hariri. The Security Council sought information regarding Syrian involvement and adopted Resolution 1636, which threatened sanctions if Syria did not comply. China threatened to block the resolution if the sanctions remained and co-sponsors (United States, Britain, and France) were forced to acquiesce.⁹¹ Syria still refuses to fully cooperate with the investigation.

Chinese and Syrian relations date as far back as the Silk Road – an ancient trade route that linked China to the Mediterranean Sea. Diplomatic ties were established in 1949, but it was not until 2004, after Syrian President Bashar al-Assad’s trip to Beijing that bi-lateral trade exploded, climbing to \$1.5 billion through 2006 and expected to double by 2011.⁹² The Third Sino-Syrian Joint Committee meeting in Damascus between Syria’s Deputy Minister of Economy and Trade, Ghassan Habash, and China’s Assistant Minister of Commerce, Chen Jian, propelled Sino-Syrian relations to the international spotlight. Syria acknowledged China had met criteria established by the World Trade Organization (WTO) and had also minimized state funding and prohibited monopolies. This cleared the way for formal bi-lateral trade agreements and will help build economic cooperation opportunities for the future.⁹³ The largest deal to date would be the China National Petroleum Corporation (CNPC), which partnered with the Oil and Natural Gas Corporation in India to strike a \$573 million deal in 2005 to secure rights to the Al-Furat oil and gas fields.⁹⁴ The two sides reviewed current agreements that included “industrial, information technology, petrochemicals, agriculture, textiles, and energy sectors.”⁹⁵ Future projects discussed included “telecommunications, water and sewage treatment, infrastructure construction, joint-venture banks, and setting up of joint universities and research centers.”⁹⁶ The main concern for the United States would be any joint banking venture that could neutralize the potential for U.S. economic sanctions against Syria.

China has always been a primary arms supplier to Syria and, despite efforts by the Clinton administration in 1993 and reassurances by China in 1994, they continue indirect support to Syria’s missile development program.⁹⁷ No longer able to procure

missiles directly from China, Syria was forced to turn to Iran, Pakistan, and North Korea to obtain missile technologies. Pyongyang originally helped Syria develop *Scud C* and *Scud D* programs late in 2003. Recently, diplomatic sources say China has assisted Syria by sending technicians to enhance their missile range capabilities from short to even intermediate range.⁹⁸ Similarly in June 2000, it was discovered that China was assisting Syria in its surface-to-surface ballistic missile program by supplying guidance systems, missile engines, and solid fuels for missile production.⁹⁹ In January 2007 Syria's efforts were rewarded, as Israel's *Arrow* Missile Defense System reported the launch of a Syrian *Scud D* short-range ballistic missile.¹⁰⁰

Israel

The Israeli Ministry of Industry and Trade recognized China in 2005 as an "Israeli Export Target Country" with Bi-lateral Trade between China and Israel surpassing \$3.3 billion through 2006.¹⁰¹ By identifying China as a target country, Israel hopes to increase exports in the areas of telecommunications, agriculture, security, medical equipment and software. Israel exports rose to \$958.4 million with Chinese imports totaling \$2.43 billion.¹⁰² Perhaps most surprising is that Israel, a supposed staunch U.S. ally, is the fourth largest arms supplier in the world. Israel's extensive military sales and technology exchanges with China have put a tremendous strain on U.S. – Israeli relations. The United States believes that these sales threaten U.S. security interests in Asia.

In 1991 during Operation DESERT STORM, China witnessed first-hand United States technological military superiority and now seeks to gain parity with the United States by rapidly acquiring similar technologies. One course of action has been to procure these technologies through U.S. allies such as Israel and the European Union

(EU). Israel established diplomatic relations with China in January 1992.¹⁰³ The following five Israeli-China accords have tested the United States tolerance:

- *Patriot anti-missile system*: U.S. intelligence agencies believe that China covertly obtained *Patriot* anti-missile system technology from Israel in 1993.¹⁰⁴ Striking similarities are apparent between the *Patriot* anti-missile system and the 2006 ground-to-air guided missile system which is incorporated into China's air shield. The *Patriots* were originally transferred to Israel for protection against Iraqi missiles during the Persian Gulf War.
- *Lavi fighters*: In 1994 the United States accused China of releasing sensitive technologies from the *Lavi* jet fighter to China. Israel had hoped to recoup some of its losses due to the cancellation of the program by contracting with China for development of their F-10 fighter. The United States protested, based on the fact the United States had provided Israel with financial and technology support.¹⁰⁵
- *Phalcon early warning system*: The United States preempted the sale of the *Phalcon* airborne early warning command and control system to China. Although the system was exclusively designed and built by Israeli Aircraft Industries (IAI), the United States was concerned with its ability to provide real-time intelligence, command/control, and surveillance, posing a possible risk to U.S. forces. The United States pressured Israel to scrap the deal or face severe reductions in American aid.¹⁰⁶
- *Harpy Unmanned Aerial Vehicles (UAV)*: In 1994 Israel sold China an unknown number of *Harpy* UAVs. Developed by IAI, the *Harpy* is capable as both a UAV

and cruise missile. It can be launched from either a ground vehicle or surface warship and can detect and destroy radar emitters from a distance of 500km.¹⁰⁷ U.S. intelligence first became aware of the sale when it was identified during a PLA exercise near the Taiwan Strait in 2004. In the summer of 2004, China returned the UAVs for Israeli upgrades. The United States threatened to remove Israel from participation in the F-35 Joint Strike Fighter (JTF) program unless it confiscated the vehicles. In 2005 the UAVs were returned, but the episode served notice to Israel to reduce military relations with China.¹⁰⁸

- *Diplomatic Deep Freeze*: Israeli military sales to China caused the Bush Administration to re-examine its relationship with its long time ally. Israeli officials deemed involved in the arms sales to China were politically castigated. Director General of the Defense Ministry, Amos Yaron, was held personally accountable for Israel's indiscretions and forced to resign in August 2005 to pacify American discontent.¹⁰⁹

This fallout manifested itself in a series of investigations and resultant reports conducted by various agencies that sought to uncover complicity with the Israeli transgressions. One report even accused Israel, though not by name, of undermining U.S. strategic interests by supporting China's military buildup.¹¹⁰

Classified military information and sensitive military technologies are high-priority targets for the intelligence agencies of this country. Country A seeks this information for three reasons: (1) to help the technological development of its own defence-industrial base, (2) to sell or trade the information with other countries for economic reasons, and (3) to sell or trade the information with other countries to develop political alliance and alternative sources of arms.

U.S. - China Relations

The relationship between the United States and China can be viewed both from a global and domestic perspective. On the global side, the two powers have security and economic interests, but tension is mounting due to China's growing global influence. In this age of globalization, both will be affected by transnational threats such as terrorism, disease, and environmental concerns.¹¹¹ Domestic considerations include each country's economic and trade interests. The United States worries about China's record on human rights, freedom of the press, political reform, and quality assurance on export items. Each country faces uncertainty about its future, but must cooperate on mutual interests while managing opposing viewpoints through diplomatic channels. Several incidents have strained U.S.-China relations throughout the years. The following encapsulates some of those incidents and is intended to provide further insight:

- Taiwan Straits Confrontation (1995 – 1996): In 1992 President George H. W. Bush authorized the sale of F-16 fighters (150) to Taiwan in 1992, a clear violation of the 1982 U.S. – China communiqué addressing arms sales. In May 1995 the Clinton administration granted Taiwan President Lee Teng-hui a visa to attend a graduate school reunion at Cornell. This act angered the PRC, as they had witnessed the prior year similar U.S. revisions of policies toward Taiwan diplomats that had been in effect since 1981. China viewed both actions as U.S. encouragement for Taiwan to pursue independence. Negotiations over U.S. policy toward Taiwan culminated in 1995 -1996 with China launching a series of missile tests near Taiwan. The United States responded by deploying two carrier battle groups (USS *Independence* and USS *Nimitz*) in March 1996.¹¹²

- Chinese Embassy Bombing (May 7, 1999): During *Operation ALLIED FORCE*, a U.S. - led NATO airstrike accidentally bombed the Chinese embassy in Belgrade, Yugoslavia, killing three people and injuring twenty. The incident sparked serious protests at the U.S. Embassy in Beijing and condemnation from the Chinese government. This single incident caused tremendous damage to Sino – U.S. relations, as it came just on the heels of the Taiwan Strait incident.¹¹³ CIA Director George Tenet admitted his agency's negligence, stating emphatically that the United States did not intentionally bomb the Chinese Embassy.¹¹⁴
- Navy EP-3E Incident (April 1, 2001): During a routine reconnaissance mission, a U.S. Navy EP-3 *Orion* was struck by a People's Liberation Army Navy J-8II fighter jet, setting the stage for a very tense international incident between the United States and China. Crew members aboard the EP-3 reported that the J-8 flown by Lieutenant Commander Wang Wei began a series of erratic maneuvers just prior to clipping the wing of the slower EP-3. The collision caused the J-8 to plunge into the water and forced the EP-3 to make an emergency landing.¹¹⁵ A crew of 24 American sailors was detained until diplomats were able to secure their release on April 11 by issuing a formal apology for the death of the pilot and the intrusion into Chinese airspace after the collision. While the detainment of the 24-member crew became the focus of the incident, it is the compromise of highly classified equipment and software that is still being felt today. The crew attempted to destroy the sensitive equipment, but stricken by panic and with little time, they allowed many

documents and devices to survive. By holding the plane until July 3, the Chinese were able to gain valuable insight into U.S. collection capabilities and fortify their command/control (C2) systems.

- Chinese Submarine Stalks USS *Kitty Hawk* (October 26, 2006): A Chinese *Song*-class attack submarine surfaced just five miles away from the USS *Kitty Hawk* aircraft carrier (CV-63), which was operating in international waters in the East China Sea, near Okinawa. Reports state the battle group was not actively using Anti-Submarine Warfare (ASW) tactics and equipment during this episode. The submarine went undetected until it was observed in the carrier's wake by an F-18 pilot on a landing approach.¹¹⁶ The submarine breached the carrier group's defensive perimeter of 10 to 100 miles and was within submarine-launched torpedo or anti-surface-ship cruise missile (ASCM) range.
- Chinese Anti-Satellite (ASAT) Test (January 11, 2007): China conducted its first successful ASAT test by destroying an old Chinese weather satellite (*Feng-Yun-1C*). Named SC-19 by the Intelligence Community (IC), the ASAT is comprised of a solid-fuel medium range-missile and is launched from a mobile platform. It carries an interceptor payload designed to collide into target satellites. The Chinese had attempted two previous tests on July 7, 2005 and February 6, 2006. According to U.S. intelligence, neither struck its target.¹¹⁷ The test spawned protests from many countries worldwide as it produced space debris and threatened many commercial satellite interests. It was the first test fire of an ASAT missile in 20 years. Both the United States and Russia have abandoned such programs due to the outrage regarding the space

debris. After strongly denouncing the Chinese ASAT test, the United States was forced to shoot down an orbit-decaying spy satellite on 20 February 2008, fearing 1000lbs of hazardous hydrazine propellant could reach populated areas. Using a modified anti-ballistic missile (SM-3) fired from the USS *Lake Erie*, the navy scored a direct hit on the fuel tank with no significant debris remaining in orbit or reaching the Earth's surface.¹¹⁸

Military Modernization

It is the success of China's military growth that has allowed it to modernize its military. China's military focus has shifted from PLA ground forces, once the backbone of the Chinese military, to area denial and anti-access strategies, which rely heavily on the PLA Navy (PLAN), PLA Air Force (PLAAF) and the strategic missile force (Second Artillery).

China's modernization hinges on its ability to leverage foreign and domestic science and technologies towards the development of advanced weapons systems coupled with sweeping reforms throughout its armed forces. Once contained within the Asia Pacific region, China's strategic force modernization now carries global implications. For example, China's *Dong Feng* (DF-31) intercontinental ballistic missile is a three stage – solid fueled mobile missile capable of delivering a one-megaton warhead (700kg) with a range of 8000 km.¹¹⁹ Other unconventional warfare (UW) programs include China's anti-satellite weapon and its decision to extend the battlefield into the realm of space and cyber-space. Perhaps most unsettling is China's aim to develop a formidable military to specifically counter U.S. military forces.

Defense Budget

China's official defense budget for 2007 was approximately \$45 billion, marking an increase of 17.8 percent.¹²⁰ This marked growth is significant: an analysis of the PRC budget analysis conducted by the International Monetary Fund (IMF), showed the annual defense budget from 1996 to 2006 averaged 11.8 percent tied to a GDP growth of 9.2 percent.¹²¹ Furthermore, expenditures for strategic forces, foreign procurements, military sponsored research, and paramilitary forces are not reflected in the annual budget. As a consequence, intelligence estimates have, a wide margin of error from \$85 billion to \$125 billion.¹²²

Most of the funds are earmarked for China's state-owned defense industries and support the defense modernization strategy in each of the following key sectors:¹²³

- Missile and Space Industry – China continues to modernize its missile and space vehicle production facilities in support of new cruise and ballistic missiles capable of greater distance and precision. China's space industry is expected to support an increased launch schedule for both satellites and manned space programs. Totals include estimates of 100 satellites by 2010 and another 100 satellites through 2020.
- Shipbuilding Sector – China has expanded its shipyards in the last five years to support both civilian and military shipbuilding production. Significant increases in the numbers of containerships, combatant ships, amphibious ships, and supertankers have been realized, along with production runs of modern diesel/electric submarines. Although China still relies heavily on foreign

suppliers for propulsion units and advance technologies, they are starting production on new nuclear submarines and slowly becoming self reliant.

- Aircraft Production – By entering into manufacturing agreements and directly copying Soviet aircraft designs, China has advanced its military aviation industry to the point of designing and building indigenous aircraft. China has acquired high-precision machinery and electronics that can be used in the production of military aircraft. Although China is still dependent on Russia and other countries for engines and avionics, they have mastered production of older aircraft, modernized their fourth generation of fighters, and seek to develop fifth generation combat aircraft.

China's *Five Year Plan* is intended to advance its defense, scientific, technical, and industrial sectors. China signed arms agreements with Russia totaling almost \$2.8 billion in 2005. Due to U.S. government criticism over the 2001 *Harpy* UAV deal, Israel adopted new legislation in January 2007 regarding dual-use exports based on the Wassenaar Arrangement.¹²⁴ Not to be deterred, China is exploring alternative suppliers, such as the European Union. Sanctions levied on military sales in response to the Tiananmen Square incident in 1989 have been discussed annually at each EU-China summit since 2004.¹²⁵

Capabilities

China's military modernization has shifted from a focus on infantry-dominant capabilities in support of a conventional war of attrition to the development of a global reach capability through force mobility and preemptive long range strike technologies. While current efforts focus on potential military actions in the Taiwan Strait, future

capabilities are being developed in anticipation of future high-tech global confrontations. Such confrontations could prompt U.S. intervention and present a direct threat to China's regional interests. Therefore, future Chinese weaponry is specifically designed to neutralize any U.S. technological advantages. Although the IC believes it will take China at least a decade to produce a capable military force, programs such as its "Assassin's Mace" (*Shashoujian*) space warfare program demonstrate China's commitment to high tech weapons systems. Moreover, force modernization by promoting joint operations through the integration of common command, control, communications, computers, intelligence, surveillance, and reconnaissance (C4ISR) and joint logistics are all lessons that China learned from U.S. and coalition operations during DESERT SHIELD/STORM.¹²⁶

Ballistic and Cruise Missiles

China's modernization places special emphasis on its ballistic and cruise missile capabilities to counter any enemy carrier and ground assaults. Missiles will include advanced reconnaissance and communications systems to support sophisticated command and control and targeting missions.¹²⁷ Over 900 short-range CSS-6/CSS-7 ballistic missiles were targeting Taiwan through 2006. This number continues to grow by almost 100 missiles each year, with each deployment adding improved range and precision.¹²⁸ China is also improving the survivability of its long-range ballistic missiles by continuing development of its DF-31 road-mobile ICBM and the follow-on DF-31A, which is expected to achieve initial operating capability (IOC) sometime in 2007-2009 and is capable of striking almost the entire United States, Australia, and New Zealand.¹²⁹ The JL-2, a new submarine-launched ballistic missile, is slated to become

IOC in the 2007-2010 timeframe. It is launched from the new JIN-Class nuclear submarine.¹³⁰

Naval Power

China has modernized its naval force by acquiring some of the most sophisticated technologies abroad while dramatically increasing its indigenous capability to produce a quality surface and subsurface maritime fleet. The strategic goal of this modernization is to grow a blue water navy capable of securing trade routes and ultimately protecting China's economic interests abroad.¹³¹ The most impressive part of the Chinese Navy is its subsurface component. China has recently received two *KILO*-class submarines from Russia and is also testing two new nuclear powered submarines. They include the second-generation *JIN*-class (Type 094) ballistic missile submarine and the *SHANG*-class (Type 093) attack submarine.¹³² China knows that in order to be recognized as a formidable naval power it must possess an aircraft carrier in its navy fleet. To this end the Chinese government procured the following:¹³³

- The Australian carrier, HMAS *Melbourne*, was purchased in 1985. The Chinese analyzed the ship's design and replicated its flight deck for training pilots.
- The Chinese procured the Soviet carriers *Minsk* (1998) and *Kiev* (2000). While never operational, the two carriers provided a wealth of design information to engineers and eventually became floating military theme parks.
- In 1998, as a result of the Soviet Union collapse, China purchased the partially complete Soviet carrier *Varyag*. With a refurbished deck, significant electrical work, and a repainted the hull with PLA markings, it stands as the only viable candidate to become operational.

Chinese officials hope to build an aircraft carrier capability by the end of the “12th Five-Year Plan” (2011–2015). However some analysts believe it will take until 2020 or beyond.¹³⁴

Air Power

China has retired many of its old aircraft and in fact has decreased its fighter aircraft force from 4,000 to 1,550 over the past ten years.¹³⁵ Nonetheless, the quality and capabilities of the new aircraft have vastly improved China’s overall military capability. For example, under a co-production agreement with Russia, China is producing the multi-purpose Su-27MK/*FLANKER* (F-11A) and employing more Su-30MKK and Su30MK2 (navy) fighter-bomber aircraft into its inventory.¹³⁶ However, most impressive is the development and production of the PLAAF F-10, a fourth generation multi-role fighter aircraft that will be China’s fighter for the foreseeable future.

Space and Counterspace

China has placed a special emphasis on its Space and Counterspace program because it believes it is not only imperative for anti-access/regional denial, but key in becoming a world power. Advanced imagery, reconnaissance, and Earth resource monitoring capabilities will be provided by CBERS-1 and -2 satellites, the *Hunajing* constellation (11 satellites), and an as yet unnamed series of ocean surveillance satellites.¹³⁷ Note: Commercial satellite imagery providers such as SPOT, LANDSAT, RADARSAT, and IKONOS will provide existing interim coverage. For navigation and timing, China has launched four *Beidou* satellites, which are accurate to 20 meters. This capability is augmented by other navigational satellite systems such as GPS, GLONASS, and the EU’s *Galileo*. Currently China uses commercial providers such as

Intelsat and Inmarsat for communications but is rapidly developing its own indigenous capabilities. Combined, the aforementioned capabilities are critical in delivering a reliable and efficient Command, Control, Communications, Computers, Intelligence, Surveillance, and Reconnaissance (C4ISR) capability for military applications.

China has made great strides in its manned space program. It completed its second manned space mission in October 2005. China plans to conduct its first space walk sometime in 2007-2008, with a rendezvous and docking mission slated for the 2009-2012 timeframe, and a manned space station by 2020.¹³⁸

Another concern of the United States is China's development of the previously mentioned direct ascent ASAT weapons. China is testing both kinetic and nonkinetic (lasers and radio frequency) weapons for their ASAT program. While China claims it is developing these capabilities for lunar and manned space exploration, it is clearly evident the intent is to disable U.S. reconnaissance satellites should a military conflict break out between the two nations.¹³⁹

Ground Forces

The PLA ground forces have always been the cornerstone of the military. They currently number approximately 1.6 million personnel representing about 70 percent of the entire PLA military force.¹⁴⁰ Due to China's emphasis on mobilization, in 1997 the ground forces suffered a *reduction in force* (RIF) of 500,000 personnel followed by another 200,000 RIF 2003. However crisis action planning allows this force to be augmented by a million reservists and over 660,000 People's Armed Police (PAP) in the event of an emergency. The ground forces comprise four military elements; General Departments (*Zongbu*), Theaters of War (*Zhanqu*), Units (*Budu*), and Sub-Units

(Fendu).¹⁴¹ As in the United States, the ground force units are adopting a more joint/modular force structure with greater focus on maritime and amphibious assaults and the integration of ground forces with marines, airborne, special operation forces (SOF), and border defense units.¹⁴² Equipment upgrades have included tanks, armored personnel carriers (APCs), and artillery systems. For example, the ZTZ-99 main battle tank entered PLA service late in 2001.¹⁴³ It is important to note that almost 400,000 troops stand pre-positioned in three military regions directly opposite Taiwan in the event of hostilities.¹⁴⁴

U.S. Options

The United States focus on the Global War on Terrorism (GWOT) has diminished the application of certain *Elements of National Power* – Defense, Intelligence, Military, Economic, Finance, Information, and Law Enforcement (DIMEFIL) in its dealings with PRC. Ironically it is China who appears to have leveraged “soft power,” specifically in the areas of Diplomacy, Economics, Finance, and Information to promote its agenda for economic growth while quietly modernizing its military forces.

The United States stands as China’s top trading partner accounting for \$262.7 billion in goods traded in 2006.¹⁴⁵ Through November 2007 U.S. exports to China were approximately \$65.2 billion while Chinese exports to the U.S. rose to over \$321.5 billion.¹⁴⁶ This trade imbalance of almost \$256.3 billion represents the largest U.S. bilateral deficit worldwide. While this deficit is a tremendous point of debate among economic analysts, it also represents the quintessential factor in any negotiations with China. If the United States chose to impose economic sanctions on China, the PRC economy would almost certainly collapse.

Therefore, a concentrated blend of diplomatic, economic and informational “soft power” would convince China to recognize and respect other nation’s strategic interests while pursuing its own. Parallel efforts to counter China’s growing military threat and engage U.S. intelligence assets should also be explored. China has been creating long-term bi-lateral and multi-lateral agreements with strategic nations that could impede U.S. regional access (i.e. overflight rights, basing, staging, etc.) in the event of hostilities. While efforts in the Middle East remain the priority, the United States must constantly engage global partners to ensure its global access to both secure its national interests and to retain the capability to quell transnational threats.

Diplomacy

Diplomacy remains the only U.S. national instrument to directly engage China. The Department of State assumes the lead in any bi-lateral or multi-lateral negotiations with the United Nations, foreign nations, and non-governmental / international organizations.¹⁴⁷ China downplays its military growth and instead focuses on its economic ambitions. The PRC hopes a successful 2008 Summer Olympics will deliver a positive global message that will stimulate even greater economic development. China’s success to date has been based on its bi-lateral and multi-lateral agreements with many U.S. partners and allies. U.S. actions in the GWOT have worsened global perceptions of the United States. But while China takes full advantage of this anti-U.S. sentiment, allies knowingly enter into agreements with China predicated on the simple fact that the United States would aid those allies if the agreements with China ever threatened their sovereignty. This *veil of security* should virtually guarantee the United States unencumbered regional access if explained to long time allies in the proper manner.

Issues for both China and the United States on matters such as security, counterterrorism, law enforcement, and the environment have created common ground to grow diplomatic relations. The United States would like China to use its presence in the WTO or the UN in a responsible manner as its global standing grows on matters such as intellectual property rights and non-proliferation issues. Areas where China has made substantial global contributions include:¹⁴⁸

- Hosting the Six-Party Talks aimed at suspending North Korea's nuclear program by adopting the September 2005 Six-Party Statement of Principles.
- Participation in the UN Security Council to stem Iran's nuclear weapons program, promote the new Iraqi government, and pass anti-terrorism legislation following the events of September 11, 2001.
- Cooperation with Afghan and Iraqi reconstruction initiatives and support for humanitarian relief/peacekeeping operations in Darfur.
- U.S. - China military-to-military negotiations to advance and strengthen cooperative regional security and advance transparency to assist in understanding China's purpose for military modernization.
- Participation in WHO efforts to fight transnational health issues such as HIV/AIDS and avian influenza.
- Cooperative partnership in new multi-national energy and environmental organizations such as the Asia Pacific Partnership on Clean Development and Climate which includes Australia, India, Japan, South Korea, and the United States.

However the United States still remains concerned over China's policies regarding the following matters:

- Burgeoning economic growth and its regional partnerships
- International diplomacy objectives
- Global reach and impact on U.S. interests
- Long-term energy and technology agreements
- Strategic security agreements with nations worldwide – including some key U.S. allies
- Human Rights
- Intellectual Property Rights (IPRs)
- Tibet

The United States and China are unlikely to ever become close allies, but focus should remain on common areas of concern. Friction generated over Taiwan and China's support for rogue states such as Iran, North Korea, and Syria must not destabilize relations. Currently the United States holds tremendous leverage through its global partnerships and its economic advantage over China and must articulate this through diplomatic channels in no uncertain terms.

Economic

The *economic* element of national power in the case of China is perhaps the biggest carrot the U.S. has at its disposal in its relations with China. The U.S. Department of Commerce and the Department of State work in concert on trade agreements, policies, and the promotion of international activities.¹⁴⁹ Currently, China has a much greater reliance on U.S. markets, capital, and technology than the United

States has on China. According to the CIA's *World Factbook*, 2007 estimates of the gross domestic product (GDP), based on purchasing power parity for the world reached \$65.82 trillion. The United States carried just over 21 percent, or \$13.86 trillion, while China represented 10.7 percent or \$7.043 trillion. It is clear that China's recent growth has been remarkable, but the United States still claims almost double China's GDP.

Critics of U.S. trade policy point to the widening trade deficit (\$256+ billion in 2007) and China's manipulation of the Yuan (7.2 Yuan per dollar) as being harmful to the American economy. They believe the undervalued Yuan gives China's exporters an unfair advantage and ultimately costs U.S. workers jobs. However there are many factors worth considering before taking any action:¹⁵⁰

1. Many Chinese exports are financed by foreign investment firms, many American, who are attracted by cheap labor costs.
2. China has become a rising market for U.S. exports.
3. China only accounted for 26 percent of the total of U.S. bi-lateral trade deficits in 2006 – indicating that the problem is not so much China, but with a shortfall between U.S. savings and investments.

China comprises 12.4 percent or \$386.7 billion (2007) of the United States total foreign trade, which makes it the second only to Canada.¹⁵¹ Furthermore Japan, South Korea, Taiwan, Germany, and the Netherlands, all staunch U.S. allies, represented over half of China's top ten trading partners in 2007.¹⁵² Economic Flexible Deterrent Options (FDOs) are available against China depending on the level of transgression. They could be bi-lateral or multi-lateral and include trade sanctions, embargoes, technology transfer restrictions, U.S.-funded program cancellations/reductions, U.S. investment and

financial transaction restrictions, and the seizure or freezing of property and monetary assets located in the United States. While any of the above actions would have severe repercussions on the world economy, the United States does hold significant economic power to influence China should the need arise.

Informational

The *Informational* element of National Power is the ability of the U.S. Government to communicate its intentions and policies through Strategic Communications.¹⁵³ This element has been expertly countered by both our international competitors and enemies who portray the United State's GWOT mission as a pretense to advance our global ambitions. For example, a commentator in the *People's Daily Online* criticized the U.S. foreign strategy by stating:¹⁵⁴

....the United States is now pretending to advance along one path while secretly going along another'. It launches an anti-terrorism struggle in name while actually making a layout for its hegemonic strategy. Therefore, it is very important for us to have the art of keeping a proper distance and propriety in the relationship between China and the United States.

It is imperative that the United States consider employing such Informational techniques as:

- Promoting U.S. policy objectives through open forums
- Maintaining consistent strategic communications themes and messages
- Gaining global support and confidence from our allies and international partners
- Leveraging news media to maintain focus on "key" messages
- Engaging psychological operations to counter anti-U.S. rhetoric

U.S. Military Options

The military element of national power in the Pacific has served the United States well since World War II (WW II). However the United States influence is fading in Asia due to negative perceptions U.S. foreign policy. China's economic rise is reinforced through diplomacy which provides cover for its military upsurge. Some Asian nations are beginning to reevaluate existing security agreements with the United States in favor of China. To counter this trend, the United States must reinforce existing bi-lateral security cooperation agreements and explore multi-lateral regional partnerships. The United States must empower these partner nations through military accords and multi-lateral exercises. Finally, the United States must regain trust in the region by reducing its military footprint in favor of soft elements of power.

Military-to-Military Relations

The two military commands responsible for Asia are the U.S. Pacific Command (USPACOM) and U.S. Central Command (CENTCOM). USPACOM is based in Honolulu, Hawaii and its area of responsibility (AOR) includes the Asia-Pacific, which covers approximately 50 percent of the earth and 60 percent of its population. CENTCOM is located in Tampa, Florida and its AOR includes the Middle East, parts of Africa, and Central Asia. These two commands have tremendous military-to-military relationships with our allies in the regions and routinely engage in coordinated humanitarian relief efforts and military exercises. Some of these United States bi-lateral military exercises and partners include *Talisman Sabre* (Australia), *Balikatan* (Phillipines), *Keen Sword/Keen Edge* (Japan), and *Cobra Gold* (Thailand). However several United States multi-lateral exercises have also been conducted and include *Rim*

of Pacific (RIMPAC) 2006, which included military components from Australia, Britain, Canada, Chile, Japan, Peru, and South Korea. The United States-Mongolian *Khan Quest* peacekeeping exercise in 2003 was comprised of Asia-Pacific nations such as Bangladesh, Fiji, India, Thailand and Tonga.¹⁵⁵ But the exercise that captured the United States military outlook for the Asia-Pacific region was the five-nation exercise of *Malabar* 2007.

Malabar is traditionally a U.S.-India bi-lateral naval exercise that began in 1994. However *Malabar* 07 was conducted in two distinct phases. In April, *Malabar* 07-01 was conducted off the coast of Okinawa and included the United States, India, and Japan. September's *Malabar* 07-02, also incorporated the navies of Australia and Singapore and was strategically staged in the Bay of Bengal. *Malabar* 07-02 included three aircraft carriers, 28 ships, 150 aircraft, and over 20,000 personnel stressing interoperability in support of maritime security in support of either high-level warfare or humanitarian relief operations.¹⁵⁶ Although *Malabar* 07 took place less than a month after SCO's *Peace Mission* 2007, it drew the ire of some Chinese officials who suggested the exercise represented the formation of an "Asian NATO."

Global Posture Review

The Integrated Global Presence and Basing Study (IGPBS) of 2001 which came to be known as the Global Posture Review (GPR) noted that the U.S. military global "footprint" was postured to contain communism and was a legacy from World War II. In 2004, citing the GPR, the Bush Administration said it would withdraw 20,000 troops from Asia over the next decade. While the preponderance of these troops would leave South Korean and Japanese installations, the United States also sought to gain

flexibility by expanding U.S. forces in Guam, Alaska, Hawaii, and the United States.¹⁵⁷

The shifting political climate of Asia and any accompanying restrictions imposed against U.S. military operations by foreign governments has made the American territory of Guam an attractive alternative. With a current force of 6,500 U.S. military members, Guam will receive 8,000 additional Marines who are slated to start arriving 2008. Additionally, U.S. Navy submarines will change from the Atlantic to the Pacific theater for a projected force total of 31 nuclear attack submarines to be based in Guam, Hawaii, San Diego, and Bremerton by 2010. Finally, the 2006 Quadrennial Defense Review recommended reassigning an aircraft carrier from the Atlantic to the Pacific fleet.¹⁵⁸

Strategic Partnerships

Strategic Partnering in the Asia-Pacific region is essential if the United States seeks to maintain its strategic strategy of preventing Asian dominance by any single or coalition of powers; maintaining a network of alliances willing to support American power as necessary; and securing sea lanes to allow American commercial access and unfettered regional trade.¹⁵⁹ President Bush believes this can be achieved by creating an Asia Pacific Democracy Partnership (APDP) to “provide a venue in which free nations will work together to support democratic values, strengthen democratic institutions, and assist those who are working to build and sustain free societies across the Asia Pacific region.”¹⁶⁰ The APDP would be more successful if it were comprised of nations which share U.S. democratic values. However skeptics think that by promoting values-based diplomacy, the United States risks alienating China, which believes the United States is trying to recruit nations to execute strategic encirclement against the PRC.¹⁶¹

Australia

The United States-Australia bi-lateral strategic relationship has remained steadfast as part of the larger Australia-New Zealand-United States (ANZUS) alliance. Historically a trusted ally, Australia has fought together with the United States in several wars. The partnership has grown to include unparalleled intelligence and U.S. arms exchanges. Australia began a free trade agreement (FTA) with the United States in 2005. Key is the Australia-United States Treaty on Defense Trade Cooperation signed in September 2007. The treaty loosens restrictions imposed by the International Trade in Arms Regulations (ITAR) by allowing most defense related trade to be conducted without prior government authorization. Currently, the United Kingdom (UK) is the only partner with a similar agreement. Australia is viewed as a cornerstone for the U.S. Asia Pacific policy. However, in November 2007 Prime Minister John Howard, a Bush supporter, lost in the parliamentary elections to Labor Party candidate Kevin Rudd. A former diplomat to China, Mr. Rudd would not like to sacrifice Australia's economic relationship with China by participating in any PRC containment rhetoric.¹⁶²

Japan

Providing forward logistics in the Pacific AOR, Japan has hosted crucial basing operations for U.S. military forces with 89 facilities, 37 on Okinawa, and approximately 53,000 U.S. troops. Japan has stiffened both its foreign policy and military position by expanding its bi-lateral relationship with the United States through security cooperation. This new partnership stresses similar strategic objectives, sweeping command changes, and calls for interoperability between the two military forces. Japan has demonstrated itself as a trusted Asian ally by supporting the United States in committing

forces to both Afghanistan and Iraq. Currently however, Japan is bound by Article 9 of its constitution that states “land, sea, and air forces, as well as other war potential, will never be maintained.”¹⁶³ Still, Japanese Prime Ministers Koizumi and Abe were able to upgrade Japan’s Defense Agency to a ministry in December 2006, a move the United States fully supported as Japan looks to shed its WW II defense posture. To this end, Japan has created a joint staff and placed the service components under a unified command structure. This realignment facilitates a closer engagement with U.S. forces, as evidenced by a bi-lateral U.S.-Japan missile defense coordination center at Yokota Air Base and a new Japanese Self-Defense Forces (SDF) “Central Readiness Force Command” at Camp Zama, scheduled for completion in 2012, to host joint operations with the U.S. Army Command.¹⁶⁴ Specific examples of direct U.S.-Japan military cooperation include pre-deployment logistics training in Kuwait for Iraq, disaster relief operations for the Indian Ocean tsunami in December 2004, and ballistic missile defense interoperability in response to North Korea’s missile test-launch in June-July 2006.

India

The most promising bi-lateral partner is perhaps the most natural fit as well. Since 2004, President Bush has raised the level of priority of building a strong strategic partnership between the United States and India who comprise the two largest democratic populations in the world. To this end, groundbreaking legislation between the two nations in the form of the *United States-India Peaceful Atomic Energy Cooperation Act of 2006* (P.L. 109-401) and the *Defense Framework Agreement of 2005* (DFA) have been created. Although P.L. 109-401 requires India to conform to

strict conditions such as outlined in Section 123 of the agreement, which includes negotiating safeguards with the International Atomic Energy Agency (IAEA), and willingness for the Nuclear Suppliers Group (NSG) to modify its export standards to include India, the legislation signifies a change in thirty years of U.S. nonproliferation policy. Likewise, the DFA advances the United States and India's military relationship by exploring a higher level exchange to include technology and intelligence, increased arms trade, and joint weapons production.¹⁶⁵ Experts believe India's willingness to embrace the United States stems from India's competition with China for increasing energy resources and fear of strategic encirclement by China and its regional partners, specifically Burma and Pakistan.¹⁶⁶

Other Asian Partners

It is clear that the United States has neglected its partnerships in the Asia-Pacific region, and due to this lapse China has established strong economic partnerships. Trying to regain leverage exclusively through military relations is likely to be construed as a U.S. attempt to contain China. This could seriously jeopardize U.S. partner-building efforts, as regional states would fear a climate of regional insecurity and ultimately a negative impact to economic interests. If their economic interests appear threatened, countries such as Thailand, the Philippines, and South Korea could reassess relations with the United States. It is of utmost importance that the United States follow China's lead and place emphasis on establishing and reinforcing its interests through formal forums such as the ASEAN, ARF, APEC, EAC, and SAARC. The United States could garner support and reclaim its status by utilizing these regional forums to lead a common and equitable energy resource dialogue. By addressing a regional strategic

concern, non-militarily, the United States begins to demonstrate the virtues of a true democratic society and global partner.

Tri-lateral and Quadri-lateral Partnerships

The relationship between the United States, Japan, and Australia has already begun to morph into a tri-lateral strategic partnership. The inflammatory North Korea ballistic missile exercise of July 2006 and follow-on nuclear test in October 2006, prompted President Bush, Prime Minister Abe, and Prime Minister Howard to meet during the September 2007 APEC forum to solidify a three-way strategic partnership. The three-nation meeting worried China so much that officials from Japan and Australia had to reassure the PRC that discussions were not “directed at any one nation.”¹⁶⁷ In addition to continued meetings and naval exercises, talks of a land and sea-based missile defense system with Japan, use of Australia’s satellite tracking system, and common destroyers equipped with Aegis combat systems provide the genesis for a formidable missile defense shield.

Less mature but equally important is the United States, Japan, and India relationship. Although no formal meetings have taken place, statements from all three nations point to support for a tri-lateral partnership. In May 2007, the American and Japanese foreign and defense ministers in a joint meeting stated they supported a strategic objective of, “continuing to build upon partnerships with India to advance areas of common interests and increased cooperation.”¹⁶⁸ During a visit to Tokyo in December 2006, India’s Prime Minister Singh embraced the notional partnership. The visit culminated in a joint naval exercise that included two U.S. destroyers, four Japanese

escort ships, and three Indian warships that simulated a joint response to a natural disaster.¹⁶⁹

Both tri-lateral partnerships lead to discussions of a quadri-lateral partnership comprised of the United States, Japan, Australia, and India. However a changing political landscape marked by an upcoming United States Presidential election coupled with Australia's newly appointed Prime Minister Rudd might become an impediment to any such partnership. If elected, both United States President democratic candidates have promised to refocus on domestic matters while Prime Minister Rudd opposes any partnership that gives the perception of strategically encircling China. Does current Japanese Prime Minister Fukudo seek to challenge Article 9 of the constitution and continue to support these partnerships like his predecessor Prime Minister Abe? Finally, India's current Prime Minister Manmohan Singh, along with several of his key supporters in parliament, has sought to temper New Delhi's relationship with Washington. The changing cast of characters leaves any talk of four-way strategic cooperation in limbo. However any such event as the destabilization of Pakistan, North Korea arms tests, or even a major natural disaster could provide the impetus to finalize this historic pact.

Conclusion

When President Bush recently visited the African countries of Tanzania, Ghana, Liberia, Rwanda, and Benin he sought to reward strong democratic stewardship. The President will sign a \$698 million grant under the Millennium Challenge Corporation for Tanzania to fund improvements to sponsor water, energy, and infrastructure projects.¹⁷⁰ But many skeptics believe President Bush's hidden agenda is to garner support for the

U.S. military's new AFRICOM, secure oil agreements, and offset the tremendous Chinese influence in the region. But perhaps it is too little too late.

China has become the preferred global partner for many nations who seek economic growth. The United States must regain the confidence of these nations while directly countering China's soft elements of national power. Despite such blatant offenses as computer hacking, espionage, intellectual property violations, human rights violations, and bribes to national leaders, the Chinese appear to be more trustworthy to the world than the United States. Meanwhile they continue to sponsor terrorist nations and organizations while building a modern military force specifically designed for conflict against U.S. capabilities. The United States must regain the upper hand of "soft power" while directly engaging China through diplomacy. Concurrently, the military must refocus some resources on countering Chinese military capabilities while leveraging with "key" strategic partners. This can be done by operating more efficiently and applying more intelligence assets.

It would be wonderful if China assumes the world stage as the United States equal partner. But the United States must quickly begin to analyze China's global intentions and ready itself in the event China reverts to force thereby becoming an a very dangerous adversary.

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