

“THE IMPACT OF CHINA’S ECONOMIC AND SECURITY INTERESTS IN CONTINENTAL ASIA AND ON THE UNITED STATES”

**PREPARED STATEMENT OF
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Madame Chairman, Mr. Vice Chairman, members of the Commission, I thank you for inviting me to appear before you today to address a range of topics related to our views on China’s interests in the war in Afghanistan, its security relationship with South and Central Asia, its commercial and energy interests in the region, and their impact on the United States.

China has comprehensive regional economic and security interests in South and Central Asia, and pursuit of those interests will naturally guide China’s policymaking and considerations. Central and South Asia are currently a top strategic focus of the U.S. government as well, particularly the situation in Afghanistan and Pakistan. However, this is not a resumption of the “great game,” and China’s interests and those of the United States are not necessarily incompatible. We have and will continue to develop areas of common interests, although undoubtedly there will also remain areas where our interests diverge. The challenge before us is to maximize the space for cooperation in pursuit of common interests, and safeguard against any negative impact resulting from areas of disagreement. As China continues to develop its approach to the region, there are numerous opportunities for China to demonstrate its role as a constructive actor in upholding international stability. For example, adopting an open and transparent approach to its activities will help ease concerns that others may harbor about

China's strategic intent, and will assist in developing the trust that can lead to greater levels of cooperation.

Although China tailors its approach to the specifics of each country in Central Asia and South Asia, we also observe broad commonalities in its overall policy goals. First and foremost is the desire to see stability around China's periphery, which China's leaders judge is essential to continued domestic growth and development. Having stable and, ideally, friendly regimes around its borders provides China political support, reduces China's concern about extremists who might establish havens for basing attacks against China, and helps to ease long-standing fear of encirclement.

China also seeks to benefit economically from positive relations with its neighbors, and has sought to develop infrastructure throughout the region that would further open markets for PRC goods, while facilitating China's access to natural resources. China perceives both opportunities and potential dangers in a Central Asia where Russia historically dominated, but where now Russia, Turkey, Iran, India, the U.S., and others all have active interests. While China is always careful not to challenge Russian interests directly or openly, it remains concerned that Russia could resume its past dominant role. Similarly, China closely monitors U.S. influence, particularly in Pakistan. Thus, China's overall approach is to strike a balance, striving for positive relations with all regional powers, while always alert for additional opportunities to advance its relative standing in both regions.

This balancing act appears in China's involvement in Central Asia, and the tension between China's claims in promoting the economic development of the region and the promotion of its own interests. Indeed, China's interests in Central Asia are primarily economic, and reflect its need for energy, natural resources and market access to maintain economic growth. The 1,000 kilometer pipeline from Kazakhstan's central Karaganda region to China's northwest Xinjiang region provides a key link to a planned 3,000 kilometer project linking Caspian Sea hydrocarbon deposits to China. China is constructing a gas pipeline from Turkmenistan, and is helping Uzbekistan develop its Ferghana Valley oil fields -- a potential regional source of energy. The United States supports increased Eurasian oil and gas exports, including to China, as a means to deliver additionally energy to global markets. For Caspian Basin countries, China represents an additional independent export route that strengthens the sovereignty of these countries. To the extent that natural gas consumption in China substitutes burning coal, increased gas usage in China also benefits U.S. climate change goals. China continues to harness Central Asian rail and road networks to build a land bridge to the West that does not transit Russia, and to that end is investing in passenger and cargo rail capacity to Kazakhstan. It is also overhauling a key road in Tajikistan. These investments in regional infrastructure, with reciprocal access to markets, may help enable China to reach its target of 8% annual growth in GDP. They may also create competitive advantages vis-a-vis Russia and others, providing markets in Central Asia the option of selecting cheaper products from China.

We have not seen China develop security relationships with Central Asian states on par with its economic relationships, mainly because Russia continues to play an important role in training and equipping Central Asian militaries. Russia is able to meet fully the region's limited appetite

for and ability to absorb arms transfers. What security cooperation we see with China primarily falls under the auspices of the Shanghai Cooperation Organization (SCO), which I will touch on near the end of my remarks.

China's competing interests in promoting the common objective of regional stability on the one hand, while enhancing its relative standing in the region and vis-a-vis the U.S. and Russia on the other, are also evident in its approach to Afghanistan. China does not want the U.S. to establish a permanent presence in the country, and could be expected to oppose any U.S. attempt to do so. At the same time, China recognizes that the U.S.-led efforts are the primary force preventing Afghanistan from slipping into greater anarchy, and given its interests in secure and stable borders and concerns about extremist terrorists, does not want us to fail.

For the most part, as long as China does not pursue mercantilist or exclusionary policies, its attempts to improve the regional infrastructure through investments in Afghanistan serve U.S. interests. China's economic and development activities in Afghanistan have contributed to U.S. objectives for reconstruction and stabilization in that country. A small number of Chinese firms have contracted to install fiber optic cable and to build roads. In 2008, a Chinese state-owned enterprise won tender for the rights to develop the Aynak copper deposit -- a \$3 billion investment that could create 10,000 jobs and annual revenues of \$400 million for the Afghan government. This is currently the largest foreign investment project in Afghanistan.

While China has not made direct security contributions to the war in Afghanistan, it has not opposed U.S. efforts there. In fact, China indirectly benefits from the security provided by NATO forces stationed near its development of the Anyak mine and other commercial ventures.

China's declared counterterrorism strategy addresses what it identifies as the root cause of terrorism -- namely poverty and underdevelopment. Its stated solution is to bring greater economic activity to its western provinces, urging businesses, both domestic and foreign, to locate their operations in western China, although in Xinjiang many in the local Uighur population perceive this influx as yet another manifestation of an unwelcome Han Chinese domination. At the same time, China has likely realized that the terrorist threat it faces derives mainly from domestic separatist movements, and China has largely escaped being a target of the ideology-based global jihadi threat. DoD's "Joint Intelligence Task Force – Combating Terrorism" likewise concurs that the threat of jihad to China is "relatively low." China presumably wishes to continue to avoid attracting the attention of global jihadi groups. China's concerns with extremist groups that employ terrorist tactics against the state are understandable, and the U.S. and China have engaged in counterterrorism cooperation, particularly during the 2008 Beijing Olympics. There are opportunities for further cooperation in this area, even as we have made clear our support for human rights. China's own constitution guarantees legitimate political expression for its minority populations.

The tension inherent in China's competing desires to promote the common good of regional stability while also advancing its individual interests and relative standing carries over to its involvement in South Asia. In Pakistan, China's construction of a major port facility at Gwadar

could serve to promote economic development in the region. If Pakistan provides the needed infrastructure connecting the port to Southern Afghanistan, it could be a boon to trade not only in Baluchistan, but for Afghanistan and Central Asia as well. On the other hand, China may view the port as an anchor for its own naval expansion into the Western Indian ocean, a development that might prove destabilizing. It is in the interest of all parties active in South Asia, including the U.S., that China be open and transparent regarding its intentions for Gwadar.

In South Asia, China's growing economic and military strengths may yet play an increasingly influential role, but it is too early to tell how China's strengths will affect regional politics. India maintains a two-way trade relationship with China that totaled \$41.5 billion in 2008, up from less than \$10 billion in 2005. Overall, bilateral ties have steadily improved since 1988, when then-Prime Minister Rajiv Gandhi made the first state visit to China in 34 years, based on cultural ties, increasing trade, and official visits.

China's security relationship with Pakistan is long standing and wide ranging, including sales of short- and medium-range ballistic missiles, and joint production of major weapons systems like the K-8 Karakorum, a jet trainer aircraft, as well as advanced multi-role combat aircraft, the JF-17 Thunder. Pakistan may also acquire the Chinese Y-8 Rotodome airborne early warning aircraft. China and Pakistan conduct regular military training exercises together, including anti-terrorism training and naval exercises. China participated in two joint naval exercises that Pakistan hosted, named Aman 07 and Aman 09 for the years in which they were conducted, as did the United States. The most recent, Aman 09, included participants from 11 nations, and featured search and rescue, counter piracy, and fleet formation training. China and Pakistan also

conducted two joint counterterrorism exercises named Friendship 2004 and Friendship 2006, for the years in which they occurred. The first exercise took place in China, and the second in Pakistan. China has also provided Pakistan nuclear technology and assistance. In 2008, China agreed to help Pakistan launch a telecommunications satellite by 2011. Media reports have suggested that China looks to expand civil nuclear cooperation with Pakistan, but it is unclear how this might be done in a way that is consistent with China's international obligations.

Regarding the impact of China's relationship with India and Pakistan on U.S. diplomacy toward the two, I have seen no evidence that China is working counter to U.S. interests or objectives with either country. I believe that China shares our interest in stability in South Asia, is concerned about the rise of extremism in Pakistan, and recognizes that fear of conflict with India only distracts the Pakistan government and military from the extremist threat in its Western border area. China's security relationship with Pakistan provides it an opportunity to play a constructive role in advancing the United States' development and counterinsurgency goals in the region. While China likely recognizes this opportunity, it also fears a potential backlash from its domestic Muslim population if it is seen as cooperating too closely with the U.S. For this reason, China will likely use private diplomacy, rather than public admonition, to urge Pakistan to prioritize the defeat of militant extremists in its western regions.

Finally, a discussion of China's economic and security interests in Central and South Asia would not be complete without mention of the Shanghai Cooperation Organization (SCO). The Central Asian states have realized over the years that they do not benefit from having one power dominant in the region, and do not wish to see either China, Russia or the U.S. play that role.

The frequent gatherings of the SCO are a visible result of China's more active role in Central Asia. China's military engagement in Central Asia has been slowly increasing, albeit from a low base-line of interactions. Most of it occurs on a bilateral basis, but some limited multilateral military engagements also take place by means of the SCO.

The United States encourages China to participate responsibly in the international system by supporting, strengthening and stabilizing the global security architecture. In the case of Central and South Asia, we see China carefully choosing its means of engagement to support its underlying goal of increasing China's own economic prosperity, security, and regional influence. To promote further cooperation in areas of mutual interest for all actors in the region, we encourage China and India to resolve their long-standing border disputes. Eliminating such points of friction would assist all actors in focusing their attention on addressing the common problem of terrorism. Many of China's activities support interests shared with the United States and other regional countries, and we will continue to work with China to ensure that its activities add to the stability and security of the region.

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