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Madame Chair Bartholomew, Chairman Brookes, members of the Commission, thank you for the opportunity to appear today to discuss Department of Defense perspectives on China's current and emerging foreign policy priorities. This is an important topic that has a direct and enduring impact on our national and regional security policy and our strategic interests. This is not the first time the Commission has examined China's interactions with Iran and North Korea, and I commend the Commission's continuing interest in these and other important issues. I look forward to addressing the questions posed in the hearing invitation letter. However, before I do that, I would like to offer some context on where Department of Defense engagements with China fit within broader context of overall U.S. policy and strategy toward China and the region.

In January of this year, President Obama and China's President Hu Jintao reaffirmed their vision for a U.S.-China relationship that is positive, cooperative, and comprehensive. Both leaders agreed that military-to-military relations are a necessary and essential part of this comprehensive relationship. We have made modest progress towards normalizing military contacts in recent months with the convening of a Military Maritime Consultative Agreement Plenary meeting in October 2010, at a meeting of the Undersecretary-level Defense Consultative Talks in December, during Secretary Gates' trip to China in January, and again just this week as we convened Deputy Assistant Secretary of Defense-level Defense Policy Coordination Talks (DPCT). We think that it is in the interest of both countries to maintain this momentum through the remaining months of 2011 and beyond. Such dialogue is necessary if we are to expand upon those areas where we can cooperate, but also to maintain open channels of communication through which we can speak frankly about those issues over which we differ and to improve mutual understanding, and to reduce the risk of miscalculation. We believe it is precisely because there exist differences and concerns between our two countries that a continuous dialogue between our two militaries is so integral to the health of the overall bilateral relationship.

As the President said in the National Security Strategy, "We welcome a China that takes on a responsible leadership role in working with the United States and international community to advance priorities like economic recovery, confronting climate change, and non-proliferation. We will continue to monitor China's military modernization program and prepare accordingly to ensure that our interests and those of our Allies, regionally and globally, are not negatively affected." An important part of this process is to build a military-to-military component of this relationship that is healthy, stable, reliable, and continuous, and that breaks the on-again/off-again cycle that has characterized the military relationship in years past.

Our strategy toward China rests on three primary elements. First is a sustained effort to strengthen and expand areas of bilateral cooperation in meeting regional and global challenges. Second is to place our China policy within the context of our overall Asia strategy, including by

strengthening our relationships with our Allies and partners. And third, to insist that China abides by existing global rules, laws, norms and institutions as it emerges.

My State Department colleague has addressed our overall policy toward China in greater detail in his testimony, so for our purposes and as a witness from the Defense Department, I would like to provide additional comment on the second element, which relates to strengthening our alliances and other partnerships in the region.

Our treaty alliances with Japan, South Korea, Australia, Thailand, and the Philippines and our network of partnerships throughout the Asia-Pacific and beyond remain key components of our strategic engagement in the region and remain critical to ensuring that we shape the context within which China emerges and meet the challenges that we face in the region. By working to increase alliance capacity and working with them to update and enhance roles, missions, and capabilities we will, together, be better prepared for 21st century challenges.

One such challenge, which comes as no surprise to members of this Commission, is the threat posed by an increasingly provocative and unpredictable North Korea. As we have witnessed in the last 12 months, North Korea has attacked and sunk a ROK naval vessel, killing 46 sailors, publicly revealed a uranium enrichment program in contravention of multiple UN Security Council Resolutions and North Korean commitments, and launched an artillery attack that killed both ROK Marines and civilians. These sorts of provocations serve as a stark and somber reminder of the active threat that North Korea poses to the United States and our Allies, and our need to remain forward deployed to encourage greater engagement from China on North Korea issues.

Mr. Chairman, with that bit of context I would like to turn now and directly address the North Korea issues and the others that the Commission outlined in its invitation. In particular I would like to provide some insight into China's security and military relations with North Korea, Iran, and Russia, and discuss how these relationships may affect international sanctions efforts. Additionally, I was asked to discuss the degree to which China's foreign policy has become more assertive in recent years; and whether the People's Liberation Army (PLA) is playing a larger role in China's foreign policy making process.

North Korea

North Korea is one of the least open countries in the world. As such, it is difficult to know with certainty what is happening in that country, especially regarding its military. China remains North Korea's largest supplier of food and fuel, and China perhaps has more interaction with North Korea than any other country.

In the defense sphere, ties between the Chinese People's Liberation Army and the Korean People's Army have fluctuated over time. Forged in the Korean War, China's military relationship with the North includes a mutual defense agreement signed in 1961 and a history of exchanges and arms trade. Over time the relationship has frayed and faded, and some in China may see North Korea as more of a liability than an asset. However, the ties continue, including the visit last fall by General Guo Boxiong, the senior most uniformed officer in China's military,

and Vice Chairman of the Central Military Commission. The PLA appears to retain effective avenues of access and influence within North Korea's regime. We would like for China to use these to greater effect in support of the international community's interest in the continued peaceful process of denuclearization of North Korea.

More broadly, China's activities with North Korea are, on some issues, helpful to U.S. and Allied interests in the region, and on other issues less so. China has played a central role by chairing the Six-Party Talks and has been supportive of efforts in the United Nations Security Council (UNSC) calling for the denuclearization of the Korean Peninsula. For example, following North Korea's announced nuclear tests China took the important step to vote for UNSC Resolutions 1718 and 1874 imposing sanctions that prohibit North Korea from buying or selling nuclear, ballistic missile, other WMD and conventional related arms and materiel. And, in January of this year, the Joint Statement by President Obama and President Hu, China reiterated the need for "concrete and effective steps to achieve the goal of denuclearization and for full implementation of the other commitments made in the September 19, 2005 Joint Statement of the Six-Party Talks."

We are disappointed however, that China has not condemned North Korea's attack against the South Korean naval ship, Cheonan, last year, nor has it condemned North Korea's artillery attack against Yeongpyong Island. We have urged China to transparently implement the relevant UN Security Council resolutions and to support the international community's interest in addressing North Korea's provocations and disruptive behavior. We look forward to continuing to consult closely with China on these subjects.

Russia

China characterizes its relationship with Russia as a comprehensive strategic partnership. China's partnership with Russia has contributed to China's military modernization and enabled deeper cooperation on diplomatic interests.

The collapse of the Soviet Union in 1991 assuaged PRC concern over a major conflict, enabling the PRC and Russia to begin resolving longstanding border disputes, promote trade and build what became a fairly robust arms trade. China's purchases of Russian military equipment had the effect of accelerating China's military modernization by providing the PLA immediate solutions to capability gaps, such as organic ship-borne air defense, 4th generation fighter aircraft, modern surface-to-air missile systems, and highly effective anti-ship cruise missiles. Russia continues to be China's main source for high-tech weapons systems and components. However, in the past several years, we have seen a change in the types and quantity of systems China is purchasing from the Russians.

As discussed in the "Military and Security Developments Involving the People's Republic of China: 2010," China has focused less on platforms in favor of purchasing weapon systems and components for use by land, sea, and air forces. This shift may be a result of a more sophisticated indigenous defense industry within China, but also may reflect a longstanding reticence on the part of the Russians to provide China access to its most capable technologies and systems over concerns about the protection of its intellectual property and the long-term

prospects of competing with rapidly advancing Chinese defense technology in the global defense market.

In 2010, China overtook Germany to become Russia's largest trading partner. Chinese exports to Russia increased by 69 percent and amounted to \$29.6 billion compared with 2009, while Russian exports to China increased by 21.7 percent to \$25.8 billion. China has made major investments in Russian oil and gas infrastructure, often acting as Russia's lender of last resort. As part of a Russia-China deal for 300 million tons of oil in exchange for \$25 billion in loans, Russia extended a branch of its East Siberian-Pacific Ocean oil pipeline to China. Gazprom continues to negotiate gas sales to China, with prices being the sticking point, and would like to eventually build a gas pipeline to China. Russia is also an important supplier of iron, timber, and scrap metal to China, while China provides a wide range of inexpensive consumer goods to Russia and is an important source of labor for Russia's de-populated Far East.

Beyond economic and defense industrial cooperation, as described in a March 2010 report by the CNA Corporation, the, "Russia-China partnership has primarily been built on the two partners' concerns about threats to their domestic stability and unity, their key security interests, and their status in what they see as a U.S. dominated world order." China's motives in the partnership seem focused more on acquiring the needed equipment and expertise to counter internal domestic threats, whereas Russia tends to derive benefit in terms of its international prestige and in avoiding what Russia may perceive as isolation from the West. This fundamental divergence and lingering mutual distrust underscores the limits of this relationship over the long term. Indeed, we witnessed evidence of this divergence in China's refusal to endorse Russia's recognition of South Ossetia and Abkhazia in 2008. However, in the near and mid-terms, we can anticipate that the China-Russia partnership will continue to be an important factor shaping international diplomacy—particularly in the UN Security Council, where both nations hold a veto.

Iran

China has a longstanding relationship with Iran, extensive economic and energy interests. China, today, is Iran's largest international trading partner. We have not seen evidence of new PRC investments in Iran's energy sector, but it has maintained its investments there, even as other countries—notably Japan and Korea—have pulled back their investments. China is also investing in many of Iran's other extractive resources – aluminum, copper, and coal. China's significant investment in Iran mitigates the impact of international efforts to promote positive change in Iran's policies and behaviors.

On the other hand, as part of the P5+1 and UN Security Council, China contributed to the crafting of UNSCR 1929 and plays a constructive role in efforts to reach a resolution of the international community's serious concerns about Iran's nuclear program. While we may not see eye-to-eye on all of our tactics to address Iran's nuclear program, China shares the international community's concern over Iran's noncompliance with its international obligations and its nontransparent conduct in its nuclear activities. China continues to support consensus with the P5+1 on major issues dealing with Iran. China supported UNSCR 1929, and there was broad

agreement among of the P5+1, including China, in talks with Iran earlier this year in Geneva and Istanbul.

The subject of Iran and implementation of sanctions against Iran is an important item on the U.S.-China bilateral agenda and we discuss it regularly at the highest levels. China has stated that it is committed to implementing UN Security Council Resolution 1929 and the other resolutions on Iran fully and faithfully. We welcome that assurance and look forward to continuing to consult with China on these subjects.

China's Activism in Foreign and Security Policy

Over the past 30 years, China has sustained economic growth rates above 8.5% per year on average, even over the past 3 years of financial uncertainty. Fifteen of the twenty largest ports in the world are in the Asia-Pacific region. Nine of these are in China. Commensurate with that trade volume, China is now the largest trading partner of Japan, India, Taiwan, Australia, South Korea, and Russia. This enormous economic growth has led China to become the world's second largest economy with interests in securing access to the energy, resources, and markets it needs. These expanding global economic interests are giving rise to a greater set of foreign policy and security interests. China's expanding interests combined with its greater capacities – including military capabilities – are in turn enabling China to undertake a more activist posture in foreign and security affairs.

On the positive side, in recent years China has shown a greater willingness to participate in cooperative international security. One example has been the increase in China's participation in peacekeeping efforts. In 2010, China had over 2100 personnel committed to UN Peacekeeping exercises—the most of any permanent member of the Security Council. China has also been active since 2009 in the counter-piracy effort in the Gulf of Aden, with PLA Navy ships escorting commercial vessels through that dangerous part of the world.

In other cases, however, China's more active diplomatic and security behavior has precipitated regional tensions and instability, such as what we saw last year in the South China Sea. As Secretary Gates said at Shangri-la Dialogue in June last year, "it is essential that stability, freedom of navigation, and free and unhindered economic development be maintained. We do not take sides on any competing sovereignty claims, but we do oppose the use of force and actions that hinder freedom of navigation. We object to any effort to intimidate U.S. corporations or those of any nation engaged in legitimate economic activity. All parties must work together to resolve differences through peaceful, multilateral efforts consistent with customary international law." We also continue to discuss with China its maritime claims and behaviors in the South China Sea, as well as the East China Sea and Yellow Sea, and consistent with the U.S. policy, encourage China to peacefully resolve these disputes through dialogue.

The PLA's role in Foreign Policy

The Commission's fourth question asks whether the PLA is playing a larger role in China's foreign policy making process. This is an issue the Defense Department is actively watching and interested in. The PLA does play an important role in China's overall decision-making process.

The People's Liberation Army's budget has increased at double digit rates for over 15 years. This gives it both greater resources and a greater capacity to act in support of PRC foreign policy objectives which may give PLA leaders greater credibility and voice in foreign policy discussions. Moreover, as China's interests have expanded, there is a greater intersection between China's defense and foreign policies, giving the PLA a greater role in shaping debates – particularly public debate – on foreign and security policy.

As the PLA continues to modernize, it is becoming more professionalized and specialized. Successive civilian leadership changes have resulted in a leadership that has no experience in, and little experience with, the PLA. Further, the limited opportunity for formalized interactions between the civilian leadership and the military leadership suggests that there are fewer opportunities for the civilian leaders to gain alternative viewpoints and recommendations regarding matters that fall within the purview of the military.

Lastly, China's overall leadership structure is undergoing change. The level and extent of PLA participation in the highest levels of the Party is less now than before—the PLA now occupies only two seats on the 25 member Politburo and no seats on the nine-member Politburo Standing Committee. But at the same time, the more collective approach to leadership provides multiple bureaucratic actors greater opportunities to influence decisions.

As the PLA modernizes and becomes more able to function further from China, we can expect it will play a larger role in China's foreign policy. We are seeing a foreshadowing of the kinds of operations we will expect more of in the future. These include: counter-piracy operations in the Gulf of Aden; the deployment of a frigate to the Mediterranean to support the evacuation of Chinese nationals from Libya; security assistance in countries where China is seeking to gain access or influence and the military exercises it conducts with militaries of many countries around the world. Likewise, as we saw with the 2007 anti-satellite test, and the January 2011 flight test of the J-20, China's military modernization itself will have increasingly significant foreign policy consequence. How China's leaders chose to manage this aspect of civil-military relations remains an open question.

Conclusion

Madame Chair, Mr. Chairman, members of the Commission, China's activism in foreign and security affairs present the United States and the international community both opportunities and challenges. As we work to fulfill our common vision for a positive, cooperative, and comprehensive U.S.-China relationship, we seek to maximize the potential for positive outcomes while developing ways to manage our differences in a manner that supports regional stability. We seek greater cooperation from China to resolve the nuclear ambitions of both North Korea and Iran and will use dialogue to help manage differences. We will not agree on all issues, but we will be clear and frank with China on those issues over which we differ.

As we have said before, China's future is not set and we must be prepared for multiple outcomes in the U.S.-China relationship. There are any number of questions about China's foreign policy and foreign relations that will help us to understand better the direction China's rise will take.

Some of these questions include:

- What are the ways in which China's rise is altering current international rules and norms?
- In what ways is China's posture cooperative to the U.S. and others in the region?
- As China continues to develop, what indicators should we look for to demonstrate China is, or is not, taking on more responsibilities in global problem solving?

Thank you for the opportunity to appear before this Commission.