

**CHINA'S MILITARY MODERNIZATION AND
CROSS-STRAIT BALANCE**

HEARING

BEFORE THE

**U.S.-CHINA ECONOMIC AND SECURITY
REVIEW COMMISSION**

**ONE HUNDRED NINTH CONGRESS
FIRST SESSION**

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SEPTEMBER 15, 2005
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U.S.-CHINA ECONOMIC AND SECURITY REVIEW COMMISSION

December 16, 2005

The Honorable Ted Stevens
President Pro Tempore of the U.S. Senate, Washington, DC 20501
The Honorable J. Dennis Hastert,
Speaker of the House, Washington, D.C. 20515

Dear SENATOR STEVENS AND SPEAKER HASTERT:

On behalf of the U.S.-China Economic and Security Review Commission, we are pleased to transmit the record of our September 15, 2005 hearing on “China’s Military Modernization and the Cross-Strait Balance.” An electronic copy of the full hearing record is posted to the Commission’s Web site at www.uscc.gov.

U.S. cross-Strait policy and U.S.-China relations are complex, evolved, and intertwined with the nettlesome issue of the status of Taiwan. Although there is steady growth in economic and social interaction between Taiwan and China, this has not removed the political tensions between them, nor the possibility of a catastrophic conflict between them that could result from a miscalculation by either China’s or Taiwan’s government. Further, Taiwan remains the key political irritant and potential military flash point between Beijing and Washington.

The Commission is mandated by law (P.L. 108-7, Division P) to “review the triangular economic and security relationship among the United States, Taipei and Beijing, including Beijing’s military modernization and force deployments aimed at Taipei, and the adequacy of United States executive branch coordination and consultation with Congress on United States arms sales and defense relationship with Taipei.”

To facilitate its consideration of developments regarding these issues, the Commission heard from Congressman Rob Simmons, James Keith from the Department of State, and several leading experts from outside the government including former Chairman of the American Institute in Taiwan Richard Bush and former Deputy Assistant Secretary of Defense Kurt Campbell. The testimony from these and other witnesses highlighted information that serves as the basis for the following Commission findings:

- China is in the midst of an extensive military modernization program. The equipment China is acquiring is aimed at building its force projection capabilities to confront U.S. and allied forces in the region. A major goal is to be able to deter, delay, or complicate a timely U.S. and allied intervention in an armed conflict over Taiwan so China can overwhelm Taiwan and force a quick capitulation by Taiwan’s government.
- The combination of a U.S. policy of strategic ambiguity and Taiwan’s hesitation in responding to China’s aggressive military build-up sends signals of weakness and ambivalence to China, undermines U.S. deterrence efforts, leaves Taiwan vulnerable if attacked, and increases the risk that U.S. forces may be called upon to act.
- The U.S. government has not laid adequate groundwork to allow a rapid response to a provocation in the Taiwan Strait. Almost any possible scenario involving U.S. military support to Taiwan would require extensive political and military coordination with the Taiwan government and regional allies, but the foundations for such coordination have not been laid. For example, self-imposed restrictions against visits to Taiwan by senior U.S. military officers and other government officials undermine efforts to conduct advance planning for contingencies. Additionally, failure to gain advance approvals for access by U.S. forces to foreign airfields and ports in the Western Pacific might jeopardize execution of U.S. contingency plans.

- The lack of adequate and effective confidence building measures between the United States and China increases the risk of misjudgment and miscalculation, especially in crisis situations, and therefore increases the risk that a misunderstanding or minor disagreement will lead to a serious armed conflict.

China's Military Modernization and Force Deployments

China's methodical and accelerating military modernization presents a growing threat to U.S. security interests in the Pacific. Recent and planned military acquisitions by Beijing—including mobile ballistic missiles and improved air and naval forces capable of extended range operations—provide China with the capability to conduct offensive strikes and military operations throughout the region. While Taiwan remains a key potential flashpoint, China's aggressive pursuit of territorial claims in the East and South China Seas points to ambitions that go beyond a Taiwan scenario and poses a growing threat to neighbors, including U.S. alliance partners, on China's periphery. Citing uncertainties about how China will use its power, the U.S. Secretary of Defense has publicly questioned the ultimate purpose of this military buildup.

Beijing has continued its pursuit of military dominance over the Taiwan Strait, deploying its most advanced and lethal weapons within striking range of its neighbor while seeking additional counters to prevent, delay, or deter outside forces—principally the United States and possibly Japan—from responding to a potential military action against Taiwan. For the past fifteen years China has boosted annual defense budgets by double-digit percentages—doubling China's defense budget in real terms every five years—which has enabled China to acquire an array of lethal and accurate new weapons. As Rear Admiral (ret.) Eric McVadon noted in his testimony, “China's military, the People's Liberation Army [PLA], is in the midst of a remarkable surge of modernization of its naval, air, and ballistic missile forces.”

Recent comments by Chinese general officers serve as an effective reminder that China's nuclear forces serve principally as a deterrent aimed at the United States. The significant investments in upgrades to those nuclear forces demonstrate that deterring the United States remains a centerpiece of China's defense strategy as it enters the 21st century. By 2015, China's intercontinental nuclear force is projected to grow to 75 to 100 warheads. During that period China will transition to solid-fuel, road-mobile DF-31 and DF-31A missile systems with multiple reentry vehicle (MRV) or multiple independently-targetable reentry vehicle (MIRV) warheads designed to defeat anti-ballistic missile systems. More ominously, perhaps, China is deploying a new Type 094 nuclear-propelled Jin-class ballistic missile submarine. This new weapons platform is configured to carry 16 JL-2 missiles, a sea-launched version of the new DF-31 system. The Type 094 was designed to replace the single-ship Xia-class submarine and is expected to be quieter and more reliable, and it provides China with another survivable counter to U.S. ballistic missile defenses.

China's precision strike capability now includes several advanced missile systems that threaten Taiwan while simultaneously holding other vital installations and bases throughout the Western Pacific at risk. Short-range ballistic missiles continue to constitute the largest and most threatening component of this family of weapons. Deployed primarily, and threateningly, in the vicinity of the Taiwan Strait, this force is currently estimated at 650 to 730 missiles and is increasing at a rate of 75 to 120 missiles per year.

The PLA now possesses a sufficient inventory of increasingly accurate and lethal ballistic and cruise missiles, advanced combat aircraft, and modern naval combatants to pose a serious military threat to Taiwan and challenge U.S. security interests in the Pacific. According to Rear Admiral (ret.) McVadon, “China has built or is building enough new and modernized destroyers and frigates to form several surface action groups, each capable of long-range anti-ship cruise missile (ASCM) attacks and, for the first time for the PLA Navy, good fleet air defenses using surface-to-air missile (SAM) systems—with the best SAM systems coming from Russia.”

China's maritime strategy also relies on submarines to patrol the coastal waters, blockade the Taiwan Strait, and deter foreign interventions. As Congressman Rob Simmons told the Commission, with about 16 boats under construction and 25 under contract, “China is buying new submarines literally by the dozen.” Russian

shipyards are currently building eight Kilo-class diesel-electric submarines to add to the four already in China's inventory. Ordered in 2003 at a cost of US\$1.6 billion, they are scheduled for 2007 delivery. Another five Type 039 Song-class conventional attack submarines are under construction at Wuhan and Jiangnan shipyards. In July 2004, the U.S. intelligence community was surprised by the sudden appearance of the Yuan-class diesel attack submarine under construction at the Wuhan shipyard. Many of these new boats will be armed with sophisticated torpedoes and ASCMs capable of being launched while submerged.

Chinese Information Operations

Dr. James Mulvenon explained that Chinese doctrinal writings advocate computer network attacks (CNA) as one of the most effective means for a weak military to fight a strong one. From the Chinese perspective CNA is a low-risk, high-payoff supplement to conventional military operations. Chinese military strategists write openly about exploiting the vulnerabilities created by the U.S. military's reliance on advanced technologies and an extensive command, control, communications, computer, intelligence, and strategic reconnaissance (C4ISR) infrastructure to conduct operations and to give it a decisive edge over adversaries in combat. Often writing in the context of discussing asymmetric warfare – or 'overcoming the superior with the inferior' – the military authors suggest a variety of methods for destroying or degrading U.S. C4ISR capabilities, including anti-satellite weapons, CNA, introduction of computer viruses, or extensive hacking. It is not certain how effective this effort might be in a potential conflict between China and the United States, but it is obvious that China possesses the resources to conduct attacks against C4ISR, and that this would likely be an important component of Chinese efforts to delay or deter U.S. involvement in a Taiwan scenario.

Space Forces

China possesses a large and growing space infrastructure with multiple ground launch sites and a robust satellite launch and tracking control center supported by domestic and overseas tracking facilities including a fleet of eight tracking ships. In October 2003, China joined the United States and Russia in the manned spaceflight club. China's latest manned space mission, carried out in October 2005, orbited two astronauts 76 times around the earth over five days while carrying out scientific experiments in a separate orbiter module. Because the necessary technologies and capabilities are closely related, China's demonstration of its ability to launch and recover manned space missions provides further evidence of its mastery of weapons delivery capability.

Chinese military strategists recognize that U.S. forces have become highly reliant on space-based systems to support the full scope of operations—including C4ISR, targeting, and missile defense—and any disruption or degradation of U.S. space assets would significantly impinge on the ability of the United States to conduct air and naval operations in the vicinity of Taiwan. Chinese military writings discuss anti-satellite (ASAT) programs and suggest China may be pursuing ground-based lasers capable of damaging or destroying satellites. As Dr. Joan Johnson-Freese noted in testimony, while China currently lacks sufficient space surveillance and tracking capabilities and the launch-on-demand capability to conduct ASAT operations, technical characteristics of China's KT-1 mobile launcher may be suitable for a direct-ascent ASAT at some point in the future.

Taiwan's Self Defense Needs and Risks to the United States

In sharp contrast to this unprecedented Chinese military buildup, Taiwan's defense budget has been in steady decline as a percentage of gross domestic product—dropping from 3.8 percent in 1994 to 2.4 percent in 2004. As James Keith testified, the Administration has become "increasingly concerned that Taipei is failing to invest both in key advanced capabilities and also in the lower profile but still vital capabilities—hardening command and control, stockpiling ordnance—that are vital to survivability and thus deterrence." The shift in the military balance across the Taiwan Strait presents not only a growing challenge to U.S. forces that may be called upon to respond to an act of aggression toward Taiwan, but also increases risks to other U.S. security interests in the greater Pacific region.

Taiwan defense expert Fu S. Mei pointed out that there have been some noteworthy positive developments, including Taipei's establishment of civilian control over the military, an improved capability to conduct joint operations, and upgrades to air defense and command and control systems. Yet, as James Mulvenon and Roger Cliff testified, Taiwan faces other serious security challenges that have not been adequately addressed. Taiwan's civilian infrastructure—telecommunications, electric power, and rail and road systems—is highly susceptible to sabotage by fifth column operations. Expanded economic integration and cross-border flows between the mainland and Taiwan further compound the challenges that Taipei confronts in defending against infiltrating special operations forces.

Evolving Political, Economic and Social Realities in the Cross-Strait Balance

For a variety of reasons, unification with Taiwan remains one of the most important priorities for the Chinese Communist Party (CCP). In the near term this means preventing Taiwan from becoming legally recognized as independent by other nations. This objective is of such significance that the Chinese government threatens to achieve it – and prevent any substantial contrary movement – by force if that is necessary. China's very public and frequently repeated commitment to this goal has left little room for negotiation or compromise in the event of an emerging crisis over Taiwan. In March of 2005, China promulgated the Anti-Secession Law (ASL), a legal document that codified China's claimed authority to use force to counter Taiwan moves toward separation, and, as a consequence, placed additional pressure on Chinese leaders to take forceful actions in a time of crisis with Taiwan.

While growing economic and social ties between China and Taiwan have the appearance of drawing the two closer together, the realities of the complex political and security relationships tug in the opposite direction. Beijing has proffered the model of “one-country, two-systems,” a political formula China has used in the cases of Hong Kong and Macau since it regained control of these former European colonies, and offered to concede partial Taiwan autonomy if Taiwan yields to the sovereignty of Beijing. As Richard Bush testified, Taipei authorities have rebuffed Beijing's offer because “all major forces on the island have consistently held that if unification is to occur, the sovereign character of the Taipei government must be preserved within the context of that national union.”

As the Commission noted in its 2004 Annual Report, growing cross-Strait political tensions have not stood in the way of the continued rapid development of cross-Strait economic relations. That trade has been increasing steadily and substantially for the past 15 years and, according to China's Ministry of Commerce (MOFCOM), totaled \$78.3 billion in 2004, a 34 percent increase over the previous year. This trade relationship also remains heavily tilted in Taiwan's favor, with the island's exports to China totaling nearly \$65 billion against imports from China of \$13.5 billion according to MOFCOM. Richard Bush observed that “Economically, [China] continues to maximize the interdependence between Taiwan and the mainland, and make China the destination of choice for investment, lower-end manufacturing, and alternative employment. And it is succeeding.” Growing export dependence has led to expressions of concern in Taiwan, but beyond rhetorical urgings for businesses to diversify their export markets, this concern has not led to changes in the investment patterns of Taiwan businesses, whose desire for profit appears to outweigh security considerations.

Taiwan domestic politics is embroiled in a major power struggle between President Chen Shui-bian and rival political blocks in Taiwan's legislative body, the Legislative Yuan. The struggle, which is a contest between coalitions led by President Chen's Democratic People's Party (DPP) and the Nationalist Party (KMT), affects a variety of important policy issues, including how Taiwan should relate to Beijing. Among the most contentious issues among the parties is the ongoing battle over the purchase of a large list of defense items, largely drawn up by officials when the government was controlled by the KMT in the late 1990s. As former Department of Defense Country Manager for China and Taiwan Dan Blumenthal testified, the obstructionism and political cynicism of opposition party leaders in Taiwan's parliament is obvious. The special budget items being sought by President Chen's office—submarines, P-3 aircraft, and Patriot PAC-3 air defense missiles—are the same items that the KMT requested when it held power five years before. This has troublesome implications for the national security interests of Taiwan—and those of the United States.

Implications for the United States

The political gridlock in Taiwan that has resulted from in-fighting over national security issues sends a signal of weakness to Beijing and endangers U.S. security interests in the Pacific. As Princeton political scientist Thomas Christensen pointed out, any weakening of the security relationship between Washington and Taipei diminishes the deterrence presented to Beijing, and this is true whether or not Beijing seeks to avoid a conflict across the Taiwan Strait. China's growing military force, coupled with Taiwan's weak response, has greatly complicated U.S. efforts to deter a cross-Strait conflict and manage its interests and relationships in the region.

The United States must seek ways to enhance the credibility of Taiwan's defensive capabilities. Adjustments to the deployment of U.S. forces in the Pacific are already underway and some efforts, such as assignment of active-duty military officers to the American Institute in Taiwan and increased discussions between Taiwan defense forces and U.S. Pacific forces, are being undertaken to strengthen the security relationship between the United States and Taiwan. Additional efforts are needed to eliminate obstacles that impede the United States from effectively engaging in cooperative defense with Taiwan and persuading Taiwan to accelerate acquisition of defense items that will complement the capabilities of U.S. forces in the region. Visits to Taiwan by higher-level U.S. officials will also demonstrate the solidarity of U.S.-Taiwan security arrangements and dissuade Chinese provocation. The United States also needs to communicate to Taiwan's KMT-led opposition leaders that they are alienating friends in the U.S. Congress from whom Taiwan will need support in the case of a crisis, and with whom the KMT will have to work should it regain political power in Taiwan.

Equally important, the Administration must step up pressure on Beijing to enter into confidence building measures (CBMs) with the United States that will reduce the chances of an accident or incident and lessen the risk of a miscalculation. The Administration has enjoyed mixed success in engaging China on security issues. There has been some cooperation on issues of mutual interest—combating terrorism, North Korea nuclear talks, drug interdiction efforts—and China has not protested too vigorously over continued U.S. weapon sales to Taiwan. Yet, as Kurt Campbell reminded the Commission, despite the growing dangers in the event of a miscalculation, China consistently has rejected the efforts of successive U.S. Administrations to introduce measures to reduce the risks.

The United States seeks a stable, peaceful, and prosperous Asia-Pacific region, and U.S. officials repeatedly have expressed their opposition to actions by either China or Taiwan that would jeopardize the peace by unilaterally altering the status quo. The complex and evolving set of relations among the United States, China, and Taiwan requires careful diplomacy, a strong U.S. military presence in the region, and continued U.S. monitoring of the military balance across the Taiwan Strait.

Based on the information presented to the Commission at the September 15 hearing on China's military modernization and the cross-Strait balance, we present five recommendations to the Congress for its consideration. We note that, between the date of the hearing and the date this letter is being delivered, the Commission completed and issued its 2005 *Annual Report to Congress*. A summary of the material provided above is included in Chapter 3 of the *Report*; that Chapter also includes these recommendations.

1. 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.
2. The Commission recommends that Congress reaffirm that any solution to the Taiwan problem must have the voluntary assent of the people of Taiwan.
3. 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.

4. 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.
5. 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 it is determined that this action constitutes an unfriendly act against the United States, Congress should require the President to notify it of the measures he will take under existing law, or he recommends Congress enact, to prevent or dissuade future attacks against U.S. networks.

Thank you for your consideration of this summary of the Commission's hearing and the resulting recommendations the Commission is making to the Congress. We note that the full transcript of the hearing plus the prepared statements and supporting documents submitted by the witnesses can be found on the Commission's website at www.uscc.gov, and that these can be searched by computer for particular words or terms. We hope these materials will be helpful to the Congress as it considers the facts and implications of China's military modernization and the military balance across the Taiwan Strait, and considers policies the United States should pursue in response.

Sincerely,



C. Richard D'Amato
Chairman



Roger W. Robinson, Jr.
Vice Chairman

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[Found at end of transcript]

1. “Ignoring China’s Growing Sub Force” by Rob Simmons and Carlisle Trost, Hartford Courant, August 21, 2005
2. Worldwide Maritime Challenges, Office of Naval Intelligence, 2004
3. Department of Justice News Release, September 13, 2005
4. “4 Admit Exporting Technology to China,” Philadelphia Inquirer, September 14, 2005
5. Letter to Secretary Condoleezza Rice, January 31, 2005 from the U.S. Congress
6. Letter from Department of State to U.S. Congress, February 15, 2005
7. Letter to Chairman LIEN Chan from Congressman Simmons, May 27, 2005
8. Letter to Congressman Simmons from Dr. LIEN Chan, June 8, 2005

**CHINA'S MILITARY MODERNIZATION AND CROSS-STRAIT
BALANCE**

Thursday, September 15, 2005

U.S.-CHINA ECONOMIC AND SECURITY REVIEW COMMISSION

Washington, D.C.

The Commission met in Room 385 Russell Senate Office Building, Washington, D.C. at 9:00 a.m., Chairman C. Richard D'Amato, Vice Chairman Roger W. Robinson, Jr. and Commissioners Stephen D. Bryen and Thomas Donnelly (Hearing Cochairs), presiding.

CHAIRMAN D'AMATO: The hearing will come to order. Today we're going to have a hearing on China's Military Modernization and Cross-Strait Balance. Before we begin the bulk of our testimony, we're very fortunate this morning to have with us a real expert on China, Representative Rob Simmons, who represents the 2nd Congressional District of Connecticut. I'm very pleased to welcome him. I think Commissioner Bryen has some additional remarks about the Congressman.

COCHAIR BRYEN: Good morning. Good morning, Congressman.

MR. SIMMONS: Good morning. Thank you.

COCHAIR BRYEN: We're very happy to have you here today to address the Commission. Congressman Simmons has spent over 40 years in public service. In November 2004, he was reelected to a third Congressional term for the 2nd district of Connecticut. He is the highest-ranking retired military officer serving in the House of Representatives and a winner of two Bronze Stars.

Prior to serving as a member of the House of Representatives, Rob Simmons had a distinguished career in the intelligence community,

including service as an operations officer with the CIA, a staff director of the Senate Intelligence Committee, and 37 years of active and reserve service in the U.S. Army Reserves as a military intelligence officer, reaching the rank of colonel in 2003.

He's a past commander of the 434th Military Intelligence Detachment. He has been an associate fellow at Berkeley College at Yale where he teaches courses on "Congress and the U.S. Intelligence Community," and the "Politics of Intelligence."

Congressman Simmons serves on the House Armed Services Committee, the Transportation and Homeland Security committees. Congressman Simmons is currently the Vice Chairman of the Projection Forces Subcommittee, which covers naval issues for the House Armed Services Committee, and he's Chairman of the Homeland Security Intelligence Information Sharing and Terrorism Risk Assessment Subcommittee. That's an awful lot to do.

On top of that, he's on leave from the Veterans Committee and is past Chairman of the Veterans Health Subcommittee. He's also a member of the newly formed China Congressional Caucus, so he's obviously superbly qualified to be here today. We're happy to welcome you. We look forward to your statement.

CHAIRMAN D'AMATO: You may proceed.

Panel I: CONGRESSIONAL PERSPECTIVES

STATEMENT OF ROB SIMMONS, A U.S. CONGRESSMAN FROM THE STATE OF CONNECTICUT

MR. SIMMONS: Thank you, Mr. Chairman, thank you, commissioners, for the generous introduction. I do not consider myself an expert but an interested person. There are probably many more experts at the podium and behind me at the witness table this morning. But I appreciate that introduction, and I appreciate the opportunity to discuss these important issues involving the security of the Taiwan Strait and China's defense modernization.

I have with me today an article that I wrote and was published in late August in the Hartford Courant, called "Ignoring China's Growing Submarine Force." I co-authored this with retired Chief of Naval Operations Carlisle Trost. I'd ask that this be inserted into the record and that my full statement be inserted into the record, and then I will try to summarize my comments.¹

CHAIRMAN D'AMATO: They will, Congressman.

MR. SIMMONS: Thank you very much. Briefly and simply, the military balance across the Taiwan Strait is steadily moving away from the Republic of China on Taiwan and towards the People's Republic of China. The People's Liberation Army is executing simultaneously a broad defense modernization program and an aggressive defense build-up. The build-up and modernization efforts are aimed not only at Taiwan's defense forces, but at the United States Armed Forces, and especially the United States Navy.

We have followed these developments closely in the House Armed Services Committee, under the capable leadership of our Chairman Duncan Hunter of California.

China is in the middle of a massive build-up of modern attack submarines and fourth generation fighter aircraft as part of a new cruise missile strategy against regional naval forces.

In July, the Department of Defense reported to Congress that the PRC has 55 attack submarines, slightly more than the U.S. Navy today. Although many of these attack submarines are dated, the fleet is modernizing rapidly. China is buying submarines literally by the dozen.

There are 25 submarines under contract today and about 16 are currently under construction now. Half of them are state-of-the-art

¹[Simmons, Rob. "Ignoring China's Growing Submarine Force" Hartford Courant, 21 August 2005. \(This can be found at end of transcript with all other additional materials\)](#)

Russian Kilos currently under construction in three separate Russian shipyards.

China itself is building four different types of submarines, three fast attack classes and one ballistic missile "boomer" class that will be capable of hitting cities in the continental United States from the safety of their own coast and littorals.

By comparison, the U.S. Navy today buys just one attack submarine a year. That rate would leave the Navy eventually with just 33 boats. So, current trends give China at least a two-to-one numerical advantage over the U.S. submarine fleet by the year 2025, perhaps sooner.

Some argue that China's submarines are not considered modern by Western standards, but even older boats are incredibly useful in a shooting war because they can serve as bait to take U.S. ships out of hiding. And the older submarines would also be useful if China fired the first shot.

Also, higher force levels have a quality of their own. I use the example that a heavyweight boxer is always going to defeat a lightweight boxer in the ring. A heavyweight boxer is going to have difficulty with two lightweights, but if it's a heavyweight boxer against a middleweight and two lightweights, the heavyweight boxer is probably going to lose. So numbers count. Numbers count.

China's new submarines and surface ships carry some of the most deadly and sophisticated weapons in the world market today. Fired in mass, a traditional Russian and Chinese tactic, they could overpower the defenses of our surface ships. They've already purchased from Russia the Klub anti-ship cruise missile, specifically designed to defeat U.S. shipboard defenses.

The Office of Naval Intelligence says that the Klub system employs a rocket-propelled terminal sprint vehicle that travels at Mach 3 in the last ten miles of flight to the target as it performs high-g maneuvers to fool the ship defenses. The missile's range far exceeds the defensive

perimeter of a U.S. aircraft carrier, which means that Chinese submarines could fire lethal volleys at a U.S. flattop from multiple directions well before they were detected by Navy sensors. This issue is covered in this open source publication from the Office of Naval Intelligence, titled "Worldwide Maritime Challenges," and I would request that this be placed in the record, as well.²

CHAIRMAN D'AMATO: It will, Congressman.

MR. SIMMONS: China deploys on its destroyers Sunburn supersonic anti-ship cruise missiles that it obtained from Russia. Specifically designed to kill U.S. carriers, this missile can also reach Mach 3 with a potential to perform high-g defensive maneuvers.

The Shkval rocket-propelled torpedo is another Chinese weapon that threatens our surface fleet. It can reach underwater speeds of 230 kilometers an hour. Let me repeat. 230 kilometers an hour--that's not a misprint--by producing an envelope of super-cavitating bubbles from its nose and skin that coats the entire weapon surface in a thin layer of gas, which allows it to operate at such a high speed.

The PLA is putting anti-ship cruise missiles on its older aircraft and naval platforms and could also use shore-based cruise missiles and even ballistic missiles to attack our surface ships. I go into this level of detail because we all need to understand that China is tailoring its forces for a confrontation, not just with the Republic of China on Taiwan or other Asian sovereign nations, but with the U.S. Navy, and that threat to our ships is very real today.

In the past, we comforted ourselves with the belief that the Chinese military could not put such precision weapons on target over the horizon because they lacked C4ISR needed to locate our warships. Those days are gone. Those days are gone. The PRC has benefited from Russian

²[Worldwide Maritime Challenges, Office of Naval Intelligence, 2004. \(This can be found at the end of the transcript with all additional materials\)](#)

and Western intelligence, surveillance and reconnaissance technology that will allow its forces to use these weapons accurately and reliably.

When challenged technologically, China closes the gap through low-tech solutions, such as commercial fishing vessels or helicopters to target foreign warships, or illegal transfers. For example, just recently, four naturalized U.S. citizens pleaded guilty to illegally exporting to Beijing controlled entities that are used in a wide variety of defense weapons systems including radar, smart weapons, electronic warfare and communications. A Justice Department publication and an article on these recent arrests on these exports I brought with me to provide to the Commission for your records.^{3/4}

We know this has been going on for a long time. We know it's going on today. We know it will be going on into the future.

We know that the PLA has ready access to our commercial satellite products with military value, and that China's military will benefit from its participation in Galileo, the European Union's GPS project. In fact, Beijing has launched dozens of satellites the PLA could use, could use, to help target U.S. platforms.

China already has the GPS technology that revolutionized U.S. forces in the early '90s. Together, these qualitative and quantitative developments would enable China to blockade Taiwan, an island of only 23 million. It could also be used to defeat or deter U.S. intervention in a Taiwan Strait crisis.

In the long run, China's defense build-up could challenge the United States' role in the western Pacific. In fact, China is shifting its most capable naval forces to its South Sea fleet, just opposite Taiwan. From there, they are best positioned to use their long-range anti-ship cruise

³[Four Owners/Operators of New Jersey Company Admit Illegally Selling National-Security Sensitive Items to Chinese Interests, U.S. Department of Justice News Release. 13 September 2005. \(This can be found at the end of the transcript with all additional materials\)](#)

missiles to defend the normal U.S. approaches from the Pacific and Indian Oceans.

Some years ago, in 1996, Captain Shen Zhongchang, a strategist from the Chinese Navy Research Institute, predicted that the most powerful naval weapon in the future would be submarines. And I quote:

"After the First World War, the dominant vessel was the battleship. In the Second World War, it was the aircraft carrier. If another global war breaks out, the most powerful weapon will be the submarine."

Captain Shen knew that the proliferation of cruise missiles and rocket-propelled torpedoes make surface combatants especially vulnerable in modern naval conflict. The United States and Taiwan must understand this reality if they are to safely deter aggression.

I'm not sure that the U.S. and Taiwan have come to grips with the growing naval threat in the western Pacific. In spite of the grave danger that it faces, the Republic of China on Taiwan may make the situation worse by failing to move forward with a much-needed special budget to fund critical defense requirements. The U.S. Department of Defense has consistently told the government of Taiwan that its three greatest weaknesses are anti-submarine warfare, anti-missile defense and C4ISR. In 2001, President Bush approved for sale to Taiwan eight diesel-electric submarines, 12 anti-submarine warfare aircraft, and six Patriot missile defense battery interceptors. I wrote to the State Department in January of this year and asked them to notify Congress of the approval of this proposal, one of the last steps in the process. I have received correspondence back from them, but at this point, they have not approved those sales.^{5/6}

⁴ [4 admit exporting technology to China, Philadelphia Inquirer, 14 September 2005.](#) (This can be found at the end of the transcript with all additional materials)

⁵ [Simmons, Rob. Letter to Condoleezza Rice from U.S. Congress, 31 January 2005.](#) (This can be found at the end of the transcript with all additional materials)

⁶ [Simmons, Rob. Letter to Department of State from U.S. Congress, 31 January 2005.](#) (This can be found at the end of the transcript with all additional materials)

President Chen Shui-bian has responsibly urged the Legislative Yuan to pass a special defense budget to pay for these critical weapon systems, but political elements in Taiwan have obstructed the special budget in their parliament.

The people of Taiwan should know two things:

First, delaying passage of the special budget and Taiwan's procurement of these weapon systems leaves Taiwan defenseless and will only encourage aggression.

Second, blocking the arms package tells the United States, correctly or not, that Taiwan's leadership is not serious about the security of its people. The American people have come to the aid of foreign countries in the name of freedom many, many times in our history; but Americans will not in good conscience support countries that are unwilling to defend themselves, that are unwilling to pay the costs of their own defense.

These may seem like tough words for somebody who considers himself a friend of Taiwan, a friend of the Republic of China on Taiwan, but this is the way I see it.

Both the United States and Taiwan must prepare their armed forces for the worst in the Taiwan Strait. Congress can do this by ensuring that we have a Navy that is best suited for undersea warfare in the western Pacific. The Taiwan legislature can do this by preparing itself and by helping President Chen pass the special budget and acquire defensive systems, defensive systems, that the island desperately needs.

I thank the Commission for its very important work, and I thank you for listening to my remarks, and I'm pleased to answer any questions that you may have.

[The statement follows:]

**PREPARED STATEMENT OF ROB SIMMONS, A U.S. CONGRESSMAN
FROM THE STATE OF CONNECTICUT**

Chairman D'Amato, Commissioners, thank you for that generous introduction. And thank you for holding today's hearing on Taiwan Strait issues and China's defense modernization. This is an important issue that requires the attention of our Legislative Branch. To date the U.S. Economic and Security Review Commission has provided Congress with a sober, bipartisan assessment of the military capabilities and intentions of the People's Republic of China. I hope I can build upon that record today by giving you my view of the security situation in the Taiwan Strait and the key issues facing us right now. My formal statement includes an essay on U.S. undersea warfare I published recently with former Chief of Naval Operations Admiral Carlisle Trost.

Overview

The military balance across the Taiwan Strait is steadily moving away from the Republic of China on Taiwan and towards the People's Republic of China. The People's Liberation Army is executing – simultaneously – a broad defense modernization program and an aggressive defense buildup. The buildup and modernization efforts are aimed not only at Taiwan's defense forces, but also the United States Armed Forces – especially the U.S. Navy. We have followed these developments closely in the House Armed Services Committee under the leadership of Chairman Duncan Hunter of California.

A New People's Liberation Army

China is in the midst of a massive buildup of modern attack submarines and fourth-generation fighter aircraft as part of a new cruise missile strategy against regional naval forces.

In July, the Department of Defense reported to Congress that the PRC has 55 attack submarines, slightly more than the U.S. Navy. Though many of these attack submarines are dated, China's submarine fleet is rapidly modernizing.

Today, China is buying new submarines literally by the dozen.

China has at least 25 submarines under contract today. About 16 are under construction now. Half of those are state-of-the-art Russian Kilos currently under construction in three separate Russian shipyards. China itself is building four different types of submarines – three fast attack classes and one ballistic missile “boomer that will be capable of hitting cities in the continental United States from the safety of its own coast.

By comparison, the U.S. Navy now buys just one attack submarine a year. This rate would eventually leave the Navy with just 33 boats.

Current trends will give China at least a two-to-one numerical advantage over the U.S. submarine fleet by 2025 – probably sooner. Some of China's submarines are not considered “modern” by Western standards, but even older boats are useful in a shooting war because they can serve as “bait” to take U.S. ships out of hiding. Older submarines would also be useful if China fired the first shot.

High force levels have a quality of their own. The United States has on station a relatively small percentage of its submarine fleet on a given day. With a force of about 50 submarines, we could expect roughly a dozen to be on station worldwide. In the event of a crisis, which is likely to come at a time of Beijing's choosing, China could enjoy an overwhelming subsurface advantage in and around the Strait.

China's new submarines and surface ships carry some of the most deadly and sophisticated weapons on the world market today. Fired in mass – a traditional Russian and Chinese tactic – they could overpower the defenses of our surface ships.

China has already purchased from Russia the *Klub* anti-ship cruise missile system, specifically designed to defeat U.S. shipboard defenses. The Office of Naval Intelligence says the *Klub* system employs

a rocket-propelled terminal sprint vehicle that travels Mach 3 in the last 10 miles of flight to the target as it performs high-g maneuvers to fool ship defenses. The missile's range far exceeds the defensive perimeter of a U.S. aircraft carrier. This means Chinese submarines could fire lethal volleys at a U.S. flattop from multiple directions well before they are detected by Navy sensors.

China deploys on its destroyers *Sunburn* supersonic anti-ship cruise missiles it obtained from Russia. Specifically designed to kill U.S. carriers, this missile can also reach Mach 3 with the potential to perform high-g defensive maneuvers.

The *Shkval* rocket-propelled torpedo is another Chinese weapon that threatens our surface fleet. The *Shkval* can reach underwater speeds of 230 kilometers by producing an envelope of super-cavitating bubbles from its nose and skin that coats the entire weapon surface in a thin layer of gas.

What's more, the PLA Air Force is fitting its new Russian-made fighter-bombers with anti-ship cruise missiles just as deadly as these ship borne weapons.

The PLA's is putting anti-ship cruise missiles on its older aircraft and naval platforms. China could also use shore-based cruise missiles and even ballistic missiles to attack our surface ships.

I go into this level of detail because Congress needs to understand that China is tailoring its forces for a confrontation with the U.S. Navy, and that the threat to our ships is real today. Our surface fleet has no credible defenses against these systems, especially when used in a "mass fires" strategy of large salvos from multiple directions.

In the past, we comforted ourselves with the belief that the Chinese military could not put such precision weapons on target over the horizon because they lacked C4ISR needed to locate our warships. Those days are gone. The PRC has benefited from Russian and Western intelligence, surveillance and reconnaissance technology that will allow its forces to use these weapons accurately and reliably.

When challenged technologically, China closes the gap through low-tech solutions -- such as the use of commercial fishing vessels or helicopters to target foreign warships -- or illegal transfers. For instance, on Tuesday, four naturalized U.S. citizens pleaded guilty to illegally exporting to Beijing-controlled entities items that are used in a wide variety of defense weapons systems, including radar, smart weapons, electronic warfare and communications.

We know that the PLA has ready access to our commercial satellite products with military value and that China's military will benefit from its participation in Galileo, the European Union's GPS project. In fact, Beijing has launched dozens of satellites the PLA could use to help target U.S. platforms. China already has the global positioning technology that revolutionized U.S. forces by the early 1990s.

Together, these qualitative and quantitative developments would enable China to blockade Taiwan, an island democracy of 23 million. It could also be used to defeat or deter U.S. intervention in a Taiwan Strait crisis. In the long-run, China's defense buildup could challenge the United States' role in the Western Pacific, an area of growing importance to our economy and our national security.

In fact, China is shifting its most capable naval forces to its South Sea Fleet opposite Taiwan. From there, China will be best positioned to use its long-range anti-ship cruise missiles to defend the normal U.S. approaches from the Pacific and Indian Oceans.

Captain Shen Zhongchang, a strategist from the Chinese Navy Research Institute, predicted in 1996 that the most powerful naval weapon in future warfare would be submarines. Shen wrote: "After the First World War, the dominant vessel was the battleship. In the Second World War, it was the aircraft carrier. If another global war breaks out, the most powerful weapon will be the submarine." Captain Shen knew that the proliferation of cruise missiles and rocket-propelled torpedoes make surface combatants especially

vulnerable in a modern naval conflict against China. The United States and Taiwan must understand this reality if they are to safely deter aggression.

Taiwan Deficiencies

I am not certain that the U.S. and Taiwan have come to terms with the growing naval threat in the Western Pacific. Though it faces grave danger, the Republic of China on Taiwan may make the situation worse by failing to move forward with a much needed special budget to fund critical defense requirements.

The U.S. Department of Defense has consistently told the government of Taiwan that its three greatest weaknesses are anti-submarine warfare, anti-missile defense, and C4ISR.

In 2001, President Bush wisely approved for sale to Taiwan eight diesel-electric submarines, 12 anti-submarine warfare aircraft, and 6 Patriot missile defense batteries interceptors. I have asked the State Department to notify Congress of the approval, one of the last steps in the foreign military sales process. To date they have not done so.

President Chen Shui-bian has responsibly urged the Legislative Yuan to pass a special defense budget to pay for these critical weapon systems. Elements in Taiwan have obstructed the special budget in parliament.

The people of Taiwan should know two things:

First, delaying passage of the special budget and Taiwan's procurement of these weapon systems – which will take years to deliver – leaves Taiwan defenseless and will only encourage aggression.

Second, blocking this arms package tells the United States – correctly or not – that Taiwan's leadership is not serious about the security of its people or its freedom. The American People have come to the aid of foreign countries in the name of freedom many times in our history; but Americans will not in good conscious support countries that are unwilling to defend themselves.

These may seem like tough words for our friends in Taiwan, but it is also well-meaning encouragement.

Both the United States and Taiwan must prepare their Armed Forces for the worst in the Taiwan Strait. Congress can do this by ensuring that we have a Navy that is best suited for undersea warfare in the Western Pacific. The Taiwan Legislature can prepare itself by helping President Chen pass the Special Budget and acquire the defensive system the island desperately needs.

Thank you for your attention. Chairman D'Amato, Commissioner Robinson, I am pleased to answer questions you may have for me now.

Panel I: Discussion, Questions and Answers

CHAIRMAN D'AMATO: Thank you very much, Congressman, for that very important and informative statement and for your focus on this whole issue.

I notice that you have there on the desk a book by a guy named Menzies, I think, 1421. It bears on the question that you refer to on power projection. There is a mind-set, I think, among some that China's

culture puts them in the center of the world, the rest of the world is barbarians, it's a land-locked power, and it doesn't project its forces around the world as a matter of course.

There is some behavior that that book talks about some 600 years ago, I think, that belies that. Would that be your impression?

MR. SIMMONS: Well, this is a very important book and I brought it to the attention of my colleagues in the Armed Services Committee on numerous occasions. 1421, the year that China discovered America, it's the story of the Chinese Treasure Fleet, which was constructed and deployed in 1421 by the Emperor Zhu Di. This was a fleet of 250 Treasure Ships and 3,500 other vessels, 1,350 patrol ships, 1,350 combat vessels at guard stations or island bases, 400 warships, and another 400 freighters for a total of almost 4,000 ships, many of which were larger than the largest ships in existence in Europe at the time and for another couple of hundred years.

The rudder of one of the Treasure Ships was larger or longer in length than Columbus' flagship, and so for those people who think that China does not have a naval history, for those people who think that it's appropriate to refer to Chinese vessels as "junks," guess what? There's a tremendous naval history. It's a history that they know, a history of which they should be duly proud, and we should be much more aware of that history if we are to understand what their view of their role in the Pacific might be now and into the future and what their capabilities should be.

I would encourage anybody who has an interest in Chinese military matters and especially naval matters to read this book.

CHAIRMAN D'AMATO: Thank you very much. I think there are some other commissioners who have questions, as well. Congressman, I think you've taken a strong interest in the weapons sale issue between the United States and Taiwan, and I believe you have some interest in the dynamic between the executive and the Congress in terms of reaching agreements on the packages that we were to offer to the Taiwanese.

I wonder if you could tell us a little bit more about your views on that?

MR. SIMMONS: If we're referring to the weapons sales that the president approved back in 2001, I am interested in that, and I have supported that approval since it was first made. In fact, in the year 2002, it may have been the summer of 2003--I don't recall exactly--I went to Taiwan for a week to engage in discussions about that package, and what I could do to assist and coordinate at least the portion dealing with the submarine sales.

I serve as the Vice Chairman of the Navy Subcommittee on the House Armed Services Committee, and as some of you who follow the BRAC process may know, I represent what we proudly call "the Submarine Capital of the World," Groton-New London. We're home not only to the U.S. Navy's premier submarine base, but also to Electric Boat, the premier designer and builder of submarines.

I've been frustrated in the slow process of bringing that project to fruition, and I've been frustrated because it seems to me so obvious that developing some of these defensive capabilities is very much in the interest of the leadership and the people of Taiwan, and I also know how long it takes to design, build, train and deploy on a capable subsurface system. You cannot just buy it like an AK-47 or a CAR-15 or even an aircraft out of the inventory.

It takes time to design and develop these systems, and there's no question in my mind that the People's Republic of China is very aggressively developing these capabilities, and it seems like the Republic of China on Taiwan and the U.S. are dragging their feet, and I'm not sure why that is.

CHAIRMAN D'AMATO: And you corresponded with the Secretary on this matter?

MR. SIMMONS: I joined half a dozen of my colleagues in January of this year to write a letter to Condoleezza Rice congratulating

her on her confirmation as Secretary of State, but also expressing concern over the Department's failure to transmit congressional notifications of these sales so that we could move forward with the project, and I tried to describe in the letter why I thought it was important.

In February, I received a response from Nancy Powell, Acting Assistant Secretary for Legislative Affairs, saying that the Department fully supports the President's decision. I would suspect they have to say that. They note that the package is under intense political debate in Taiwan. Yes, we all know that, but we do not believe notification will have any influence over the legislature, and the department will move forward on notifications at an appropriate time.

Well, I would have said an appropriate time was several years ago. Come on. Let's get moving. But I understand the State Department has its own schedule.

CHAIRMAN D'AMATO: Would it be possible to put those in the record, too?

MR. SIMMONS: I would be happy to submit these for the record of the hearing. [5. & 6. Letter to Secretary Condoleezza Rice, January 31, 2005, from the U.S. Congress, and Letter from Department of State to U.S. Congress found at end of transcript.]

CHAIRMAN D'AMATO: Thank you. Thank you very much.

MR. SIMMONS: And we'll probably continue to press this issue.

CHAIRMAN D'AMATO: Thank you.

MR. SIMMONS: With the State Department.

CHAIRMAN D'AMATO: Thank you. Commissioner Wortzel has a question.

COMMISSIONER WORTZEL: Thank you very much, Congressman Simmons, for your testimony. I appreciate very much your analogy of the boxers against the heavyweight. It coincides with the way

that at least since 1949; the Chinese Navy has fought the very few naval engagements it has.

MR. SIMMONS: Yes.

COMMISSIONER WORTZEL: They massed either fast attack boats or destroyers in very large numbers using cruise missiles against smaller -- I won't call them fleets, but two to three ships of opposing navies. It made it very difficult. It's like queuing theory. If you've got a revolver and you've got six bullets in there and 12 people are coming at you, you're in real trouble.

MR. SIMMONS: That's right. Better know how to throw it accurately.

COMMISSIONER WORTZEL: That's right. So it's not only Navy, but it's also, their Air Force has the same overwhelming numbers of what might be older platforms, but improved with better weapon systems that they will just throw at you regardless of how good you may be against a single platform.

I'm very interested if we could draw you out on how you or the Caucus have advised or would advise our friends in the Republic of China on Taiwan on the debate they're having about whether they should move toward offensive weapon systems or strike systems versus the defensive arms we're permitted to sell or we're authorized to sell in the Taiwan Relations Act?

MR. SIMMONS: First and foremost, the Republic of China on Taiwan is a democracy, and it would be perhaps inappropriate for me to comment or characterize the activities of that democracy just as we would take a little bit of umbrage if our democracy was characterized or criticized.

There are contending forces in the legislature that have different points of view, and I gather the fact that the referendum last year has created difficulties, and I think that the narrow margins in the

legislature that are a fact of the different political parties makes it difficult to have a clear-cut majority on this issue.

We understand that. I hope to go to Taiwan in October for the 10/10 celebration, which of course, is a wonderful celebration. The anniversary of the Free China is what I would call it. I hope to have an opportunity to talk to people, political leaders, about this issue at that time in a friendly persuasive fashion.

With regard to offense and defense, I think the policy has always been that Taiwan will work to defend itself, that they will not allow themselves to be taken by force from any entity including the PRC. I think that's entirely appropriate and I think our Taiwan Relations Act is designed to sustain that point of view.

But in an era of modern weapon systems, in an era of 200 kilometer per hour torpedoes or the equivalent, of cruise missiles that operate in extraordinary ways, you have to update those defensive systems or the sheer mass of what's happening across the straits will encourage capitulation.

The United States will not be able to operate effectively in the region if they, in fact, don't modernize some of their defensive systems.

COMMISSIONER WORTZEL: Thank you, sir.

CHAIRMAN D'AMATO: Thank you. Commissioner Donnelly.

HEARING COCHAIR DONNELLY: Thank you, Mr. Chairman and thank you, Representative Simmons, for what's been a very sophisticated presentation. I particularly appreciate and welcome the more sophisticated analysis of Taiwanese politics that can distinguish between what President Chen says and what the legislature has failed to do, and I would just remark that it's rather ironic that the KMT has turned its back on an arms sales package that it dreamed up in the first place.

MR. SIMMONS: Politics, politics, politics.

HEARING COCHAIR DONNELLY: I guess so. I would like to ask a real question however. I was also very impressed by the sophistication of your operational assessment of the balance across the Strait and ask you to put on your politician's hat and put yourself in the role of an American president. Confronted with that blitzkrieg or massive initial strike or strikes that the PLA Navy is increasingly able to mount and play through that scenario as though you were the commander in chief, and had to respond to that, what kinds of concerns you would have under that circumstance?

MR. SIMMONS: Let me begin by saying that I hope I am never the commander in chief. I have no such ambition or desire, and it's illustrative of the challenges he faces at home and abroad. This is just one of many challenges. If I could take a sentence from 1421 just for the fun of it.

It reads as follows:

"The Chinese preferred to pursue their aims by trade, influence and bribery rather than by open conflict and direct colonization."

So the purpose of the Treasure Fleet was to explore all parts of the known world, engage in trade relationships, provide goods and materials that were superior in quality to what was being traded for, and then create what they refer to in the book "as perpetual debt to China"--quote-unquote.

My hypothesis is that that massive onslaught may or may not take place. We would hope it wouldn't. But by building up massive capabilities, sophisticated modern capabilities, subsurface capabilities that I think already have been announced in the open literature, that having gone out and circumnavigated Guam and are able to participate effectively in the western Pacific, by doing all of these things, you create such a powerful force, that it may encourage capitulation.

That is especially true if you are engaged in extensive economic activities across the Strait, which we all know about, which we

all encourage. But getting back directly to your question, if such an attack were to take place, and Taiwan did not have capabilities in place for the initial defense, the action will be over before we get there. The president really won't have too much of a decision to make. That's kind of the way I see it.

There's another important point. We war game our Navy with diesel submarines. We have none in the inventory, but we war game with those that we lease, borrow or invite from other countries, and the increasing sophistication of subsurface systems, diesel subs, armed with these highly sophisticated new weapon systems, do place those aircraft carrier task forces at risk. So the question would also have to be asked--the President would have to ask himself, am I prepared to put a city at sea, an aircraft carrier task force with 5,000 people on board and maybe \$20 billion of resources, am I willing to put this at risk in an environment where the government of the Republic of China on Taiwan is not willing even to risk dollars to defend themselves?

CHAIRMAN D'AMATO: Thank you very much. Your aides have informed us that you have seven and a half minutes. We'll go until that seven and a half minutes is up.

MR. SIMMONS: Take ten.

CHAIRMAN D'AMATO: Commissioner Dreyer.

COMMISSIONER TEUFEL DREYER: First of all, thank you very much for your remarks, as well as their sophistication and their nuance. I am concerned because the Taiwan Relations Act, as you know, obliges the United States to provide Taiwan with such defensive arms as are necessary to keep a balance of power in the Taiwan Strait-. It seems, obviously if Taiwan does not wish to acquire these defensive arms, that tends to vitiate the guarantee that is given in the Taiwan Relations Act.

We all understand, because legislative gridlock is not unknown here, why legislative gridlock occurs in Taiwan. Has anyone made an effort to explain to the contending parties in Taiwan just how

deleterious this is to their position in the U.S. Congress? There was a good deal in the Taiwan press about six weeks ago--in fact, I think I see the reporter here who wrote the story--that a deadline had been given to Taiwan saying that the U.S. offered their country a weapons package in April 2001, and here it is four years later, actually four plus years later, but nothing has been done. We may take the offer off the table if you can't make up your minds. Has anything like that been broached?

MR. SIMMONS: Well, in late May of this year, I joined over 30 of my colleagues in writing a letter to Chairman Lien Chan of the National Party, Kuomintang, in which I raised again my concern over the slow rate of response and in the last paragraph stated:

Failure to pass the special budget has raised concerns in the United States about Taiwan's ability to defend itself against potential aggression. And we encourage you to affirm your party's commitment to its strong defense force and a strong U.S.-Taiwan relationship by supporting these purchases in full and without further delay.

The response that I got back was a three-page response stating that the Kuomintang has always believed in credible defense capabilities while advocating peace and stability in the Taiwan Strait. We also believe political prudence should go hand in hand with a strong deterrence.

I wondered what was meant by the word "political prudence." And that goes back to an earlier question: has there been a change of policy in Taiwan that we're not aware of? Has there been a political shift away from participating with the United States in this sale?

I don't know the answer to that question.

COMMISSIONER TEUFEL DREYER: I think as Commissioner Donnelly said, the Kuomintang appears to have changed its stance.

HEARING COCHAIR DONNELLY: Mr. Chairman.

MR. SIMMONS: Yes.

HEARING COCHAIR DONNELLY: Can that correspondence be inserted in the record as well?⁷⁸

CHAIRMAN D'AMATO: Yes, if we could. We'd love to insert that in the record, Congressman. Thank you.

MR. SIMMONS: So just to complete the thought, the question has been raised. It was raised in May of this year by myself and over 30 other members of Congress. We have a letter back which I would place both in the record and leave it to you to study them carefully to see what the nuances are, but again if I travel to Taiwan in October, I would like to follow up and ask what this means.

COMMISSIONER TEUFEL DREYER: So, as far as you know, there has been no deadline posed by the United States?

MR. SIMMONS: As far as I know, there has been no deadline. As far as I'm aware. Maybe the State Department can clarify that point.

CHAIRMAN D'AMATO: Commissioner Robinson, the Vice Chairman.

VICE CHAIRMAN ROBINSON: Yes. Thank you very much, Representative Simmons. I share my colleagues' admiration for your vision on this subject and the way you have elegantly laid it out this morning. I just returned from Taipei. I would say quickly that I was impressed by the resolve of the sitting government to find, at long last, a modality to get the major elements at least of that U.S. arms package through. They're jockeying with a number of different legislative alternatives, but they understand the necessity of expeditious action given perceptions in this country, among other concerns.

Given the massive and growing scale of the Chinese missile threat arrayed against Taiwan now, do you believe that we're approaching a

⁷ [Simmons, Rob. Letter to Chairman Lien Chan, 27 May, 2005. \(This can be found at the end of the transcript with all additional materials\)](#)

⁸ [Chan, Lien, Dr. Letter to Congressman Simmons 14 June, 2005. \(This can be found at the end of the transcript with all additional materials\)](#)

time when the U.S. sale of an Aegis-based missile defense capability may be indicated?

MR. SIMMONS: I can't really respond to that question accurately because I have not been party to any private discussions that may be taking place. But again I think the build up of missile capabilities in the region and the reluctance to aggressively pursue some defense against it is troublesome.

Now, whether or not introducing an Aegis-system into the system is the solution, I don't know. Clearly, we have that capability. Whether that is a capability that should be passed to Taiwan, I think remains to be seen, but I am not aware of any private discussions along those lines. It's a good question. I'd be interested to pursue it, and I thank you for that.

CHAIRMAN D'AMATO: Thank you very much. There are some other questions, but I think you're out of time, Congressman. We don't want to hold you up. We would like to work with you in your role on the Taiwan-China Congressional Caucus to further develop this dialogue if that would be fine with you.

MR. SIMMONS: I would look forward to that and I thank you very much for the work you're doing. I think it's very important to the peace and security of the region. I thank you very much.

CHAIRMAN D'AMATO: Thank you very much, Congressman.

MR. SIMMONS: ["Thank you" in Chinese].

CHAIRMAN D'AMATO: We will continue on now with opening remarks for our hearing. Good morning everyone. Thank you very much. I think it would be helpful if those who have cell phones would be willing to turn them off during the hearing. We'd appreciate that very much, and Mr. Keith, you can go ahead and take your seat at the table, if you don't mind listening to a couple of opening remarks.

MR. KEITH: No, sir. It would be my pleasure.

OPENING STATEMENT OF CHAIRMAN C. RICHARD D'AMATO

CHAIRMAN D'AMATO: Good morning and welcome to the U.S.-China Economic and Security Review Commission's hearing on "China's Military Modernization and Cross-Strait Balance."

This important hearing is being cochaired today by Commissioner Stephen Bryen, Thomas Donnelly and myself. Before we begin the hearing, I want to stress that China's military modernization, both nuclear and conventional, has major implications for the United States, Taiwan and our other allies in the Pacific region.

After a decade and a half of double-digit growth in annual defense budgets, China has emerged with an arsenal of advanced new weapons and improved command and control systems. And because the prevention of Taiwan independence apparently is the central mission of China's military, the preponderance of these new weapons and capabilities have been based along China's eastern seaboard within striking range of Taiwan and regionally based U.S. and allied forces that may be called upon to respond to any potential aggression in the Taiwan Strait.

China's recent deployments of ballistic and cruise missile, advanced fighter bombers, and quiet new attack submarines already pose a serious challenge to Taiwan's self-defense forces. Moreover, it appears that China's near-term goal is to develop the capability to preclude and deter U.S. involvement in the event of a showdown over Taiwan. For this reason, it is extremely important that Congress understands what military capabilities China possesses and will possess, and what challenges those capabilities may present to Taiwan and U.S. Forces.

We have been aware, for example, that China's modernization efforts have stressed improvements in naval, air and missile forces. We are also aware that China is actively pursuing unconventional means or asymmetrical means, as they call it, such as cyber attack to forestall or impede a U.S. response to potential Chinese aggression towards Taiwan, and we will have some discussion today of the cyber question. The scope

and scale of the Chinese cyber attack on American systems, we regard as an unfriendly act and a continuing unfriendly act.

We will be interested in learning in greater detail the full extent of these improvements. We will also want to understand what steps the United States and Taiwan are taking and should be taking to address the emerging challenges brought on by China's modernization effort. While China's forces are modernizing at a rapid clip, Taiwan has demonstrated a remarkable lack of urgency in moving forward on the acquisition of essential defense articles that have been offered by the United States.

To a significant degree, it appears that internal Taiwan politics are the cause of this delay. But the lack of public outcry makes it unclear whether the Taiwan public has fully embraced the need for these weapons or is willing to foot the bill. While the U.S. has historically demonstrated their ready willingness to assist countries that are committed to their own defense, the American public may be less inclined to assist a country that has failed to provide adequately for its own defense needs.

Finally, it's imperative for Washington to understand fully China's strategy with respect to Taiwan fully and to consider how as a nation we should respond. For over 25 years, successive U.S. administrations have exercised a policy of deliberate ambiguity with regard to our commitment to defend Taiwan. This policy has effectively deterred both China and Taiwan from taking unilateral steps that would disrupt the peace and security across the Strait.

China's growing military strength and international confidence may at some point tempt their leaders to make a forceful play for Taiwan. It is important that U.S. lawmakers fully understand the significance of the U.S. commitment and how it plays out regionally both now and well into the future. Armed with that understanding, lawmakers will be better able to make informed decisions on the necessary appropriations and allocations to U.S. defense spending.

I'd like to turn the microphone over now to the Commission's Vice Chairman Roger Robinson.

[The statement follows:]

Prepared Statement of Chairman C. Richard D'Amato

Good morning and welcome to the U.S.-China Economic and Security Review Commission's hearing on China's Military Modernization and the Cross-Strait Balance. This important hearing is being cochaired by Commissioners Stephen Bryen, Thomas Donnelly and me.

Before we begin the hearing, I want to stress that China's military modernization – both nuclear and conventional – has major implications for the United States, Taiwan and our other allies in the Pacific region. After a decade-and-a-half of double-digit growth in annual defense budgets, China has emerged with an arsenal of advanced new weapons and improved command and control systems. And, because the prevention of Taiwan independence is a central mission of China's military, the preponderance of these new weapons and capabilities have been based along China's eastern seaboard within striking range of Taiwan and regionally-based U.S. and allied forces that may be called upon to respond to any potential aggression in the Taiwan Strait.

China's recent deployments of ballistic and cruise missiles, advanced fighter-bombers, and quiet new attack submarines already pose a serious challenge to Taiwan's self-defense forces. Moreover, it appears that China's near-term goal is to develop the capability to preclude U.S. involvement in the event of a showdown over Taiwan. For this reason, it is extremely important that Congress understands what military capabilities China possesses, and will possess, and what challenges those capabilities may present to Taiwan and U.S. forces. We have been aware, for example, that China's modernization efforts have stressed improvements in naval, air and missile forces. We are also aware that China is actively pursuing unconventional means, such as cyber attack, to forestall or impede a response to potential Chinese aggression towards Taiwan. We will be interested in learning in greater detail the full extent of these improvements, and to what extent these improvements adversely affect our ability to maintain peace through deterrence. We will also want to understand what steps the United States and Taiwan are taking, and should be taking, to address the new and emerging threats brought on by China's modernization efforts.

While China's forces are modernizing at a rapid clip, Taiwan has demonstrated a remarkable lack of urgency in moving forward on the acquisition of essential defense articles that have been offered by the United States. To a significant degree, it appears that an internal political row between Chen Shui-bian's administration and the opposition party is the cause of this delay. But the lack of public outcry makes it unclear whether the Taiwan public has fully embraced the need for these weapons or is willing to foot the bill. This is a dangerous game. While the U.S. has historically demonstrated a ready willingness to assist countries that are committed to their own defense, the American public may be less inclined to assist a country that has abandoned efforts to provide for its own defense needs.

Finally, it is imperative for Washington to understand China's strategy with respect to Taiwan and fully consider how, as a nation, we should respond. For over 25 years successive U.S. administrations have exercised a policy of 'deliberate ambiguity' with regard to our commitment to defend Taiwan, and this policy has effectively deterred both China and Taiwan from taking unilateral actions that would disrupt the peace and stability across the strait. However, in the absence of a clear and vigorous U.S. commitment, China's growing military strength and international confidence may at some point tempt her leaders to make a forceful play for Taiwan. It is important that U.S. lawmakers fully understand the significance of this U.S. commitment, and how it plays out regionally, both now and well into the future. Armed with that understanding, lawmakers will be better able to make informed choices on the necessary appropriations and allocations for U.S. defense spending.

I'll now turn the microphone over to my Vice Chairman, Roger Robinson.

OPENING STATEMENT OF VICE CHAIRMAN ROGER W. ROBINSON, JR.

VICE CHAIRMAN ROBINSON: Thank you, Mr. Chairman. On behalf of the U.S.-China Economic and Security Review Commission, we'd like to again welcome you to this hearing. As our Chairman mentioned, today's focus is on an array of considerations involving the political and military relationship between the United States, China and Taiwan.

The Commission's statutory mandate directs it to assess, among other key dynamics of the U.S.-China relationship, quote, "the triangular economic and security relationship among the United States, Taipei and Beijing, including Beijing's military modernization and force deployments aimed at Taipei, and the adequacy of the United States Executive Branch coordination and consultations with Congress on United States arms sales and defense relationship with Taipei."

Recent events have substantially altered this triangular relationship. These include the election of President Chen Shui-bian in 2000, his decision to hold a politically charged referendum during last year's presidential election, China's passage of an anti-secession law, two highly publicized visits by Taiwan opposition leaders to China, growing economic and social ties between Taiwan and China, the growing lethality of China's offensive military build up, and Taiwan's continued political inability to move forward on necessary defense acquisitions.

The administration properly remains adamant that China and Taiwan resolve their differences peacefully. That said, the pace of China's rising economic and military capabilities is quite daunting. As the recently released DoD report on China's military notes, China is at a, quote, "strategic crossroads," and it's an open question as to how China will use its growing power.

We may have a strong hint over the course of these proceedings. Frankly, what's baffling to me is the Chinese thinking that underpins its acquisition of front-line sophisticated systems designed to strike successfully a U.S. carrier and other major American naval and land assets. What do they believe the consequences would be of attacking an American carrier with some 5,000 American servicemen and women on board? It would be prudent for China to think again about the wisdom of such an action under virtually any circumstances as it clearly risks an especially tragic miscalculation in relation to its vital national interests.

Today, we have with us a distinguished group of panelists who will help us examine a range of issues related to this crucial dimension of our bilateral relationship, as it arguably represents the greatest threat to U.S. security interests in the 21st century.

I'd now like to turn over the proceedings to Commissioner and Cochairman, Dr. Stephen Bryen. Thank you.

[The statement follows:]

PREPARED STATEMENT OF VICE CHAIRMAN ROGER W. ROBINSON, JR.

On behalf of the U.S.-China Economic and Security Review Commission, we would like to welcome you to this public hearing. As our Chairman mentioned, today's focus is on an array of considerations involving the political and military relationship between the United States, China and Taiwan.

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Recent events have substantially altered this triangular relationship. The election of President Chen Shui-bian in 2000, his decision to hold a politically-charged referendum during last year's presidential election, China's passage of the Anti Secession Law, two highly publicized visits by Taiwan opposition leaders to China, growing economic and social ties between Taiwan and the China, the growing lethality of China's offensive military build-up, and Taiwan's continued political inability to move forward on necessary defense acquisitions. The Administration has remained adamant that China and Taiwan resolve their differences peacefully.

The pace of China's rising economic and military capabilities is quite daunting. As the recently released DoD Report on China's Military notes, China is at "a strategic crossroads," and questions remain concerning how China will use its growing power. We may have a strong hint over the course of these proceedings. What is baffling to me is the Chinese thinking that underpins the acquisition of front-line sophisticated

weapon systems designed to strike successfully a U.S. carrier and other major American naval and land assets. What do they believe the consequences will be of attacking an American carrier with some 5,000 U.S. service men and women on board? It would be prudent for China to think again about the wisdom of such an act, under virtually any circumstances, as it clearly risks an especially tragic miscalculation in relation to its vital national interests.

Today we have with us a distinguished group of panelists who will help us examine a range of issues related to this crucial dimension of our bilateral relationship as it arguably represents the greatest threat to U.S. security interests in the twenty-first century.

I will now turn over the proceedings to Commissioner and Cochairman Dr. Stephen Bryen.

COCHAIR BRYEN: Thank you, Roger. We have one more opening statement.

**OPENING STATEMENT OF COMMISSIONER THOMAS DONNELLY,
HEARING COCHAIR**

COCHAIR DONNELLY: Thank you, Mr. Chairman. I'd like to add my welcome to that expressed by the chairman and by my colleagues, not just to you, Mr. Keith, but to the quite impressive collection of astute and accomplished witnesses we'll have before us today.

With the hearing today, the Commission returns to one of its core concerns and that is assessing the growing military power of the People's Republic of China, the impact of that fact on American interests, and in particular, the increasingly unstable balance across the Taiwan Strait.

In its past reports, and I would expect again this year, the Commission has well chronicled the rapid, substantial and intensely focused development of the People's Liberation Army. While experts and intelligence analysts differ on the details, the undeniable truth is that this trend reflects a long-term commitment by Beijing pursued through changes in leadership and despite the fact, as Defense Secretary Don Rumsfeld has observed recently, the fact that China has no enemies and faces no immediate threat.

Indeed, our Pentagon now regards surging Chinese military strength as one of the emerging strategic realities for the coming century. The current Quadrennial Defense Review speaks of a variety of challenges,

but the most profound of these it dubs a disruptive challenge, implying an ability to fundamentally alter the international order of the post Cold War era.

Only a rising China possesses the present and potential power to challenge the American peace, either as a leader of a rival bloc of countries or in time by itself.

This is not simply a challenge to American security and political interest. It's inevitably a challenge to American principles of liberty and individual rights. It's also a challenge to our friends and allies who share these universal principles.

That these principles are not ours alone is nowhere better illustrated than in East Asia and in particular in Taiwan. Not so long ago, it was widely argued that democracy was a uniquely Western form of government, unsuited to Asian and especially to Chinese culture. The vibrant, even hectic, freedom on Taiwan and in Taipei today puts the lie to that claim.

But the democracies, as is their peaceful practice, prefer the pursuit of happiness to the preparations for war and the precarious balance of political power in Taiwan has handicapped the island's efforts to stiffen its defenses in the face of the escalating Chinese threat.

The opposition party in Taipei sometimes seems to place its own desire for power above the nation's desire to remain free, and just to diverge from my prepared remarks, we've talked about this already today. Just to put it in some context, President Chen has made a dozen major speeches calling for the passage of the special budget. Taiwanese defense spending, inadequate as it is, is about 30 percent larger as a share of its national wealth than German defense spending. The DPP is committed to a significant 20 percent rise in defense spending, and remains throughout all of this as one of the largest purchasers of American military hardware and military expertise in the world, so we need to keep that in context.

Meanwhile, the shabby support offered by a succession of American administrations, support that amazingly has shrunk, even as Chinese democracy has taken root, has done much to create the current impasse. But because the United States merits such respect and is so close to the people of Taiwan, we can also do much to end this impasse by making it clear that we support President Chen and his requested special budget.

This is not just the principled policy but the prudent policy. The United States has long held that the differences between Beijing and Taipei must not be settled by force, nor by the threat of force, nor by intimidation. That is the expression of our deepest security interests and those of our allies in the region. Maintaining stability at this most dangerous flashpoint will remain a cornerstone of American strategy, and with all that in mind, I look forward to, Mr. Keith, your testimony and the balance of the hearing today.

Thank you for your indulgence, my fellow commissioners.

[The statement follows:]

PREPARED STATEMENT OF COMMISSIONER THOMAS DONNELLY, HEARING COCHAIR

I want to add my welcome to those expressed by the chairman and my colleagues. I deeply appreciate the appearance of the astute and accomplished witnesses who will appear before us today.

With this hearing, the Commission returns to one of its core concerns: assessing the growing military power of the People's Republic of China, its impact on American interests and, in particular, the increasingly unstable balance across the Taiwan Strait. In its past reports – and I expect again this year – the Commission has well chronicled the rapid, substantial, and intensely focused development of the People's Liberation Army. While experts and intelligence analysts differ on the details, the undeniable truth is that this trend reflects a long-term commitment by Beijing, pursued through changes in leadership and despite the fact that, as Defense Secretary Donald Rumsfeld has observed, China has no enemies.

Indeed, the Pentagon now regards surging Chinese military strength as one of the emerging strategic realities for the 21st century. The current Quadrennial Defense Review speaks of a variety of challenges, the most profound of which it has dubbed as “disruptive,” implying an ability to alter the post-Soviet international order. Only a rising China possesses the present and potential power to challenge the American peace, either as a leader of a rival “bloc” or, in time, by itself.

This is not simply a challenge to American security and political interests. It is, inevitably, a challenge to American principles of liberty and individual rights. It is also a challenge to our friends and allies who share these universal principles.

That these principles are not ours alone is nowhere better illustrated than in East Asia, and in particular, in Taiwan. Not so long ago, it was widely argued that democracy was a uniquely Western form of government, unsuited to Asian and, especially, to Chinese culture. The vibrant, even hectic, freedom of Taipei today puts the lie to this claim.

But democracies, as is their peaceful practice, prefer the pursuit of happiness to preparations for war. And the precarious balance of political power in Taiwan has handicapped the island's efforts to stiffen its defenses in the face of the escalating Chinese threat. The opposition party in Taipei sometimes seems to place its own desire to rule above the nation's desire to remain free. Meanwhile, the shabby support offered by a succession of American administrations – support that, amazingly, has shrunk even as Taiwanese democracy has grown – has done much to create the current impasse. But because the United States merits such respect in Taiwan, we can do much to end this impasse by making it clear that we support President Chen and his requested “special budget.”

This is not just the principled policy, but the prudent policy. The United States has long held that the differences between Beijing and Taipei must not be settled by force, nor by the threat of force, nor by intimidation. That is an expression of our deepest security interests and those of our allies. Maintaining stability at this most dangerous flashpoint will remain a cornerstone of American strategy.

With this in mind, I eagerly anticipate today's hearing. Thank you, Mr. Chairman.

PANEL II: ADMINISTRATION PERSPECTIVES

COCHAIR BRYEN: This morning, this panel will take a look at the issues that have been posed already by my colleagues in their opening statements. I don't think I need to say more. We're all immensely concerned about the nature, the quality and the threat of the build-up of China's military forces, and their focus on both Taiwan and on the U.S. fleet's freedom of maneuver.

I hope that we can address that and the related issues that go with it in your testimony. Mr. Keith has a very impressive biography. Let me just give you some of the highlights.

Most recently he served as Consul General of the United States of America in Hong Kong from August 2002 to August 2005. He now serves as the Senior Advisor for East Asia and Pacific Affairs.

Some of his background. He was born in Roanoke, Virginia. He lived as a child in Tokyo, in Jakarta, Hong Kong and Taipei. While in Hong Kong, from 1968 to 1971, he attended the Hong Kong International School. He joined the U.S. Foreign Service in 1980 after graduating with a

B.A. degree in English from the College of William and Mary in Williamsburg. He speaks Mandarin Chinese, Korean and Indonesian.

He has received from the Department of State the Superior and Meritorious Awards. He's clearly an expert on the whole region. Some of his former colleagues are sitting up here with me today. He served in Beijing together I believe with Mr. Wortzel, so you bring both the feeling of the culture and the dynamics of the area. You have a good sense, I think, of the responsibilities the United States has for maintaining peace and stability in that region, and we very much welcome your statement and hope you will be able to take questions from the panel thereafter.

STATEMENT OF JAMES KEITH, SENIOR ADVISOR FOR EAST ASIA AND PACIFIC AFFAIRS, DEPARTMENT OF STATE

MR. KEITH: Commissioner, thank you very much for your introduction, and I would be very happy to provide a bit of a context for your questions and then afterwards answer any and all questions that you might have to the best of my ability. I do commend the Commission for addressing its attention to what is an important subject, and Mr. Chairman and commissioners, thank you for letting me be part of this morning's activities.

The overriding objective of this administration with regard to the subject at hand is, as you might expect, to advance the U.S. national interests and to look to the larger American interests both with regard to our interaction with Taiwan and with the People's Republic of China.

I thought I might start, if I could, by giving you a quick review of some of the things that have happened since you last examined this as a Commission, perhaps to add a little bit of the context for the questions that might follow.

There have been, as many Commission members have already noted, been some noteworthy activities in the time that's passed since you last examined this question. I'll just make brief reference to trade. A number of commissioners have already noted the increasing integration that's going on economically across the Strait. Just to give a little bit of flavor to that, Taiwan enjoys a \$51 billion surplus in its trade with China.

China imported \$65 billion worth of goods from Taiwan, which is more than ten percent of all the imports that China had in 2004. Just to give you a sense of the magnitude of Taiwan's involvement in the economic opening on the mainland and to also add a little flavor to that, both in southern China and in east China, you see these Taiwan companies directly involved in activities on the mainland, directly involved in conveying Western business practices, and what goes with that, of course, are Western concepts of individual worth and imbedded in management practices are Western concepts of market-oriented practices that we would like to see developed further in China.

So I think in addition to the benefit that flows directly to the people of Taiwan in this kind of exchange, there is also a larger issue that we support in terms of Taiwan's economic interaction with mainland China.

Economic interaction also implies opportunities for other types of interaction, including cultural and what we sometimes refer to as human interaction, that is across a broad range of other areas, not specifically commercial or trade. There is what Commission members will know has been referred to as the "Macau model" for these kinds of activities. That is originally negotiations in Macau that had been conducted between private mainland China and Taiwan organizations with low-level government involvement. And these pointed toward in the initial instance lifting a ban on direct flights across the Strait for the duration of the Lunar New Year holiday, the opportunities for families to reunite over this holiday, a traditional activity that was facilitated by this agreement in 2005.

They occurred in 2003, but not in 2004. It's been this sort of activity growing from the economic integration into these other areas that has led to blossoming of the integration across the Strait. Just to give you a sense of the magnitude, according to mainland statistics nearly 3.7 million Taiwan citizens visited the mainland in 2004, and it's estimated that anywhere between 900,000 and up to a million people from Taiwan out of the population of 23 million, reside in the PRC and do business in the PRC.

So with a little bit of flavor of the economic interaction, I'll mention a couple of political exchanges that have occurred since the Commission last took a look at these issues. There have been what I would describe as truly historic breakthroughs, but in the context of really no change in the fundamental interaction, and I'll come back to that point. The key point being that there hasn't been dialogue since the Commission last held a hearing on this subject between Beijing and the elected representatives of the Taiwan people, which is really what has to happen for there to be a genuine change in the atmosphere.

Nevertheless, it was remarkable that the Communists and Nationalist Party representatives for the first time since 1949 met when Lien Chan, the lead of the Nationalist Party, traveled to Beijing in April and had an opportunity to sit down on the mainland and talk through issues.

Similarly, the People's First Party's James Soong, these two opposition parties, had an opportunity soon afterwards, and I'd be happy to go into a little bit more detail if Commission members are interested. I would note parenthetically that James Soong is this week on the mainland also.

The administration views these exchanges favorably, and we've encouraged an increased contact and integration across the Strait. But as I mentioned a vital piece is missing, and that is sustained dialogue between Beijing and the elected government, the people's representatives in Taipei.

Just to mention briefly that the lack of such dialogue is clearly detrimental. I think in part because of the lack of communication that has existed in the past, of course, if you go back to 1992. Without that opportunity to talk things through, one thing that has come up is in March after five years of deliberation on the mainland side--I know there's been reference to this anti-secession legislation already--clearly the National People's Congress passing this law was an unfortunate and unhelpful development, as Secretary Rice has pointed out, and one that one would have hoped would not have been necessary had there been the kind of dialogue that we've been encouraging across the Strait with elected representatives of the people of Taiwan. It really runs counter to these other trends that, at least on the surface, some seem to want to foster.

Turning more directly to a subject which I know you've discussed already in the previous panel with Congressman Simmons--I don't want to take this opportunity to go in depth into Taiwan politics, and I know Commission members have traveled themselves to Taiwan and know a great deal about this context already--I would simply note the deep fissures that have existed for a long time continue to exist between the ruling party and the opposition coalition, and importantly, the opposition coalition which holds a majority in Taiwan's Legislative Yuan. I would simply note this for Commission members' background as we talk about how the U.S. fulfills its obligations under the Taiwan Relations Act as we assist Taiwan in a range of areas to acquire the necessary skills and capabilities or as it is in the Taiwan Relations Act, to maintain a sufficient self-defense capability.

To date, the opposition controlled legislature has failed to approve the special budget containing funding for these purchases, as you well know, and meanwhile President Chen's administration in its regular budget proposal over the last six years has requested only marginal growth in defense spending. I would encourage Commission members to focus not only the special budget, but also on the broader trends in defense spending

and the list of priorities in that overall perspective including stockpiling ammunition and this sort of thing that is perhaps a little bit less headline grabbing, but nevertheless extremely important to sustaining capability along the lines of what was discussed in the previous panel.

I should mention that that has happened even as the administration in Taipei has asked for double-digit increases for economic and social spending.

There have been important positive developments during the period however. I do want to note that Taiwan's armed services have improved their capability to operate jointly. The civilian leadership has been strengthened over the uniformed services, but we're increasingly concerned that Taipei is failing to invest both in key advanced capabilities and also, as I mentioned, in these lower profile but still vital capabilities--command and control, hardening, ordnance stockpiles--these sorts of things that are vital to the survivability and thus to deterrence.

I'll turn now briefly to China's military modernization. I think Commission members are very familiar with Department of Defense's annual report, "The Military Power of the People's Republic of China." The focus in that report is China's modernization, its procurement of new weapons, its evolution of operational doctrine and introduction of new capabilities, as you've discussed in the previous panel.

As enunciated in the Department of Defense's report, we see China facing basic choices, choices that China's leaders must make as its power and influence grows and as its modernization of its military continues.

Through visits such as Admiral Fallon, our PACOM Commander's recent trip to China, we are seeking through engagement with the military in China to try and increase the transparency of their military, looking for transparent and reciprocal relationship, trying to find out more about their intent and the scope and direction of their modernization. I think that's an important aspect of what we're trying to do.

As Secretary Rice has said repeatedly, this is an issue that we'll continue to follow. We're monitoring the modernization closely and anticipate that this will be a subject in our senior exchanges with the Chinese for the foreseeable future.

I think another part of the question of China's military modernization and the uncertainty that is created China's more prominent appearance in many different areas is the role that it's playing regionally.

There are some indications that China is moving toward greater transparency and inclusiveness in its political engagements in the region. I think this has to be just as true with its military.

To give you some examples of China's interaction with ASEAN, in terms of China's interaction with Southeast Asian nations, we're seeing it play a much more active role, and a role that's more open to interaction with these regional groupings as opposed to individual countries, as opposed to bilateral relationships, which we think is a positive trend and provides an opportunity for others in the region to register their views with the Chinese and influence Chinese thinking.

I think, of course, it's true that it's not only in these regional interactions. It's not only the positive side that we have to look at, but there is dissonance here and I think one very clear element or clear illustration of that in terms of the confusing signals that might be sent by the Chinese as they engage in the region is the recent Sino-Russian military exercise that occurred.

We can certainly see the logic of advancing transparency and building confidence between two nations' militaries. In fact, this is something we would like to do in U.S.-Chinese military-to-military relations. But just to contrast the effect of the Sino-Russian exercises with what we would hope to see, one can imagine the consequence if we were engaged in a similar exercise. We would hope for an event that threatened no one and built regional confidence, that added to regional stability, and that underlined both countries' commitment to regional stability, and by

that measure, this recent exercise with its amphibious operations, maritime blockades and cruise missile launches came up short.

Mr. Chairman, the United States has a vital interest in the peaceful resolution of differences across the Strait. As the president told Premier Wen Jiabao on December 9, 2003, we don't support Taiwan independence and we oppose unilateral attempts by either China or Taiwan to alter the cross-Strait status quo. That set of commitments is anchored in the Taiwan Relations Act and our Three Joint Communiqués, which remain the bedrock of our policy today.

Mr. Commissioners, Mr. Chairman, Mr. Vice Chairman, that concludes my prepared remarks. I'd be happy to engage in any discussion that would be helpful to the Commission.

[The statement follows:]

**PREPARED STATEMENT OF JAMES KEITH, SENIOR ADVISOR
FOR EAST ASIA AND PACIFIC AFFAIRS, DEPARTMENT OF STATE**

Mr. Chairman, Commissioners, thank you for inviting me to testify on behalf of the Administration on an issue of substantial importance to our policy in the Asia-Pacific region. The overriding objective related to the subject of this hearing has been to advance U.S. national interests in our relations with Taiwan and with the People's Republic of China.

SIX MONTHS OF CROSS-STRAIT ACTIVITY

Although political dialogue between "unofficial" high-level government representatives of Taipei and Beijing has been frozen since 1999, there have been noteworthy cross-Strait developments over the past year.

Trade is lopsided in favor of Taiwan, which has a \$51 billion surplus with China. It is in part driven by Taiwan's direct investment in the mainland. China's imports of nearly \$65 billion worth of Taiwan goods accounted for 11.5 percent of all Chinese imports in 2004. The mainland is not doing too badly in its efforts to access Taiwan's market, with its exports increasing 170 percent since 2001, from \$5 billion to about \$13.6 billion. In addition, rapid Taiwan investment in China's service sector is helping provide support for Taiwan manufacturers in the PRC. While realized FDI investment levels fell a bit in 2004 (to \$3.1 billion), both sides seem confident that the overall levels will remain positive, especially as Taiwan increases value-added investments in the PRC.

Economic integration implies opportunities for more extensive human exchanges. Beijing and Taipei used what they called the "Macau model" - negotiations in Macau between private PRC and Taiwan organizations with low-level government involvement - to agree to temporarily lift a ban on direct flights across the Taiwan Strait for the duration of the Lunar New Year in 2005. The Lunar New Year charter flights, which first occurred in 2003 but which were absent in 2004, facilitated the reunion of friends and families on both sides of the Strait. It set the tone for much of what was to follow. The volume of people crossing the Strait is impressive: according to PRC statistics, nearly 3.7 million Taiwan citizens visited the

mainland in 2004, and credible estimates indicate that as many as 900 thousand Taiwan people out of a total of 23 million actually reside in the PRC.

CROSS-STRAIT POLITICAL CONTACTS

As Commission members are aware, there have been significant developments in cross-Strait exchanges.

- Following a week of visits to his birthplace of Xi-an and the burial place of China's great nationalist leader Sun Yat-sen, opposition leader Lien Chan met with PRC leaders in Beijing on 29 April. This was truly an historic meeting, the first since the 1949 split between the leaders of the Communist and Nationalist parties.
- People's First Party Chairman James Soong followed with his own trip to Beijing two weeks after Lien. Soong asserted in a May 11 speech at Beijing's Qinghua University that independence was not an option for Taiwan's future, a comment that many of Taiwan President Chen Shuibian's staunchest supporters criticized. Soong met PRC President Hu Jintao and other PRC leaders in Beijing on May 12 and passed the message that Chen Shui-bian was willing to engage in dialogue with Beijing using a flexible formulation about what constituted "one China."

We view these exchanges favorably and have urged Chinese on both sides of the Strait to realize the greater potential that exists for increasing contact and integration, in keeping with global trends. A vital piece is missing, however. Despite productive visits by opposition leaders, Beijing has not yet developed a sustained dialogue with the elected representatives of the Taiwan people.

The lack of such dialogue is detrimental. For example, in March, after more than five years of deliberation among government officials about some form of formal legislation regarding China's policy toward Taiwan, China's State Council submitted anti-secession legislation to the National People's Congress. The law, which was passed without opposition on March 14, reiterates China's view that "solving the Taiwan question and achieving national reunification is China's internal affair," without intervention by any outside forces. Secretary Rice called adoption of the law, which explicitly authorizes the use of "non-peaceful means," to be unfortunate and unhelpful" and pointed out repeatedly that it ran counter to what was a generally positive trend in cross Strait relations.

Taiwan's Domestic Defense Policy

I will not go in depth into domestic politics in Taiwan, but suffice it to say that deep fissures persist between the ruling coalition led by Democratic Progressive Party (DPP) President Chen Shui-bian and the opposition coalition, which holds a majority of seats in Taiwan's Legislative Yuan.

Against this backdrop, the United States is assisting Taipei, in keeping with our obligations under the Taiwan Relations Act, in a range of areas to acquire necessary skills and capabilities. We continue to support the purchase of defense systems approved by the President (PAC III air defense systems, P-3 anti-submarine warfare aircraft, and diesel submarines. To date, Taiwan's opposition-controlled legislature has failed to approve a Special Budget containing funding for these purchases. Meanwhile, the Chen administration in its regular budget proposals over the last six years has requested only marginal growth in defense spending, even as it has asked for double-digit increases for economic and social spending. There have been important positive developments during this period: Taiwan's armed services have improved their capability to operate jointly, and Taiwan has put civilians in charge of the military. But we are increasingly concerned that Taipei is failing to invest both in key advanced capabilities and also in the lower profile but still vital capabilities - command and control hardening, ordnance stockpiles - that are vital to survivability and thus to deterrence.

CHINA'S MILITARY MODERNIZATION

We are currently witnessing a sustained process of Chinese military modernization, procurement of new weapons, evolution of operational doctrine and introduction of new capabilities. We are monitoring closely as this process unfolds, as was enunciated in the Department of Defense's annual report on military modernization ("The Military Power of the People's Republic of China") that was released in mid-July. The report focused on the basic choices China's leaders must make as China's power and influence grows and its military modernization continues. Through visits such as P ACOM Commander Admiral Fallon's recent trip to China, we remain engaged with the Chinese military, communicating our desire for a transparent, reciprocal, and growing relationship as well as our concern that China needs to communicate to us and the rest of the world its intentions with regard to its significant investment in military modernization.

China in the Region

In my view, there are indications that China will move toward greater transparency and inclusiveness in its political engagements in the region. Movement in the same direction is no less critical with regard to China's military. The PRC on November 4, 2002 signed the Declaration on the Conduct of Parties in the South China Sea with ASEAN. The Declaration seeks to avoid the outbreak of hostility in the Pacific. On November 29, 2004, China offered to transform the ASEAN Treaty of Amity and Cooperation, which it had signed on October 8, 2003, into a Code of Conduct and proposed joint cooperation among military officers on the South China Sea. In addition, China has recently reached an agreement with Vietnam and the Philippines to conduct joint exploration in the disputed Spratly Islands. China's goal is to become more thoroughly embedded in the region's institutions and to use its growing power to influence the development of regional dialogue and interaction. This is a rational and positive development that should contribute over time to regional stability and greater transparency in regional military-to-military ties. We do not seek to exclude China, nor do we wish to be excluded, from the steady evolution of dialogue and integration that is happening throughout the Asia Pacific region.

The situation includes both positive developments and dissonant notes. We can see the logic of advancing transparency and building confidence between two nations' militaries. Indeed, these are objectives in U.S. - China relations. But contrast the effect of recently concluded Sino-Russian exercises with what we would hope to see as a consequence of any comparable occurrence with the United States. In our case, we would hope for an event that threatened no one and built regional confidence, added to regional stability, and underlined both countries' commitment to regional stability. By that measure, the recent exercise, with its amphibious operations, maritime blockades and cruise missile launches, comes up short.

Mr. Chairman, the United States has a vital interest in the peaceful resolution of differences across the Taiwan Strait. The President told Premier Wen Jiabao on December 9, 2003 that we do not support Taiwan independence and we oppose unilateral attempts by either China or Taiwan to alter the cross-Strait status quo. That set of commitments is anchored in the Taiwan Relations Act and our three Joint Communiqués, which remain the bedrock of our policy.

PANEL II: DISCUSSION, QUESTIONS AND ANSWERS

COCHAIR BRYEN: Thank you very much. Commissioner D'Amato.

CHAIRMAN D'AMATO: Thank you, Mr. Chairman, and thank you very much, Mr. Keith, for being here. I also wanted to publicly thank you for the hospitality that you gave the Commission while you were

Consul in Hong Kong two years ago when we visited. It made our trip very, very valuable and we really appreciate the effort that you made in making us feel comfortable and hospitable in Hong Kong.

MR. KEITH: An honor to receive you, sir.

CHAIRMAN D'AMATO: Thank you. I just want to make one comment and I have a question. I think I have a different view of the effect of the cross-Strait dialogue with the opposition parties. It seems to me that if the Chinese came to the United States and started negotiating with John Kerry that the White House would be less than pleased.

This, in a sense, is an attempt, maybe it didn't have the effect--but an attempt to weaken the current leadership on Taiwan, and I think that's unhelpful.

So the question I have is we recommended in our last report that the United States government facilitate a dialogue between the two sides, and that's a delicate matter. Can you say that the United States government is, in fact, attempting to facilitate a dialogue with the current leadership of Taiwan and the elected leadership of Taiwan with the Chinese authorities?

MR. KEITH: Mr. Chairman, as you suggested, it's a delicate matter and much depends on precisely what you mean by "facilitation." Certainly we are encouraging this sort of dialogue. This is something that's been going on for seven administrations. Since 1972, we essentially have agreed to disagree with the PRC on Taiwan and under the terms of the Taiwan Relations Act have played the appropriate role that we should play with Taiwan.

Through both official and unofficial interaction with both sides, we've encouraged the kind of dialogue that occurred back in the '90s which I thought was very productive, and I certainly have to agree with you, that absent the centerpiece of interaction between Beijing and the elected representatives of the people in Taiwan, you have a very

incomplete picture which does not in any way meet the definition of a satisfactory or in any overall sense productive dialogue.

I do believe we would like to see more interaction between the people of Taiwan and the people of the PRC, and in that respect meeting with the opposition parties, were it part of a larger picture, I think would be even more productive. I think the fact that the Chinese have chosen not to engage directly with the elected representatives of the people of Taiwan, as I mentioned in my remarks at the outset, indicates no real change in their fundamental position which I think is regrettable. We certainly are urging, as the president has most recently this week, the government of the People's Republic of China, to engage directly with the representatives of the Taiwan people.

In that regard, we are facilitating in the sense, in a more narrow sense than perhaps you suggested, Mr. Chairman, by pursuing with each side independently our strong encouragement of meaningful dialogue across the Strait, and it remains our view that the way this is going to be resolved in the future is by direct dialogue between Chinese on both sides of the Strait.

CHAIRMAN D'AMATO: Yes. Do I understand you to say that the president engaged President Hu on this matter during his visit in New York?

MR. KEITH: Yes, sir, this week in New York, the President was very clear in encouraging the Chinese side to engage directly with the elected representatives of the people of Taiwan.

CHAIRMAN D'AMATO: Thank you. Thank you, Mr. Chairman.

COCHAIR BRYEN: Thank you. Commissioner Dreyer.

COMMISSIONER TEUFEL DREYER: I'm intrigued. This wasn't the question I'd originally intended to ask, but what did President Hu Jintao say in reply to the president of the United States?

MR. KEITH: Well, it's not my place, I suppose, to report in open session on precisely what occurred, but I can tell you what generally is the response from the Chinese side, and I would hasten to add that this has been our position for quite a long time, and we take every opportunity. That's not encouraging I suppose in the sense that we've had to keep at it. We're not getting results, of course, and, more to the point, the Taiwan people are not getting results because Beijing is not engaging as we are encouraging it to do.

But the mainland Chinese position is that it's prepared to engage in precisely this sort of discussion with the elected representatives of the people of Taiwan, when certain conditions are being met.

COMMISSIONER TEUFEL DREYER: The one-China policy.

MR. KEITH: Yes, Commissioner Dreyer, that's correct.

COMMISSIONER TEUFEL DREYER: I just wondered how President Hu had responded this time. Was it the standard response?

MR. KEITH: Not having been in the meeting, I can't tell you, but I certainly would assume that that's what we heard back, and I do know that there was no breakthrough, there was no announcement. So I have to make that assumption, but I'm sorry I don't have precisely the answer to your question.

COMMISSIONER TEUFEL DREYER: Now, to my original question.

MR. KEITH: Please.

COMMISSIONER TEUFEL DREYER: Our previous witness, Representative Simmons, mentioned that he did not know what the State Department was doing with Taiwan with regard to discussing the arms package with them. Could you tell us what the State Department is doing?

MR. KEITH: Yes. Certainly you'll hear more about this, as you may know, in San Diego next week. We'll have a meeting with Taiwan and--

COMMISSIONER TEUFEL DREYER: Absolutely.

MR. KEITH: --our Office of the Secretary of Defense will lead our discussions there, and you'll hear more along the lines of what's being discussed here today. We have engaged over an extensive period of time both through the American Institute in Taiwan in Taipei in its discussions with leaders in Taipei and from a number of officials here in Washington in an effort to do the two things that I highlighted in my prepared remarks. That is encourage the passage of this special defense budget and also to encourage attention to the priority that these lower profile but no less important programs or resources.

Our effort has been to get these budgets passed, both the special and the regular defense budgets, aiming at both the package of which you're very familiar, as well as these expenditures on things such as ammunition stockpiles and the like.

That's been an effort that we've engaged in over the years, not with one party or another but as I think should be clear, our position is we need to see results, and we're not so interested at this point, having had a long conversation with the government in Taipei on this subject, in further exploration of the ins and outs of the intricacies of domestic politics.

From our perspective, this has become an issue that requires results and requires whatever it takes in terms of the ruling party and the opposition parties coming together to produce positive outcomes.

COMMISSIONER TEUFEL DREYER: And the response is doubtless "we understand, but the other party doesn't?" Each side is saying that?

MR. KEITH: You know very well how bureaucracies work, and we are hearing something of a bureaucratic response and I realize that this is complicated. I don't mean to understate the complexities of domestic politics anywhere including in Taiwan, but we do think this is important enough that political leadership is necessary regardless of party, regardless of position in our out of power. It's time for this to get done.

COMMISSIONER TEUFEL DREYER: Thank you.

MR. KEITH: Thank you, Commissioner Dreyer.

COCHAIR BRYEN: Commissioner Robinson.

VICE CHAIRMAN ROBINSON: Thank you, Mr. Chairman. Mr. Keith, we want to applaud you again for your distinguished service to the country and the wonderful job you did in Hong Kong. State is lucky to have you back.

MR. KEITH: Thank you, sir.

VICE CHAIRMAN ROBINSON: Leave it to say that there are a number of dynamics in the cross-Strait relationship, Japan being one such dimension. It's becoming an increasingly integral player. As you know, Tokyo earlier this year expanded its designated areas of strategic concern to include the Taiwan Strait. Japan is likewise facing a rapidly growing Chinese submarine threat, as was pointed out by Representative Simmons, among those posed by other Chinese weapons systems, and is actively pursuing missile defense initiatives, including the SM-3 missile development effort with the United States, as well as an indigenously manufactured maritime patrol aircraft.

Could you provide us with your sense of how the State Department views the future role of Japan in cross-Strait relations and the adequacy of Tokyo's response to the rapidly growing Chinese military threat to its sea lanes and territory?

MR. KEITH: I'm sorry, sir. Could you repeat the second question?

VICE CHAIRMAN ROBINSON: The adequacy of Tokyo's response to the rapidly growing Chinese military threat to its sea-lanes and territory.

MR. KEITH: Well, sir, I should preface my remarks by indicating that I'm not an expert on Japan's military or its development of military strategy, but I would be certainly happy to put this in the context

of cross-Strait relations for you and if there is anything that is lacking in my response, I'd be happy to take your question back and provide more.

VICE CHAIRMAN ROBINSON: Thank you.

MR. KEITH: In the cross-Strait relationship, of course, there are many, many complicated trends or many threads to the relationship, one of which, of course, the history of Japan's experience in Taiwan and the connections that exist, people to people and otherwise, between Taiwan and Japan.

Also, one has to consider this against the backdrop of the difficulties in Sino-Japanese relations that are ongoing, but at this point quite notable. So I think one can't separate a discussion of cross-Strait ties and any perspective on Japan from the nationalistic sentiment that exists on the mainland, both in terms of what the mainland refers to as reunification--that is nationalistic sentiment among the Chinese population about Taiwan--and also a very emotional and nationalist response to Japan among the Chinese people.

So I think these swirl in the cross-Strait relationship, and Mr. Vice Chairman, I think you're quite right to point to this as an element to be considered clearly. Also recognizing our alliance relationship with Japan and our obligations under the Taiwan Relations Act, one has to recognize that this is a salient point.

I think looking to the future, Japan is gradually developing opportunities to modernize and mature and keep pace with the transformation of Asia, and I think as that's happening, it is providing opportunities for others in the region to respond and react either positively or negatively. It's something that the Americans are working very closely with Japan on, and it's something in our alliance relationship that relates directly to our forward deployed forces in Japan, so we want to go forward with Japan as it looks to its responsibilities commensurate with its economic power in a way that is appropriate to the region and comfortable to the Japanese people, but we do have a very clear sense from the

American perspective that it is time, it is appropriate for Japan to take on greater responsibilities around the world commensurate with the economic benefits that it gets from the international system.

VICE CHAIRMAN ROBINSON: Thank you.

MR. KEITH: Thank you, sir.

COCHAIR BRYEN: Thank the commissioner. Commissioner Wessel.

COMMISSIONER WESSEL: Thank you, Mr. Chairman. Like my colleagues, I appreciate you being here today as well as your service. I'd like to ask potentially a more organic question. As we enter our annual report-writing phase here in the Commission, we tend to spend a tremendous amount of time on these core issues and the issue of our interest in Taiwan vis-à-vis Taiwan are somewhat holographic, I guess where you stand, determines what you see. Strategic ambiguity, a number of other terms have been applied to this relationship and our approach over time to it.

I'm having trouble squaring the president's inaugural address and the values that it espoused, as did President Clinton--this is not a partisan comment--with the policy of strategic ambiguity. If one believes in democratic freedoms and those values, one has to question the current approach which seems to be hoping the problem goes away, gets settled peacefully, and in China's point of view, there is only way to do that, which is to unify.

How should we be addressing this organic issue? How should we be viewing our strategic interests and the values that we want to continue to hold dear to?

MR. KEITH: Well, sir, I think that's a fundamental question, and I think it's one that we've answered since 1972 in the same way. That is in keeping with what happened in 1979, the Taiwan Relations Act, we've made certain that whichever way this is resolved, it will not be by coercion, which is to say that one side of the equation, the Taiwan side,

will proceed to resolution only when and if the people of Taiwan approve of and desire that resolution, and in that respect the aspirations of the Taiwan people will be accommodated in any resolution or there won't be one.

That's my sense of the organic problem that you describe. It certainly is the case that preservation of the status quo is a policy designed to put off resolution in a sense because the players. This is something that I think has been true since 1972 and in every administration of either party, agreeing to disagree about Taiwan is as far as we could get. Under those circumstances, preservation of the status quo is an appropriate and I think successful policy if you look at what's happened in that period of time. The flourishing of Taiwan's democracy which occurred during the period of this policy, and the tremendous success of not only the Taiwan economy but the economic reform in opening up with the People's Republic of China.

Looking to the larger interest of the American people, it seems to me that we've managed over this period to both maximize our interests in engaging both Taiwan and the PRC as well, at the same time, finding a way to support the fundamental interest of the Taiwan people.

I would like to see a policy in which reunification from the Chinese perspective, resolution of this issue on terms appropriate to Taiwan's democracy from the Taiwan perspective, and a stable prosperous and peaceful region from the American perspective could be all brought together in one neat package.

Unfortunately, that simply hasn't been possible. Diplomacy hasn't been able to achieve that thus far. Therefore, in falling short of that final resolution of the issue, we, it seems to me, at least have maximized both our interest and the protection of our ideals and values by this interim measure. No doubt you're correct. This has to be seen as an interim measure.

COMMISSIONER WESSEL: Thank you.

MR. KEITH: Thank you, Mr. Commissioner.

COCHAIR BRYEN: Thank you. Commissioner Mulloy.

COMMISSIONER MULLOY: Mr. Keith, thank you for your service to our country.

MR. KEITH: Yes, sir. Thank you.

COMMISSIONER MULLOY: We do not support Taiwanese independence. I think you made that clear. That's the administration's policy. Going back through the years has that been American policy?

MR. KEITH: President Bush enunciated this particular formulation during his tenure, but I think it's clear, if you go back through the Communiqués, that we've left this issue in essentially the form it is in now. It's been enunciated in a little bit different terms before.

COMMISSIONER MULLOY: Some people perceive there could be a problem with China's growing power. But we've made our decision that we don't support Taiwanese independence, and that if they make a deal with China, that that's fine and dandy with us as long as its done peacefully by both sides and they both agree to it.

MR. KEITH: Yes, sir.

COMMISSIONER MULLOY: Here's what I see--I want to look at it holistically as well--Taiwan has huge investment in China. I think they're the largest foreign investor in China.

MR. KEITH: They're among the largest, sir.

COMMISSIONER MULLOY: Yes. And we've seen some of this foreign investment, and it's high tech investment. The Taiwanese are helping China build its comprehensive national power. They got a million Chinese living in Taiwan contributing to China's economy in a major way. Many of the foreign trained Taiwanese that came to the United States got educated. Many of them are now in China helping China build its comprehensive national power.

Many Taiwanese businessmen are making huge profits from their operations in China. You mentioned I think, that Taiwan is running a

major trade surplus with China, but they're contributing to the American trade deficit with China because many of the foreign invested companies that are exporting so rapidly to the United States are Taiwanese companies.

So I think there's some schizophrenia here in this whole situation. Taiwan is building China's comprehensive national power in a major way. The KMT, who I think represent a lot of the foreign guys who are investing in China, and we talked with some of them when we were there, seem to be wanting to move towards some movement of rectifying and unifying the two countries. That's what I see going on.

Their politicians are going over there. But somehow or other, America is on the hook. Taiwan is building China's comprehensive national power. Their politicians are going and trying to rectify the situation, but somehow we're left on the hook that if China moves against them, this much stronger China, that we're on the hook to defend Taiwan against China.

It just seems to me that something doesn't make sense about all this. Do you see a contradiction or a schizophrenic problem here?

MR. KEITH: Well, sir, if I may, I would broaden your observation. I think this is a direct result of China's decision in terms of the way that it's going to modernize not only its military but its entire country. That is in stark contrast to, for example, the Japanese model of modernization, the Chinese threw the doors open and wanted investment to come in and wanted foreign investors to fuel its development and its modernization.

Overall that's had a very positive effect in terms of bringing China into the international system and giving it a stake in the international system such as that of a stakeholder, it is taking decisions based on its own national interests that are convergent, increasingly so, with ours in many areas, not all of them, of course, and there are important exceptions to this general principle.

But if you look at something like intellectual property, where at one point when China wasn't part of the system, it had nothing to protect, it was more of a problem for us. As it became more and more a part of the system, as a direct result of this decision to draw foreign investment in, it started to have its own intellectual property rights that needed to be protected and had a real stake in doing so, and now is working with us more. This is still our number one issue on the economic side, but at least we have the central government recognizing the problem and seeking to find ways to enforce the kinds of regulations that we'd like to see enforced.

One can elaborate or expand from that into other areas, and we'd like over time for that to expand into the military-to-military and security areas such that China is more engaged in this international system in such ways that it will support, that it will multiply the kinds of investments that we're making all around the world in peace, stability and prosperity rather than work against this, and this is true on the arms control and technology transfer side as well.

So there are some positive benefits to this investment flowing in, the opening up and the expanded influence that the outside world has, including that Taiwan has in China, but it does create uncertainty when China is more prominent in some of these areas and isn't indicating precisely where it wants to head.

Therefore, it seems to me, sir, that part of the answer here is that in order to preclude or prevent or assure those who are hedging their bets in response to the uncertainty that China is creating, it needs to, one, make sure that its policies are not, once verified, are not those that would be divergent or even come in conflict with the rest of the world, and, two, it needs to communicate better about all of those policies.

If it has a particular intention with regard to the Sino-Russian exercises, for example, it didn't do a very good of telling the rest of the world about it, including Taiwan. So it seems to me that this complicated

picture that you present is a direct result of the fact that, one, China opened itself up and has this outside influence, and, two, it's becoming more prominent all around the world, and in areas I would venture to guess, in some areas where it itself doesn't know how it wants to act or where it wants to go, it's not doing a very good job of explaining its motivations and intent to the rest of the world.

COMMISSIONER MULLOY: Thank you.

MR. KEITH: Yes, sir.

COCHAIR BRYEN: Thank you very much. Commissioner Wortzel.

COMMISSIONER WORTZEL: Thanks for your testimony, Jim.

MR. KEITH: Yes, sir.

COMMISSIONER WORTZEL: Great job. We just heard from Congressman Simmons of Connecticut that the State Department hasn't sent a formal notification to Congress for the arms sales package approved for Taiwan by President Bush. Now you testified that Taiwan is buying items off that list from the regular budget although the special budget hasn't been passed.

Is the Taiwan government simply buying such small amounts that the purchases fail to rise to the point of requiring congressional notification, and what are they buying? Are these things that make sense from a defensive standpoint and really improve their armed forces? And finally, is the State Department withholding that notification from Congress for other political or other foreign policy reasons?

MR. KEITH: Thank you for your question, Commissioner Wortzel. I'm afraid I'm getting out of my area of my expertise. If I may, I'll take your question, and I promise to get you an answer on it.

I can answer the second part of your question now, however, and that is that there is no withholding of any notification that I'm aware of, on the basis of political or other reasons. As to precisely what's

happening in the relationship as far as arms sales on the conventional side, that's not something that I'm aware of. But I will undertake to get you an answer as soon as possible.

COCHAIR BRYEN: I just want to follow up that last point.

MR. KEITH: Yes, sir.

COCHAIR BRYEN: So what you're telling us, and I just want to make sure that we can reflect it in our record correctly, is that the State Department, being you, is prepared to go forward as soon as Taiwan is ready to go forward itself; is that correct? And there is no hesitation on that? This is not an issue?

MR. KEITH: Sir, if what you're asking me is that original package that we're talking about that's the subject of--

COCHAIR BRYEN: Yes, that's what I'm talking about. That's exactly what I'm referring to.

MR. KEITH: --the special defense budget, which, of course, Taiwan is shifting a bit, at least in its internal politics. It's taking things in and out of that package, and it's unclear what the sequence of events will be as far as Taiwan's decision or determination to proceed with elements of that package.

COCHAIR BRYEN: Yes.

MR. KEITH: But if your question do we stand by that original package and are we intent on selling that package to Taiwan, the answer is unequivocally yes.

COCHAIR BRYEN: It's important for us to have that marker clearly in the record, and I appreciate your response.

MR. KEITH: Yes, sir.

COMMISSIONER WORTZEL: Thanks very much.

MR. KEITH: Thank you, Commissioner Wortzel. Commissioner Becker.

COMMISSIONER BECKER: Yes, thank you. I was listening very intently to my colleagues, but I have to say I disagree with my

colleague on the left. When we talk about independence or we talk about freedom with Taiwan, they don't have to be unified with China, they don't have to be not unified with China. We talked about the status quo. I remember the status quo for years and years, and this is what we're advocating.

The thing that we're leaving out of this is America's strategic interest. We talk about China and Taiwan getting together like if they got together peacefully this would be something very good. I don't know whether it would or not. We have strategic interests. We've had them since World War II in the South China seas. The sea-lanes have to be kept open for Japan and for South Korea. It has to be kept open for Indonesia and Thailand, Vietnam, Singapore.

We can't abandon this. We should not abandon this, but we don't talk much about our strategic interest in what takes place. I think we have to have a greater focus on this and I think we should stand tall. We fight for democracy all over the world in many, many wars. We've always taken the high ground. How do we walk away from the only democracy down there? I don't think we do. I just want to put this on the record.

MR. KEITH: Mr. Commissioner, thank you. In fact, I don't think we disagree.

COMMISSIONER BECKER: Do you agree?

MR. KEITH: Sir, I think we agree completely that the first statement I made was on the importance of the larger American interest driving our relationships both with Taiwan and with the People's Republic of China, and I think you would hear everyone from Secretary Rice on down in my building tell you that everything we should be doing in Asia should be grounded in American interests. That's what we're engaged in. That's our job as diplomats; to advance the American interest.

I think it's important to note that no one to my knowledge has suggested or advocated that we walk away from Taiwan. I think it is our absolute obligation to fulfill the requirements of the Taiwan Relations Act,

which is something we take on voluntarily, not because it was imposed in 1979 but because it's in our larger interests and because we have a history with the people of Taiwan, an imperative, to maintain those ties.

I think that ensures that we won't be walking away from this problem, but what we do say is that the Taiwan people should have the lead. We're not in a position, it seems to me, to impose a particular solution. That's why we stand for a solution that's arrived at between the people on both sides of the Strait, and that we stand against any solution imposed by coercion. So that's, I think, the bedrock of our position as enunciated in the Three Communiqués and the Taiwan Relations Act. In fact, sir, I think we agree.

COMMISSIONER BECKER: Could I just make one more short comment on this? At the end of World War II when MacArthur reined supreme in that part of the world, he made a statement once that Formosa is the largest unsinkable aircraft carrier in the world and we should strive to keep that. Okay--that's good.

MR. KEITH: Thank you, sir.

COCHAIR BRYEN: Thank you.

COMMISSIONER BECKER: Here's a question my colleague just passed to me. If Taiwan would vote for independence, would we support it?

MR. KEITH: Sir, the president has enunciated very clearly our position on that. This goes back to our original Joint Communiqué in 1979 and the language of which I'd be happy to get to you if you don't have it.

COMMISSIONER MULLOY: I have it.

MR. KEITH: Through seven administrations, we've been very clear in our position with regard to that question. This is an issue that I think the people of Taiwan would have to work out with the People's Republic of China. We're not trying to predetermine an outcome, but at present, as a unilateral act, we are opposed to any unilateral change to the

status quo, and that's a position that comes based on the larger interest of the American people.

That doesn't preclude any outcome at all. It neither rules in nor rules out any eventual outcome that can be arrived at by the people on both sides of the Strait.

COMMISSIONER BECKER: Hang tough.

MR. KEITH: Yes, sir.

COCHAIR BRYEN: Commissioner Donnelly.

COCHAIR DONNELLY: Thank you, Commissioner Chairman. I also have more of a statement, and it would be directed more at my fellow commissioners than at the witness, but I invite the witness to correct me or to respond as he sees fit.

First of all, I feel obligated to unburden myself about the question of Taiwanese independence. It is my understanding of our policy that we really take no position about Taiwanese independence. The one-China policy is an observation of fact going back to the original statement that Chinese on both sides of the Strait, or people on both sides of the Strait, believe that there is a single China. That was an observation made at a particular time and place, and it's quite possible that were the people on opposite sides of the Strait to agree peacefully that there was one China and one Taiwan, that would be just fine with us, as long as the issue were resolved peacefully.

In fact, as Commissioner Becker has pointed out, that would suit our strategic interests even better. So we are not opposed to Taiwanese independence; we are worried about the method by which the issue is resolved. That's my understanding.

Secondly, if we can accuse Taiwan of building Chinese comprehensive national power by investing there, we can make the same accusation about K-Mart or Microsoft or a lot of other American--

CHAIRMAN D'AMATO: Wal-Mart.

COCHAIR DONNELLY: --Wal-Mart--American companies in profusion. Another thing is the question of arms sales. It's my understanding that previous sales packages and other exchanges of both weaponry and expertise are proceeding on course and indeed, I think as you pointed out in your testimony, some of the more important kind of software aspects that Taiwan needs to improve the quality of its defenses and also to firmly establish civilian control of what was a one-party military not so long ago, are actually proceeding quite positively.

So the broader military-to-military relationship between the United States and Taiwan is actually far larger and possibly healthier than the controversy over the special budget would suggest.

However, there remain some problems that are our primary responsibility it seems to me. In particular, two things that are of deep concern to me are the question of general officer visits to Taiwan. You yourself just mentioned that the PACOM Commander visited the mainland. It seems to me quite perverse that we disallow our senior theater commanders and his staffs and other commanders in the region from essentially visiting the front lines, a little bit like preventing the NATO commander from visiting the Fulda Gap during the period of the Cold War. This is a self-imposed or a self-inflicted wound not just by this administration but also by past administrations, and I would strongly urge the Commission to express our feelings and to support legislative already introduced in Congress to lift that or to change that policy.

Finally, and by way of footnote, I lament the actions taken by the administration in regard to the Monterey talks with Taiwan which have been ongoing for more than a decade, have been a central aspect in improving Taiwan's management of its defenses, and intellectual modernization of its defenses. Those talks were initially scheduled for cancellation this year. They were ultimately deferred simply as a way to placate Hu Jintao and to make that potential irritant go away during the planned visit here, and so if we want to criticize Taiwan for its failures to

modernize its defense posture the way we would like it to, we, I think, have to take cognizance of our own role and not put additional roadblocks in the way of this process if we really want it to go forward.

So again, this more of a statement than a question, and I again appreciate everybody's indulgence.

COCHAIR BRYEN: Commissioner Dreyer has a follow-up.

COMMISSIONER TEUFEL DREYER: Yes, I do. I am aware that what we have said in the past, frequently, is that we do not support Taiwan's independence. However, this does not mean we are opposed to Taiwan's independence. The Chinese government time and time and time again has tried to badger us into saying we oppose it. Sometimes American officials. This bothers me tremendously, I urge you to take back to your colleagues the notion that if the United States opposes or even doesn't support Taiwan independence, this makes Taiwan the only country in the world that United States opposes self-determination for. I find this upsetting because the United States itself was born from the conviction that people have the right of self-determination, and Britain was certainly a much nicer colonial power than the People's Republic of China would be.

Thank you.

MR. KEITH: You make an important distinction, Commissioner Dreyer, and I will certainly take that back.

COMMISSIONER TEUFEL DREYER: Thank you.

COCHAIR BRYEN: My colleagues sometimes make speeches, but it does show there is a growing concern, and I think one of the elements of that clearly is the arms build-up and the qualitative change that seems to be happening in that arms build-up, and when you have the kind of asymmetry that you have, it doesn't lead to good things historically. And I think this is something that is a great concern of all the commissioners. I think I speak for everybody on that, that there's just a real worry that China will make a mistake for any number of potential

reasons, and the situation will be one that we can't really influence or control satisfactorily.

So I don't expect you to respond to that point, but I do think it is something that the Commission feels strongly about and will certainly be reflected in our report.

MR. KEITH: Sir, if I may, I would like to respond.

COCHAIR BRYEN: Please.

MR. KEITH: I think we certainly agree that the uncertainties created by China's military modernization bear close watching and I think we agree with your concern for the scope and direction.

The one point I would make is we, the administration, don't see the Cold War template as the one that we ought to adopt. I don't mean to suggest that that was imbedded in your remarks, but this is an issue out there that I think you need to hear from the administration on, and while we need to deal with the uncertainties that are created by China's increased prominence on the scene, I don't think we view a return to a Cold War approach is the approach that would be most productive.

COCHAIR BRYEN: Well, as you noted, we have a huge trading relationship with China, which was not the case with the Soviet Union.

MR. KEITH: Yes, sir.

COCHAIR BRYEN: It's quite a different environment in that respect on the commercial side, on the political side, too, but there sometimes is in these things a dynamic caused by the acquisition of weapons that grows beyond the control of the political people, and this is, I think, we've seen evidence, and I think all our commissioners comment we've seen evidence from time to time of poor communications between the Chinese leadership and their military, and we've seen situations get out of hand.

It's one thing when there is relative military balance. It's a totally different story when there isn't, and this is, I think, really one of the

great fundamental concerns I have, and I believe others here have, too. We thank you very, very much for joining us today.

MR. KEITH: Yes, sir.

COCHAIR BRYEN: You've lived up to your reputation absolutely and it was a delight having you. Thank you, sir.

MR. KEITH: Thank you, sir. Thank you all.

CHAIRMAN D'AMATO: And we'll take a five-minute break before the next panel begins.

[Recess.]

PANEL III: CHINA'S MILITARY MODERNIZATION AND FORCE DEPLOYMENTS

CHAIRMAN D'AMATO: The hearing will come back to order. We'll turn over to this panel to Commissioner Donnelly.

COCHAIR DONNELLY: Thank you, Mr. Chairman. Our third panel this morning is on Chinese Military Modernization and Force Deployments. I think already this morning the Commission has indicated how vital this interest is to us. China's economy is growing, and even at a relatively modest slice of GNP for defense, that clearly indicates that Chinese defense spending is increasingly significantly.

Importantly, the focus of Chinese military modernization is of concern to the Commission, as you have heard. We're still hoping that Laurent Murawiec will join us.

We've got a very strong panel, and I will refrain from reading everybody's CV in detail, but I would like to introduce Rear Admiral Eric McVadon, who was the defense and naval attaché at the American Embassy in Beijing from 1990 through 1992 when he retired from the Navy. Since then he's worked extensively with the U.S. policymaking and intelligence communities on Asian affairs and, in particular, Chinese military matters and issues involving the region.

Admiral McVadon wears almost as many hats as I do these days, as part-time Director of the Asia-Pacific Studies for the Institute for Foreign Policy, also works with DynCorp and a variety of other associations which will be available in the transcript. Let's put it that way.

Also joining us Dr. Joan Johnson-Freese, who chairs the Department of National Security Studies at the Naval War College. She's a political scientist and is focused in her work on technology and space programs, technology transfer issues, export control, served on the National Research Council for Space Studies and Congress Advisory Panel for Space Launch Capabilities.

Thus, that particular area of expertise is a crucial part of Chinese military modernization, and we look forward to her testimony.

Dennis Blasko served for 23 years in the U.S. Army as an intelligence officer and a foreign area officer specializing in China, was an Army attaché in Beijing in the early 1990s and in Hong Kong in the mid-'90s. He has spent a lot of time with infantry units around the globe, worked on the Army Staff and the NDU War Gaming and Simulation Center.

All told, we have an impressive variety of experts with us, so let's hear from them. Admiral McVadon, if you will start us off. Thank you very much.

STATEMENT OF REAR ADMIRAL ERIC McVADON, USN (RETIRED), DIRECTOR, ASIA-PACIFIC STUDIES INSTITUTE OF FOREIGN POLICY ANALYSIS

REAR ADMIRAL McVADON: Thank you, Commissioner Donnelly. Happy to be here. Let me start by saying that after more than 15 years of dealing with the China-Taiwan issue, I cautiously accept Chinese assertions that they prefer a peaceful resolution. However, it's clear that if they feel they must act, Beijing is more serious than ever about rapidly subduing Taiwan and threatening the U.S. ability to intervene promptly and effectively.

The scope of the ongoing surge of modernization in the PLA naval, air and ballistic missile forces, as Congressman Simmons so well described this morning, is roughly analogous, and I do not say this lightly, to the Chinese acquisition of nuclear weapons in 1964. Neither can be reversed nor ignored.

We're looking at a rapidly emerging new PLA, but one that is narrowly focused on rolling up Taiwan in a matter of days and confusing, deterring, delaying or, failing all that, defeating U.S. intervention, thereby presenting us with a *fait accompli*.

China does not want a war with the United States, but it's deadly serious about Taiwan. Here is the concept that it's clearly revealed by the forces the PLA is acquiring and the PLA's doctrinal writings.

First, there is an emerging virtually unstoppable capability to attack Taiwan with the many hundreds of very accurate, mobile medium and short-range ballistic missiles and the new land attack cruise missiles. These missiles would easily saturate any conceivable missile defenses and disable Taiwan's air defenses, airfields and command and control facilities.

Special and Fifth Column forces and information warfare would play important roles. Massive air attacks on a largely defenseless Taiwan then would follow. Powerful new PLA Navy forces would make very short work of the Taiwan Navy. Amphibious and airborne forces, probably in smaller numbers than generally thought, to reduce strategic warning among other things, then could secure beach, seaport and airport lodgments, to permit the introduction, essentially unopposed, of follow-on forces in large numbers and to a Taiwan that would be cowed, chaotic and demoralized.

There is a reasonable prospect that this concept could work or that Beijing will think that it will work.

Second, and equally important, is the budding capability to thwart U.S. intervention. This capability is layered, diverse and

appropriately redundant, a precisely focused major modernization of specific components of the PLA.

The concept encompasses an overarching effort to disrupt U.S. command and control, surveillance and intelligence through actions against our computer networks, satellites and communication nodes. It's not clear how well the PLA might do this, but they certainly will try very hard.

The most alarming aspect of this concept, and something that has not been mentioned yet here this morning, is the very rapid move toward development of ballistic missiles with maneuvering warheads that would not only be able to defeat missile defenses and hit U.S. bases in the region, but could in a few years threaten ships at sea, cleverly circumventing otherwise superior defenses and hitting our carrier strike groups.

Problems remain. But the Chinese will likely soon solve the problems involved in hitting a moving target with a ballistic missile. That is a big deal.

Another daunting feature of this layered concept is expected to be operational much sooner than the ballistic missiles. The eight new Kilo-class submarines now being delivered to China from Russia, as once again as Congressman Simmons described, are armed with what some describe as the world's best anti-ship cruise missile, the long-range, supersonic, submerged launch, sea-skimming SS-N-27Bravo Sizzler.

A new series of Shang class nuclear powered attack submarines, an impressive array of indigenous Song and Yuan-class modern and quiet conventional submarines, and a large number of other submarines compound the anti-submarine warfare problem, and, of course, that's what I spent most of my military career doing, was chasing Soviet submarines.

These initial waves of ballistic and anti-ship cruise missiles would be intended to degrade air defenses and prevent flight operations so that follow-on attacks might be conducted.

So what I've described is just the opening chapter. The PLA Navy has new indigenous FB-7 maritime interdiction aircraft, Russian SU-30MK2, multi-role fighters, and a new version of a long-range B-6 bomber all with potent anti-ship cruise missiles that can reach hundreds of miles or more in follow-on attacks and probably do so successfully after the air defenses have been degraded.

The PLA Navy is putting to sea a stunning fleet of modern, new and upgraded destroyers and frigates. At the top in firepower are the Sovremenny destroyers, and there will soon be four of them in China's hands from Russia, with long-range, supersonic, highly evasive anti-ship cruise missiles similar to those for the new Kilo submarines designed to defeat our Aegis defense system.

Several classes, not ships, but classes of modern Chinese-built combatants have very lethal subsonic anti-ship cruise missiles plus increasingly capable air defenses.

Well, I've given you on a sample of this modernization surge, and as a backdrop to all this conventional stuff, China is also building a more modern ICBM force so that U.S. national missile defenses will not neutralize China's nuclear deterrent.

There is no question that the PLA is assembling this alarming combination of missiles, ships, submarines and aircraft. There is, however, considerable question about whether the PLA could coordinate, command and support with intelligence and communications a simultaneous, two-pronged, major campaign against Taiwan and U.S. forces

My estimate, and only that, is that this new PLA would largely succeed against Taiwan and falter against U.S. forces because the inexperienced Chinese military would not be able to cope with the complexities, unknowns and countermeasures they would face.

This expectation of ineptness is, however, hardly sufficient to bank on, and remember, the Chinese expect to hold us off only long enough

for Taiwan to cry uncle before Uncle Sam gets there. They expect to avoid all out war and its likely unfavorable outcome for them.

In formulating a response to this new PLA, I think we, and by the way, Taiwan's leaders need, first, to appreciate anew Beijing's obsession with the Taiwan issue. I do not, of course, suggest that Taiwan abandon hope or last long enough for an American intervention in order to prevent an otherwise an inevitable Chinese victory. I do suggest that we persist in demanding a peaceful resolution and that we adroitly heighten Beijing's concern that an attack on Taiwan would put at serious risk its international standing, trade, foreign investment in China, infrastructure and military forces.

In short, the achievements of which modern China has the right to be most proud, its quarter century of unprecedented economic growth and enhanced living standards would be sorely jeopardized. Chinese say that when Taiwan is the issue, it does not matter. I would hope, however, that were China's leaders contemplating an attack on Taiwan and a confrontation with the United States, that these profound perils to China's future would greatly influence the debate.

We need to reinforce China's preference for non-military solutions to all its security concerns including Taiwan. Having said that, my hope, and I hope it's not an altogether unrealistic one, is that the China we say we prefer, open, prosperous and fully engaged with the U.S. and the world, coupled with the growth of cross-Strait ties will eventually make a military solution seem to Chinese leaders a foolish anachronism.

Meanwhile, we find ourselves distracted by the war on terrorism in Iraq, struggling with how to accommodate to a profoundly threatening new PLA, a military acquired paradoxically by a China with which we have improved relations and many important interests in common. This is a time for us to avoid hostile bluster and give greatly increased reflective attention to Sino-American relations. No other international relationship is more important or promises greater risks or

awards, depending on how well Washington and Beijing and, yes, Taipei can manage it.

Thank you.

[The statement follows:]

**PREPARED STATEMENT OF REAR ADMIRAL ERIC A. McVADON,
USN (RETIRED), DIRECTOR, ASIA-PACIFIC STUDIES INSTITUTE
OF FOREIGN POLICY ANALYSIS**

Recent Trends in China's Military Modernization

The focus of China's military modernization: Taiwan scenarios. China's military, the People's Liberation Army (PLA), is in the midst of a remarkable surge of modernization of its naval, air, and ballistic missile forces. It should not be considered remarkable that emerging China is modernizing a formerly backward military. China, although facing no imminent threat from the American perspective, has normal (and arguably legitimate) concerns for its national security, protection of its sovereign territory, and security of the sea-lanes that are so critical to China's economic growth—the centerpiece of Chinese accomplishment over the last three decades. This ongoing military buildup does not ignore those security needs; however it is primarily, if not exclusively, focused on another mission: what Beijing refers to as the Taiwan problem—a military mission it does not wish to undertake but is determined to accomplish if it must.

A legitimate mission in Chinese eyes. This mission, in essence, is to be able quickly to overwhelm Taiwan's military, cow the Taiwan government, and deter, delay, or complicate effective and timely U.S. intervention. The mission would be undertaken only if Beijing concludes that it has no choice but to employ military forces to stop actions by Taiwan that it considers intolerable. Almost all Mainland Chinese support that mission and, contrary to the views of most Americans and Taiwan citizens, do not see either this military buildup or the use of force if Taiwan moves to independence as reprehensible actions. The Chinese leadership proclaims, as emphasized by the passage last March of the Anti-Secession Law, that it will not be deterred in the use of force in these circumstances by fears of economic harm, loss of foreign trade and investment, damage to international reputation, loss of the 2008 Olympic Games, or the risks to its infrastructure, population, and military forces.

A preference for non-military means. Before examining the features of this PLA modernization surge, it should be noted that I do not see evidence that Beijing will use its forces in expansionist or aggressive ways beyond attempting reunification of Taiwan—which it considers an inalienable part of China. It seems, even with respect to the islands it claims in the South China Sea, to prefer non-military means to assert and consolidate the sovereignty it espouses and to look after its interests in the region. Indeed, China should, it seems to me as a retired navy officer, strive to be better able to protect the ocean commerce essential to China's economy, especially the flow of oil by both sea and pipeline from the Middle East and elsewhere in Asia. China is likely, if it ever becomes satisfied with its ability to deter the U.S. in a Taiwan crisis, to turn to the task of deterring other countries or non-state actors from attempting to interrupt the flow into China of oil, other forms of energy, and commodities to sustain its burgeoning economy and increasingly affluent huge population. For example, China might at that time feel the need to have a navy with a measure of organic air power; so it might then finally build or procure some form of aircraft carrier to provide air cover and reach when operating naval forces beyond the range of aircraft based in China.

What about future intentions as China grows? On the other hand, China, as could other countries, might change its intentions as its military capabilities and economic power grow. I suggest that the U.S. has the opportunity to influence how China's intentions are shaped in the future. Possibly the best way to influence those intentions is for the U.S. to pursue a bilateral relationship that fosters the development of an open, prosperous, and progressive China—the China that, as we have long and repeatedly said, best serves U.S. interests. I rush to say that I do not underestimate the obstacles and even paradoxes to be confronted in

pursuing such a complex policy. Nevertheless, because the U.S.-China relationship is arguably the most important in the world today, such effort is appropriate—indeed, even required.

China is not itching for a fight. It must be emphasized with respect to the current impressive modernization program that the Chinese in general and the PLA in particular are not seeking a conflict with Taiwan and certainly not with the United States. There is, in my view, no expectation that the PLA could in the foreseeable future prevail in an all-out, head-to-head war against the U.S. military. The concept is instead to be able very rapidly, in a matter of days, to cause Taiwan to capitulate, with such capitulation abetted by the failure of the U.S. to respond promptly and effectively. As has been said often, Beijing's concept is to be able to present to Washington and the world a *fait accompli* concerning Taiwan.

A clearly articulated concept now being realized. I have spent much of my time since I was the defense and naval attaché at the American Embassy in Beijing in the early 1990s and during the last 13 years since retirement from the Navy dealing with the PLA (first its backwardness and now its modernization), the issue of cross-Strait conflict (preventing it, predicting its form, and coping with the consequences), and broader issues of East Asian security (including China's relations with Japan and the two Koreas). For me, the Chinese concept for the use of force has become increasingly clear and very precisely directed: seeking a way to prevail in an attempt to regain Taiwan. The evidence for this has mounted in the form of both the force structure China has devoted so much money and effort to develop and the clear statements in Chinese policy and strategic and doctrinal writings and statements. For example, the concept of taking on a superior force and defeating it through surprise and with asymmetric means pervades Chinese military publications. The U.S. is the only such force to be contemplated, but, equally significant in my view, is that these methods are contemplated only in the situation where China is faced with U.S. forces aimed specifically at thwarting its essential (in Beijing's view) efforts with respect to Taiwan.

Keeping the China threat in perspective. Such ominous words are often used by those who want to emphasize some sort of broader China threat. However, those who wish to depict China primarily in that context tend to ignore that Beijing has, over the last decade, clearly demonstrated, as alluded to above, its desire to enhance its comprehensive national security by non-military means, even seeming until this recent modernization surge to recognize that its military modernization had proceeded haltingly while its use of diplomacy and growing economic power was succeeding far better comparatively—and without alarming its neighbors. In this regard, a balanced look at even the Taiwan issue should take into account the prospect that economic ties between the Mainland and Taiwan hold at least the promise at some time in the future of resolving the problem and making the current considerations of military force seem a foolish anachronism. In short, China does not seek an opportunity to use force against Taiwan, the United States, or its neighbors—even despised Japan. Beijing has, nevertheless, developed a *concept* to use force, if it feels it must, to defeat Taiwan, deter or delay U.S. intervention, and at least cause Japan to think twice before introducing overt military assistance in a developing crisis.

A core feature of the concept. Let me turn now to some illustrative details of the concept that I assert has been made unmistakably clear by Beijing's actions and words. We are all familiar with the early features of the concept. China began some years ago deploying inaccurate short-range ballistic missiles (SRBMs) with conventional warheads in provinces opposite Taiwan. Those CSS-6 and CSS-7 (also called Dongfeng or DF-15 and -11, or M-9 and M-11) missiles have grown, and continue to grow, in number and type, and their accuracy has been improved so that these 700 or so SRBMs, although each delivering only the explosive force of a large bomb, are now militarily useful, able through accuracy to place airfields out of commission, disrupt command and control facilities, destroy air defenses, etc.

And now accurate MRBMs with conventional warheads. There has been an important new development with respect to conventional ballistic missiles. China has developed a new conventional-warhead version of the CSS-5 medium-range ballistic (MRBM), previously armed only with nuclear warheads. The new series is called the DF-21C. Being an MRBM with a much higher reentry velocity than SRBMs, the DF-21C is virtually invulnerable to any missile defenses Taiwan might contemplate for the foreseeable future. China's Second Artillery or Strategic Rocket Force could employ these DF-21Cs in an initial wave to neutralize missile defenses and give the hundreds of follow-on SRBMs and new, exceedingly accurate land-attack

cruise missiles (LACMs) virtually guaranteed successful impacts on their targets. What I have described is a triple blow, dedicated to Taiwan, composed of very accurate MRBMs, SRBMs, and LACMs.

Handling Taiwan's Navy with a fraction of the available PLAN forces. Taiwan's Navy is no longer even in the same league with the numerous new and modern classes of destroyers and frigates that have been bought from Russia and built in China—with the vigorous construction program continuing. The PLA Navy now has an arsenal of very effective ship borne anti-ship cruise missiles (ASCMs), including a small number of Russian supersonic SS-N-22s and several classes of ships with subsonic indigenous ASCMs. Added to this is the large and growing nuclear and conventional submarine force that I will describe later. The PLA Navy is adding new, very impressive fast missile boats to its already large fleet of these smaller vessels, for use primarily against Taiwan. The PLAN, in the next few years, would be able to subdue Taiwan's naval forces using only a few, if any, of its most capable surface combatant ships and submarines. Ships and craft with less capability than needed to cope with, and inadequate range to reach, approaching U.S. forces would serve well around Taiwan.

Special Forces, IO, air, amphibious, and airborne forces introduced. Along with the initial MRBMs followed by hundreds of very accurate SRBMs and LACMs, China would employ Special Forces, Fifth Column cells, and information warfare to add to the paralysis and chaos in Taiwan. With air defenses largely incapacitated, China could then use to good effect its many new and old aircraft in follow-up attacks. The amphibious and airborne components of the concept, that might have been so risky up to this point, now take the form of an assault against a demoralized Taiwan with civilian and military command and control badly disrupted. The initial assaults by these ground forces need not be nearly so massive as most have envisioned them. Amphibious forces of the order of magnitude of two divisions, feasible with existing amphibious lift (after the recent surge in such construction), along with airborne forces would secure lodgments at selected beaches, ports, and airfields. These lodgments would permit the rapid essentially unopposed inflow of the additional forces necessary to consolidate the military effort.

Complicating decisions and actions by the U.S. We must assume that the crisis which has caused China to attack Taiwan has certainly not arisen unnoticed. So what is China's concept for dealing with the expected U.S. intervention? To begin, China's choice of ballistic and cruise missiles as the centerpiece of the initial attack on Taiwan makes it difficult for the U.S. to act in any way to directly counter the missiles. Even if major strides had been taken in missile defenses, the Second Artillery is capable, using only SRBMs—and more so if MRBMs and LACMs are added—of saturating any defenses the U.S. and Taiwan could assemble. China, unfortunately, has sought and found a way to be able to intimidate or attack Taiwan that could not be countered effectively—unless one envisions the immediate use of something as dramatic as U.S. ICBMs against China.

More uses of ballistic missiles with conventional warheads to gain temporary advantage against otherwise superior forces. However, China's savvy decision to use ballistic missiles as its weapon of choice to try to overcome the disadvantage of being an inferior force does not stop here. First, there is the threat to U.S. bases in the region—and we cannot ignore that heightened antagonism between China and Japan *could* make it somewhat less difficult for Beijing to make a decision to attack U.S. bases in Japan, particularly if Japan already appears inexorably ready to provide expansive support or even combat forces. The threat of conventional SRBMs and LACMs in greater numbers, with longer range and better accuracy and penetration ability (including decoys, submunitions, etc.), is already placing at risk all U.S. bases in the region except Guam. Remember that these ballistic and cruise missiles are not counted on to destroy these U.S. facilities or place them permanently out of action but are rather the means to suppress air and missile defenses. This, at least conceptually, would permit follow-on attacks, in relative safety, by the several new types of Chinese aircraft using very modern cruise missiles.

The prospect of ballistic missiles to hit ships. There is yet another exceedingly important chapter being written in the ballistic-missile saga. China is trying to move rapidly in developing ballistic missiles that could hit ships at sea at MRBM ranges—in other words, to threaten carriers beyond the range at which they could engage Chinese forces or strike China. Among its other advantages for China, this method of attack avoids altogether the daunting prospect of having to cope with the U.S. Navy submarine force—as anti-

submarine warfare is a big Chinese weakness. Along with these efforts to develop ballistic missiles to hit ships, they are, of course, working diligently to perfect the means to locate and target our carrier strike groups (CSGs). In that regard, an imperfect or rudimentary (fishing boats with satellite phones) means of location and targeting might be employed even earlier than the delay of several more years likely needed to perfect more reliable and consistent targeting of ships. Chinese missile specialists are writing openly and convincingly of MaRV'd ballistic missiles (missiles with maneuverable reentry vehicles) that maneuver both to defeat defenses and to follow the commands of seekers that spot the target ships. There seems little doubt that our naval forces will face this threat long before the Taiwan issue is resolved.

The PLA as an information warfare “wannabe.” Chinese military and strategy authors write openly about the U.S. military's reliance on advanced technologies and the alleged vulnerability that presents for exploitation by the PLA. These writers include methods as direct as anti-satellite weapons and as murky as computer network attacks, the planting in advance of viruses to be activated in a crisis, and the use of hordes of hackers. It is not clear how effective this effort might be, but the PLA at least will, as the U.S. moves to interpose its forces to blunt an assault on Taiwan, be attempting, as an adjunct to its direct attacks, to disrupt U.S. C4ISR so that its attacks on U.S. forces might be more successful and to introduce complications to delay and make less effective any U.S. intervention. It should be remembered that this action against U.S. forces would be a supremely important undertaking for which the PLA has been planning and preparing for years. There is no reason to believe that the PLA would have qualms in pursuing aggressive information operations, possibly in Japan and even to the U.S. homeland.

Second layer of the concept: submerged-launch, long-range, supersonic ASCMs. Although the ballistic-missile capability against ships lies a few years in the future, the PLA Navy is already receiving from Russia the wherewithal for the second major layer of the concept of being able to deter a U.S. intervention, or failing that, to have a means to confront approaching U.S. Navy forces. Eight new Kilo-class submarines are now being received from Russia with an important capability absent in the four Kilos the PLAN already possesses. These new quiet and capable diesel-electric Kilo-class submarines carry the Russian SS-N-27B Sizzler anti-ship cruise missile. This ASCM is launched while submerged and travels over 100 nautical miles to make a very low-altitude, evasive, supersonic attack intended to defeat the U.S. Aegis defense system.

Add many other modern submarines with submerged-launch ASCMs. With respect to the tactical problem of getting one or more of these new Kilo-class submarines in the general vicinity of closing U.S. Navy strike forces, the PLA Navy now has the capability to make the antisubmarine warfare (ASW) mission very difficult for U.S. forces. With a total of more than 50 operational submarines, and with a substantial number of them new and quiet, China, quite simply, can put to sea more submarines than the U.S. Navy can locate and counter. Its older Ming and Romeo submarines are not only still lethal if ignored but also serve to disperse and dilute the efforts of the ASW forces. In other words, some, or even many, of the already large and diverse, but still rapidly growing, fleet of very capable Shang SSNs, and Kilo, Song, and Yuan SSs can reasonably expect to remain undetected as they seek to interdict the U.S. carrier strike groups. If the “shooting has started,” eventually U.S. ASW forces could take a big toll against the Chinese submarine force, but the delay in sanitizing the area before the entry of carrier strike groups is what the Chinese are counting on as adequate delay to present the world with the aforementioned *fait accompli* with respect to Taiwan.

Air-launched ASCMs once air defenses are degraded. An attack by the Kilo submarines (whether preceded by ballistic missiles or not) using the very dangerous and lethal SS-N-27Bs, said by experts to be part of the best family of ASCMs in the world, would be intended to degrade air defenses (including carrier flight decks). This, if successful, would open the way to the many subsonic, but potent and sea skimming, ASCMs carried by the described large and growing fleet of modern nuclear and diesel-electric submarines, with several classes of these submarines being built at a truly surprising rate. These missiles are also launched while submerged and have considerable range. With air defenses degraded, there is also the opportunity for the PLA Navy Air Force at distances from China of several hundred miles (or much more in the case of some aircraft) to carry out air attacks with potent air-launched ASCMs using new aircraft from Russia (the Su-30MK2) and indigenous long-range B-6s (a new version with new missiles) and FB-7 maritime interdiction aircraft, also with new ASCMs.

Surface combatants as a final layer of diverse and redundant options. Ultimately, clean-up attacks might be envisioned using similarly capable ASCMs from the several new and upgraded classes of destroyers and frigates. These new classes of warships are headed in firepower by the Sovremennyyys (soon to increase in number from two to four) from Russia with supersonic, very evasive SS-N-22s. With almost equal firepower of the subsonic sort, China has built or is building enough new and modernized destroyers and frigates to form several surface action groups (SAGs), each capable of long-range ASCM attacks and, for the first time for the PLA Navy, good fleet air defenses using surface-to-air missile (SAM) systems—with the best SAM systems coming from Russia. As I have said to many audiences, the Chinese are now building and dramatically upgrading more classes—*classes* of modern destroyers and frigates—than previous rates suggest they might build such *ships* in this decade.

The indirect role of modernized and more numerous nuclear missiles. China is testing a new mobile, solid-fueled ICBM, the DF-31, and building a new Jin-class ballistic-missile submarine (SSBN) to launch a version of that missile. These new missiles will augment the force of about 20 DF-5A ICBMs that already can reach the United States. Most observers believe China will build new forces and improve older forces to whatever degree is necessary to outpace U.S. deployments of national missile defense (NMD). Despite rash statements recently by PLA one-star general Zhu Chenghu, we should not expect China readily to escalate to the use of nuclear weapons. In my view, even with the augmented nuclear arsenal, China's minimal deterrent is useful only when unused. It is the specter of its use that has a deterrent effect. Nevertheless, China's greatly enhanced nuclear force will serve as a backdrop for Chinese decisions to confront U.S. forces that are coming to the defense of Taiwan. Beijing will almost certainly feel a bit more confident that it can act to protect its interests, knowing that the U.S. president always has to keep in mind that he is dealing with a nuclear power—not a Yugoslavia or Iraq. So, unfortunately, China's leaders are likely to be emboldened a bit more by having a much-improved nuclear arsenal atop the conventional forces I have described.

The forces exist or on the way; the open question is the capability to coordinate it all. There is, in my opinion, no question that this is Beijing's concept for overwhelming Taiwan and deterring or confronting U.S. forces. There is no question that China has achieved a remarkable leap in modernization of the forces needed for these missions and that it is urgently continuing on that path. There *is* question about how China is now proceeding to exercise these new assets so as to make them truly operational in a combat environment. There is *considerable question* about China's capability to coordinate all these forces in two major simultaneous operations: (1) to bring Taiwan to its knees and (2) cause the U.S. to be tardy, indecisive, or ineffective in responding. There is, however, in my mind little question about Beijing's resolve to employ this concept if it feels it must act against Taiwan. My guess is that their effort would largely succeed against Taiwan and fail against the U.S.—simply because the inexperienced Chinese military would not be able to cope with the complexities, unknowns, and countermeasures they would face. However, this is a rather thin reed to count on as we contemplate an intervention in a Taiwan crisis.

This new PLA as analogous to newly nuclear China in 1964. With this new PLA, we face a new situation just as we did when China first became a nuclear-weapons power four decades ago. We are, now as then, facing the prospect that China could give us, or will at least try to give us, considerable pause in determining whether and how to respond to a Chinese attack on Taiwan. China, very precisely and effectively in my opinion, has narrowly focused the modernization of its forces on this essential PLA mission while we have been focused on other missions around the world and particularly on the war on terrorism and the severe Iraq distraction. China will almost certainly beat us in the race between ballistic missiles to hit ships and the missile defenses to directly counter that. If we can react quickly, maybe we will come up with other less direct means to ensure their missile attacks are ineffective. However, the obvious answer, at least over the short term, is to ensure that Beijing fully understands the ultimate consequences of starting such a conflict and to hope that understanding serves as an effective deterrent. Given Beijing's obsession over the Taiwan issue, that prospect is not, however, very reassuring.

The factor of strategic depth. This ongoing PLA modernization surge has put a new face on the specter of cross-Strait conflict, and the solution is surely not the recently reported capability by tiny Taiwan to strike huge China with some sort of offensive counter-strike cruise missiles. To think so ignores the strategic depth of China compared to Taiwan, which may be seen as analogous to our task of reminding or convincing China

that, despite China's precisely directed asymmetric developments, the strategic depth of the United States remains a solid reason for China not to seek a military solution with respect to Taiwan.

China's message and our reply. Beijing has now, in this selective modernization of the PLA, sent another very strong message about how serious it is about Taiwan. Chinese leaders think that their arguments for having such a force are compelling and should be readily understood—even accepted—by all. We now, it would seem, have the difficult task of determining the nature of our response to Beijing—or at least our reaction—beyond readying our forces to cope with the specific new threats. We would be mistaken to infer that China is, as a general matter, hostile to the U.S., despite our differences on a number of issues. To do so would ignore many positive overtures and actions by Beijing over recent years, the many interests we have in common, and important areas where we agree. Moreover, as I stated at the outset, we should take fully into account that the U.S.-China relationship is arguably the most important in the world today. Perhaps our response need make only two points: (1) In principle, we persist in our long-held position against the use of military forces against Taiwan. (2) Specifically, we believe it would be highly imprudent and ultimately very harmful for China to use the PLA as described in the concept above. I do not intend to suggest how our reaction should be conveyed and, as you see, have not attempted to come up with an elegant formulation for a formal response. However, this is what I see as the essence of our response. If the day comes when China's leaders are, indeed, making a decision on whether to attack Taiwan, the existence of these new capabilities might be a less persuasive and emboldening argument for the attack if the potential harm to China is fully appreciated.

COCHAIR DONNELLY: Thank you, Admiral, for a very succinct and excellent testimony. Dr. Johnson-Freeze, the Admiral set the bar very high.

STATEMENT OF DR. JOAN JOHNSON-FREESE, CHAIR, NATIONAL SECURITY DECISION MAKING DEPARTMENT, NAVAL WAR COLLEGE, NEWPORT, RHODE ISLAND

DR. JOHNSON-FREESE: He does indeed. Always.

Members of the Commission, thank you for inviting me here today to participate in this hearing on China's military modernization and cross-Strait political and military relations and specifically to provide you with information on Chinese space activities.

In my written testimony, I attempt to address four questions. What I will do now is just basically review those and my basic conclusions on those.

First, what are Chinese space capabilities? Second, what intents motivate Chinese space activities? Third, what capabilities are specifically relevant to conflict scenarios related to Taiwan? And fourth, what are key considerations for the U.S. government in responding to these Chinese space activities?

Regarding capabilities, China's space program is broad, still limited but growing, both helped and hurt by its internal organization, and motivated by the multiplicity of benefits, economic, political and military derived from space generally and dual-use space technology specifically.

The fact that 95 percent of space technology is dual use is one of the key considerations in any look at Chinese space capabilities and their intents.

Regarding intended utilization of military assets, China is clearly developing space technology as part of military modernization to support their foreign policy goals with maintaining one China their clear "fall on their sword" issue. Generally, China is developing technology for increased C4ISR capabilities.

Beyond that, it is unclear what specific goals they have in mind. Determinations of intent are hindered, I would suggest, because of both the deliberate Chinese opaqueness and an apparent difficulty in the U.S. to interpret literally and substantively Chinese information sources, something that concerns me greatly and I hope we improve on in the future.

Regarding use of space capabilities in Taiwan specific scenarios, improvement in Chinese missile capabilities that Admiral McVadon spoke of, I believe are the key. Beyond missiles, space is highly relevant, certainly for targeting for C4ISR capabilities, command and control, though likely not determinative regarding battle space awareness. China's potential ability and willingness to use assets to deter, delay or disrupt third party--read U.S.--intervention must also be considered as it, too, is key.

Ground-based lasers appear the most technically feasible approach to temporarily hinder U.S. space assets and hence inhibit U.S. forces. They offer China the highest plausible deniability and the lowest risk in terms of proportional response.

Other approaches, as Admiral McVadon already said, are extremely high risk and more technically challenging. China is taking a

hedging approach to technology development to allow choices in the future according to determined risks and benefits.

In developing appropriate responses to Chinese space activities, in my opinion, the U.S. government should pay particular attention to four key issues:

One, that the United States will not be able to outspend China on technology development indefinitely. That approach, while it has been predominant and effective so far, will not carry us 15 years out.

Second, since other sources are willing and anxious to sell China dual-use technology, technology transfer to China might be controlled but not denied. While the other technology may not be as good as that from the United States, it's good enough.

Third, the supremacy of U.S. space hardware is a necessary but not sufficient approach to space control.

And finally, China is at a crossroads with U.S. space leadership imperative toward shaping China's ultimate definition of intent for its space program in the future.

[The statement follows:]

**PREPARED STATEMENT OF DR. JOAN JOHNSON-FREESE, CHAIR,
NATIONAL SECURITY DECISION MAKING DEPARTMENT, NAVAL
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China's Space Program: Capabilities & Intent

China is a country of such size and complexity that evidence can be found for about any thesis sought to be proved. Subsequently, questions and uncertainties are more commonly the result of inquiry than concrete conclusions. Ultimately, however capabilities and intent should inform our analysis and ultimately our decision-making. Part of the difficulty with assessing both capabilities and intent regarding China is that it is largely a country opaque to outsiders, and deliberately so. Further, China's routine opacity, partially a function of culture and partially of a closed political system, is exacerbated in space-related areas by often excessive security concerns common to authoritarian states. But in the end, it is the inherently dual-use nature of space technology itself that multiplies the already difficult aspects of analyzing Chinese intent. A submarine has few uses outside the military sector. The same is not true regarding a satellite. With an estimated 95% of space technology having both civil and military applications and hence considered "dual-use," the complexities of determining "intent" increase exponentially.

China is clearly committed to increasing its space capabilities across a broad spectrum of areas. Two programs are illustrative. On October 15, 2003 China joined the U.S. and Russia in the exclusive club of manned spaceflight capable countries. While Colonel Yang Liwei's 21 hour flight on the Shenzhou 5 was of only mild interest to Western publics, the techno-nationalist (technological prowess as an external indicator

of power) implications for China were significant. Enthusiastic congratulations and invitations for expanded space cooperation were sent from Europe and Russia. Asian publics and governments were impressed, some grudgingly, by the Chinese accomplishment. Yan Xuetong, a political scientist at Tsinghua University, stated: “Now, people will realize that we don’t only make clothes and shoes.” The second event took place on October 30, 2003. On that date, China joined an increasing growing consortium of countries working with Europe on development of the Galileo navigation satellite system. While the agreement remains a shell and the ultimate role China will play in Galileo is unclear, it is clear that other countries are willing and in fact anxious to work with China in space. That has significant planning implications for the U.S.

MOTIVATIONS AND CAPABILITIES

The Chinese are adept students of history. China watched and learned of the benefits yielded to the U.S. through the Apollo program; space asset utilization by the U.S. military from the 1991 Gulf War through OEF and OIF; and the European rationale of space leading to technology, technology leading to industrialization, and industrialization leading to economic development. So, although the successful development of space technology is inherently expensive, it also offers a very high rate of return. Because of the dual-use nature of the technology, the links between technology and development, and the techno-nationalist prestige accompanying success, investing in space technology development can yield benefits in multiple areas, and the Chinese are interested in all of them, under the umbrella of development. The Chinese Information Office of the State Council issued its first white paper on space, called “China’s Space Activities,” in November 2000. That paper stated broad Chinese goals and, equally important, that these goals would be achieved through adherence to “the principle of long-term, stable and sustainable development and making the development of space activities... serve the state’s comprehensive development strategy.”

Clearly, China is developing technology for all it can wring out of it, and to develop the capability to develop more technology. It is not nearly as clear, however, that there is something specific that the Chinese are seeking. Space technology offers China domestic capabilities highly valued by numerous countries and considered essential to prosper in a globalized economy. Undoubtedly though, the technological advantages that accrue to defense and national security efforts are also advantageous in pursuit of their foreign policy goals. An expanded role in Asia and reunification with Taiwan are included in those goals. These require an ability to counter what they see as America’s hegemony both in the Pacific and the world at large, and to close the science and technology gap between China and America. China’s ability to continue development of space technology toward those ends rests on three related factors: political will, resources and technical capability.

Political Will. In some respects, China’s political will is unique and advantageous.

Authoritarian systems tend to develop all programs in a top-down manner, driven by the requirements of the political center. What the leadership decides it wants, it gets, within the parameters of resources and technical capabilities. They can shift resources nearly at will, which democracies cannot do except in times of great duress. For example, China is likely the only country in the world currently possessing the political will to initiate and carry out a manned spaceflight program, because the leadership is less accountable to its constituents. In democracies, voters often find spaceflight, especially manned flight with its exorbitant costs, a nice thing to do but expendable relative to other priorities, like schools, roads and health care. Centralization can, however, be a disadvantage if the leadership loses interest. Whereas true elsewhere as well, including in the U.S., other branches of government – e.g. Congress - can slow or stave off program demise. While support for the Chinese manned program remains strong, scientists and engineers are already being asked about long-term rationales much as is always the case in the United States. That has led to “testing-the-waters” remarks by Chinese scientists about potentially mining Helium-3 on the Moon, for example, as an energy resource.

For reasons of both control and to maximize resources, China’s space program was not originally bifurcated into civil and military programs. The military controlled all program aspects, using a Soviet organizational model. While efforts began in 1998 to separate management aspects to accommodate international demands when China began offering commercial launches, ultimately, the PLA still maintains control of the launch

facilities as well as many of the key research and development facilities, even for the manned program. There are drawbacks here, as well: the Soviet model was good at getting things done fast, but not well and not with finesse. It is a management model that is “all thumbs and no fingers,” able to powerfully organize resources but hindered by command-style thinking that undermines change and innovation, and limits Beijing’s “local wars under high-technology conditions” strategy.

Resources. National resources include money, human capital and technology development potential. Xinhua News Agency stated on October 16, 2003 that China has spent approximately 18 billion yuan (\$2.2 billion) on their manned space program through the first manned launch. However, not knowing what was actually included in that figure, low labor costs and other factors limit the utility of this figure for comparative purposes. Clearly, however, China has made a substantial investment in space. Further, if China’s economic growth continues at projected rates, at some point in the future the U.S. ability to outspend China on technology will no longer be viable, and we had best start thinking about that sooner rather than later.

In terms of human capital, because space goals are not carried out in a vacuum, national will regarding other governmental goals can spill over and not always positively. The Chinese government strains mightily to keep its populace employed, with technical jobs considered highly desirable. Consequently, though changing slowly, aerospace industries are still largely State Owned Enterprises (SOEs), behemoth organizations known more for their stovepiping and inefficiency than flexibility and innovativeness, hence impacting human capital. The Chinese space industry employs in excess of 200,000 workers. Whether all are needed and meaningfully contribute is another matter.

Competent engineers and scientists, nevertheless the Chinese are not averse to learning from others —or in a less charitable explanation, lifting ideas from others, just as they learned to do from watching Soviet military design emulate U.S. systems in the 1950’s and 1960’s. In terms of technical capability, in fact, they see learning from others as pragmatically avoiding reinventing the wheel, choosing instead to assume that other technologically advanced nations must know what they’re doing. Not coincidentally, China’s Xichang launch site is at approximately 28 degrees N latitude and Kennedy Space Center is at 28.5 degrees N latitude. A similar location was selected to allow China to emulate U.S. post-launch procedures and expectations, described in some detail and published in open-source U.S. literature; gleaned information from open source literature being a skill at which the Chinese excel. Even today, although the Shenzhou (Divine Vessel) spacecraft used to launch Chinese taikonauts, or yuhangyuans, to orbit bears similarities to the Russian Soyuz design, the Chinese avidly defend it as their own product, which technical comparisons seem to bear out. They view beginning with the Soyuz design to then initiate their own work as simply a smart business practice, and while it may be, they often miss accruing the benefits required to engage in innovation.

Shenzhou and Soyuz both have service modules housing the propulsion system, a command module, and an orbital module with a docking ring; a Russian design compatible with the space shuttle or the International Space Station. The Shenzhou orbital module, however, has a second set of solar panels, enabling it to remain independently in orbit for periods of up to eight months; important depending on what payload(s) the module is carrying. While China bought some Russian equipment and system upgrades, price was sometimes prohibitive. With no prior manned spaceflight experience, for example, China bought Russian docking, flight control and life-support systems. In other cases, China built its own technology to better understand the fundamentals involved, thus building internal expertise. Whether the U.S. likes it or not, however, the fact is that China is able to buy or buy-into space hardware from other countries not available from the United States. While that hardware might not be as good as ours, it’s good enough.

China is actively pursuing a strategy of cooperation to supplement its independent efforts to expand its capabilities. Galileo offered just such an opportunity. Many countries are seeking to expand their space capabilities as tools of globalization, as part of military modernization, and to decrease their dependence on U.S. systems and largess. Galileo and China’s involvement in Galileo illustrates three key points: that the U.S. does not have a monopoly on space technology; that many countries consider dual-use technology development as a positive rather than a negative, to maximize return on investment; and that other countries are willing and anxious to work with each other, including China, on space-related programs.

Technology. Finally, in terms of current technical capability, it is useful to examine those areas which in the United States we would consider “space support.” These are capabilities a space power must possess to accomplish space-related missions: launching payloads to orbit, satellite construction and satellite maintenance once in orbit. Many of these are dual-use.

China maintains multiple launch sites: Xichang Space Center in Sichuan province for satellites headed for geosynchronous orbit; Taiyuan Space Launch Center in northcentral Shanxi province for satellites destined for polar orbits and; Jiuquan Space Launch Center in northwest Gansu province for spacecraft destined for low (LEO) and medium Earth orbits, including China’s manned Shenzhou spacecrafts (recovered at a landing site in Inner Mongolia). A new facility on Hainan Island is reportedly under development. China’s Satellite Launch and Tracking Control Center near Xi’an facilitates mission control, supported by domestic and overseas tracking facilities, including a fleet of eight tracking ships. The Beijing Spaceflight Command and Control Center serves as the flight control center for manned missions.

Chinese launchers are derived from hardware originally designed as missiles, as is the case with the U.S. Titan, Delta and Atlas launchers. China’s Long March expendable launch vehicle family originate from Dong Feng 4 & 5 missiles designs, providing for increasing lift capabilities by lengthened tanks and use of strap-on booster stages, up to a current capability of about 10-tons to LEO. A next generation vehicle, called the Long March 5-500, requisite to lift heavy commercial communications satellites (a priority for the currency generated), for interplanetary missions or to place a large (20 ton) space station in orbit – is under development. Whether it is flight tested in the next 5-8 years will be indicative of potential future capabilities. China is also developing a small commercial satellite launch vehicle called the KT-1, (Kaituoazhe) based on the DF-31 solid-fueled, three-stage missile. Reportedly the KT-1 could be launched from a mobile, truck-based platform anywhere in China. Tests in 2002 and 2003 were unsuccessful.

Besides launch vehicles, China has numerous satellite programs. *Dong Fang Hong* (DFH) communications satellites have gone through multiple iterations. DFH-1, also known as Mao 1, was launched in 1970. The latest and most sophisticated DFH iteration, DFH-3, was cooperatively developed with Germany. It is three-axis stabilized, has 24 transponders for both telephone and television transmissions, and has an intended lifespan of eight years, twice that of the DHF-2. *Feng Huo-1*, launched in January 2000, is believed the first of a series of dedicated military communications satellites. The *Fanhui Shi Weixing* (FSW) recoverable satellites were originally developed for photoreconnaissance, but now are also used for remote sensing. The *Ziyuan* (ZY) series is also used for remote sensing and provides significant advances over the FSW series. ZY-1, was developed in conjunction with Brazil as the China-Brazil Earth Resource Satellite (CBERS). ZY-2, also known as *Jian Bian* or Pathfinder, is an upgraded system believed specifically used for military intelligence. Another application satellite is the *Feng Yun* (FY) series, used for meteorology and remote sensing. The Chinese have also launched a series of *Shi Jian* satellites, carrying science payloads. In 2002, the Chinese launched their first marine surveying satellite, called Haiyang-1 (HY). Three *Bei Dou* navigation satellites (one a spare) have also been launched, providing regional coverage.

China has built a strong cooperative arrangement the UK’s University of Surrey Space Centre. Surrey specializes in microsats performing a wide range of missions, including Earth surveillance. Their customers include Chile, Malaysia, Taiwan, Egypt, Algeria, Nigeria, China, and the U.S. Air Force. In December 2004, China announced the creation of a National Engineering and Research Center for Small Satellites, toward development of large-scale production capability. While widely reported that China wants to build six to eight small observations satellites per year, toward having over 100 in orbit by 2020, other interpretations of Chinese press reports suggest that China’s contribution to the total Geostationary Operational Environmental Satellite network of some 100 satellites would be 8 by 2010. The stated purpose of these satellites is to create a “large surveying network” of Chinese territory, for monitoring water reserves, forests and farmland.

It has been questioned whether China’s manned program, Project 921, is just a Trojan Horse for development of military capabilities. It is not. Manned spaceflight is likely the least efficient, most ineffective method for developing hardware. Nevertheless, both direct and indirect benefits are gained from the program. In an October 21, 2003 article in *People’s Daily*, Zhang Qingwei, deputy commander of China’s manned space

program, said that China had achieved breakthroughs in thirteen key technologies, including reentry control of manned spacecraft, emergency rescue, soft landing, malfunction diagnosis, module separation and heat prevention. Earlier Chinese publications have cited additional areas of technical advancement through Project 921, including computers, space materials, manufacturing technology, electronic equipment, systems integration and testing. Spacecraft navigation, propulsion, and life support were specifically cited for potential application to dual-use civil/military projects. Moreover, the Chinese military will benefit from experience in areas such as on-orbit maneuvering, mission management, launch-on-demand, miniaturization and computational analysis. Experience extends not just to building hardware, but program management and integration as well.

In terms of direct military benefit from expanded space capabilities, the Chinese have upgraded their Jiquan launch site and their entire tracking system. Further, while both the U.S. and the Soviet military initially tried but were unable to identify any advantages to a man in space rather than unmanned systems, the Chinese seem determined to explore that premise for themselves, likely through the use of the orbital module. At some point, they may leave a taikonaut in orbit for a period of time. Most significantly, the Shenzhou III and IV precursor missions both left their orbital module aloft for six months (with up to an eight month capability), both with complete nose-mounted electronic intelligence (ELINT) packages. Shenzhou V also left its orbital module aloft, unmanned, and again carrying ELINT equipment. China had not previously flown a major ELINT satellite, believed important for tracking the U.S. Navy, particularly carrier groups, and hence potentially valuable in China-Taiwan conflict scenarios. An imaging reconnaissance package was also flown on Shenzhou, consisting of two cameras. The use of two differing cameras indicates a hyper-spectral, multi-resolution, combination mapping/close-look system. With the Chinese manned program likely drawing funds from more direct military space modernization efforts, the PLA is clearly anxious to maximize its return on investment.

BEIJING'S MILITARY SPACE INTENTS

Deciphering Chinese intent regarding space is considerably more difficult than surveying known capabilities. Analysis must be based on information from a variety of official and unofficial sources, with interpretations falling along a spectrum. Underestimating capabilities and best-case intent evaluations risks being less prepared to deal with the threats posed; overestimating capabilities and worst-case intent evaluations can lead to actions which produce unintended consequences and potentially increase the threat to U.S. capabilities.

Open source material, particularly technical journals, are often used as sources of information regarding what the Chinese are working on, or even just thinking about. However, most technical journals are very technical, focusing on detailed discussions of optics, trajectories, sensors, etc. Those that do discuss intent have limited utility as well. As pointed out by Commissioner Wortzel in an October 15, 2003 Heritage Foundation WebMemo, part of the difficulty with "intent analysis" is that "most technical articles from the science digests in China, admittedly, only deal in the theoretical aspects of how to fight war in space and analyze U.S. strengths and vulnerabilities."

Beyond technical journals, the volume of information and analysis produced within China and commercially available is increasing exponentially. A wider range of "tolerable" opinions are appearing within academia and in the media. Media outlets are proliferating, driven by market competition. Whereas, however, Americans understand the risks of relying on *The National Enquirer* or a lone blogger for "fact," the need for similar discrimination among open Chinese sources does not always seem to be understood by U.S. analysts. Similarly, while a statement on defense policy from a university professor or a War College student being encouraged to "think outside the box" is understood by Americans as not necessarily reflective of U.S. government policy, the same appears not always true about Chinese writers. Perhaps one of the most often-cited Chinese quotes on "intent" is that of Chinese analyst Wang Hucheng. "For countries that can never win a war with the United States by using the methods of tanks and planes, attacking an American space system may be an irresistible and most tempting choice." The quote is one of braggadocio – attempting to make the point that the U.S. can be beat – pulled from an article printed in *Liaowang*, a decidedly anti-American publication. While this quote is often cited to describe Chinese space ambitions, it is not necessarily

particularly useful. The increasing information available from China from numerous sources increases the potential for communication misfires. That being the case, careful source checking by analysts is imperative.

Both the FY 03 and 04 Pentagon Annual Report on the Military Power of the People's Republic of China contained references to Chinese "parasite" satellites for potential use as anti-satellite weapons. According to Union of Concerned Scientist researchers Gregory Kulacki and David Wright, however, a relatively easy internet search in China places the origin of the story about those satellites with a self-proclaimed "military enthusiast" named Hong Chaofei from a small town in Anhui. Multiple iterations and citations of his story have resulted since it first appeared on the Internet in October 2000. Hong's website also contains scores of stories on "secret" Chinese weapons to defeat America in a war over Taiwan. China is working on small satellites, but the parasite satellite appears more one-man's fiction than fact.

There are other instances of misinterpretation as well. *Challenges to Space Superiority*, published by the National Air and Space Intelligence Center at Wright-Patterson Air Force Base in March 2005, highlighted quotes suggesting that China will "threaten on-orbit assets" by Liying Zhan of the Langfang Army Missile Academy. Kulacki and Wright again tracked down the quotes and the source, and again found several key errors; fully documented in a yet-to-be published UCS research paper on Chinese military space capabilities. Key words were omitted from the actual Chinese quote and that there were misinterpretations of what was included. For example, "should" (indicating a recommendation about a decision not yet made) was misinterpreted as "will," (indicating what China intends to do or is doing). Further, the author was found to be a junior faculty member at a facility primarily responsible for live-fire and simulated training for junior artillery officers, where ASAT research is likely not going on, and which has subsequently been shut down. Not exactly an authoritative source for U.S. government planning purposes.

Beliefs about China's true aims and goals are strongly held on all sides of this debate in the United States, and the apparent willingness among some U.S. analysts to indiscriminately accept any source written in Chinese means that sooner or later all sides can claim evidence to support their views. This does little to further a useful understanding of China's intentions.

TAIWAN AND DUAL-USE TECHNOLOGY

Mark Stokes' quote "China's space assets will play a major role in any use of force against Taiwan and in preventing foreign intervention," is often cited, but with little follow up as to specifically how. As a warfighting tool, Chinese advancements in ballistic and cruise missiles, including potential use of differential GPS for improved guidance, as stand-off, coercive weapons, appears most relevant. Beyond missiles, Beijing would be happy to reap any force enhancement capabilities space assets can provide. For example, supplementing commercial imagery already available from international sources including France, Israel, and Russia, the ZY-2 satellite provides optical imagery potentially useful for monitoring U.S. forces and for targeting, and without the time delay that can occur with commercial imagery. ELINT capabilities are increased by the equipment carried on Shenzhou. The Chinese are also expanding and upgrading their meteorological satellites, providing operational data especially important in planning an amphibious strike or air attacks. Dedicated military communications satellites have been in use since 2000. But given Taiwan's access to similar technologies, Beijing's space capabilities are not likely to be determinative.

In terms of using space assets to prevent U.S. intervention, two scenarios are most common. First, Chinese reconnaissance satellites would identify the location of U.S. aircraft carriers and target them with Chinese long-range, anti-ship missiles. Whether the Chinese currently have that capability is unclear, and realistically, satellites are not the only assets used for identifying the location of U.S. carriers. But the larger point here is that if China strikes the American carrier fleet, there are bigger problems brewing than whether Chinese satellites were used. If the Chinese executed a preemptive strike against U.S. aircraft carriers, this would be a move so audacious and aggressive that Beijing would have to expect a formidable response and rapid escalation. Not only would this be a foolhardy risk, it is one likely to end up forever losing Taiwan in the process. The second scenario envisions the PLA disabling American satellites as preparation for an invasion of Taiwan. This would require a Chinese ASAT capability. Less audacious than attacking a carrier, the intent would be to hobble our ability to react for the 24-48 hour period Beijing feels critical to overpower

Taiwan. Both scenarios demand a closer look at what technology Beijing is working on potentially useful for ASAT development.

China is working on a wide variety of dual-use research potentially applicable to ASAT development, including micro-sats and small-sats. In the 2005 DOD Annual Report to Congress on The Military Power of the People's Republic of China, the medium-resolution earth observation Tsinghua series being built with Surrey is cited (resolution for Tsinghua-1 is stated as 40m; it is actually 30 m). Its follow-on, the Naxing-1, not mentioned in the report, is in many ways more interesting as a totally Chinese effort with some sophisticated upgrades. In fact, it is currently the smallest satellite with three axis stabilization. Its purpose is stated as "high tech experiments." Chinese commitment to commercial smallsat development, for applications including mapping and environmental monitoring, is evidenced by the December 2004 opening of a Microsat Industrial Park in Beijing, a commercial venture with over 16,000 square meters of floor space. Beyond that is speculation.

Lasers can also be used as ASATs, and, accordingly to the 2005 Pentagon assessment, "China is also conducting research to develop ground-based ASAT weapons." In fact, the Chinese have been working on laser technology since the 1960's. Ground-based lasers are also the most cost-efficient (no launcher is needed) and offers the most plausible deniability. The Chinese program is considered technically similar to the U.S. Army's MIRCLE program.

While there are numerous indications that Beijing is interested in having the competence to develop an ASAT capability if decided desirable to do so, it is still technically limited. China's tracking capabilities, even after recent upgrades in connection with the manned program, do not have global reach. China's space surveillance capabilities are still limited as well, though probably sufficient to identify and track most U.S. military satellites. China's immobile infrastructure is also vulnerable to attack, making retaliatory risk high. And, China lacks the launch-on-demand capacity essential for an effective ASAT system. But, the technical characteristics of the KT-1 mobile launcher that the Chinese are developing appear a very suitable lift vehicle for direct-ascent ASATs. Mobile launch vehicles paired with micro-satellite interceptors would allow pre-positioning to coincide with the expected orbits of enemy satellites, rather than having to target to come within range as is the case with fixed launch vehicles.

While it has been suggested that Beijing might be interested in a small-sat ASAT capability to "accidentally" destroy a U.S. satellite with plausible deniability, it seems highly unlikely that the United States, or anybody, would accept such an occurrence coinciding with Chinese hostility toward Taiwan as an "accident." And, taking out one U.S. satellite would not be sufficient to meaningfully incapacitate the U.S., and could further spur U.S. determination to limit Chinese aggression. Again, in such a scenario, Beijing would end up running great risks for little benefit.

More likely, Beijing would consider ground-based lasers as offering the most plausible deniability, the potential for a lower proportional response, and most technically feasible approach to denying the U.S. its space assets. The 2005 Pentagon report states: "China is also conducting research to develop ground-based laser ASAT weapons." Beijing may be looking to low-power lasers to temporarily blind space assets, with high powered lasers requisite to damage or destroy satellites. Low power laser capabilities are likely within Beijing's reach; development of high power ground-based lasers would require significant advances in optics and large fixed-power sources that would be visible and vulnerable to attack.

Clearly, Beijing has adopted a "hedging" strategy to development of ASATs. They are developing capabilities. A basis for the statement in the 2005 DOD report that: "China is working on, *and plans to field*, (emphasis added) ASAT system" is not provided. China's vocal advocacy, with Russia, of a ban on space weapons likely reflects their desire not to have to spend money on development of such systems. China will not engage in a budget-busting SDI-like space race. They see no need to do so as parity is not their goal. China's economy has incredible potential, but could also implode along the way. That option could be the worst of all worlds not just for China, but the U.S. as well due to the spillover economic security implications.

THE FUTURE

In the short term, Beijing's military focus is on being prepared for a military encounter over Taiwan should the need arise, and Beijing is anxious to take advantage of whatever advantages advanced C4ISR can yield. Keeping the U.S. out of any encounter is considered critical to Chinese success. However, regardless of Chinese capabilities, any preemptive attack on U.S. assets, space or otherwise, would likely result in significant retaliation, perhaps even a full-scale war that China knows it cannot win. That would cost them not only what they seek in Taiwan but would undermine their economy and destroy the fruits of years of carefully cultivated diplomacy designed to reassure their neighbors that they are not aggressive or expansionist.

In the longer term, Beijing's military space plans are likely not yet set beyond being part of modernization. The Chinese are acutely aware of the 2001 U.S. Space Commission and the statement that space would inevitably become a battleground, so the U.S. would be remiss not to prepare, the unspoken assumption being that "preparation" meant the development of space weapons. They also paid careful attention to the first-ever U.S. space war game, Schriever I in 2001, where U.S. forces were pitted against an opponent threatening a small island neighbor, one about the size and location of Taiwan. The Chinese quickly concluded that they would be remiss not to prepare for the inevitability of U.S. development of space weapons, as they might be the target of those weapons.

The Chinese also pay close attention to events and activities in the United States: issuance of the Air Force's 2003 Transformational Flight Plan and 2004 Counterspace Doctrine; development of the Counter Communications System; the XSS microsat program and Air Force statement that, "XSS-11 can be used as an ASAT weapon"; missile defense and its potential for power projection and as an ASAT; and money being spent on exotic space weapons programs. While suggested that much of the space weapons talk in the U.S. is merely Air Force "bold rhetoric" with little substance behind it, the problem is that just as the U.S. appears to have difficulty sorting Chinese fact from rhetoric, so too apparently do the Chinese. They believe what they hear, especially from U.S. government officials. Clearly, communication and transparency issues are impacting accurate analyses in both China and the United States.

The dual-use technology genie is out of the bottle and cannot be put back. Since the U.S. does not control all space technology, the pace and level of technology China has access to might be controlled, but denial is impossible. While the U.S. has vigorously tried to stop U.S. and U.S.-derived dual-use space technology from reaching China, other countries now advertise products as ITAR-free, meaning not subject to U.S. export controls, and specifically targeting the Chinese market. Russia, Israel, and increasingly Europe and other countries are anxious to build economic relationships with China, for the market potential, to create balance to U.S. hegemony, and because these relationships are seen as part of globalization.

A second Chinese manned launch is expected in Autumn 2005. China's overall approach is ambitious, cautious, incremental and aimed at the record books. They understand that space spectaculars are just that – but so too are failures. With no need to hurry, they will maintain a slow, steady pace, and aim for achievements that magnify small technical steps forward. Clearly too, manned spaceflight with its prestige and cooperative outreach potential is part of Beijing's "charm campaign" that has been waged of late. Regionally, with the new millennium China has done remarkably in transforming its image from that as a "regional bully" to a "regional power." Beyond Asia, a June 2005 Pew Poll found that, "Strikingly, China now has a better image than the U.S. in most European nations surveyed." In terms of space, Chinese activity creates relatively more opportunities for potential partners, and more challenges for the United States.

Responding to these challenges will require use of a full range of options on the part of the U.S. Building the best and most advanced technology is necessary, but not sufficient. It would benefit the U.S. as well to encourage other countries to establish parameters in space for acceptable and "threatening" behavior – distances between satellites, for example - to lessen opportunities for coincidental "accidents." China is at, or quickly approaching, a crossroads in space development. It behooves the U.S. to shape their program as much as possible in directions of our liking, rather than encouraging, intentionally or unintentionally, partnerships, directions or escalations not in the best interests of the United States.

COCHAIR DONNELLY: Thank you very much. Mr. Blasko.

**STATEMENT OF DENNIS BLASKO, INDEPENDENT CONSULTANT,
ATLANTIC BEACH, FLORIDA**

MR. BLASKO: Thank you for the invitation to be here. Today, I'll focus on training for the nearly 70 percent of the PLA found in the ground forces. My statement is based almost exclusively on reading the Chinese press. I've used no classified information nor have I observed PLA training or interviewed PLA officers since 1999.

Nonetheless, I believe it is possible to understand trends in training content from open sources. However, it is less feasible to make judgments about capabilities.

Let me assure you that I read the Chinese press with caution and view skeptically reports that such an operation was conducted in 45 minutes or all missiles hit their targets. Nevertheless, careful reading of the press tempered with military experience can provide useful insights.

For example, I see little evidence of training in or doctrine for what we know as close air support. In general, my impressions of ground force training are, one, the PLA is a good student of other militaries and understands in theory the complexities of modern war.

It has developed a doctrine adapting these lessons to China's unique conditions. But most PLA training is still relatively rudimentary in nature. The PLA understands there are no silver bullets or shortcuts to combat effectiveness and has a two-decade long plan to continue its modernization.

However, if ordered before that time, the PLA will obey the command of its civil leadership, utilize its best units and with civilian support attempt to achieve the missions assigned.

I am certain the PLA assumes the mainland will be the target of long-range precision strikes in future conflicts. In April 2000, the Army

paper highlighted recent training priorities; amphibious operations for Nanjing and Guangzhou military regions; long-range mobility and rapid reaction for Beijing, Shenyang and Jinan MRs; and cold weather high altitude operations in Lanzhou and Chengdu.

Training was to intensify on air defense, information war, amphibious landing, joint operation and the new three-strikes, three defenses.

After 2001, anti-terrorist, nuclear, chemical, biological defense and disaster relief were added. Reserve units and militia forces have also increased their training tempo. Civilian support is integrated into PLA operation using the National Defense Mobilization Committee system.

People's War is still considered a magic weapon for the weak to defeat the strong. Joint and combined arms training conducted in remote locations is common in all MRs. Among the most frequently practiced tasks are rapid deployment, air defense, camouflage and NBC defense. As electronics and communications capabilities have increased, information operations have been highlighted.

Each military region has established a combined arms training center into which units rotate for training and evaluation. Four major amphibious training areas are located on the east coast. Marines practice on the Leizhou Peninsula and from Peace Mission 2005, we know that Weibei in Shandong can be used for amphibious training.

Individual units also have local training areas and firing ranges often including inland amphibious facilities. Nonetheless, commanders recognize the need for more training areas. PLA leaders see a gap between actual training and their goals. Perhaps the best illustration of this was the creation of the term "integrated joint operations" in 2004. This term reminds commanders that all types of units and battlefield systems must be incorporated into operations.

In other words, it's really joint operations. Large-scale amphibious operations were not a major emphasis in the first 15 years of PLA modernization. Now, entire brigades and divisions deploy for up to three months for training controlled by group army or MR headquarters.

Nanjing and Guangzhou MR units have conducted the majority of amphibious training with lesser amounts in Jinan, Shenyang and Beijing MRs. I estimate approximately 22 or more maneuvered divisions or brigades have trained to some extent for amphibious operations.

These numbers do not, however, necessarily represent the size of a force that PLA could put together for an amphibious campaign, but individual divisions and brigades are the building blocks of larger operations. Anti-terrorism training has been elevated in priority for the PLA, PAP, militia and civilian police forces and is conducted all over the country.

The Air Force's 15th Airborne Army appears now to conduct more battalion and regimental drops to seize key terrain such as ports or airfields, but most airborne exercises seem to be conducted independently without integration into larger joint training scenarios.

Special operations units were established in each military region in the '90s. Integration of SOF into larger joint exercise apparently appears to be in the exploratory phase.

Army units throughout the country also prepare for missions appropriate to local situations including border and coastal defense and disaster relief. Functional training supervised by the political, logistics and armaments systems is emphasized.

PLA papers have recently provided a Chinese perspective on training in perhaps the two most important military regions. In 2004, Nanjing MR reported remarkable progress in building combat and technical support capabilities, but said units still lag behind actual war requirements.

A conference on training pointed out several procedural shortfalls in the training itself. In 2003, the region reported night training as a weak link. In 2004, Guangzhou reported a gap between the overall quality of personnel and requirement to fight and win information wars. In 2005, command staff training was identified as a weak link.

From these types of reports, it is understandable why the PLA has established a two-decade long goal to improve the quality of personnel. Success on the modern battlefield depends more on these personnel and the rigors of their training than on the new equipment recently introduced.

As always, I remain open to change my conclusions based on new information and I encourage further examination into these complex topics. Thank you.

[The statement follows:]

PREPARED STATEMENT OF DENNIS BLASKO, INDEPENDENT CONSULTANT, ATLANTIC BEACH, FLORIDA

Thank you for the invitation to be here today.

Today, I would like to address the question “how is China’s military training and operational capability developing?” and focus primarily on the nearly 70 percent of the PLA found in the ground forces.

While now even the Chinese government officially acknowledges priority of development is given to the PLA Navy, Air Force, and Second Artillery, as in the other services a comprehensive ground force and joint training regimen has been accelerated in the years since 1999. This acceleration was the result of several factors:

- 1) The requirement levied upon the PLA by the civilian leadership to increase its capabilities to a) deter Taiwan from further steps toward independence and b) if necessary, to coerce Taiwan to the negotiating table or defeat it in battle, even if Taiwan were to be supported by “foreign forces,” i.e., U.S. intervention.
- 2) The impact of economic development in China that a) permitted significantly more funds to be allotted to the PLA and b) greatly improved PLA command, control, communications, and computer capabilities through acquisition of mostly Chinese-manufactured communications and electronic equipment supported by an infrastructure of optical fiber, microwave, satellite, and wireless communications systems.
- 3) The confidence that the international security environment had changed sufficiently to allow strategic focus to be directed toward the Taiwan Strait. In other words, Beijing was finally satisfied the former threat from the USSR/Russia no longer required a major focus by the Chinese military. This realization is mostly clearly evident in the fact that the Shenyang Military Region felt the greatest impact of force reductions since 1997. The corollary to this situation was a cash-hungry Russia was more willing to sell more advanced weaponry to a China with more money to spend (due to economic development), supercharging a trend begun in the early 1990s.

4) The reduction in personnel strength of the PLA by approximately 23 percent with simultaneous emphasis on the development of an NCO corps and improving the educational level of the officer corps. Increased resources now available to the PLA can be focused on a considerably smaller force.

5) Last, but certainly not least, the promulgation in 1999 of a new set of training regulations, which outline doctrine and procedures for the PLA to “prepare for military struggle.” The related, new Military Training and Evaluation Program, which became effective in 2002, sets standards for all units and is further refined by annual training guidance issued by the General Staff Department for the PLA in general and the Military Regions and services.

My statement today is based almost exclusively on reading the Chinese press and official Chinese documents. I have used no classified U.S. material, nor have I had the opportunity to observe PLA training or interview PLA officers since 1999. Nevertheless, I believe that through close examination of open source material it is possible to understand general trends in training and much of its content. However, using only Chinese sources, it is less feasible to make definitive judgments about specific units and capabilities, especially relative to the capabilities of other armed forces. Therefore, I will not attempt to make any sort of net assessment of cross-Strait military capabilities.

Nonetheless, based on my own personal experience both in the U.S. Army and observing the PLA a decade ago, I will provide my *impressions* of the state of ground force training: In short, the PLA is a good student of other militaries and understands in theory the complexities of modern war. It has developed a doctrine that integrates lessons learned from other countries’ recent military experiences and adapts these to the unique conditions in China. From what I read and see on Chinese television, at this point in time, most PLA training is still relatively rudimentary in nature, reflecting their efforts to combine optimally the new weapons and equipment, new doctrine, and the new caliber of personnel available since 1999. They realize this is a complex task and understand there are no shortcuts or “silver bullets” to achieving combat effectiveness. The PLA leadership has a two-decade plan to continue its modernization and transformation process (and I believe 15-20 years is a reasonable timeframe to approach achieving the goals the PLA has set for itself). However, if ordered by the government and party before it has completely achieved its modernization goals, the PLA will follow the commands of China’s civilian leadership and utilize its best units in the most appropriate way, supported by a large civilian effort, to achieve the political and military goals assigned.

Though the focus of this hearing is on the Taiwan Strait, in fact, PLA ground force training emphasizes the entire array of missions it may be called upon to conduct “to defend national sovereignty and territorial integrity” – this includes defense of its land borders as well as its maritime claims. I have no doubt the Chinese assume the mainland will be the target of long-range attacks in future conflicts and defending against this threat and recovering afterwards is a major theme in nearly all training. They also are aware of the need to defend against the threat of terrorism.

In April 2000, the army paper, *Jiefangjunbao*, clearly highlighted recent training priorities. These priorities were then continued in exercises reported over the next five years:

- Nanjing and Guangzhou Military Regions have concentrated on amphibious operations;
- Beijing, Shenyang, and Jinan Military Regions have stepped up long-range mobility and rapid reaction; and
- Lanzhou and Chengdu Military Regions explored cold weather operations on plateaus.
- In general, explore and intensify training on:
 - Air defense operations
 - Information war
 - Amphibious landings
 - Joint operations, and
 - The new “three strikes, three defenses” (strike at stealth aircraft, strike at cruise missiles, strike at helicopter gunships; defend against precision strikes, defend against electronic jamming, defend against reconnaissance and surveillance)

This list was augmented after 2001 with “anti-terrorist” training and heightened emphasis on nuclear, chemical, and biological defense. Disaster relief training has also been added to unit training programs.

Not only have active PLA ground forces increased the intensity of training since 1999, so, too, have reserve and militia forces stepped up their training. Civilian support increasingly is integrated into PLA operations. Reserve and civilian support is often coordinated using the mechanism of the National Defense Mobilization Committee system and its expanding web of civil-military command posts. Reserve, militia, and civilian support is particularly important to PLA logistics and armament support functions. The concept of People’s War, especially the mobilization of the population and its emphasis on the use of speed, stealth, stratagem, and deception, remains relevant to future PLA campaigns. People’s War is still considered a “magic weapon” for the weak to defeat the strong.

Before discussing some of the content of recent PLA ground force training, I would first like to highlight a few training techniques common throughout the force.

- Experimentation is a major characteristic of PLA training activity. “Pilot” units are assigned tasks, such as night, high-altitude, or various other aspects of joint operations, to explore and report their findings. Innovation is encouraged and many units conduct experiments on their own, including modification of tactics and equipment, such as building command vans and creating computer programs to assist command and control. The results of experiments are reviewed and, if applicable, may be promulgated throughout the force. Many “good ideas” on paper do not pan out in practice and many experiments are discarded.
- Over the past 15 years or so, opposing force training or Red versus Blue force confrontational, free-play exercises have become common in all services. Many units have created permanent Blue (or enemy) forces, which are often equipped with the most advanced weapons and attempt to emulate foreign tactics and techniques. Opposing force training is commonly used by air defense units (both in the ground and air forces) and flight units. Some units (often in different services) have established “habitual relationships” to train with each other. Like the U.S. experience at the National Training Center at Fort Irwin, the “enemy” often wins these confrontations enabling the friendly force to better examine its strengths and weaknesses.
- With the widespread introduction of computers and internet connectivity throughout the PLA, units have constructed training halls to conduct in-garrison computer and simulation training. Long-distance computerized war games are reported in addition to using computers for learning, especially for new equipment training. Driving, firing, and maintenance simulators have been developed for many types of equipment with the goal of keep training costs down and wear and tear on equipment to a minimum. Many simulators still appear to be rather basic. Sand table exercises and command post exercises by headquarters elements without troops in the field are also commonly reported.
- In recent years large units have gone to the field for extended training, sometimes lasting two or more months. Units often conduct “progressive training,” moving from individual tasks (like swimming or marksmanship) to small unit (platoon, company, and battalion) training to larger combined arms or joint training at regiment and higher level. These training periods often culminate in individual and unit evaluations and live fire practice. During extended deployments away from home base, units learn to live in the field and sustain and maintain the force in austere conditions. Long deployments are real-world tests of logistics and armament organizations at varying levels.

Joint and Combined Arms Training and Integrated Joint Training. Since this round of PLA modernization began in 1979, improving joint operations and combined arms capabilities has been a major training emphasis. By the middle of the first decade of the 21st century, joint and combined arms training exercises conducted over extended periods in remote locations have become common for ground force units in all Military Regions. Rapid assembly and deployment and air defense are among the most frequently practiced tasks by all PLA units; camouflage techniques and NBC defense are also practiced frequently. As the PLA’s electronics and communications capabilities increase, information operations have been incorporated into most training scenarios. Information operations commonly reported in exercises include rapid, secure transmission of orders and data among friendly forces; intelligence collection using various technical means,

such as UAVs, battlefield radars, and tactical imaging systems; protection from enemy attacks on friendly command and communications systems; use of information to influence the enemy through propaganda and psychological warfare; and the offensive and defensive employment of electronic warfare against enemy systems.

Each Military Region has established a combined arms training center into which units at regimental level and above rotate for training and evaluation. These training centers are located at:

- Zhaonan, Jilin for the Shenyang Military Region
- Juhr (also known as Zhurihe), Inner Mongolia for the Beijing Military Region
- Yongning County (Helanshan), Ningxia for the Lanzhou Military Region
- Queshan, Henan for the Jinan Military Region
- Sanjie, Anhui for the Nanjing Military Region
- Luzhai in Lusai County, Guangxi for the Guangdong Military Region
- Xichang, Sichuan for the Chengdu Military Region

In addition to combined arms training bases, regional training areas and live fire ranges for armored and artillery training are also found throughout the country. Individual divisions, brigades, and regiments have their own local training areas and firing ranges, which often include facilities for amphibious operations even when located away from the coast. Nonetheless, as the PLA ground force modernizes, PLA commanders recognize the need for more training areas where all aspects of joint operations can be practiced.

Chinese sources identify four major amphibious training areas at Dongshan and Pingtan islands in Fujian province, Zhoushan island in Zhejiang province, and Shanwei near Shantou in Guangdong province. PLA Navy marine brigades practice amphibious operation on the Leizhou peninsula in Guangdong near their bases at Zhanjiang. From the combined Chinese-Russian exercise “Peace Mission 2005,” we now know that Weibei in Shandong province can also be used for amphibious training.

Joint and combined arms training certainly has become more realistic and more complex over the decades; however, PLA leaders still see a gap between their operational goals and the actual level of many training exercises. Perhaps the most striking indication of this training shortfall was the creation and widespread use of the term “integrated joint operations” in 2004. “Integrated joint operations” generally is a reminder of the necessity to incorporate all types of units (ground, naval, air, missile, logistics, and armament support) and battlefield systems (intelligence, reconnaissance, communications, electronic warfare, fire support, etc) into operations while treating each element equally in planning and execution. In other words, it means REALLY joint operations, not just exercises where different units are in the same general area conducting independent tasks at the same time. Along with the use of this term, several large areas known as “coordination zones” have been established in the various Military Regions in which forces from the various services may interact during training.

Amphibious Training. Large-scale amphibious operations were not a major emphasis in the first decade and a half of the PLA’s modernization program. During the 500,000-man reduction from 1997 to 2000, one ground force division in the Guangzhou Military Region (the former 164th Division) was transferred to the PLA Navy to become the second marine brigade. Starting in about the year 2000, the 1st Motorized Infantry Division in the Nanjing Military Region and 124th Infantry Division of the Guangzhou Military Region were issued new equipment and transformed into amphibious mechanized divisions. Since 2001, these two amphibious mechanized divisions have been given priority for training and, along with other regional units, have deployed to amphibious training areas for extended periods of time from the late spring to early fall.

Entire brigades and divisions have deployed for up to three months to conduct training from small unit level up to joint army-navy-air force amphibious landing operations controlled by group army or Military Region headquarters. Infantry and armored brigades and divisions are often joined in training by group army and Military Region assets, such as artillery, air defense, AAA, helicopter, engineer, chemical defense, electronic warfare, logistics, and armament support units. Exercises also incorporate reserve, militia, and civilian

augmentation forces and have been used to test and improve real-world logistics and armament support to deployed forces. In many cases, only *elements* of larger units, such as one or two regiments of a division or a single division of a group army, are involved in an exercise controlled by the higher headquarters mentioned in press accounts. In 2001 and 2002, amphibious training began in May and continued through September; in 2003, amphibious training was delayed because of the SARS problem and in 2004 and 2005 amphibious training also started later in June or July.

Nanjing and Guangzhou Military Region units have conducted the majority of amphibious training, with a lesser amount of training conducted by units in the Jinan, Shenyang, and Beijing Military Regions. These training priorities fit with what we would expect to be the first wave of an amphibious operation against Taiwan and follow-on, exploitation forces. They also are consistent with the training outline from April 2000 mentioned earlier.

Based on reviewing Chinese news reports of amphibious training exercises since 2001, I estimate that some 22 or more infantry and armored divisions or brigades, or about one-quarter of the 80-some PLA maneuver (infantry and armored) divisions and brigades, plus several artillery, AAA, and air defense brigades, have trained *to some extent* for amphibious operations. Many of these other units may not train for amphibious operations as frequently or as intensively as the 1st and 124th Amphibious Mechanized Infantry Divisions and the amphibious armored brigade of the 31st Group Army in the Nanjing Military Region, but a significant portion of the ground force in north and east China has been exposed to the complexities of landing operations. These numbers *do not*, however, necessarily represent the size of a force the PLA could put together at one time to conduct an amphibious campaign, but individual divisions and brigades are the basic building blocks which would form a larger campaign.

Anti-terrorist Training. After September 11, 2001, anti-terrorism training was elevated in priority for the PLA, PAP, militia, and civilian police forces. Anti-terrorism training is conducted in all parts of the country, but especially in China's western regions and the major cities. Special training courses have been conducted to introduce commanders to terrorist techniques and countermeasures.

All elements of the uniformed armed forces (the PLA, PAP, and militia) train with the civilian police force in anti-terrorist operations. Training scenarios frequently include hostage rescue, anti-hijack, bomb detection and disposal, and chemical, biological, and radiological ("dirty bomb") situations. Additionally, the PLA has conducted several anti-terrorist exercises with military forces from neighboring countries.

Airborne Training. The PLA Air Force's 15th Airborne Army is one of the best trained units in the PLA. Like other components of the PLA, it has benefited from new equipment and increased training opportunities made available in recent years. The size of airborne operations appears to have grown to include more battalion and regimental exercises, ranging from several hundred to well over a thousand paratroopers, in addition to the numerous company size drops of 100 to 200 personnel. Most airborne missions appear to be raids or seizure of key terrain behind enemy lines, such as ports or airfields, followed shortly by link-up with ground forces.

Airborne training now includes the employment of the airborne's own Special Operations, communications, and logistics forces along with its infantry and artillery units. Airborne forces also train to receive fire support from aircraft and helicopters, as well as from missile units. New equipment has been introduced to drop cargoes in containers or on pallets, along with vehicles, from multiple types of transport aircraft.

One of the PLA's largest and most important airborne exercises took place on July 12, 2004. The exercise was called "unprecedented in the history of airborne troops" and demonstrated the progress from several years of work. On that date, an airborne infantry battalion reinforced with artillery, air defense, engineer, chemical defense, communications, and logistics units jumped into the Gobi desert. The paratroopers used airborne assault vehicles to seize an enemy airfield and were supported by artillery, electronic jamming, a ground missile unit, and armed helicopters. They also practiced logistics support operations in this one-day exercise.

Most airborne exercises appear, however, to be conducted on their own independently, without integration into larger joint training scenarios. A significant exception to that observation was seen in “Peace Mission 2005” when 86 PLA and 86 Russian paratroopers (a company-size unit for each country) and 24 combat vehicles were dropped to capture an airfield in support of the combined amphibious landing operation.

Special Operations Forces and Helicopter Training. Special Operations units were established in each Military Region in the 1990s. In the first 10 years of their existence, their greatest focus was on organizing themselves and enhancing the specialized individual and team skills needed for the missions assigned. Integration of SOF units into larger joint exercises currently appears to be in the exploratory phase. Most reporting about SOF training emphasizes their physical toughness and marksmanship abilities, as well as techniques used to infiltrate behind enemy lines, live off the land in extreme conditions, and conduct strike missions. SOF missions include prisoner snatch operations; raids on enemy missile sites, command posts, and communications facilities; harassment and interdiction operations to prevent or delay enemy movements; strategic reconnaissance; and anti-terrorist operations. SOF units may also be involved in information operations. SOF troops may be inserted by parachute, sea, or landed by helicopters. Helicopter insertion seems to be a favored method.

PLA ground force helicopter units have expanded in size since the mid-1990s, but are still relatively small in number for such a large army. The Chinese media recently has highlighted the trend for helicopter units to develop attack capabilities in addition to their more traditional transport role. PLA helicopter units mount machine guns, rockets, and anti-tank missiles on utility helicopters, such as the Mi-17-series from Russia or the domestically produced Z-9 or Z-11. Helicopters are also used in electronic warfare, mine laying, propaganda leaflet drop, medical evacuation, command and control, and reconnaissance missions. Since 2004, helicopter pilot proficiency training has emphasized night flights, low level (nap-of-the-earth) operations, over-water flights, and long-distance navigation exercises. Depending on the type of the helicopter used, most exercises probably transport a company or less of infantry soldiers in a single lift of up to about 12 helicopters, or even smaller numbers of SOF troops. Some exercises appear to be supported by helicopters in attack roles to suppress enemy defenses. The size of airmobile operations, of course, can be increased through the use of multiple lifts.

Other Training. In addition to the operations mentioned above, units throughout the country prepared for missions appropriate to their local situations (coastal, interior, desert, mountain, etc), including border and coastal defense from external threats and disaster relief operations. Moreover, specific training supervised by the political, logistics, and armament systems was conducted to prepare these units to better integrate themselves into joint operations. Reserve and militia units also have undergone a variety of training exercises to hone their capabilities to support the active force.

- “Three war” operations. In 2004, the General Political Department highlighted “Three war” training, i.e., media (or public opinion) war, psychological war, and legal war. These efforts fall under the rubric of information operations.
- Logistics and armament training. Logistics and armament support units conduct an array of functional exercises on their own to perfect the skills necessary to support the combat forces. Military Region logistics subdepartments and group armies form “emergency support units” to provide forward-based, reinforcing support to lower level units. The size and composition of “emergency support units” varies according to the needs of the unit supported, the mission, and terrain. “New equipment training” is overseen by technicians in the armament system both in garrison and in the field to prepare soldiers to operate and maintain the large numbers of new weapons and equipment introduced into the force since 1999. In 2004, a *PLA Daily* article highlighted the significance of maintenance and equipment reliability by describing how “a tiny screw falling off a radar system brought a [brigade] field exercise to a standstill.” This modern parable taught the lesson that even “minor specialized elements,” such as a repair unit, can play a major role in overall unit capabilities.
- Reserve and militia training. Following their own structural reforms begun around 1998, reserve and militia units have increased their training tempo to prepare for new missions assigned. In addition to conducting independent training to develop functional proficiencies, PLA reserve units and militia forces are frequently mixed into active duty field training exercises along with civilian support. Surprisingly, in September 2002 in

what was called the “first drill with reservists joining active servicemen,” *Xinhua* reported a reserve regiment from the Beijing Military Region mobilizing to link up with an active duty unit for a “confrontation exercise” against a “Blue Army.” Since that time, more reserve units have trained with active PLA forces and “linking reserves with active units” was a training priority for 2005. In particular, the seven newly formed reserve logistics support brigades, one for each Military Region, are among the busiest units as they support both reserve and active forces. Integration of reserve, militia, and civilian support with active duty forces is often accomplished using the system of National Defense Mobilization Committees that extends from national-level to Military Region, down to every province, and theoretically to every county in the country.

In conclusion, I must note that I read reports of PLA training in the Chinese media with caution and often view skeptically pronouncements that such and such an operation was conducted in three minutes or 45 minutes or it was “the first ever” or the “largest ever” or “all missiles hit their targets.” Still, careful reading of the Chinese press can provide reasonable insight into the content of PLA training activities and when tempered with some military experience can result in useful perspectives not frequently considered in the excitement generated by many foreign press articles about new equipment acquisition. For example, in all the reporting of air operations, I see little evidence of doctrine for or training in what we call “close air support” (CAS). Instead, most, if not all, “air support” is still conducted against preplanned targets with aircraft under the command of controllers far away from the frontlines. This situation may change as new communications equipment, that permits forward units to talk with aircraft, and laser target designators are issued to the force. Experimentation may be underway, but I’ve not seen evidence of it.

Some recent observations found in PLA newspapers may serve to provide a Chinese perspective on the state of training activity in perhaps the two most important Military Regions.

- In 2004, the Nanjing Military Region reported, although region units have achieved remarkable progress in building up their “Two Capabilities” (combat and technical support capabilities), they still lag behind actual war requirements. A conference on training identified the following “Matters to Be Dealt With”:
 - Some units do not train according to correct guidance, their training standards are not high, and basic training is not on solid footing;
 - There are still weak links in new equipment training;
 - Training units at various levels fall short of training tasks;
 - Some units prepare training plans roughly and the teaching force on the first line is weak;
 - Headquarters fail to provide effective training guidance;
 - Some units lack initiative in providing training support.
- In 2003, the Nanjing Military Region reported that night training “is a weak link in current training.” (This is especially noteworthy in an army with a reputation for successful night operations in its early years.)
- In 2004, the Guangzhou Military Region reported there is still a gap between the overall quality of region personnel and the planned target of the Central Military Commission and the requirement to fight and win information wars. Outstanding problems are:
 - Shortfall in total number of capable personnel;
 - Generally low science and technology and cultural qualities in personnel;
 - A lack of joint operations capability in commanders at all levels;
 - Lack of competent technical support personnel for new weapons and equipment of combat units resulting in actual support capability being low.
- In 2005, command staff training was said to be “a weak link” in the Guangzhou Military Region.

From these types of reports it is understandable why the PLA has established a two-decade long goal for improving the quality of its personnel (see *China’s National Defense in 2004*, “Revolution in Military Affairs with Chinese Characteristics” for details). The amount of change and uncertainty introduced into the force due to personnel reductions, force structure changes, new doctrine, new equipment, and new personnel policies over the past six years can be disorienting and imposing for many officers and enlisted men alike. Yet, it is exactly these people who must plan new PLA operations, execute its doctrine, operate more advanced equipment, and maintain and sustain the force at tempos never before seen. Success on the modern battlefield will be much more dependent upon the quality of these personnel and the rigors of their training than on the new equipment they have acquired recently. I believe the Chinese leadership understands these

challenges and is approaching the problems of modernization and transformation in a logical and methodical manner. As always, I remain open to change my conclusions based on new information and I encourage further examination into these complex topics.

Finally, I think it is useful to quote Russian Defense Minister Sergey Ivanov when asked what had impressed him most about the PLA during "Peace Mission 2005." Ivanov stated it was the PLA's "iron discipline."

COCHAIR DONNELLY: Thank you, sir. We seem to have had a real alignment of the planets here. Dr. Murawiec, welcome, and also Senator Thompson, welcome to you. I take it this is a good sign for Judge Roberts.

COMMISSIONER THOMPSON: One way or the other.

COCHAIR DONNELLY: Or you're abandoning him in his hour of need, as the case may be. Laurent, the microphone is yours.

**STATEMENT OF DR. LAURENT MURAWIEC, SENIOR FELLOW,
HUDSON INSTITUTE, WASHINGTON, D.C.**

DR. MURAWIEC: Thank you very much. I'm afraid that I will not be able to go into the depths of Chinese military organization the way Dennis just did. I would like to tell you the results of research I carried out notably for the Office of Net Assessment on the question of the Chinese way of war, and I would perhaps say that one of my extremely involuntary qualifications is that my book on the Revolution in Military Affairs was translated by the PLA and published two years ago with a run of 7,000 copies in Beijing, which I think means that the privates won't read it, but some high-ups in the PLA certainly already have.

COMMISSIONER TEUFEL DREYER: Did you get any royalties?

DR. MURAWIEC: I actually got \$500, which was quite an extraordinary thing. I wish all of the other authors on China to get that much. Be that as it may, if I consider China, several thousand years of Chinese statecraft consider that China by right--it's like the divine right of

kings--is the center of the world, as her very name bears witness, and China demands to be kowtowed to accordingly.

Now, no nation ever grew to a size of about 3.5 million square miles by being peaceable or pacifist. Otherwise you're Luxembourg. Offensive and aggressive warfare are as much part of China's historical inheritance as that of any other nations and more so than Luxembourg.

However, over the last 200 years, China's military performance, however, is feeble at best. She lost virtually every single hot war she engaged in. However, in her own mind, and according to the aura she projects, China is invincible, which I think is a very important paradox for us to deal with.

China went to war against most of its neighbors by choice, against, and in most cases using war as a normal and principal instrument of policy. Given China's extraordinary ascent, her rise inexorably disrupts many status quos and her ambitions fan the flames of conflicts.

I do not believe that a major war with the United States is inevitable, but conflict is already there as China is quite forcibly seeking her place in the sun.

Now, how do Chinese look at war? Is there a distinctive Chinese way of war? Do Chinese go to war the way Europeans, the way Arabs, the way South American Indians, the way Eskimos go to war?

I think there is a distinctive Chinese manner of thinking about war and practicing it. Picture the traditional Chinese battle. Picture first the traditional European battle. Whether it's Gettysburg, a great place in Europe, or Kursk or Marathon or anything in the history of European warfare, two masses of heavily armed men clash in brutal shock against one another. A Chinese battle traditionally is gigantic volleys of flying arrows that are hurled from either side by the thousands.

And the first side that cracks because too many people have been killed or maimed and have fallen, the first side that cracks runs, at

which point its soldiers are slaughtered in pursuit. Action, in other words, occurs at a distance, not hand to hand, not through shock, not as in the Western or in the Japanese tradition, lest anybody thinks this is something special to the "Asian soul."

Battle is lost and won at a distance and so is war. This is very heavily reflected in the work of China's premier military strategist, Sun Tzu, who is the object or whose work is the object of very intensive study by the PLA.

The famous phrase, "To subdue the enemy without fighting, this is the acme of skill," encapsulates this.

Now, when you consider it on the face of it, there's very, very few cases in world history where the enemy was subdued without fighting and where that acme of skill was actually achieved. I think that what Sun Tzu means is battle avoidance, indirect approach, deception, stratagem, what the Chinese call "the invisible knives."

Concretely, that means to disrupt the enemy's alliances, to deceive him, to make him spend his energy in vain so that before any engagement of forces, he will be exhausted, he will be disoriented, he'll be frightened and will not be able to put up effective resistance.

Hence, I do not expect a frontal attack on the United States for the time being, the U.S. being recognized as being superior in hardware and many other ways. That would, at least, have to wait until China in her own mind had become the world's number one economic superpower.

Meanwhile, what would Chinese grand strategy desire? To mire its opponents in a thousand ruts and make him bleed a thousand cuts, to involve him in innumerable conflicts, in order precisely to achieve what Sun Tzu was talking about. Therefore, I look carefully for the Chinese political military outreach.

When I read that China just made some minor military deal with a country like Greece, in and of itself it is of extreme unimportance. In terms of pattern, it indicates this, as well as agreements with Latin

America, acquisition of assets in Iran, in Turkey, in the EU, this means that the Chinese chess, what we know under the Japanese name of Go, which the Chinese call Ziangqi, the aim of the game is not to take the enemy queen. It is to encircle, to paralyze and to neutralize.

Now, where does that lead us? I think, first of all, the risk of miscalculation on the part of China is extraordinary if only because the dictum, this other dictum by Sun Tzu, "know thyself and know thine enemy," is something that cannot be said to be truth for the Chinese. I do not believe that the Chinese elite, the Chinese leadership, knows and understands the outside world terribly well. They know how to manipulate a lot of things but I do not believe that they have any fundamental understanding of the United States in particular.

I do not believe that they know themselves either because their political system is utterly dysfunctional. So in case of extreme internal strife in China, which could go up to civil war, though not necessarily, the leadership is very liable to play the nationalist card and God knows that Chinese nationalism is a raging tiger that cannot be left to crouch.

And that could push the Chinese leaders into an attack on Taiwan. Miscalculation again. When you read Chinese literature pertinent to the subject, you will see that most Chinese believe that they won against Japan in World War II, and they say it and they write it. This is an extraordinary thing. They believe that they won that war. They also believe that they crushed the United States in the Korean War. This is a massive miscalculation.

I think China and the Chinese search for silver bullets all the time. This is part of the Chinese way of war. It is the shortcut to quick victory; hence, their fascination for so-called unrestricted warfare, information warfare, cyber war.

To them, I submit to you, war is a mind game. It's psywar, it's magics, it's like the Daoist warrior in the Chinese cloak and dagger

movies. Now, think, the Japanese, great students of Sun Tzu, invaded China and used Clausewitz, not Sun Tzu, and look who won: it was not China. To me, I would propose to you that Sun Tzu looks very good as long as Clausewitz doesn't show up on the battlefield.

As far as we are concerned, what should we do? I think that the principle is that we ought never to play to China's strengths, her chosen terrain, her chosen timing. I think we should always play to our own strength, terrain and timing.

Thank you.

[The statement follows:]

PREPARED STATEMENT OF DR. LAURENT MURAWIEC, SENIOR FELLOW, HUDSON INSTITUTE, WASHINGTON, D.C.

The reach of China's impact on world affairs is growing and poised to grow further in decades to come. Whether the People's Republic continues to grow and prosper, or encounters severe crises, whether it manages to maintain a strong measure of domestic stability and control, or founders amidst the many crises that could pull it apart, the waves that originate in Beijing will reach the neighborhood, the strategic region, the world and U.S. interests in a major way.

Discerning China's Grand Strategy then becomes a must. Beijing has given enough clues and indications of its belief that some time in the middle of the century the PRC will become the premier economic power on Earth, and will require, demand and work toward a commensurate position in world affairs – in global decision-making, in strategic affairs, in military power. Beijing will reach for its “rightful place in the Sun,” which in traditional Chinese terms happens to be the Sun itself.

The strong persistence of an imperial ideology, increasingly divested of its “Communist” gear, the reassertion of hegemonic status in the broad regions around China and the assumption by the PRC of all the trappings of empire, all point to a strong reassertion of a Chinese self-conception as *zhongguo*, the country of the middle – the middle of the world around which all revolve and to which all must pay homage and obeisance.

The possibility of a strategic conflict between the United States and China is real. While it is neither inexorable nor inevitable, its likelihood cannot be ruled out by some legerdemain. The effort at developing and acquiring military capabilities that go way beyond mere self-defense, the ability to resort to belligerent tones, to saber-rattling and naked threats, and a track record of military interventions as a normal instrument of diplomacy, suggest that this potential conflict should be anticipated and its possible shapes explored: to China after all, there is only one peer, only one competitor – the United States.

In order to explore China's Grand Strategy, it seems to me of prime importance not to put ourselves in Beijing's shoes, but to put Beijing in Beijing's shoes. It is minds that hold guns, and ICBMs, not guns and ICBMs that determine minds: can we understand how the Chinese strategic mind looks at conflict in general, and at this conflict in particular?

The Chinese Way of War

Peoples, cultures, nations, do not treat conflict in identical fashion, they do not understand and practice war in the same way. Just as their statecraft differs, so does their manner of going to war. I would like to explore the Chinese Way of War and its underpinning, the status of conflict in Chinese statecraft. Is this too abstract or too theoretical a manner of looking at the subject? What we may learn from this will decide. I am afraid that our recent encounter with a way of war profoundly alien to the “European,” writ large, including the American – to wit, terror – suggest that we only shrug such investigations at our own expense.

China enjoys an enviable strategic and military reputation. But from its first modern encounter with the West some 170 years ago, she lost most of her wars. Still, its strategic reputation radiates an aura of invincibility. Her chief military theorist Sun Zi has become an unchallenged icon of strategic acumen, even though “iron and fire,” in Otto von Bismarck’s formula, have decided the outcome of most of history’s wars - with a little help from industry, technology and science in recent times - rather than Sun Zi’s trademark of deception and battle-avoidance.

In most cases, since their original encounters with Western-style armies, in 1830, in 1842, in 1860 and then with the Sino-Japanese War of 1894-95, Chinese armed forces were comprehensively defeated on the battlefield, and China’s wars lost. China lost its wars against the British, the French, the Japanese (1894-95, 1931, 1937-45), Russia (1927, 1969) and Vietnam (1979). The Chinese Army did score a victory against the politically hamstrung Indian Army (1962). It initially manhandled the U.S. Army in Korea, but ended up being rolled back and stalemated, leaving China’s war aims unfulfilled.

The greatest exploits of Chinese armies were scored against Chinese armies: the Taiping Army in the 1850s; the Nian and other internal rebellions in the second half of the 19th century were ultimately put down by the Qing; Chiang Kaisheck subdued the Warlords in the course of the 1927 “Northern Expedition,” though he failed to stamp them out and merely forced them to accept his nominal primacy. The People’s Liberation Army (PLA) beat Chiang in turn in 1945-49. The PLA crushed organized rebellions of the Red Guards during the Cultural Revolution and unorganized civilians at Tiananmen Square.

Over a period of 170 years the military balance sheet is less than stellar. The Chinese military machine, even when it had the initiative of time and space and where it created tactical or strategic surprise, failed on the battlefield.

Mao Zedong’s military and strategic doctrines have been granted a status of omnipotent virtue and power, and have gained virtual immunity from criticism, possibly as a result of the Chinese Communist Party’s victory in the Civil War: winners are always right – they won because they had to win, post hoc – at the very least, victors write history or have it written as if victory had been inevitable.

Mao’s doctrine of the “People’s War” has been adjudicated as the source and driving force in the victory of Third World guerillas against Western armies, prominently so in the case of the two Vietnam wars, thus enhancing its fame as an ever-victorious doctrine – in spite of the utter failure of the Mao-Lin Biao doctrine of the “encirclement of the world-cities by the world-countryside.” The People’s War is credited with victory in each and every case, even though it turned out in most cases to be a disastrous flop, from Latin America to Black Africa, from India to Southeast Asia, with the principal exception of Vietnam, a nation that forged its fighting spirit in defending and expelling the Chinese across two thousand years.

How can we explain the chasm between reputation and performance? There is indeed an abyss between Chinese military performance on the battlefield and Chinese statecraft. Chinese statecraft is based on political warfare and psychological warfare; it aims at manipulating foes into compliance by means of the creation of an awesome aura of power, for which the military and military action are but an adjunct. As Sun Zi, the father of the Chinese “art of war,” famously wrote:

To subdue the enemy without fighting is the acme of skill.

and

Thus the highest form of generalship is to foil the enemy’s plans; the next best is to

*prevent the junction of the enemy's forces;
the next in order is to attack the enemy's
army in the field; and the worst policy of
all is to besiege walled cities.*

Now, the idea of “foiling” - destroying, shattering, disrupting and neutralizing the enemy strategy, certainly is a thrilling one. The reality of it, common sense tells us, might be different: how often in real history have the plans or the strategy of the enemy been “foiled” without the engagement of forces? Is war merely, or fundamentally, a mind game?

The explanation of the chasm between real performance and perceived power lies with Sun Zi's other, well-known dictum that “All warfare is based on deception” – or in the Chinese conception underlying it, that of military wizardry. I believe in turn that we can apply this understanding to China's Grand Strategy.

The Sword and the Bow

Battle in the West and battle in China are fundamentally different: from the Greek hoplite, the Macedonian Phalanx, the Roman Legion, shock is the hallmark of the Western way of war, the sword is the weapon of choice, hand-to-hand combat the norm. Through the long history of warfare in Europe, the sword also is the symbol of nobility, and of war. As a prominent British historian of war wrote not without hyperbole, “the history of the sword is the history of humanity.” This holds for Europe, and Japan. Scripture itself bears the mark of the sword: “sword of God,” “sword of Gideon,” “I came not to send peace but a sword.”

Not so in China: neither in the symbolic realm nor in war was the sword the distinctive, the principal, the noble weapon. That weapon throughout Chinese history is the bow. The bow and its mechanical variant the crossbow was and remained through the 16th century the predominant tactical weapon of field armies. The set Chinese expression of “The Five Weapons” refers to bows, sticks, spears, pikes and halberds – no sword. Read the characters *Zhong guo*, China's name in Chinese; the glyph for *guo*, country, includes a square – the kingdom – and a halberd. The glyph for *zhong* represents an arrow that hits the center of a square target – Chinese archery targets are square, not round. China's very name embodies bow, arrow and halberd.

Archery is endowed with magical and even mystical origins and qualities. The putative inventors of the bow in Chinese lore: King Wen of the Zhou dynasty, whose name is eponymous with ‘writing’ and ‘civilization,’ *wen*. The Yellow Emperor, the mythical founder of Chinese civilization, gave it to men. One of the ‘Three August’ emperors, Fu Xi, who endowed men with all the arts of civilization, and the creator of the Yi Jing, is also one of the inventors. The archer has supernatural powers – he is a shaman, the priest of archaic Chinese religion. Fabulous bows are a recurring object in Chinese literature and history. “Archery formed a part of a form of magic representing or celebrating not only the domination of men over the physical world, but also harmony with the supernatural world which created the elements governing wind, drought and flood,” a historian wrote.

What is the relevance to war? A Chinese battle (until modern times) is not the shock between two advancing armies, as we all picture battle, from Marathon to Alexander the Great's battles, from Cannae to Gettysburg, from Kursk to Patton's Third Army rush into Germany. Eleventh-century Song author Zeng Gongliang describes: “The arrows must be shot with saturation fire then no enemy can stand before you and no troops can keep their ranks in formation facing you.” A Chinese battle pitches two armies standing still on a battlefield. Huge volleys of arrows fly from each side, in their thousands, and rocket down upon the other side. Men fall, wounded or killed. The lines stand firm. When enough men have collapsed, when the lines have been thinned out by death and injury, panic suddenly breaks out – one army runs. At that point, the opponent's line, or what remains of it, rushes in hot pursuit and slaughters the fleeing enemy soldiers. Battle has been fought at a distance, and not in shock. It has been won by the bow, the weapon par excellence of fight at a distance. The decisive moment, the tipping point, however, was mental.

Allow me to quote from the *Tao Wu*, the Annals of [the kingdom of] Chu: “In Ting Chang, in the state of Chu, there was a miraculous white ape. Not even the best marksmen of Chu could hit it. King Zhuang himself shot at it but the ape caught the arrow [in full flight] and capered about. Yang Youji was summoned

to shoot it. He straightened his bow and grasped an arrow: but before he had started to shoot, the ape clung to the trunk of its tree and howled! When [Yang] fired, the ape took an arrow and down he came.” Yang Youji is a semi-legendary “Robin Hood” archer who lived in the 6th century BC. The ape’s ability to sense that it is going to be hit reflects the ancient Chinese theory that archers could achieve a sort of thought transference over their targets.

With this “thought transference” we enter the inner core of the Chinese art of war, symbolically carried out by means of the magic weapon. Thought transference really is the acumen of skill; that which allows the general *to subdue the enemy without fighting is the acme of skill*, to repeat Sun Zi, and *Thus the highest form of generalship is to foil the enemy’s plans*.

War is a mind game. It is in that sense mind over matter, or in other terms, of strategy over combat. Let me briefly return to Yang Youji. According to another tale, written in the 3rd century BC, “Yang Youji shot at a rhinoceros, but what he hit turned out to be a rock, yet the arrow still penetrated to the flesh, because he had truly taken the rock for a rhinoceros.” The successful archer is he who has succeeded in mustering and harnessing all the physical and mental resources available to the human body, known collectively as *qi*. A historian comments: Now, as in ancient times, it is believed that the effects that can be produced through mastery of *qi* verge on the supernatural.”

Now? Some of you may have seen the remarkable Chinese movie *Hero*, starring the stunning martial arts actor Jet Li, directed by Zhang Yimou, the premier Chinese filmmaker of his generation. The movie is notable from many standpoints: first, it presents an unabashed acclamation of Mao’s model, the emperor who unified China by spilling rivers of blood, Qin Shi Huang Di; next, its art of war is exactly that described here: mind over matter. Third, the way in which the emperor, who embodies Sun Zi’s generalship, wins over his opponents, is by mind-strategy: he has accumulated unto himself the greatest amount of *qi*.

This is the application to strategy of the Daoist principle of *wu wei*, or non-acting, or even better “refraining from activity contrary to nature,” that is, refraining from insisting on going against the grain of things, from trying to make materials perform functions for which they are unsuitable, from exerting force in human affairs when the man of insight could see that it would be doomed to failure, and that subtler methods of persuasion, or simply letting things take their own course, would bring about the desired result.” (Joseph Needham). In the analysis of French sinologist Marcel Granet: “The leader, the magician, always needs to gather power, substance, life, for he must expend his vitality for the benefit of all (...) the leader, as a direct effect of his power to influence..., succeeds in causing that the horses [of the chariot] march straight as soon as he thinks straight, that his subjects’ arrows hit right at the center [of the target] as soon as he thinks right. It suffices that the magician touch his enemy with his saliva, or breathe upon his shadow, for the hapless to die, burnt by ulcers; in [the magician’s] saliva, in his breath, the magician has concentrated the essence of his magical virtues. But the royal mission requires the concentration of a truly complete power to animate. In all warriors circulates the leader’s breath: the latter, by beating the drum, conveys to the entire battle the myth of his own ardor.” What the leader is to the others, China is to the world.

In the first century AD *Romance of Wu and Yue*, a historical romance considered to be of real historical value, a character called the “Young Woman of Yue,” renowned for her martial skills, is summoned by the King; she travels for her audience. The King asks her for the best method of fighting with the staff. Hear her, and keep in mind Sun Zi’s dictum about strategy and about deception:

“The method involves great subtlety and constant change [of movement]; its principles involve great mystery and depth. The method involves both ‘front doors’ and ‘back doors’ as well as hard and soft aspects. Opening the ‘front door’ and closing the ‘back door’ closes off the soft aspect and brings the hard aspect to the fore. Whenever you have hand-to-hand combat, you need to have nerves of steel on the inside, but be totally calm on the outside. I must look like a demure lady and fight like a startled tiger. My profile changes with the action of my body, and both follow my subconscious. Overshadow your adversary like the sun, but scuttle like a flushed hare. Become a whirl of silhouettes and shadows; shimmer like a mirage. Inhaling, exhaling, moving in, moving back out, keeping yourself out of reach, using your strategy to block your adversary,

vertical, horizontal, resisting, following, straight, devious, and all without sound. With a method like this, one man can match a hundred; a hundred men can match ten thousand...”

Here again, what is the relevance of *qi* and Chinese sword and dagger – bow and halberd – movies to China’s Grand Strategy? I submit to you that we have there a short description of the fundamental method of Chinese strategy, and that it may imbue us with a deeper understanding of China’s Grand Strategy for the next decades.

In the Dialogue Between Emperor [Tang] Taizong and Duke Wei, the remarkable emperor develops an elaborate notion of going to war with *wenfa*, i.e., to attack with non-military methods and strike without arms – largely in the realm of psychological manipulation. Bribery; sexual bait; secret agents who corrupt leaders, sow discord and buy people out; blinding the enemy with parade of feigned weakness – the spectrum of ruses already covered by Sun Zi. Taizong also has a Daoist theory of the interplay between foes: “To me, there is no book on the art of war better than Sun Zi, in which nothing is more important than the principle of *xu* and *shi*” – *xu* is “the empty,” “the void,” the enemy’s weak points, and *shi* is “the full,” “the solid,” the enemy’s strong points. It will come as no surprise that *xu* should be associated with *yin*, and *shi* with *yang*. Further, these categories and modes of action will be associated with another conceptual pair, that of *zheng* (short for *zhengbing*), normal force, the troops used by the commander to engage the front and hold the opponent, and of *qi* (short for *qibing*), or extraordinary force – the force the commander uses to flank or attack the enemy at reversed front. The interplay of “normal” (ordinary) and “extraordinary” forces is developed by Sun Zi. Tang Taizong proceeds: “Teach the generals how to apply *qi* and *zheng* to operations first, and then the disposition of *xu* and *shi*. When they do not know how to use *qi* as *zheng* or *zheng* as *qi*, you cannot expect them to know that *xu* can be made like *shi*, and *shi* as *xu*. The use of *qi* or *zheng* can basically be decided by oneself, but the situation of *xu* and *shi* is based on the array of the enemy. The alternative use of *qi* and *zheng* in operations is to match the enemy disposition of *xu* and *shi*. If the enemy position is solid, we should use the normal force; if void, extraordinary force. Should a general not know the use of *qi* and *zheng*, even if he knows how to take advantage of the weakness and strength in the enemy position, he is unlikely to apply it properly.”

War as Psychology

“To the Chinese, war is not just a continuation of diplomacy, war is diplomacy,” writes Bruce A. Elleman. War is the way to rectify the order threatened by things and people gone astray: this is the criterion of the just war. As John Fairbank put it, “The emperor is at the center of a series of radial zones of influence... Emanating outward from the center of civilized order, the emperor’s example thus commands obedience not only from his immediate subjects within China but also from non-Chinese rulers roundabout, although this influence may naturally decrease with distance. The result is that any violent armed infractions of the social order that may occur within China or abroad, are of concern to him. In either case they are to be viewed as rebellious, as offenses against the correct order of things.”

“War” is understood as “the political use of violence,” or “the calculated use of force.” But Sun Zi has taught every generation of Chinese leaders for 26 centuries that “all war is deception.” Now, ruse, cunning and deception are not absent from the Western Way of War: from Ulysses’ Trojan Horse to the Double-Cross Deception in World War II, or MacArthur’s surprise attack at Inchon, they abound. The fundamental difference between the Western and the Chinese way of war is that ruse, cunning and deception are adjuncts to the Western way, and central to the Chinese way. The Chinese warrior is not a swordsman, he is an archer. The entire Art of War of Sun Zi bears witness to that. As the regretted military historian Michael Handel wrote: “As any content analysis would be quick to point out, deception is the most frequently discussed theme in the Art of War. Sun Zi’s definition is very broad indeed: it includes both active and passive measures, from elaborate deception plans, simple baits, and diversion to secrecy and concealment. According to Sun Zi, deception must be employed at all times (before and during war) and on all levels, whether diplomatic (to drive a wedge between the enemy and his allies), political (to sow the seeds of suspicion and discord in his army through political subversion) or military.” Not only is deception pervasive, it is “the key to success in war.” It is an overriding factor: “The weight Sun Zi assigns to pre-war deception operations and

political subversion of all types also helps to explain his belief in the feasibility of attacking the enemy's plans at their inception."

The essential aim of deception is to create an illusion in the mind of the enemy command, to create what this author has called elsewhere a "phantom image" in the mind of the enemy command. The Art of War is an art of manipulating the others with a view to create a phantom image in their minds, and have them pursue the phantom image rather than reality. The deceiver pursues reality while the deceived pursues the phantom image. A potentially lethal asymmetry is created. The stratagem is the device by which this can be made to occur.

War by stratagem, war by deception, war by mind games: "Stratagems have been considered significant in China since ancient times. Over the course of the centuries, there gradually crystallized a body of idiomatic expressions, colorful metaphoric phrases that describe a whole range of stratagems. These idioms were fashioned in part by popular speech and in part by military theorists, philosophers, historians and literary figures. Among the stratagems-metaphors, some expressions refer to historic events of 2,000 years ago and earlier; others are rooted in popular folk-tales; some phrases merely allude to tactics, others indicate the specific steps to be taken in carrying out a particular stratagem. In terms of style, the catalog of the 36 stratagems is for most part a list of maxims," writes Swiss sinologist Harro von Senger.

Written in 4- or 3-character form, in the same aphoristic style observed with respect to Lao Zi or Sun Zi, the stratagems are euphonic, rhythmic, "square" like a catch-phrase, a jingle, a motto. "Many of the individual idioms were familiar to most Chinese from childhood on. The great popularity of the stratagems is due largely to Chinese popular literature. The classic novels and novellas known to almost every Chinese include tales involving stratagems," the most prominent of which is *The Romance of the Three Kingdoms*, "which might almost be characterized as a stratagem textbook. There is hardly a trick of war the planning and the execution of which is not described in its pages, sometimes in great detail. There is even an old Chinese saying: « He who has read the *Romance of the Three Kingdoms* knows how to apply stratagems »."

War by stratagem, then, is not merely a hallowed tradition, it is an ever-present, inherent turn of mind, and one very much alive: "Today's Chinese mass media help keep familiarity with the stratagems alive. The aphoristic formulas crop in in reports on domestic political developments (...) and analyses of foreign developments..." von Senger quotes in the foreword of the 19th Taiwanese edition of *Tricks in Combat: The 36 Stratagems* (Taipei, 1985): "The stratagems are like invisible knives which are hidden in the mind of man and flash out only when they are put to use. They are used by the military, but also by politicians, businessmen and academics. He who is versed in the application of stratagems can plunge an orderly world into chaos or bring order to a chaotic world; he can produce thunder and lightning from a clear sky, can transform poverty into riches, insignificance into prestige, the most hopeless situation into a promising one... he who understands how to use stratagems will always hold the initiative in his own hands." Invisible knives, or invisible arrows, able to turn the world inside out and upside down !

Who is it that can thus wage war? Sun Zi himself is a **Daoist** thinker. Daoism is the source of the "operational code" of China; it is the "default code" of Chinese thought. The *wu wei* principle of least action, or of no action, stems entirely from Sun Zi's Daoist roots. Sun Zi's treatise is a Daoist textbook of recipes to win wars. Three motifs shape his celebrated *Art of War*: to be successful, war must be waged according to the *Dao*; the warrior must be in the image the Daoist saint (or sage), who is himself modeled on the *Dao*; to wage war successfully is to minimize one's expenditure of energy and to maximize the enemy's outlay of energy – the acme of skill is to spend no energy: the *Dao*, the Daoist saint and the Daoist general operate in the mode of non-acting, *wu wei*; consequently, all war is deception, in war, deception is one of the principal means of forcing the opponent to expend his energies in vain while conserving one's own.

China's Grand Strategy

Peoples, nations, and cultures have a strong, built-in tendency to behave like pre-stressed materials: they tend to revert to form, in the event, to deep-seated "default" conceptions. Sun Zi's is one of those, because it is itself based on the fundamental substratum of Chinese thought, Daoism. "The development of modern military technology, the exposure to foreign military theories, and the repeated defeats in wars against the

Western powers, have broken the monopoly of the ancient military theories but they are still highly respected and continually influence the thinking of Chinese military leaders,” writes Chinese military historian Chen-Ya Tien.”

What does the Daoist sage, or his post-Maoist successor, do in the age of ICBMs and cyber-warfare? He will tend to resort to his “pre-stressed” posture: the application to strategy of the Daoist principle of *wu wei*, or non-acting – indirect strategy: never confront a stronger enemy, this commonsensical dictum was elevated by Sun Zi and Mao to the pinnacle of strategy. America is stronger? Never go into battle frontally. Use the hollows and the back doors.

Chinese strategy will not go against America’s strengths, but her weaknesses. Her strategy will be one of battle-avoidance. She will follow Sun Zi: she will employ deception at all times (before and during war) and on all levels, whether diplomatic (to drive a wedge between the enemy and his allies), political (to sow the seeds of suspicion and discord in his army through political subversion) or military. I hear with great interest of Chinese forays in military agreements in Greece, in Latin America, in Africa, in the Persian Gulf, in Central Asia, with Russia. I do not believe that these entail or imply Chinese war plans. Far more, they represent, as the game of Chinese chess *xiangqi* (*go* in Japanese), ways of encircling and miring the opponent: let the opponent be bogged down in a thousand rut, let his alliances be disrupted, force his to flail about aimlessly, while conserving our own strength, and only pouncing when sure of victory. One possible exception would be the issue of Taiwan.

Taiwan will not be invaded: it is slated to be cowed into obedience and subservience. There is a case where actual war could erupt, out of miscalculation by the Beijing leadership. In the case of massive discontent and unrest on the Mainland, the leadership has already shown its readiness to drum the beat of Chinese nationalism, a mighty and ferocious tiger. Beijing always try to modulate carefully the use of the beast, and use it mostly for show, to impress and frighten other countries. Time and again, the leaders must precipitously backtrack and repress it back to regain control, as it time and again threatens to devolve into complete chaos, *luan*, the elemental, destructive power of rising Chinese masses. Either way, an explosion of nationalism could force the leadership into going to war on Taiwan, miscalculate the U.S. posture and provoke a direct showdown.

Is this a forecast of China’s Grand Victory? I do not think so. Chinese military history offers at least as many strategic defeats as victories to “Northern Barbarians,” Westerners and East Asians. As Handel puts it, the quest for cost-free victory thank to psycho-manipulation is elusive: “Sun Zi seldom alludes to the fact that the enemy can be expected to follow the same advice. In this case, his one-dimensional analysis seems to assume that the enemy is passive and will not pursue similar stratagems.” Sun Zi’s reliance on spies is equally misplaced: “Indeed, as Sun Zi’s detailed discussion of this subject suggests, what can be done to the enemy can of course also be done by the enemy. Sun Zi’s confidence in espionage as an effective means of obtaining information is therefore rather exaggerated if not misplaced, and must be viewed as part of his quest for less costly, indirect methods of winning wars.” Finally, Sun Zi altogether ignores those unquantifiable and unpredictable quantities: friction, “the chaos of war” or the fog that obscures the battlefield, and unpredictability itself, since Sun Zi confidently asserts that he can forecast who will win and who will not. In other words, Sun Zi rules as long as Clausewitz does not show up on the battlefield. At that point, Clausewitz takes over. After all, the Japanese Army – students of both – did not apply Sun Zi’s method to conquer China, but Clausewitz (and, granted, many atrocious way sof war by terror).

China will play to its own strengths, of which its psycho-political manipulation, mind games, and actions at distance are the best honed. She will inevitably overestimate their efficacy, and overextend itself on that count. She will believe in the “silver bullet” and expend considerable energy at finding it and deploying it, elusive though it may be. She will try to avoid the terrain of her weaknesses, technology and actual war-fighting. The United States should not play on China’s strengths: it should not allow China to dictate the terrain, the weather, the time and the space. It should be aware of China’s bypasses, e.g., foiling our alliances, miring us in countless conflicts, bleeding the United States with a thousand cuts without ever risking a frontal showdown. China’s aura is a manipulative myth: this is the way China goes to war. Sun Zi works – until Clausewitz shows up on the battlefield. Then – but only then – does the silver bullet turn to lead.

Panel III: Discussion, Questions and Answers

COCHAIR DONNELLY: Thank you. You reinforce my prejudice that American military officers who quote Sun Tzu are always on the road to ruin.

We have a lot of questioners and I think Commissioner Becker requested the right to go first.

COMMISSIONER BECKER: I appreciate your testimony and it's diversified amongst the four of you, a bit of the old and a bit of the new that we're considering. I want to put just a little different element in this. There's been a lot of comment in the newsprint and television lately about a lot of non-military activities that are directed towards the United States, information warfare like the "Titan Rain," going into our data banks, both militarily and within the banking system and the stock markets, hacking, if you would.

The economy is one-sided that's allowed the Chinese to accumulate hundreds of billions of dollars of U.S. assets, currency reserves, the acquisition of our technical, U.S. high tech systems in the United States by fair means or foul, read in the library, buy it or steal it. It doesn't make any difference. Intellectual property, they put the figure now, the last I heard at \$250 billion annually, and I'm not talking about toys or dresses. I'm talking about patents and copyrights, secrets, protected interests of the United States. All of this is in conjunction with what you were talking about in the build-up of military assets in China.

Taken together the things that I mentioned, and not military, non-military activities and the military activity, I see China building an arsenal of weapons that can be used against the United States one in conjunction to the other. To be honest, I never connected the dots until I picked up this book which you mentioned, the Unrestricted Warfare. It's easy to discard it, to say it's fantasy, but it deals with exactly what I'm talking about and much, much more.

The tying of military and non-military, attacking every aspect of social, economic and political life in our country, a war with no rules, no limits, no morality. They underscore blood and cruelty in order to shock the citizens in the other country. I guess you could say that's terrorism. I don't know. While I may disagree or you may disagree with all of this, I believe we need to take a look at China's actions.

Are all of you familiar with this book? I would challenge anybody if they just pushed it aside and didn't even look at it. This was written by two high-ranking officers of the PLA Army, both of them colonels. It was printed by the PLA printing operation and disseminated throughout the PLA ranks.

So there is some degree of credibility in this, and I think we need to look at this as a part of China's overall strategy in dealing with the United States. I have two very simple questions on this. Do you think that we should view the actions of the Chinese, military and non-military, as creating an arsenal of war, and isn't this all a part of a coordinated plan that threatens the United States? I would open that up to all of you. At your pleasure.

COCHAIR DONNELLY: Step up to that one.

DR. MURAWIEC: I think it's very important, sir, to consider that in Chinese statecraft, there is no border whatsoever between political and military action. In the Western tradition, we declare war. There is no equivalent in Chinese tradition. You don't declare war. You are at war. And being at war is not something that is restricted to military affairs. It is an integrated conception.

Traditionally, in Chinese history, the party always led the guns, meaning the Mandarins always led the generals. And the pattern of activity that you describe is of that order.

Now, as far as the book you held up is concerned, I think that to some extent that book is a lot of wishful thinking on the part of its authors. It shouldn't lead us at all to neglect or to rule out its importance

because if I have wishful thinking, I will do what I wish or I will try to do what I wish.

So it indicates a direction of thinking, a direction of organization, a direction of organization, a direction of action, and it's also, I think, if not a training manual, it's a great pep talk for the troops. It tells us, if you allow me, you look at German general staff literature prior to World War I, you will find also the same rampant dreams, some of which are utterly wishful and many of which were actually realized.

So it tells us whatever the ulterior motives present in that book and I think it's like many things in China, you got to look at the plot within the plot within the plot and then some. And there are many motivations in that particular book, I think. But I think we should indeed take it seriously, and I would think, yes, there is this, the coordinated plan, which is based on China's self-conception.

If you call yourself, when you call yourself a Chinese, you call yourself a man of the country of the middle. Middle of what? Middle of the world. So if you and I are the middle, and everybody else is not the middle, what are we? We're the corners. We're the barbarians in the corner, and the barbarians in the corners ought to pay obeisance and loyalty and tribute to China.

So, in that sense, I do think, yes, it is a coordinated plan. I personally, and many will disagree, would not look so much at the numbers of missiles and this and that. This is a factor; I don't want to dismiss it. Not so much the numbers, but what is the intent?

It seems to me that we've learned, and especially in recent times, that it is not necessarily the hardware, but the guy who is holding the hardware and the head of the man who is holding the hardware which matters.

REAR ADMIRAL McVADON: May I add a quick comment? I don't want to be an apologist for the Chinese, but it is necessary for us to look at it from their perspective I think to comprehend it a little better.

The Chinese, of course, have many, many complaints about us, superpower abusing its position, a hegemon, all of those sorts of words that they use very frequently, and for the most part they believe them. In a book like *Unrestricted Warfare* and that sort of thinking, you find people who are coping with this situation where they, in fact, believe that the U.S. is a potential adversary and is working against them, and then they see that we're a much superior military force, and so they devise the ways, as you described, to somehow be able to defeat using all means available this superior force.

So when you sit down and you're at the National Defense University in Beijing, what you do is, yes, you devise all the ways. It doesn't mean they won't use them, but I think it needs to be put in perspective that they are talking about--they're certainly not intending to start a war with the United States but confronted with that situation, how does one then cope with it when you are the inferior force?

COCHAIR DONNELLY: Thank you very much. Before I recognize Commissioner Wortzel, I just want to say to everybody, we've got a full roster of people who want to ask questions. So let's try to be concise. Commissioner Wortzel.

COMMISSIONER WORTZEL: I will be as concise as I can. I have a question for Dr. Johnson-Freese, and I want to draw you out a little bit on space warfare and anti-satellite technologies. I'm going to start out quoting Mark Stokes from his 1999 monograph on China's Strategic Modernization: "Chinese aerospace analysts view ground-based high powered lasers able to degrade or destroy satellites at all altitudes including medium and geosynchronous orbits as an alternative to kinetic kill vehicles. Directed energy ASAT weapons are touted as the wave of the future."

Now, Mark backed that up with research from Chinese journals on electronic lasers, from *Hangkong Qingbao Yanjiu*, or aerospace information research, China astronautics and missile abstracts, and the

Journal of Solid Rocket and Motor Technology published by China, pretty good research.

Your written testimony is a little bit dismissive, in my view, of China's capabilities and intentions there. You seem to support the position of the Union of Concerned Scientists that were looking at a guy who published a little article in the newspaper about space warfare and I know you cite Mark, but Mark's research is certainly very good.

So I'd like to move from the theoretical discussions and vulnerabilities analysis into capabilities and intent, and see if you can talk about when you think China will move to advanced research and development in space warfare and what could they do today in terms of space warfare if we had a conflict in the vicinity of the Taiwan Strait or the western Pacific to act on what they assess is America's greatest vulnerability?

DR. JOHNSON-FREESE: Thank you for the question. I know you've written on this considerably yourself so I can understand certainly the interest of yourself and the Commission. I don't think I significantly differ from Mark. There are a couple points there. Certainly his research--I don't question it at all. The Chinese I think are hedging on all technologies, both ground-based lasers and kinetic kill.

My point was, I think, from a political plausible deniability. Nobody is going to buy that there was an accidental satellite hit coincidental with a problem in the Taiwan Strait. So I think if the Chinese are trying to buy into plausible deniability, a ground-based laser to temporarily disrupt U.S. satellites would be far more plausible. In terms of technical capabilities, I have no doubt whatsoever that they are working on both.

I think the problems with any kind of--and here comes the problem again of dual use technology. The fact that they are working on small-sats, does that inherently mean that they are developing an active

ASAT program? Not necessarily since countries from Nigeria to Britain, et cetera, are also working on small-sat capabilities.

But does that mean they are working on the technology? I think they certainly are. This again brings in the issue of sources. The Union of Concerned Scientists--I think the U.S. government has the capabilities, the need to pay very, very careful attention to sources. And that for two years in a row for the Defense Department, for the Pentagon report on China to cite the parasite satellite, which is then refuted, apparently quite easily, is I think disturbing.

We need to pay closer attention to these sources if we're going to use them for planning purposes. This more recent example of citing apparently a very junior woman faculty member at a Chinese field artillery training facility that is now closed as evidence that they are working on ASAT program for fielding is, again, I think another example of the kind of information we shouldn't be using. It does not serve anyone well.

But in technical capabilities, are they working on kinetic kill? I'm sure they are. I think the fact that they are building a new launch system to potentially give them the mobility that they would need to launch on demand pairs up with the small-sat capabilities.

The Chinese, and I've heard the word "schizophrenia" this morning, and I think mirror-imaging fits as well. I can't tell you how many times Chinese will ask me what part of the coordinated U.S. plan are hyperkinetic kill rod bundles? What part of the plan are you going to use rods for God for?

They wonder, too, when Air Force personnel talk about XSS-11 gives the U.S. an ASAT capability, but, no, we don't have a space weapons program. So I think there's a lot of misinformation on each side that potentially there could be miscalculations based on, and that was my point. I agree with Mark Stokes that they are working very hard on all aspects and they are hedging, but I don't think they have made the decision

yet as to deployment, and I think a lot of that depends on what they try and interpret from reading our tealeaves.

COMMISSIONER WORTZEL: Thank you.

DR. JOHNSON-FREESE: Oh, EMP. This is an area where I think the more hardware China puts in space, the less inclined they will be to go that route. Like everyone else, EMP is nondiscriminatory. So I think this is one of those good news/bad news situations. China putting hardware into space--is that good or bad? Well, it might be bad in terms of the capabilities that it yields. It might be good in terms of their disinclination to use EMP.

COCHAIR DONNELLY: Chairman D'Amato.

CHAIRMAN D'AMATO: Thank you very much, Mr. Chairman. And thank you very much for the panel. I think this is very, very interesting testimony and there are some contradictions in it, I think, too that we have to grapple with.

I'd like to address my question to Admiral McVadon. I also served for several years in the Pacific as an ASW officer, big ocean, and it's very clear that the Chinese have been attempting for many years now to try and figure out a way to deter, make more complicated or even defeat American battle group operations in defense of Taiwan. It seems to me they've been focusing on that.

When you put that focus together with the acquisition of a first class submarine force--let's say being able to flush three dozen submarines which apparently they would be able to do in short order--that doesn't mean to me I think that they know how to do submarine operations. I don't think they do. I think it takes a long time for a service to develop the effective kind of capabilities in a subsurface environment. Buying the submarines doesn't give you that capability, but they may develop it.

The question I have to you is given that focus and given their acquisition strategy, do you think that it is becoming and more difficult for us to rely on the battle group in the Pacific in terms of the defense of

Taiwan? That the battle group is going to become too fragile given Chinese efforts here?

That's the one thing, and I would couple that with something that your colleague to your left mentioned in terms of their kind of buying to magic shows, which they buy into magic shows. I think they teach in their military schools battles that were in fantasy and in theater in the past as actual battles, lessons learned. So they may buy and acquire the submarine force. They may not necessarily be able to operate it effectively, but they may believe that buying it gives them kind of the magical capabilities that a submarine force would give them without really having that.

So I guess my question is to what extent do you think the battle group concept is being threatened by Chinese acquisition capacities here?

REAR ADMIRAL McVADON: I think it's being sorely threatened, and it's threatened even if the Chinese don't get it all to work because we won't know whether it will work or not in a crisis. So there is that threat remaining.

Also, the Chinese situation with undersea warfare is radically different from ours because it can be narrowly focused, and they don't have to succeed every time. All they need is an occasional success or the prospect of an occasional success, and I will take as an example the acquisition that's ongoing right now of the eight new Kilo submarines that have that SS-N-27 that several people have mentioned including me.

All you need in that situation is to get those submarines lost among 55 other submarines and then have the prospect that for more than 100 miles, you could be attacked by, from several axes by anti-ship cruise missiles. Submerged launch, sea-skimming, highly evasive, so forth, intended to defeat Aegis. So all those things are troublesome.

Now, undoubtedly we must be working on countermeasures and decoys, so I would hasten to say it quickly makes it obsolete. Remember there are two sides to this picture.

But let me mention another factor here. Our submarine force, of course, is a strong capacity and the Chinese are very weak in anti-submarine warfare, but it's worth noting that those ballistic missiles that I said had not been mentioned by anybody else, ballistic missiles to hit ships, that they might succeed at in a few years, those things allow them to completely get around our superiority in submarine warfare.

You don't have to worry about submarines when you're hurting carriers with ballistic missiles. So that's another reason for us to be doubly concerned about this development.

CHAIRMAN D'AMATO: Thank you.

COCHAIR DONNELLY: Dr. Johnson-Freese, would you agree with Admiral McVadon's assessment of the capability for terminal guidance? Also, I am interested in your views on the reconnaissance and command and control capabilities that would be required or acquire targets in that scenario.

DR. JOHNSON-FREESE: To the best of my knowledge, yes, I fully agree with Admiral McVadon on his assessment, and I would say that this is again one of the difficulties in terms of command and control. Are the Chinese increasing their space-based communication systems, ISR? Absolutely. Of course, 90 percent of them are stated to be for civilian purposes. Can they be? Yes. Are they?

COCHAIR DONNELLY: What's the difference?

DR. JOHNSON-FREESE: Yes, exactly.

COCHAIR DONNELLY: Commissioner Robinson.

VICE CHAIRMAN ROBINSON: Thank you, Mr. Chairman. Admiral McVadon, you've offered an especially chilling scenario of a robust offensive Chinese military building directed against Taiwan and

potentially U.S. forces that would clearly overwhelm the former and possibly the latter.

What specific steps would you recommend, and I'd be interested in the views of other panelists in this regard as well, for both Taiwan and the U.S. to prevail against such a Chinese missile, sea-based and air-based blitzkrieg of the type envisioned in your Taiwan scenario? For example, does Taiwan require Aegis destroyers and other major upgrades of that variety? Is the U.S. today on a sufficient hair trigger with the necessary assets in place to launch its own intense, debilitating assault on Chinese forces and command and control networks?

I would be interested because most of us on the Commission buy entirely the rapidly escalating dimensions of the Chinese threat. Now, it's a matter of whether we are really up to an adequate response, should it come to conflict.

REAR ADMIRAL McVADON: Let me begin by making a point that I wanted to earlier this morning when the other panels were up here talking about the Taiwan special budget package and so forth, yes, it is an overwhelming attack.

So let me give another grim analysis of this thing. There is an undercurrent in this issue of whether Taiwan buys the things that are in the special budget package that was not mentioned, and I think it's an important one. Yes, of course, it's primarily political as to why it's not getting through right now.

In addition, these things don't work. They could buy all the PAC-3 that they could possibly put on the island. They could buy Aegis and it will have almost no effect if China chooses to conduct an overwhelming attack with medium and short-range ballistic missiles, all of which can defeat those systems very readily.

Unfortunately, the people in Taiwan who have realized that, most have thrown up their hands with respect to buying things from the U.S. that don't work for them--they simply are not cost effective--and

quietly said we will develop an offensive counter strike capability, and you've seen evidence in the press of that recently, both cruise missiles and now ballistic missiles that supposedly will be tested.

I think it's a very dangerous thing for Taiwan to undertake. Taiwan is not, these people in Taiwan are not, as has been suggested earlier, ignoring their defenses. They have instead had to look around and say the American package doesn't work, we have to go on our own, and I think it's a very dangerous thing to do.

Now, are we ready? No, I don't think we're ready to cope with it. That's the reason that I said this is analogous to the 1964 Chinese acquisition of nuclear weapons. It's something we now have to accommodate to. We certainly don't want to have a nuclear war with China; we certainly don't want to have a major war with China.

The only thing I can see right now--and I'm not pretending that I'm coming out with some sort of elegant formulation of a solution--the only thing I can see right now is that we must convince the Chinese that it does not serve their interests, that they might not get--they probably will not get Taiwan back, and that China will be the country hurt the most in this foolish undertaking.

We must try convince them that their comments with respect to Taiwan, it doesn't matter, we can do anything, we're willing to take all the consequences, that all that it means for China's international reputation, for its international trade, for foreign direct investment in China, for the Chinese military, for all of those other things, that that is the way that we try to convince Beijing, your interests do not lie with a stupid decision to attack Taiwan, and that's the only way I see to cope with it right now.

I'm not saying that we don't continue to increase our fleet readiness and to try to do these things, but I think the central feature of it lies with somehow convincing the Chinese that this is a bad decision to make.

VICE CHAIRMAN ROBINSON: Just one quick follow-up on that. If we look at it in strictly military terms, and I agree with you that the whole spectrum of our bilateral relationship – political, economic defense related, financial, energy, technology and so on should be put at risk in trying to persuade them or dissuade China, or dissuade them, as the case may be, from pursuing this kind of reckless strategy.

But again just focusing on the military side for a moment, if the shooting starts, it would presumably require thousands of pieces of ordinance of the United States being released in a very short span of time in a ruinous assault on Chinese assets both on land and at sea.

Are we on a sufficient hair trigger, or do we possess the firepower required for the scenario that we could well face?

REAR ADMIRAL McVADON: I'm not in a position any longer, since I've been retired since 1992, to say what our readiness is with regard to that. I know that we're working to resolve these problems and that I also should comment that the majority of forces that would be involved are not ones that are tied up elsewhere right now because, of course, they're primarily naval and air.

So I think we could make an effective assault. The problem with it is, no, we are not on a hair trigger, so that if China somehow puts it all together, and I'm not saying the odds are this high, and presents us with this fate accompli by quickly doing it against Taiwan, that they may have accomplished their purposes of causing the United States to ask the very legitimate question, is it futile to do this now, because eventually I think we can prevail. But if we have over a matter of a week or a month failed to do so and failed to respond because prudently we did not sail our ships and other forces into the brunt of those things that I described, and that Taiwan says where are the Americans, we thought they were going to be here, and they're not here, and so they capitulate, and so it's all over, what do we do then?

So, no, we're not in a position, in my view, and it is just that--my opinion--we're not in a position to ensure that China can't carry this off, but let me remind you, China is in no position to ensure that it can carry it off either. As I described to you, it's a very difficult thing for them to do this two-pronged campaign.

Unfortunately, they might try whether they're ready or not, and then, of course, we're into it.

MR. BLASKO: May I just add something to that?

COCHAIR DONNELLY: Yes, please.

MR. BLASKO: I would go back to Clausewitz, and it all has to do with the will. I believe the Chinese have the will to do exactly what you have described; they have the will to do that. Obviously, in my opinion the question is does the Taiwan government, military and people have the will to resist because the Chinese will certainly be able to punish militarily Taiwan and ruin it economically or hurt it very badly economically?

But I enjoyed the discussion at AEI a few weeks ago or a few months ago with Sean Naylor that you had, Commissioner Donnelly, and you seem to be a big proponent about boots on the ground. I also am a big proponent for army forces. In my opinion, the big question is punishment, yes, in phases A, B, C, D and E, the amphibious landing, the major airborne landings. Major boots on the ground comes way down the line. That would be probably several at least weeks if not months. So, to me, the whole question is Taiwan's will to resist during that period.

DR. MURAWIEC: Yes, briefly, you are asking, sir, about the calculus of deterrence with respect to China and Taiwan. I remember several public discussions, not to mention private ones, with senior PLA people, and I'm sure everybody here has had exactly the same, where some ruddy, rugged senior colonel turned to me and emphatically declaimed we will spill an unlimited amount of blood in order to recover Taiwan, blah-blah-blah.

It seems to me that one good thing to do--I don't claim to have the ultimate recipe that it will settle the problem, but it would be very good if any time a Chinese person of responsibility says anything like that, he were answered by a kind smile and said, dear Sir, if you do that, we shall incinerate you, very politely, in a very friendly manner. We don't need to raise our voice, but if we're talking will, if we're talking deterrence, I think that in that case strategic ambiguity is deadly.

I think that if the Chinese are convinced that we're going to fumble, it gives them so much of an incentive to go forward, whenever it were the case that they would want to go forward, then we're playing a very dangerous game.

If, on the other hand, they're totally convinced that we're going to be very bloody-minded, I think it might help them see the light of wisdom.

MR. BLASKO: May I also just add one short point to that? I believe that the Chinese senior military leadership is quite aware of its capabilities and quite aware of the gap between its capabilities and U.S. capabilities. They understand the status of their forces I think better than we do, and I think at the military leadership level, they want a long time to continue to prepare for such an eventuality.

COCHAIR DONNELLY: On that happy note, Commissioner Dreyer.

COMMISSIONER TEUFEL DREYER: Admiral McVadon, you have dropped a bombshell. If I heard you correctly, the United States has chosen to sell the wrong weapons to Taiwan and certain people in Taiwan realize it, even though they haven't articulated it very well, to us at least. Since they have not been able to procure the right weapons from the United States and no one else will sell, they're embarking on a very dangerous course of developing the right weapons themselves; is that correct?

REAR ADMIRAL McVADON: No, I don't want to say that they're developing the right weapons and I didn't mean to say that we sold them the wrong weapons. So let me describe precisely what I mean by this. You certainly don't want to say that submarines are a wrong weapon, and by the way, I visited at least twice with the Taiwan submarine force, and they're as professional as we are. I would hate to see that force die.

But when you are talking about eight submarines that they would acquire ten to 12 years from now, and that that submarine force would be compared with an extremely, much larger than the present very impressive Chinese force, remember they're building in serial construction now new nuclear attack submarines and the Song and Yuan-class very advanced, diesel-electric, and acquiring the Kilos, this is truly an impressive force.

Now, it's not just that you have submarine against submarine. But just to make the point, what does it mean for Taiwan to say that it spends \$12 billion right now on a submarine force that it gets ten years from now when it's looking at what is across the Strait ten years from now?

It's a drop in the bucket, and with respect to missiles, to missile defense, do you give up altogether because you don't have enough? I don't think so. Maybe, maybe the Chinese choose to use a few missiles to intimidate, but at least from a psychological viewpoint, you probably want to have some defenses.

I'm simply saying that realistically that these missile defenses that you get now are not going to do nearly the whole job. Maybe if you're the Taiwan military, you know that any military in the future will have to have some measure of missile defense, so you want to keep up, you want to stay in bed with the U.S. on missile defenses and so forth.

But you have to realize that this is not the solution to the cross-Strait problem and it doesn't do you very much good because you have a secret weapon, and Taiwan's secret weapon, its Shashoujian, its assassin's mace, is the United States. It must not undermine its

relationship and the willingness of the U.S. to come to its aid. Taiwan cannot do it alone. It can't even come close.

So it's got to have the assurance that the U.S. is going to do that, and it must be careful not to undermine any American president's ability to make that decision rapidly.

COMMISSIONER TEUFEL DREYER: But to play the devil's advocate on that, one sure way to lose the United States' confidence is to refuse to buy those weapons; right?

REAR ADMIRAL McVADON: Yes, and of course that's the dilemma we put them in, and I think it's unfortunate that we have put them in that dilemma because for some very thoughtful people in Taiwan, they don't quite know how to cope with it.

But the other thing that they have done that probably complicates that is the introduction of this prospect of offensive counter-strike capabilities. That also under many scenarios could complicate an American president's decision as to whether to bring our forces rapidly to bear, who provoked it, who did what, who shot John, all that sort of thing?

So it is all a very dangerous game right now, and I'm very sorry it went down these paths.

COMMISSIONER TEUFEL DREYER: Well, I certainly would agree it's an extremely dangerous game, but I think whatever happens in the Taiwan Strait, each side is going to point the finger at the other.

A quick question for Dr. Johnson-Freese. I was interested in your statement that a lot of space technology is considered dual use. (Reading): "The complexities of determining intent increase exponentially." You also mentioned in your oral statement that the United States has difficulty interpreting Chinese intentions. To be sure, when you look at a piece of hardware, certainly that's the case, but it seems to me if you couple that with reading Chinese military journals where they're quite explicit about how they would use these things against, quote, "a superior

technological enemy," which I think is pretty much a category of one, that does seem to indicate to me that the intention to use it is there. Would you not agree with that?

DR. JOHNSON-FREESE: Well, I would agree that they're certainly considering--almost to pile on to what Admiral McVadon said--that if they felt they were dealing with a superior enemy, this would be their option. The Chinese are acutely aware that the first U.S. space war-game, Schriever I, the scenario ran something like a large mainland country threatening its small island neighbor.

It didn't take long for them to read into that, well, perhaps the United States is preparing space warfare against the United States or against China; therefore, what should we do? We would be remiss not to prepare a response. So certainly I think you get statements of intent for those kind of possibilities; absolutely.

But when it comes to, again, there is not just hardware, there is know-how. We were talking earlier about technology transfer. Certain diagrams used in business textbooks in American universities are considered technologically sensitive when it comes to dealing with China. So I think those kind of lines get blurred very often.

COMMISSIONER TEUFEL DREYER: Thank you. Just one sentence for Colonel Blasko about the question of will. I agree with you, but I think that, although the Chinese leadership has the will, I'm not sure that the rank and file of the PLA has the will for a sustained war. Do you want to just answer that in one sentence or just--

MR. BLASKO: I think if ordered they will get the will, but like I say, I think they have a long-range modernization plan, and they can evaluate where they are today against what they need to be, where they need to be, and, yes, they will do it if ordered. But I don't think they're confident, and I believe the Chinese military would want to go into military action with confidence that it can prevail, but I would, my reading of it is

the Chinese military leadership currently is not confident of its abilities at this time.

COMMISSIONER TEUFEL DREYER: Thank you.

COCHAIR DONNELLY: Thank you. Commissioner Wessel.

COMMISSIONER WESSEL: I thank all of you and thank you, Chairman Donnelly, for your first hearing and your performance. We appreciate it. A quick question: what do each of you see as the largest gaps in China's military capabilities right now, aside from personnel training and the issue of--I'm looking more at military modernization, acquisition strategies regarding weaponry, technology, et cetera? Can each of you give me your thoughts on that?

REAR ADMIRAL McVADON: As I said, they're putting together all the hardware. So it's now the ability to command and control, the intelligence information, to be able to target, and those are huge gaps. What's more, they need to exercise it and they need to exercise it realistically.

They're edging forward in that regard, but only that. So that is the biggest gap. It's the ability now to operationalize what they have built.

DR. MURAWIEC: I would say, yes, it's integration and the other one is that there's precious few of their people that have actual combat experience.

DR. JOHNSON-FREESE: Integration. In technology, the system in China, as I think I called it in my paper--all thumbs. They can build technology, but it's spartan. Does it work when combined with something built in a plant by people you've never spoken to; you just sent them the blueprints? Maybe, maybe not. So they have a long way to go in systems integration. It's hard in any country.

Asian countries seem to have a particular difficulty with it, and China is at the top of the list.

MR. BLASKO: I think I would correct very few people. There are no Chinese military officers that have any experience in commanding or planning for the kind of warfare that their doctrine now envisions.

I think it is very important that they point out Guangzhou MR; command staff training was a weak link. It is the integration that we're talking about. It is the training. It's the building of the NCO corps. Right now for the Chinese since '99, they have just had a flood of weapons. They've got a new doctrine. They've got new NCOs that are trying to figure out what does an NCO do.

They're trying to train their officers so that they can command all these disparate systems. Many of them are worried is my unit going to be around next year. I can imagine the problems of being in a talk at the tactical operation center and trying to just get all the radios to work and all the--does my computer work and everything like that, and I see that's what they're saying when they say command staff training is the weak link.

They are being overwhelmed, overwhelmed with the riches of the electronics generation and the new equipment, and you just don't figure that out overnight. It's going to take a long time to do it effectively. They can go through brute force before that time, but it will take--they understand it takes time to meld it all together.

COMMISSIONER WESSEL: Well, with integration and personnel being from each of the panelists the primary issue, as it relates to the EU arms embargo, does lifting that embargo enhance capabilities dramatically enough that it is of concern to the panelists?

REAR ADMIRAL McVADON: I won't pretend to be an expert, but I think it's of primary concern, and I mentioned this to several people who asked me from the press this question when that was, of course, the big issue, that the question is: how much will that open the door to better C4ISR for them to be able to better integrate? I don't know the

answer, but I think that is the underlying profound question and concern that we have about the EU, about the lifting of the EU embargo.

DR. JOHNSON-FREESE: If I could add to that. Part of the issue is that the Europeans share the Chinese view that dual use technology is an efficient effective way to work. So they agree that if you have a limited amount of money, put it in a dual use technology. So I think the Chinese would benefit significantly and it's not a question of if but when, so they share a philosophy on this.

COCHAIR DONNELLY: Does anyone else have a question? Go ahead, sir.

DR. MURAWIEC: One word. I would compare that to Sweden's massive sales of ball bearings to the Nazi military machine in World War II. It wasn't what was going to win the war, but it provided a very significant edge, which would have been absent otherwise.

COMMISSIONER WESSEL: Thank you.

COCHAIR DONNELLY: Commissioner Mulloy, and just a gentle reminder that we are running tight on time.

COMMISSIONER MULLOY: Thank you, Chairman Donnelly. Before I raised an issue regarding the economic relationship between Taiwan and China and its impact here. I want to tell you why I do that. Because the statute that set up this Commission says the Commission shall review the triangular economic and security relationship among the United States, Taipei and Beijing, including Beijing's military modernization and force deployments aimed at Taiwan.

So I think the statute makes some connection between the economic and the military. My background is not military. I was on the Senate Banking Committee for many years as General Counsel and Chief International Counsel. So I gravitate toward those issues because I think they're very important.

I raised the question whether Taiwan's policy is kind of schizophrenic in that they're rapidly helping Chinese build its

comprehensive national strength, and Commissioner Donnelly noted that they shouldn't be blamed because we're doing the same thing. I don't disagree with that.

Admiral McVadon, you say on page two of your testimony that it's important to influence China's intentions, and the best way to influence is for us to pursue a bilateral relationship that fosters a development of open, prosperous and progressive China, and I don't disagree with that either.

But Dr. Johnson-Freese in her testimony on page three says if China's economic growth continues at projected rates, at some point in the future the U.S. ability to outspend China on technology will no longer be viable. My understanding is we rely on high tech as a key component of our whole military ability.

So with all that, can I just go across and ask each of you, beginning with the Admiral and going across, do any of you watching this economic relationship, and I think a total imbalance--we were just in China--the investment going into high tech in China from foreign companies helping them build their industrial and technological base I mean is just flowing right in there very quickly, and they have incentive programs to attract it. And our \$200 billion current account. The exchange rates would give our company--exchange rates imbalance which the president keeps talking about--we're not getting movement on--which encourages Western companies, American companies, to put their R&D in China because it makes economic sense for them to do so.

Does anybody think that this whole economic relationship is skewed and is helping China build its comprehensive national power and that this is a key component, if we're concerned about these issues, to go after?

REAR ADMIRAL McVADON: Yes, I take your point and I'm concerned about China's comprehensive national power and the building of it and the results that the economic development has on it. But it cuts both

ways, and so I find myself coming down on balance on the other side, and saying that, for example, economic ties across the Strait are the thing that may solve the problem rather than exacerbating it.

Yes, there's a risk. Yes, it has to be modulated correctly with certain things we don't sell and so forth, but I hold it out as the salvation rather than as the problem. I may be wrong, but that's the way I feel about it.

COMMISSIONER MULLOY: Good. Ms. Johnson-Freese.

DR. JOHNSON-FREESE: I would concur that globalization demands that we must be economically engaged with China, and, in fact, in the aerospace industry, I think being a critical industry for U.S. defense, we are in some way shooting our self in the foot because our companies are not allowed to deal with China, whereas other companies in Europe, in particular, are getting a foot in the door that will be very beneficial.

My comment on technology is a concern in not being able to continually outspend China is I think we have been putting many eggs in that technology basket, and we need to diversify, and I think economics is one. I think we've been ignoring an entire area of arms control that we need to pursue. We need to pursue multiple policy initiatives rather than relying to just simply or primarily outspend on technology and use that as our edge.

COMMISSIONER MULLOY: Mr. Murawiec and Mr. Blasko, do you want to want to comment?

DR. MURAWIEC: Yes. As far as technology is concerned--

COMMISSIONER MULLOY: No, the economics.

DR. MURAWIEC: Yes, it's the economics. What matters in the economics and in the technological realm is not the bulk, it's not the spending as a gross value. What matters is the difference. What matters is the edge. Are you ahead? Do you have a marginal advantage? It is of no use that people deploy 500 million Apple Macintosh computers of the first generation. The question is are you in sixth generation? Are you further?

Are you in quantum computing? Can you apply that economically and militarily? And it's that edge which to me is the decisive factor.

MR. BLASKO: I fully support the United States maintaining its technological lead that we've had for some time now and continuing to invest in our military and maintaining a strong military. I may have some differences in some policies. But I believe we need to maintain a strong military. If I may, I don't know what the Chinese spend in military RTD.

However, I just read an estimate of the defense-related Project 863 spending. I think you're all familiar with that. From 2001 to 2005, again, I'm going by what I consider a good source, Taiming Cheung, and he said from 2001 to 2005, it was renminbi 7 billion, or less than \$200 million per year in the defense-related aspects of the 863 Project.

At the same time, or currently, the United States RTD&E budget is \$69 billion. And that \$69 billion is what gets you the state-of-the-art military that we've got today. Whether that 863 is one-tenth or one-twentieth or one-half, I don't know, but to me, it says to me, and I say we need to keep on doing this, our--and here I might disagree with my colleague--but our spending on these programs is--the Pentagon likes to use the word "robust."

I would also add too that the Chinese space program recently has been reported to have cost about \$18 billion, or 18 billion yuan, roughly US\$2 billion over 11 years, and once more NASA's budget for 2005 was \$16 billion. So we're spending a whole lot more in this regard, and I'm all for keeping that up.

COMMISSIONER MULLOY: Thank you.

COCHAIR DONNELLY: Thank you, everybody. I'd like to thank the witnesses, in particular, as Commissioner Wessel observed, this is my maiden voyage, at least sitting in proximity to the gavel, and you all have made it a success that I'll find difficult to duplicate in the future. Maybe I'll retire undefeated at this point.

I would like to observe a couple of things that seem to me to tie together all the witnesses' testimony that I recommend we look at in future hearings on this topic, in particular, this question of the Chinese ability to integrate and to reach a more competent level of operational sophistication, clearly something to look at.

By the same token, it reminds me very much of the kind of debates we used to have the Soviet Army in the early 1980s, and we had a hard time assessing whether small improvements that they made such as the adoption of reactive armor for their tanks closed that tactical gap to the point where it made a great strategic problem for us in the broad defense of Western Europe. So I'm reluctant to, as Admiral McVadon suggested, underestimate the quality of quantity and their ability to defend forward in the western Pacific, which is just operationally a challenge.

Finally, one subject that the Admiral brought up that I think requires further study is the whole question of the follow-on phase as it were. I think as much as we have questions about the initial decapitation or initial assault, the question of what happens after that bolt is shot is something that obviously the Chinese are beginning to pay more attention to, but perhaps we are not. And maybe again, we could look at that a little bit more closely in future hearings.

So, again, with my very great thanks, I hereby gavel the proceedings to a close, and will inform everyone we'll resume at about ten after one.

CHAIRMAN D'AMATO: Yes. Thank you very much, Chairman, and this will conclude the morning session. We'll resume at 1:10. Thank you very much.

[Whereupon, at 12:35 p.m., the hearing recessed, to reconvene at 1:15 p.m., this same day.]

A F T E R N O O N S E S S I O N

[1:15 p.m.]

Panel IV: U.S. FORCE POSTURE IN THE PACIFIC

CHAIRMAN D'AMATO: The hearing will come back to order. I'd like to welcome everyone back from lunch. We've got a full agenda this afternoon. We'll begin today's fourth session with a look at U.S. force posture in the Pacific. Growing numbers of modern attack aircraft, advanced naval combatant and ballistic and cruise missiles have greatly improved the speed and lethality of China's offensive military capability.

At the same time, the United States has committed large numbers of its military forces to support ongoing operations in Iraq and Afghanistan. How well are U.S. forces prepared to respond to a threat to peace and security in the western Pacific? What would be the likely outcome if hostilities were to commence between the United States and China?

Our first panel this afternoon, we have three individuals. First, on my left, Dr. Roger Cliff, political scientist at the RAND Corporation specializing in Chinese defense policy and capabilities and U.S. defense strategy.

Dr. Cliff joined RAND in 1997, but from 1999 to 2001, served as assistant for strategy development in the Office of the Deputy Assistant Secretary of Defense for Strategy. While in that position, he led a study of U.S. strategy and force structure in the Asia Pacific Region and oversaw the DoD's analysis of future security environment.

Dr. Cliff received his Ph.D. in International Relations from Princeton University, Woodrow Wilson School of Public and International Affairs.

Next to him is Dr. James Mulvenon, no stranger to this Commission. He's Director for Advanced Analysis at Defense Group Inc. Center for Intelligence Research and Analysis. A specialist on the Chinese military, Dr. Mulvenon's research focuses on Chinese C4ISR, defense

research, development and acquisition organizations, strategic weapons programs including computer network attack and nuclear warfare, cryptography, and the military and civilian implications of the information revolution in China.

Next to him, again, no stranger to the Commission, Dr. Kurt Campbell, Senior Vice President, holds the Henry A. Kissinger Chair in National Security, and Director of the International Security Program at the Center for Strategic and International Studies.

Dr. Campbell is also Director of the Aspen Strategy Group, contributing writer to the New York Times, a frequent on-air contributor to NPR's "All Things Considered," has been a consultant to ABC News.

Previously, Dr. Campbell served in several capacities in government including as Deputy Assistant Secretary of Defense for Asia and the Pacific in the Pentagon, a Director on the National Security Council staff, a Deputy Special Counselor to the President for NAFTA in the White House, and a White House Fellow at the Department of the Treasury

What I'd like to do is start, go from left to right. Dr. Cliff, if you would start and if you could confine your remarks to seven, or eight, or nine minutes, and then we'll go all the way through from left to right, and then open it up for questions.

Dr. Cliff.

**STATEMENT OF DR. ROGER CLIFF, SR. ANALYST,
INTERNATIONAL AND SECURITY POLICY, RAND, ARLINGTON,
VA**

DR. CLIFF: Thank you, Mr. Chairman, for inviting me to today's panel, and I think the topic is an important and timely one. There are a variety of different perspectives from which one could analyze what U.S. force posture in the Pacific ought to be, but I think it would be presumptuous of me to claim to have done a comprehensive analysis from all those perspectives.

So today I'd like to concentrate on one in particular which is what the implications for U.S. force posture in the Pacific are of potential actions by China to deny the U.S. access to the region in the event of a conflict over China, a conflict over Taiwan.

In considering the ways to enhance U.S. force posture in the Pacific, we need to consider not just the military capabilities that China is developing, but also the ways in which Chinese strategies and military thinkers are considering actually employing those forces.

In a recent RAND study that I led, my colleagues Mark Burles, Michael Chase and Kevin Pollpeter, two of which unfortunately now work for James here, analyzed Chinese military doctrinal writings that discuss how to defeat a militarily superior power such as the United States and we found in those writings at least eight strategic principles that have implications for U.S. force posture in the Pacific theater.

And I won't elaborate on them here, but they are described in a little bit more detail in my written testimony, but the principles are seizing the initiative early in a conflict, the importance of surprise, the value of preemption, raising the costs of a conflict, having limited strategic aims, avoiding a direct confrontation with U.S. forces, and complementary to that the idea of conducting key point strikes against vital weaknesses in U.S. military operations, and finally the principle of concentrated attack.

In addition to the strategic principles, my colleagues' analysis of the Chinese military doctrinal writings also identified a number of specific types of tactics that Chinese military doctrinal writings discuss that would have an impact on the U.S. ability to deploy and maintain forces in the western Pacific, and these include attacks on air bases, on aircraft carriers, on command, communications, information, surveillance and reconnaissance platforms and facilities, and on logistics, transportation, and other types of support facilities.

In our study, we analyzed the vulnerability of specific U.S. facilities and systems to the types of attacks described in these writings,

but since this is a public hearing, I will not describe the results of that analysis, but instead proceed directly to those of our recommendations for mitigating the effects of those attacks, those recommendations that have implications for U.S. force posture in the Pacific, and there are five broad recommendations.

The first is to strengthen passive defenses at air bases and aviation fuel storage facilities. China's rapid expansion of its short-range ballistic missile forces is well known, and while many of these missiles are only capable of attacking targets in Taiwan or other countries on China's borders, China is also developing longer range missiles that have the capability to reach U.S. bases in the western Pacific. Therefore, strengthening runways, increasing rapid runway repair capabilities would reduce the ability of those missiles to disrupt or prevent U.S. flight operations at our air bases in the region. Hardened aircraft shelters would protect aircraft from ballistic missile attack when they're on the ground, as aircraft are most vulnerable when they're parked in the open, and much less vulnerable to ballistic missiles when they are parked inside hardened shelters.

And finally, constructing underground fuel tanks would similarly reduce the vulnerability of U.S. fuel supplies to Chinese attack, again referring earlier to the Chinese interest in attacking logistic systems. One way that might be implemented would be by attacking fuel supplies.

The second recommendation is to deploy air defense systems near critical U.S. facilities in the region, particularly air bases, but also other facilities. The air defense systems can obviously protect against-- those that have an anti-ballistic missile capability can protect against the ballistic missile threat, but as you know China is also developing land attack cruise missiles and aircraft with precision-guided munitions and the air defense systems could protect against attacks from those types of systems as well.

And those systems are particularly significant when it comes to attacking harder targets such as the hardened aircraft shelters I mentioned earlier or buried fuel tanks.

Now, the U.S.'s military fighter aircraft are certainly quite capable against these kinds of air-breathing threats, but in combination with a barrage of ballistic missiles that would temporarily suspend flight operations at an airbase, those airbases would probably not be able to protect themselves with aircraft and therefore would have to look to land or sea-based air defense systems for protection.

Therefore, in my opinion, the U.S. should deploy the Patriot PAC-3 system near any major facilities in the western Pacific region that we plan to operate out of in the event of a conflict with China over Taiwan.

In addition, we should probably supplement those long-range systems with short-range point defense systems, whether gun-based or missile-based, that could provide a last ditch defense against any munitions that managed to get past the Patriots.

Over the longer term, the Terminal High Altitude Air Defense System will provide an improved capability against ballistic missiles and the medium extended-air defense system will have an improved capability against cruise missiles, and both of those systems assuming that they perform up to expectations should also be deployed near U.S. facilities in the Pacific when they are available.

Aside from using missiles and aircraft, the Chinese military doctrinal writings also talk about--how am I doing on time, by the way?

CHAIRMAN D'AMATO: You have a couple of minutes.

DR. CLIFF: I will wrap this up quickly. Aside from using missiles and aircraft, Chinese military doctrinal writings also talk about using special operations forces, and there are a number of things that the U.S. should do to defend against the possibility of attack by special operations forces or covert operatives against U.S. facilities, and these missions will primarily be the responsibility of local security forces, but

it's important that there are mechanisms in place at U.S. facilities for base security to cooperate and coordinate with those local security forces and in addition, there are a number of other things that we can do to increase our security of those bases that I detail in my written testimony.

Fourth recommendation of five--I'm almost done--is that we need to look at diversifying our aircraft basing options in the Pacific region, and this doesn't necessarily mean building new sovereign U.S. bases, but it means expanding the number of bases out of which we plan to operate or at least have the capability to operate in the event of a conflict from China. As the more places we can operate from, the more China has to spread its forces, and I referred earlier to the importance of a concentrated attack to the Chinese doctrine. This is one way of defeating that principle.

The final recommendation is that the U.S. increase the number of aircraft carriers that would be available in the early stages of a conflict in particular. As you know, we have one aircraft carrier stationed full time in the western Pacific, but unless there were other carriers transiting through the region, the nearest other carriers would be on the west coast of the U.S., which would be about two weeks away from the conflict, and given the Chinese emphasis on surprise and preemption, we certainly cannot count on having two weeks of warning.

Now, the Department of Defense has already recommended for basing an aircraft carrier in the Pacific, and I just want to say here that it makes a difference where it is. There is a difference between Hawaii and other places in the western Pacific. Hawaii is still about a week away. From Guam or Singapore, just to give two examples, you're only two or three days away. And that makes a difference.

Since I'm out of time, I just want to thank you for this opportunity and as I said in the beginning, I think this is a very important and timely topic. I don't claim to have an exhaustive list of

recommendations here, but a few key ones that I think are important based on our research.

Thank you.

[The statement follows:]

**PREPARED STATEMENT OF DR. ROGER CLIFF, SR. ANALYST,
INTERNATIONAL AND SECURITY POLICY, RAND, ARLINGTON,
VA**

Mr. Chairman: Thank you for inviting me to participate in today's hearing on this important topic. China's military is focused on finding ways to defeat the United States in the event of a conflict between the two countries, the most likely such contingency being a conflict over Taiwan. In considering ways to enhance U.S. force posture in the Pacific, we should consider not just the capabilities that China is developing but also the specific ways in which it might use those capabilities against the United States. Doing this analysis suggests a number of specific enhancements that can increase the ability of U.S. force posture in the Pacific to deter Chinese aggression against Taiwan and to defeat such aggression if it were to occur.

Implications of Chinese Military Strategy for U.S. Force Posture in the Pacific

In a RAND study that I led which is currently under review, my colleagues Mark Burles, Michael Chase, and Kevin Pollpeter analyzed Chinese military doctrinal writings that discuss how to defeat a militarily superior adversary such as the United States, and found in them at least eight strategic principles that have implications for U.S. force posture in the Pacific theater. The first such principle is seizing the initiative early in a conflict. For example, Chinese military analysts note that, by not seizing the initiative in the 1991 Gulf War, Iraq allowed the United States to build up its forces until it had overwhelming superiority. If China is to be victorious in a conflict with a militarily superior power, therefore, China must go on the offensive from the very beginning. In the context of a conflict between the United States and China, this means that U.S. force posture in the Pacific theater will be critical, as China is likely to go on the offensive before additional forces can be brought into the theater.

A second and related strategic principle for defeating a militarily superior adversary is the importance of surprise. Surprise is valuable not only for the immediate tactical advantage it conveys, but also because surprise is an important way of seizing the initiative in a conflict. Achieving surprise against an adversary will put the adversary in the position of reacting to China's moves, making it relatively easy to maintain the initiative thereafter. In the context of a conflict between the United States and China, this means that the ability of U.S. forces in the Pacific theater to avoid and survive surprise attacks will be critical.

Related to the first two strategic principles is a third principle: the value of preemption. If China waits for a militarily superior adversary to commence hostilities, it will be difficult for China to seize the initiative and the adversary will likely have the preponderance of forces as well. If, by contrast, China initiates a conflict before an adversary attacks, China can seize the initiative and may also enjoy an initial advantage in the local balance of forces. Finally, preemption greatly increases the chances of successfully achieving surprise. In the context of a conflict between the United States and China, the value accorded to preemption in Chinese military doctrinal writings suggests that, on the presumption that the United States will inevitably intervene in a conflict with Taiwan, China might initiate hostilities by first attacking U.S. forces in the region, even before it has attacked Taiwan.

A fourth strategic principle is particularly significant in the context of the second and third principles. This is the idea of raising the costs of conflict. At least some Chinese military analysts believe that the United States is sensitive to casualties and economic costs and that the sudden destruction of a significant portion of our forces would result in a severe psychological shock and a loss of will to continue the conflict. When this principle is combined with the preceding two, it suggests a belief that a preemptive surprise attack on U.S.

forces in the Pacific theater could cause the United States to avoid further combat with China. It does not need to be pointed out to this panel that the last time such a strategy was attempted in the Pacific the ultimate results were not altogether favorable for the country that tried it, but the Chinese military doctrinal writings we examined in this study did not acknowledge the existence of such historical counterexamples.

Related to the idea of raising the costs of conflict is a fifth strategic principle, the principle of limited strategic aims. A militarily inferior country cannot expect to achieve total victory over a militarily superior adversary, but if its strategic aims are limited, it can hope to achieve a situation where the costs to its adversary of reversing the results of the militarily inferior country's initial offensive exceed the benefits of effecting such a reversal, and therefore the adversary will instead choose to live with the results of the initial offensive. In the context of a conflict between the United States and China, this principle suggests that if China's leadership believes that if it can quickly accomplish its military aims and present the United States with a fait accompli (e.g., the invasion and occupation of Taiwan) without threatening any truly vital U.S. interests, then China might embark on such a conflict even if its leadership recognizes that the United States could ultimately prevail if it desired.

A sixth and seventh strategic principles are avoiding direct confrontation and conducting "key point strikes" (ÖÖμã`ð»÷). The principle of avoiding direct confrontation stems from the recognition that China cannot win in direct, force-on-force combat with a militarily superior adversary such as the United States. The complementary key point strike concept provides an alternative approach by postulating that all militaries are reliant on the performance of certain critical functions, any one of which, if disrupted, will render that military unable to conduct effective operations. Five types of targets for key point strikes are identified: command systems, information systems, weapon systems, logistics systems, and the linkages between these systems. Disrupting any one of these areas is said to be a way of neutralizing an enemy's fighting strength. In the context of a conflict between the United States and China, this principle means that the United States must be prepared for attacks that are focused not on its military forces, but on its command systems, information systems, logistics systems, and the communications and transportation systems that link them.

Related to key point strikes is an eighth strategic principle that has implications for U.S. force posture in the Pacific theater: concentrated attack. This principle means that, rather than attempting to defeat an adversary across a broad front, Chinese strategists advocate concentrating firepower in a few areas. Coupled with the key point strike concept, this principle suggests that in a conflict with the United States, rather than directly engaging U.S. combat forces, China will probably attempt to focus its forces on overwhelming the defenses of what Chinese military planners view as a few critical command, information, logistics, communications, and transportation facilities.

In addition to the above strategic principles, my colleague's analysis of Chinese military doctrinal writings identified a number of specific tactics that could affect the ability of the United States to deploy and maintain forces in the Western Pacific in the event of a conflict with China. These tactics include attacks on air bases; aircraft carriers; command, communications, information, surveillance, and reconnaissance systems and facilities; and logistics, transportation, and support facilities.

Recommendations for Mitigating Effects of Potential Chinese Actions

In our study we analyzed the vulnerability of specific U.S. facilities and systems to the types of attacks described in China's military doctrinal writings. Since this is a public hearing I will not describe the results of that analysis but instead proceed directly to those of our recommendations for mitigating the potential effects of such attacks that have implications for U.S. and Taiwanese forces in the Pacific region.

Our first recommendation is to strengthen passive defenses at air bases and aviation fuel storage facilities. China's rapid expansion of its short-range ballistic missile forces is well known. Many of these missiles are capable only of striking targets in Taiwan or other countries close to China's borders, but China is also developing longer-range missiles capable of reaching U.S. bases in the Western Pacific. Possible targets for these systems include runways and aircraft at air bases as well as aviation fuel tanks associated with those bases. Strengthening runways and increasing rapid runway repair capabilities would reduce the ability of

China's ballistic missiles to disrupt flight operations at air bases. Hardened aircraft shelters would reduce the ability of China's ballistic missiles to destroy aircraft on the ground, as aircraft are most vulnerable when they are parked in the open. Constructing underground fuel tanks would similarly reduce the vulnerability of fuel supplies to attack.

A second recommendation is to deploy air defense systems, both land-based and sea-based, near critical facilities such as air bases. Air defense systems with an anti-ballistic missile capability can reduce the effectiveness of Chinese ballistic missile attacks. Moreover, by themselves ballistic missiles are only capable of damaging runways and "soft" targets such as unsheltered aircraft and above-ground fuel tanks. In addition to ballistic missiles, however, China is also developing land-attack cruise missiles and acquiring aircraft with precision-guided munitions, which are capable of destroying "hard" targets such as aircraft shelters and buried fuel tanks. U.S. fighter aircraft have excellent capabilities for countering cruise missiles and manned aircraft, but if land-based flight operations are disrupted because of ballistic missile attacks, air bases and other critical facilities that are not defended by air defense systems will be open to attacks by cruise missiles and manned aircraft.

Currently there are U.S. Patriot batteries in Korea but none in Japan. The Japanese Self-Defense Forces have Patriot units stationed near some U.S. air bases in Japan, but these are PAC-2 units with a limited anti-ballistic missile capability, not the more advanced PAC-3 system. Once a conflict begins it will be too late to deploy additional land-based air defense systems near critical U.S. facilities in the Western Pacific and, given the emphasis on preemption and surprise in Chinese military doctrinal writings, a conflict could begin with little warning. In my opinion, therefore, the United States should station PAC-3 units near all air bases and other critical facilities in the Western Pacific that it would use in the event of a conflict with China. (U.S. Navy ships with the Aegis air defense system are also highly capable air defense platforms. The United States has Aegis ships stationed in Japan and in the event of a conflict with China the U.S. commander might wish to position some of those ships to defend critical U.S. air bases, but these will be high-demand assets and he may need them in other locations.) In addition, the United States should augment the long-range Patriot system with short-range, gun-based or missile-based "point defense" systems that can provide a last-ditch defensive capability against cruise missiles and other munitions that manage to get past the Patriots.

The Terminal High-Altitude Air Defense System (THAAD) will have a greater capability against ballistic missiles than the Patriot and the United States should deploy this system near critical U.S. facilities in the Western Pacific when it becomes available. The Medium Extended Air Defense System (MEADS) will have improved capabilities against low-altitude cruise missiles and aircraft and therefore should also be deployed near U.S. facilities in the Western Pacific when it becomes available.

Aside from using missiles and aircraft, Chinese military doctrinal writings also recommend using special forces and covert operatives to attack air bases and other critical facilities. Since these capabilities depend more on "software" than on hardware, it is difficult to measure developments in this area, but potential targets include aircraft; command and control facilities; communications links; fuel storage, distribution, and dispensing facilities; and repair and maintenance facilities. Since such attacks would generally originate from areas outside of U.S. military bases, the capabilities of local security forces will be critical to defending against such attacks, as will be the existence of mechanisms to ensure effective coordination between U.S. base security forces and local security forces. Because of the North Korean special forces threat these capabilities and mechanisms have long been in place at U.S. facilities in Korea, but a third recommendation is that we ensure that they exist at U.S. facilities in Japan and Guam as well. In addition, there are steps that the bases themselves can take to reduce their vulnerability to attack from covert operatives including installing anti-sniper systems, strengthening perimeter security, and screening critical areas from view from outside the base.

Beyond strengthening the defensive capabilities of existing U.S. bases in the Western Pacific, a fourth recommendation is that the United States seek to diversify its options for operating land-based aircraft in the region. This does not necessarily mean establishing new bases, but could involve simply planning on operating out of a broader range of existing locations in the event of a conflict with China (and assuring that the additional locations have the capability to support combat operations by U.S. aircraft). By increasing the

number of facilities that China would have to neutralize in order to successfully implement a strategy of “key point strikes” and reducing the amount of forces that could be devoted to each target, operating out of a broader range of locations would reduce the possibility that one or two Chinese attacks could significantly disrupt U.S. military operations in the region.

Related to this, a fifth recommendation is that the United States also increase the number of platforms from which it can operate naval aircraft in the region in the early stages of a conflict. Currently the United States maintains one aircraft carrier full-time in the Western Pacific. In the event of a conflict with China over Taiwan, however, particularly given the various threats to land-based air outlined above, having more aircraft carriers on the scene will be extremely valuable. Other than any carriers that might be transiting through the region, however, currently the closest additional carriers would be those based on the west coast of the United States. Given that a conflict with China could begin with little warning, this means that as much as two weeks could elapse before additional aircraft carriers reached the area of combat operations. The Department of Defense has already recommended forward-deploying an additional aircraft carrier in the Pacific, but it is important to note that precisely where this carrier is forward-deployed is significant. In particular, an aircraft carrier based in Hawaii would still take at least a week to reach waters near Taiwan. An aircraft carrier based in Guam, Singapore, or elsewhere in the Western Pacific, by contrast, could arrive on the scene in about three days.

Conclusion

These suggestions are not intended to represent an exhaustive list of enhancements that should be made to U.S. force posture in the Pacific region, and I am sure that there are numerous other enhancements that would be valuable as well. Moreover, we have not performed an economic cost-benefit analysis of these options so I cannot definitively say that the military benefits of the specific recommendations I make here exceed the financial costs of implementing them. I can say, however, that in light of what we know about China’s current and future military capabilities and its military doctrine, that China’s potential threat to U.S. facilities in the Western Pacific is growing and there are a number of concrete actions the United States can take to reduce that threat. The subject of today’s hearing, therefore, is both important and timely and I appreciate the opportunity to present my views.

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CHAIRMAN D'AMATO: Thank you very much, Dr. Cliff.

I'm sure there will be a lot of questions with regard to what you had to say.

Dr. Mulvenon.

STATEMENT OF DR. JAMES MULVENON, DIRECTOR, ADVANCED STUDIES, CENTER FOR INTELLIGENCE RESEARCH AND ANALYSIS, WASHINGTON, D.C.

DR. MULVENON: Thank you, Mr. Chairman, for inviting me here today. If I screw it up, I'll try again tomorrow when I'm here for tomorrow's hearing.

CHAIRMAN D'AMATO: Okay.

DR. MULVENON: As you've repeated in my bio, I've spent the last dozen years or so working on Chinese military and security issues. Currently, I'm at the Center for Intelligence Research and Analysis where I head a team of nine Chinese linguist analysts working on a lot of these topics for the U.S. intelligence community.

I'd like to talk briefly about some of the work I've done over the last five or six years on Chinese computer network attack strategies and the role that certain doctrinal theorists in the Chinese military believe that computer network attack could play in a Taiwan contingency involving U.S. forces.

I have five main points. The first is that it seems clear that from Chinese writings that there are two rough centers of gravity that we could probably derive deductively, one of which is the will of the Taiwanese people, which they regard as key to the Taiwanese political calculation about whether or not to capitulate. And the other major center of gravity, of course, is our military intervention potentially on behalf of Taiwan.

In this respect, theorists within the military that study computer network operations believe that computer network attack has a great deal to offer that scenario. Chinese strategic writings on computer network attack over the last have a dozen years have become increasingly sophisticated, and their work in this area is increasingly institutionalized in my view.

At the strategic level, it's important to note that they believe computer network attack will not win the battle by itself. There are, of course, those true believers on the extremes that believe that there is no need for conventional forces, just as there are in our own system.

But I would say the sane middle views it as a supplement to conventional operations that has important advantages that other elements of their military power do not. It is asymmetric, to overuse a clichéd phrase, only to the extent to which it does allow a relatively inferior power to have a substantial effect upon the operations of a relatively superior power.

One of the main reasons it's viewed as advantageous is because it enjoys longer range than China's conventional assets, particularly when your goal is to disrupt U.S. military operations, particularly logistics operations that occurring in the continental United States or in Hawaii. Most importantly, computer network attack is plausibly deniable in the sense that it's much more difficult to attribute the source of a computer network attack than it is a ballistic missile attack.

At the operational level, Chinese internal writings, and here I would contrast their internal writings with more publicly known writings, like *Unrestricted Warfare*, which although high sellers in China, are not nearly as authoritative as some of their internal writings. In the internal writings, they emphasize defense over offense, whereas the external writings tend to emphasize offense over defense. They're much friskier about using offense.

The Chinese internal writings believe that they're currently in a very intensely hostile information security involvement where they're intensely vulnerable and that's a point we could discuss later, if you'd like.

Interestingly, and I think here the Chinese have some wisdom that our own computer network operations community has not really latched on to, which is that computer network attack is an unconventional weapon to be used at the opening phase of a conflict, not a force multiplier that can be used at every phase of the conflict, and there are some important technical arguments why I think they have a real piece of wisdom there that I'm happy to talk in more detail about.

Some of the theorists believe that this IO campaign coupled with media and other types of attacks against Taiwanese political will as well as U.S. military intervention, could preclude the need for conventional action and therefore reduce the need to develop the conventional capabilities to confront the United States head on in the western Pacific.

Finally, they believe, and I believe this is one of the most important misperceptions in their views, that enemies are information dependent while China is not, and therefore enemies are vulnerable to these types of attacks whereas China isn't.

As China modernizes its own C4ISR infrastructure, they paradoxically become more vulnerable to these methods, yet this is a curious gap in their discussion.

My third point echoes something that Dr. Cliff said; namely, there is a very strong emphasis on preemption in the computer network attack literature, and this derives from a very interesting historical analysis of U.S. military vulnerabilities since Desert Storm in 1991. The basic argument is that if you allow a high tech enemy like the United States to get locked and loaded on your border with a full force protection package, that basically the war is over.

The vulnerability of U.S. military power is the deployment phase, because of our reliance on using external lines of control for logistics and, as I'll get to in a moment, the vulnerability that our particular logistics system has in using unclassified computer networks to carry most of that traffic.

Fourthly, their writings on computer network attack are focused against not our classified computer systems, but attacks against our unclassified computer systems like the NIPRNET, that carry our logistics data like TPFDL, the time-phased force deployment list.

The goal would be to exploit the tyranny of distance that Dr. Cliff mentioned in the Pacific and their perception of our casualty

aversion, which I would argue is a misperception, to degrade, disrupt and possibly even deter our deployment altogether to a Taiwan scenario.

What is my assessment of these writings compared with empirical reality? I think that they're correct in the sense that these computer network attack capabilities would be available to the Chinese military in the near term, and my written testimony talks about what you need to have to have a computer network attack capability and even some of the advantages, I believe, that the Chinese military has in marshalling this kind of capability.

It does reduce pressure, as I said, on the need to develop equal or at least asymmetrically powerful conventional capabilities, and as I said before, it's plausibly deniable.

But the scenario that is woven by these theorists, I would argue, contains some important misperceptions, mischaracterizations, or exaggerations of the way we do business that are important although some of these trend lines are moving in the wrong direction.

First, as Dr. Cliff mentioned, their writings seem to sometimes conveniently forget about the ready carrier in Yokosuka, Japan, positing that they're trying to stop a trans-Pacific deployment when, in fact, the ready carrier would not be affected by the kinds of logistics systems that they're talking about attacking and instead would only be two, maybe three days, from a Taiwan contingency.

However, they do highlight, and I think this is important, given the possible overextension of our military activity in the Middle East and other places, that there are windows of opportunity when critical carrier strike groups are "gapped" in the Persian Gulf or in the Mediterranean, that those might be windows of opportunity in a Taiwan scenario.

Secondly, I believe that they believe that we have reified computers in our system to the point where we could not possibly do what we want to do and particularly in the logistics realm without them, and, in

fact, if you've been to Dover or places like that, you'll notice the grease pencil board discretely tucked behind the desk for use when the computers go down.

And that there is not an understanding, I believe, on the Chinese part that, in fact, a lot of these capabilities, albeit much slower, can be reconstituted manually, fax machines and the like.

The trend line that's moving in the wrong direction, however, is that we're increasingly automating our logistics systems to the point where professional non-commissioned officers who deal with these types of issues have told me that they're not sure now that they could actually reconstitute manually what they do automatically.

Unfortunately, our response when there are attacks against the NIPRNET, in particular, is to take the NIPRNET down and go through it with a nit-comb looking for Trojans and backdoors and other things, and if that's the goal of Chinese attack, then they've achieved their goal in a relatively simple manner because of our standard operating procedures.

Finally, I mentioned the perception about casualty aversion, which one would hope has been undermined by the brave activity in the Middle East.

Finally, on a capabilities side, I would highlight that there is a very complicated issue involving Chinese patriotic hackers and the extent to which those patriotic hackers are, in fact, should be considered agents of the government or useful idiots for the regime, and I go through an argument that I've made before this Commission before at length in my written testimony and I'm happy to recapitulate it in the questioning.

Thank you.

[The statement follows:]

**PREPARED STATEMENT OF DR. JAMES MULVENON, DIRECTOR,
ADVANCED STUDIES, CENTER FOR INTELLIGENCE RESEARCH
AND ANALYSIS, WASHINGTON, D.C.**

“Chinese Information Operations Strategies in a Taiwan Contingency”

Thank you, Mr. Chairman and the other members of the U.S.-China Economic and Security Review Commission for the opportunity to take part in the hearings you are holding today on the topic of In the minds of the Chinese leadership, the available evidence suggests that the most important political-military challenge and the most likely flashpoint for Sino-US conflict is Taiwan. In seeking to reunify the island with the mainland, however, it is important to note that the PRC has a political strategy with a military component, not a military strategy with a political component. The PRC would prefer to win without fighting, since Beijing's worst-case outcome is a failed operation that would result in *de facto* independence for Taiwan. Also, the leadership realizes that attacking Taiwan with kinetic weapons will result in significant international opprobrium and make the native population ungovernable. These assumptions explain why China until recently maintained a "wait and see" attitude towards Taiwan, even though the island elected a President from a party committed previously to independence. From 2000 until late 2003, China eschewed saber rattling in favor of economic enticement and "united front" cooperation with the Pan-Blue opposition, both of which were believed to be working successfully. In November 2003, in response to perceived provocations by Taiwan President Chen Shui-bian, Beijing once again revived the threat of military force to deter what it saw as further slippage towards independence, dramatically increasing tensions in the U.S., China, Taiwan triangle.

Should the situation deteriorate into direct military conflict, the PLA since 1992 has been hard at work bolstering the hedging options of the leadership, developing advanced campaign doctrines, testing the concepts in increasingly complex training and exercises, and integrating new indigenous and imported weapons systems. At the strategic level, the writings of Chinese military authors suggest that there are two main centers of gravity in a Taiwan scenario. The first of these is the will of the Taiwanese people, which they hope to undermine through exercises, missile attacks, SOF operations, and other operations that have a psyop focus. Based on intelligence from the 1995-1996 exercises, as well as public opinion polling in Taiwan, China appears to have concluded that the Taiwanese people do not have the stomach for conflict and will therefore sue for peace after suffering only a small amount of pain. The second center of gravity is the will and capability of the United States to intervene decisively in a cross-strait conflict. In a strategic sense, China has traditionally believed that its ICBM inventory, which is capable of striking CONUS, will serve as a deterrent to US intervention or at least a brake on escalation. Closer to Taiwan, the PLA has been engaged in an active program of equipment modernization, purchasing niche anti-access, area-denial capabilities such as long-range cruise missiles and submarines to shape the operational calculus of the American carrier battle group commander on station. At the same time, a key lesson learned from analyzing U.S. military operations since DESERT STORM was the vulnerability of the logistics and deployment system.

Center of Gravity Number One: The Will of the People on Taiwan

Chinese strategies to manipulate the national psychology of the populace and leadership on Taiwan involve the full spectrum of information operations, including psychological operations, special operations, computer network operations, and intelligence operations. To this end, Beijing can employ all of the social, economic, political and military tools of Chinese national power, as well as enlist the assistance of private sector players and sympathetic co-conspirators on Taiwan. The goal of these efforts is to shake the widely perceived psychological fragility of the populace, causing the government to prematurely capitulate to political negotiations with the mainland. In a sense, China seeks to use the immaturity of Taiwanese democracy against itself.

Analysis of both Beijing's strategies in this arena as well as Taipei's ability to resist such methods confirms Taiwan's high level vulnerability to Chinese soft coercion, and raises major questions about the island's viability in the opening phase of a PRC coercion campaign, their credibility as a source of intelligence information on the mainland and a keeper of U.S. secrets, and their expected ability to interoperate successfully with U.S. forces in a crisis.

Taiwan's vulnerabilities in the critical infrastructure protection arena can be divided into two categories: informational and physical. On the information side, Taiwan is a highly information-dependent society with a relatively low level of information or computer security. Significant disruptions in information systems could have major negative effects on the island, particularly in the economic and financial realms, and increase fear and panic among the population. Past Chinese uses of regional media to send psychological operations messages have also enjoyed success in affecting popular morale and public opinion. For example, an Internet

rumor in 1999 that a Chinese Su-27 had shot down a Taiwan aircraft caused the Taipei stock market to drop more than two percent in less than four hours.

On the physical side of the equation, Taiwan's current capability and readiness level is much lower than one might expect for a state under such a direct level of threat, especially when compared with other "national security states" like Israel or South Korea. Critical infrastructure protection has been a low priority for the government, and Taiwan is acutely vulnerable to Spetnaz-like or fifth column operations, aided significantly by ethnic and linguistic homogeneity and significant cross-border flows, which facilitate entry and access to potential targets. In terms of civilian infrastructure, Taiwan's telecommunications, electric power, and transportation infrastructure are all highly susceptible to sabotage. These weaknesses have been indirectly exposed by periodic natural disasters, such as the September 1999 earthquake and the September 2001 typhoon, when the communications infrastructure effectively collapsed. Taiwan's ports, including Su'ao, Jeelung, and Gaoxiong (the third highest volume container port in the world), are attractive targets. Port charts and ship movements are available on the Internet, and Gaoxiong in particular has two narrow mouths that could easily be blocked with scuttled vessels. Taiwan's highways are a vulnerable bottleneck, particularly given the large number of undefended mountain tunnels and bridges that could be destroyed by SOF units. Finally, the power grid is known to be fragile, marked by numerous single-point failure nodes, and no cross-hatching of sub-grids to form redundancy. The loss of a single tower in the central mountainous region, thanks to a landslide, knocked out ninety percent of the grid a couple of years ago, and delays in construction of a fourth nuclear plan have constrained capacity.

Special operations forces and fifth column are also a major threat for disruption of military command and control and decapitation of the national command authority, as well as providing reconnaissance for initial missile and air strikes and battle damage assessments (BDA) for follow-on strikes. Entry into the country for special operations forces is not a substantial obstacle, thanks to ethnic and linguistic homogeneity and the dramatic increases in cross-strait people flows. Between 1988 and October 2002, for example, more than 828,000 mainlanders visited the island. Moreover, these special forces could also facilitate control of key civilian and military airfields and ports that could be used as points of entry for invading forces. The lack of operational security at key facilities is particularly inexplicable and appalling. Visits to national political and military command centers reveal them to be relatively unguarded with poor information security practices, including the use of personal cell phones in supposedly secure areas. The Presidential Palace in downtown Taipei, home to the President and his key staff, has no fence line and no security checkpoints. Building information, including the location of the President's office, is openly available on the Internet. Given the poor performance of President Chen's personal security detail during the recent assassination attempt on his life, the possibility of elimination of the top leadership through direct action cannot be discounted.

Finally, there is substantial open source evidence to suggest that China is winning the intelligence war across the strait, raising serious doubts about the purity of Taiwanese intelligence proffered to the U.S., the safety of advanced military technologies transferred to the island, and the ability of official Taiwan interlocutors to safeguard shared U.S. secrets about intelligence collection or joint warplanning. In the last five years, a steady series of leaked stories have appeared in the Taiwan and other regional media, describing either the rounding up of Taiwanese agent networks on the mainland or the unmasking of high-ranking Taiwanese agents in the military, with similar successes a rarity on the Taiwan side, despite significant political incentive to publicize such discoveries. Reported examples since only early 2003 include the arrest of the president of the PLA Air Force Command Academy, Major-General Liu Guangzhi, his former deputy, Major-General Li Suolin, and ten of their subordinates; the arrest of 24 Taiwanese and 19 mainlanders in late 2003; the arrest of Chang Hsu-min, 27, and his 24-year-old girlfriend Yu Shi-ping; the arrest of Xu Jianchi; the arrest of Ma Peiming in February 2003; and the arrest and conviction to life imprisonment of Petty officer first class Liu Yueh-lung for passing naval communications codes to the PRC. Farther back, high-profile intelligence losses include the discovery, arrest and execution of General Logistics Department Lieutenant-General Liu Liankun and Senior Colonel Shao Zhengzhong as a result of Taiwanese government intelligence disclosures about the fact that warheads on Chinese missiles fired near the island in 1996 were unarmed, the arrest and sentencing of Hainan Province deputy head Lin Kecheng and nine others in 1999 for providing economic, political and other kinds of intelligence to the Taiwan Military Intelligence Bureau, and the arrest and imprisonment of a local official in Nanchong, Sichuan named Wang Ping for allegedly also working for

the MIB. In addition, retired senior Taiwan intelligence officials, including National Security Bureau personnel chief Pan Hsi-hsien and at least one former J-2, continue to travel to and often residence in China despite Taiwan regulations barring such movement for three years after retirement. At the same time, Taiwan and international media is regularly filled with leaks about sensitive U.S.-Taiwan military interactions or weapons transfers, sourced to either legislators or standing Taiwan government officials. Examples include disclosures about possible deployment of an Integrated Underwater Surveillance System (IUSS) north and south of the island to detect Chinese submarines, the provision of early warning data on Chinese missile attack from the Defense Support Program (DSP) satellite constellation, and the alleged SIGINT cooperation between the National Security Agency and Taiwan on Yangming Mountain. All of these possible compromises raise serious concerns about future technology or information sharing with Taiwan.

Center of Gravity Number Two: U.S. Military Intervention Strategies for Attacking U.S. Logistics

When Chinese strategists contemplate how to affect U.S. deployments, they confront the limitations of their current conventional force, which does not have range sufficient to interdict U.S. facilities or assets beyond the Japanese home islands. Nuclear options, while theoretically available, are nonetheless far too escalatory to be used so early in the conflict. Theater missile systems, which are possibly moving to a mixture of conventional and nuclear warheads, could be used against Japan or Guam, but uncertainties about the nature of a given warhead would likely generate responses similar to the nuclear scenario.

According to the predictable cadre of “true believers,” both of the centers of gravity identified above can be attacked using computer network operations. In the first case, the Chinese IO community believes that CNO will play a useful psychological role in undermining the will of the Taiwanese people by attacking infrastructure and economic vitality. In the second case, the Chinese IO community envisions computer network effectively deterring or delaying US intervention and cause pain sufficient to compel Taipei to capitulate before the US arrives. The remainder of this section outlines how these IO theorists propose operationalizing such a strategy.

General IO and Computer Network Attack Analysis

Before examining this scenario in detail, it is first necessary to provide some background regarding Chinese views of information operations in general, and computer network operations in particular. At the strategic level, contemporary writers view IO and CNO as a useful supplements to conventional warfighting capability, and powerful asymmetric options for “overcoming the superior with the inferior.” According to one PRC author, “computer network attack is one of the most effective means for a weak military to fight a strong one.” Yet another important theme in Chinese writings on CNO is the use of computer network attack as the spearpoint of deterrence. Emphasizing the potential role of CNA in this type of signaling, a PRC strategist writes that “We must send a message to the enemy through computer network attack, forcing the enemy to give up without fighting.” Computer network attack is particularly attractive to the PLA, since it has a longer range than their conventional power projection assets. This allows the PLA to “reach out and touch” the U.S., even in the continental United States. “Thanks to computers,” one strategist writes, “long-distance surveillance and accurate, powerful and long-distance attacks are now available to our military.” Yet computer network attack is also believed to enjoy a high degree of “plausible deniability,” rendering it a possible tool of strategic denial and deception. As one source notes, “An information war is inexpensive, as the enemy country can receive a paralyzing blow through the Internet, and the party on the receiving end will not be able to tell whether it is a child’s prank or an attack from an enemy.”

It is important to note that Chinese CNA doctrine focuses on disruption and paralysis, not destruction. Philosophically and historically, the evolving doctrine draws inspiration from Mao Zedong’ theory of “protracted war,” in which he argued that “we must as far as possible seal up the enemies’ eyes and ears, and make them become blind and deaf, and we must as far as possible confuse the minds of their commanders and turn them into madmen, using this to achieve our own victory.” In the modern age, one authoritative source states: “computer warfare targets computers - the core of weapons systems and C4I systems - in order to paralyze the enemy.” The goal of this paralyzing attack is to inflict a “mortal blow” [zhiming daji ???], though this does not necessarily refer to defeat. Instead, Chinese analysts often speak of using these attacks to

deter the enemy, or to raise the costs of conflict to an unacceptable level. Specifically, computer network attacks on non-military targets are designed to "...shake war resoluteness, destroy war potential and win the upper hand in war," thus undermining the political will of the population for participation in military conflict.

At an operational level, the emerging Chinese IO strategy has five key features. First, Chinese authors emphasize defense as the top priority, and chastise American theorists for their "fetish of the offensive." In interviews, analysts assert their belief that the US is already carrying out extensive computer network exploit activities against Chinese servers. As a result, CND must be the highest priority in peacetime, and only after that problem is solved can they consider "tactical counteroffensives." Second, IW is viewed as an unconventional warfare weapon to be used in the opening phase of the conflict, not a battlefield force multiplier that can be employed during every phase of the war. PLA analysts believe that a bolt from the blue at the beginning is necessary, because the enemy may simply unplug the network, denying them access to the target set, or patch the relevant vulnerabilities, thus obviating all prior intelligence preparation of the battlefield. Third, IW is seen as a tool to permit China to fight and win an information campaign, precluding the need for conventional military action. Fourth, China's enemies, in particular the United States, are seen as "information dependent," while China is not. This latter point is an interesting misperception, given that the current Chinese C4I modernization is paradoxically making them more vulnerable to US methods.

Perhaps most significant, computer network attack is characterized as a preemption weapon to be used under the rubric of the rising Chinese strategy of *xianfa zhiren*, or "gaining mastery before the enemy has struck." Preemption [*xianfa zhiren* ???] is a core concept of emerging Chinese military doctrine. One author recommends that an effective strategy by which the weaker party can overcome its more powerful enemy is "to take advantage of serious gaps in the deployment of forces by the enemy with a high tech edge by launching a preemptive strike during the early phase of the war or in the preparations leading to the offensive." Confirming earlier analysis of Chinese views of U.S. operational vulnerabilities in the deployment phase, the reason for striking is that the "enemy is most vulnerable during the early phase of the war." In terms of specific targets, the author asserts that "we should zero in on the hubs and other crucial links in the system that moves enemy troops as well as the war-making machine, such as harbors, airports, means of transportation, battlefield installations, and the communications, command and control and information systems." If these targets are not attacked or the attack fails, the "high-tech equipped enemy" will amass troops and deploy hardware swiftly to the war zone, where it will carry out "large-scale airstrikes in an attempt to weaken...China's combat capability." More recent and authoritative sources expand on this view. "In order to control information power," one source states, "there must also be preemption...information offensives mainly rely on distant battle and stealth in order to be effective, and are best used as a surprise...Therefore, it is clear that whoever strikes first has the advantage." "The best defense is offense," according to the authors of *Information Operations*. "We must launch preemptive attacks to disrupt and destroy enemy computer systems."

Specific Targeting Analysis of Network Attacks Against Logistics

There are two macro-level targets for Chinese computer network operations: military network information and military information stored on networks. Computer network attack seeks to use the former to degrade the latter. Like US doctrine, Chinese CNA targeting therefore focuses specifically on "enemy C2 centers," especially "enemy information systems." Of these information systems, PLA writings and interviews suggest that logistics computer systems are a top military target. According to one PLA source, "we must zero in on the...crucial links in the system that move enemy troops... such as information systems." Another source writes, "we must attack system information accuracy, timeliness of information, and reliability of information." In addition to logistics computer systems, another key military target for Chinese CNA is military reliance on civilian communications systems.

These concepts, combined with the earlier analysis of the PLA view that the main US weakness is the deployment phase, lead PLA IO theorists to conclude that US dependence on computer systems, particularly logistics systems, is a weak link that could potentially be exploited through computer network attack. Specifically, Chinese authors highlight DoD's need to use the civilian backbone and unclassified computer networks (i.e., NIPRNET) as an "Achilles Heel." There is also recognition of the fact that operations in the Pacific are especially reliant on precisely coordinated transportation, communications, and logistics networks, given the "tyranny of distance" in the theater. PLA strategists believe that a disruptive computer network

attack against these systems or affiliated civilian systems could potentially delay or degrade U.S. force deployment to the region while allowing the PRC to maintain a degree of plausible deniability.

The Chinese are right to highlight the NIRPNET as an attractive and accessible target, unlike its classified counterparts. It is attractive because it contains and transmits critical deployment information in the all-important TPDFL (time-phased force deployment list), which is valuable for both intelligence-gathering about US military operations but also a lucrative target for disruptive attacks. In terms of accessibility, it is relatively easy to gather data about the NIRPNET from open sources, at least before 9/11. Moreover, the very nature of system is the source of its vulnerabilities, since it has to be unclassified and connected to the greater global network, albeit through protected gateways. To migrate all of the NIRPNET to a secure, air-gapped network would likely tax the resources and bandwidth of DOD's military networks.

DoD's classified networks, on the other hand, are an attractive but less accessible target for the Chinese. On the one hand, these networks would be an intelligence gold mine, and is likely a priority computer network exploit target. On the other hand, they are a less attractive computer network attack target, however, thanks to the difficulty of penetrating its defenses. Any overall Chinese military strategy predicated on a high degree of success in penetrating these networks during crisis or war is a high-risk venture, and increases the chances of failure of the overall effort to an unacceptable level. Moreover, internal PRC writings on information warfare show no confidence in the PRC's ability to get inside network-centric warfare aboard deployed ships or other self-contained operational units. Instead, the literature is focused on preventing the units from deploying in the first place, and thereafter breaking the C4I linkages between the ships and their headquarters.

Chinese CNE or CNA operations against logistics networks could have a detrimental impact on US logistics support to operations. PRC computer network exploit activities directed against US military logistics networks could reveal force deployment information, such as the names of ships deployed, readiness status of various units, timing and destination of deployments, and rendezvous schedules. This is especially important for the Chinese in times of crisis, since the PRC in peacetime utilizes US military web sites and newspapers as a principal source for deployment information. An article in October 2001 in *People's Daily*, for example, explicitly cited US Navy web sites for information about the origins, destination and purpose of two carrier battle groups exercising in the South China Sea. Since the quantity and quality of deployment information on open websites has been dramatically reduced after 9/11, the intelligence benefits (necessity?) of exploiting the NIRPNET have become even more paramount. Computer network attack could also delay re-supply to the theater by misdirecting stores, fuel, and munitions, corrupting or deleting inventory files, and thereby hindering mission capability.

The advantages to this strategy are numerous: (1) it is available to the PLA in the near-term; (2) it does not require the PLA to be able to attack/invade Taiwan with air/sea assets; (3) it has a reasonable level of deniability, provided that the attack is sophisticated enough to prevent tracing; (4) it exploits perceived US casualty aversion, over-attention to force protection, the tyranny of distance in the Pacific, and US dependence on information systems; and (5) it could achieve the desired operational and psychological effects: deterrence of US response or degrading of deployments.

Conclusions: Is the Scenario Realistic?

Chinese IO theorists assert that computer networks attacks against unclassified computer systems or affiliated civilian systems, combined with a coordinated campaign of short-range ballistic missile attacks, "fifth column," and IW attacks against Taiwanese critical infrastructure, could quickly force Taiwan to capitulate to Beijing. This strategy exploits serious vulnerabilities, particularly with regards to Taiwanese critical infrastructure and U.S. military reliance on the NIRPNET, but is also partially predicated on a set of misunderstandings, misperceptions, and exaggerations of both U.S. logistics operations and the efficacy of PLA information operations. This final section assesses the balance of these perceptions and misperceptions, concluding with an evaluation of the cost-benefit calculus for the PLA in undertaking such an effort.

Chinese Strategies Against U.S. Logistics Systems and Operations

The Chinese are correct to point to the NIPRNET as a potential vulnerability, but would such an attack actually produce the desired effect? First, there is the issue of the "ready" carrier battle group at Yokosuka, which is only a few days steam away from Taiwan. Though extended re-supply might be degraded, the group's arrival time would not be heavily affected by attacks on the NIPRNET, undermining a strategic goal of the attacks in the first place. In response, PLA analysts point to times in the last several years when there was no ready carrier in the Pacific because it was "gapped" in the Mediterranean or in the Persian Gulf. More recently, PLA analysts took note of the DOD's formal revision of its strategy from 2 MTWs to 1 MTW. In both cases, they could envision scenarios in which US forces would require seven or more days to arrive near Taiwan, potentially providing China with a "window of opportunity" to carry out rapid coercive operations against Taiwan.

Second, there is the issue of Chinese characterizations of the U.S. logistics system itself. The Chinese tend to overemphasize the U.S. reliance on computers. The writings of some Chinese strategists indicate that they believe the U.S. system cannot function effectively without these computer networks. Moreover, PRC strategists generally underestimate the capacity of the system to use paper, pencil, fax and phone if necessary. In fact, interviews with current logistics personnel suggest that downtime on these systems is a regular occurrence, forcing US logistics personnel to periodically employ non-computerized solutions. At the same time, there is also evidence that U.S. logistics systems are moving toward increasing automation, which would increase the potential impact of an attack against the NIPRNET.

Third, Chinese analysis seems predicated on questionable assumptions about American casualty aversion, particularly the notion that U.S. forces would not deploy to a Taiwan contingency until all of the assets were in place. If logistics delays meant that some part of the force protection package would not be available, they assume, then U.S. forces would wait until they arrived before intervening in the conflict. This is a debatable assumption, particularly given the precedence of the two CVBG deployment in 1996 and Washington's considerable interests in the maintenance of peace and stability in the Strait.

Could the Chinese Actually Do It? In terms of courses of action, interviews and classified writings reveal interest in the full spectrum of computer network attack tools, including hacking, viruses, physical attack, insider sabotage, and electromagnetic attack. One of the most difficult challenges of this type of analysis is measuring China's actual computer network attack capability. In rough terms, a computer network attack capability requires four things, three of which are easy to obtain and one of which is harder. The easy three are a computer, an Internet connection, and hacker tools, thousands of which can be downloaded from enthusiast sites around the globe. The more difficult piece of the puzzle to acquire is the operator himself, the computer hacker. While individuals of this ilk are abundant in China's urban centers, they are also correctly perceived to be a social group unlikely to relish military or governmental service.

The answer may be found in the rise of "patriotic hacking" by increasingly sophisticated, nationalistic hacker groups. As demonstrated by the "hacker wars" that followed former Taiwan President Lee Teng-hui's announcement of "special state-to-state relations," the US bombing of the Chinese Embassy in Yugoslavia, and the EP-3 crisis, patriotic hacking appears to have become a permanent feature of Chinese foreign and security policy crises in recent years. On the one hand, the emergence of this trend presents the PRC military and political leadership with serious command and control problems. Specifically, uncontrolled hacking by irregulars against the US and Taiwan could potentially undermine a PRC political-military coercive diplomacy strategy vis-à-vis Taiwan and the United States during a crisis. Unlike traditional military instruments such as missiles, many of the levers of computer network operations by "unofficial means" are beyond the control of the Chinese government. This could negate the intended impact of strategic pausing and other political signals during a crisis. Yet at the same time patriotic hacking offers several new opportunities for the PRC. First, it increases plausible deniability for official Chinese CNA/CNE. Second, it has the potential to create a large, if unsophisticated set of operators who could engage in disruption activities against US and Taiwan networks. One classified PLA document obtained by Taiwan intelligence emphasizes the use of the "unofficial power of IW" and highlights the role of non-state actors in achieving state coercion goals.

For these reasons, some Western analysts have been tempted to assert that the patriotic hackers are “controlled” by Beijing. Among the arguments marshaled to support this thesis is the fact that consistently harsh punishments are meted out to individuals in China committing relatively minor computer crimes, while patriotic hackers appear to suffer no sanction for their brazen contravention of Chinese law. Other analysts begin from the specious premise that since the Chinese government “owns” the Internet in China, therefore patriotic hackers must work for the state. Still others correctly point to the fact that a number of these groups, such as Xfocus and NSFocus, appear to be morphing into “white-hat” hackers (i.e., becoming professional information security professionals), often developing relationships with companies associated with the Ministry of Public Security or the ministry itself. Yet interviews with hackers and officials strongly suggest that the groups truly are independent actors, more correctly labeled “state-tolerated” or “state-encouraged.” They are tolerated because they are “useful idiots” for the regime, but they are also careful not to pursue domestic hacking activities that might threaten “internal stability” and thereby activate the repression apparatus. Indeed, most of the groups have issued constitutions or other organizing documents that specifically prohibit members from attacking Chinese web sites or networks.

Even if it is true that patriotic hacker groups are not controlled by the state, Beijing is still worried about the possible effect of their behavior in a crisis with the United States and/or Taiwan. Analysis of several recent “hacker wars” over the last two years suggests an evolving mechanism for shaping the activities of “patriotic hackers.” In August 1999, after the conclusion of the cross-strait hacker skirmish that erupted in the wake of Taiwan President Li Teng-hui’s declaration that the island’s relationship to the mainland was a “state-to-state relationship,” a *Liberation Army Daily* article lauded the “patriotic hackers” and encouraged other hackers to join-in during the next crisis with Taiwan. In April 2001, *Guangzhou Daily* reprinted without attribution a *Wired* article on the impending outbreak of a “hacker war” between Chinese and American hackers, which many hackers saw as a sign of government backing. A media-generated hacker war thereafter ensued, with Chinese and American hackers defacing hundreds, if not thousands, of web sites. In May 2001, however, an authoritative *People’s Daily* article rebuked both Western and Chinese hackers, calling activities by both sides “illegal.” This signaled to the hackers that the state had withdrawn its sanction of their activities, and hacker activity quickly tapered off in response to the warning.

A year later, patriotic hacker chat rooms were filled with discussion and planning for a “first anniversary” hacker war. In late April 2002, on the eve of the proposed conflict, *People’s Daily* published another unsigned editorial on the subject, decrying the loose talk about a hacker war and warning of serious consequences. Participants in the hacker chat rooms quickly recognized the signal, and the plans for a new hacker war were abandoned. In neither case could this dynamic be called control, but instead reflects the population’s keen sensitivity to the subtle messages in government propaganda, which continues to successfully create a Leninist climate of self-deterrence and self-censorship that is more powerful than active state repression. As some groups move into “white-hat” positions, however, the relationship might actually transition from a ruler-ruled dynamic to a partnership motivated by reasons ranging from nationalism to naked self-interest.

A final issue related to measuring capability involves the assessment of a group or country’s ability to generate new attack tools or exploits. Outside analysts, many of whom are programmers themselves, tend to reify countries like Russia that abound with highly talented programmers, and look down upon countries or individuals that simply use off-the-shelf “script kiddie” tools like distributed denial of service (DDOS) programs. DDOS is admittedly a blunt instrument, but a fixation on finding more sophisticated attacks, which reflects the widely held but logically tenuous assumption that state-sponsorship correlates with sophistication, may be counterproductive. Instead, analysts should employ a simple “means-ends” test. In the Chinese case, DDOS, despite its relatively simplicity, looks like the right tool for the right mission. From the Chinese point of view, for example, hammering the NIPRNET and forcing it to be taken down for repairs would be considered an operational success, since it could potentially delay or degrade U.S. logistics deployments to Taiwan.

In conclusion, therefore, a strategy to disrupt U.S. logistics systems with computer network attack seems well-matched to U.S. vulnerabilities and Chinese capabilities, though the final operational impact of the

effort may be undermined by important Chinese misperceptions about political will and the nature of U.S. logistics operations.

CHAIRMAN D'AMATO: Thank you, Dr. Mulvenon. I'm sure there will be some questions on this cyber issue. Moving to Dr. Campbell.

STATEMENT OF DR. KURT CAMPBELL, DIRECTOR, INTERNATIONAL SECURITY PROGRAM, CENTER FOR STRATEGIC AND INTERNATIONAL STUDIES, WASHINGTON, D.C.

DR. CAMPBELL: Thank you very much, Mr. Chairman. It's a pleasure to be here on the panel with friends James and Roger and to see good friends Tom and Patrick and you, Mr. Chairman, this afternoon. I appreciate the opportunity to be here today, and I too like James have five points I'd like to make at the outset, and then take it from there if we could.

In preparation for this session and indeed for other work that I'm doing, I had an opportunity to look back at the period in which some of this work on analyzing Chinese military power really began in a fundamental way, not simply cottage industries, but really after the Taiwan Strait crisis in 1995-1996. Those two or three years following, there were a number of studies, some done at the Pentagon and some elsewhere, that were really designed to make some predictions about where Chinese military power was going.

I would say generally speaking, there were predictions that where, look, here's the high end, here's what we might expect reasonably, here's, if somehow there's a sputtering of the Chinese economy, and I think it would be fair to say in each of these reports, even in the reports that would be seen as the most conservative and the most worried about Chinese military power, in 1995 and 1996 and 1997, every single one of those reports missed on the short side.

Virtually, everything that was anticipated in terms of Chinese military modernization has been reached and exceeded, exceeding the five-year plan, if you will, merely a decade ago, and I think it's very important for those of us that were involved in those efforts to acknowledge that.

I'm not suggesting that Chinese military forces are ten feet tall, but the fact is that they have modernized, they have made investments, particularly in some specific niche areas, missiles and submarines and the like that you heard about this morning, I'm sure, Mr. Chairman, but I think it's important for us to take a longer view on this and to recognize that, in fact, much more investment, much more capacity has been created than we would have anticipated.

In many respects, it confirms what we think we know about military history, is that those countries that face one overriding, overarching strategic objective tend to modernize more rapidly and more effectively than other countries, and that's exactly what we've seen vis-à-vis China, I would argue, and it's important for us to keep in mind as we go forward, and it should give us some humility today as we make our predictions about the future. That's point number one.

Point number two, we've talked fairly clearly today so far about the United States and our role in this larger context, but the reality is that we operate in Asia as part of a system of alliances, and I think it's important to both highlight areas where we've seen real successes and some areas that we have some challenges going forward.

The first and most important point I would make simply is that basically most Asians and they don't mean this in any way as a political swipe, but they believe that the United States has been preoccupied largely away from Asia over the last five years, and that we've had other business at hand, and in a sense, we've had an inversion of what we have normally seen from Asians in the past.

Asians have normally worried that they were generally pleased with the level, maybe not always the direction, but the level of American engagement in Asia. They always worried about the future, that the United States, that Americans would not have the wit and wisdom to appreciate the significance of the Asian Pacific region in the future. So

they were always worried about the future. Today, it is inverted. What Asians are worried about is not the future.

They believe that in ten years when the current unpleasantness in the Middle East is taken care of, that we will return to Asia, but they're worried that they will return to a very different Asia, because most countries in the region are making their deals with China, and we may believe, and by all sort of measurement, we are still the great power of Asia, but if you ask countries behind the scenes, they will say, no, the great power of Asia currently is China.

Now, you could suggest that that is an exaggeration of Chinese capabilities. I would not disagree with you, but the fact is that countries are making determinations about Chinese capabilities and behavior in an environment where there is a belief that the United States has been a little bit absent.

And in that context, what we've seen, particularly in Southeast Asia, is a lot of countries that are really doing what they can to curry favor with Beijing, and some of our alliances, particularly in Southeast Asia, I think Singapore is clearly an outlier here, in terms of very significant steps between the United States and Singapore on the security side, but other countries have made fairly clear where they think their long-term bed is made and that is with Beijing.

Our alliance relations are extraordinarily strong and robust between the United States and Japan. Indeed, what we've seen over the last five years, and I give enormous credit to the Bush administration, and frankly to the Koizumi government, this has taken this relationship in a completely new, very important direction. I'm a little worried about what's going on in between China and Japan right now, and that's something that I think we have to focus on, but in terms of Japan becoming a more capable, more reliable ally, I think that's been remarkably effective.

And, of course, Japan is working more closely with us and more carefully working with us on a variety of contingencies. Australia

also has been very active with us on a variety of fronts, but I would note that most of the efforts that the administration has taken to enhance our alliances have not had very much to do with Asia.

They are out of area responsibilities. So we got the United States working closely with Australia, Japan, other countries, even Korea, on issues that outside of Asia. When it comes to China, even countries like Australia will say wait a second now, Mate, we've got other issues here that we've got to discuss. I think it's very important for the United States, and here I would just like to harken back to a speech that Secretary Rumsfeld made at the Shangri-La Dialogue, important speech, very powerfully delivered, but I think largely mischaracterized or misheard by Asians. Asians appreciated the fact that a Secretary of Defense was openly articulating areas that everyone feels and fears about China's military rise in Asia.

However, what I think the Secretary and others don't appreciate is not only Asians who are worried about China's rise, but they are also worried about China and the United States descending into a new Cold War in Asia in which Asian countries are asked to choose sides. So one of the things that we have to be careful about, as we go forward, is not to conceptualize this challenge within our own framework of reference, which is largely the Cold War vis-à-vis the Soviet Union and China.

It's not the Soviet Union, a much more multi-faceted, multi-colored different kinds of challenge than the Soviet Union, a kind of relationship in which we'll both compete with China and cooperate for the foreseeable future.

Third issue, and I'll move quickly, Mr. Chairman, although I'd really commend the Bush administration on what they've done with some of our alliance relations, I am worried right now that on the defense side, we have way too many balls in the air, and I'd actually commend my friend Tom Donnelly for work that he's done on this.

We are in the middle of a major war that we did not anticipate in Iraq, and ongoing operations in Afghanistan, which we overlook. We are trying to reconstitute our forces. We have huge investments that we've put off in terms of long-range aircraft and other stealthy ships, and long-range army systems.

We are in the middle of a BRAC. We have almost broken the Guard and Reserve, and we have huge problems associated with sustaining the force on top of doing a global posture review.

So basically if you can imagine--and we're doing transformation. So basically what Secretary Rumsfeld has done has thrown every ball in the air, and I think privately we all acknowledge that some of those balls are going to hit the ground, and I think one of those issues that I worry the most about is the global posture review.

The key to negotiate about bases and other force posture in Asia is not to say I'm going to change everything and then go ahead and try to negotiate what that is. It's to work quietly and carefully behind the scenes about where you want to go, and I'm afraid that the process that some of this has been done I think frankly will hurt the United States.

I'm worried about our presence in the Asian Pacific region, and I know that there is often desire when a new team comes into power is they want to change everything, but I'll tell you, I think U.S. posture and presence in Asia has served many administrations of Americans very well, and I think some of the things that the Secretary and his team have started I think are worrisome, and I'll just put that on the table directly.

Fourth, there's a lot of discussion about which service should dominate in the Asian Pacific region. It's long been thought of as a Navy or maritime service, but new Air Force thinking suggests, no, this is the service of the future with penetrating aircraft that can do damage against Chinese hardened sites inside China.

The point I would make simply is I thin the last couple of years, if anything, underscores for us the need to be diversified and the

need to be flexible, and so I would suggest, before we make any decisions, that large numbers of ground troops are not necessary in Asia, that we just simply think a little bit about what's transpired in Afghanistan, Iraq. Who would have anticipated five years ago, we'd be where we are today? And think about those things a little bit more carefully.

Remember that once you make statements about leaving Asia, it's very hard to go back again. That's the fourth point.

Let me just conclude, if I can, Mr. Chairman, with one larger statement about the meaning, and Jim and Roger also mentioned this, as did you. It's very difficult in a difficult political environment to talk about what is the meaning of Iraq. We can't talk about failure. We can't talk about not succeeding and I appreciate that, and frankly as a person who supported the war in Iraq, like everyone else, I'm very concerned about where we are.

The fact is that we have to appreciate there are opportunity costs for what has transpired in Iraq, and it means the most difficult issues obviously are the lives and the commitments of our soldiers, sailors and marines who are serving so ably in the Middle East. But it's also financial issues, compounded by Katrina, but most importantly, it is the mind-set of our senior officials.

I was at a Pentagon briefing not long with a very senior official and we were discussing Goldwater-Nichols, and I happened to be sitting next to this senior Pentagon official, who was listening in one ear and, on the other hand, kind of piling through his internal correspondence. Every single piece of paper that he went through in about a two-hour meeting was about Iraq, and that is replicated throughout this administration.

There's an attempt, of course, we're talking about China more and thinking about China more. Let's not fool ourselves. The Middle East and the larger war on terrorism takes up the lion's share of available

intellectual resources at a time which we frankly need to be focused a little bit more on the Asia Pacific region.

So, Mr. Chairman, where does that leave us going forward? I think that after about a decade of uncertainty, we now have a fairly clear set of strategic challenges that are stretching ahead of us for the next generation of two.

The problem is that there are two very different and very deep challenges. Each on its own would be enough to consume American strategic ingenuity. One is what we do against on the war on terror, and for any of us who believe that somehow this is going to peter away, sadly mistaken.

This is going to be a long-term, horribly difficult challenge, which I think frankly we have over militarized, which we're going to think about how we compete more effectively in, and that's going to take an enormous time and effort, and it's been now wound into Iraq in a way that we cannot separate it.

Secondly, how to deal with the rise of China, and the rise of China is very different. Requires a lot of different tools, political, military, strategic, and each of these alone would be enough. I question whether the United States has the capacity, at least how we're currently configured, to deal with both of these simultaneously and I think what we need to be thinking about going forward is how we take steps that allow us to effectively take on both challenges simultaneously.

Thank you, Mr. Chairman.

PANEL IV: DISCUSSION, QUESTIONS AND ANSWERS

CHAIRMAN D'AMATO: Thank you very much, Dr. Campbell, for a very important statement. As someone who has been involved in the Pacific region in an official capacity as long as you have, what you have to say about our role and energy and activities in the Pacific are well worth considering and I know we're going to have some questions about it.

Right now, Senator Thompson, do you have a question.

COMMISSIONER THOMPSON: Thank you very much, Mr. Chairman, for your courtesy and other members of the Commission. Forgive me. I'm going to have to run back out of here in just a minute. But, Dr. Campbell, to what extent has this emphasis on Iraq, being spread thin there and other places, in your opinion, what impact has that on our intelligence capabilities?

It seems to me that underlying so many of these things that we're talking about today is the fact that so much of it depends on our intelligence capabilities. Our emphasis on the Soviet Union for so many years, and now Iraq. These are not your primary areas I understand, but I'm wondering what are your impressions in terms of our intelligence capabilities with regard to China today?

DR. CAMPBELL: Very good question, Senator. If I could just say, my sense is that there are always areas that we need to improve, but if you listed the challenges facing the United States, the area that I feel more comfortable in the intelligence realm is the challenges posed by China.

I think because it is a nation state, because it has many of the indices that we associate with great powerdom, shipbuilding, military writings of the kind that we can pour over, we have a lot of contacts, interaction. We spend a lot of resources on that. So I am much more comfortable with where we are in China than where we are, say, on the war on terrorism where I don't think we have a clue what we're doing.

I don't think we know really who we're fighting or where or where the next challenge will come. So I'm much more worried. We don't have enough people who speak the languages that will be necessary in terms of these secondary challenges, these challenges associated with the war on terror. I think there's a lot of stuff that we're gearing up on the intelligence community that will put us in a better situation vis-à-vis China than vis-à-vis the other challenge, if that answers your question.

COMMISSIONER THOMPSON: Do you all agree with that?

DR. MULVENON: I would to the extent to which it's a more tractable problem that I our Cold War-oriented intelligence community still understands and is structured to attack that kind of a problem, which is a variant on what Kurt has just said.

However, there is an inevitable finite amount of technical collection resources in particular, that have to be devoted to supporting the war fighter and rightly so.

But those same collection resources that know the distinctive howl of every wolf on the Afghan-Pakistan border cannot be used in another place, and so, given the kinds of technical collection challenges we're going through, I think that's just inevitable.

The problem is that the global war on terrorism, in my view, by definition has no end, and so when you talk about these balancing issues, there's no victory, there's no VT Day, if you will, and so we have to think about balancing that load somehow because it can't simply be global war on terrorism uber alles and no focus on anything else.

DR. CAMPBELL: I agree with that.

COMMISSIONER THOMPSON: Thank you very much. Mr. Chairman, thank you very much.

CHAIRMAN D'AMATO: Thank you very much, Senator. Come back if you can. I have one quick question. Dr. Cliff, on your statements dealing with your study, what comes through to me clearly is that we have not paid attention to our facilities and our structures and our contingencies in the Pacific. And, we need to get on top of that problem right away.

Is that a fair assessment that you see clear vulnerabilities throughout the region that need attention?

DR. CLIFF: I do see clear vulnerabilities. I hesitate to second-guess people like Dr. Campbell who have been working these issues both inside and outside of government. I actually met with Admiral Fallon

a couple of weeks ago, and he impressed me very in terms of being very much up on the types of issues that I was talking to him about.

He's aware of the problems, and he is making changes or thinking about changes that need to be made. Changing our force posture, as we know, is a very drawn out process in the Department of Defense. It's not something that we do quickly, and I do worry a little bit that maybe this process is moving too slowly. I wouldn't say that people aren't working on it, but major changes are happening very slowly.

CHAIRMAN D'AMATO: Certainly the pace is important. I thought it was very interesting what you had to say, Dr. Campbell, about the studies that we had done in the post-1993-04 period as all lowballing what we actually expected.

Now, in terms of the current period, it seems to me we need to be at the rather high end of those assessments because there's not too many short poles in that tent. They've got enough cash on hand to do whatever they think they need to do, and robustly so. Their cash on hand, their ability to fund anything they want at this particular point in time, if their economy keeps going, will make their capacities to exceed their expectations a continuing issue.

I have one question dealing with a visit we just had to China. We met with some folks in Beijing who indicated that the time might be at hand to finally make some progress with the Chinese on confidence building measures in terms of crisis management techniques and institutions. I know this is an area that you've been involved in in the past.

What do you think of the prospect of that at this particular time it would be useful for us to make another go at that?

DR. CAMPBELL: It's a great question and I got the paper and thank you, chairman, for sending that over my way. And, there was a period between 1995 and 2000, high hopes, at least on the U.S. side, about how to institutionalize various things like the maritime military agreement, the hot line, and a variety of other things.

Now, for a variety of reasons, basically if you look at the various crises or problems that we've had, the accidental bombing of the embassy, the EP3 incident, almost all those mechanisms have failed for a variety of reasons, usually because of China's desire to avoid them, almost at all costs, which suggests that they see some of those mechanisms perhaps as somehow checking a box that things that the United States wants, but has deep misgivings about actually using them.

I think it's worth another go. I think China is maturing at least in its sense of understanding and appreciates the need to potentially scale things back, but they do have misgivings about confidence building, and I just list a few of them for you.

First, for us deterrence is all about showing an adversary what we got so that they won't do things. I think for China, a certain extent is to allow potential adversaries some uncertainty about what they have, so that there's doubt, and I think that's the basis of much of how they think about deterrence.

Secondly, there are more tensions in the Chinese system, and true confidence building mechanisms involve a heavy degree of military communications and involvement and I think the Party and the senior Chinese leadership is not sure that they want to give that responsibility to the military frankly.

Remember, we have the most mature system of oversights that we've seen between our civilian and military counterparts, but I must also tell you, quite honestly, one of the most interesting cases that we looked at in terms of confidence building was the Kitty Hawk event, and it would be fair to say that civilian leaders weren't completely, and on the U.S. side, knowledgeable about what had happened in this event where a U.S. battle group actually kind of engaged Chinese assets in 1995, all for maneuvering, but it got a little tense on a couple of occasions.

In addition, I think Chinese friends are fearful that certain confidence building measures will bless American activities that they find

threatening. So we want to find a way to talk about if our planes that are flying right along their border, if there's a problem, then we can work those problems out.

Well, the Chinese say to us, look, that's like giving seatbelts to a speeder. We don't want you flying your aircraft right along our border, so we don't want to work on a mechanism so we can avoid a problem if you stray into our territory. I'd tell you how to solve that problem in the United States: don't fly near our airspace.

And so for all of these reasons, confidence building has been difficult. And I will say that I think that if the Bush administration decides to go a little bit more in this direction, I think the Chinese will be more open to considering vehicles for discussion.

The last thing, I'm actually less worried about the United States and China when it comes to confidence building and dialogue. Who I'm really worried about is between China and Taiwan and China and Japan. Real potential for things inadvertently to get out of control, and I know people think that's highly unlikely.

In this environment where forces are traveling close to each other at greater speeds, there is real potential for misunderstandings.

CHAIRMAN D'AMATO: Yes. Thank you very much. Just one comment on that. It seems to me that if we start with U.S-China confidence building mechanisms there might be some hope that you could extend that mechanism to include the Taiwanese or the Japanese. Rather than try and get some kind of bilats between them, maybe we can serve in some way in the middle. Just a thought.

Commissioner Donnelly.

COCHAIR DONNELLY: Thank you, Mr. Chairman. Thank you especially to Dr. Campbell for admitting he was lowballing in--

DR. CAMPBELL: Yes.

COCHAIR DONNELLY: My only remaining question is--

DR. CAMPBELL: Kept you in business; didn't it, Tom?

COCHAIR DONNELLY: --what the Secretary knew and when he knew it? But in the spirit of comity and looking forward, I have a couple of questions which I hope you will all address, and that's really to paint a picture for us of how difficult it would be to defend Taiwan. I want to divide it into two halves.

One is simply the operational question of rapidly projecting military power, whether to deter or dissuade or defend, and to sustain it, not simply above Taiwan or across the Strait, but to at least potentially hold at risk the increasingly hard to get at targets on the mainland. Just you don't have to talk about it in ways it will compromise our operations, but just, again, generically paint that picture for us.

Secondly, and perhaps particularly for Dr. Campbell to talk about, the political dimension of that kind of decision both in terms of the timeliness of an American response, the kinds of questions that an American president will have to face when the PACOM commander calls him on the phone or the chairman calls him on the phone, and again, maybe we could learn a lesson or two from the crises of 1995 and 1996 in this regard.

Again, if you will, kind of spin out a little story about what we will have to do, both operationally, and how complex that will be politically?

DR. CLIFF: I'll start and I'm sure they'll have plenty of insightful things to add to what I add. Operationally, it is going to be increasingly challenging. In the near term, the most significant challenge is, as I mentioned in my opening remarks, the growing Chinese ballistic and cruise missile threat to U.S. airbases, particularly those in Japan, and over a longer period of time, aircraft with precision-guided munitions on the Chinese side started to become a factor as well.

So part of it depends on what type of attack you're talking about. If you're talking about trying to defend Taiwan against missile bombardments or aircraft attacks, that is going to be something that is

going to be very difficult for us, increasingly difficult. It depends on what your threshold is for success in that regard, but certainly it's very difficult for the U.S. to stop China from delivering a lot of ordnance to Taiwan.

Now, whether or not that translates into military victory, though, is not clear, and when it comes an amphibious invasion of Taiwan, I think for the near term that's something that we can probably handle, but over time, that is going to get more difficult, too.

Particularly with the types of air defense systems that China is acquiring, it's going to be very difficult for us to operate in air spaces around the Taiwan Strait, and our most effective way of sinking an invasion fleet would probably rely very heavily on aircraft delivered ordnance and if those aircraft can't safely operate near China, then that problem gets a lot harder too.

And we know that China over time, the missile threat to close-in bases will become greater and that will force us to operate possibly from more distant bases such as Guam, and when you're doing that, what happens is the number of aircraft you can have in the area at any one time falls quite dramatically.

That puts a real premium on having very highly capable platforms that can do a good job while they're there and I don't want to get into debates about specific weapons systems, but something like--

COCHAIR DONNELLY: Could I ask a leading generic question about the effort required to sustain a single tactical aircraft based in Guam over the Taiwan Strait?

DR. CLIFF: Yes. We did some analysis of that actually, and you have to have a large number of aircraft, about five to one ratio, five aircraft in Guam for every one that you can keep over the Taiwan Strait at any one time, and huge amounts of support assets to be able to keep them up there.

So just to use an example, if you're talking the F-22, you have 200 of them, that means you can have 40 of them over the Taiwan Strait.

COCHAIR DONNELLY: If you had them all based on Guam?

DR. CLIFF: If you packed them all into Guam. Now, Guam is a huge airbase, and that's probably possible, but still that 40 aircraft is not a large, although that's a very capable aircraft, and it certainly makes a huge difference if you're flying F-15s which are more--the Chinese are starting to acquire some key aircraft with comparable capabilities as opposed to F-22s.

The other threat that's going to increase over time is, potentially anyway, is the Chinese are very interested in the possibility of using ballistic missiles to attack aircraft carriers, and if they were to master this capability, this is a potential disruptive type of technology that would fundamentally change the way our Navy has to operate because the ballistic missile is a very different type of defensive challenge for an aircraft carrier battle group than the cruise missiles and submarines that we worry about currently.

And because of the hypersonic reentry velocities, if they were actually to succeed in hitting an aircraft carrier, the damage would be enormous. And so if they were to master this capability, then our surface-based naval operations start to look problematic as well, and there are a number of other things that China is doing that is going to make this increasingly challenging.

It's hard to say at what point China's military capabilities get to the point where we really can't defend Taiwan, and certainly on a global scale, the U.S. is going to enjoy the advantage for the foreseeable future, but remember, we're fighting an away game. We have to bring all of our equipment to the fight across an ocean whereas China is operating out of its own backyard, and that is a significant advantage.

COCHAIR DONNELLY: Just to follow, if I may--I beg everybody's indulgence--even one of our large deck aircraft carriers if--again, you mentioned the absolute speed that this warhead or round would be traveling at--do you anticipate that if, unless it was just an absolute glancing hit, that the ship could sustain a hit of that velocity and remain operation?

DR. CLIFF: It depends on where it hits. If it hits the conning tower--

COCHAIR DONNELLY: It goes right through.

DR. CLIFF: Well, it goes right through no matter where it hits, according to the people who study these things. The question is can you have a hole all the way through you and still float? Yes, I an aircraft carrier can. Whether or not you can maintain flight operations, that would look pretty problematic unless it just took a corner off or something like that.

COCHAIR DONNELLY: Thanks. I'm sorry. Anybody else want to--

DR. CAMPBELL: Yes, we want to.

DR. MULVENON: I would just highlight a couple of additional points, that one of the interesting trend lines we're looking at that would, again, be disruptive, would be the conventionalization of the theater missiles that the Chinese are talking about because traditionally we had talked about nuclear-capable ICBMs and then conventionally capable short-range ballistic missiles, and the intermediate theater range missiles were all nuclear.

When one thinks about a world in which the dramatic progress we've made in terms of increasing our operational capability, particularly in what I call "fortress Guam," becomes increasingly vulnerable then in an environment where you have these high reentry speed theater ballistic missiles.

Second, Roger mentioned this, and I just want to put a little bit more detail on it. The potential acquisition in the near term of the next generation of Russian surface to air missile systems would extend the range ring of their surface to air missiles to encompass the entire island of Taiwan, which would be, as you can imagine, highly problematic even if the Taiwanese forces had been destroyed or were standing down and we were trying to fight over the top of them.

And then so that completely changes the environment where you had previously looked at range rings that were over the Strait but you still had some sanctuary in Taiwan if you needed to land or other things.

Submarines, I think, are an increasingly difficult problem. And the learning curve for us currently on Chinese submarines is extremely steep, because frankly the acoustic environment in the western Pacific with the thermocline layers and things are extremely hostile to effective anti-submarine warfare.

This is an area, just to follow on something that Kurt said, where we have really an engaging partnership with the Japanese, frankly, to be made, because during the Cold War, we largely outsourced anti-submarine warfare in the western Pacific against the Soviet Pacific fleet to the Japanese and they have a very robust capability in this regard, in fact, in some cases, superior to our own.

But this submarine threat east of Taiwan, particularly given the dramatic rate at which they are producing new diesel-electric submarines, potentially ones that employ air independent propulsion, is deeply troubling to Seventh Fleet, particularly the extent to which, as Roger said, it forces us to deploy farther away from the island and therefore have less punching power over station when we need it.

Finally, I'll stick my toe in the water and say that our capability to operate and to prevail in a Taiwan contingency is not simply a function of our ability or our allies' ability, but also the ability of the Taiwanese political and military forces to do the things they need to do.

And here, as I've said before publicly, I'm deeply troubled by the lack of attention to critical infrastructure protection, by the decline in the regular defense budget. I think we've made a major policy mistake frankly to make the overwhelming metric of Taiwanese seriousness about their own defense to be the special budget to buy systems that in my view probably won't come on line and be operational till well after where I think the window of vulnerability and danger has opened.

But an overall belief I think fostered by, in some cases an appalling sanguineness about the China threat in very high levels in the president's office and other parts of the Taiwanese system, that we really require the Taiwanese to be able to hold out and to carry some of the water in one of these contingencies because the political dynamic that will ensue towards capitulation will exceed the speed of the time lines of our logistics deployment to the area. So I think we need to think about it as an organic whole.

DR. CAMPBELL: Thanks. Tom, good question, and I associate myself with the comments of my colleagues here on the stand. I do think that James in particular makes a couple of points that I think are important for us to keep in mind.

One is that while I actually think it's critical that our Taiwan friends make the appropriate investments, the reality is that we've lost five or six or seven years that will be very difficult to reclaim. So it suggests that Taiwan has to shift some of its focus to some urgent needs, and I would say, number one, on the top of that list, is frankly continuity of government. I'm talking about real continuity of government in a crisis of the kind that we saw played out during the assassination attempt last year, in which all this talk about this was a staged assassination, I think that's ridiculous.

I think what's much more troubling is to look at what happened in Taiwan after the attacks, and how much confusion the government was placed in. Now, the military has some capabilities, but I

think it would be fair to say that the civilian authorities do not yet really have a concept of what this means.

That worries me a lot, and it seems to me that we know a little bit, and frankly we know a lot about continuity of government, given our own experiences during the Cold War and more recently as we've updated those procedures and that work in the intermediate aftermath of September 2001.

Second point, Tom, I think that actually some of the most difficult issues are the ones that we laid on in terms of hardware and flowing forces to the field. The truth is that there are going to be a whole host of political issues that are going to be as difficult.

Most of our strategic relationships and our private protocols, even with some of our closest allies, are carefully hedged, and they are not carefully and systematically trained for, and it would be fair to say that if we face this kind of crisis, people would be having first conversations with their counterparts in a number of countries.

I don't think the president of the United States has ever talked to a leader of Taiwan; have they? But it's inconceivable to me that we'd be flowing forces to the field and there wouldn't be some communication. Likewise, go right down the list of all the kinds of counterpart discussions. I think those exist in theory; how they would work in practice, I'm not sure.

How hard is it to operate in Katrina where we theoretically know how to do this stuff? These are some working relationships that we don't have. And it's not just Taiwan. It's Japan. It's Australia. It's Singapore. It's South Korea. Many of these countries will be immediately of the Chekhovian moment where they'll just stop and they, oh, my God, what do we do? Either way is extraordinarily challenging for them. Right. So that's the second point.

The last point I would just say, and I think it would be imprudent and improper for anyone to suggest in a public hearing that Iraq

complicates our ability to do sustainment because I think it's an unhelpful thing. But the reality is that Iraq and Afghanistan require an enormous amount of existing tail, infrastructure, sustainment, that is complicating, and I don't want to say anything beyond that.

COCHAIR DONNELLY: I apologize to my colleagues. I just hope that the quality of the answers redeemed my--

CHAIRMAN D'AMATO: You were lucky. You were lucky. Commissioner Bryen.

COCHAIR BRYEN: I want to commend the panel. This is a very important discussion, and you have contributed a great deal to the thinking of the Commission. We probably need a lot more of your time.

If you have three cameras, I'm thinking about the U.S. defense posture in the Pacific, and you had three cameras, one five years ago, one right now, and one five years from now, and you could take a force posture picture, where are we? Five years before, now and in five years, what's happening?

DR. CAMPBELL: Force posture?

COCHAIR BRYEN: We know what's happening with China. We've been talking about it, talking about it, and talking about it, but I want to know what's happening with us.

DR. CAMPBELL: Roger probably has--I think, 2000, roughly 100,000 sailors forward deployed. I was involved in the decision for the 100,000. I'd be the first to say it was the wrong kind of nametag for all the right reasons. Okay? And I think we're moving away from that and so we're not going to base our forward deployment on a number, which is exactly right.

But the reality is, and I think we have to understand this, although we are transformational and we think in terms of new capabilities, most Asian mind-sets are very traditional, and they measure things in terms of presence. Are you here? And I think there is a belief that if we can reach out and touch you from places in the United States or far a field, that

somehow we'll be able to commit and communicate our staying power and our decisiveness.

I worry about that, and I disagree with that. I think it's wrong. I think actually having forward deployed forces despite how difficult it is in terms of managing country relations and stuff actually has been very helpful to us.

So I think having forces in Japan, even in Okinawa, South Korea and elsewhere is valuable, and I think keeping those forces in the Asian Pacific region is something that we should want to continue in the future. If we continue on this trend, I think it's not inconceivable that in the next five years, we'll have more attack aircraft, probably slightly fewer ships, maybe more submarines, and probably a dramatic reduction in our ground forces, both Marines and Army.

DR. MULVENON: I would say that five years ago, it would be safe to say that our posture in Asia was largely still a Cold War posture just by definition.

CHAIRMAN D'AMATO: Largely?

DR. MULVENON: A Cold War posture. That it had largely not changed, but that the good news since then, in my view, the greatest progress has been made in terms of the advancements in Guam, and here we present the Chinese with an interesting dilemma. Part of the PSYOP that I often run with my Chinese interlocutors is, don't fool yourself into thinking that Guam is a territory not of the United States but should be considered somehow in a deterrence framework as somehow separate from the continental United States, that somehow we'll just allow you to rip the arm off, but we won't notice the limb is missing, but that in fact it will be treated much differently.

Even though our bases in Japan are technically U.S. territory, there is something about the fact that the Guam is actually a territory of the United States that I think is a fundamental psychological difference that changes some of the interesting deterrence dynamics in the region and, as

Kurt said, we've made some important advances, although typically quiet, with the Singaporeans.

In Korea, the goal right now, despite all the Sturm and Drang in the relationship, is to move from a situation where you had U.S. forces that were basically pinned down for one mission and one mission only, which was the operational plan against North Korea, and any movement of a single individual away from those standing forces was to set off alarm bells all over South Korea, that our commitment was waning and that the North Koreans were going to attack immediately.

I think the administration has made the right and difficult move to say that we need to be able to take these forces and have the flexibility to use them for regional contingencies and it will not fundamentally undermine our ability to carry out effectively the O-plan and other things.

Similarly, I think Japan has made more progress in this part by their own initiative and their own energy towards their own independence. This is one of the most shocking things I think for the Chinese side has been the extent to which the Japanese were willing to drive off the Han-class submarine that was in its territorial waters and the aggressiveness that they've shown in certain situations to protect their territorial waters has frankly resulted in a very intense rethink about the future trajectory of Japan in Beijing.

Finally, I would just register one disappointment, and my disappointment is with the Philippines, and Roger wrote about this extensively in a study that we did together in 2002 at the World famous RAND Corporation, and that was a situation where if handled the right way, that some facilities in northern Luzon could have been used as training rotation that would have been particularly helpful in a whole variety of ways in a Taiwan contingency, but I'm afraid we have not made nearly the amount of progress on that front that I would have hoped.

DR. CAMPBELL: Just one. I like very much, the one place that I would pose just a slight bit of caution, we do have lots of interesting plans for the Korean peninsula, and the idea is that we will now use the Korean peninsula more as a jumping off point to do certain military operations elsewhere. The problem is that we've had almost no consultation with our Korean interlocutors about this, and they're completely utterly totally against that.

Okay. So except for that small little detail, everything is going very well. The reality is what has kept the alliance together has been the commitment to deter North Korea, and the fact is that we have put almost all of our efforts talking about these other outside activities and talk very little about what we're thinking about in terms of maintaining deterrence vis-à-vis North Korea, and I think we've got to be careful with ourselves. We are not sending the right message to North Korea. We are just not, and any conservative, not a Republican, conservative would say wait a second, we've seen this story before, it led to the Korean War, we've got to be very careful that we don't send a message that, oh, well, that's your problem, Koreans, and then we're going to start thinking about stuff associated with Taiwan and elsewhere, in which we've not had a robust mature dialogue with our counterparts in Seoul.

In fact, the relationship that I worry as much about, I think the two bilateral relationships that we have to worry about, one is between China and Japan. The other frankly, and again it's difficult to talk about, is between the United States and South Korea. And here it has been a tag team exercise about who can undermine the relationship most effectively, Washington or Seoul, and together we've joined arms to really do real damage to this relationship, which I think has been vital.

And I think if we're smart, we play the long game and realize that having a good relationship with South Korea matters in the future.

CHAIRMAN D'AMATO: Thank you very much.

DR. CLIFF: If I could just second that final point there about any changes to our force posture involving our allies, even it means we're withdrawing forces from those countries, that has to be part of a negotiated process.

First of all, there may be a propensity to assume that they want certain things that they may not actually want. Despite their persistent complaints about our presence in certain areas, they may not actually want us to leave. They may want us to stay there so they can keep complaining about us.

And second of all, if you are going to withdraw, if you're going to make a concession, then you ought to see what you can get in return for it and not just assume that you'll earn a bunch of goodwill. Every time I ride in an airplane, I see that advertisement for the guy who says in business you get what you negotiate, not what you deserve, and I think that's true in military relations as well.

To talk a few specifics, I would like in five years, I would like very much for the U.S. to have the same number of airbases in Japan as we have now. Now, I realize a couple of those facilities, particularly at Atsugi and Futenma, are highly problematic. So if we have to get out of those facilities, I would like to see us get access to some other facility. Again, it doesn't have to be a permanent U.S. base, but a place or a sovereign U.S. base anyways, but a place where we can put our airplanes down and operate out of in the event of a conflict.

Second of all, we, as I said, I would certainly like to see more robust defenses of various sorts at the bases that we do retain in the Pacific, and then finally I would say we need at least one more aircraft carrier stationed in the western Pacific. More would probably be better, but I'm trying to be realistic here. But at a minimum, we really need another carrier.

One carrier by itself, which is what we could be looking at in the early stages of a conflict, really doesn't buy you a lot. You need at least two.

COCHAIR BRYEN: As we saw in '96, in fact. There were two that were required.

VICE CHAIRMAN ROBINSON: Yes.

COCHAIR BRYEN: Thank you very much.

CHAIRMAN D'AMATO: Thank you.

COCHAIR BRYEN: Thank you all. It was very helpful.

CHAIRMAN D'AMATO: Vice Chairman Robinson.

VICE CHAIRMAN ROBINSON: I too wish to commend the panel. This has been immensely important, and I think you have been right on the money. From my perspective, I just returned from Tokyo and Taipei for the Commission and had an opportunity to meet with senior officials in the national security establishments of both countries, and their views track reasonably well with much of what you've shared with us today.

I would only add one other relationship challenge to Dr. Campbell's very good analysis of Tokyo-Beijing-Washington-Seoul. In short, Tokyo-Seoul is not exactly going swimmingly. Japan is likewise quite disheartened with the present direction of the North Korean crisis. But that's a subject for another day because of its complexity.

I also wanted to go back to Dr. Mulvenon's interesting comment about a window of danger and vulnerability. I think the time lines are important here, and I'm wondering about whether I can get your view on exactly what you think is the window of maximum danger from a timing perspective between now and 2012, for example. I would also like to get the views of the other panelists.

I think it's the view of most of the Commission that a certain future point in time things could actually start improving and, in effect, de-escalating for a host of reasons, but I would be interested in your views of that window of vulnerability.

Second, Dr. Cliff offered that two carrier battle groups are clearly required, for example, in the way of forward-deployed U.S. capability to have any prospect of prevailing in a worst-case scenario of a Chinese attack on Taiwan.

I'm interested in all of your views on this, even though this is a rather general question. In short, what, no kidding, would the bottom-line U.S. requirements be, understanding and the claim on our resources represented by Iraq and other obligations. What do we need to respond militarily to this worse case Chinese military scenario with Taiwan? Is it your view that PACOM and the U.S. military more broadly, have the intention to mobilize and preposition these regained assets?

DR. MULVENON: Commissioner, I would say that one piece of good news, filling the gap between a future point in which we have a second forward deployed carrier is that PACOM has clearly and forcefully and publicly declared that they're going to increase the rotation of carrier strike groups in the area in and around Taiwan during the months between May and August when the conventional wisdom is that this is most likely that the sea state would be most conducive to trying to get across the water for the Chinese.

And doing that, even in the context of the tremendous pressure on our global deployments in the Gulf and in other places. So I think as a short-term gap filler, I think that highlights PACOM's creativity without having to have their own BRAC globally and realizing the tremendous dislocations that would occur from either choosing Hawaii or Guam as a place for a carrier, to know that during those key months that they have that kind of added capability near by, within a few days steam.

Now, one of the key issues, however, is whether the conventional wisdom about May to August attack is actually right, and that gets to my window of vulnerability discussion. I went out on a limb about nine months ago and said that I thought frankly that 2006 was a pretty dangerous year in my view.

2006 was a dangerous year because I felt a number of trend lines could potentially converge. One is the domestic political line in Taiwan as it related to constitutional revision. A number of things troubled me on this front, and here my Jesuit education helps because these are largely theological discussions about the future, but was that President Chen in his inauguration speech was very clear in Chinese to say that it was his personal opinion that constitutional revision should not touch the parts of the constitution that dealt with national identity.

He has subsequently tried to shore that up. My concern is that if you're a daily watcher of Taiwanese domestic politics, as I am, it is a pretty aggressive food fight most of the time and I can easily envision a scenario in which the Taiwan Solidarity Union acts as the bad cop and puts forward some very aggressive constitutional revisional proposals next year, that the Chen administration simply says we're bowing to the will of the people, and one can imagine the food fight that erupts from that.

The key, the reason why I think that is important is because without getting into the, again, theological discussion about whether time is on Taiwan's side or time is on China's side, I happen to believe time is on China's side as we go forward, is that one troubling comment that I was consistently hearing from Chinese interlocutors is the international community has a very short memory about our use of military force after Tiananmen, the Japanese lifted sanctions after three months and other things.

If we did something in 2006, it was posited, the international community will largely have forgotten and forgiven by 2008, and our big concern about having an unimpeded Olympics that doesn't have a 1980 Moscow boycott scenario goes away. So those two factors together mean that I'm going to be especially vigilant next year watching some of the trend lines as it relates to political changes in Taiwan.

DR. CAMPBELL: Thank you, commissioner. I want to answer one part of this and then kind of ask us to go a little bit further on

this. If you think about conflicts in the major places in northeast Asia might actually develop, I'm not really clear how a war would start on the Korean peninsula, but I have a very good idea how it will end.

Okay. I think the reverse is true across the Taiwan Straits. I have a very good idea how it would start and I'm not very sure how it would end. And so one of the biggest problems that we have, and I would just urge the commission to think a little bit about this, is that the way you are positing this, and I'm trying to learn from our period in the 1990s, is that you're talking about this urgent response in the first couple of weeks.

I'm less worried about that than I am about what do you do for two to five to seven years? And I think when you start making those calculations, I think you arrive in situations that are very difficult to sustain, and so one of the issues that you always ask yourself, if we went to, quote, "war," if there was a conflict which we all want to avoid at all costs basically, what is it that we would be fighting for?

Would we be fighting for Taiwanese independence? Would we be fighting to separate the forces so that negotiations could begin? Would we be fighting to reestablish the status quo antebellum? I don't think these are issues that we've begun to debate. Clearly, we don't debate them in government.

One of the things you find out about government is that the hardest issues very rarely get tackled. That's really your guys' job, and so the way you're positing this is the easiest part of the equation, and I'm sorry to tell you this, but how you handle the first couple of weeks, I think we can meet that challenge, it will be hard, there's lots of stuff that we can work on. It's the longer-term things that I don't think we as a nation have really begun to think about, and actually the more I think about these things, the more it forces me back into let's do whatever possible to avert these problems.

DR. MULVENON: If I could just make one short point. Some of the most uncomfortable and unsatisfying meetings that I've

attended in Hawaii are the ones where we try and talk about end-states. Logically you should posit an end state and then work backwards to determine the kinds of military conflicts you want to fight and how you're going to maintain escalation control.

But end state is a political discussion that people who do planning don't want to have because the politicians are going to sort that out later. But if you don't think hard about whether you want status quo antebellum, which I personally believe is impossible in a U.S. military conflict with China, that in order to restore the semblance of what had happened, of the state of the world before. The world will be fundamentally changed if there's a shooting war with China over Taiwan and the idea that our military operations could restore this pristine world from before, I think is highly dubious.

DR. CAMPBELL: Maybe not so pristine.

DR. MULVENON: Right.

DR. CAMPBELL: But some workable facsimile of Taiwan--

DR. MULVENON: Right.

DR. CAMPBELL: --that has some nebulous status, right?

DR. MULVENON: Right. But the idea of thinking about what they call "phase four operations." Are we actually occupying Taiwan? Is it an unsinkable aircraft carrier in the western Pacific? These are very difficult issues that are not being confronted head on that enough hard thinking is not being done about. But to me they are the whole ball game.

VICE CHAIRMAN ROBINSON: Yes, please, Dr. Cliff.

DR. CLIFF: I just want to say I agree with both of them on that. It's a very important point and I don't have anything to add to what they're saying, but it is something that needs to be looked at.

Going back to the issue of a window of vulnerability, up until about a year ago, I was actually saying that I considered a very dangerous period to be the 2005 to 2008 period. A couple of things have happened

over the past year that not necessarily in terms of military vulnerability but in terms of the potential for conflict. A couple of things that have happened over the last year that I think have given us some breathing room, one was the fact that the nominally pro-unification parties in Taiwan maintained their control of Taiwan's legislature, and which I think has caused Beijing to sit back and see how things develop over the next three or four years.

The other development is the revisions to Taiwan's constitutional procedures that happened early this summer that have set a very high bar now for making any changes to the status of Taiwan. In case there are people who aren't aware of the specifics, you now need three-quarters of the Legislative Yuan to agree to a constitutional revision and it will then be put before the populace and you need 50 percent not of voters but of eligible voters. Now, in the U.S., we have trouble getting 50 percent to turn out. So nothing could pass by that standard in the U.S. Taiwan has better turnout rates, but still to get 50 percent of all eligible voters to vote for a constitutional revision would also be quite challenging.

So it's not really possible for a party that has a bare majority to ram something through over the objections of the remainder in Taiwan. So really any fundamental changes to the name of the country or its alleged territory and so on is going to require pretty close to consensus in Taiwan. So I feel better about that.

Nonetheless, I don't think we're out of the woods, and here's the way I look at it. If I was in Beijing in 2000, at the beginning of 2000, I would say, well, I don't like Lee Teng-hui, but at least he pays lip service to unification and at least the KMT is in control of the legislature.

In 2005, after Chen Shui-bian was elected, I would say, well, I don't like Chen Shui-bian, but at least the KMT and People's First Party are in control of the legislature.

Now, fast-forward to 2007, December 2007, if now the pro-independence parties take over the legislature and then another pro-

independence candidate is elected president in March of 2008, and you're sitting in Beijing, and you say I don't like the way things are going in Taiwan. This is not a country that appears to be moving towards unification with the mainland, and if those political events were to occur, then I think at Beijing, there would certainly be people who would decide it was time to convene and talk about what the long-term solution to Taiwan is going to be and it appears that just waiting for Taiwan to return to the fold isn't working, so what are your options then?

On the military side of things, I think from Beijing's point of view and frankly from my point of view, I don't see a time when trend lines start to walk backwards to the U.S. direction. I think because of the advantages of geography that China enjoys and the types of modern systems that initially it has been acquiring from Russia, but now its own indigenous defense industries are starting to turn out, this is a country that is going to have an increasingly capable military and although, as I said earlier, it's not going to catch up to the U.S., it's going to narrow the gap, and for that reason we have to make sure that we keep running to stay ahead of them.

And there are specific capabilities that we need to focus on, and to answer your earlier question about what it takes, I don't, I haven't done that kind of detailed analysis where--we've done it at RAND, and we have another study to do it again--but obviously when you compare the results of analysis to what actually happens on the battlefield, the divergences are many times--the average deviation is much larger than any of the average deviations you got in your experimental analysis.

But I would like to talk about certain types of capabilities that the U.S. needs to focus on. One is the ability to project air defense or conduct air defense over long distances, and I frame that in kind of vague terms because the specific solution, there's more than one possibility.

One is something like the F-22. Another, though, would be a very long-range sea-based surface to air missile system, something that we

were developing at the past and have not been pursuing with as much vigor recently. We need, you certainly need stealthy platforms to operate in the type of surface-to-air missile environment that China will be throwing at us.

U.S. Navy once was very much focused on anti-submarine warfare. That is something that has received less attention over the last decade, although to their credit, the Navy is now reenergizing that particular mission. You certainly need the capability, as I think one of the earlier questions alluded to, to find and attack fleeting targets in China, whether those are surface-to-air missile launchers or ballistic missile launchers.

CHAIRMAN D'AMATO: Let me just cut this short because we're late, and we've got a couple more quick questions.

DR. CLIFF: Sure.

CHAIRMAN D'AMATO: Commissioner Mulloy.

COMMISSIONER MULLOY: Thank you, Mr. Chairman. Dr. Campbell, I want to direct a question to you. First, I want to thank you for being such a great help to this Commission. You appeared at one of our very first briefings, helped us to think about how we ought to proceed, and so we're very grateful for your assistance to us over the long term.

Our charter, given to us by the Congress, tells us that we should review the triangular economic and security relationship among the United States, Taipei and Beijing, including Beijing's military modernization.

So I think somebody who was putting this together thinks that the economic is tied somehow to Beijing's military modernization. I want to pursue that.

Dr. Campbell, you told us that the Chinese exceeded their military goals or what you thought they could do back in '95, and you found the same trend has been going on since. I think the people who negotiated the WTO agreement find that they've exceeded what we could

not have imagined that we would now have a \$200 billion trade deficit with China, that we would have R&D moving out of this country by our major corporations setting up R&D facilities in China, and helping to build China's comprehensive national power.

Now, some people will say that's good and it's good to have those kinds of relationships. In my head, I see the trade, we've got international rules, but investment, there are very few international rules. We can do things what we want, how we want, if we decide to do that.

Now, we just got back from China. The Chinese have incented programs to move U.S. corporations to move R&D, to move all this investment to China, and then we have these "big box" retailers which then bring the stuff back and the who question of how they operate and whether they give health care, economic incentives. So there are a lot of things you could do if you wanted to change this.

I have a question. You who are focusing on all this, and I ask you, Kurt, because when I first met you, you were in the Treasury Department, and I think you worked there under Bush I and early Clinton, so you had some sense of the integration, do you see that our current economic investment and trade policies are more or less feeding the beast in terms of China's military strength and that we ought to at least be cognizant and begin to rethink some of where we're headed economically in this relationship?

DR. CAMPBELL: It seems to me, Pat, that that is the largest and most difficult question. One of the things that people will say and just throw off in an offhand way, well, what's your strategy for China? Well, engagement. Right, we're going to engage; right?

That's based on the belief that over time that China will mellow, that we will maintain our dominance, and that China will integrate easily economically and that we will maintain very strong upper hand on economic relations, and I think what we're finding in all aspects of our

engagement strategy is that China has grown militarily a little bit faster than any of us had anticipated by the way.

They are competing economically much more aggressively than many of us would have anticipated. I would just say that for some of this you got to say shame on us, to be perfectly blunt, and I'm not talking simply about outsourcing jobs and stuff. If you ask who is paying for the Iraq war, largely it's China, because we're not paying for it; we're putting it on the national credit card. And if you look at, who's made most of the investments inside the United States over the last five years, it's mostly come from Asian treasuries.

I think ultimately China's challenge to the United States is much more likely to be commercial and economic in the short run and probably strategic and military in the medium course.

The question about whether their vast military or vast economic growth feeds, quote, "feeds" their ability to make military investments, the answer to that is absolutely. Now, how do you go about that, mediating that? Do you somehow go in and say, well, no, we can't trade with China.

COMMISSIONER MULLOY: No.

DR. CAMPBELL: That doesn't make sense. I think the larger problem that we need is we often talk about strategic dialogue with China. I think the fact is that we have not had true strategic dialogue in which we are able to ask uncomfortable questions about where China is heading, and it seems to me we have a little bit of a double standard. We press some countries very hard in Europe and elsewhere and China perhaps not as hard as we should about certain issues about where we think they're going militarily in particular.

And for that, I think Secretary Rumsfeld particularly in Shangri-La did something that's quite important. I think ultimately China's challenge has turned out to be much more significant and much more in our face than we had anticipated just a couple of years ago.

That's one of the reasons why I think, you know, while everyone else is focused on other issues, it's great that a small group of people have been constituted to really consider what I think is probably the biggest foreign policy challenge facing the United States.

COMMISSIONER MULLOY: Thank you.

CHAIRMAN D'AMATO: Thank you. Commissioner Wessel.

COMMISSIONER WESSEL: Thank you, Mr. Chairman, and thank you to the panelists. This has been extremely valuable. Let me take this a little further if I could and get your advice in terms of force projection. We've seen China have a dramatic increase in the need for raw materials, resources and going all over the globe now for iron ore, et cetera.

We've seen increasing stories about "string of pearls" as they look for new basing rights. We have estimates from some U.S. interests about China's dramatic increases in its shipbuilding capacity, oilers, et cetera, and that within ten years, I believe, they may have a Navy that matches our own in terms of numbers, not necessarily in capabilities.

What information from your looking at doctrine, from looking at Chinese capabilities, et cetera, what do you think China wants to do in terms of having more of a "blue water" navy? How soon does that happen? We've all been talking about Taiwan. Shouldn't we be looking beyond that time frame? Any information that you can shed on that?

DR. MULVENON: Two things. I think strategically we should think about the following focal point. China currently enjoys and relies on U.S. provision of freedom of navigation. Okay. That's the key dynamic. If you think about world history in a longer term. The key fulcrum point would be what point in the future does China actually believe that it's no longer in its national interests for the United States to provide freedom of navigation? I actually think that point is fairly far out there.

DR. CAMPBELL: Stated slightly differently, at what point do Chinese believe that they have to also be involved in the maintenance of freedom of navigation?

DR. MULVENON: Right.

DR. CAMPBELL: And that they cannot trust simply the United States to play that role? I think that's a different way.

DR. MULVENON: No, it's precisely what I was trying to say.

COMMISSIONER WESSEL: But do we see Unocal. We see again iron ore and many other things, interest in Brazil, all over the globe now in terms of resource acquisition. That's not a decision that comes overnight.

DR. MULVENON: No.

COMMISSIONER WESSEL: Do we see them moving towards that concern and wanting to plan for greater force projection of their navy or are we not at that point yet? What are you seeing in terms of writings and concerns within China?

DR. MULVENON: Well, I think we have imbedded our discussion of it with a couple of pieces of what now turn out to be largely mythology, particularly this notion of the island chains, if you will. Admiral Liu Huaging did write about it, he did talk about it, but deeper examination of internal navy doctrinal writings fails to uncover a single reference to any of this, and, in fact, it's much more operationally focused on the missions and it's more mission driven, and so the first hope I would have is that we could consign Admiral Liu's comments as a nice poetic metaphor, but, shouldn't be the overarching framework we use for thinking about how the Chinese view power projection in the maritime realm.

They still have a very significant naval projection power issue to deal with in a Taiwan contingency with the United States. I don't think they have the luxury of beginning to think more broadly about this issue until they get that nailed down.

That said, I do agree with the Pentagon's military power report that there is an increasing amount of evidence that Chinese military modernization has grown beyond the development of the niche capabilities necessary in a Taiwan situation and that we are looking at a broader modernization program that has important implications for other contingencies in Asia, and here I would only highlight that I recently went through an exercise with a U.S. government agency that wanted to think, in fact, about what is China's military strategy beyond Taiwan?

Let's assume the Taiwan issue goes away, and regardless of whether it was by war or by peace or by vote or whatever, what would their military strategy look like? And I think that the kinds of discussions we had and the kinds of dynamics I particularly see in Sino-Japanese relations, that the interesting proxy conflict that might be the first to emerge is the friction between an increasingly independent Japanese Navy and the protection of its own regional resources on the Shelf there and the Chinese Navy, and that, in fact, the Chinese might view that as a proxy discussion for not wanting to directly confront the U.S. Navy head on at the outset but trying to probe some of those discontinuities in our relationship with Japan.

DR. CAMPBELL: I like James' answer very much. I would say what's interesting if we've talked about all the things that China has done, and I think there have been many important things, and the things that I think James laid out that they could do in the future. There are some surprises though of things that they have not done that one might have expected looking back a decade.

I would have anticipated by now a larger focus on long-range nuclear weapons. I thought that was possible. I think we could see that in the future, but it has not been an area of primary focus.

Number two, I think most of their naval operations have been littoral rather than long-range naval operations. I think there are obvious reasons behind that, but I would have still anticipated more than we have

seen to date, and lastly I would have seen, I would have thought we would start to see things that looked like military alliances, where Chinese forces would basically deploy and train more with other countries outside of its immediate sphere. And those were things that I might anticipate in the future, but I think their absence suggests on some level that they appreciate that one of their biggest challenges is that dealing with the country that will not yield its position in any way easily in the international system, i.e., the United States. And that would have been the case if we were challenged by Japan and Germany in the 1990s, which was not anticipated, and it certainly is the case vis-à-vis China now in this new century.

DR. CLIFF: If I could just add a couple of observations to that. If you look at what China's military is developing in terms of different types of weapon systems, not just its military but its defense industrial complex, they are developing just about any kind of weapon system you can think of or name with just a few exceptions, and the most striking ones to me are they are not currently developing a long-range bomber, they're not developing long-range transport aircraft, and they're not building an aircraft carrier.

Now that could change. They're currently formulating the next Five Year Plan and maybe there will be aircraft carriers and bombers and so on in it, but they're a long ways from having that kind of capability. Even if you started building an aircraft carrier today, it wouldn't be operational for about five years, and I'm just talking operational in the mechanical sense and probably another decade before you could actually effectively learn how to conduct the complexities of aircraft carrier based operations.

So what that suggests to me is that China's military planners are not currently looking at a global power projection capability. But that doesn't mean, as James suggested, that they're not thinking about a regional power projection capability, and I certainly agree with James that Chinese

strategic thinkers are not thinking, well, once we solve the Taiwan problem, then we won't need a military anymore.

They want China to be a major world power that has all the accoutrements of that and that includes a world-class military. But for the near term or medium term, they have enough challenges in their own region that that's their focus. So, yes, that could include increasing "blue water" naval capabilities, but we're talking blue waters in the Pacific mainly. We're not talking about a military that really is thinking about operating more than just for show outside of the Pacific. In particular, I don't see China, especially with India in the way, doing a whole lot in the Indian Ocean or Persian Gulf any time soon.

CHAIRMAN D'AMATO: Thank you very much. Thank you very much, Commissioner Wessel, and thank the panel, all three of you, for a very provocative and very interesting discussion. I know you're going to be getting the transcripts back from us for your editing and we look forward to working with you.

Thank you very much. Commissioner Bryen, you've got the next panel. We're running a bit late so we want to get moving on this panel. Commissioner Bryen.

PANEL V: TAIWAN'S SELF-DEFENSE NEEDS AND RISKS TO THE UNITED STATES

COCHAIR BRYEN: We've reached Panel V of the day, and this panel will examine Taiwan's self-defense needs and risks both to Taiwan and to the United States.

We have four members of this panel. First, Dan Blumenthal from the American Enterprise Institute, who previously served as Senior Director for China, Taiwan and Mongolia in the Office of the Secretary of Defense of International Affairs.

Before his service at the Department of Defense, Mr. Blumenthal was practicing law in New York.

Dr. Tom Christensen is Professor Politics and International Affairs at Princeton University. His research and teaching focus on China's foreign relations and the international relations of East Asia.

Before arriving at Princeton, Professor Christensen taught also at Cornell University and MIT.

Dr. Adam Cobb joins our panel. He writes and teaches courses on strategy, counterterrorism, critical infrastructure protection and Asia Pacific security. That's quite a bundle of responsibilities.

Prior to joining the faculty of the U.S. Air War College in 2005, Dr. Cobb was director of a think tank in Sydney, Australia. He also served as the Special Director for Strategic Policy in the Headquarters of the Royal Australian Air Force and as a Senior Defense Advisor to the Australian Parliament.

He also served on the Congressional Liaison Staff of the Australian Embassy in Washington, D.C., and on the staff of a member of the U.S. Congress. That's quite a tour de force I must say.

Finally, we have Mr. Fu Mei, who chairs the editorial team for the Taiwan Defense Review. He is a leading authority on the Republic of China military and is a seasoned writer and researcher who has published numerous articles about Taiwan's armed forces.

So we have a panel that I think certainly is capable of addressing the issue that's been posed which is the overall analysis of what Taiwan's defense requirements are, how Taiwan is addressing that now, what it should be doing and what the United States should be doing.

I want to start with Mr. Blumenthal and move from my left to right on the panel. Please summarize. Because of the lateness, we lost about half an hour. If you would summarize your statements for us, we'll put the full statement in the record, and it will also give our commissioners a chance at the end to ask questions.

Mr. Blumenthal.

**STATEMENT OF DAN BLUMENTHAL, RESIDENT FELLOW,
AMERICAN ENTERPRISE INSTITUTE, WASHINGTON, D.C.**

MR. BLUMENTHAL: Thank you very much to the Commission and to Dr. Bryen for allowing me to speak on this important topic, and I think as I think Kurt Campbell said before, it's just very important that this Commission keep American policymakers focused on the challenges posed by China's rise. So I want to commend your work before I begin.

I think what I want to briefly do is start off with something that a lot of people lose sight of when they talk about Taiwan's defense, and I think what that is is that Taiwan is trying to do something very difficult, which is consolidate a democratic transition at the same time as it faces one of the most daunting military challenges in the world.

There are a lot of transitioning democracies who need to establish civilian control and professionalize their militaries and are forming their militaries, but Taiwan's window to do so is a lot less than some of these other countries.

I don't need to review the history in detail, but by the time President Chen took power in 2000, he was inheriting--it was the first time the opposition had gained power in Taiwan's history, and he was facing, if no longer a party military, a military that in its senior ranks, at least, was still very influenced by the opposition party and hostile, at least ideologically, to what they thought President Chen was trying to accomplish.

Also, within the senior-most ranks of the military, you had a problem of a military education system that they all had come up in which had viewed the DPP, the now ruling DPP as part of the internal enemy.

So that's just where he began in terms of trying to take the reins of military and defense reform. You had to that the problems that the military had in terms of being isolated for many, many years, being Army

heavy and so on down the line, and you see the challenges that Chen and his people faced, which again are not so different from that of other democracies, but at the same time that this was occurring, we all back here were realizing just how fast China's military was improving.

So these dual challenges I think are often lost when we all tend to blame Taiwan for its slowness, which I think is a fact, in reforming its military.

President Chen also faced resistance to some new defense ideas that he had, particularly one that translates roughly into decisive operations offshore. Both the Taiwan Army and the general brass just didn't like this change. The idea that Chen had was that he was going to try to move the military into engaging the enemy much farther out, away from Taiwan's civilian population, focused much more on air and naval assets, as well as C4ISR assets, and in order to detect emerging threats as they emerged, this just being a reflection of the fact that Taiwan was now an advanced industrial democracy and less able to take civilian casualties or any kind of pressure, a lesson, I think, from the 1996 crisis.

Now, where are we today? There is, I think, a lot of problems, a lot of criticisms of Taiwan's defense establishment that are warranted. The Bush administration should be lauded indeed for approving a \$30 billion arms package in 2001. It was unrealistic to begin with to think that Taiwan would be able to acquire these weapons in a short time frame, given a \$400 million procurement budget.

But, of course, back in the United States, people were looking at the Chinese military threat and looking at the fact that Taiwan was, quote-unquote, "slow" in acquiring the major weapons systems and had concluded that Taiwan as a whole wasn't serious about its defense. As I pointed out, there's more complexity to that, and I'll play this out a little bit more.

The programs themselves were quite complicated, particularly the submarine program. You had to convince the Taiwan

legislature, a much more activist Taiwan legislature, to sign up to a very expensive program on a submarine whose design no longer existed in the United States, with European partners who no one who was willing to sign up say in advance that they would be willing to team with the United States, and then we had to go brief the Taiwan legislature and tell them, by the way you're buying this submarine that's enormously expensive, but it doesn't exist.

So, ante up the money and we'll -- it was a tough sell, let's put it that way. Taiwan did make some progress on some of the weapon systems, the Kidd class destroyers, C4ISR in a limited fashion, linking some of the platforms with the command centers, and buying early warning radar.

The administration started to put a lot of pressure on Taiwan to move out more quickly, particularly on the arms package that was passed, made a public speech what Taiwan's defense priorities ought to be in the areas of first, missile defense; second, C4ISR; and third, anti-submarine warfare. Made a public speech about this, but again the mechanisms are not well in place with Taiwan, considering the amount of programs that Taiwan has and the amount of things that we want them to do, to authoritatively and continually discuss with them what they need to do and mentor them in what they need to do.

So we put forward this, the United States government put forward this list of priorities. The top levels of Taiwan's government started to feel the pressure and so put forward what is now known as the "special budget" for PAC-3s, for P-3s and for submarines, to meet those priorities that we laid out for them. They tried to rush it through--this was already 2003--in order to respond to administration pressure and then it got mixed up in pure partisan politics, and I think that's where we are today.

I think that now we've run into the next problem, which is that the Pan Blue coalition of KMT and PFP have now not even let the special budget go to the defense committee for debate. They've prevented

that now 28 times. This is a purely cynical maneuver because they've asked for every single one of those programs when they were in power.

A lot of it has to do with just a pure dislike for Chen Sui-bian, ideological opposition to Chen Sui-bian. But when you go to Taiwan and you talk to members of the defense committee across the party lines, serious people in the KMT and the PFP that there is a deal, but they want to debate, they want to make a deal, they want to put some of those programs in the annual budget, some in the special budget, but their leaders aren't even allowing them to debate, and I think that this Commission and the United States government as a whole should take a much more strong policy of putting the KMT and PFP leadership on notice that they one day want to come back and lead Taiwan, it's going to be their Taiwan, too, and we know who's to blame here.

Now, we know who is to blame here at this point, at least. Now, I would say in terms of risks, the risk is that Taiwan doesn't move out and that Pan Blues continue to be obstructionist, and Chen Sui-bian has nowhere to go in terms of either increasing the annual budget or getting the special budget passed, and Americans in general don't see the complexities and nuances of the process that I've just described, go through a policy review and say to themselves, if Taiwan as a whole is not serious, how can we be serious in defending Taiwan, and I think there is a real risk of that happening.

Of course, with the PLA modernization, which is really designed to pose the question, if you think about it, strategically what the Soviets used to do to NATO, which is we now have missiles capable of hitting your bases in Japan. We have submarines that can threaten your aircraft battle groups. Is Taiwan really worth it to you? I think they want to put that thought in all U.S. planners' minds. So you have these two things converging together, and then you have, I think, Americans who want to get out of the commitment emboldened to get out of the commitment.

For strategic reasons, I can't imagine a situation where America would not come to Taiwan's defense. I can't think of one. The stakes are too high. But we may fool ourselves into thinking that we can't or won't, and that's very dangerous.

So with that in mind, I would just recommend, as I said before, that this Commission could play a very serious role in terms of influencing Taiwan to know where the blame lies right now and doing enough to invest in its defense. But also, I think that the United States government has a whole has not done enough in terms of clearing away the obstacles imposed since 1979 on really getting in there and engaging with Taiwan's defense establishment, helping them through their democratic transition, and doing the things faster and harder that they need to perform their defense establishment.

We haven't had an active duty U.S. general officer or a senior defense official on Taiwan since 1979. And the fact that we have this commitment or some people want to call this conditional commitment, whatever it is, is just plain dangerous, given the fact that we don't have that kind of authoritative relationship with Taiwan's defense.

If we don't do these things now and help Chen, the Chen government accomplish its military goals, we'll look back at this period and really wish we had. Thank you.

COCHAIR BRYEN: Thank you. Dr. Christensen.

STATEMENT OF DR. THOMAS CHRISTENSEN, PROFESSOR OF POLITICS AND INTERNATIONAL AFFAIRS, PRINCETON UNIVERSITY, PRINCETON, NEW JERSEY

DR. CHRISTENSEN: Thank you very much. I'd like to thank the chairman and the other distinguished members of the Commission for inviting me here. It's a great honor to speak with you. I submitted a longer written statement, but in my oral comments, I'll just touch upon a few of the points that I covered in that written statement.

My central point is that deterrence in the Taiwan Strait will be a complex policy challenge for the United States and Taiwan moving forward, mainly because of the fast-paced growth in coercive military capabilities on the mainland that you've heard about earlier today, submarines, accurate ballistic missiles, cruise missiles, information warfare capabilities, air defenses, et cetera.

I believe this is true even though I also believe that the current Chinese Communist Party leadership would like to avoid a conflict across the Taiwan Straits if it is at all able to do so.

In fact, I would say that the likelihood of conflict across the Taiwan Strait in the next two to three years is relatively limited. The main reason I say that is the fact that the Pan Blue parties who oppose Taiwan independence have maintained a majority in the legislature in the December 2004 legislative election in Taiwan. This makes it less likely that Taiwan will adopt legal measures or constitutional revisions that might provoke a mainland attack on the island in that time frame.

But that having been said, I think there are significant dangers looking forward, in part, precisely because the Pan Blue parties are in the majority in the legislature, and those relate to some of the issues that Dan Blumenthal just referred to, and that is that Taiwan continues to refuse to purchase certain weapon systems offered by the United States in 2001 and to make various other changes in their defense structure.

Deterrence in the Taiwan Strait I think is a very complex challenge because it's difficult for the United States and Taiwan to balance what are the two necessary components of any successful deterrence policy, and those components are in some sense contradictory and pull in opposite directions.

The first is the ability to maintain a credible threat of effective military response if China were to take aggressive actions against Taiwan, and the second is to be able to at the same time to be able to maintain a credible assurance to the Chinese Communist Party that if it

forgoes belligerence against Taiwan, that the United States will not take actions that harm the CCP's core interests in the Taiwan issue.

If the United States is unable to do that, then Beijing really has no incentive to comply with the demands that it forego belligerence against Taiwan.

What makes this equation even more complicated than it otherwise would be is the growth of the coercive military capabilities on the mainland and the necessary responses that that build-up leads to in the United States and Taiwan.

I think that the Bush administration has done a very artful job and a very good job of creating a balance in its strategy towards cross-Straits relations that addresses these dual requirements of deterrence.

On the side of credible threats, I think the administration has taken various policies that enhance the credibility of deterrent threats against the mainland. Since 2001, as has been mentioned, Washington has offered several defense systems to Taiwan. It has increased military cooperation with the Taiwan military. It has warned the mainland repeatedly against the use of force against the island. It has enhanced capabilities in the Pacific and it has improved defense ties with Japan, which is America's most important ally in the Pacific.

Now, under normal conditions, such activities could severely undercut the assurance part of the deterrence equation. Beijing might fear that these types of policies could encourage Taiwan's eventual declaration of a permanent legal separation of the island from the mainland, and if the PRC's strategic history is any guide, when PRC elites see these types of trends in their security environment, they are capable of using coercive force in order to slow, halt, or reverse those trends that they see developing over time.

But I think the Bush administration has handled the situation quite well because it has adopted policies at the same time to bolster assurances. Along with the tough defense policies that it has adopted, it

has also adopted policies to increase assurances that the United States is not pursuing Taiwan independence through those actions.

Washington has publicly and repeatedly distanced itself from pro-independence statements from Taiwan leaders and my impression is that this policy has done two important things. It has moderated politics on the island itself about the independence issue and it has given credible assurances to Beijing that the purpose of U.S. policies on the military security front is not to pursue independence for Taiwan over time.

I think the biggest problem at present is not the lack of assurances. The biggest problem at present is Taiwan's relatively weak response to the very real military challenge that it faces across the Taiwan Strait in the forms of those increasing coercive capabilities on the mainland.

Now, I agree with Dan Blumenthal that in recent years, Taiwan has adopted various defense reforms. It has acquired certain important and much needed weapon systems like the Kidd-class destroyers. It has improved its command and control system. It has hardened certain assets. And these actions are to be supported and lauded by the United States.

But I still believe that there are very worrying indicators in Taiwan that we need to emphasize, and the first is that Taiwan's real defense budget has decreased since 1998, while the mainland's official defense budget has more than doubled in that period. That is a straightforward indicator.

A second is that Taiwan has failed to purchase some of the weapon systems offered by the Bush administration in 2001, largely because of the stonewalling of opposition legislators in the Legislative Yuan.

In my understanding, two of the items in that 2001 package make a great deal of sense for Taiwan to acquire. I'm not a military strategist. I just study these things from an academic point of view. Those

two systems are the P3 maritime patrol aircraft for anti-submarine warfare missions and the mine-clearing helicopters that were offered to Taiwan in 2001 as well.

These systems are relatively affordable and quite effective and I find that they've often been lost in the debate about much more expensive systems and systems that arguably will not provide as much value to Taiwan's defense, particularly in the near term, as these systems would provide.

In particular, I have diesel submarines in mind there, not just because of the procurement problems, but because of the fantastic cost of those submarines, and the roles that they might play in Taiwan's defense.

The P-3Cs are important because of the mainland's fast-growing submarine fleet. These will pose among the biggest challenges to Taiwan's Navy and to U.S. forces deployed in the theater. The helicopters could also be very useful in mine-clearing operations in a maritime blockade scenario, and mainland military leaders are considering such a scenario in their strategic thinking.

The United States Navy, unfortunately, is relatively weak in mine-clearing capabilities, particularly in theater, and it takes time to bring capabilities from out of theater into the Taiwan area.

So if Taiwan does not acquire these systems, it seems that not only will Taiwan be at more risk but so will U.S. forces deployed to the region. Moreover, and this touches on American alliances, I think there will be a greater temptation if Taiwan doesn't acquire these systems for the United States to request assistance in these missions from Japan. Japan is very good at anti-submarine warfare. Japan is very good at mine-clearing, and I personally think that such a request by the United States of Japan to play those types of combat roles in a cross-Strait conflict would carry great risks for the U.S.-Japan alliance and for regional stability looking forward.

I would just like to conclude with two policy recommendations that flow from my analysis. The first is I think the

United States needs to rethink or think harder about the types of arms packages it offers to Taiwan with attention to the domestic political realities on the island and with attention to Taiwan's most urgent defense needs, prioritizing the most urgent defense needs for Taiwan.

I agree again with Dan Blumenthal that the Bush administration should be lauded for offering various weapon systems to Taiwan, but given Taiwan's domestic political realities, the package offered in 2001 is simply too large and, as I suggested, I think the submarines carry prohibitive opportunity costs given the tradeoffs in the budgeting process.

The second policy I would recommend, and this is along the lines that Dan just mentioned, is that the United States needs to let the Taiwan public know that legislators who oppose defense spending bills for political reasons are putting at risk Taiwan security in two ways: one, because Taiwan is not acquiring the weapons it needs; and two, because this is creating an aggravating factor in U.S.-Taiwan relations. I think most people in the Taiwan public across the political spectrum recognize that the relationship with the United States is very, very important to Taiwan security looking forward. We had evidence of this when the Bush administration criticized the Taiwanese leaders during the lead up to the 2004 legislative elections for making pro-independence statements. This according to experts in Taiwan on all sides on all parts of the political spectrum had a big impact on the outcome of that legislative election.

There is no reason to believe that U.S. criticism might not be effective on the other side of the aisle in order to spur Taiwan legislators to take Taiwan security more seriously moving forward.

Thanks very much for your time. I appreciate it.

[The statement follows:]

**PREPARED STATEMENT OF DR. THOMAS CHRISTENSEN,
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I would like to thank the Cochairs and the other distinguished members of the Commission for the opportunity to speak to you today. It is an honor to be invited.

In my comments today, I will focus on some basic strategic and conceptual issues about cross-Strait security trends and the challenges that China's recent military modernization creates for the deterrence strategies of Taiwan and the United States. I will concentrate on the challenges posed by the mainland's developments of weapons systems and doctrines that might be used in a coercion strategy. For our purposes, by coercion I mean a strategy that would involve military operations that fall short of an all-out invasion and occupation of Taiwan or the launching of a full-scale war with the United States. Such a strategy would target Taiwan and any foreign powers that were to come to Taiwan's assistance for the primary purpose of altering those actors' political calculations regarding relations across the Taiwan Strait. Such coercive scenarios are not the only security issues to consider looking forward, but I see them as the most likely scenarios for conflict across the Taiwan Strait in the next several years.

From a strategic point of view, the mainland's quickly expanding coercive capabilities complicate greatly the ability of Taiwan and the United States to maintain a robust and credible deterrent against mainland attack on the island. That deterrent will only be weakened further if Taiwan were to prove unable or unwilling to make energetic efforts to improve its own defense capabilities at home and in coordination with the United States. In a nutshell, all things being equal a Taiwan that appears weak at home or at odds with the United States in its security policy toward the mainland is a Taiwan that is more vulnerable to mainland coercion.

It should be noted that Taiwan recently has adopted some impressive reform programs in its national security establishment and has made some important adjustments in its defense policy in the face of increased Chinese threats to targets like airstrips and command and control facilities. It has also wisely agreed to purchase Kidd-class destroyers offered to Taiwan by President Bush in Spring 2001. Those ships will provide greater defense at sea and against air attacks on the island.

What is potentially quite dangerous to U.S. interests in East Asia looking forward, however, is the recent political in-fighting in Taiwan over weapons acquisitions and the resulting paralysis in Taipei on procurement of several other weapons systems approved for sale by the U.S. government in 2001. Above and beyond the inability to procure these particular weapons systems at this time, the political deadlock on national security policy in Taiwan could become a dangerous precedent over the longer term, rendering Taiwan unable to respond in a timely fashion to fast-paced changes across the Taiwan Strait and sending a signal of weakness to the mainland regarding Taiwan's military power. What would be potentially of even greater importance would be the inability of Washington and Taipei to cooperate effectively in providing for Taiwan's defense. All things being equal, it is fair to assume that the less stable Washington's security relations with Taiwan seem to be, the less dangerous the option of coercive force will appear in Beijing.

This analysis holds true even if one accepts, as do I, that the current leadership on the mainland would very much like to avoid the use of force against Taiwan if possible. Beijing undeniably has a range of economic and political reasons to avoid conflict across the Taiwan Strait. Such a desire to avoid conflict does not, however, preclude the possibility of a mainland attack on the island. It is neither a coincidence nor a function of bureaucratic inertia on the mainland that, since 1999, Beijing has been intensively developing the capabilities to attack Taiwan militarily.

In my opinion, under certain extreme conditions the mainland would attack Taiwan regardless of the balance of military forces across the Strait or across the Pacific. In other words, there are circumstances in which the leaders of the Chinese Communist Party (CCP) would rather fight and lose militarily than to remain idle in the face of what they would define as Taiwan's provocations. This means that, under these circumstances, any strategy of deterrence adopted by the United States and Taiwan, no matter how robust, would simply be ineffective in preventing conflict. For example, I believe the CCP elites would almost certainly use force if Taipei passed a constitutional revision in Taiwan that would create permanent legal independence for the island from the Chinese nation. In my opinion, the deterrence strategies of the U.S. and Taiwan would not likely play a role in preventing a military attack in such a scenario.

The use of force by the PRC is still quite possible, however, even under less extreme circumstances in which Taiwan has not made such a legal declaration of independence. In those circumstances, the deterrent strategies of the United States and Taiwan will play an important role in either increasing or decreasing the likelihood of conflict across the Strait. Under those more complex political conditions, CCP leaders would have to undergo a more careful assessment of the costs and benefits of using coercive force either to alter trends in cross-Strait relations that Beijing finds dangerous over the longer-term or to gain acquiescence in Taiwan to mainland political demands. Calculations of the military balance across the Taiwan Strait and across the Pacific would almost certainly be an important part of mainland elites' decision process about whether the use of coercive force is preferable to more peaceful alternative policies (although calculations of the military balance will hardly be the sole determinant of mainland security policy, even under these circumstances).

In deterring the PRC from the use of force against Taiwan in such circumstances, Washington faces a challenge in balancing the two necessary aspects of any deterrence policy: 1) credible threats of effective military response if the target of the deterrent threat were to act belligerently and; 2) credible assurances that the target nation's core interests will not be harmed if the target complies with the deterring nation's demands and refrains from belligerence. People commonly associate deterrence with only the first part of the equation above. This is a core conceptual error about coercive diplomacy that is quite dangerous when applied to analysis of cross-Strait relations. Deterrence is a bargain with the target, albeit a very tough bargain. The United States cannot expect the CCP to forego the use of force under conditions in which the CCP elite believes that to do so would threaten China's core national security interests or, perhaps more important, the stability of one-party rule in the PRC. Taiwan is one of those core policy issues that, unfortunately, CCP elites believe touch on both China's national security interests and state legitimacy. So, in order to deter effectively, the United States needs to assure the mainland that the purpose of U.S. security policies toward Taiwan is not to promote and protect a Taiwan independence movement on the island.

The difficulty for U.S. strategy is finding a way to balance these two often contradictory aspects of U.S. deterrence strategy. That difficulty increases sharply as the mainland increases its capabilities to attack Taiwan coercively. With the fast-paced increase in the military capacity of the PRC to coerce Taiwan since 1999, the United States has responded with offers of arms sales to Taiwan and increased defense cooperation with the military in Taiwan. Such policies are generally appropriate, but they carry an unintended cost, especially given trends in Taiwan national identity politics in the early part of this decade. All things being equal, many elites in Beijing tend to view these U.S. policies, especially increased defense coordination, as political signals that promote Taiwan independence by suggesting unconditional U.S. support to Taiwan regardless of Taiwan's political behavior toward the mainland. In other words these policies undercut the assurance part of the deterrence equation even as they bolster the credibility of threats.

The undercutting of assurances is consequential because, at any given time, long-term trend analysis about politics on the island and Taipei's relations with foreign powers will likely be a key part of mainland elites' calculations about whether or not to use force coercively in the near-term. Under conditions that fall short of an outright declaration of Taiwan's permanent legal independence from the Chinese nation, fears about future trends on Taiwan and in U.S.-Taiwan relations would be one of the most likely reasons that CCP elites would choose to use force in a limited fashion. If PRC strategic history is any guide at all, CCP elites could decide to use force to slow, alter, or halt trends that they believe are simply heading in the direction of such a declaration, particularly if Taiwan and its foreign security partners were to appear less prepared to defend the island in the present than they would likely be in the future.

There is no simple solution to this problem. The threat of credible and effective military response to an attack requires Taiwan and the United States to adopt defense policies that will almost by necessity worry mainland elites about long-term trends in the U.S.-Taiwan relationship. In order to deter attack and prepare to fight if deterrence fails, Taiwan will need to have more sophisticated weapons, command and control systems, etc., and the United States military will need to consult more closely with the Taiwan military about plans for actual military operations in case of conflict. Not to do so in the face of growing PRC military power would simply be negligent.

An important factor that complicates deterrence of mainland coercive attacks against Taiwan is that, in most scenarios for conflict, the mainland is likely to adopt coercive strategies toward Taiwan and U.S. forces in theater instead of full-frontal assaults on U.S. forces or amphibious invasion of the island. The goal of such attacks would be to affect the political psychology on the island and to weaken relations between Washington and Taipei and perhaps between Washington and its regional allies. Such coercive attacks understandably might seem less frightening than full-scale invasion across the Strait or the PRC's launching of a toe-to-toe war with the United States, but from a policy perspective, PRC coercive strategies actually pose much greater challenges to the deterrence strategies of the United States and Taiwan than would those more aggressive strategies. Since the target of a coercion strategy is the mindset of the leaders and populations of the states in question, not the full destruction of the enemy military, the threshold of capabilities necessary to coerce is much lower than it would be for a full-scale invasion. By logical extension, the degree of demonstrated military superiority necessary for the defender to deter coercive tactics credibly is generally higher than it would be to deter a full-scale war. The defenders need to demonstrate not only that they can successfully fight and defeat attacking forces over time, but that they can do so at tolerably low costs to their armed forces, economies, and civilian populations. Especially given Taiwan's economic dependence on the outside world and its geographic proximity to the mainland, this is a tall order for Taiwan and, by association, the United States.

For these reasons, Taipei and Washington cannot afford to be so concerned about the second part of an effective deterrence strategy, credible assurances, that they forget to tend to the first part of such a strategy, credible threats to respond effectively in case of attack. In a nutshell, there is no simple arms control solution to the security dilemma created by recent trends in PRC military modernization. The development of PRC doctrines of coercion revealed by recent military writings on the mainland, the fast-paced acquisition of military capabilities to support such doctrines, and the serious training of PLA forces to carry out these missions all suggest the need for vigorous military preparation in Taiwan. The United States and Taiwan will need to respond to the growing challenge posed by military developments on the mainland while still remaining attentive to the dangers associated with undercutting assurances, as outlined above.

On the face of it the twin and rather contradictory requirements of deterrence might seem to create an impossible dilemma for U.S. policy. Fortunately, they do not. The U.S. government currently seems fully aware of how to resolve the dilemma and has attempted to do so through a tough defense posture combined with clear and reassuring diplomacy. On the latter score, the Bush Administration has publicly and repeatedly stated that the United States does not support Taiwan independence and has criticized certain provocative political proposals by top officials in Taiwan as unilateral changes in the status quo that are unwelcome in Washington. In my opinion, the Bush Administration has, thereby, helped reduce markedly the political controversy in Beijing regarding U.S. defense policies toward Taiwan, including the offer of a very large arms package in 2001. One can never eliminate Beijing's concerns about the U.S.-Taiwan relationship entirely but those concerns can and have been limited by a well managed diplomatic policy. By adopting such a policy, Washington has bolstered assurances in Beijing that the goal of U.S. defense policies toward Taiwan is not to promote Taiwan independence. In the process, the administration has bolstered deterrence of conflict both by reducing the intensity of Beijing elites' reactions to U.S. defense policies toward Taiwan and, perhaps more basically, by helping shape a domestic political environment in Taiwan that reduces the likelihood that Taipei will now or in the near future take legal or political actions that might provoke a mainland military response.

The biggest problem at present, however, is no longer on the assurance side of the equation. Taiwan's security is threatened by Beijing's quickly expanding coercive capabilities---including submarines, cruise missiles, conventionally tipped ballistic missiles with high degrees of accuracy, information warfare capabilities, advanced air defense systems, and serious training programs that have accompanied these systems' acquisition. The challenge now is to maintain a credible threat of effective military response by Taipei, Washington, or both if: 1) CCP leaders were to become more aggressive and to pursue forced unification (as opposed to simply the prevention of permanent Taiwanese independence); or 2) if Beijing elites were to perceive or misperceive strategic or political realities across the Strait in ways that lead them to believe that the island is still heading toward an eventual declaration of legal independence from the Chinese nation down the road and that Washington and Taipei were in a worse political or military position to

respond to a PRC attack at the time than they would be in the future (for example if U.S. forces were tied down elsewhere).

Alongside the mainland military build-up itself, among the most dangerous trends at present in cross-Strait relations is the relatively anemic effort being made by Taiwan to bolster its defenses in the face of the growing military challenge it faces. As stated above, Taiwan has done some impressive things to bolster its defense but in general Taiwan's response to the new challenges posed by the mainland has been too weak. The weakness is illustrated by several factors: 1) a falling regular defense budget both in real terms and as a percentage of GDP from 1998 to the present, a period in which the mainland's official defense budget has more than doubled in real terms; 2) the related inability or refusal of President Chen Shui-bian's administration to include in the regular defense budget a large portion of the arms sales package offered by the Bush Administration in April 2001 (for example, excluded from the regular budget proposals so far have been 8 diesel submarines, 12 P-3C maritime patrol aircraft and 12 minesweeping helicopters); 3) the recent refusal of opposition parties who control the Legislative Yuan in Taiwan to even allow floor debate of the special budget designed by President Chen's cabinet to cover the costs of many of those items in that arms sales package (including the submarines and the P-3C aircraft); and 4) the most recent rejection by the opposition parties of the concept of transferring the cost of PAC-3 missile defense batteries from the special budget to the regular budget, a rejection that seems cynically based on a rather strange and disingenuous interpretation of a failed referendum on missile defense held during the 2004 Presidential election. In a nutshell, there is a general sense on the island that defense policy is a political football in the tense battles between the island's pan-Green political parties (mainly the Democratic Progressive Party and the Taiwan Solidarity Union) and pan-Blue political parties (mainly the Kuomintang and People's First Party). On the mainland, this cannot be seen as anything but a sign of long-term weakness in the island's security policy.

What is perhaps even more dangerous still from the perspective of deterrence is that the unwillingness of Taiwan to purchase these systems has strained relations between Washington and Taipei. On both the threat and the assurance side of the deterrence equation, there is nothing that mainland elites pay more careful attention to than trends in U.S.-Taiwan relations. While the development of an apparently unconditional alliance commitment to Taiwan (a blank check) would dangerously undercut U.S. assurances to the mainland, the existence of real friction and lack of coordination in the U.S.-Taiwan security relationship can undercut the credibility of deterrent threats. In my opinion, we are not yet at a point of crisis on this score, as U.S.-Taiwan military relations have improved recently in some respects, including the recent stationing on Taiwan of U.S. Army Colonel Al Willner, a highly talented Foreign Affairs Officer. But the problems mentioned above certainly strain relations in ways that threaten both Taiwan's security and U.S. national security interests looking forward.

As my colleague and fellow panelist Dan Blumenthal argued in a recent publication, there is plenty of blame to go around for these problems both in Taiwan and the United States. The responsibility should not all be placed on the shoulders of President Chen. Although they did implement many needed defense reforms, the Chen Administration and its immediate predecessor, the administration of Pres. Lee Teng-hui, should be held responsible for overseeing the lowering of defense budgets since 1998 in the face of a growing military threat. The more recent policies of the opposition pan-Blue alliance in the Legislature are arguably the biggest problem at present. Those parties seem to be cynically refusing any cooperation with the Chen Administration including on bills related to the island's long-term security. The Bush Administration can also be held partially responsible for introducing in 2001 such a large arms sales package that included very expensive systems like diesel submarines that the United States does not currently produce. Even though all of the items had previously been requested by Taipei, the size and shape of the package offered complicated the Chen Administration's ability and willingness to push arms procurement bills through the Legislature. Taiwan's greatest strength is that it is a democracy but Washington arguably needs to be more sensitive to how democratic political constraints in a divided polity and society affect defense policy on the island. This will make Washington more realistic about what procurement policies can reasonably be expected of Taipei in the future.

In my opinion, one of the most disappointing aspects of the recent problems with approval of the weapons acquisitions is that some of the systems offered by Washington in April 2001 that would be most affordable

and seem to me to be potentially most useful to Taiwan in deterring or countering mainland coercion strategies have often been lost in the public discussion and debate over the transfer of much more expensive and potentially less valuable systems. Those highly needed and relatively inexpensive systems include minesweeping helicopters and P-3C patrol aircraft. It is my understanding that the 12 minesweeping helicopters included in the original arms package offered to Taiwan are currently not included in either the cabinet's special arms acquisition bill or the official defense budget proposals. Given recent PRC doctrinal writings about the possibility of using sea mines as part of a naval blockade and the severely limited mine-clearing capabilities of the U.S. Navy, this seems a very bad outcome. P-3C aircraft have proven to be effective in anti-submarine warfare (ASW) and would be very useful to Taiwan in tracking and countering the mainland's growing fleet of submarines, a fleet that poses potential challenges not just to Taiwan's navy, but to the United States Navy and the Japanese Maritime Self-Defense Forces. The P-3 aircraft would be more expensive than the helicopters, but based on some estimates available from media sources, the cost of 12 helicopters and 12 P-3 aircraft combined would likely be at most somewhere between \$3-4 billion US dollars, a fraction of the likely cost of procuring 8 diesel submarines and apparently somewhat less than the amount needed to procure the PAC-3 missile defense batteries currently sought by the Taiwan Ministry of Defense. So, it seems a shame that these systems have received less attention in public discussions than either the submarines or the PAC-3 batteries.

Given the missile threat to Taiwan, one can imagine useful roles for PAC-3 missile defense systems as point defense for specific targets. For example, such systems might complicate any mainland attempt to deal a political knockout blow to Taiwan by neutralizing key leadership or military sites early in a conflict with a limited conventional missile strike (a decapitation strike). Such a quick, limited strike might seem attractive in Beijing under certain circumstances because of the speed and stealth with which it could be launched and because a limited strike might seem less abrasive to China's neighbors and U.S. allies than attacks of a larger scope. That said, the likely ability of the mainland to saturate the PAC-3 defenses in all but the most limited strikes and the high opportunity costs of spending on these systems instead of systems like P3-Cs might suggest that either Taiwan, the United States, or both need to reconsider the priority apparently afforded missile defenses over systems like the P-3C aircraft (it would, of course, be good if Taiwan could acquire both systems, but I am assuming that there will be limited budgets and therefore stark tradeoffs in what is purchased).

If this type of analysis holds true for PAC-3 missile defenses it seems true in spades for diesel submarines. These systems will be very expensive and difficult to procure and may not come on line for Taiwan for a very long time (current cost estimates for 8 submarines range as high as \$12 billion US dollars and even these estimates might be too low). It is my understanding that, in the hands of most militaries, including Taiwan's, submarines would not be among the most efficient ways to counter mainland submarines. Moreover, those mainland submarines arguably would be the most dangerous elements of a mainland coercive strategy involving blockades of Taiwan and/or the blunting and delay of U.S. naval intervention into a cross-Strait conflict. Taiwan submarines would be very useful in attacking other mainland naval assets and for gathering intelligence, but the question remains whether that added value warrants the stark tradeoffs Taiwan faces in purchasing submarines. In a nutshell, the opportunity costs for Taiwan in pursuing diesel submarines, in my opinion, seem prohibitively high for Taiwan's defense. Moreover, the acquisition of the submarines might encourage an offensive military strategy by the island that would, arguably, not serve the interests of the island or the United States. If adopted, offensive strategies would likely alienate U.S. and allied opinion from Taiwan as the lives and interests of actors friendly to Taiwan would be put at risk and Taiwan might appear less the victim and more the aggressor in any military standoff.

Assuming the President of the United States did indeed decide to intervene in a cross-Strait conflict, Taiwan's lack of sufficient preparations for anti-submarine warfare and mine-clearing operations would pose real challenges for the United States. If, after an initial mainland attack, Taiwan were able to hold out militarily and psychologically for a sufficient amount of time for US forces to intervene, elites on Taiwan would expect the U.S. military to help protect Taiwan's shipping and navy against PRC submarines. Although the United States is by far the best in the world at anti-submarine operations, these operations are still very difficult and resource intensive. Any help that the United States might be able to get from Taiwan in tracking PRC submarines therefore would seem very useful. Unfortunately, in my opinion, the United

States has not traditionally spent a lot of its resources on maritime mine-clearing operations and PRC strategists are well aware of the difficulties sea mines pose for even the most advanced navies.

The United States has traditionally relied in part on allies, such as NATO countries and Japan, to assist in mine clearing operations and in ASW operations. Japan, for example, has many more mine-clearing ships stationed permanently in the Pacific than does the United States and the transfer to the Pacific of U.S. mine-clearing assets would take a good deal of time. Japan also has an advanced ASW capability and has successfully tracked Chinese submarines in the recent past. Especially if Taiwan were incapable of helping the United States sufficiently in these areas in a timely fashion, there might be a temptation in the future for Washington to ask Tokyo to assist directly in both ASW and mine-clearing operations near the island. While general Japanese support for any operations around Taiwan would be very important to the United States, particularly if the conflict were protracted, I believe it would be a mistake to ask Japan to intervene in a cross-Strait conflict in direct combat roles such as ASW and mine-clearing. There are two reasons. First, Japan will be quite likely to refuse, even under conditions in which it is willing to supply base access, logistics, and intelligence assistance to the United States. This refusal would place a major strain on one of the most important U.S. security relationships in the world. Second, if Japan were indeed to accept these roles, this could be even worse for the United States. Given the emotional history of Japanese imperialism in China and the ethnic animosity it has created against Japan among Chinese elites and the general populace, Japanese intervention in combat roles would increase greatly the risk of both near-term escalation and long-term instability in Sino-Japanese relations, neither of which are in the U.S. national security interest.

Similarly, reliance on offensive strategies by Taiwan also would carry potential costs to U.S. alliances and long-term stability. It will be difficult enough for the United States to keep its allies on board in a conflict over Taiwan, even in circumstances where Beijing appears clearly to be the aggressor and Taiwan the victim. If Taiwan appears either to have provoked a conflict through its political decisions or to have fueled escalation through the implementation of punitive or preemptive military strategies against the mainland, the United States would likely find itself dangerously alone in the region in the near term and, perhaps, over the longer term as well.

To sum up, Taiwan needs to enhance its defensive capabilities against mainland attack while eschewing highly offensive strategies aimed at the mainland. Such a robust, defensive strategy will bolster deterrence by enhancing the credible threat that Taiwan can withstand and respond to any mainland attacks on the island for at least long enough for the United States to intervene if the President were to so choose. At the same time Taiwan needs to avoid asserting permanent sovereign independence from the Chinese nation, a move that will almost certainly provoke a conflict across the Taiwan Strait, regardless of the military balance, and spell likely ruin for the island even if the United States and Taiwan were able to prevail militarily in such a conflict. The United States has a key role in this process in terms of enhancing Taiwan's defense capabilities to bolster its deterrent threat, discouraging the adoption by Taiwan of counterproductive and potentially escalatory offensive strategies targeting the mainland, and dissuading Taiwan from adopting legal postures on sovereignty issues that might provoke a conflict that nobody, including Beijing, is presently seeking.

The Bush Administration has adopted an admirable deterrence strategy toward cross-Strait relations overall and it has done so at a challenging time, when politics on Taiwan have been changing quickly and PRC coercive capabilities have increased sharply. On the side of enhancing credible deterrence Washington has made strong commitments to assist Taiwan in bolstering its own defenses, has warned the mainland repeatedly against the use of force to settle differences across the Strait, has enhanced U.S. capabilities in the Pacific, and has improved defense ties with Japan. On the assurance side of the equation, the Administration has publicly and repeatedly distanced itself from and criticized political statements by leaders in Taiwan suggesting that Taiwan is already permanently and legally independent of the Chinese nation or that it should achieve such a status through constitutional reform. By so doing, the Administration has successfully reassured the mainland to the extent possible that the goal of U.S. strategy toward Taiwan is not to support permanent Taiwan independence from the Chinese nation. At the same time, the Administration has also limited the political space on Taiwan for political actors who would pursue such independence through constitutional reform.

It seems safe to assume that Washington will not fundamentally alter this strategy and that Taiwan political realities will not suddenly shift in a way that will allow for a formal declaration of Taiwan independence in the constitutional revision process over the next two or three years. The problem in cross-Strait security relations arguably, then, is not currently on the assurance side of the equation (as it arguably was just two years ago). Problems instead lie primarily on the deterrent threat side. For the reasons cited above, Taiwan needs to do more to secure itself against potential future military attack from the mainland. Even if Beijing elites are currently relatively optimistic about trends in cross-Strait relations and prefer peace to conflict across the Taiwan Strait (and I believe both conditions currently hold), there are no guarantees regarding the future. The United States needs to help in the process of assisting in Taiwan's defense by carefully examining the military threats Taiwan faces and the most appropriate response to them. In the process of crafting workable responses, leaders in Washington need to understand what policy adjustments and budgetary expenses Taiwan domestic politics can bear.

The United States can also influence the tone of the political debate on defense in Taiwan. Washington is much more than a passive actor in Taiwan politics as the Bush Administration demonstrated before the Legislative Yuan elections in December 2004. In my interview research on Taiwan just after the election, there seemed to be a consensus across elites in the pan-Blue and pan-Green camps in Taiwan that the Bush Administration's public criticism of various statements by President Chen Shui-bian regarding Taiwan's sovereignty during the election campaign alienated moderate voters from pro-independence, pan-Green candidates for the legislature. Such voter alienation helped secure a continued majority in the legislature for the pan-Blue opposition, which opposes Taiwan's independence from the Chinese nation.

Washington might also then be able to play a positive role in helping to break the deadlock on defense procurement in Taiwan. If the United States makes it clear to Taiwan's public that foot-dragging on defense procurements is harmful to U.S.-Taiwan relations overall, this might have some impact on the future calculations or political fortunes of legislators currently stonewalling on defense spending bills. In such an instance, the United States would not be weighing in on one side or another in an election, but rather simply presenting clearly and publicly U.S. security interests and letting Taiwan's democracy process that information, as it apparently did in December 2004. It would likely help Washington's leverage in such an effort if the United States were to reconsider, in consultation with Taiwan elites, the apparently prohibitively large set of defense items that have been on the table since April 2001. Otherwise, domestic accusations in Taiwan about U.S. profiteering and lack of American understanding of Taiwanese realities, however unfair, might continue to stick and thereby assist politically those on the island who would choose not to respond seriously to the growing mainland military challenge.

COCHAIR BRYEN: Thank you. Mr. Mei.

STATEMENT OF FU S. MEI, EDITOR, DIRECTOR, TAIWAN SECURITY ANALYSIS CENTER, NEW YORK CITY, N.Y.

MR. MEI: I want to thank the Commission for giving me this opportunity to offer this statement.

I believe the primary risk to the United States if Taiwan should continue to have problems with acquiring a sufficient defensive capability--I want to move away from particular defensive systems -- will be the continuing erosion of deterrence of military conflict across the Taiwan Straits, and if China realizes this and one day decides to take

advantage of it, and we can talk about when that window might converge, when China takes advantage of such an erosion of deterrence, the U.S. could be drawn into a war where there could be no winners. I guess we had talked about, as we heard from the previous panel, the conditions for the termination of such a conflict would be difficult to calculate.

A key concern here is the likelihood would increase significantly of Taiwan actually not surviving a Chinese military attack. And even if the U.S. leadership were to decide to go to Taiwan's defense in such a crisis, Taiwan may not have the defense capabilities if they don't invest now.

They may not have the necessary defense capabilities to survive long enough for U.S. intervention forces to flow into the theater. And because of that, a militarily weak Taiwan who is aware that one day they may not be able to survive long enough will be that much more susceptible to PRC coercive tactics and strategies. As a result, the U.S., when the crisis comes, will be faced with a much narrower range of response options because Taiwan is not going to be able to hold out either physically or psychologically, and that the risks of escalation in such a crisis -- in other words, the U.S. could, under other circumstances, intervene at a much more lower level of military violence than would a situation in which Taiwan is basically unable to last long enough for the U.S. to make a deliberate response policy decision.

Thirdly, a credible Taiwan defense posture represents not only a military deterrence, but will in the long run be convertible to important bargaining chips at the peace talk tables vis-à-vis China. Therefore a militarily vulnerable Taiwan could prove highly subversive to U.S. efforts to eventually broker some type of peaceful resolution to the Taiwan problem.

Fourthly, I think the risk to the United States of a militarily irresponsible Taiwan is that China would be able to asymmetrically impose strategic costs on the United States, not only regionally but also on the

global competitive theater. By maintaining a critical military edge over Taiwan -- hence, the option to threaten the strategic relationships that can force the U.S. to set aside assets -- China can force the U.S. to make costly operational allowances in order to adequately cover a possible Taiwan contingency, and that's a fourth risk that I see for the United States if Taiwan does not live up to its own commitment for self-defense.

One of the things I think we should talk about a little more will be what actually constitutes sufficient defense and from what perspective? I guess what constitutes sufficient defense -- much will depend on what side of the table you're sitting at, whether you're sitting on the U.S. side or sitting on the Taiwan side.

One of the important things that delineates the U.S. from Taiwan thinking is that, for example, PACOM, the U.S. Pacific Command, seems to want Taiwan to focus on systems and defensive operational capabilities, that could allow Taiwan to lengthen the amount of time they can hold out.

In other words, capabilities that would give Taiwan the ability to deny PRC the gaining of air superiority, the gaining of sea control, to actually overrun Taiwan's leadership core or dominate Taipei. The idea is to permit sufficient time for the U.S. to bring its intervention forces into play, and the amount of time that people typically talk about is about five days, at least. It could go up to two weeks depending on the various scenarios that you play out.

In this U.S. context, U.S. perspective, things like PAC-3 missiles or P3-C anti-submarine aircraft will make a lot of sense because that would help either sanitize the sea room for the U.S. to come in or protect the critical transportation infrastructure from missile attacks so that the U.S. intervention forces or forces trying to attempt to conduct NEO operations, non-combatant evacuation operations, could enter Taiwan.

However, from the Taiwan side, they seem to look at things a little differently. For example, it is not clear if Taiwan's military assumes

U.S. intervention. Contrary to what many people in this city believe, Taiwan's military really does not assume that they could be assured of U.S. intervention in time of a crisis. This is like having some type of a safety deposit box in a bank, the contents of which they are not 100 percent aware. Yet they're being asked to put their faith in that safety deposit box, things like the JWP, Joint Work Plan, which offers very useful guidelines of possible U.S. response action, but it is not the same thing as a defense treaty.

So I think in certain respects, we have to also try to understand why Taiwanese planning accord different priorities to their procurement and development of their capabilities.

Irrespective of the way we look at the problem, whether you are on the U.S. or the Taiwan side, or whether you can count on that safety deposit box, I think there are major symbolic implications for the U.S. if Taiwan should fail to pass a special budget or to otherwise reverse the negative trends in its defense spending. Certainly I believe that doing something to undercut the coercive utility of China's growing missile arsenal and maritime interdiction capabilities will be crucial, certainly in the sense that you will allow Taiwan greater ability to deter or resist Chinese coercive action.

I'll just hop on over to some of the recommendations. I think one of the most important things, be it either short-term or a longer term in terms of Taiwan's military security, will be for both sides, Taiwan and U.S., to work towards improved interoperability. That, more than any particular system or systems, will give Taiwan, number one, the capability, physical capability, to conduct meaningful operations once U.S. decides to have an actual military response because right now the plan, the thinking seems to be they're going to be parallel but largely independent operations between Taiwan and U.S. assets.

So some type of improved interoperability, and we are already seeing things that are being done in this respect, things like the

CISMOA memorandum, that soon will be executed between Taiwan and the U.S. on communications security, on doctrinal development, on training. These will be of great value to Taiwan's defense.

Also, echoing what Dr. Christensen has said earlier, I believe the U.S. needs to do a little bit more to make it very clear to the opposition parties in Taiwan that continued irrational boycott of important national defense initiatives would carry long-term implications for U.S.-Taiwan relations, in that the damages that are done to U.S.-Taiwan relations cannot be readily reversed even if say a Pan Blue government were to come into power in the future.

[The statement follows:]

**PREPARED STATEMENT OF FU S. MEI, EDITOR, DIRECTOR,
TAIWAN SECURITY ANALYSIS CENTER, NEW YORK CITY, N.Y.**

Taiwan Straits Issues and Chinese Military-Defense Budget

Good afternoon, my name is Fu S. Mei. I am the Director of Taiwan Security Analysis Center (TAISAC), an independent research and consulting organization, which focuses on Taiwan security and defense issues. The organization also publishes Taiwan Defense Review (<http://www.TDReview.com>), an online publication that reports on Taiwan military programs.

Risks to the United States

The primary risk to the United States if Taiwan should further delay or fail to acquire sufficient defense capability would be a change in the status quo where the balance of power further tilts toward the People's Republic of China (PRC) and effective deterrence for conflict across the Taiwan Strait is lost. When that happens and the PRC decides to take advantage of it, the U.S. could be drawn in to a war with no winners. While the U.S. can be expected to defeat China in a conventional force-on-force war within the intermediate future, the risk of escalations, both vertical (e.g. nuclear weapons use) as well as horizontal (into a regional conflict) would be incalculable.

A key concern here is that the likelihood will increase significantly of Taiwan not surviving a Chinese military attack. Even if the U.S. leadership decides to go to Taiwan's defense in the face of PRC military actions, Taiwan will not have the defense capabilities necessary to survive long enough for U.S. intervention forces to flow into the Taiwan Straits theatre.

Secondly, with a militarily weak Taiwan, U.S. could be faced with a far narrower range of response options and much more compressed response time in a future crisis. The U.S. could be forced into a situation whereby it must choose between either responding with high-intensity military actions or accept strategically catastrophic results in the Taiwan Straits. That could present the risk of rapid escalation of any such future crisis. The scenario would be particularly challenging for the U.S. if a China-Taiwan crisis occurred concurrent with another major theatre conflict elsewhere.

Thirdly, a credible Taiwan defense posture represents not only a deterrent to PRC adventurism, but will, in the long run, be convertible to important bargaining chips at the peace talks table with China. Without proper investment in systems that could provide long-run capabilities, Taiwan would find itself at a decidedly

disadvantageous negotiating position with regard to finding either an ultimate resolution or even just an interim agreement on terms that Taiwan might find palatable. A militarily vulnerable Taiwan would, therefore, prove highly subversive to U.S. efforts to eventually broker a peaceful resolution to the Taiwan problem. Other regional players (particularly Japan) could have misgivings about Beijing's ability to dictate the terms of a settlement to Taiwan.

The fourth risk is that a weak Taiwan allows China to asymmetrically impose strategic costs on the U.S., not only regionally, but also on the global competitive theater. For example, it could erode and limit U.S. ability to advance foreign policy objectives in places ranging from the Korean Peninsula to the Middle East; on issues ranging from regional security to weapons proliferation. By maintaining a critical military edge over Taiwan (and, hence, the option to threaten strategic relationships that are geopolitically important to the U.S. and her allies), China can force U.S. to set aside assets and make costly operational allowances to adequately cover a possible Taiwan contingency. This will ultimately constrain U.S. ability to respond to challenges elsewhere in the world, thereby paying a strategic penalty disproportionate to the cost China is investing by pursuing such a posture vis-à-vis Taiwan and the U.S.

What Constitutes "Sufficient Defense"

Having described the aforementioned risk factors, I want to emphasize that, central to any discussion of risks that Taiwan's defense posture could pose to the United States is how one defines "sufficient defense systems" and from which perspective one considers the problem.

Much will depend on what the different perspectives deem as "sufficient" or "necessary". That is, whether we look at it from the U.S. vantage point or from Taiwan's perspective; from a strictly military stand-point or also considering the political dimension. We must also keep in mind that the threat to Taiwan is growing at such a rapid pace across the board that many are beginning to question whether a viable defense of the island for any significant period of time is becoming increasingly untenable.

The United States and Taiwan, therefore, appear to approach the question of an appropriate defense strategy from quite different angles.

U.S. Perspective

The U.S. (particularly the U.S. Pacific Command/PACOM) seems to want Taiwan to focus on systems and defensive operational capabilities that would lengthen the amount of time Taiwan could deny the PRC from gaining air superiority, sea control, and physical occupation of Taiwan's leadership core (namely Taipei). The idea is to permit sufficient time to bring U.S. forces to bear. The amount of time needed is understood to be at least 5 days, presumably after credible warning that hostilities either are imminent or are already underway.

In this (U.S. perspective) context, one may ask the question as to how much of a difference, at least from a military operational perspective, PAC-3 missile systems, P-3C anti-submarine patrol aircraft, and submarines would make to Taiwan's defense when viewed from the perspective of lengthening the number of days that Taiwan could maintain a viable defense in the face a major military campaign. In other words, can the current arms package, by itself, provide Taiwan with "sufficient defense" capabilities?

For example, Patriot Advanced Capabilities-3 (PAC-3) missile systems certainly could provide vital protection to the transportation infrastructure (such as airfields and seaports) necessary for U.S. shipments coming into Taiwan or access by intervention forces (such as those tasked to carry out Non-combatant Evacuation Operations/N.E.O.), but by the time U.S. contingents arrive, it is debatable if these defenses would remain intact. So, "necessary" may not always be "sufficient".

Some in the U.S. would argue that an additional key priority should be C⁴ISR (command, control, communications, computers, intelligence, surveillance and reconnaissance) systems that can ensure continued

command and control in a crisis situation (i.e. someone the U.S. could talk with); maximizing situational awareness (space-based, airborne, ground-based); and early warning.

Taiwan Perspective

It is not clear if Taiwan's military views the problem in the same way. Contrary to popular belief among many in this country, Taiwan's military still assumes, to a large extent, independent operations without U.S. intervention, and this continues to dominate their strategic thinking and shape their views on priorities. In the absence of formal bilateral treaty obligations, even the Joint Work Plan (JWP) document could only serve as war planning guidelines and likely course of U.S. action, not declaratory policy commitment that Taiwan defense planners could take to the bank.

As such, there are those in Taiwan who believe the only way to ensure Taiwan's security in light of PRC modernization and Taiwanese budget realities is to invest in a deterrent capability. That is, the ability to hold at risk key Chinese Mainland targets that would make Beijing think twice about using force against Taiwan. Here we are talking about a strictly conventional, predominantly counter-force (rather than counter-value) strike capability that does NOT involve a WMD (weapons of mass destruction) dimension.

Irrespective of the way we look at the problem, there are certainly major symbolic implications for the U.S. if Taiwan should fail to pass the special military procurement bill and/or reversing negative defense spending trends. In particular, procurement of at least some missile defenses and anti-blockade capabilities would carry a significant symbolic and political benefit that perhaps outweighs the purely military utility of such an investment. Doing something to undercut the coercive utility of China's growing conventional ballistic and cruise missile arsenal and maritime interdiction capabilities will be crucial.

Efforts Made by Taiwan

What is often ignored is that Taiwan is actually dedicating significant resources to modernizing its forces. Military capital investment (which covers both weapons procurement and facilities construction) amounted to US\$2.03 billion (NT\$67 billion) in 2004 and to US\$1.94 billion (NT\$63 billion) in 2005. These figures were up from the decade-low levels of FY2002-03, when military capital expenditures accounted for only around 21% of total defense outlays or US\$1.6-1.66 billion (NT\$53-54.8 billion).

This year, so-called "classified" spending items (which generally translate into weapons procurement) alone totaled US\$1.58 billion (NT\$52.1 billion). Just in terms of major new defense purchases from the U.S. alone, current-year funding amounts to over US\$775 million, up from at least US\$688 million in FY2004.

Moreover, under-appreciated are the positive steps that Taiwan has taken to shift their joint command structure, to reform their military organization, to improve training, and to procure items useful to improving its defense that fall beneath the radar screen of high-level U.S. policy community. These include the significant force rationalization that are currently underway to create a much leaner force structure; establishment of a Strategic Planning Division (SPD) and an Integrated Assessment Office (IAO) under the Defense Ministry to increase civilian input in planning and to move towards a more rational decision-making process; plans to create an International Affairs Office to coordinate defense cooperation with the U.S.; efforts to reduce wasteful logistical practices.

Taiwan's investment in defense acquisitions include everything from night-vision devices and digital tactical radios to new air and naval munitions; improved MOUT (military operations in urban terrain) and special-operations forces (SOF) equipment; greatly expanded use of computerized training simulators; a major air defense system modernization program (ROCC); a UHF-band long-range missile warning radar; four Kidd-class guided-missile destroyers; a baseline C⁴ISR system based on the Link-16 tactical data link infrastructure.

Unfortunately, many of the improvements that Taiwan's defense establishment has made over the past few years have tended to go unnoticed here in Washington and, sometimes, the issues are over-simplified.

If Taiwan does complete U.S. recommended defense purchases.

The risks to the U.S. would be significantly reduced if Taiwan maintains a strong defensive posture. It would deter PRC from the use of non-peaceful means to coerce political objectives or force a capitulation of Taiwan in a crisis. It will also buy time for dialogue and possible peaceful resolution of the Taiwan problem.

Funding and acquiring critical defense capabilities, even over such a long term as the arms package currently under consideration by Taiwan, demonstrate a “will to fight”. As demonstrated in Britain in WWII, in Bosnia in the face of a massive U.S./allied bombing campaign, and perhaps even in places like Iraq, the will to fight can make up for many military shortfalls. The acquisition of these systems would serve as a deterrent to the PRC since approving these programs will also involve closer U.S.-Taiwan defense planning, in terms of the operation and employment of these systems, coordination over capabilities to be acquired, etc.

A Taiwan that tangibly demonstrates commitment to its own defense and exhibits a profound understanding of its strategic relationship with the United States will be much more of an asset to U.S. interests in the region. Taiwan can make itself a valued partner to the U.S. Indeed, Taiwan can be a plus not only to the United States, but also to U.S. friends and allies in the region.

There are a number of perceived risks that warrant some examination:

Risk of Arms Race?

Some critics have tried to argue that Taiwan's increased investment in defense could lead to an arms race or create a relative balance vis-à-vis PRC that China might find provoking. However, the risks this might present to the U.S. (or for that matter, to Taiwan) are minimal. It is debatable whether Taiwan would be causing an arms race or is merely responding in a measured, sensible fashion to a rapidly broadening gap in military imbalance attributable to Beijing's aggressive military posture. In any case, such risks, even if in some sense real, would be far less threatening and more manageable than the alternative, for Washington as well as Taipei.

It is also not true that an increase in Taiwan's defense budget would significantly displace other public spending areas, thus further exacerbating Taiwan's fiscal situation. The fact is, defense budget accounted only 16.59% of Taiwan's total government spending in 2004 or about 2.5% of GNP. Social welfare spending has significantly outstripped defense in recent years, both in absolute amount and in growth rates. In FY2004, welfare spending exceeded defense budget by 12% and, in FY2005, is expanding at a rate five times that of defense spending! Even if the annual allotment of the proposed Special Budget were added to the annual budget over the next 15 years, defense spending would still be lower than either social welfare or culture/education/technology-related outlays.

Risk of Emboldening Taiwan Independence?

There are concerns that a militarily confident Taiwan could be emboldened to move towards de jure independence, thus upsetting the status quo and precipitating a crisis. That risk is largely more imagined (and likely product of partisan spite) than real, given Taiwan's repeatedly demonstrated popular disposition to maintain the political status quo. Moreover, it is conceivable that a far less pro-independence government could be elected in the future. But even then, Chinese military pressure on Taiwan could not be expected to ease, because Beijing's ultimate objective is to absorb Taiwan into the fold and use-of-force options will continue to be an important instrument for influencing the status quo.

One couldn't help but notice the scent of PRC political propaganda in these types of arguments. That such themes are increasingly embraced by prominent elements of Taiwan's society should be a significant concern to the U.S.

Risk of "Offensive" Capabilities for Taiwan?

Then there are those who oppose Taiwan's acquisition of certain capabilities. Here, I am specifically talking about systems with potential for counter-force applications or otherwise could be construed as provocative by Beijing. These opponents argue that allowing Taiwan such capabilities could complicate U.S. strategy in a Taiwan crisis scenario, by ceding some of the important initiative to Taiwan. They are also concerned that selling Taiwan so-called "offensive" weapon systems could provoke China, thus presenting a risk to the U.S. Unfortunately, these views also seem to have become the focus of several U.S. government jurisdictions, including more recently the Joint Chiefs of Staff (JCS) and the U.S. Pacific Command (PACOM).

Taiwan is faced with a particularly difficult military problem. Its adversary is a vast country with numerically superior (and now qualitatively gaining, if not surpassing in certain areas) forces boasting a very broad range of capabilities and operational flexibilities. Taiwan's proximity to the Mainland makes it essentially surrounded on three sides (west, north, and south), with multiple threat axes to have to defend, very short warning time, and effectively no strategic depth. What has become increasingly clear is that it will not be feasible to defend Taiwan without resorting to active counter-force operations against PLA air, naval, Second Artillery (missile), air defense, logistics, and command & control sites on the Chinese mainland. Interdiction of PRC's oil shipping and maritime trade routes would be another possible option to threaten Beijing's center of gravity. However, who should actually carry out the missions? The risks of escalation would be immeasurably more controlled and acceptable if Taiwan forces were equipped to carry out the strikes to neutralize Chinese targets than if U.S. forces were required to attack targets on Chinese territory.

Thus, the judicious sale of such items such as submarines, Joint Direct Attack Munition (JDAM), AGM-88 High-speed Anti-Radiation Missile (HARM), and other precision-guided weapons, could actually reduce both the mission burden and the escalation risks to the U.S., provided that some meaningful level of U.S. control over the operational employment of such weapons could be ensured, possibly through technical means.

Risks to U.S. allies and alliances in the region

The principal dangers to U.S. allies and alliances in the Asia-Pacific region if Taiwan does not possess a sufficient defense capability will be the threat of a Taiwan Strait conflict spreading and long-term instability within the region.

Horizontal escalation of a Taiwan Strait conflict is a real possibility. If the U.S. is involved, some of its forces might come from bases in the region such as Japan and Korea. The U.S. might request access to bases in the Philippines. It will need logistics support from its friends in the region. China knows it is impossible to achieve victory unless it denies the U.S. use of these facilities. Other than risks involving military attack, there are also risk to their economy as sea lanes of communication (SLOCs) could be severed and critical supplies such as oil and other raw materials interrupted.

A militarily weak Taiwan will be more susceptible to PRC intimidation (such as threat of maritime blockade or missile attacks), vulnerability increasingly compounded by PRC political offensive, as well as possibly PRC infiltration of Taiwan society. Taiwan is a U.S. ally with the worst to fear of (as well as the most to lose from) Chinese ambitions in the Western Pacific. The inability of such a U.S. client to stand up to PRC coercion, could severely undermine U.S. efforts to align the will of allies in the region to counteract (and, if necessarily, contain) Beijing's increasing strategic assertiveness. That, in turn, could only have a significant detrimental effect on U.S. leadership in East Asia.

The Taiwan issue could also have a serious long-term impact on U.S. alliances in the region, because the credibility of the U.S. is at stake. A perceived "failure" by the United States to come to Taiwan's aid in a PRC aggression scenario could bankrupt future U.S. influence in the region. That would leave China and Japan to vie for dominance, while other countries in the theater may feel compelled to seriously contemplate their own WMD-based deterrent. The stability in the region as we know it today would be jeopardized.

Lessening the Risks

What the U.S. Can Do?

Unilaterally, the U.S. must maintain a strong military posture to ensure there is no misperception that the U.S. is retrenching from the Asia-Pacific region. Strategic ambiguity is probably not a good thing to have in the Taiwan situation.

The United States should help Taiwan "harden" itself, by providing those defense material and training that can help Taiwan defend against PRC coercion and aggression; by helping Taiwan develop protection for its critical infrastructure; and by helping Taiwan implement a viable continuity of government plan.

Interoperability will be critical to increasing the efficiency, effectiveness, and safety of U.S. forces if called upon to intervene in a Taiwan Strait crisis scenario. From the US perspective, ensuring sufficient, survivable and robust intelligence, surveillance & reconnaissance (ISR) capabilities to augment those of Taiwan will also be essential.

The U.S. should continue to engage China, to make its leaders understand its commitment to Taiwan's security and to help bring about the conditions that are more conducive to the initiation of talks between Beijing and Taipei. This should include efforts to promote Chinese cooperation in terms of moderating its military threat to and persistent attempts at coercion against Taiwan. U.S. must also pay much greater attention to the nature and extent of Beijing's highly effective political offensive against Taiwan.

The U.S. should provide continued assurances to Taipei that any attempt by China at altering the status quo in the Taiwan Strait theatre by non-peaceful means will be met with American resolve. The U.S. Government should also continue to support Taiwan through expanded military cooperation and exchanges. These could include the dispatch of U.S. military personnel to Taiwan for Chinese language or other training; U.S.-Taiwan low-level combined exercises; increased opportunities for Taiwan officers to observe major U.S. and allied exercises; allowing U.S. general officer visits to Taiwan on selective basis; and a Taiwan version of the Military Maritime Consultative Agreement (MMCA) that exists between U.S. and China.

At the same time, however, U.S. should clearly communicate to all the major political parties in Taiwan the serious practical implications of Taiwan's further delays in demonstrating a tangible commitment to its own defense. It needs to be explained to the opposition pan-Blue coalition that damages to US-Taiwan relations arising from continued irrational political boycott of important national defense initiatives increasing the risks to U.S. strategic interests in East Asia will be significant and long-term. The most important message ought to be that the long-term penalties in US-Taiwan relations can not be readily reversed or moderated even if the pan-Blue coalition is to regain power by winning a future election.

The U.S. Government should also continue to support Taiwan in terms of timely and positive review of Taiwan's requests for major defense equipment or software assistance. This would help ensure continuity of long-term force structure and procurement planning, helping Taiwan's defense authorities to plan for costly investment programs and carry out some of the time-consuming analysis and staff work in advance. This would not only shorten the program review process (which now typically takes 20-24 months and took about 36 months on the submarine/P-3C/PAC-3 package), but also allow Taiwan to spend its defense acquisition dollars more intelligently, rather than always being faced with difficult (and costly) solution choices very late in the program cycle of a U.S. system. For example, Congress should urge the U.S. Government to move forward with a positive review on Taiwan's request (submitted in the summer of 2002) for Arleigh Burke Flight IIA-class Aegis destroyers, which are critical not only to Taiwan's future fleet air defense (AAW) and anti-submarine needs, but will also be central to the development of an effective, multi-tiered missile defense capability. The U.S. Government should also assist Taiwan with its requirements for a possible interim fighter solution and the follow-on, next-generation combat aircraft.

What Taiwan Can Do

In the end, it is still all up to Taiwan. The politicians and the people on Taiwan need to recognize that national defense is not a political football to be kicked around or held hostage for partisan or personal

gains. Taiwan must help itself and not place its survival in the hands of others, especially not at the well-calculated goodwill and largess of the PRC.

Taiwan must develop defensive capabilities and staying power to provide the U.S. sufficient time to render a reasonably deliberate policy response decision (given the strategic warning time likely to be available in future conflict scenarios) and to mobilize the assets necessary to carry out the contingency plans. Taiwan should also acquire capabilities that would protect the transportation and other critical infrastructure essential to access by U.S. intervention forces, including defense against ballistic missiles and cruise missiles. For Taiwan, to reduce risks to the U.S. intervening in a crisis, it will also be necessary to maximize interoperability with US forces (i.e., reducing risks of fratricide and making ad hoc coalition operations more effective and efficient).

In addition to high-profile defense systems purchases that have long lead times, Taiwan also needs to fund lower-cost programs, in such areas as training, logistics, and C4ISR. Perhaps even more important in the near term are acquisitions that will enable Taiwan to more effectively fight a war in the nearer term with what it has on hand, such as beefing up existing war stock of munitions like the beyond-visual range (BVR) air-to-air missiles, precision-guided anti-surface munitions, and other expendables (such as electronic warfare decoys) and critical spare parts.

Taiwan will also need to gain the ability to effectively identify operational centers of gravity in China's theater operational structure and to neutralize them through counterforce strike operations. As discussed earlier, Taiwan's having this ability provides more options to U.S. policymakers. Someone would have to attack targets on the Chinese mainland. From the angle of escalation control and conflict, which would the U.S. prefer to do that? Taiwan forces or U.S. forces?

Ultimately, helping Taiwan build up a robust, credible self-defense capability at the most economic cost will one day pay off by helping to save the lives of American men and women in uniform, who may be called upon to help defend Taiwan, as well as by protecting fundamental U.S. national security interests.

COCHAIR BRYEN: Thank you very much. Dr. Cobb.

**STATEMENT OF DR. ADAM COBB, ASSOCIATE PROFESSOR,
DEPARTMENT OF WARFIGHTING STRATEGY, USAF AIR WAR
COLLEGE, MONTGOMERY, ALABAMA**

DR. COBB: Thanks again for the invitation to be here. While I'm employed by the United States Air Force and have previously been employed by the Royal Australian Air Force, I speak for neither organization nor for either government. A lot of what I've heard in this session and the session just prior to it, I am kind of surprised by and interested in. I'm a new immigrant to the country and it's interesting to listen to some of this debate. Thank you.

First of all, in my prepared comments, I looked at the two things, capability and intent on both sides. It seems interesting to me that there's just an assumption that there's going to be a conflict at least in

terms of the nature of the discussion. Perhaps we're all just thinking about worst-case scenarios here. I don't know.

It seems to me that the window of opportunity going up to the Olympics does make sense, particularly if Taiwan was to miscalculate. It seems to me that the military capabilities that were discussed previously, the emphasis that was placed on those suggests really to me that the possibility of a full-scale invasion from the PRC is fairly unlikely.

However, the ability to deny access to the Straits between the mainland and the island is quite a significant proposition. For what period of time and so forth is obviously a matter of debate, but that should be a matter of interesting discussion.

Another thing that surprised me was this assumption that America will automatically come to Taiwan's aid and yet you're not planning for it. That's kind of interesting. It strikes me that if you're going to be that serious about it, then you might want to--I know it's politically difficult obviously--but some interoperability issues there are obviously notable. However, having said all of that, the slice of the argument I want to focus on in my oral presentation is the impact on alliances in the region.

One of the things that I'm not sure that really there is much aware of in Washington is the particular effect that China has had, the PRC has had in its economic engagement in the region. This is particularly important in the Australian context to the extent that it could be said that the Chinese have aimed to and are succeeding in driving a wedge in the southern anchor of your alliance system in the region.

This is a kind of a strange thing to hear I suppose because Australia has always been there. Every time you've gone, we've come with you willingly. And we've made more than symbolic contributions, particularly if you look at OIF and OEF, the special forces actions in the western desert of Iraq, removing the threat to Israel, so on and so forth, which is strategically pretty important, Tora Bora being another example.

Notwithstanding our military cooperation and engagement with the United States, our economic engagement, our future economic security is very much tied to China, and it has been tied to China in a very short period of time. Within the last five years, Australia's trade with China has doubled. Not a month goes by when another \$25 billion deal has been signed or has been noted as coming up, oil and gas in particular, iron ore, a range of various commodities and so on.

Now, what's Australia's response to this? Well, when the foreign minister is in Beijing in March 2004 and somebody said, well, what is the implication of your alliance with the United States in terms of your economic future with China, bearing in mind that we've just negotiated a free trade agreement with the United States and are in the process of negotiating one with China, the foreign minister came out and said, well, ANZUS is symbolic. Now, that's the first time in Australia's history when any senior government member has questioned the basis or the implications of the ANZUS alliance. It's quite a significant thing, and I would want to impress upon the committee and the Congress the import of that.

Now, of course, he backed away from that once the questions started coming out and the prime minister came out and put his foot down and all the rest of it. But there was a signal being sent there. And it was not the only one. The rhetorical signal was also backed up by a substantive one, or a series of substantive ones, not the least of which was the Australian support for lifting of the EU arms embargo, which the Pentagon report on China's military capability said not only destabilizes the Taiwan Straits but also puts U.S. military personnel at risk.

This is not something that a close and loyal ally does, I don't think, or should do at its peril. So there's a question with all of that. What's the outcome? What's the possible solution, for the United States, for United States policy?

I would argue that there's a significant strategic incentive to use the free trade agreement that's being negotiated with Australia to

actively engage from both sides, both from the United States side and from the Australia side, to more fully engage the United States as an energy customer of Australia.

Now, of course, governments can't force companies to buy things from each other. But they can incentivize the arrangements through which these types of agreements or these types of commercial agreements are made, and the free trade agreement is a good example of the type of basis that could be used to do that.

Will Australia turn its back when the chips are down? Well, a lot of that depends, of course, on the events that lead up to the chips going down if they do. I think one of the things I perhaps omitted to say about scenarios of when this might happen, I think the anti-secession law makes it very clear China's position on independent statement from Taiwan.

Beyond that, though, I think it was Commissioner Mulloy who was talking about the economic engagement with China, and it seems to me that they have so much to lose by military activity, particularly anything more than harassing attacks, they've got much more to lose by that than they do by engaging in military activities.

Having said that, aside from the anti-secession law makes it very clear that they would, and I have no doubt that they would on that contingency, but beyond that, the assumption that seems to be in the room that it's an automatic given, I'm not sure I'd buy.

But having said that, some of the things that locks Australia in with the United States, apart from the kinship issue, if you look at real national interest issues, is the fact that our armed forces force structure is now being very closely integrated. It always has been fairly closely integrated, but it's even more so integrated with United States military capabilities, doctrines, structures and so on.

For example, the JSF, Global Hawk UAVs, Aegis class cruisers, these all have been acquired or about to be acquired in the Australian force structure mix. This is not even going near the intelligence

side of the relationship. So with that kind of basis, there is not much room for maneuver for the Australian government or for any future Australian. It's not just this one. It's any future Australian government in terms of its economic relations with the PRC and its military relations with the United States.

It could get very ugly, and again the decision that's made on the day will boil down to the circumstances of the situation, as it unfolds, but I think it's important for policymakers in Washington to realize the kinds of pressures that their close allies are facing in these types of situations in order to contextualize the response. If we bear in mind the New Zealand policy in the early '80s of not permitting nuclear ships to visit, that still rankles in many corners in Washington, which I find quite surprising.

In fact, it's one of the first things that most people who meet me say, don't you do a New Zealand. So that, I think, is a mild example by comparison to the sorts of examples that could unfold depending upon the circumstances with cross-Strait relations.

Thank you.

[The statement follows:]

PREPARED STATEMENT OF DR. ADAM COBB, ASSOCIATE PROFESSOR, DEPARTMENT OF WARFIGHTING STRATEGY, USAF AIR WAR COLLEGE, MONTGOMERY, ALABAMA

The Commission is particularly interested in exploring the following questions:

1. What risks to the United States if Taiwan further delays or fails to purchase sufficient defense systems?
2. How are the risks different if Taiwan proceeds with the purchase of necessary military defense articles?
3. What are the risks to allies and alliances in the region?
4. What can be done by unilaterally by the US to reduce those risks?

Mr. Chairman, Honorable Commissioners, distinguished colleagues, ladies and gentlemen. It is an honor to be invited to address the Commission on this pressing and vital question of security in the Asia Pacific region.

I would like to preface my comments by explaining my, I hope not too unfamiliar, accent. I am employed by the United States Air Force as a Professor at the Air War College. Just a few short weeks ago, I *permanently* immigrated to the US to take up this exciting opportunity to serve the American people. Inter alia, I come to this role having served as a defense official in the Australian Department of Defense. Consequently, I should

note for the record that my comments today are entirely my own and do not reflect the views of either government or defense establishment.

The Commission staff has kindly provided me with a series of questions that are of concern to your deliberations today. In my response I will examine some of the assumptions underpinning those questions and the possible ways events might unfold in the region and their implications for US policy. In particular, I would like to draw the Commission's attention to the possibility of a future shock to the US Asia Pacific alliance system.

- **The Commission asks: What are the risks to the United States if Taiwan further delays or fails to purchase sufficient defense systems?**

The answer will depend on whether Taiwan faces a credible threat and the timeframe within which a credible threat might emerge. The origins, nature and scope of that threat will have a major impact on whether Taiwan is adequately defended. Considering the threat of the use of force, the current capabilities and force structure of the Taiwanese armed forces are comparatively well known. Yet the degree to which Taiwan is sufficiently armed also depends upon the willingness of its friends and allies to contribute military forces to a hypothetical future conflict. That willingness will hinge on a number of factors, especially the specific cause of, and therefore responsibility for, any war that may emerge. "Washington's expectations [of its allies], as well as its own actions, would be affected by the manner in which the war began: an unprovoked attack by China is one thing and a declaration of independence [by Taiwan] is another" according to Ron Montaperto, Dean of the Asia Pacific Centre for Security Studies in Hawaii.⁹

There is no doubt that in recent years Beijing has been both modernizing and growing its military capabilities.

Until the 1990s China's military capabilities were focused on defeating an invading force from abroad, and mostly comprised reverse engineered early soviet systems with very limited reach. The PLA of two decades ago was designed to deter invasion and occupation by foreign powers... The PLA of the future is being architected to project Chinese power across the Asia-Pacific region. The future PLA's strength will be centered in cruise missile-armed long range strategic bombers and submarines, long range fighters [armed with beyond visual range air to air missiles and network centric sensor systems] supported by aerial refueling aircraft, airborne early warning and control aircraft, and modern surface warships, rather than the large land armies of previous decades.¹⁰

In essence, the PRC is emulating US conventional forces – a process that was initiated by Beijing following the rapid US victory in the first Gulf War. It is perhaps ironic that decisive victory in one theatre could stimulate a capable challenger in another so few years downstream.

Of course, military capabilities alone do not constitute a threat. To an analysis of capabilities must be added an examination of strategic intent, reputation and credibility. However, it is worth adding that expansion of military capabilities, particularly those that enable the projection of major combat power, cannot be ignored in the calculus of a competitor's strategic intent. So if the PRC has been enhancing its military capabilities, as a range of sources testify (see for example the Pentagon's *2005 Annual Report to Congress on the Military Power of the PRC*), what do we know about Beijing's intent to use its forces?

The mainland Chinese do not mince words, so neither will we. Beijing has consistently made it crystal clear that it intends to use force in the event that Taipei seeks to move away from the status quo in any direction other than integration. The March 2005 Anti-Secession Law marked a turning point in the PRC's position. The legislation authorizing the use of military force against Taiwan represents a major departure from previous policy which emphasized 'soft power' over military power as a means for achieving reunification. The credibility of this threat grows in direct proportion to the increasing size and sophistication of the PLA's power projection assets. However, exactly *how* Beijing might choose to use force remains to be seen. The

⁹ China and Taiwan: Flashpoint for a war, *The Sydney Morning Herald*, July 14, 2004.

¹⁰ Kopp, C., Goon, P., *China's Rise as a Regional Superpower*, Air Power Australia Analyses, May 19, 2005, p.7

warfighting strategy adopted by the PLA will in turn be yet another factor in calculating the adequacy of extant Taiwanese defense arrangements.

PLA planners have a wide spectrum of military options to consider, from full scale conventional combat aimed at invasion of the island, to a strategy of denial, such as a blockade, to long range stand-off missile strikes aimed at harassing Taipei. To that spectrum must be added a list of unconventional options for attacking Taiwan, from Special Forces raids to information operations aimed at critical infrastructures.

While comprehensive, accurate and trusted open source intelligence on the PLA order of battle is hard to come by, what is available would seem to indicate that the PLA is still some years away from being able to successfully mount high intensity joint operations aimed at invasion of Taiwan. However, given the PLA's extant capabilities, the PLA would most likely be able to deny access to the strait for a period of time measured in weeks against the Taiwanese and a combination of their allies.

Key current capabilities include

- Short Range Ballistic Missiles, estimated by the Pentagon to be in the vicinity of 650-730 missiles (increasing at a rate of between 75-120 per year)¹¹
- In excess of 200 long range Su-27/30 combat aircraft armed with Beyond Visual Range (BVR) missiles such as the R-77,
- 12 batteries of the highly capable Russian S-300 SAMs systems (each battery may contain 38-48 missiles)¹²,
- new submarines,
- capable surface combatants armed with long range SAMs and hypersonic anti ship missiles;

Consideration of Taiwan's capabilities and intentions are just as important in gauging the sufficiency of the islands defenses against the spectrum of possible PRC warfighting strategies. The Taiwanese operate a technologically sophisticated but comparatively numerically inferior defense force compared to the PLA forces against which it might be required to operate. Emphasis is placed on maritime and air defense assets. Compared to the significant investment in advanced conventional arms on the other side of the strait, Taiwan's capabilities have been relatively stagnant for some time. In this context the addition of the 2001 US arms package (being considered by the Taiwan legislature), which includes 12 P-3's, 8 new conventional submarines, and in particular several batteries of the Patriot missile system, would be a much needed addition to the defense of Taiwan but would not provide Taipei with a quantum leap in its overall defensive position.

Indeed, given the time it takes to field submarines into the fleet, in the short term, greater benefit may be derived by placing an increased emphasis on ISR and airborne defensive and strike assets. In short, early warning systems, many more patriots, and enhanced air combat capabilities, will be more valuable to deterring and defending against a sub-invasion PRC strike on the island. To these must be added increased allied cooperation/coordination programs to ensure if the US and others are to assist Taiwan they are able to arrive in a strategically meaningful period of time.

With respect to the sufficiency of its defense posture, Taiwan's intentions are much more important than its capabilities. Between now and the Beijing Olympics in 2008, there will quite possibly be a strong temptation in Taipei to disrupt the status quo in the hope that the PRC will be reluctant to act on the promise in the Anti-Secession Law. Some have maintained that the Administration's early experiment with declaratory clarity (as opposed to ambiguity), the we will "do whatever it [takes] to help Taiwan defend herself" comment, provoked the Taiwanese to step up their rhetoric concerning independence.¹³ The Administration was later forced to reign-in Chen Shui-bian's independent streak, along with its own rhetoric. Nevertheless, the possibility that Taiwan might seriously miscalculate and rush towards a new stage in its history during the Olympic window, while slight, can't be ignored. This is a much greater risk to US policy and regional security, than the current state of Taiwanese armaments.

¹¹ Office of the Secretary of Defense, *Annual Report to Congress: The Military Power of the PRC, 2005*, p.29

¹² Fisher, R.D., *China's Military Power: An Assessment from Open Sources*, Testimony before the House Armed Services Committee, July 27, 2005, p.11.

¹³ Tucker, N.B., 'Strategic Ambiguity or Strategic Clarity?' in Tucker, N.B., (ed.), *Dangerous Strait: The US - Taiwan - China Crisis*, Columbia University Press, NY:2005, p.202

Short of an unlikely Taiwanese miscalculation, the good news is that there is far too much for the PRC to lose than to gain by the use of force across the strait. According to the 2005 Pentagon assessment “Taiwan is China’s single largest source of foreign direct investment”.¹⁴ Any attack beyond the level of harassment would undoubtedly be focused on a range of Taiwanese critical infrastructures, such as communication nodes, upon which the economy depends. Attacking those targets would be a form of MAD in light of the financial, economic and social ties between the two sides.

China’s energy-hungry ‘peaceful rise’ is predicated on export led growth. Just how elastic China’s economy is with respect to absorbing a rapid decline in export market share or a failure in the energy supply chain, remains to be seen. Both of these events might occur due to market forces and/or global events, and would almost be guaranteed in the event of unprovoked military aggression initiated by Beijing.

Nor is China’s ‘peaceful rise’ fireproofed from economic discontinuities, either locally or internationally. The 1997 Asian Financial Crisis was as unexpected as it was hostile towards the regional so called ‘tiger economies’ which came under pressure due to the fragility of the banking sector. The PRC largely avoided the pain that went with the financial crisis due to the reluctance of the government to float the currency. Consequently, the much needed reforms that were enacted in many of the countries that did suffer during the crisis were avoided in the PRC leaving a significant question mark over the sustainability of its extant financial sector. How long the PRC will be able to resist, or avoid, further exposure to the vagaries of the global economy is a factor not of will, but of time.

No matter what the source of the problem, a period of economic adjustment in the PRC would impact on both its ability to mount military operations and sustain advanced acquisitions. This will not stop China’s military transformation, just delay it. But the timing of such a delay, were it to eventuate, could become critical to cross strait security.

Another critical issue in cross strait security is the role of allies. The Commission’s final two questions ask: **what are the risks to allies and alliances in the region and what can be done unilaterally by the US to reduce those risks?**

It is at this point that I want to return to the possibility of an alliance shock mentioned in the introduction. I have been surprised at the lingering strength of the US reaction to the anti-nuclear ship visits policy adopted by New Zealand in the early 1980s. That policy is *still* viewed by some segments of the Washington foreign and defense policy elite as an inexcusable betrayal of a close friend. The anger is visceral. Imagine then the likely scale of the reaction if arguably America’s closest and most loyal ally looks the other way if a crisis emerged in the Taiwan Strait?

In the bilateral security relationship Australia has almost never used the word NO.¹⁵ Indeed, Australia has a long tradition of loyalty and sacrifice serving the interests of its great and powerful friends. From the revenge of Gordon of Khartoum, through to the hunt for Bin Laden in the caves at Tora Bora, to paraphrase the popular WWI song “Australia was always there” along side the British up until the fall of Singapore and with the United States thereafter.

WWI, WWII, Vietnam, Korea, Gulf I, East Timor, Rwanda, Somalia, OEF, and OIF. Australia has always stood shoulder to shoulder with the United States. The commitment of Prime Minister Howard to the US Alliance is personal, having been in DC on the morning of 9/11 and witnessed the burning Pentagon building from his hotel window. On his return to Australia the ANZUS alliance was almost immediately invoked in solidarity with the American cause.

Yet the deep history, culture and kinship that bind Australia to America are being challenged by emerging Australian national interests in economic engagement with the PRC. The realities of this shift are disguised by Mr. Howard’s ready willingness to assist the US whenever he can in the global struggle against violent extremism. Nor have Australia’s recent contributions been operationally insignificant. The SAS played a

¹⁴ Op cit, Office of the Secretary of Defense, p. 42

¹⁵ In the contemporary period Australia first said no to the US when President Reagan sought Prime Minister Hawke’s ascent to participation in the MX missile program.

critical role both in Tora Bora and in the western desert of Iraq in eliminating the strategic threat aimed at Israel. American commanders who have worked with Australia forces are universally filled with admiration for their allies. All of this will only serve to make the future shock over Taiwan that much more vivid and jarring.

Already the world's second largest consumer of primary energy after the US, according to the Australian Bureau of Agricultural and Resource Economics, energy security is critical to China's future.¹⁶ LNG will play an increasingly important role in the Chinese economy particularly as a cleaner alternative to coal – also a key Australian export to China. Consumption of gas in 2001 was just 4% of all energy consumption in China¹⁷ and is currently met entirely from domestic sources.¹⁸ However natural gas consumption is expected to grow by 12% annually, quickly exceeding domestic capacity. Chinese officials estimate that by 2020 50% of their gas needs will be met from off shore fields¹⁹ but it is more likely to be much earlier than that. Similarly ABARE estimate that Chinese electricity consumption is forecast to rise 11% in 2004 alone. Currently China imports about 20% of its crude oil requirements and this is conservatively expected to double by 2020.²⁰

Australian exports to China have more than doubled in the past five years.²¹ For example, in 2005 \$32 billion in iron ore deals were written in one year.²² Energy products are key to this development. On a recent visit to the US Prime Minister Howard told the American press that LNG shipped from the North West Shelf could supply up to 15% of the energy needs of the world's fifth biggest economy, namely the state of California.²³ The first of three deals between the PRC and Australia is reported to be worth up to \$25 billion and represents a projected 3 million tons of LNG per year for 25 years.²⁴ This level of investment is likely to grow given that Australia has the capacity to meet demand. For example, the Gorgon gas field, situated 130km off WA is reported to have 365 billion tons of *proven* gas reserves.²⁵

Oil and gas are just the start. Australia holds about 40% of the world's uranium reserves.²⁶ The PRC and Australian governments are working out an arrangement whereby China promises its use of the material will be for peaceful purposes and will be a contribution to minimize green house gases. While politically appealing to a domestic audience, there is no way to police such an arrangement. It represents a growing number of cases where Australia will turn a blind eye on bigger political and strategic considerations for a quick buck.

Such phenomenal growth in energy use, expected in such a short time frame, will have all sorts of security consequences for China, the region, and the global economy. Indeed energy security is a double edged sword for China. On the one hand China's sheer buying power permits Chinese influence to reach deep into the polity of energy supplier states, such as Australia, presenting all sorts of new dilemmas. For example, in the not too distant future the government of the day in Canberra will need to find 100 billion good reasons to support the US over China in any future clash over Taiwan. Cultural affinity and intelligence sharing is one thing. \$100 billion worth of trade in just one commodity in a rapidly expanding bilateral trade relationship is another matter entirely. Canberra would take the money over cultural solidarity every day of the week. And Beijing knows it.

It should not come as a surprise then to discover that China has already been working a stick and carrot approach to position Australia against the US over Taiwan. While Australia has a Free Trade Agreement with the US it is fast approaching a similar deal with the PRC and Beijing has not let Australia forget what's at stake. In Beijing in August 2004, when asked whether a strategic partnership with Beijing was precluded by Australia's possible obligations under the ANZUS Treaty vis a vis a crisis in the Taiwan strait, the Australian

¹⁶ Dow Jones, 'China's energy demand to provide more export opportunities for Australia', cited in *Alexanders Oil and Gas Connections*, volume 9, issue #14 - Wednesday, July 21, 2004, <http://www.gasandoil.com/goc/news/nbs42904.htm>

¹⁷ Ibid.

¹⁸ Xinhua News Agency, 'China to become promising LNG market by 2020', April, 26, 2004, cited in <http://www.china.org.cn/english/BAT/94033.htm>

¹⁹ Ibid.

²⁰ China Daily, 'LNG deal to boost trade links between china, Australia', China Daily April 28, 2004, <http://www.china.org.cn/english/BAT/94225.htm>

²¹ Regan, T., 'Australia sidesteps US on China', in *Christian Science Monitor*, July 21, 2005.

²² \$20bn China Iron Deal Inspires Ore, *The Australian*, October 21, 2004.

²³ AP, 'Howard and Schwarzenegger talk hot air', cited in the Sydney Morning Herald, June 3, 2004, <http://www.smh.com.au/articles/2004/06/03/1086203541380.html?from=moreStories>

²⁴ (CNN, 'Australia wins huge China LNG deal', August 8, 2002, <http://www.cnn.com/2002/BUSINESS/asia/08/08/aust.chinalng.biz/>;

²⁵ Ibid.

²⁶ China uranium talks: Downer, *The Australian*, August 9, 2005.

Foreign Minister, Alexander Downer, said “Australia would not feel obligated under the ANZUS Treaty to help US forces defend Taiwan if China tried to regain the island republic by military force”.²⁷

Foreign Minister Downer went on to state that the ANZUS Alliance was only “symbolic” and that it only counted if the territory of a member state was attacked. In fact the treaty states clearly that an attack on “the armed forces, public vessels or aircraft” is sufficient cause for either the US or Australia to invoke the Treaty.²⁸ The US State department immediately corrected Mr. Downer, an action that was swiftly followed by a Prime Ministerial intervention and a subsequent correction by Mr. Downer. Of course, by then the damage was done.

This is an unprecedented development. No Australian Minister has ever questioned the ANZUS Alliance. Regrettably the Downer statement is not an isolated case. Former Howard government minister, Warwick Smith, now Chairman of the Australia-China Business Council, said Australia would risk its economic future by contributing forces. “It’s not a bad thing to say ‘no’ sometimes” Smith was quoted as saying.²⁹ These developments are in stark contrast to the immediate and unqualified support for the US intervention in the Straits back in 1996.

To these rhetorical shifts can be added shifts in the Australian position on key issues of concern to Washington. For example, the Pentagon report to Congress on the Military power of the PRC stressed that the consequences of lifting the EU arms embargo on the PRC “would be serious and numerous..” and “would have direct implications for stability in the Taiwan Strait and the safety of US personnel”.³⁰ Yet Australia supported the lifting of the ban. Mr. Howard has recently taken Australia into the new East Asian Summit, “a regional architecture that excludes the US and that is likely to foster a new dynamic of East Asian regionalism with China as its epicenter”.³¹

There is an inherent tension in Australia’s economic security being so closely tied with the PRC and its military security being tied to the US. The fault lines are already starting to show. Howard himself put the evolving position more subtly “I have encouraged them [China] to accept that our close defense alliance with the US is not in any way directed against China”.³² The costs for Australia of going against the grain over Taiwan would be much higher than it would be for the US in the longer term. A former head of Australia’s Foreign Affairs Department, Stuart Harris, recently observed that “In any conflict between the US and China, China would eventually – probably quite quickly – need to restore good relations with the US and vice versa. A country like Australia however, if on the US side, would not be easily forgiven. We would be punished for a very long time” Harris said.³³

Consequently Australia will be doing as much as a small pacific power can to ensure the Taiwan issue is resolved peacefully. In some respects its unique position between the two giants of the Asia Pacific, presents both Canberra and through it Washington with an opportunity to influence Beijing. But as this discussion has shown, there is a small body of evidence to suggest that Australia’s history of ready support for Uncle Sam may not be automatic in the case of a cross strait crisis and Washington should be prepared for that day to come.

One way for Washington policymakers to influence the relationship could be to encourage US investment in, and acquisition of, Australian energy products. As the attached article argues, there are good incentives for the US to make a strategic decision to become an energy customer of Australia. Of course governments on either side of the Pacific cannot dictate to private corporations who their customers and suppliers can and cannot be. But imaginative policy settings that incentivize US-Australian energy partnerships set within the new US-Australia FTA would be an important first step in diversifying Australia’s key energy markets that tie it so closely to Beijing’s regional interests.

²⁷ ANZUS loyalties fall under China’s shadow, *The Sydney Morning Herald*, August 18, 2004.

²⁸ Unlike the NATO Treaty, ANZUS states that in the event of an armed attack each signatory would meet the common danger in accordance with its constitutional processes.

²⁹ China and Taiwan: Flashpoint for a War, *The Sydney Morning Herald*, July 14, 2004.

³⁰ Office of the Secretary of Defense, op cit, p.24

³¹ Poised Between Giants, *The Australian*, July 23, 2005.

³² Poised Between Giants, *The Australian*, July 23, 2005.

³³ China and Taiwan: Flashpoint for a war, *The Sydney Morning Herald*, July 14, 2004.

Australia has much to lose in the advent of a crisis in the Taiwan Strait. Depending on the circumstances of the day, it faces either losing markets or an erosion of its long term security. Defense self reliance rhetoric aside, without US support, the Australian defense budget would have to be increased probably as much as threefold to enable Australia to genuinely defend itself. The impact of loss of access to US intelligence, defense technologies, joint exercises and the like is harder to quantify but no doubt as dramatic in its effects. Moreover, by acquiring so many US military systems, from the M1A1 main battle tank, the JSF fighter, and Aegis equipped Arleigh Burke destroyers, Australia is far too enmeshed in US military systems to risk isolation.

The prospect of losing hundreds of billions of dollars of new contracts, sustaining a period of golden economic opportunity, will equally not be taken lightly. However there is some cause to reflect that notwithstanding China's attempts to diversify its supplier base, its growth trajectory is such that it may very well need to do business with Australia whether it likes it or not. At least this will probably be the calculus in Canberra if one of the parties to the crisis becomes impatient and does something rash.

Washington should not take its south pacific cousin for granted. It should take a hard look at ways it can ameliorate China's economic engagement strategy as a means of making the decision-making environment less fraught for its allies and friends.

PANEL V: DISCUSSION, QUESTIONS AND ANSWERS

COCHAIR BRYEN: Thank you, Dr. Cobb. The panel will take some questions now. We'll start with Commissioner Donnelly.

COCHAIR DONNELLY: Just a couple of observations. I'm very grateful to Dr. Cobb for reminding us of China's kind of natural resource or energy resource strategy. It's one thing when Sudan or Zimbabwe or Venezuela adopt a lookie strategy, but if Australia were to do the same, it would be much more deeply complicating, but the good news is you can now be as schizophrenic in your China policy as we are, which a number of the other panelists kind of alluded to.

But the question I wanted to invite people to comment on was the one that Mr. Mei raised about the question of legitimate defense for Taiwan, and I'm grateful for Commissioner Dreyer having read the relevant language from the Taiwan Relations Act earlier, because it's clear from that that the measure of defense is really strategic, not narrowly tactical, as has been increasingly interpreted by the United States, and I would suggest that one of the reasons that Taiwan is looking to other kinds of capabilities to generally defend itself or asymmetrically respond to this China threat is because that it needs to take a broader approach to this idea of defending itself.

We heard from the previous panel about air defense systems based on the mainland that could range entirely across the island, so clearly as a matter of defending Taiwan, the battle space is now so greatly enlarged that it's to include the mainland, and if the United States wants Taiwan to be serious about its own military defenses, that we have to redefine what we interpret as legitimate defense on the part of Taiwan. So that's perhaps a leading question, but I'd like everybody to comment on what they see as being the upper boundary of what this question of legitimate defense for Taiwan might be in terms of acquiring the capabilities to contribute to this larger battle space that's now located or centered on the island, and if we could just go down the panel.

MR. BLUMENTHAL: I think Mei Fu hit it on the head when, if you're in Taipei right now, and you're basically told that we may not come but plan for us to come, and don't plan to do anything on your own, but still we may not come, you understand kind of the problems. The United States always plans for these sorts of contingencies. I think Mei Fu hit it on the head when he said that Taiwan is not necessarily counting on it, and he therefore introduced into this debate about why it's been a rocky road in terms of the defense relationship.

There are serious debates within Taiwan's military and Taiwan's defense establishment about what constitutes legitimate defense. Now, what is striking is the least popular program in the United States across the board is the submarine program. The most popular program across the board in Taiwan is the submarine program.

The development of cruise missiles and ballistic missiles in Taiwan is an open secret that gets reported on in the press often. Just the basic dignity issue if you're a democratic leader and you've been struck, and you're going to strike back just to keep the morale of your people high plays a big part, but it's these sorts of things that we're not allowing ourselves to talk about with, with Taiwan in any authoritative manner, and so in some sense we lose a measure of control over the direction that

Taiwan is going by having all these boundaries and inhibitions on what we discuss with Taiwan. They are planning for things as free nations do, that they're going to keep from us, especially when we play these games of-- which I understand why we have to play--but from a pure military planning standpoint, they have to go ahead and make plans to be able to respond in case the United States doesn't respond, to be able to hold strategic targets at risk in China, just to show their people that they're doing something.

A lot of the rationality goes away once Taiwan is hit, and they know that. We have publicly made a statement on what we think is legitimate defense for Taiwan and we say missile defense, C4ISR and anti-submarine capabilities.

Now, what we're saying is essentially hold and we're coming, but they don't believe us, and so that's another factor as to why they're not purchasing just those systems that we want them to purchase.

DR. CHRISTENSEN: Thanks for an excellent question. When I look at Taiwan's defense needs, I look at it as you would look at any political actor's grand strategy towards security. That would involve the military components and the foreign relations component, how you maintain solid relations with neutral parties, with potential supporters, allies, whatever word you want to use.

And it seems to me that given the limited capabilities that Taiwan can bring to a fight by its very nature, by the size of Taiwan compared to the adversary it's likely to face, and given the fact that Taiwan will desperately need external support, I think Taiwan needs to be extremely careful about which military plans it adopts. It would be quite possible for Taiwan to recognize, for example, and this has happened in history, for Taiwan to recognize that it desperately needs to be portrayed as the victim in a military conflict in order to survive because it's going to need external support and it's going to need maybe some potential supporters of China to stand down, at least, but at the same time develop

offensive military strategies that make Taiwan look very aggressive, make Taiwan look like it's causing escalation in an existing crisis or conflict.

Those two components of their grand strategy would be pulling in opposite directions. And just because of the geography and the general size of the two actors, I think Taiwan doesn't have much choice but to create defensive strategies that give it time to hold out, to let the world decide who the aggressor is, and to decide whether pressure will be put on China to help Taiwan in that situation. In particular, I think counter-value strategies that would attack cities in China or blockade Chinese ports in response to a maritime blockade by the mainland, while understandable for all the reasons that were stated here, would be fundamentally counterproductive to Taiwan's long-term security because countries that are generally friendly to Taiwan would have their citizens put at risk.

There are lots of Americans in Shanghai. I was just there. You don't want to be lobbing missiles into Shanghai in a punitive way, and if you pick off shipping, you're going to kill innocent civilians, and so those types of things, I would say, should be considered off the scale.

Where it becomes much more difficult to discern is in the area that you discuss, where there's a specific weapons system directly across the Strait that's shooting down Taiwan planes, can Taiwan therefore take that out? I'm not a military strategist. I'm not going to pretend to be a military strategist, but it's a gray area that needs to be addressed and it seems to me that a lot of the conclusions that need to be drawn would be based on the answers to questions such as how escalatory would that action be in the minds of those planning such an action, and could the United States or other actors do the same thing better and in a timely fashion?

I think that those things would be important calculations to consider if I were a Taiwan defense planner looking at that grand strategy. Thank you.

MR. BLUMENTHAL: I just want to say I wasn't advocating the use--

DR. CHRISTENSEN: No, no. I said it's understandable why people would think that way. That's all.

MR. BLUMENTHAL: Yes, I think the debate is on in Taiwan, and we need to be aware of it.

COCHAIR BRYEN: We will come back to you on that at some point.

COCHAIR DONNELLY: Well, if an air defense radar is a counter-value target, we're in deep trouble.

COCHAIR BRYEN: Mr. Mei.

MR. MEI: I agree with a lot of what Dr. Christensen has just said in terms of Taiwan needing to portray itself in the right light. But then again, I also want to inject a shot of reality here. What has become increasingly clear, at least to many people in Taiwan, and possibly to many U.S. planners here, is the fact that it will not be feasible to defend Taiwan without resorting to some type of active counterforce operations against PLA air, naval, second artillery, surface to air missiles or command and control sites on the Chinese mainland, and just as, in fact, it was impossible in 1958 to defend Qumoy without resorting ultimately to plans that could escalate the war into certain parts of Fujian province, even up to the use of tactical nuclear weapons.

So with China deploying significant and increasing numbers of tactical ballistic missiles and, very soon, land attack cruise missiles across the waters from Taiwan, it is just inconceivable for any plans to defend Taiwan either by the Taiwanese themselves or in cooperation in some capacity with some foreign assistance that does not entail attacking targets on the Chinese mainland.

From an escalation control point of view, somebody has to make those strikes, either the Taiwanese or somebody else. Now, from an escalation control point of view, would you rather that the Taiwanese do it, i.e., in a proxy situation, or have some member of the Seventh Fleet do it?

That's certainly something to think about. I'm not really advocating that we do it one way or the other, but that's definitely something that is worth thinking about in this city.

Unfortunately, many U.S. jurisdictions including the JCS and PACOM have recently seemed to be leaning towards endorsing the doctrine that, no, no, no, it's probably not a good idea to provide Taiwan with what is conceived as offensive capabilities. But, how do you define defensive? We've talked about what do you define defensive. How do you define offensive? We sell our HARM missiles to South Korea so they can shoot at North Korean surface to air missile targeting radars. Well, why couldn't you sell that to the Taiwanese? Why was that declined to Taiwan earlier this year? Taiwan asked for satellite-guided bombs, JDAMs, GPS-guided bombs. That bomb is no more accurate than the laser-guided bombs we've been selling them in the last 20 years. In fact, it's less accurate, and it's more prone to outside factors such as us turning off the switch on the GPS that is used to guide the bombs.

But why is that considered offensive? So these are issues, I think, we need to delve a little deeper into in addition to whether we should wedge Taiwan towards counterforce or counter value. In fact, perhaps by providing them with certain types of capabilities and weapons, we can actually steer them away from counter value type of thinking and into counterforce type of mission planning.

COCHAIR BRYEN: Thank you. Of course we've got to get them to pay for them, too. Dr. Cobb.

DR. COBB: I think when it happens--

COCHAIR BRYEN: Small point, but I thought I'd remind the panel that we're kind of stuck at the moment.

DR. COBB: Actually it's a pretty important point, but beyond that if you want to start talking tactics of how it's going to unfold, they'll do what they've got to do. But having said that, in terms of the force package that was discussed earlier, you can't just, buying a submarine

is not like going down to a car yard and picking out one in blue that you like with a six cylinder engine. It's a capability that it takes a fair bit of time and expertise to field.

Having said that, the Australians build submarines, called Collins and it comes in a nice black. I recommend it. Of course, they won't sell it to the Taiwanese because of the impact it would have on their relationship with China, as I was mentioning before, but it's worth at least investigating that one.

The problem is with those types of capabilities you're talking, it's too long to field. In the short term, and if you're talking about 2008 time frame which I think is a very reasonable one, then the focus on the Patriots I think is an important one, on ISR capabilities, to be able to correctly identify EW, counter-EW, these types of things, that can be relatively inexpensive, comparatively speaking.

That can have an immediate impact on the types of operations you may be engaging in or by "you," in that case, I meant the Taiwanese. Again, this cooperation and coordination issue is particularly important.

Back on the Patriot issue. It's not hard to envisage that the Chinese may want to impact on American military bases in the region, maybe even in a preemptive way.

It's kind of alarming that those bases that are the most proximate and most likely to be touched, reached out and touched by the Chinese, don't have Patriot missile batteries. That strikes me as a matter of concern.

Moreover, I'll leave it that for the moment actually.

COCHAIR BRYEN: Incidentally, there are other things in Taiwan that have to be defended like nuclear power plants.

Commissioner Dreyer.

COMMISSIONER TEUFEL DREYER: Yes. First, with regard to Dr. Christensen's excellent point about hitting Americans in Shanghai, one would hope that the opposite would also deter the mainland -

- since there are also a large number of Americans and other expatriate innocent civilians in Taipei. There would also be a devastating effect on shipping that might be hit by the mainland.

I realize, of course, you made that in the context that Taiwan needs to portray itself as the victim, and China does not worry about things like that.

Okay. That said, I would argue that what China is doing with Taiwan is not primarily a military game, it's a mind game. People on Taiwan know about all the missiles aimed at their country, and add that to what you gentlemen mentioned, the idea that they can't count on the United States coming to Taiwan's aid. There may be an answer in a safety deposit box somewhere, but no one is allowed to open it.

Hence, this weakens the resolve of Taiwanese to defend Taiwan because they can't be sure what's in the safety deposit box. Okay. That said, it is important, of course, from the point of view of the mainland government playing this game, that Taiwan has some sort of credible deterrence. I'd like to hear what, in addition to the reconnaissance plans that Dr. Christensen mentioned would be a good idea, what other weapons you think Taiwan should get in order to mount a credible either deterrence or ability to hold off mainland attack until the safety deposit box is opened and we find out what the United States plans to do?

Dr. Blumenthal.

MR. BLUMENTHAL: Well, I guess it's not really fair since I was involved in the prioritization when I was in government but--

COMMISSIONER TEUFEL DREYER: That's all right.

MR. BLUMENTHAL: --but I think as you well pointed out, it is very much a psychological mind game and there are all kinds of elements of strategy here that include getting into Taiwan's internal political system, organizing peace rallies funded by China against the purchasing of arms, psychological intimidation.

I think that number one is missile defense far and away. In Taiwan you'll hear, well, we can't possibly keep up, they're deploying 150 missiles a year, they have 700 ready. What are a few batteries going to do?

It is a psychological game in a lot of ways, and once you've deployed batteries of PAC-3s and done the whole comprehensive picture of also passive defenses and hardening. The panel before discussed continuity of operations and continuity of government. You've done the whole picture of the early warning radars, also sea-based missile defenses, I think are going to be crucial. I think what you've done is you've forced China to take it to the next level.

Right now there's almost no missile defense on Taiwan, so a certain volley has a certain psychological impact. Well, if you've deployed missile defenses, China has to think right away about escalating, even before they've fired, and killing more civilians and killing and shooting at things that aren't hardened.

So I think the value, the right way you put it, in terms of the mind game that China is playing, and missile defense is multiplied, not just from a military point of view but from a political point of view, too. I think that's where you need to start. I think the missile defense, the C4ISR, which has the sort of mystical meaning now, but essentially the ability of the strategic command in Taiwan to carry on and to send orders to military operators in Taiwan, and to communicate with its public, I think, is crucial because it's also a question of will and morale right off the bat. So I think that's why the whole package of C4ISR and strategic command and control would be the second.

The third I think is being able to identify those submarines and break those blockades just because again you have this island nation whose economic lifeline can easily be blocked off, and the morale and will issue within Taiwan is crucially important to be able to target submarines and break blockades.

COMMISSIONER TEUFEL DREYER: Tom.

DR. CHRISTENSEN: Thanks a lot for the excellent question. Just to say at the outset, I agree entirely that we should be concerned about innocent civilians including American citizens on Taiwan. I never meant to suggest otherwise.

And, yes, this is all a coercion game. In my written statement, I emphasize this. I'm interested in these uses of force short of brute-force amphibious invasion and occupation of Taiwan. I'm interested in the use of force to try to change the psychology on Taiwan, to try to change the psychology in the United States, in Japan and elsewhere. I think that's not only the most interesting and difficult political puzzle to address, but it's also the most likely scenario for the use of force, so it's the one we ought to be addressing if we're really concerned about the Taiwan's security and the implications for the United States.

Along these lines, I didn't mean to convey earlier, as Dr. Cobb suggested, that I think that conflict is inevitable. I think it's quite preventable. I just think preventing it is a very challenging prospect and requires preparation for actual conflict so that you can deter effectively, along with those, as I said, those assurances so that the CCP doesn't get the sense that if they forego belligerence, that somehow their entire cookie jar is going to be taken away in the process. And I do think you need to mix both of those elements.

I agree with Dan about the importance of defending against missiles and I think Taiwan has done some things that we know about from the public literature. There is a disadvantage. It is unfair for Dan to answer that, but I'll say from--

MR. BLUMENTHAL: I didn't give away any classified information.

DR. CHRISTENSEN: No, but you have the advantage of knowledge, which is a wonderful thing. My understanding is that they've done various things in terms of passive defenses, which are very important. Conventionally tipped missile, no matter how accurate, has limited

explosive capabilities, and if you can defend your assets against it, diversify your assets, harden them, and if you can do things like teach your pilots to take off and land aircraft on highways instead of military runways, you've done a lot of missile defense, because you've made it harder for your enemy to use a limited number of missiles to paralyze your defense capabilities.

I think all of those things are appropriate. Now, I don't want to come across as saying everything that Taiwan should do is passive. I supported the Kidds' transfer, the Kidd-class destroyer. I think it's a very good asset for them to have. It provides air defenses. It provides surface warfare capabilities and as I said before, it provides anti-submarine warfare capability, and I think that's very important given the challenges that Taiwan faces.

I also think the transfer of the AMARAMs was a very good idea. I think it's going to be harder and harder for Taiwan to take its aircraft off and keep them in the air, and I think it's important for Taiwan's Air Force to be able to defend itself against an increasingly sophisticated mainland air force with increasingly sophisticated air-to-air missiles.

And that just makes a lot of sense. I just want to reiterate a point I made earlier regarding the reason I focused on the P-3s. Again, I'm an amateur, I'm a professor, I haven't been in the military and I'm not a military strategist. From talking to military strategists and talking to people who have been in the military about Taiwan's anti-submarine warfare capabilities, it seems to me that P-3s make a lot more sense than submarines. Submarines are incredibly useful assets for the U.S. Navy in hunting submarines, but the U.S. Navy developed that capability over a long period of time and with a lot of capabilities and it requires a very complex equation to use submarines against submarines. Whereas the P-3 is a complex tool for sure, compared to that method is much simpler and much more efficient.

So since I'm concerned about the mainland submarines, I'd rather see Taiwan have the P-3s than talk about subs as an anti-submarine device. Sometimes you get into this bean-counting argument, well, they've got 50 some odd submarines, so we need to have several ourselves. Otherwise the balance will be off.

That's not the way to think about military affairs, it seems to me. The way to think about it is how you can counter their 50 some odd submarines in the most efficient and cost-effective way, and that's why I support the sale of the P-3s and I wish the Taiwan legislature would purchase them, and I'll just leave it at that.

Thanks.

MR. MEI: To answer this question, I think we need to look at both short term and long term. In the short run, I think Dan's and also DoD's recommendations are 110 percent on target. You need the combination of those three things, you need to do it quickly, and you need to do it with substantial investments in terms of missile defense, like PAC-3s because that's what we currently have, even though PAC-3s are not necessarily the end all and be all in upper tier missile defense.

You need PAC-3s. You need C4ISR. You need data links. You need TCCS. You need anti-submarine capabilities on a joint basis involving aircraft, helicopters, surface vessels, underwater surveillance systems.

However, with that assumption, I think we're talking about a war that would happen before about 2012, 2015. We're also talking about a scenario in which the safety deposit box once opened says that, yes, Uncle Sam will be coming, it will be coming in seven business days. But Taiwan doesn't know that. Plus Taiwan can only plan for a war that happens in the next decade. They also have to look at the longer term. I was just looking at their special budget plan; it runs through 2020.

They're actually thinking about spending money well into the end of the next decade, to build long-run capabilities that's going to carry

them for a long time. So I think we need to be cognizant of that, and when we look at what is necessary to help Taiwan, what systems they need to acquire and plan for, we also need to look at the longer-term perspective, from Taiwan's angle.

In the long run, I think the Taiwanese, what they want to do is to develop some ability to deter war rather than to survive long enough, for the cavalry who may or may not get here.

What they want to do, and to address briefly the submarine issue. Their concept, the way they explained it to PACOM to lobby for their approval back in about the year 2000 was to say, well, this is purely a defensive thing. You give us this toy and we're going to use it to hunt PLA submarines, some of which could be doing 30 knots and we'd never be able to catch them.

But that's beside the point. That was the sales pitch. In reality, what they wanted to do, their CONOPs, their concept of operations, is to use it to interdict PRC shipping, because they've projected PRC's energy needs out to about 2025, and they said, well, they're going to be importing 80 percent of their oil after the year 2020 or 2025.

So that would become a PRC center of gravity vulnerability. So we're going to build a capability starting with the investment now over the next 15 years, so we could acquire this capability to threaten that center of gravity to ultimately deter their taking the war to us.

One other thing about the anti-secession law. Everybody reads all the other articles. I read Part III of Article 8 which basically said when all other, when all peaceful possibilities have been exhausted. What exactly does that mean?

That does not mean if Taiwan declares independence or moves toward de jure autonomy. That means whenever we feel like it.

COMMISSIONER TEUFEL DREYER: Yes.

MR. MEI: Or I think that actually is a retranslation in Chinese of one of the conditions they attached to using force back in the

early '90s, and that is if Taiwan--well, there used to be three conditions--Taiwan declares independent, develops nuclear weapons, or there is foreign intervention in Taiwan. They eventually added on a fourth condition that was if Taiwan indefinitely defers reunification. That article, Part III of Article No. 8, basically is a retranslation. Taiwan, again, this reflects in their thinking and their force planning, and things like submarines, in things like counter deterrent capabilities like cruise missile, they want to eventually develop a plan where they don't have to rely on that safety deposit box, that they don't have control over.

COMMISSIONER TEUFEL DREYER: Mr. Mei, is systems integration a problem in the Taiwan military?

MR. MEI: There has always been system integration problems in Taiwan, in part I think because the officer corps is not as technically savvy as they ought to be, or for that matter in relative terms as technically savvy as they were in the early '80s or the mid-'80s when they were planning. For example, they planned an equivalent of the U.S. Navy's Aegis system called ACS, or Advanced Combat Systems, which was based largely on commercial off-the-shelf technology because whatever the U.S. Navy had at the time, which was hard-wired, Navy proprietary, was not releasable to Taiwan.

In many ways, Taiwan was actually ahead of its time. They were very technically advanced out of necessity because they couldn't get their hands on all these goodies that the U.S. had. So they developed a lot of stuff that they used, based on commercial components. They used IBM AT computers to run their air defense, surface to air missile system well before COTS became like a buzzword in the Pentagon.

COMMISSIONER TEUFEL DREYER: Thank you. Dr. Cobb?

DR. COBB: Well, first, I'd like to compliment Dr. Christensen on his ability to be a military strategist if he ever wants to be one because he's pretty spot on most of the things he said. I'd buy the Dan

package myself as I alluded to in the previous comments. The only other thing you would look at for Taiwanese options are asymmetric and there are all sorts of opportunities they could get into, but you wouldn't have to be on the other side of the Straits.

MR. BLUMENTHAL: Could I make a quick comment just to follow up? Part of the reason it's really fun to be on the Taiwan account if you're a major, a colonel, a GS-14 or 15, because there is no institutional authoritative voice. There's no security, assistant command, to speak of. Because of the unofficial relationship, anyone can have an idea about what's best for Taiwan, and confuse the heck out of them. Go to Taiwan and confuse the heck out of them with their best idea.

PACOM has their ideas. Joint Staff has their ideas. DoD has their ideas, and so one of the recommendations that I would make is that we get serious about this defense relationship, and we start speaking to them much more authoritatively and with one voice.

COCHAIR DONNELLY: There would be nothing worse than getting senior leaders involved in things. Commissioner Mulloy, if you would be so kind as to defer your question or comment to the next panel, Commissioner Robinson, who was head of you in the batting order has agreed to relinquish his time, and in the interest of getting out of here alive, I propose that's what we do.

Is that amenable to you?

COMMISSIONER MULLOY: That's amenable.

COCHAIR DONNELLY: Thank you, sir. I would like to express the thanks of the Commission to the panel.

[Recess.]

PANEL VI: HOW ARE EVOLVING POLITICAL, ECONOMIC AND SOCIAL REALITIES AFFECTING THE CROSS-STRAIT BALANCE?

COCHAIR DONNELLY: Could we bring the meeting to order, please, and will the panel be seated? Our final panel today will

examine the effects of evolving political, economic and social realities and the larger cross-Strait balance.

Very briefly, to introduce the panelists, Dr. Richard Bush, Senior Fellow at the Brookings Institution, who has a long history of public service and expertise in East Asian issues including service on the House Committee on International Relations.

Joining us also is Professor Vincent Wei-cheng Wang from the University of Richmond. He's associate professor in the Asian Studies Program and a political scientist. He's a graduate of University of Chicago and a SAIS graduate. Welcome.

Finally, Terry Cooke, the founder and CEO of GC3 Strategy, an international consulting firm, and prior to taking this job, he served in the U.S. Foreign Commercial Service, where he held a variety of positions in the region.

So without further ado, Mr. Bush, the floor is yours.

STATEMENT OF DR. RICHARD BUSH, SENIOR RESEARCHER, THE BROOKINGS INSTITUTE, WASHINGTON, D.C.

DR. BUSH: Thank you, Commissioner Donnelly. Do I need to ask that my prepared statement be entered in the record?

CHAIRMAN D'AMATO: No, it will be placed in the record.

DR. BUSH: Okay. Thank you. Thank you very much for inviting me to appear. Thank you for your attention to these very important issues. It's important to the country. I will talk about the political dimension of across-Strait relations.

You've had very smart people talk about military matters, which are very dangerous. You have some excellent people talking about the economic component, which in some respects is a source of hope, but the political dimension is important in a variety of ways.

In my view, the core of this dispute is a disagreement over the legal status of the government of the Republic of China, particularly as it pertains to a possible future unified China.

That is to say when this question has come up about a possible future unified China, the government of the ROC has always said that it is a sovereign entity. China has always said it is not a sovereign entity. Moreover, it regards Taiwan's claim to sovereignty as separatism.

The second way in which this is very much a political dispute is that what China has most feared and the reason that it is accumulating its military assets is political initiatives by Taiwan. It perceives these initiatives to have the objectives of permanently separating Taiwan from China. Actually I would claim that Beijing often misperceives what Taiwan is doing. What it sometimes regards as separatism is actually something else.

Third, I would say, again, defining why this is very political thing, China has been involved for a long time in penetrating Taiwan's domestic politics in the hope of shifting public opinion in its direction. And the very public welcome that it extended to the chairmen of Taiwan's opposition parties, the Kuomintang, the People First Party, and the New Party, earlier this year was only the most recent and visible example of that.

Finally, Beijing has, for a long time, hoped that the economic convergence that has occurred over the last almost three decades will promote political reconciliation between the two sides.

Having said all that, it is not completely clear that this strategy that Beijing has pursued will work. First of all, it is not certain that the conservative, so-called Pan Blue forces, will win the next presidential election, which will occur in 2008. I surmise that that is Beijing's hope, but it is not certain that that will occur.

The likely Pan Blue candidate, Taipei Mayor Ma Ying-jeou, is going to have to prove to the majority of the electorate that he is going

to stand up for the interests of all of the residents of Taiwan. His family comes from the Chinese mainland. I'm not saying he won't be able to do that, but he will have to work hard to do that.

Second, the opposition parties and Mayor Ma himself will have to work within the reality that China's actions often intensify the very Taiwanese identity that Beijing would like to mitigate. This is kind of counterintuitive, counterproductive result, but often China produces the kind of anti-China mentality that just drives it crazy.

Third, even if a Blue government were to take power, I'm not sure that it would, as a matter of policy, undertake a really significant accommodation to China. Recall, as I said before, that the key issue is the legal identity of the ROC. I believe that there is a broad consensus on the island, including among the Blue parties, on this issue, that the ROC is a sovereign entity. Mayor Ma is an international lawyer. He understands these issues in great depth.

Finally, any fundamental change in the island's relationship with China would require constitutional amendments. The bar to doing that is extremely high, and requires broad public consensus on the island. I think that would probably be very difficult to achieve.

Consequently, in my view, there are limits on any change, any fundamental changes in the status quo through political means. Fundamental reconciliation between Taiwan and China seems unlikely. The most likely scenario seems to be more of the same. If one's concern is Beijing using united-front tactics and Taiwan's open system to wear down its resistance, my conclusion should be of some reassurance. That's not a reason for complacency. I think Taiwan needs to strengthen itself in a variety of ways, economically, militarily, diplomatically, but also its political system.

Briefly, on U.S. policy, I think that Washington's approach to the Taiwan Strait issue has evolved during the 1990s from its traditional stance of strategic ambiguity to one of dual deterrence. What we have

today is really a conditional commitment to each side. I don't really find fault with the Bush administration's current Taiwan policy. The danger in the current situation is Beijing or Taipei or both somehow miscalculating and stumbling into a war.

The best answer to this situation is a resumption of communication between the leaders of both sides. Beijing bears the onus for the absence of communication. If the current situation of non-communication continues, then it's probably up to the United States to remain deeply involved and that is exactly what Washington is doing because our stakes in peace and stability are very, very high.

Thank you very much.

[The statement follows:]

PREPARED STATEMENT OF DR. RICHARD BUSH, SENIOR RESEARCHER, THE BROOKINGS INSTITUTE, WASHINGTON, D.C.

Members of the Commission, thank you for the opportunity to testify today. I applaud you for addressing China's military modernization and the cross-Strait balance. It is central to peace in East Asia, the future of U.S.-PRC relations, and the wellbeing of the 23 million people of Taiwan.

My remarks today will draw on my nineteen years experience in the United States Government, where I served on the staff of the House International Relations Committee, as National Intelligence Officer for East Asia, and as chairman and managing director of the American Institute in Taiwan; and on a book of mine, *Untying the Knot: Making Peace in The Taiwan Strait*, which The Brookings Institution Press published this summer. I am going to focus on political issues since I know that my friends T.J. Cheng and Terry Cooke (who was also a colleague at AIT) will do an outstanding job on economics and no one is better than Admiral Eric McVadon on military issues.

Why are China and Taiwan at Odds?

It is critical, I believe, to understand why China and Taiwan are locked in a dispute that is so dangerous that it could lead to war in spite of the fact that economic interdependence between the two sides is growing. The two sides feel a profound vulnerability toward the other and the threat that it represents. Each takes steps to guard against that threat, only to trigger a hedging response from the other side. Thus Beijing and Taipei each add new systems to their respective arsenals to counter the acquisitions of the other. In the 1990s, the PRC acquired advanced fighter aircraft from Russia (the Sukhoi-27s and 30s) and Taiwan secured F-16s from the United States and Mirage 2000s from France. Over that same decade, Beijing bought Kilo-class submarines from Russia and Taiwan requested diesel-powered submarines from the United States. The PRC produced indigenously a growing force of short- and medium-range ballistic missiles and Taiwan sought to acquire missile defense capabilities – and received Patriot batteries – from the United States. In addition, the Taiwan armed forces worked to improve institutional ties with their American counterparts.

This state of affairs has a long history, of course, but the current impasse began in the early 1990s. This was a time when both the PRC and Taiwan sought to take advantage of the buyers' market in advanced weapons systems created by the collapse of the Soviet Union. Politically, there were growing conflicts over Taiwan's

approach to the unification of China. Lee Teng-hui grew increasingly frustrated over the constraints of one country, two systems and Beijing's refusal to adjust its approach to the legal and political status of the ROC government. The PRC saw Lee's domestic policies and his effort to re-insert Taiwan into the international system as seriously threatening.

The conflict of the mid-1990s demonstrates that this is not the classic arms race, even though something like that has occurred. It is not a simple case where Beijing fears that Taipei's arms acquisitions makes it more vulnerable to attack. Instead, what Beijing dreads are Taiwan political initiatives to permanently separate the island from China, or, as they might put it, seizing Chinese national territory by fiat rather than force. Taiwan's military power and its de facto alliance with the United States become relevant not because they are inherently threatening but because they are seen as useful in defending those political initiatives. It is, at a minimum, to deter those steps and to counter Taiwan's defensive military build-up that the People's Liberation Army acquires new capabilities. And it is supposedly to allay those fears that Beijing has asked Taipei to reaffirm the one-China principle.

It was these political vectors that created the crisis of 1995 and 1996, which at its core was a PRC coercive response to a series of political initiatives undertaken by Lee Teng-hui. Beijing was similarly alarmed in July 1999, when Lee Teng-hui declared that cross-strait relations were special state-to-state relations and in March 2000 when it became clear that Chen Shui-bian, whose party had the goal of independence in its charter, was about to win the Taiwan presidency. It ratcheted up pressure again in late 2003 and early 2004 when President Chen was proposing a new constitution through referendum, which Beijing regarded as the functional equivalent of independence. And in March 2005, China's National People's Congress passed the Anti-Secession Law.

In all these cases, the PRC suggested that it might use its growing military capabilities to deter what it saw – and I emphasize saw – as political trends it found threatening, if not to compel its preferred outcome (unification).

As I just suggested, the threat that Beijing saw was very much its own perception. In fact I believe it was a misperception. In fact, I believe that the PRC inflated Taipei's disagreement with its formula for unification into a fundamental challenge to its legitimacy and made the situation worse than it had to be.

The true issue in disagreement here, I believe, is the legal identity of the governing authority on Taiwan, specifically whether it possesses sovereignty. Discussion usually focuses on the issue of *whether* Taiwan is a part of China (that is, whether the state known as China owns the territory of Taiwan). The heart of the matter, however, is *how* Taiwan might be a part of China, or, to be more precise, whether the ROC government might be part of the Chinese state.

Ever since 1949, the PRC has asserted that the ROC ceased to exist and the "Taiwan authorities" are not a sovereign entity. On the island, in contrast, there is a broad consensus, from the PFP to the Taiwan Solidarity Union, that the government does possess sovereignty. To use the usual formulation, "the ROC (or Taiwan) is an independent sovereign state." All major forces on the island have consistently held that if unification is to occur, then the sovereign character of the Taipei government must be preserved within the context of that national union. Somehow, that government would be part of the state called China. Under the PRC's reunification formula of one country, two systems, however, Taiwan, like Hong Kong and Macau already, would possess autonomy or home rule but not sovereignty. The PRC government would remain the exclusive sovereign.

The legal identity of the governing authority on Taiwan pops up in many of the disputes of cross-strait relations, such as whether Chen Shui-bian should accept the one-China principle in return for dialogue and how direct transportation links might be established. And it has rather profound implications. For if Taiwan were a sovereign entity in a unified China, it would obviously have a better deal than Hong Kong, and perhaps prompt a fundamental debate about the allocation of power in the Chinese system.

Although there are political unions composed of sovereign entities, to talk at this point about a Chinese confederation, for example, is somewhat hypothetical. What has not been hypothetical has been Beijing's response to Lee Teng-hui's and Chen Shui-bian's assertion that their government possessed sovereignty. It has regarded those claims as proof *ipso facto* that they were separatists. Beijing's misrepresentation of Taipei's position and its over-reaction to Taiwan's statements and actions taken on the basis of that position have made a difficult dispute more complicated.

China's Strategy towards Taiwan

China pursues a multi-faceted strategy towards Taiwan. Militarily, it is building up its capabilities to deter political initiatives that would challenge its fundamental interests and to reverse those initiatives should deterrence fail. Beijing is becoming more careful not to set precise red-lines because it cannot create an exhaustive list of the Taiwan political initiatives that would constitute such a challenge. Note, therefore, that article 8 of the Anti-Secession Law, which specifies the triggers for use of "non-peaceful means," is quite vague. That is actually worrisome, because Taiwan's leaders cannot be clear on what steps they should avoid.

Economically, it continues to maximize the interdependence between Taiwan and the mainland, and make China the destination of choice for investment, lower-end manufacturing, and alternative employment. And it is succeeding.

Diplomatically, China is tightening its quarantine around Taiwan in a variety of arenas. It contends with Taiwan for diplomatic partners. It resists Taiwan's efforts to enter international organizations and seeks to restrict its participation in those organizations where it has a role. It seeks to diminish Taiwan's positive reputation within the East Asian region, to make it appear the troublemaker. With specific reference to the United States, it tries to get Washington to restrain the Chen administration from taking political initiatives that threaten its interests. President Bush's statement in December 2003 was one signal part of this campaign.

Politically, China seeks through united-front tactics to change the balance of political power and the complexion of political opinion on Taiwan and so reduce the likelihood that its leadership will take detrimental political initiatives. In this regard, it can use the advantage of the island's open system. (Note the asymmetrical nature of this situation; Taipei doesn't have the option of playing in Chinese politics).

Thus, Beijing has sought to capitalize on the business community's interest in better cross-Strait economic relations. It has aligned with the Kuomintang, People First Party, and New Party, most recently through the visits of those parties' leaders to the mainland early this year. It has used the pro-unification media on the island to project its message. It seeks to win over economic groups that have been loyal to the ruling Democratic Progressive Party by offering special incentives (fruit-growers are a recent case in point). Drawing on another page on the united-front play-book, the PRC has also sought to isolate Taiwan's government and place the blame on it for all the difficulties that Taiwan is suffering.

Beijing uses these political tactics to reinforce its position on the sovereignty issue and vice versa. Take the issue of direct transportation links, which would benefit economic groups on Taiwan but on which there has been no progress for many years. For much of this time, the obstacle has been a disagreement over how to discuss bringing the links about. Beijing has given Taipei a choice: either it can accept the one-China principle, in which case direct links can be discussed by existing semi-official organizations; or Taipei private associations can hold the discussions. For some time, the Chen Shui-bian administration saw this as a lose-lose proposition. On the one hand, it feared accepting the one-China principle because how China defined it degraded the legal status of the government. On the other, to allow private associations have total responsibility for negotiations on matters that were governmental in scope was also improper. Beijing would de-legitimize Taipei either way, but to make no progress on transportation links would cause political damage at home. In recent years, Taipei has actually sought to split the difference, by accepting talks on transportation links under the aegis of private associations as long as the responsible officials conducted the substantive discussions. Yet little progress has been made and some suspect that Beijing does not wish to facilitate an achievement by a DPP government.

The Limitations of Beijing's Policy

Shaping political attitudes on Taiwan is not a new approach on Beijing's part. Indeed, it has been part of its policy ever since 1979 when its objective changed from "liberation" to "peaceful unification." The premise, unsurprising for Marxists, is that growing economic ties between the mainland and the island would lead to political reconciliation. As the PRC's understanding of Taiwan's politics has grown, so has the sophistication of its policy. To fine tune the point, the PRC's approach to the second Chen administration is basically the same as the one it pursued towards the first Chen administration.

It does not necessarily follow, however, that China's strategy will succeed, that economics will trump politics, and that Taiwan will eventually drop, like a ripened fruit, into its lap. There are several reasons why that is not the case and why stalemate and paralysis rather than linear progression are more likely.

First of all, it is not certain that Taiwan's opposition forces will re-gain power and shift policy in a direction that is more favorable to China. It is true that Ma Ying-jeou, the telegenic mayor of Taipei, has become chairman of the Kuomintang (Nationalist Party, KMT), the leading opposition party. Barring some unforeseen development, he will be the opposition's candidate in the 2008 election. Yet Mayor Ma still has some work to do in consolidating the so-called "Blue" forces. For there are many Taiwanese within the KMT who worry about his mainland origins and, more broadly, about the more pro-China direction of the opposition. If this Taiwanese wing of the KMT should split, then the Blue opposition cannot win the presidency in 2008 (and may not retain control of the legislature either).

Second, I have never made the mistake of selling short the DPP when it comes to election campaigns. This is not to minimize the vulnerabilities that the DPP candidate will take into the next election. But even if Mayor Ma is able to reassure Taiwanese within the KMT, he is not assured of victory. China has over-estimated the KMT's chances in the last two elections. It should not do so this time and nor should we.

Third, both China and the opposition parties in Taiwan are handicapped by the Taiwanese memories of harsh KMT rule from 1945 to 1990. Those memories place limits on what a Blue government or China might achieve in re-shaping cross-Strait relations. KMT repression created a strong Taiwan identity and a fear of outsiders that has become an important factor in the politics on the island today. Those with the strongest Taiwan identity regard opposition leaders who are friendly to Beijing as traitors and fear the Chinese Communists as the new outsiders who intend to enslave the Taiwanese. These views may have no basis in fact but they have political consequences. To take only one small example in the news, the US-Taiwan Business Council recently predicted the Taiwanese reaction to the engagement between China and Taiwan's opposition leaders will complicate liberalization of mainland investment by Taiwan semi-conductor firms.

Fourth, even if a Blue government were to take power, I doubt whether there would be a significant accommodation of China. Recall that a core substantive issue dividing the two sides is the legal identity of the Republic of China government, whether it is a state. There happens to be a broad consensus on Taiwan that the ROC is a state, including in the Blue parties. Ma Ying-jeou is a lawyer and he understands all the ramifications of that principle. So if he were to become president, the tone of cross-Strait relations might improve but the substance would not. Taiwan's position and China's are mutually contradictory.

Finally, even if the Blue parties took control of the Taiwan government, and even if they sought to accommodate Beijing substantively (contrary to my strong expectations), there are significant checks within the Taiwan political system. The legislative process requires some measure of consensus before bills are considered (as such, the Legislative Yuan is more like the United States Senate than the House of Representatives). Moreover, the fundamentals of cross-Strait relations would have to be addressed through constitutional amendments and here the hurdles are truly daunting: a quorum of three-quarters of the Legislative Yuan; a three-quarters majority of LY members present for passage; and then a popular referendum with a majority of *eligible* voters for passage. If there were ever proposals to reconcile with the mainland that required constitutional revision, a relatively small yet committed minority of Taiwanese would have to be convinced. This group can stop any constitutional change in its tracks.

Prospects

Consequently, in my view there are limits on any changes in the status quo through political means. Fundamental reconciliation between Taiwan and China seems unlikely because the substantive disagreements over sovereignty and security are rather intractable and, as I have explained, Taiwanese identity is an important factor. Complicating any effort at reconciliation is the heavy overhang of mistrust that exists between Beijing and Taipei. Each side not only watches the actions of the other and takes steps to deter the worst, but also assumes that the other will not keep its word should some substantively attractive formula emerge. Neither side has found a way out of substantive or process stalemates.

If reconciliation is unlikely, so is a unilateral political change in the status quo on Taiwan. Indeed, I think it is impossible for the foreseeable future. The daunting mathematics of constitutional revision that I discussed above concerning the Blue parties also frustrates any party contemplating Taiwan independence.

So the most likely scenario is for more of the same. If one's concern is Beijing's using united-front tactics and Taiwan's open system to wear down its resistance that should be some reassurance but it is not a reason for complacency. Taiwan needs to strengthen itself in a variety of ways if it is to cope with the complex and difficult choices it faces.

Economically, it must strengthen itself so that the island's companies and work force remain competitive in a globalized economy.

Militarily, Taiwan must strengthen itself in order to deter aggression and, should deterrence fail, to hold on until American support arrives (assuming we decide to provide support). As an aside, let me say, that if anyone is unilaterally changing the status quo it is Beijing with its systematic, dedicated military build-up.

Diplomatically, Taiwan must strengthen itself, which first and foremost means ensuring a solid relationship with the United States.

In terms of sovereignty, the Taiwan public must strengthen its understanding of the legal identity of the ROC government, where flexibility is possible on sovereignty and where it is not.

Politically, Taiwan desperately needs to strengthen its institutions and consolidate its democracy. The people of the island are not well served by the choices that political institutions make – or in many cases do not make – on their behalf. Obviously, this is very hard, because it affects the power of the very people who must carry out the reforms, but much is at stake.

Building strength on these various dimensions will foster psychological strength and confidence. The last thing that Taiwan needs is to face a confident Beijing with a sense of weakness and insecurity.

The United States Role

What is the U.S. role in all of this?

Briefly, Washington's approach evolved in the 1990s from the traditional stance of strategic ambiguity to dual deterrence. Under dual deterrence, the United States warns Beijing not to use force against Taiwan but reassures it that we do not support what it fears, Taiwan independence. We warn Taipei not to take political initiatives that would provoke Beijing into using force, but we reassure it that we will not do what it fears, abandon the people of Taiwan. What we have today is more of a conditional commitment to each side. Ambiguities remain but it is more in the operationalization of the commitment. What exactly is the status quo that we don't want either side to unilaterally change, for example? Personally, I believe that the PRC's systematic, dedicated military build-up comes close.

By and large, however, I do not find fault with the Bush administration's current Taiwan policy. The danger in the current situation is Beijing or Taipei or both will somehow miscalculate and stumble into a war, not

that they will make a deliberate decision to change the status quo and so create a war. The best answer to this situation is a resumption of communication between the leaders of the two sides, if only for crisis prevention and crisis management, if not to stabilize and even resolve the dispute. Beijing bears the onus for the absence of communication by setting preconditions for the resumption of communications. Understandably, it mistrusts President Chen's intentions and wishes some reassurance. Just as understandably, those feelings are reciprocated. The only way to address this overhang of mistrust is to start talking. The United States can encourage both sides, but especially Beijing, to do so, but that is about all it can do.

If communications do not exist between the leaders of the two sides, then the next best solution is for the United States to remain deeply involved in cross-Strait relations, in order to ensure that miscalculation does not occur. That, in effect, is what Washington has been doing for the last decade. It is not easy, but our stakes in peace and stability are high enough that we have no choice.

COCHAIR DONNELLY: Thank you. Dr. Wang, the floor is yours.

STATEMENT OF DR. VINCENT WEI-CHENG WANG, DEPARTMENT OF POLITICAL SCIENCE, UNIVERSITY OF RICHMOND, RICHMOND, VA

DR. WANG: Thank you, Mr. Chairman and the members of the Commission. I would like to discuss China's effective new strategic approach toward Taiwan, which I summarize as "hardening the stick but softening the carrot" and its implication for Taiwan and the United States.

COCHAIR DONNELLY: Very unappetizing.

DR. WANG: This strategy was gradually shaped over 2004 to 2005 to reverse Beijing's tendency to react to perceived challenges to its objectives and interest from Taiwan's leaders. It sought to seize the initiative in cross-Strait relationship and steer it toward directions favorable to Beijing. So it's following Mao Zedong's dictum of "Ni da ni de, wo da wo de," "You fight your way and I fight my way."

China's Communist leaders led by Hu Jintao implement this strategy with increasing success, raising questions about the future of cross-Strait relations and Taiwan's choices.

Mr. Chairman, China's stated objectives of integrating Taiwan with the mainland and its fundamental strategy of striving toward a peaceful unification while perceiving the option of using force have not changed,. But up until recently, Beijing's policies have often proved

counterproductive for its own goals. Treating the "one China" principle as a precondition for cross-Strait negotiations, China has pursued a four-pronged tactic: diplomatic isolation, political division, economic inducement and military intimidation.

However, this approach has failed to curb the electoral appeal of pro-independence political parties or attract Taiwan people to Beijing's "one-country, two systems" unification scheme.

My written statement submitted for the hearing discusses how Chen Shui-bian played the identity card well in his reelection last year. After Chen's reelection, Chinese leaders became increasingly frustrated by Taiwan's political evolution and worried that Chen would push for Taiwan's de jure independence in his second term.

This anxiety was demonstrated in China's 2004 Defense White Paper, which described the situation of cross-Strait relations as "grim." It vowed that the Chinese people and armed forces would spare no cost to resolutely and thoroughly shatter any attempt at Taiwan independence.

China's fourth generation leaders led by Hu concluded that Beijing's past strategies toward Taiwan had failed. While maintaining China's fundamental strategic goals, the Hu leadership made important tactical changes.

The contours of this new strategic approach are shaped by several elements: the May 17, 2004 statement by China's Taiwan Affairs Office; the so-called Anti-Secession Law in March 2005; the communiqués between Hu and Taiwan's two opposition party leaders, the KMT and PFP; and the decisive progress China has gained in its military modernization, which prompts the Pentagon's annual report to Congress to warn that the cross-Strait balance of power is shifting toward Beijing.

Mr. Chairman, compared to its unsuccessful old approach, Beijing's new approach contains three main characteristics, and they all aim to enhance the credibility of China's stated goals and policies.

First, while preserving the ultimate goal of unifying Taiwan with China, the new approach's emphasis is to prevent Taiwan's de jure independence from China, not achieve unification in the short run. China has developed an increasingly integrated new grand strategy which incorporates foreign policy, defense policy, cross-Strait policy and domestic policy, to synergistically augment their combined benefits.

The overall goal is to amplify China's comprehensive national power through a process of peaceful rise. To accomplish this, China needs a stable external environment for at least two more decades. Following Deng Xiaoping's dictum of "taoguang yanghui," or "biding one's time and cultivating one's capabilities," China is striving to secure peace on its peripheries and avoid a premature confrontation with the United States.

A contingency over Taiwan would threaten both. Therefore, China must find a better strategic high ground. China's past claim of achieving unification as one of the country's top priorities never found traction with Taiwan's population and gradually lost credibility in light of Taiwan politicians' creeping independence maneuver. Politicians like Chen correctly concluded that China did not have the capability to enforce its claim and would appear to belligerent if it tried.

By changing the emphasis to opposing independence (while tacitly tolerating Taiwan's current de facto separation), but not conceding on its ultimate goal, China now puts the onus on Taiwan. While the past emphasis on unification served to label the majority of Taiwan people who favor maintaining the status quo as separatist. But the new tactic substantially reduced the number of potential enemies.

Secondly, the new approach appeals to Taiwan people with concrete benefits rather than hollow nationalistic slogans. In the past, China insisted that a political agreement on one China must precede negotiations over practical matters. Taiwan thus rightfully questioned the credibility of China's numerous "generous" offers.

The new approach delivers tangible benefits ranging from reciprocal charter flights during the Lunar New Year to zero tariff treatment for fruit imports from Taiwan, as long as private organizations with official blessing from both sides can reach agreements.

This has the effect of transforming one China from a stick to a carrot. Whereas, previously, it implied loss of sovereignty, now it entails economic opportunities and hope of a stable relationship with China.

Meanwhile, China has hardened the stick by unambiguously equating independence with war. The softer carrot and the harder stick enhance Beijing's credibility by presenting Taiwan government with two stark choices: either come to terms with Beijing on the one-China issue and thus enjoy the real benefits from a fast-growing Chinese economy, or risk economic marginalization and war.

Third, the new approach shows a sophisticated understanding and clever manipulation of domestic politics in Taiwan and the United States. To defuse U.S. objection, China calls its own domestic law "anti-secession law," in order to gain U.S. empathy, while opposing another U.S. domestic law, Taiwan Relations Act. It also reminds the U.S. of its own policy of not supporting Taiwan independence.

On the Taiwan side, China's new approach exploits a deep mistrust between the Pan Blue oppositions and the DPP government, and transforms a common battle of all major political parties in Taiwan against Chinese tyranny into a very unfortunate internal fight between those that favor improving relations with Beijing and those that favor safeguarding Taiwan's independence.

Soon after China's enactment of anti-secession law, Hu rolled out the red-carpet reception to the leaders of the KMT and the PFP. This shrewd move not only dampened the international backlash to the threat of so-called "non-peaceful means" in the law, but also sowed the seeds of discord in Taiwan's domestic politics. It ensured that China would now be a significant factor in Taiwan's domestic politics.

Paradoxically, the Taiwan government now finds itself competing with Beijing in wooing the population in Taiwan and the estimated one million Taiwanese living in China. Ironically, their roles have also been reversed. China now is eager to show that it can take care of ordinary people's real interests by enticing them to the enormous potential offered by a fast-expanding Chinese market.

Taiwan, on the other hand, often finds itself threatening punishment against behavior deviating from abstract concepts of national security and nation building. China's new strategy goes with the tide, whereas Taiwan's strategy is akin to swimming against the tide. For the first time, China's Taiwan strategy appears to begin to show effectiveness.

Mr. Chairman, however, China's new approach toward Taiwan and impact on cross-Strait relations have not altered the strategic fundamentals in this potentially volatile region. China's new approach has arguably frozen or retarded Taiwan's move toward permanent separation. However, China is simultaneously robustly modernizing its military with particular emphasis on acquiring of those capabilities to compel Taiwan to accept unification on Beijing's terms and to deter the United States from intervening in a Taiwan contingency.

This, of course, is changing the status quo, making the maintenance of peace and stability increasingly difficult. The United States has had comparatively less success in influencing China in reversing the trend of militarization in the Taiwan Strait. In that regard, I applaud the Commission in organizing this hearing on China's military modernization and cross-Strait balance.

Thank you.

[The statement follows:]

**PREPARED STATEMENT OF DR. VINCENT WEI-CHENG WANG,
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Democratic Consolidation or Electioneering Nationalism?

The 2004 Taiwan Presidential Election and Its Implications*

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This article draws upon the author’s interviews with dozens of informants in Taiwan, March 4-14, 2004, and his talk given at the symposium on “The Impact of the 2004 Taiwan Presidential Elections” at Harvard University, April 8, 2004. The author acknowledges all the help he has received but is solely responsible for any error.

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Introduction: Election, Democratic Deepening, and Strategic Implications

The year 2004 is the year of elections. While the race to the White House, with the possible subsequent change of personnel and policy directions regarding Iraq and the war against terror, is certainly important, the election dramas belong in Asia – home of several important “third-wave” democracies, to use Harvard scholar Samuel Huntington’s term.³⁴ India, Indonesia, Malaysia, the Philippines, South Korea, and Taiwan all have national elections to replace their executives or legislators.³⁵

All these elections are doubtless landmark events in the evolution of democracy in that important world region where more than half of the mankind reside and where the U.S. seeks to advance its interests and values. However, only Taiwan’s (or Republic of China, or ROC, as it is officially known) March 20 presidential election and first-ever nationwide referendum entail high-stake international consequences involving two nuclear giants – the United States and the People’s Republic of China (PRC, or China).

Whereas Taiwan President Chen Shui-bian campaigned on a distinctive “Taiwan identity” and direct democracy as steps to deepen Taiwan’s democracy, China equated Chen’s electioneering with Taiwan independence, which it had vowed to crush with force. The U.S. eagerly sought to defuse a military conflict in the Taiwan Strait at a time when its resources were stretched thin by Iraq and the anti-terror war.

This article analyzes the election results and discusses the election’s implications for Taiwan and the larger triangular relationship among the U.S., China, and Taiwan and stability in the Taiwan Strait. A brief review of Taiwan’s democratization is in order.

The 2004 election and referendum marked an important milestone in Taiwan’s young democracy, which began in the late 1980s and early 1990s. In 1992, for the first time, all members of the Legislative Yuan were elected by the constituencies in Taiwan. In 1996, incumbent President Lee Teng-hui of the Kuomintang (KMT) won the first direct popular presidential election in the shadow of China’s saber-rattling, which was opposed by the U.S.’s show of force. In the 2000 presidential election, Chen Shui-bian of the pro-independence Democratic Progressive Party (DPP) won with only 39.3% of the votes (thanks to a split in the KMT) and ended the KMT’s 55-year rule in Taiwan.

The 2004 election marked only the third time that Taiwan voters chose their head of state. The prospect for Chen’s reelection appeared bleak in 2003. Rather than facing a divided opposition as in 2000, this time Chen faced a united Pan-Blue ticket, consisting of Lien Chan, Chairman of the KMT, who polled 23.1% in 2000, and James Soong, Chairman of the People First Party (PFP), who garnered 37.6% in 2000 (see Table 1).

³⁴ Samuel P. Huntington, *The Third Wave: Democratization in the Late Twentieth Century* (Norman, OK: University of Oklahoma Press, 1991).

³⁵ A calendar of worldwide elections in 2004 can be found at the International Federation of Election Studies’ (IFES) *Election Guide*, <http://209.50.195.230/eguide/2004.htm>.

Table 1: Presidential Elections Vote Shares by Parties

	1996	2000	2004
KMT*	54.0	23.1	49.9
DPP	21.1	39.3	50.1
Others	24.9	37.6	

* 2004, KMT-PFP alliance

Source: Taiwan Central Election Commission figures.

Moreover, the performance of his novice administration, ranging from the economy, to cross-strait relations or international space, was largely mediocre. Initially the Chen administration blamed the intractable opposition and the downturn in international markets for his problems. However, as time went on, voters became less sympathetic with his claims. The Pan-Blue's election strategy thus sought to capitalize on Chen's weakness and present itself as a more experienced alternative.

Chen's reelection bid appeared to suffer a further blow when U.S. President George Bush publicly rebuked him in front of the visiting Chinese Premier Wen Jiabao on December 9, 2003. Bush declared: The United States government's policy is one China, based upon the three communiqués and the Taiwan Relations Act. We oppose any unilateral decision by either China or Taiwan to change the status quo. And the comments and actions made by the leader of Taiwan indicate that he may be willing to make decisions unilaterally to change the status quo, which we oppose.³⁶

Chen had called for a "defensive referendum" on relations with China to be conducted on the same day of the presidential election as a precedent for deciding on a future new constitution in 2006, which will be promulgated in 2008. China viewed his proposal as a dangerous precursor to declaration of Taiwan independence. The U.S. also feared that the situation could become out of control and sought to rein in Chen.

Consequently, most analysts, including the respected *Economist Intelligence Unit*, wrote him off, and most polls, except the DPP internal polls, predicted a Pan-Blue win.

However, the resilient Chen proved everybody wrong. He won a second term by a mere 0.2% (50.1% vs. 49.9%), or 29,518 votes out of a total of 12.91 million votes cast (the voter turnout was 80.3%).³⁷ The Pan-Blue challenged the results on the street and in the court. They questioned the suspicious circumstances surrounding the election-eve shooting incident, which slightly injured Chen and his running mate Vice President Annette Lu, and the large number of ballots counted as invalid.

Most analysts believe that a court-ordered recount will reaffirm the results. But how can Chen's improbable victory be explained?

Explaining the Improbable?

Chen's victory in 2004 was significant. Whereas critics argued that his victory in the last election was due to luck and lacked mandate, he now received a majority in a two-way race. When Lien and Soong joined hands in early 2003, polls showed Chen trailing by 15-20%. Yet, as the election ended, he gained 10.8%, or 1.49 million, more votes than last time. What explain his dramatic comeback?

The most important reason was that Chen ran an excellent campaign. His strategy focused on appropriating the so-called Taiwan identity (or Taiwan-first consciousness) [*taiwan zhuti yishi*] and controlling the agenda. Table 2 shows that a clear cultural revolution has occurred on Taiwan's political scene during the past decade – contemporaneous of Taiwan's democratization. More and more people identify themselves as "Taiwanese" or "both Taiwanese and Chinese." Between 1992 and 2003, those who identified themselves as "Chinese" dropped from 26.2% to 7.7%, whereas those who identified themselves as "Taiwanese" rose from 17.3% to 43.2% -- all-time high and even higher than "both Taiwanese and Chinese"

³⁶ The White House, "President Bush and Premier Wen Jiabao Remarks to the Press," available at <http://www.whitehouse.gov/news/releases/2003/12/20031209-2.html>.

³⁷ Central Election Commission (Taiwan) figures, <http://210.69.23.182/cec/index.php>.

(Table 2).

Table 2: National Identity Distributions (percentages)

Select dates	poll	I am Taiwanese	I am both Taiwanese and Chinese	I am Chinese	Missing Data*
Jun 1992		17.3	45.4	26.2	11.0
Jun 1996		23.1	50.9	15.8	10.2
Jun 2000		36.9	43.8	13.1	6.2
Dec 2001		43.2	41.8	10.3	4.7
Dec 2003		43.2	42.9	7.7	6.3

* Missing data include “do not know,” “no response,” etc.

Source: National Chengchi University Election Study Center data.³⁸

In other words, in Taiwan, the process of democratization [*minzhu hua*] has been accompanied by a cultural movement -- indigenization [*bentu hua*]. Cultural practices such as the increased emphasis of Taiwanese, rather than Chinese, history and geography in textbooks, the increased use of Minnan in daily discourse and political campaigning, and other moves aimed at desinification [*qu zhongguo hua*], such as the so-called *zheng-ming* [rectification of name] campaign, as well as a shared memory that was partially shaped by the PRC’s intimidation and oppression, all gave rise to a new identity – Taiwanese (which naturally saw “Chinese” as the opposing “other”) – that became the psychological foundation for a nascent new nation – Taiwan -- an “imagined community,” to use Benedict Anderson’s analogy.³⁹

Chen’s strategy reflected his understanding of two basic premises: (1) The 2004 election is not just about democratic consolidation; it also marks a step forward in nation-building. (2) The electorate supports the party that embodied this Taiwan identity.

Chen believed that the DPP’s 1999 Resolution on Taiwan’s Future [*taiwan qiantu jueyiwen*] captured the sentiment or awareness of most people on Taiwan and the main ideas of the document have become mainstream values in Taiwan. Many of his actions appeared to have been guided by the resolution.

The resolution maintains that as a result of Taiwan’s political reform and democratic elections since the mid-1980s, to which the DPP has contributed, Taiwan “has in reality already become a democratic independent country.” It asserts that Taiwan is a sovereign independent state whose territory extends only to Taiwan, Penghu, Jinmen, Mazu, and associated islands and their adjacent waters. “Taiwan, although its name is the Republic of China according to the current constitution, does not belong to the PRC” and “any alteration of this separate status must be decided by all the inhabitants in Taiwan through a referendum (*gongmin topiao*).”⁴⁰

Having established his party as a “Taiwan-first” party and branded the Pan-Blue as “China-first,” Chen seized the agenda from the opposition: “one country on either side of the Taiwan Strait,” referendum, new constitution, etc.; they all served to reinforce the Taiwan identity. The incumbent behaved more like a permanent campaigner.

Superior strategy notwithstanding, Chen’s campaign methodically worked to increase the votes for him and assigned numerical targets to the various regions on Taiwan’s political map. In geographic terms,

³⁸ See You Ching-hsin, “Several Observations After the 2004 Presidential Election,” <http://iir.nccu.edu.tw/pdf/paper2004.htm>, accessed May 9, 2004.

³⁹ Benedict Anderson, *Imagined Communities: Reflections on the Origin and Spread of Nationalism* (London and New York: Verso, 1991).

⁴⁰ DPP, *Resolution on Taiwan’s Future* (in Chinese), obtained via <http://www.dpp.org.tw/>; also available at <http://www.future-china.org.tw/links/plcy/dpp/dpp19990509.htm>. Interestingly, the resolution also expresses the hope that “Taiwan and China should, through wide-ranging dialogues, seek deeper mutual understanding and reciprocal cooperation in trade and economics so as to establish a framework for peace that can help achieve long-term stability and peace between the two sides,” an idea he expounded in his May 20, 2004 inauguration speech.

victory requires (1) doing well in Southern Taiwan – the DPP’s traditional stronghold, (2) holding up in northern and central Taiwan – the Pan-Blue’s stronghold, and (3) making inroads into the Hakka communities. As it turned out, among Taiwan’s 25 local administrative divisions (counties / cities), the Pan-Blue won 13 (but many sparsely populated), and the DPP won 12 (including several most populous counties). Since the electoral system of Taiwan’s presidential election is first-past-the-post in the entire country as one single constituency, rather than the American-style electoral college, the more populous counties and cities that went to the DPP’s column helped catapult Chen to victory.

In contrast to the superior strategy and charismatic candidate of the DPP campaign, the Pan-Blue suffered from weaker candidates (Lien was 69 and Soong was 61 – in contrast to the 53-year-old Chen, and many voters saw them as more interested in regaining power than enacting reforms), uncoordinated campaign organizations, and platforms that failed to excite imagination. For example, the Pan-Blue chose not to publish a white paper on cross-strait relations for fear of being attacked as pro-China by Chen. The Pan-Blue could never get traction on the identity issue with the voters.

Another factor was that as a result of former President Lee Teng-hui’s joining the Taiwan Solidarity Union (TSU) – a DPP ally, he brought with him some of his 2000 supporters, who now voted for Chen.

Finally, there was the unexpected X-factor. In 2000, the last-minute endorsement by Dr. Lee Yuan-tse, a Nobel laureate and President of Academia Sinica, added 3-5% of the votes for Chen. This time, the election-eve shooting appeared to have swung quite a few “sympathy votes,” which might have accounted for the margin.

Meanwhile, the two controversial referendums⁴¹ failed, as they did not reach the legal quorum (50% of all eligible voters). However, among those that picked up the referendum ballots, about 92% voted yes. Although the defeat of the referendums reduced Chen’s luster somewhat, he gained by establishing an important precedent. The defeat also gave Beijing partial victory, because the referendum, which Beijing feared would set a precedent for declaration of Taiwan independence, did not materialize.

Implications of the Election

The election entails far-reaching implications for both Taiwan’s domestic politics and external relations. The electioneering secured an improbable victory, but also a deeply divided society and a very nervous international community. Taiwan’s young democracy is tested. That the Pan-Blue has not accepted the finality of the election casts a shadow over Taiwan’s democratic consolidation in that it raises the question of whether democracy has become “the only game in town” in Taiwan.⁴²

However, the domestic impact of the election may not be fully felt until after the December 2004 Legislative Yuan elections. As Table 3 shows, the KMT’s seat shares have steadily declined over the last five elections. The DPP currently enjoys a plurality in the legislature and is expected to gain more seats (Table 3). If the DPP-TSU alliance enjoys a comfortable majority, it will certainly reduce the gridlock that is said to hamper DPP performance. This majority may even enable amendments to the Referendum Law⁴³ to

⁴¹ The precise wordings of the referendums are: (1) “The People of Taiwan demand that the Taiwan Strait issue be resolved through peaceful means. Should mainland China refuse to withdraw the missiles it has targeted at Taiwan and to openly renounce the use of force against us, would you agree that the Government should acquire more advanced anti-missile weapons to strengthen Taiwan’s self-defense capabilities?” (2) “Would you agree that our government should engage in negotiation with mainland China on the establishment of a ‘peace and stability’ framework for cross-strait interactions in order to build consensus and for the welfare of the peoples on both sides?”

⁴² For more extensive theoretical treatment of democratic consolidation and case studies, see Larry Diamond, Marc F. Plattner, Yun-han Chu, and Hung-mao Tien, *Consolidating the Third Wave Democracies* (Baltimore: The Johns Hopkins University Press, 1997).

⁴³ Although the idea of referendum was a DPP initiative, the Referendum Law passed on November 27, 2003 was based on the KMT version, which placed such high thresholds for the exercise of this right that it became practically impossible. The only exception was the so-called “defensive

permit the adoption of a future constitution through referendum, rather than the legislature.

Table 3: Legislative Yuan Seat Shares After Elections (Percentages)

	1989	1992	1995	1998	2001
KMT	60.8	53.0	46.1	46.4	28.6
DPP	28.3	31.0	33.2	29.6	33.4
NP			13.0	7.1	2.6
PFP					18.6
TSU					7.8
Others*	10.9	16.0	7.8	17.0	9.1

* Small parties and independents

Source: Central Election Commission data.

The Pan-Blue alliance, formed to defeat the common enemy, faces uncertain future. Will Lien and Soong step aside in favor of younger leaders such as Taipei Mayor Ma Ying-jiou and Legislative Yuan Speaker Wang Chin-ping, who stand a better chance against the DPP? Will the KMT and the PFP merge as one party? Although Lien recently announced such a proposal, many rank-and-file KMT members opposed it for fear that a union with the PFP might drive “the Light Blues” (moderate Taiwanese leaning toward the KMT) to the TSU or the DPP.

In the medium run, the concern is whether Chen, now with a majority of voters behind him and free from pressure for reelection, may push ahead his constitutional referendum proposal as his legacy.

This prospect causes deep concerns for the U.S., China, and other countries in the Western Pacific, such as Japan, that it may trigger military actions by the PRC, which in turn will most likely lead to U.S. military intervention.

In the most explicit exercise of “preventive diplomacy” regarding Taiwan, the U.S. got tough with Taipei in the weeks prior to Chen’s inauguration on May 20, impressing on it that it is not moving toward independence, or risk losing American support.⁴⁴ Assistant Secretary of State for East Asian and Pacific Affairs James A. Kelly warned, “Our efforts at deterring Chinese coercion might fail if Beijing ever becomes convinced Taiwan is embarked on a course toward independence and permanent separation from China, and concludes that Taiwan must be stopped in these efforts.” He also said that the U.S. strongly supports Taiwan’s democracy, but does not support Taiwan independence. “A unilateral move toward independence will avail Taiwan of nothing it does not already enjoy” and could destroy Taiwan’s hope for the future. Kelly also characterized PRC’s strong statements as “empty threats” as “irresponsible.”⁴⁵

On May 17, the PRC’s Taiwan Affairs Office (TAO) issued a stern statement, warning that China would “thoroughly crush” any plot to split Taiwan from China but also dangling incentives, such as three links, military confidence-building, and Taiwan’s “international space” – all under the “one China” principle.⁴⁶ The U.S. condemned the bellicose language of threat of use of force, but also noted the positive elements.⁴⁷

referendum” under Article 17, which the President could initiate when the country faced imminent threats to its sovereignty.

⁴⁴ Susan V. Lawrence, “Taiwan – Bush to Chen: Don’t Risk It,” *Far Eastern Economic Review*, May 20, 2004, p. 28.

⁴⁵ James A. Kelly, “Overview of U.S. Policy Toward Taiwan,” testimony at the U.S. House International Relations Committee, April 21, 2004, <http://www.state.gov/p/eap/rls/rm/2004/31649pf.htm>.

⁴⁶ “On the Eve of May 20, the CCP Issued Formal Statement” (in Chinese), *The China Times*, May 17, 2004.

⁴⁷ Press Briefing by Scott McClellan, White House Spokesman, May 19, 2004, <http://www.whitehouse.gov/news/releases/2004/05/print/20040519-8.html>.

All eyes were on Chen's inaugural speech – to heal domestic wounds, repair relations with the U.S., and reach out to China.

In his May 20 inaugural speech, "Paving the Way for a Sustainable Taiwan," President Chen addressed many of U.S. concerns and moved to ease tensions with China.⁴⁸ Stressing peace, reconciliation, and the need for pragmatic steps to improve ties between the two sides, the speech was in sharp contrast to the harsher tone Chen adopted in the months before his narrow March reelection. Instead of fulfilling his pledge to replace Taiwan's constitution, enacted in 1947 in China, with one he would seek to have sanctioned by referendum in 2006, he proposed a constitutional reengineering project, which would be aimed at improving governance and would exclude issues related to sovereignty, territory, or independence. Saying he would "not exclude any possibility" concerning future relations, he reaffirmed the "principles and pledges" unveiled in the 2000 inaugural speech – implying a continuation of the Five Noes policy, provided China refrains from the use of force. The U.S. calls Chen's remarks "responsible and constructive," which create "an opportunity" for Taipei and Beijing to restore dialogue.⁴⁹

In its first official response to Chen's speech, China's TAO spokesman Zhang Mingqing said that Beijing would pay more attention to what Chen actually does than what he says. Zhang also accused Chen for failing to recognize the one China principle; hence, the root cause of tensions in the Taiwan Strait has not been eliminated.⁵⁰

Right after Chen won reelection, gloom permeated Beijing's agencies dealing with Taiwan affairs. Many government-linked scholars argued that reunification could henceforth only be achieved through non-peaceful means. Premier Wen recently disclosed that China was "seriously considering" enacting a Unification Law, which would legally mandate the use of force if Taiwan is perceived to be permanently separating from China. Despite these strong words, China seems to feel that its strategy of enlisting the U.S. to rein in Chen has achieved results. Thus, China will not take any immediate military action. For the foreseeable future, China's main concern will be to prevent Taiwan from declaring independence [*fang du*], rather than accomplishing unification [*cu tong*]. However, its policy of using military modernization to put pressure on Taiwan will continue.

Conclusion: Continued "Muddling Through"?

The geopolitical tensions caused by Taiwan's democratic exercise belies the fact that each side of the U.S.-China-Taiwan triangular relationship, while professing the utility of maintaining "the status quo," pursues a different version of the concept.

China interprets the status quo to mean that there *is* only one China and Beijing owns sovereignty over Taiwan. Deploying missiles against a "renegade province" is an exercise of "sovereign right" – an "internal affair" that no other nations can interfere.

Taiwan's DPP sees the status quo as Taiwan is already an independent nation that has never been ruled by the PRC. The first referendum serves to express the popular will, deepen Taiwan's democracy, and has nothing to do with declaring "independence" it already possesses.⁵¹

To regain U.S. control over cross-strait relations, James Kelly asserts that the U.S. does not support unilateral moves that would change the status quo "*as we define it*" (emphasis added): For Beijing, this means no use of force or threat to use force against Taiwan. For Taipei, it means exercising prudence in managing all aspects of cross-strait relations. For both sides, it means no statements or actions that would unilaterally alter Taiwan's status.⁵²

⁴⁸ An English text is available at <http://www.gio.gov.tw/taiwan-website/4-0a/20040520/2004052001.html>.

⁴⁹ The White House, Statement by the Press Secretary, May 20, 2004, <http://www.whitehouse.gov/news/releases/2004/05/20040520-21.html>.

⁵⁰ "TAO: The Key is to Watch What Chen Will Do in the Future," and "TAO: Chen's Speech Replete with Connotations of Independent Nation," *China Times*, May 24, 2004.

⁵¹ Vincent Wei-cheng Wang, "Taiwan and the Status Quo," *New York Times*, February 17, 2004, p. A22.

⁵² Kelly, "Overview of U.S. Policy Toward Taiwan," see note 12.

Although the U.S. has *acknowledged* the position of the two sides of the Taiwan Strait (the 1972 Shanghai Communiqué) or the Chinese position (the 1978 normalization communiqué) that Taiwan is a part of China, the U.S. has carefully avoided stating its own position regarding Taiwan's status since the early 1950s, when President Truman dispatched the Seventh Fleet into the Taiwan Strait and declared that Taiwan's status was unsettled.

The obsession with maintaining the status quo, without taking into account new realities on the ground (e.g., Taiwan's democratic development and new national identity), exemplified by Kelly's formula, reflects a desire to continually *manage*, rather than resolve, the Taiwan issue.

However, U.S. policy makers must realize that self-determination is often the natural external extension of democracy. Taiwan's elections as a nation-building process will continue. While the hitherto equating democratization with Taiwanization and desinification portends adverse security implications, Taiwan's identity-formation is a work in progress, in which "Chineseness" can play an integral part. This requires Beijing to differentiate between "cultural China," which Taiwan can be a part, and "political China," which Taiwan can also belong – but only through free choice.

COCHAIR DONNELLY: Thank you. Mr. Cooke, take us home.

STATEMENT OF MERRITT T. (TERRY) COOKE, MANAGING DIRECTOR, G3C STRATEGY, BRYN MAWR, PA

MR. COOKE: Thank you, Mr. Chairman. In the interest of everyone getting out alive, I'll try to be as brief and concise as the other panelists. Good afternoon. I'm privileged to have this third occasion to share with the Commission my findings and perspective as developed over a continuing three-year examination of cross-Strait trade in the information technology sector.

The concerns of this panel are issues I've been examining directly. That such a large number of Taiwan entrepreneurs are active and living in the mainland has major implications for Taiwan's long-term ability to innovate, to train its local workforce and to maintain its competitiveness.

The prospectus for this panel mentioned approximately one in 23 Taiwan citizens now working full time in China. As a light-hearted aside, I would point out that this figure appears generally accurate, but that a large proportion of those one in 23 Taiwanese might not actually be on the mainland at any given time. They seem to be semi-perpetually airborne somewhere between Shanghai and Hong Kong or Hong Kong and Taipei.

The prospectus also mentioned the Shanghai-Suzhou-Nanjing corridor. I've recently concluded a small case study on Suzhou's emergence as the new critical mass staging point for IT investment in China. Suzhou's emergence following an earlier progression of Taiwan IT investment through Dongguan, Shanghai and then Kunshan, is noteworthy.

Clearly, something new is happening when the Mayor of Suzhou visits the headquarters of Macronix outside Taipei to solicit additional Taiwanese investment or when the Taiwan Computer Association and the Municipality of Suzhou jointly sponsor a new IT world trade show in Suzhou called "eMex," resulting in the construction of a new 52,000 square meter international exhibition hall in Suzhou catering largely to the Taiwan Computer Association's membership, or when Suzhou emerges as the world's leading cluster for PC and notebook display screens as well as for TFT-LCD advanced generation TV flat panel displays while at the same time that Taiwan's government is developing that sector into a \$35 billion USD industry by the year 2008.

For our purposes today, I would like to keep within the commercial economic sphere but broaden the perspective of my testimony from past visits with you beyond the IT sector to view it alongside other key sectors of U.S.-Taiwan-China economic activity.

In my view, the need at this point in making sense of what's happening across the Straits economically and commercially is for a slightly broader perspective and deeper context to be applied in analyzing discrete developments in the cross Strait IT arena.

And second, for IT dynamics and trends to be disaggregated from other key arenas of cross-Strait economic commercial activity. This broadening of perspective on cross-Strait IT issues and the unbundling of IT from other key areas of economic engagement can help us sort out better whether Taiwan and China are on a path of resolution or collision, economically speaking at least, and how we should adjust policy to support resolution.

The first issue I have raised is simply one of perspective and context in the IT sector. The more that we anchor analysis in the broad and deeply rooted dynamics of the global supply chain, the more we can distinguish avoidable risk from unavoidable change.

I give an analysis of the old bugbear issue of chip foundry and framing the issue from that broader and historical perspective, there are just some generalizations that emerge from it. Some degree of migration of foundry capability from Taiwan to China is natural and even unavoidable as a result of trends in the global market. Very few foundries would be expected ultimately to be PRC owned because the global ecology is able to only support three to at most five major foundry players.

The PRC government is unlikely to direct its limited capital resources to betting on foundry winners or losers simply because the global VC community is already placing its bets on that with the advantage of deeper pockets and greater understanding of the global market.

And the area where the Chinese government appears to be focusing its resources and efforts, and where the U.S. government would do well to focus its scrutiny, is not so much targeted towards foundry manufacturing as it is in promoting the IC design capabilities that develop hand-in-hand with expansion of foundry capacity.

This broader perspective brings some unexpected findings into focus. One such finding that the overall trajectory of this trend has shown fundamental continuity over decades despite changes in the agenda of differing political leadership teams on both sides of the Strait, despite political ups and downs of the moment and despite rapid advances in technology.

The second issue which I would like to raise is to unbundle a bit the IT sector from some other key sectors of cross-Strait trade and investment in which we also have vital interests at stake.

In other words, now that cross-Strait economic and trade activity is recognized as a key element of cross-Strait security equation,

what are the most relevant component factors of that economic and trade activity?

As a starting point, I would suggest that we focus on at least four broad sectors of economic engagement that tend to play out very differently and each of which is driven by a fundamentally different calculus of business decision-making.

The first such sector already discussed is just a broad range of IT products tied to a highly developed and highly differentiated global supply chain and dominated by Taiwan equity owners and manufacturers.

While these products are not generally subject to stringent regulatory or export control restrictions, they are in turn subject to relentless market driven pressures of commoditization and price erosion. A better understanding of dynamics in this sector is needed to understand how these technologies and industrial capabilities might, in effect, seep over and become a part of a concerted effort by the Chinese to amass capabilities of a strategic nature.

The second such sector would be the traditional category of military and dual-use technologies. This sector differs from the broad category of IT products just discussed in that it is characterized by highly strategic technology IP, generally commands higher profit margins and is not equally subject to commoditization pressures and is driven by regulatory and governmental forces rather than by purely market forces.

A primary challenge here is determining how this sector is being affected by seepage effects from that broad range of IT products that are now well established in China and as part of the global supply chain.

A secondary challenge--I'll skip that--excuse me. The third such sector is what I will call Wal-Mart commodities, the manufacturing of everything from air conditioners to xylophones, and this is, of course, the sector both in Taiwan and in the U.S. where manufacturing migration to China has brought acute pain of job displacement and where issues of labor and environmental standards tend to be most focused.

My only comment here would be restate what I hope is obvious, that the commercial dynamics in the Wal-Mart sector are entirely different from the dynamics in the IT sector, and that different responses and analyses are called for.

The fourth major sector to disaggregate would be trade and investment relating to industrial raw materials and other key natural commodities. A specific example in the cross-Strait arena would be the joint exploration taking place between Taipei and Beijing of energy resources in the Strait of Taiwan. Effecting more directly the U.S. would be CNOOC's failed bid for Unocal.

My one observation here is that there is indeed some good commercial justification in questioning the validity of CNOOC's shareholder pitch to Unocal. As we were just reminded by Yahoo China, no company in China is free to operate just like a regular multi-national enterprise from the U.S. or Europe, Japan or elsewhere.

Therefore, the argument of Chairman Fu of CNOOC that shareholders should look at CNOOC's bid just like any other bid and that no additional time should be taken to allow investors to quantify the political risk premium associated with CNOOC's bid was always a bit hollow.

I won't presume to offer a single answer to the question of whether the commercial and economic trends I have described above are leading in the direction of cross-Strait resolution or collision. Instead from the broad and unbundled perspective that I've been advocating, I would offer four simple trend line observations:

In the general IT sector, the net effect of the extension of the global supply chain from the U.S. through Taiwan into China has been largely beneficial and generally stabilizing for all concerned.

In the second of high technology goods traditionally subject to explicit export control regimes it remains an open question whether China is having success leveraging its new-found position in the global IT

supply chain to amass qualitatively or quantitatively new capabilities of a strategic nature, to be directed against either Taiwan or the U.S.

This would potentially be destabilizing but to date in my mind, there are no obvious indications that this is either widespread or acute. Clearly, however, this question needs to be much better understood.

Third, in the sector of Wal-Mart type consumer goods, I am confident that in both Taiwan and the U.S., our respective political processes will sort through these issues successfully, balancing fairness and opportunity for our respective citizenries with an enduring commitment to the benefits of open and free trade.

While the long-term resolution of this issue could potentially affect political attitudes in the U.S. to such an extent that it would start to affect the course of either cross-Strait resolution or conflict, I personally see this as a relatively remote risk.

In the sector of raw materials and strategic natural commodities, new risks are apparent and new thinking required. China's appetite is voracious. The acquisitions of its companies' worldwide is actively encouraged by the government and supported directly or indirectly by unprecedented foreign exchange reserves and a still artificially low exchange rate.

A globalized economy is an economy dependent on efficient worldwide distribution of key goods and resources. This means great benefit but also entails greater risk of disruption through natural disaster or terrorism or other disruptions.

We have an interest in seeing that China's entry into these markets is not that of a bull in a China shop.

To conclude, I have offered only some quite general prescriptions for better focusing on the cross-Strait trade dynamic. In sum, Mr. Chairman, these are to contextualize specific instances of IT tech transfer and localization of industrial capability from the broad perspective

of the general IT sector and from the broad context of historical globalization dynamics which drive it.

Secondly, to disaggregate or unbundle in our thinking and in our political dialogue various sectors of cross-Strait engagement in order to better understand the dynamics of each on its own merits.

And third, to focus more sharply on the fast-evolving interface between the broad established global supply chain of IT and those specific IT-related technologies subject to traditional export control in order to identify areas of possible seepage that may be contributing to a build-up of Chinese strategic capabilities.

Thank you.

[The statement follows:]

**PREPARED STATEMENT OF MERRITT T. (TERRY) COOKE,
MANAGING DIRECTOR, G3C STRATEGY, BRYN MAWR, PA**

Good afternoon. I am privileged to have this third occasion to share with the Commission my findings and perspective as developed over a continuing, three-year examination of cross-strait trade in the Information Technology sector. I have conducted this research at a general level under the auspices of the Foreign Policy Research Institute in Philadelphia but I have also helped a range of clients understand particular issues of specific interest through work contracted with my consultancy business, GC3 Strategy. My general approach has been to go directly to the CEOs from Taiwan who are invested in, and now managing, operations on the China mainland across a broad range of Information Technology sectors. My aim is a better understanding of the current dynamics and future trends of cross-strait IT trade.

The concerns of this panel are issues I have been examining directly. That such a large number of Taiwan entrepreneurs are active and living in the mainland has major implications for Taiwan's long-term ability to innovate, to train its local work force, and to maintain its competitiveness. The prospectus for this panel mentioned approximately 1 in 23 Taiwan citizens now working full-time in China. As a light-hearted aside, I would point out that this figure appears generally accurate but that a large proportion of those 1 in 23 Taiwan may not actually be on the mainland at any given time, they are semi-perpetually in the air somewhere between Shanghai and Hong Kong or between Hong Kong and Taipei.

The prospectus also mentioned the Shanghai-Suzhou-Nanjing corridor. I have recently concluded a small case study on Suzhou's emergence as the new critical-mass staging-point for IT investment in China. Suzhou's emergence, following an earlier progression of Taiwan IT investment through Dongguan (Guangdong), Shanghai, and then Kunshan (Jiangsu) is noteworthy. Clearly something new is happening when the Mayor of Suzhou visits the headquarters of Macronix outside Taipei to solicit additional Taiwanese IT investment. Or when the Taiwan Computer Association and the Municipality of Suzhou jointly sponsor a new IT world trade show, called "eMex," resulting in the construction of a brand-new 52,000 square meter International Exhibition Hall in Suzhou and catering largely to the Taiwan Computer Association's membership. Or when Suzhou emerges as the world's leading cluster for PC and notebook display screens as well as for TFT-LCD advanced generation TV flat panel displays, at the same time that the Taiwan Government is building this into a \$35 billion USD industry by 2008.

My testimony will deal with three of the specific questions posed by the Commission for this Panel:

- What are the recent trends in Taiwan's growing investment in the PRC and what are the political and economic implications;
- Are Taiwan and China on a path toward resolution or collision
- What, if any, U.S. policy adjustments are necessary in light of recent activities and trends in cross-strait relations

However in light of earlier, more narrowly circumscribed testimony, I am going to accept the Commission's invitation to 'paint outside the lines' a bit. My previous testimony has always confined itself to dynamics and trends within the IT sector alone. For our purposes today, I would like to keep within the commercial/economic sphere but broaden the perspective of my testimony beyond the IT sector to view it alongside other key sectors of US-Taiwan-China economic activity. We are, I believe, well past the sterile point in earlier policy dialogue when some pundits vigorously insisted that commercial/economic factors were largely irrelevant to the cross-strait security equation. The work of this Commission as well as the work of this Administration make clear that commercial/economic factors are now counted as vital by decision-makers and analysts who count. The need at this point is, first, for broader perspective and deeper context to be applied in analyzing discrete developments in the cross-strait IT arena and, second, for IT dynamics and trends to be 'disaggregated' from other key arenas of cross-strait economic/commercial activity. This broadening of perspective on cross-strait IT issues and this 'unbundling' of IT issues from other key areas of economic engagement can help us sort out better whether Taiwan and China are on a path of resolution or collision and how we should adjust policy to support resolution or to avoid collision.

The first issue I have raised is one of perspective and context in the IT sector. To take one example, the migration of chip foundry capability from Taiwan to China. The forces driving chip foundry migration from Taiwan to China have been driven as much by changing market conditions, global venture capital, and developments in the global IT supply chain as they have been by explicit government policy in Taiwan or China. We need to be able to better sort out those behaviors and events, which are authentically impelled by global market forces and in our interest not to impede from, on the other hand, behaviors and events which represent a foreign government's effort to manipulate the global market so that it can amass capabilities of a strategic nature. The latter is clearly in our national interest to impede. The trick of course is how to discern in a fast-moving world of rapid technological change where to encourage, where to impede, and where to get out of the way.

When applied to the IC sector, this perspective and framing suggests that (a) some degree of migration of foundry capability from Taiwan to China is natural and even unavoidable as a result of trends in the global market; (b) very few foundries would ultimately be PRC-owned because the global ecology is able to support only 3-5 global players; (c) that the PRC government is unlikely to direct its limited capital resources to betting on foundry winners and losers because the global VC community is already placing its bets with the advantage of having deeper pockets and greater understanding of the global market and (d) that the area where the Chinese government appears to be focusing its resources and efforts (and where the US government would do well to focus its scrutiny) is not so much targeted toward foundry manufacturing as it is in promoting the IC design capabilities that develop hand-in-hand with expansion of foundry capacity.

By the same token, this perspective and framing can help address the question of the degree and likelihood of potential 'bleeding' or 'seepage' between the relatively unconstrained sector of globalized IT, on the one hand, and, on the other, those technology areas traditionally subject to explicit and enforced export control. Our understanding of the cross-strait dynamic in areas of software, IC design, networking equipment, and wireless telecoms could benefit from this approach.

The central focus within this broader perspective needs to be on the continuing and accelerating 'integration' between Taiwan and China in most sectors of the Information Economy. While there continue to be variations in the relative degree of integration between various sectors (e.g., notebook computers has a high degree; wired and fixed line telecoms has a low degree), the overall fact of cross-strait IT interaction has been an enduring dynamic of accelerating integration which has shown fundamental continuity over decades. At

bedrock, it represents the extension — at first gradual, now quickening — of a complex, highly differentiated global supply chain for IT products. Originally, this supply chain linked primarily Silicon Valley and Hsinchu, Taiwan; over time, it has ramified to include multiple IT innovation clusters in the advanced economies of North America (e.g., Dallas-Fort Worth, Seattle, etc), Europe and Japan as well as important manufacturing clusters in Mexico, SE Asia and elsewhere. The context for, and driver of, this expansion of the global IT supply chain has been the phenomenon of globalization itself.

The feature of the worldwide expansion of the global IT supply chain, which is central to this study concerns its historic main artery: the historic ‘trunk-line’ of IT integration originally established between the U.S. and Taiwan. Driven by globalization trends, this ‘trunk line’ in the global IT supply chain has not only expanded dramatically, it has extended its reach from the U.S., through Taiwan, to China in a systematic and even orderly way, driven by cost pressures (‘commoditization’), technology and consumer trends, and various other trends familiar in a rapidly globalizing world.

This broader perspective brings some unexpected findings into focus. One such finding: that the overall trajectory of this trend has shown fundamental continuity over decades, despite changes in the agenda of differing political leadership teams on both sides of the Strait and despite dramatic advances in technology.

Unfortunately, none of the cross-strait IT dynamics are either static or technologically obvious. IT is fast-changing and the cross-strait region is a key nexus in those changes. There are new vectors of growth in established IT sectors, such as e-services, mobile telephony services, and digital media. Similarly, there are over-the-horizon IT applications just arising to service a range of next-wave industries in the bio-life sciences arena. BioInformatics is one such emergent application.

The second issue which I would like to raise is to clearly unbundle the IT sector from some other key sectors of cross-strait trade and investment in which we also have vital interests at stake. In other words, now that cross-strait economic and trade activity is recognized as a key element of the cross-strait security equation, what are the most relevant component factors of that economic and trade activity. As a starting point, I would suggest that we focus on at least four broad sectors of economic engagement that tend to play out very differently and each of which is ‘driven’ by a fundamentally different calculus of business decision-making.

The first such sector has already been discussed: the broad range of IT products tied to a highly developed and highly differentiated global supply chain. While these products are not generally subject to stringent regulatory or export control restrictions, they are subject to relentless market-driven pressures of commoditization and price erosion. A better understanding of dynamics in this sector is needed to understand how these technologies and industrial capabilities might be, in effect, ‘seeping into’ a concerted effort by the Chinese to amass capabilities of a strategic nature.

The second such sector would be the category of military and dual-use technologies. This sector differs from the broad category of IT products just discussed in that it is characterized by highly strategic technology IP, generally commands higher profit margins and is not equally subject to ‘commoditization’ pressures, and is ‘driven’ by regulatory and governmental forces rather than by market forces. A primary challenge here is determining how this sector is being affected by ‘seepage’ effects from the first sector, the broad range of IT products tied to a global supply chain. A secondary challenge is to keep the export control apparatus of Taiwan and other allies aligned and coordinated with ours during constant and rapid technological change.

The third such sector is what I will call “WalMart’ commodities – everything from air-conditioners to xylophones. This is of course the sector where the pain of job displacement and the issues of labor and environmental standards are most focused. It is the duty of many of you in this room to sort through these difficult and very painful problems in a way consistent with the established values, which the American people have always historically banked on with regard to a free and open economy. My only comment would be to restate what I hope is the obvious: that the commercial dynamics in the “WalMart’ sector are entirely different from the dynamics in the IT sector as a whole and different responses are called for.

The fourth major sector to ‘disaggregate’ would be trade and investment relating to industrial raw materials and other natural commodities. A specific example in the cross-strait arena would be the joint exploration taking place between Taipei and Beijing of energy resources in the Strait of Taiwan. A recent example between the U.S. and China would obviously be CNOOC’s failed bid for Unocal. My one observation here is that there is indeed good commercial justification in questioning the validity of CNOOC’s shareholder pitch to Unocal. As we are reminded by Yahoo, no company in China is free to operate just like a ‘regular’ global company from the U.S. or Europe or elsewhere. Therefore the argument that Unocal shareholders should look at CNOOC’s bid just like any other bid and that no additional time should be taken to allow investors to quantify the political risk premium associated with CNOOC’s bid was always hollow.

I would say that there is no single answer to the question of whether the commercial and economic trends I have described above are leading in the direction of cross-strait resolution or collision.

From the ‘unbundled’ perspective I have advocated, I would offer these more limited generalizations:

- (1) In the general IT sector, the net-effect of the extension of the global supply chain from the US through Taiwan to China has been beneficial and generally stabilizing for all concerned.
- (2) In the sector of high technology goods traditionally subject to explicit export control regimes, it remains an open question whether China is currently leveraging its new-found position in the global IT supply chain to amass qualitatively or quantitatively new capabilities of a strategic nature to be directed against either Taiwan or the US. This would potentially be destabilizing but, to date, there are no obvious indications from my perspective that this is widespread or acute. Clearly, however, this question needs to be much better understood.
- (3) In the sector of ‘WalMart’-type consumer goods, I am confident that our political process will sort through these issues as successfully as it has in the past, balancing fairness and opportunity for our citizenry with our long-established values of openness and free trade. While the long-term resolution of this issue – adjusting our economy and worker training to take account of China’s active and resurgent economic engagement -- could potentially affect political attitudes in the U.S. to such an extent that it would start to affect the course of either cross-strait resolution or conflict, I personally see that as quite a remote risk in light of the values, c.
- (4) In the sector of raw materials and natural commodities, new risks are apparent and new thinking required. China’s appetite is voracious, its acquisitions activity of its companies worldwide is actively encouraged by the government and supported, directly and indirectly, by unprecedented for-ex reserves and a still artificially low exchange rate. A globalized economy is an economy dependent on efficient, worldwide distribution of key resources. This means greater benefit but also greater risk of disruption, through natural disaster or terrorism. We have an interest in seeing that China’s entry into these markets is not that of a ‘bull in a china shop.’

To conclude, I have offered only the some quite general prescriptions for better focusing on the cross-strait trade dynamic. In sum, these are (1) to contextualize specific instances of IT tech transfer and localization of industrial capability from the broad perspective of the general IT sector and from the context of historical globalization dynamics which drive it; (2) to disaggregate or unbundled various sectors of cross-strait engagement in order to better understand the dynamics of each on its own merits; and (3) to focus more sharply on the fast-evolving interface between the broad established global supply chain of IT and those specific IT-related technologies subject to traditional export control in order to identify areas of ‘seepage’ that may be contributing to a build-up of Chinese strategic capabilities.

Finally, and more specifically, I would recommend support of Taiwan’s Free Trade Agreement candidacy with the U.S. Government. As the key node for the U.S.- Asian ‘trunk-line’ in global IT, Taiwan is the only nation in Asia without a significant bilateral trade agreement of any type with any partner. While the economic effects of a U.S.-Taiwan FTA would be relatively modest in strict economic terms (and largely trade-diverting rather than trade-creating), a U.S.-Taiwan FTA would serve as a strong signal to the world that the U.S. Government recognizes and rewards economic performance (and the free values that underlie that performance) as well as rewarding economic potential.

PANEL VI: DISCUSSION, QUESTIONS AND ANSWERS

COCHAIR DONNELLY: Thank you. I think I have a debt to pay to Commissioner Mulloy.

COMMISSIONER MULLOY: Thank you, Chairman Donnelly. Dr. Cooke, I salute you for your testimony and the very important point you made about the migration of the semiconductor industry. That has been raised in this Commission by the Defense Science Board, which is very concerned with that.

But I have some leftover business from the last panel I want to get into, and would like to get panelists on the record on this. There was a question of whether there is anything in the safety deposit box when the Taiwanese open it up to see what the U.S. commitment is if they get attacked, and that was debated in the last panel.

Mr. Bush, this administration early on said that we would do whatever it takes if Taiwan got attacked. That created some concern that maybe we had moved beyond strategic ambiguity to a commitment. Some have been even speculating that President Chen then got emboldened to move toward independence and then we had to rein him in later. As Mr. Christensen said, the administration repeatedly had to state that the U.S. did not support Taiwanese independence and criticized Taiwanese officials in public for talking that way.

In Mr. Mei's testimony -- he's Director of the Taiwan Security Analysis Center, he said that we ought to maybe even think of helping Taiwan develop offensive weapons so it could have its own deterrence against China and not have to maybe rely so much on the United States.

What kind of a reaction would that be? Would that be a stabilizing influence on this relationship or would that cause more tension and more concerns for ultimately U.S. national interests to move in that direction?

I would like to start with Mr. Bush and then go across and see what anybody has to say about that.

DR. BUSH: First of all, Dr. Christensen was very humble about his expertise on military issues. I really am a lay person. I do not believe that Taiwan acquiring much of an offensive capability is really a solution to their problem.

I think there are limits to which that would provide a deterrent because you need a lot of other things besides. You need targeting data. You need intelligence. You need a strategy and so on.

You need technology in order to make sure that the delivery systems and the ordnance that you try to deliver actually hit the target. I have always believed that Taiwan's best deterrence is a good relationship with the United States and confidence that the United States will come to its defense.

In this day and age, Taiwan increases that confidence by assuring the United States as much as possible that its political intentions are in line with our policy that it will not take actions that will provoke China into attacking. I said that our approach was dual deterrence. What that means is we warn China not to use force; we urge Taiwan not to take political steps that would provoke China into using force.

As long as the United States and Taiwan are on the same page, I think Taiwan is safe. And as long as we communicate well together, I think Taiwan can be confident about what's in that locked box.

DR. WANG: Of course, having not served in the State Department, I have never seen what is in the safe deposit box. But Richard may have.

COCHAIR DONNELLY: Nobody in the State Department has either.

COMMISSIONER TEUFEL DREYER: Yes, I suspect that's true.

DR. WANG: I agree with Dr. Bush that Taiwan's security cannot rely on military means alone. Of course, the United States being Taiwan's main security guarantor, the relationship is very important. However, I would like to stress that the concept that deterrence is not a static concept; it's a dynamic concept.

So to respond Commissioner Mulloy's question whether it makes sense for Taiwan to acquire offensive weapons, my answer is if that is what deterring China will require. In other words, of course, Taiwan should not do anything politically to provoke China from taking military action. But Taiwan's defense capabilities must also be such that China would think twice before using force against Taiwan.

In other words, when China is increasing its asymmetric warfare offensive capabilities, I think the concept of deterrence needs to be adjusted.

MR. COOKE: Commissioner Mulloy, I will acknowledge your generous remarks about the focus on the semiconductor issue and pass on the specific question.

COMMISSIONER MULLOY: All right. That's fine. Thank you. Thank you, Chairman Donnelly.

COCHAIR DONNELLY: Commissioner Dreyer.

COMMISSIONER TEUFEL DREYER: I'd like to ask the panelists their assessment of the differences between Taiwan's political parties on unification versus no. This question has two parts. First, if the KMT should win the presidency in 2008, while holding on to its ability to control the legislature, are they likely to (a) want to effect unification; and (b) if so, be able to effect unification?

The second part of the question is how do you see the future of Taiwan's political party system? Will these new rules lead to the absorption of the PFP and NP into the KMT and the TSU and TIP into the DPP? And if so, with what effect on cross-Strait relations?

COCHAIR DONNELLY: And what would the acronym be?

COMMISSIONER TEUFEL DREYER: I'm not asking that question. The acronyms will stay KMT and DPP, but as you know, one of the purported reasons for Lee Teng-hui founding the TSU was to keep the DPP from moving too far toward the center too fast, so obviously that could have some repercussions.

Please, Dr. Bush.

DR. BUSH: Could I ask you a question?

COMMISSIONER TEUFEL DREYER: Sure.

DR. BUSH: When you say move to unification, on what terms?

COMMISSIONER TEUFEL DREYER: Any terms.

DR. BUSH: Okay.

COCHAIR DONNELLY: Now, obviously unification, if this is what you mean. When I say unification, I rule out unification under KMT rule. I think that's not going to happen. Is that what you mean?

DR. BUSH: No, what I meant by my question is unification under China's terms.

COMMISSIONER TEUFEL DREYER: Yes. Unification on China's terms. That's the only way unification can be achieved, it seems to me.

DR. BUSH: Let me take the second question first. It seems to me that whether there is going to be a political consolidation or a party consolidation depends a little bit on how the districts are drawn.

You could draw the districts in such a way that it maintains the more radical parties. I'm told by political scientists on Taiwan who know a lot more about politics there than I do that for complicated reasons that I can't quite remember, that actually the conventional wisdom on single-member districts will actually hold and it will be harder for the third and fourth and fifth and sixth party to maintain their independence, and that over time, you will actually see consolidation towards a two-party system.

I suspect that it will take some time just as it is taking time in the Japanese system for the same dynamic to work and so it may be another decade or so before we see a consolidated Blue party.

COMMISSIONER TEUFEL DREYER: So, essentially, then it would have no immediate effect.

DR. BUSH: No immediate effect. I think that's fair. If the Pan Blue took full power in the Taiwan political system, would it enter into negotiations with the PRC on the basis of the "one country, two systems" formula? No.

COMMISSIONER TEUFEL DREYER: No. Okay.

DR. BUSH: No. Because the Kuomintang along with every other significant party in Taiwan holds to the view that the Republic of China is an independent sovereign state and that is inconsistent fundamentally with "one country, two systems."

I think that the Kuomintang would try to approach Beijing in a nicer way. Ma Ying-jeou has suggested he would try to pursue in an accelerated way the three links, and that may be the way he's trying to define improvement of relations with the mainland. He may run up against the "one China" principle in one way or another, and Beijing would have to decide how important that principle is.

I think that what both he and Beijing will find, is that they come back to the very fundamental principle that stalled the sort of nascent reconciliation that was beginning in the early '90s under Lee Teng-hui and the Chinese leadership at that time, sort of the legal identity of the Republic of China. But unification under one country, two systems -- not a chance.

COMMISSIONER TEUFEL DREYER: Okay, thank you. Professor Wang?

DR. WANG: Yes. Thank you, Commissioner Dreyer. I think to speculate what a Pan Blue presidency and legislature might do on this issue, one can probably look at what's already on the shelf. My guess is

that they will have no trouble returning to the so-called 1992 consensus, the artful way of agreeing to disagree on the one China issue.

In fact, the two leaders from the KMT and PFP says as much during their visit to the mainland. They could also reenact the National Unification Guidelines of 1991, which some people call "national no-unification guidelines" because it portrays the process as a very long protracted process, consisting of short-term, medium-term and longer-term measures.

So the KMT government can simply say that as long as it seems that Beijing has no trouble with our '92 consensus, we could say that our process has now moved from the short-term to the medium-term, namely from exchange and mutual benefit to negotiation on practical matters.

After all, there are already precedents there as long as the two sides can find creative arrangement authorizing private parties and they can bypass the issue. I agree with Dr. Bush, the political climate in Taiwan has changed so much that even a Pan Blue government is unlikely to accept the "one country, two systems" scheme outright.

Your second question about the future of the party system, my thinking is that if the Duverger's Law will work in Taiwan, then in the long run, we should see a two-party system, given the current electoral reform. However, a more immediate interesting question to see is whether the PFP and the KMT can join force or only form a tactical alliance in the 2008 election?

I think that Ma Ying-jeou is finding out that trying to cooperate with the PFP is very difficult.

COMMISSIONER TEUFEL DREYER: It looks that way, yes. So you also don't see any immediate effect on the minor parties?

DR. WANG: Smaller parties, right, yes.

COMMISSIONER TEUFEL DREYER: Yes. Thank you. Mr. Cooke, feel free to pass on that if you have no particular--

MR. COOKE: The only comment I would add, one general comment to both parts of your question, is that the problem Taiwan is facing economically of going from an economy that has been unbalanced towards too much on the IT side and how to move up the next rung is one that really, in my mind, affects both the DPP and the KMT in similar ways.

And that despite the surface divergence between the two parties, that under the surface there is a great deal of commonality of thinking that those economic drivers are bringing about, and they are leading to KMT which might surprise Beijing in some of its decision-making were it to come to power the next time around, just as the DPP is showing more suppleness and responsiveness to economic conditions than people credited it.

COMMISSIONER TEUFEL DREYER: Thank you.

COCHAIR DONNELLY: If I may, just apropos of that, it seems to me, to turn Commissioner Dreyer's question around, the interesting question is what Beijing's reaction would be to a Pan Blue government that doesn't really produce any significant or serious move toward unification, whether that might prove frustrating to the mainland? Anybody got any speculation about that?

DR. BUSH: The usual tendency is to blame the leader, to find some ideological failing, you know, Lee Teng-hui was Japanese.

COCHAIR DONNELLY: So was Mayor Ma.

DR. BUSH: Mayor Ma, he's an ideological anti-communist, and he's already said--

COCHAIR DONNELLY: That's reaching back a long way.

DR. BUSH: He's already said until China reverses the verdict on Tiananmen, it's hard to see how X, Y or Z could happen. So he's left a trail of evidence that they could point to if they needed to build a case why he's not a good interlocutor. But to explain their problem, either by fundamental principles of the nature of the Taiwan government, which is one of my explanations, or to explain it by political forces within Taiwan's

democracy, which is my other explanation, that's hard for them to wrap their minds around.

COCHAIR DONNELLY: Okay. Chairman D'Amato.

CHAIRMAN D'AMATO: Thank you, Mr. Chairman. I want to pursue a little bit of what you were just talking about in terms of the reality of the possibility of the KMT straying very far away from what the current government is taking a position on.

It's my understanding that the great majority of the Taiwanese people--tell me if I'm wrong--but polling data shows the great majority, 80 percent or more, of the Taiwanese people have no interest in reunification; they have no interest in independence either. They want the status quo; is that accurate?

If that is accurate, then the perception of these KMT leaders running over to the mainland is very misleading, it seems to me, because it gives the impression that you have a party that is representing a swath of the Taiwanese people that may be interested in reunification.

COMMISSIONER TEUFEL DREYER: Unification.

CHAIRMAN D'AMATO: Reunification, whatever. Yes. Whichever. I'll take either one. My proposition is time is working against the Beijing government, not the Taiwanese government, because the longer the status quo exists, the more you have people of Taiwan basically have their own identity. It deepens as time goes on. It seems to me a natural process. Is that correct?

DR. BUSH: Well, first of all, you're absolutely right in reporting the polling data. The problem I have with the polling data is that no one defines what these terms mean. When they say do you want unification, independence, or the status quo, nobody says is it unification according to one country, two systems? And what does status quo mean?

CHAIRMAN D'AMATO: The average person should know what status quo means, how I live now and how my environment and political environment are.

DR. BUSH: But, one person's status quo could be very different from another person's status quo, and it may very well be a common sense definition. It could be something else. But let's accept your basic conclusion as probably right, that people want the status quo.

China may be misleading itself by thinking that if Lien Chan and James Soong come over that that represents a swing in Taiwan opinion. It probably doesn't. What may be producing a longer-term swing are the trends of the sort that Terry looks at, and the binding of the two economies and the fact that Taiwanese young people when they think about their long-term employment future may have to think more about a job on the mainland rather than a job on Taiwan or a job in the United States. That's a subject that requires a lot more investigation.

CHAIRMAN D'AMATO: I agree.

DR. BUSH: We can't be clear what that means. It may be that if you have to work in the mainland that doesn't necessarily make you feel more Chinese; it may make you feel more Taiwanese, who knows. But it's more interesting.

CHAIRMAN D'AMATO: Yes. And if that person has a political sensitivity based on the political system in which he grew up in Taiwan, he may be prepared to have his economic future in the mainland but not necessarily his political future.

DR. BUSH: People in Taiwan have two sides to their brain.

CHAIRMAN D'AMATO: Thank you. Do you have anything to add to that?

DR. WANG: Just like people everywhere else, they have two sides of the brain.

DR. BUSH: Yes.

DR. WANG: I think interpreting the status quo requires a little care. The chairman is absolutely correct in pointing out that the majority of people in Taiwan tell you that they favor the status quo, but what exactly are they thinking? Are they genuinely interested in the status

quo indefinitely or do they think that choosing status quo is actually a prudent choice?

Scholars Emerson Niou and John Hsieh have actually tried to statistically analyze the “status quo” and they found that the Taiwanese preference for the status quo is actually conditional preferences. They were puzzled by the high incidence of status quo. They found that if you ask the Taiwanese people, “If you can achieve unification without high cost, that is to say if the gaps between Taiwan and the mainland are small, would you be in favor of unification?” They see a lot of people shift from the status quo to unification.

What if you can achieve independence without cost, namely the United States will protect Taiwan? You also see a lot of status quo people shift toward independence. So interpreting this requires a little care, just like interpreting the split response of the public toward the Pan Blue leaders visit to the mainland.

On the one hand, they seem to favor, approve their efforts in stabilizing the relationship. On the other hand, they also disapprove of Beijing’s tactics. The Taiwanese population knows very well that Beijing is playing the game of divide and conquer.

CHAIRMAN D'AMATO: Yes.

COCHAIR DONNELLY: Apparently having two sides of the brain means you feel very strongly both ways. Commissioner Wortzel.

COMMISSIONER WORTZEL: Thank you. I have separate questions, if I may, for Dr. Wang and Dr. Cooke. Dr. Wang, you seem to be fairly critical of at least Assistant Secretary Kelly in the State Department for wanting to manage rather than resolve the Taiwan issue in your written testimony, and you seem to want the United States to make kind of a firm choice on Taiwan status.

So I would ask you why should the United States take a firm position on Taiwan's status if the political parties and the voters on Taiwan can't agree on its status?

Dr. Cooke, I really have two for you. What would be the next rung on the IT scale to which Taiwan should aspire? Tell me what that means for somebody who is not involved in IT.

Second, I would argue that if Taiwan doesn't pass a budget that would permit it to take advantage of U.S. arms sale package, the offer by President Bush is merely a symbol for them, for the government on Taiwan. Now you argue for a free trade agreement. A free trade agreement is not a symbol. It involves specific policies that would permit open exchange of goods.

What specific policies on property rights need to be changed in Taiwan so that the United States could conclude a free trade agreement?

DR. WANG: Commissioner Wortzel, your question was addressed to me first. Why should the United States take a firm stance when the political forces in Taiwan don't have a firm stance?

I think if I want to be provocative, I can say that one reason that contributed to the confusion within Taiwan is the U.S. policy. The U.S. policy of de-recognizing the Republic of China in 1978, the withdrawal of diplomatic support in 1971 in the United Nations, and so on arguably contributed to Taiwan's very nebulous and difficult international status.

So what is Taiwan? Taiwan used to think of it as a nation state and was the rightful ruler of all China, but now the whole world does not think that, and I think the U.S. policy contributed to that.

We can say that the issue is already determined, so I can't answer that question. Why is management not necessarily the best policy at all times? I feel that the U.S. as a superpower can do what is right, although sometimes doing what is right is not necessarily always easy. If the modus operandi is to manage, then we will always find ourselves in a position of being pushed by one side or the other, especially this policy of strategic ambiguity is leading both sides to try to test the boundaries of U.S. policy.

So, I think the U.S. should have its own policy and should make very clear that the U.S. policy is different from Beijing's policy. It is also different from Taiwan's policy.

MR. COOKE: Commissioner Wortzel, on the question of what the next run would be, both in the United States, in Taiwan and globally, IT is not going to be the workhorse of innovation. The pressures from price commoditization are just too great and at the risk of throwing out a jumble of buzz words, it's also, I think clear in the U.S., Taiwan and globally that in services led innovation, knowledge business, breakthroughs into next wave industries like the life sciences are where value is migrating.

I think that does play to the type of resources that Taiwan can potentially mobilize, but it takes any region, any nation, quite a deal of effort. You need to retool workers. You have to get your education system properly aligned and people have to be able to exercise certain basic freedoms of choice to follow opportunity. I think that's where Taiwan's future lies and it will be beyond simple IT.

On the FTA question, I'm going to take refuge in my current position as no longer a U.S. government official. At the time I left AIT I was less supportive than I am perhaps now about the benefits, in my mind, at least, about giving serious consideration. That does not necessarily mean that Taiwan is going to jump through all the hoops and satisfy all the requirements of the FTA process.

But I think giving the candidacy serious consideration is in its own right very helpful and at a certain level even with a directly in U.S. broad interests. I'm not approaching it from a USTR point of view of a deficiency today in this particular area or that particular area. Taiwan underpins a huge area of our nation's prosperity economically and through the global supply chain.

And it is currently exposed in the region as not having a significant bilateral trade partnership, partly as a result of its political

marginalization. That creates a certain vulnerability because there is a trend economically as the various multilateral processes go through their stops and starts.

There is a great deal of bilateral trade partnership activity. China is leading its own agenda in that area, and Taiwan is very isolated and exposed in that particular area. It has no significant bilateral economic partnership with any major party. So I think it actually naturally would fall to us to be the first to examine that on its own benefits.

DR. BUSH: Commissioner Wortzel, may I respond to your question?

COMMISSIONER WORTZEL: Go ahead.

DR. BUSH: You had mentioned property rights as a possible issue.

COMMISSIONER WORTZEL: Specifically, what are the issues that Taiwan has to resolve in order to satisfy the U.S. Trade Representative and reach a free trade agreement?

DR. BUSH: There are some bilateral trade issues that need to be resolved. Intellectual property rights protection, some agriculture issues, pharmaceuticals, telecom, and--

COMMISSIONER WORTZEL: I don't think those are just artificial hoops.

DR. BUSH: No, they're not artificial hoops and it appears that progress is being made. Then the next question is does USTR have the horses to start the race? Once you get into the negotiation, one very interesting question that will have to be discussed and has been discussed in other FTAs is what is Taiwan product?

In this globalized economy, particularly one where a lot of Taiwan manufacturing is actually occurring 90 miles across the Strait, what's the Taiwan product that would benefit from free trade treatment?

HEARING COCHAIR DONNELLY: The ever-patient Commissioner Wessel.

COMMISSIONER WESSEL: Out of deep respect, I will yield a minute to my colleague, Mr. Mulloy, for asking a question to be submitted for the record.

COMMISSIONER MULLOY: Yes, thank you, Commissioner Wessel. You're very kind. I'll be brief. Terry Cooke, you have a very important paragraph on page two of your testimony where you talk about the migration of industry out of the country, particularly semiconductors, and you make the point that when these migrations are due to global market forces, that's one thing.

On the other hand, you say when migration of critical industry represents a foreign government's effort to manipulate the global market so that it can amass capabilities of a strategic nature, that's in our national interest to impede.

Can you tell us, for the record, is China doing that? With what industries? How does it do it? What incentives does it have in place to make that happen? I think it's going on. We heard testimony in that regard, and I'd like to just have your benefit of your views on it.

COMMISSIONER WESSEL: My understanding is you were seeking a written response.

COMMISSIONER MULLOY: Yes, if you could do a written response.

HEARING COCHAIR DONNELLY: Or if you can put us out of misery very briefly, we would take it now.

COMMISSIONER MULLOY: Okay.

MR. COOKE: I can do it in 60 seconds, I think. From my point of view, that is the apt question. As a non-expert, it's clear that in certain areas of espionage, China uses its own model that is quite different from how we were used to dealing with espionage in the Cold War era with the Soviet Union. The technology is changing fast. I think the Chinese have a different model of how to leverage global IT for their own benefit.

I don't think we necessarily understand it well enough. I'm not sure that we even know exactly the right questions to ask and places to focus to keep our traditional export regime up to speed with what's happening in China because what's happening is fast, it's technologically complex, and the Chinese are bringing their own new approach to leveraging advantage out of it.

We're not going to be able to stop the global locomotive of IT change, but we need to focus on the area between the traditional export control regime and this installed base of advanced IT capabilities that are now on the ground in China and understand better what might be seeping across that interface.

COMMISSIONER MULLOY: Thank you.

CHAIRMAN D'AMATO: I'll make a comment on that. Even in areas where there's not a clear strategic export control question, this so-called globalization of the supply chain, it appears it is being stretched to the point where leveraging and vulnerability can be asserted by the Chinese in many industries that we're not aware of.

I don't understand. I've just read a book by Barry Lynn entitled *The End of the Line*. He talks about this in great detail. It's an extremely important concept. It means that many, many of our industries can be held ransom, held hostage, and be interrupted by one link in that chain, and the Chinese may be acquiring links in all industries. That's something we need to know about. Sorry.

COCHAIR DONNELLY: Oh, that's quite all right. If you guys are reading Barry Lynn, you're already too far gone.

COMMISSIONER WESSEL: I yield back the balance of my time.

COCHAIR DONNELLY: Are there any other commissioners who are unsatisfied? That seems an appropriate place to end. I thank the witnesses very much for their patience and for sticking with us through the course of the day.

Thank you.

[Whereupon, at 5:35 p.m., the hearing was recessed, to reconvene at 9:00 a.m., Friday, September 16, 2005.]

ADDITIONAL MATERIAL

1. [“Ignoring China’s Growing Sub Force” by Rob Simmons and Carlisle Trost, Hartford Courant, August 21, 2005](#)
2. [Worldwide Maritime Challenges, Office of Naval Intelligence, 2004](#)
3. [Department of Justice News Release, September 13, 2005](#)
4. [“4 Admit Exporting Technology to China,” Philadelphia Inquirer, September 14, 2005](#)
5. [Letter to Secretary Condoleezza Rice, January 31, 2005 from the U.S. Congress](#)
6. [Letter from Department of State to U.S. Congress, February 15, 2005](#)
7. [Letter to Chairman LIEN Chan from Congressman Simmons, May 27, 2005](#)
8. [Letter to Congressman Simmons from Dr. LIEN Chan, June 8, 2005](#)