

“U.S.-CHINA RELATIONSHIP: ECONOMICS AND SECURITY IN PERSPECTIVE”

**PREPARED STATEMENT OF
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Madam Chairman, distinguished members of the Commission, I thank you for the opportunity to address this important topic. China’s rapid emergence as a regional political and economic power with global aspirations is an important element of today’s strategic environment – one that has significant implications for the United States, the Asia-Pacific region, and the world. The uncertainty surrounding China’s rise underscores the importance of the Commission’s charter to identify approaches that best serve US interests in managing the way forward, and I commend the Commission for its efforts.

U.S. Policy

Our National Defense Strategy emphasizes the importance of influencing events before challenges become more dangerous and less manageable. This approach, along with the recognition that China, as described in the 2006 Quadrennial Defense Review, finds itself at a strategic crossroads, provides the basis for our policy towards China. That is, to shape China’s choices in ways that foster constructive cooperation in addressing common security challenges, including terrorism, proliferation, narcotics trafficking and piracy. It is through these efforts that the Department of Defense supports the broader U.S. policy that welcomes the rise of a peaceful and prosperous China, a China that emerges as a responsible international stakeholder.

China’s Military Transformation

Whether China’s emergence will be peaceful or not remains uncertain. Fueled by extraordinary economic growth for the past two decades, the pace and scope of China’s military transformation has accelerated with each passing year. China continues to invest heavily in the modernization of its military, particularly in strategic weapons and capabilities to support power projection and access denial operations.

The Defense White Paper released by the Chinese government at the end of 2006 is considered by most observers to be an improvement over earlier versions of this paper,

published on a biennial basis since 1998. It continues a trend of modest improvements in transparency and in the quality of reporting. We noted a moderation in rhetoric, but unfortunately, the paper continues to lack basic factual details on PLA force composition and defense expenditures.

Following a thorough review of the White Paper, the question remains of China's military transformation – to what ends? What are China's objectives and intentions? There is little information in the White Paper or other official Chinese pronouncements to explain the motivations behind much of China's military modernization efforts.

The principal focus of China's military modernization in the near term appears to be preparing for potential conflict in the Taiwan Strait. In this context, the cross-Strait balance of power continues to shift in Beijing's favor. Beyond the near-term Taiwan-oriented efforts, however, China's military modernization efforts also support capabilities for broader regional applications.

As will be discussed in our upcoming report to Congress, China continues to deploy short-range ballistic missiles to garrisons opposite Taiwan. The PLA maintains more than 700 combat aircraft within operational range of Taiwan. While many of China's aircraft are obsolete or upgraded versions of older aircraft, modern aircraft (e.g. Su-27 and Su-30/FLANKER variants and the indigenous F-10 fighter) make up a growing percentage of the force. An increasingly sophisticated array of armaments and China's development of aerial refueling capability, combined with its new platforms, has improved China's offensive air capabilities. The PLA Navy continues to enhance its regional force projection capabilities through acquisition of new surface combatants, submarines, and advanced weapons systems (e.g. long-range anti-ship cruise missiles and naval mines) and ship-based air defenses. China received the second of two Russian-made SOVREMENNY II guided missile destroyers in late 2006 and took delivery of two KILO-class diesel-electric submarines – China now operates 12 KILO-class submarines.

China's strategic forces modernization, to include development of the DF-31 and DF-31A road-mobile, solid propellant intercontinental range ballistic missiles, a new submarine launched ballistic missile, and qualitative upgrades to some of its older systems is altering the historic nuclear calculus. China's counterspace developments – punctuated by the January 2007 successful test of a direct ascent anti-satellite weapon – pose dangers to human space flight, and put at risk the assets of all space faring nations. Its continued pursuit of access denial capabilities and strategies are expanding from the traditional land, air, and sea dimensions of the modern battlefield to include space and cyber-space.

In the face of these potentially disruptive developments, the United States continues to monitor closely China's military modernization, while continuing to push for greater transparency and openness. At the same time, as our QDR outlines, the Department will continue to work with partner states to build capacity and reduce

vulnerabilities. Critical components of this effort involve diversifying our basing structure; promoting constructive bilateral relationships in the region; and developing appropriate counters to anti-access threats.

Regional and Global Security Challenges

China's emergence brings with it opportunities to demonstrate whether or not it intends to take on the role of a responsible stakeholder in the international system, especially regarding key security challenges. In this regard, we continue to receive mixed signals from Beijing.

In the last year, China appears to have begun to view the North Korean nuclear issue with more concern than in the past. North Korea's ballistic missile launches over the Sea of Japan last July and nuclear test in October no doubt served as catalysts giving China cause to reconsider its previous ambivalence toward North Korea's nuclear programs. We commend China's continued facilitation of the Six-Party Talks, however, we strongly encourage Beijing to more fully leverage its special relationship with Pyongyang to convince the North to give up its nuclear ambitions.

The proliferation of weapons of mass destruction remains one of the U.S. Government's foremost security concerns. Over the past several years, Beijing has improved its non-proliferation posture by promulgating export control laws and regulations, strengthening its oversight mechanisms, and committing to respect multilateral arms export control lists. Government white papers on defense and non-proliferation have also served to increase transparency of China's efforts. However, there remains more for China to do to curtail proliferation. Despite Beijing's improved measures to counter proliferation, we still observe transfer of a wide variety of technologies to customers around the world – including to states of concern such as Iran, Sudan, Burma, Zimbabwe, Cuba, and Venezuela.

We remain concerned with Chinese foreign relations efforts that seek to limit United States' presence and influence. Efforts to develop exclusionary regional frameworks are contrary to the trend of greater regional cooperation in Asia. The use of its influence in the Shanghai Cooperation Organization to call for a U.S. withdrawal from regional bases runs counter to our efforts in the War on Terrorism.

There is an important underlying message that we can derive from the manner with which we see China's military transformation proceeding, and I believe this message also comes through in the overall tone of China's Defense White Paper. That is, in 2007, China has assumed a more confident and increasingly assertive posture than when the U.S. China Commission was established in 2000. The January 2007 ASAT test and October broach of a SONG-class diesel-electric submarine in close proximity of the

USS KITTY HAWK in international waters, can be viewed in this context. China is beginning to see the fruits of its long-term investment in comprehensive military modernization. However, a risk of miscalculation exists. On the one hand, we may underestimate the development of China's military capabilities. On the other hand, China's leaders themselves may overestimate the proficiency of their forces owing to their lack of real operational experience, leading potentially to more risk acceptant behavior. This is an important factor to consider as the United States military assesses its own transformation efforts and considers how best to manage and shape this critical relationship with China.

Military-to-Military Relations

Since the low-point reached during the 2001 EP-3 incident over the South China Sea, there has generally been positive momentum behind the development of a U.S.-China military-to-military relationship. Our military-to-military engagement encourages cooperation with China in areas where there are shared interests, but we also are cognizant of differences, and seek to speak candidly on areas where our interests diverge.

Our engagement efforts are organized along four channels: high level, educational, functional, and bilateral dialogues. High level exchanges and bilateral dialogues provide direction for our defense relations, but also serve as a mechanism to secure endorsement from the PLA leadership to implement their commitments. We have made incremental, yet meaningful progress in the quality and quantity of our educational and functional exchanges, and seek to build on this progress with the objective of "demystifying" one another.

To support an overall program of exchanges that is substantive and equitable, we adhere to the principles of transparency and reciprocity in development of all military-to-military activities. In this way, it is our goal to improve mutual understanding, and prevent conflict by communicating U.S. resolve to maintain deterrence and stability in the Asia-Pacific region.

We are seeing greater opportunities for educational exchanges at lower levels, particularly at our military academies. Importantly, in 2006, we saw the completion of a two-phase bilateral search and rescue exercise that contributed to greater understanding of each other's responses to humanitarian disasters at sea. The PLA has indicated greater willingness and interest in conducting archival research to support efforts to account for American service personnel missing from past conflicts.

Our defense relationship, however, faces significant challenges. In the conduct of our military-to-military activities, we remain mindful of the PLA's modernization efforts I described earlier and its coercive posture directed at Taiwan. In recognition of these

challenges, we closely manage our defense exchanges to ensure these contacts are consistent with the guidelines established by the National Defense Authorization Act for Fiscal Year 2000; avoiding any activities that would put U.S. national security at risk.

We've also undertaken several initiatives to address these challenges. Based on concerns regarding China's accelerated modernization of its strategic missile forces, President Bush and President Hu Jintao agreed to initiate a dialogue on strategic nuclear policy, doctrine and strategy. U.S. Strategic Command is prepared to host the Commander of the PLA's Second Artillery Corps as a first step. Since 2004, we've encouraged Beijing to establish a defense telephone link between our defense leadership to support senior level communications in the event of a crisis. Based on our discussions with Chinese Ministry of Defense officials late last year, we expect to move forward on both of these efforts in the months ahead.

At the same time, we continue to seek ways to develop our relationship in a constructive manner. We believe there's continued room for improvement, but progress in military-to-military relations will depend on the choices of China's military leadership. Choices that emphasize transparency over opacity, substance over symbolism, and implementation over negotiation will go a long way to further our defense relations.

Agenda for the Future

As noted in the 2006 QDR Report, the U.S. Department of Defense is transforming according to our best understanding of ongoing changes in the international security environment. On this continuum of change, better understanding affords better cooperation, while greater uncertainty requires greater hedging.

China's lack of transparency cultivates an environment of uncertainty rather than understanding. Greater openness on the part of China would go a long way to reversing this trend. For the Department, we must make every effort to develop an accurate understanding of China's intentions and capabilities.

In the years ahead, the Department would benefit from greater insight on China's:

- strategic intentions
- calculus of deterrence in the context of its strategic forces modernization
- priorities in the military research, development and acquisition process
- plans and intentions in military space and counterspace
- investment strategies in military and dual-use science and technology

- emerging views on the security situation on the Korean Peninsula and Iran
- the impact of China's growing dependence on foreign sources for energy and strategic minerals on defense policy and force planning

Conclusion

The United States has long been a force for stability in the region, and will continue to play a positive role. The United States relationship with China is a key part of our strategy to promote a stable, peaceful and prosperous Asia-Pacific region. The Department recognizes the important role defense exchange can play in supporting the President's overall vision for U.S.-China relations and will continue to manage our activities to best shape China's choices in a responsible and constructive direction.