

## **RECOMMENDATIONS**

- The Commission believes that there is an urgent need for Congress to encourage increasing U.S. military capabilities in the Western Pacific in response to growing Chinese capabilities and deployments in the area.
- The Commission recommends that Congress reaffirm that any solution to the Taiwan problem must have the voluntary assent of the people of Taiwan.

- The Commission recommends that Congress and the Administration review the issue of defense coordination with Taiwan. The Commission believes that the arms sales package should remain on offer, and it further believes that Congress should take steps to facilitate strong working relationships through such measures as authorizing the exchange of general and flag officers, conducting interactive combat data exchange with Taiwan defense forces, providing increased opportunities for Taiwan officers to be trained in the United States, and establishing institutional relationships with the Legislative Yuan to improve the oversight of defense matters.
- The Commission recommends that Congress enact legislation instructing the President and the appropriate officials of his cabinet to seek initiation of discussions with China with the objective of developing and implementing new confidence building measures (CBMs) that facilitate resolution of tensions that may develop between the two nations and to minimize misunderstanding between the nations' civilian and military leaders at the strategic, operational, and tactical levels. These CBMs could include communications mechanisms, opportunities for opposite number leaders to meet and establish relationships with each other, regular information-sharing devices, and hot lines between DoD and the PRC's Ministry of Defense.
- The Commission recommends that Congress mandate a thorough investigation by appropriate agencies of cyber attacks originating from China against U.S. networks. To the extent that China is determined to be responsible for, complicit in, or negligent for its failure to adequately dissuade Chinese citizens from conducting such cyber attacks, and that this action constitutes an unfriendly act against the United States, Congress should require the President to notify it of the measures that he will take under existing law, or that he recommends Congress enact, to prevent or dissuade future attacks against U.S. networks.

#### ENDNOTES

1. Glenn Kessler, "U.S. Says China Must Address Its Intentions: How Its Power Will Be Used Is of Concern," *Washington Post*, September 22, 2005, p. A-16. Citing a speech by Deputy Secretary of State Robert Zoellick on September 21, 2005.
2. "Rumsfeld: China Buildup a Threat to Asia: U.S. Defense Chief Chides Military Growth, Position on Taiwan," *Associated Press*, June 4, 2005. <http://www.msnbc.msn.com/id/8091198>
3. The National Security Council, *The National Security Strategy of the United States of America* (Washington, D.C.: September 17, 2002).
4. Chinese military strategy evolved in a series of steps following the death of Mao Zedong in 1976. In 1985, Deng Xiaoping revised military thinking by introducing the concept of "local" or "limited" war, thus changing Mao's doctrine of "People's War" to "People's War under Modern Conditions" and eventually "Local Wars under Modern Conditions." Subsequently, after analyzing the U.S.-led coalition operations in Desert Storm in 1991, then-President Jiang Zemin stressed the need to move from an army capable of conducting "local wars under ordinary conditions" to one that can fight "local wars under modern, high-tech conditions," signifying Chinese recognition of the need for offensive capability to fight and win local or regional conflicts.
5. U.S. Department of Defense, *Annual Report to Congress on the Military Power of the People's Republic of China*, (Washington, DC: 2005), pp. 12-13.

6. The National Security Council, *The National Security Strategy of the United States of America* (Washington, DC: September 17, 2002); and U.S. House of Representatives Committee on International Relations, *Hearing on PRC Anti-Secession Legislation*, testimony of Deputy Assistant Secretary of State Randall G. Schriver, April 6, 2005.

7. U.S.-China Economic and Security Review Commission, *Hearing on China's Military Modernization and the Cross-Strait Balance*, testimony of Kurt Campbell, September 15, 2005.

8. Thom Shanker, "Rumsfeld Tells China Its Military Buildup Worries Neighbors," *New York Times*, October 21, 2005, p. A-14.

9. In the context of this discussion, 'united front tactics' refers to Beijing's effort to unite through common cause constituencies opposed to those elements in Taiwan's polity favoring separatism or independence for Taiwan. The principal targets of China's united front tactics are Taiwan opposition party members and business leaders. The term united front originates from the CCP's 1924 decision to make common cause with the KMT, which it regarded as the party of the bourgeoisie, in order to unify China. Mainland China was at that time under the control of a number of different warlords.

10. Paul H.B. Godwin, *China as a Major Asian Power: The Implications of Its Military Modernization*, (September 29, 2005), p. 3. This report was prepared for a conference on "Contending Perspectives: Southeast Asian and American Views of a Rising China," sponsored by the Institute of Defense and Strategic Studies (IDSS) and the National Bureau of Asian Research (NBR), which took place in Singapore on August 22-24, 2005.

11. In 1987 Central Military Commission Vice Chairman and former Commander of the PLA Navy Admiral Liu Huaqing advocated China's blue-water naval ambitions with a strategy of 'offshore active defense.' Liu's proposed offshore active defense is part of a larger strategic concept that provides an in-depth maritime defense of the Chinese mainland through effective military control over the chain of islands ('first island chain') some 200 miles off China's coast starting in the Yellow and East China Seas in the north down through the South China Sea. Control over those maritime areas would deny enemy operations and access to base facilities within proximity to the mainland. Liu reportedly expressed this concept in terms of a three-stage naval development process, applied to two strategic maritime areas of vital concern to the nation. While Chinese military strategists no longer discuss Chinese military and security ambitions in these terms, the concept of expanding its defensive perimeter eastward remains a valid security concern for China. See the discussion in Ai Hongren, *Zhonggong Haijun Toushi: Maixiang Yuanyang De Tiaozhan* [An inside look into the Chinese Communist Navy: Advancing toward the blue-water challenge] (Hong Kong: Cosmos, October 1988); and Zhang Lianzhong, et al., *Haijun Shi* [A history of the PLA Navy] (Beijing: PLA, 1989), p. 247.

12. J. Sean Curtin, "Stakes Rise in Japan, China Gas Dispute," *Asia Times Online*, October 19, 2005. <http://www.atimes.com/atimes/Japan/GJ19Dh01.html>

13. John Tkacik, Jr., "China's New Challenge to the U.S.-Japan Alliance," *The Heritage Foundation WebMemo #533*, July 13, 2004.

14. "Japan Protests to China Over Submarine Intrusion," *Agence France Presse*, November 12, 2004.

15. J. Sean Curtin, "Stakes Rise in Japan, China Gas Dispute," *Asia Times Online*, October 19, 2005. <http://www.atimes.com/atimes/Japan/GJ19Dh01.html>

16. The Association of Southeast Asian Nations (ASEAN) was established on August 8, 1967, with the signing of the ASEAN Declaration, also known as the Bangkok Declaration, by foreign ministers of Indonesia, Malaysia, the Philippines, Singapore and Thailand. Brunei, Vietnam, Laos, Myanmar, and Cambodia gained membership in ASEAN between 1984 and 1999. China began to participate in ASEAN as a dialog partner in 1996. <http://www.aseansec.org>

17. Sudha Ramachandran, "Myanmar Plays off India and China," *Asia Times*, August 17, 2005. [www.atimes.com/atimes/South\\_Asia/GH17Df01.html](http://www.atimes.com/atimes/South_Asia/GH17Df01.html)

18. Sudha Ramachandran, "Myanmar Plays off India and China," *Asia Times*, August 17, 2005. [www.atimes.com/atimes/South\\_Asia/GH17Df01.html](http://www.atimes.com/atimes/South_Asia/GH17Df01.html)

19. John Chan, "Russia and China Call for Closure of U.S. Bases in Central Asia," *Asian Tribune*, July 31, 2005.

[http://www.asiantribune.com/show\\_article.php?id=2594](http://www.asiantribune.com/show_article.php?id=2594)

20. U.S. Department of Defense, *Annual Report to Congress on the Military Power of the People's Republic of China* (Washington, DC: July 2005), p. 13.

21. Both DPP and KMT have stated that they do not intend to declare independence, since they regard the Republic of China/Taiwan as having been a sovereign, independent state since 1911. PRC authorities have stated several other cir-

cumstances under which they might invade, such as failure to negotiate on Beijing's terms *sine die*.

22. Chris Hellman, "U.S. Continues to Dominate World Military Expenditures," *Weekly Defense Monitor*, vol. 5, no. 11 (March 15, 2001); <http://www.globalissues.org/Geopolitics/ArmsTrade/Spending.asp#WorldMilitarySpending>; and Carl Conetta and Charles Knight, "Post-Cold War U.S. Military Expenditure in the Context of World Spending Trends," *Project on Defense Alternatives Briefing Memo 10*, (Washington, DC: 1997) <http://www.comw.org/pda/bmemo10.htm#2>. Worldwide defense spending declined significantly from 1989 through 1999. During the past five years, military spending has grown slightly, driven largely by increases in the defense budgets of the United States and other developed countries. China's 15-year spree of double-digit growth in defense spending is unmatched anywhere else in the world.

23. U.S. Department of Defense, *Annual Report to Congress on the Military Power of the People's Republic of China*, (Washington, DC: July 2005), p. 22. Estimating the Chinese defense budget is an imprecise science and the subject of much debate among experts within the analytic and research communities. The DoD estimate includes adjustments for China's undervalued currency and purchasing power parity to account for the low labor and resource costs relative to international markets.

24. Bill Gertz, "Chinese General Shakes Nukes at U.S.," *Washington Times*, July 16, 2005. Comments by then-PLA Second Department chief Lieutenant General Xiong Guangkai conveyed a nuclear threat against Los Angeles in 1995 to a question about China's response to a U.S. intervention into a military scenario involving Taiwan. This threat was repeated in July 2005 when Major General Zhu Chenghu of the PLA's National Defense University again threatened that China would be forced to resort to nuclear weapons to counter a U.S. military intervention in a military scenario involving Taiwan. Although Chinese government officials distanced themselves from these threats, neither officer was publicly admonished and, in fact, General Xiong has been rewarded with further promotions.

25. Paul H.B. Godwin, *China as a Major Asian Power: The Implications of Its Military Modernization*, (September 29, 2005), p. 16. This report was prepared for a conference on "Contending Perspectives: Southeast Asian and American Views of a Rising China," sponsored by the Institute of Defense and Strategic Studies (IDSS) and the National Bureau of Asian Research (NBR), which took place in Singapore on August 22–24, 2005.

26. National Intelligence Council, *Foreign Missile Developments and the Ballistic Missile Threat through 2015* (Washington, DC: December 2001), p. 3. As the report notes, "assessments of future missile developments are inexact and subjective because they are based on often fragmentary information." That caveat notwithstanding, the Intelligence Community projected that by 2015 Beijing's future ICBM force will number around 75 to 100 warheads primarily targeted against the United States.

27. Jack Spencer, *The Heritage Foundation Ballistic Missile Handbook* (Washington, DC: 2000) pp. 21–28. See also *Center for Nonproliferation Studies*. <http://cns.miis.edu/research/china/coxrep/wwwmdat.htm>

28. According to a January 9, 2003 article in the *Daily Yomiuri*, Japan's largest English language daily newspaper, China successfully test-launched a medium-range Dong Feng–21 (DF–21) missile with multiple warheads in December 2002. The launching of the MIRV warhead, with a target range of approximately 1,800 kilometers, was the first successful test launch by China of a missile with multiple warheads. It illustrates China's nuclear missile development efforts intended to counter the U.S. missile defense network planned for the region. The W–88 warhead data allegedly stolen from the Los Alamos Nuclear Laboratory is suspected to have assisted the Chinese to develop multiple warhead technology.

29. U.S. Department of Defense, *Annual Report to Congress on the Military Power of the People's Republic of China*, (Washington, DC: July 2005), p. 28.

30. Jack Spencer, *The Heritage Foundation Ballistic Missile Handbook* (Washington, DC: 2000), p. 23. See also *China Defense Today*. <http://www.sinodefence.com/missile/nuclear/default.asp>

31. Jack Spencer, *The Heritage Foundation Ballistic Missile Handbook* (Washington, DC: 2000), p. 29.

32. Jack Spencer, *The Heritage Foundation Ballistic Missile Handbook* (Washington, DC: 2000), p. 29.

33. Mark A. Stokes, *Weapons of Precise Destruction: PLA Space and Theater Missile Development*, (November 5, 1999). This report was prepared for the National Intelligence Council's conference on "China and Weapons of Mass Destruction: Implications for the United States."

[http://www.cia.gov/nic/confreports\\_chinawmd.html#Link3](http://www.cia.gov/nic/confreports_chinawmd.html#Link3)

34. Timothy Hu, "Country Briefing—China: Ready, Steady, Go," *Jane's Defense Weekly*, April 6, 2005; and Eric A. McVadon, "Alarm Bells Ring as China Builds Up Its Armory on a Massive Scale," *Jane's Defense Weekly*, March 16, 2005, p. 23.

35. Kenneth Sherman, "Flashpoint Taiwan Straits: A Look at One of the Most Dangerous Places in the World," *Edefense Online*, March 16, 2005. [www.edefenseonline.com/default.asp?func=article&aref=03\\_16\\_2005\\_IF\\_01](http://www.edefenseonline.com/default.asp?func=article&aref=03_16_2005_IF_01)

36. U.S. Department of Defense, *Annual Report to Congress on the Military Power of the People's Republic of China*, (Washington, DC: 2005), p. 29.

37. Charles R. Smith, "French Arms Sales to China: French Want to Sell Weapons to China," *NewsMax.com*, November 11, 2004.

38. U.S.-China Economic and Security Review Commission, *Hearing on China's Military Modernization and the Cross-Strait Balance*, testimony of Eric McVadon, September 15, 2005.

39. "Warship Modernization," *GlobalSecurity.org*, August 8, 2005. <http://www.globalsecurity.org/military/world/china/plan-mod.htm>

40. U.S.-China Economic and Security Review Commission, *Hearing on China's Military Modernization and the Cross-Strait Balance*, testimony of Congressman Rob Simmons, September 15, 2005.

41. *China Defense Today*. <http://www.sinodefence.com/navy/sub/default.asp>

42. "China Builds New Type Submarine," *United Press International*, July 16, 2004.

43. *China Defence Today*. <http://www.sinodefence.com/navy/sub/default.asp>

44. According to some sources, the PLAAF acquired the Su-27/J-11 as an interim fighter aircraft while awaiting production and delivery of the indigenously produced J-10. While the Chinese apparently have abandoned further production of Su-27/J-11 aircraft, there have been reports that Russian defense officials have rebuffed Chinese efforts to enter a contract to transition to the production of Su-30 aircraft at the Shenyang Aircraft Company.

45. *Jane's All the World's Aircraft, 2005-2006*, Jane's Information Group, Ltd., (London: 2005), pp. 442-444. Jane's states that Russian Su-30s employ the NIIP N001 Myech ('Slot Back') coherent pulse Doppler look-down/shoot-down radar, with an ability to track 10 targets and engage two simultaneously. The aircraft is also believed to be capable of conducting a group mission with four Su-27s; only the Su-30 would operate radar, enabling it to assign targets to Su-27s by radio datalink. The Su-30MKK (Flanker-G) export version sold to China has an N001VE radar with expanded air-to-ground capabilities, including mapping, and is also presumed to be able to conduct group missions.

46. *China Defence Today*. <http://www.sinodefence.com/airforce/fighter/su30.asp>

47. Richard Fisher, "Chinese Dimensions of the 2005 Moscow Aerospace Show," *International Assessment and Strategy Center: Arms Show Report*, September 12, 2005, p. 2. [http://www.strategycenter.net/research/pubID.78/pub\\_detail.asp](http://www.strategycenter.net/research/pubID.78/pub_detail.asp)

48. U.S.-China Economic and Security Review Commission, *Hearing on China's Military Modernization and the Cross-Strait Balance*, testimony of Dr. James Mulvenon, September 15, 2005; and U.S.-China Economic and Security Review Commission, *Hearing on China's Military Modernization and the Cross-Strait Balance*, testimony of Eric McVadon, September 15, 2005.

49. U.S.-China Economic and Security Review Commission, *Hearing on China's Military Modernization and the Cross-Strait Balance*, testimony of James Mulvenon, September 15, 2005.

50. U.S.-China Economic and Security Review Commission, *Hearing on China's Military Modernization and the Cross-Strait Balance*, testimony of Dr. James Mulvenon, September 15, 2005.

51. Bradley Graham, "Hackers Attack Via Chinese Web Sites: U.S. Agencies' Networks Are Among Targets," *Washington Post*, August 25, 2005, p. A-1. See also "Chinese Hackers Elusive," *NewsMax.com*, May 2, 2001. <http://www.newsmax.com/archives/articles/2001/5/1/220058.shtml>

52. Dwayne Day, "Red Moon, Dark Moon," *Space Review*, October 11, 2005. <http://www.thespacereview.com/article/473/1>

53. Dwayne Day, "Red Moon, Dark Moon," *Space Review*, October 11, 2005. <http://www.thespacereview.com/article/473/1>

54. U.S.-China Economic and Security Review Commission, *Hearing on China's Military Modernization and the Cross-Strait Balance*, testimony of Joan Johnson-Freese, September 15, 2005. See also U.S. Department of Defense, *Annual Report to Congress on the Military Power of the People's Republic of China*, (Washington, DC: July, 2005), p. 36.

55. U.S.-China Economic and Security Review Commission, *Hearing on China's Military Modernization and the Cross-Strait Balance*, testimony of Joan Johnson-Freese, September 15, 2005.

56. U.S.-China Economic and Security Review Commission, *Hearing on China's Military Modernization and the Cross-Strait Balance*, testimony of Dennis Blasko, September 15, 2005. It should be noted that in April 2000 the PLA's 'three strikes, three defenses' doctrine directed the military to focus on striking at stealth aircraft, cruise missiles, and helicopter gunships, while defending against precision strikes, electronic jamming, and reconnaissance and surveillance. Along China's periphery, only the U.S. military possesses the full range of these capabilities.

57. Eric A. McVadon, "Alarm Bells Ring as China Builds Up Its Armory on a Massive Scale," *Jane's Defense Weekly*, March 16, 2005, p. 23.

58. Willy Wo-Lap Lam, "China-Russia Wargames Confirmed," *CNN Online*, July 12, 2002. <http://archives.cnn.com/2002/WORLD/asiapcf/east/07/11/china.moscow>

59. Elizabeth Wishnick, "Brothers in Arms Again," *Asia Times Online*, August 22, 2005, <http://www.atimes.com/atimes/China/GH20Ad01.html>. The Shanghai Cooperation Organization (SCO) was established on June 15, 2001 with charter membership including China, Russia, Kazakhstan, Kyrgyzstan, Tajikistan, and Uzbekistan. According to the SCO charter, its main purposes are strengthening mutual trust and friendship among member states; developing effective cooperation in political affairs, the economy and trade, science and technology, culture, education, energy, transportation, environmental protection and other fields; working together to maintain regional peace, security, and stability; and, promoting the creation of a new international political and economic order featuring democracy, justice, and rationality.

60. Colin Mackerras, "'Pivot of Asia' Sees China-Pakistan Maneuvers," *Asia Times Online*, August 13, 2000. <http://www.atimes.com/atimes/China/FH13Ad01.html>

61. "Sino-Russian Military Drill Shifts to China," *Associated Press*, August 20, 2005. <http://msnbc.msn.com/id/8992087>

62. U.S. Department of Defense, *Annual Report to Congress on the Military Power of the People's Republic of China*, (Washington, DC: May 29, 2004), p. 32.

63. David Gollust, "U.S., Israel Discuss Curbs on Israeli Weapons Sales," *Voice of America News Service*, June 27, 2005.

64. Michael Bowman, "U.S. Hopes Accord with Israel Will Limit Military Sales to China," *Voice of America*, August 17, 2005. <http://www.voanews.com/english/archive/2005-08/2005-08-17-voa54.cfm?CFID=34978440&CFTOKEN=10233571>

65. "Parliament Votes in Favour of Keeping China Arms Embargo," *EurActiv.com*, April 15, 2005. <http://www.euractiv.com/Article?tcaturi=tcu:29-138017-16&type=News>

66. U.S. Department of Defense, *Annual Report to Congress on the Military Power of the People's Republic of China*, (Washington, DC: 2005), p. 24.

67. U.S.-China Economic and Security Review Commission, *Symposium on Transatlantic Perspectives on Economic and Security Relations with China*, testimony of Frank Umbach, November 30, 2004, p. 86.

68. Shirley Kan, "Taiwan: Major U.S. Arms Sales Since 1990," *CRS Report for Congress*, July 5, 2005, p. 18. During the period 1994–2005, Taiwan's annual defense budget stayed relatively level at around NT\$260–280 billion (US\$8–10 billion per year). In addition, from 1994–2003 the Taiwan legislature approved special budgets totaling US\$22.6 billion to fund the procurement of fighter aircraft and military housing construction.

69. U.S.-China Economic and Security Review Commission, *Hearing on China's Military Modernization and the Cross-Strait Balance*, testimony of James Keith, September 15, 2005.

70. Chris Johnson, "Commission Debates U.S. Capability to Square Off Against China," *Inside Defense*, September 21, 2005.

71. U.S.-China Economic and Security Review Commission, *Hearing on China's Military Modernization and the Cross-Strait Balance*, testimony of Fu S. Mei, September 15, 2005.

72. U.S.-China Economic and Security Review Commission, *Hearing on China's Military Modernization and the Cross-Strait Balance*, testimony of James Mulvenon, September 15, 2005.

73. Shirley Kan, "Taiwan: Major U.S. Arms Sales Since 1990," *CRS Report for Congress*, July 5, 2005, pp. 8–15.

74. Charles Snyder, "U.S. Military Officials Confirm Sale of Apaches," *Taipei Times*, May 26, 2002, p. 4. <http://www.taipetimes.com/News/taiwan/archives/2002/05/26/137661>

75. Wendell Minnick, "Taiwan's Military Will Fire Blanks," *Taipei Times*, May 25, 2005, p. 8; *Ibid.*, "U.S. Urges Taiwan to Acquire Air-to-Air Missile," *Jane's Defense Weekly*, April 7, 2004.

76. Wendell Minnick, "Taiwan Set to Launch Huge C4ISR Project," *Jane's Defense Weekly*, October 1, 2003; Taijing Wu, "MND says Future of Defense to Lie in High Tech Weaponry," *Taiwan News*, October 9, 2003. <http://www.etaiwannews.com/Taiwan/2003/10/09/1065663680.htm>

77. "Taiwan to Acquire Enhanced AAV7A1s," *Jane's International Defense Review*, September 1, 2003.

78. Rich Chang, "Navy Seeks Home for Kidd-class Destroyer at Suao," *Taipei Times*, Mar 14, 2003, p. 3.

79. Guy Anderson, "Taiwan Looks to Raytheon for Radar System," *Jane's Defense Weekly*, June 28, 2005.

[www.janes.com/business/news/jdi/jdi050628\\_1\\_n.shtml](http://www.janes.com/business/news/jdi/jdi050628_1_n.shtml)

80. President Chen Shui-bian's cabinet had initially put forward an \$18.2 billion Special Budget in June 2004. Having been rejected by the Legislative Yuan, the budget was slashed to \$15.3 billion and then \$11 billion over the course of the past year. See "Taiwan Deploys Missiles on Mobile Launchers," *Space Daily*, January 16, 2005. <http://www.spacedaily.com/news/missiles-05d.html>

81. "Ma, Soong Agree to Oppose Special Weapons Budget," *China Post*, September 8, 2005. <http://www.chinapost.com.tw/detail.asp?ID=68233&GRP=A>

82. "Taiwan Opposition Shoots Down Arms Budget," *Reuters*, September 7, 2005. [www.defensenews.com/story.php?F=1085853&C=asiapac](http://www.defensenews.com/story.php?F=1085853&C=asiapac)

83. Alice Hung, "Time Running Out as Taiwan Wrings Hands Over U.S. Arms," *Reuters*, October 2, 2005.

[news.yahoo.com/s/nm/20051002/wl\\_nm/arms\\_taiwan\\_china\\_dc](http://news.yahoo.com/s/nm/20051002/wl_nm/arms_taiwan_china_dc)

84. U.S.-China Economic and Security Review Commission, *Hearing on China's Military Modernization and the Cross-Strait Balance*, testimony of Dan Blumenthal, September 15, 2005.

85. U.S.-China Economic and Security Review Commission, *Hearing on China's Military Modernization and the Cross-Strait Balance*, testimony of Richard Bush, September 15, 2005.

86. Beijing's definition of 'one-China' relegates Taiwan to the status of a province, and Taipei a local government, subject to the authority of Beijing. In 1991, at the onset of unification talks between Taipei and Beijing, Taiwan's President Lee Teng-hui rejected Beijing's one-China principle fearing that it was a political trap. According to Richard Bush, all Taiwan political parties continue to reject the one-China principle as defined by Beijing.

87. U.S.-China Economic and Security Review Commission, *Hearing on China's Growing Global Influence: Objectives and Strategies*, testimony of Randall Schriver, July 21, 2005.

88. The Pan-Blue political block is comprised of the Kuomintang (KMT) and the People First Party (PFP) and generally favors unification with China, but has not devised a mutually agreeable formula for doing so. The Pan-Green political block includes the Democratic People's Party (DPP) and the Taiwan Solidarity Union (TSU), and is generally regarded to be allied in their preference to retain the status quo and defer or delay considerations of unification. Some members of Pan-Green favor a formal declaration of Taiwan independence.

89. "Beijing Offers Aid Package as KMT Ends Visit," *China Daily*, May 3, 2005. [http://www2.chinadaily.com.cn/english/doc/2005-05/03/content\\_439302.htm](http://www2.chinadaily.com.cn/english/doc/2005-05/03/content_439302.htm)

90. Mike Chinoy, "Beijing Softens Policies on Taiwan," *CNN*, May 13, 2005. <http://edition.cnn.com/2005/WORLD/asiapcf/05/12/taiwan.china>

91. *Anti-Secession Law* (Beijing, China: March 14, 2005), Adopted by the third session of the 10th National People's Congress and Chinese People's Political Consultative Conference.

92. John Tkacik, "China's New "Anti-Secession Law" Escalates Tensions in the Strait," *The Heritage Foundation Webmemo #629*, December 21, 2004. <http://www.heritage.org/Research/AsiaandthePacific/wm629.cfm>

93. John Tkacik, "China's New Anti-Secession Law Escalates Tensions in the Strait," *The Heritage Foundation Webmemo #629*, December 21, 2004. <http://www.heritage.org/Research/AsiaandthePacific/wm629.cfm>

94. U.S.-China Economic and Security Review Commission, *Hearing on China's Military Modernization and the Cross-Strait Balance*, testimony of Richard Bush, September 15, 2005.

95. Ministry of Commerce of the People's Republic of China, Department of Taiwan, Hong Kong, and Macao Affairs, *2004 Nian Liangan Maoyi Touzi Qingkuang* [2004 Cross-Strait Trade and Investment Yearbook] (Beijing, China: January 25, 2005). <http://tga/mofcom.gov.cn/aarticle/d/200501/20050100338608.html>

96. Ministry of Commerce of the People's Republic of China, Department of Taiwan, Hong Kong, and Macao Affairs, *2004 Nian Liangan Maoyi Touzi Qingkuang* [2004 Cross-Strait Trade and Investment Yearbook] (Beijing, China: January 25,

2005), <http://tga.mofcom.gov.cn/aarticle/d/200501/20050100338608.html>. However, in 2001, Dr. Tsai Ying-wen, then head of Taiwan's Mainland Affairs Commission, informed members of the U.S.-China Economic and Security Review Commission that if remittances from people on Taiwan to mainland relatives were included, the balance would be "a wash."

97. U.S.-China Economic and Security Review Commission, *Hearing on China's Military Modernization and the Cross-Straits Balance*, testimony of Richard Bush, September 15, 2005.

98. Ministry of Commerce of the People's Republic of China, Department of Taiwan, Hong Kong, and Macao Affairs, *2003 Nian Liangan Jingji Jiaoliu Qingkuang* [2003 Cross-Strait Economic Trade Yearbook] (Beijing, China: March 15, 2004), <http://tga.mofcom.gov.cn/aarticle/d/200403/20040300195152.html>; *Ibid*, *2004 Nian Liangan Maoyi Touzi Qingkuang* [2004 Cross-Strait Trade and Investment Yearbook] (Beijing, China: January 25, 2005).

99. Richard Bush, *Untying the Knot: Making Peace in the Taiwan Strait* (Washington, DC: Brookings Institution Press, 2005), p. 32.

100. U.S.-China Economic and Security Review Commission, *Hearing on China's Military Modernization and the Cross-Straits Balance*, testimony of Merritt T. Cooke, September 15, 2005.

101. Denny Roy, "Cross-Strait Economic Relations: Opportunities Outweigh Risks," *Asia-Pacific Center for Security Studies Occasional Papers Series*, April 2004. [www.apcss.org/Publications/Occasional%20Papers/Cross-Strait%20Economic%20Relations.pdf](http://www.apcss.org/Publications/Occasional%20Papers/Cross-Strait%20Economic%20Relations.pdf)

102. T.J Cheng, "China-Taiwan Economic Linkage: Between Insulation and Superconductivity," in Nancy Bernkopf Tucker, ed., *Dangerous Strait: The U.S.-Taiwan-China Crisis*, (New York, NY: Columbia University Press, 2005), pp. 104–16; Chen-yuan Tung, "China's Economic Leverage and Taiwan's Security Concerns with Respect to Cross-Strait Economic Relations," *National Chengchi University Taiwan Studies Workshop: Online Papers*, May 1, 2003. <http://www.fas.harvard.edu/fairbank/tsw/text/Tung.htm>

103. U.S.-China Economic and Security Review Commission, *Hearing on China's Military Modernization and the Cross-Strait Balance*, testimony of Thomas Christensen, September 15, 2005.

104. U.S.-China Economic and Security Review Commission, *Hearing on China's Military Modernization and the Cross-Strait Balance*, testimony of Thomas Christensen, September 15, 2005.

105. In May 2005, nearly three dozen members of Congress, all major supporters of Taiwan, sent a letter to then-KMT chair Lien Chan urging his party to cease blocking passage of the weapons budget. Charles Snyder, "U.S. Representatives Urge Passage of Arms Budget," *Taipei Times*, May 28, 2005, p. 1.

106. U.S. Economic and Security Review Commission, *2004 Report to Congress of the U.S.-China Economic and Security Review Commission* (Washington, DC: June 2004), p. 195; "Chinese Military Keeps Defense Modernization Under Party's Absolute Leadership," *Xinhua General News Service*, March 9, 2005; and "ADB Boosts China GDP 2005 Growth Forecast to 8.5%," *Intellinews—Asia Today*, September 9, 2005. <http://www.euromoney.com/default.asp?page=18&Pub=25&ISS=20418&SID=580207>. Data from 1997–2004 was obtained from the Commission's 2004 Report to Congress. See Fig. 8.1, "China's Defense Spending, 1997–2004." This table has been expanded to include China's official growth and defense budget figures for 2005, as reported by official Chinese sources.

107. "Chinese Military Keeps Defense Modernization Under Party's Absolute Leadership," *Xinhua General News Service*, March 9, 2005; and "ADB Boosts China GDP 2005 Growth Forecast to 8.5%," *Intellinews—Asia Today*, September 9, 2005. <http://www.euromoney.com/default.asp?page=18&Pub=25&ISS=20418&SID=580207>