

“China: Recent Security Developments”

**Prepared Statement of
The Honorable Richard P. Lawless
Deputy Under Secretary of Defense for Asian and Pacific Security Affairs
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Introduction

Mr. Chairman, I would like to thank you for the opportunity to appear before this Committee and speak about recent security developments related to the People’s Republic of China (PRC). This is a very timely hearing, and one that covers matters that hold great significance to U.S. defense and security policy. Last month, the Department of Defense submitted its annual report on Military Power of the People’s Republic of China. This is an important document and it will form the basis for my testimony this morning. Although this report is tasked to the Department of Defense and transmitted to the committees by the Secretary of Defense, it is a product of intensive interagency coordination, including with the State Department, the National Security Council, and the Intelligence Community. In this context, our annual report reflects views and concerns held broadly across the United States Government over China’s rapidly expanding military capabilities.

Context of Bilateral Relations

This year’s report comes against the backdrop of an overall U.S.-China relationship that continues to improve from the low-point of the April 2001 EP-3 incident. Our relationship with Beijing has grown increasingly important and complex, and we have together bolstered our interactions in the fields of political, economic, and military affairs. The President has stated his satisfaction that the United States and China have developed a good, constructive relationship.

As the Defense Department’s Quadrennial Defense Review (QDR) report states, “U.S. policy remains focused on encouraging China to play a constructive, peaceful role in the Asia-Pacific region and to serve as a partner in addressing common security challenges, including terrorism, proliferation, narcotics and piracy.” U.S. policy further encourages China to conduct itself as a responsible international stakeholder by participating in multilateral organizations, upholding international law, and supporting economic integration and geopolitical stability. China benefits tremendously from the existing international system into which it is emerging. China’s leaders need to take on a greater share of responsibility for its health and success.

We continue to see some positive examples of cooperation, most notably through the Six-Party Talks where Beijing has adhered to its declared objective of a nuclear weapons-free Korean Peninsula and has played host to the important vehicle that seeks a diplomatic solution to this problem. Deputy Secretary of State John Negroponte is continuing to move forward with the Senior Dialogue as a mechanism to sustain strategic-level discussions on important political and security matters. We have now held two rounds of the Strategic Economic Dialogue featuring high-level exchanges on important trade and finance issues, as well as other matters fundamental to a long-term healthy economic relationship.

We have also seen improvement in the military-to-military relationship, where we are moving forward with an expanded set of exchanges among senior defense officials, naval ship visits, military academy exchanges and other interactions among mid-grade and junior officers. Of significance, I would point to the important visits of General Ge Zhenfeng, People's Liberation Army (PLA) Deputy Chief of the General Staff and of Vice Admiral Wu Shengli, Commander of the PLA Navy to the United States in February and April, respectively, this year; as well as the visits by the Chairman of the Joint Chiefs of Staff, General Peter Pace, and the Commander, U.S. Pacific Command, Admiral Tim Keating's visits to China in March and May, respectively.

We are also making progress in cooperative efforts to address transnational and non-traditional security challenges, including humanitarian assistance and disaster relief. In 2006, we saw the completion of a two-phase bilateral search and rescue exercise. The PLA has also demonstrated greater willingness and interest in moving forward with archival research to support efforts to account for American service personnel missing from past conflicts. We also have received positive signals that the PLA is now ready to move forward in establishing a defense telephone link between our defense leadership to support senior-level communications in the event of crisis. We believe these exchanges and mechanisms have the potential to improve mutual understanding, reduce miscalculation, and contribute, over time, to "demystifying" one another.

While we have seen some progress in China's willingness to cooperate on international issues of concern such as North Korea, and China has made some strides in actively improving bilateral diplomatic and military relations, we are of course still concerned about China's commitment to these promising developments. For example, Beijing has improved its non-proliferation posture by promulgating export control laws and regulations, strengthening its oversight mechanisms, and committing to respect multilateral arms export control lists. However, China can do more to curtail proliferation. We still observe transfers of conventional weapons to states such as Iran, Sudan, Burma, Zimbabwe, and Cuba.

We also remain concerned with China's efforts that seek to limit United States' presence and influence through the development of exclusionary regional frameworks that stand against the trend of greater regional cooperation in Asia. China's use of its influence in the Shanghai Cooperation Organization to call for a U.S. withdrawal from regional bases runs counter to our efforts in the War on Terrorism. In the bilateral military to military relationship, we are troubled by what appears to be an unwillingness to reciprocate the openness and transparency we have shown to visiting PRC dignitaries.

Following President Bush's meeting with PRC President Hu Jintao in April 2006, we have been looking to open a dialogue on nuclear policy, strategy, and doctrine – a topic of discussion that, given China's robust investment in modernizing its strategic forces, is essential if we are to consolidate gains that favor patterns of cooperation over Cold War-style power competition. While we were encouraged by President Hu's stated interest in opening such a dialogue, we are concerned by an apparent reluctance in the PRC government to discuss transparently these issues. We have been unable to set a date for this dialogue.

Both the United States and China approach this relationship realistically, however. Both sides are aware of the potential for conflict, particularly in the Taiwan Strait, and as we move forward, we remain ever mindful of the uncertainty inherent in China's future. In conducting our defense interactions – consistent with the statutory limitations established by the *National Defense Authorization Act for Fiscal Year 2000* – we do nothing in our contacts that could knowingly enhance the military capabilities of the Chinese PLA. There are many substantive areas in which we can expand our exchanges that would not require revisions to the existing statute. This is not only a matter of law; it makes for sound defense policy.

When we say that China's future is uncertain, we acknowledge that, to a large extent, it will be determined by the choices that China's leaders make as their country's power and influence develop. The decisions China's leaders face span a range of issues: the relationship between economic transition and political reform, managing rising nationalism and internal unrest, adopting international norms of behavior, including the serious matter of the proliferation of dangerous technologies, a commitment to regional and global stability, and finally its growing military power.

China's Expanding Military Capabilities

China's military power – present and future – is the focus of our report. In the Department of Defense, it is our responsibility to monitor the development of that power. It is our job to maintain deterrence of conflict. At present, China's ability to sustain power at a distance remains limited. However, as the 2006 QDR report notes, when looking forward, "China has the greatest potential to compete militarily with the United

States and field disruptive military technologies that could, over time, offset traditional U.S. military advantages.”

As our report shows, the Chinese PLA is pursuing an ambitious and long-term military modernization program, which emphasizes preparations to fight and win short-duration, high-intensity conflicts along its periphery – what the PLA refers to as “local wars under informatized conditions.” This ongoing transformation features new doctrines for modern warfare, reform of military institutions and personnel systems, improved exercise and training standards, modernized logistics, and the acquisition of advanced foreign and domestic weapon systems.

The near-term focus for the PLA appears to be on preparing for military contingencies in the Taiwan Strait. China’s armed forces are rapidly developing capabilities designed to coerce or compel a settlement of the cross-Strait dispute while simultaneously deterring, delaying, or denying effective third-party, including U.S., intervention. Long-term trends, based on analysis of acquisitions, authoritative writings, and training and exercise programs, also suggest that Beijing is generating capabilities to employ military force for other regional contingencies, such as conflict over resources or territory. China’s nuclear force modernization is enhancing the PLA’s capabilities for strategic strikes beyond the Asia-Pacific theater. China’s counter-space efforts – which we witnessed during the January 2007 direct ascent anti-satellite test – will enable Beijing to hold at risk the assets of all space-faring nations. Finally, China’s continued pursuit of anti-access and area denial strategies is expanding from traditional land, sea, and air dimensions of the modern battlefield to include space and cyber-space.

The DoD Report, mandated by Congress in the *National Defense Authorization Act for Fiscal Year 2000*, details the military component of China’s rise based on the best available information. While the transparency in Chinese security affairs is improving, it is far from complete. We have presented our findings in a tone that is intended to be factual, descriptive, and analytical. We are not attempting to prove that China is, or is not, a threat.

China’s pursuit of comprehensive national power, with its focus on economic modernization and growth, has generated a significant resource base from which China’s leaders can direct and sustain high rates of investment in the defense sector. China’s officially disclosed defense budget has steadily increased at double-digit percentage rates for the past 15 years. In March, China announced that its defense budget for 2007 would increase some 17.8% over the previous year, to approximately \$45 billion. This development continues a trend of annual budget increases that exceed the impressive rate of growth of the overall economy. Analysis of Chinese budget data and International Monetary Fund (IMF) Gross Domestic Product (GDP) data for 1996-2006 shows, for example, an average annual defense budget growth of 11.8 percent (inflation adjusted) compared to an average annual GDP growth rate of 9.2 percent (inflation adjusted). For

comparison, I would note that Japan's annual defense budget, which is capped at one percent of GDP, has been held relatively constant at about \$43 billion for the past decade.

However, we, and others, believe that China's declared military budget does not capture its total military expenditure. Significant expenditures related to China's military, including foreign acquisitions, industrial subsidies, local contributions, and strategic forces, are not included in the official budget. The Defense Department's best estimate is that China's actual expenditure is substantially higher than what is reported, and that actual 2007 defense expenditures could fall in the range of \$85 billion to \$125 billion. Non-DoD estimates of China's military budget for 2003 – the most recent year for which a significant number of institutions published estimates – range from \$30.6 billion to \$141 billion based on official exchange rates or purchasing power parity models. The official Chinese military budget figure for that same year was \$22.4 billion. While there may be differences in estimative models inside and outside DoD, the near-universal conclusion is that the official PRC military budget significantly under-reports China's actual military expenditures. This discrepancy between the official budget and what China actually spends is emblematic of our fundamental concerns over the lack of transparency in China's military and security affairs.

As a consequence of what we see as a deliberate effort on the part of China's leaders to mask the nature of Chinese military capabilities, the outside world has limited knowledge of the motivations, decision-making, and key capabilities of China's military or the direction of its modernization. Where our strategy documents and reports, such as the National Security Strategy, National Military Strategy, and Quadrennial Defense Review, speak openly and candidly about U.S. doctrine, assumptions, and plans, China publishes no such equivalent documents. While China's most recent biennial defense white paper, *China's National Defense in 2006*, represents a modest improvement in terms of content and quality, much remains unaddressed. China's leaders have yet to adequately explain the purposes, resources, or the desired end-states of the PLA's expanding military capabilities or basic information on the size, capabilities, doctrine, assumptions, plans, decision-making, and proficiency of the armed forces. Our report doesn't attempt to answer all these questions, but it does raise them. It contains assessments of where we see China's military forces heading but, as Secretary Gates has said, "These are *assessments* that are in this publication [emphasis added]. It would be nice to hear firsthand from the Chinese how they view some of these things."

The issue is often raised both by PRC scholars as well as by foreign experts of Chinese security affairs inclined to explain the PRC's sensitivities over budget transparency; that it is for China to decide the appropriate level of disclosure and discourse on this sensitive issue. That well may be the case but, in the absence of adequate explanation for capabilities which are growing dynamically, both in terms of pace and scope, we are put in the position of having to assume the most dangerous intent a capability offers. That is, charged as we are with making an objective assessment, and

lacking an adequate dialogue with China to better judge the application of a given capability, we are left to infer the purpose as well as the underlying strategy and planning that determined a specific set of capabilities was necessary.

With that context, I would like to summarize briefly some of the specific and notable developments that we are observing in China's military forces that we describe in this year's report.

We see in China at least 10 varieties of ballistic missiles deployed or in development, suggesting a level of commitment that underlines both China's confidence in this particular area of advanced military technology as well as its capacity to develop and deploy multiple systems with overlapping missions. Ongoing deployments include over 900 short range ballistic missiles in garrisons opposite Taiwan with a capability to threaten Taiwan's defense and disrupt the island's infrastructure. Additionally, the PLA is establishing new missile bases outfitted with conventional, theater-range missiles at various locations in China that could support a variety of contingencies across China's periphery.

Significantly for this year, China has made substantial progress in fielding road-mobile, solid-propellant DF-31 intercontinental range ballistic missiles (ICBMs) with the deployed missile force. We cannot say with certainty that the units controlling these missiles are fully certified as operationally ready to perform their assigned combat missions. However, testing is complete for this missile system, and DF-31 ICBMs would be available for use if China's leaders chose. We expect China will make considerable progress in fielding the longer-range version of this missile, the DF-31A, beginning this year. In addition to these systems, China continues to upgrade and qualitatively modernize older versions of its ICBM-class missiles, and continues modernization of its sea-based deterrent with the JL-2 submarine-launched ballistic missile (SLBM) program for deployment aboard a new class of ballistic missile submarine, the Type-094 or JIN-class SSBN. These changes will bring greater range, mobility, accuracy, and survivability to China's strategic forces capable of striking many areas of the world including the continental United States.

China's leaders have assured us that Beijing's longstanding "no first use" policy for nuclear weapons employment remains in effect; and we take them at their word on this point. Nevertheless, occasional comments from Chinese military and civilian officials suggest Chinese specialists may be exploring internally the implications of China's evolving force structure, and the inherent options that force structure provides. And so we have questions. But we also have opportunities to move forward with a dialogue to engage in a substantive exchange to help avoid confusion and miscalculation – on both sides.

China is building and testing second generation nuclear-powered submarines. In addition to the aforementioned Type-094 JIN-class SSBN, the PLA Navy is also performing sea trials on a new nuclear attack submarine, the Type-093 (SHANG-class SSN). China accepted delivery last year of the final two of an eight hull purchase of Russian KILO-class diesel-electric submarines, bringing the total number of KILOs in China's force to twelve. The KILO-class acquisition augments China's domestic SONG-class and YUAN-class programs. While we do not expect at this time that China will seek to deploy dozens of each type of new submarine, the variety of programs – domestic and foreign, nuclear and conventional – indicate the seriousness with which China's leaders are building capabilities for undersea warfare.

China's investment in its submarine programs is complemented by robust investment in a range of new surface combatants designed to improve significantly the PLA Navy's capacity for anti-surface and anti-air warfare, such as the LUZHOU-class guided missile destroyer (DDG), the LUYANG I and LUYANG II-class DDGs, and the JIANGKAI II-class guided missile frigate. Last year China accepted delivery of the second of two SOVREMMENYY II-class DDGs from Russia that represent a qualitative improvement over the earlier SOVREMMENNY-class DDG's purchased from Russia.

The PLA maintains more than 700 combat aircraft within operational range of Taiwan. While many of China's aircraft are obsolete or upgraded versions of older aircraft, modern aircraft such as the Russian Su-27s and Su-30s and China's own F-10 fighter make up a growing percentage of the force. An increasingly sophisticated array of armaments and China's development of aerial refueling capability, combined with its new platforms, have improved China's offensive air capabilities.

China is also pursuing a wide variety of weapons programs to improve its precision strike capability. For example, the PLA has at least two land-attack cruise missile programs in development and has or is acquiring at least 12 different types of anti-ship cruise missiles, including the supersonic Russian-made SS-N-22/SUNBURN and SS-N-27B/SIZZLER, the latter for deployment aboard the KILO-class submarines. In addition to these cruise missile programs, the PLA has or is acquiring tactical air-to-surface and anti-radiation missiles, as well as artillery-delivered high precision munitions.

China is improving its capacity for expeditionary warfare with additional air and amphibious lift, improvements in army aviation, and the fielding of new amphibious armor within its ground forces based opposite Taiwan. We also see continuing interest on the part of the PLA Navy in developing an indigenous aircraft carrier.

The PLA is also leveraging information technology expertise available in China's booming economy to make significant strides in cyber-warfare. Chinese capabilities in

this area have evolved from defending PRC networks from attack to offensive operations against adversary networks.

Finally, we are seeing China emerge as a growing international space power. Last year, Beijing released its latest space white paper, *China's Space Activities in 2006*. The paper reviews the history of China's space program and presents a roadmap for the future. It discussed cooperation with various partners, yet remained silent on the military applications of China's space programs and their counterspace activities. China's leaders view the development of space and counter-space capabilities as bolstering national prestige and, like nuclear weapons, demonstrating the attributes of a world power. China is also aware of the critical role that space plays in modern military operations. Accordingly it is investing heavily in a broad range of military and dual-use space programs including reconnaissance, navigation and timing, and communication satellites, as well as its manned space program. At the same time, China is developing the ability to deny others access to space through its pursuit of a robust and multi-dimensional counter-space capability featuring direct ascent anti-satellite weapons, ground-based lasers, and satellite communication jammers.

Many of these developments are relevant to a Taiwan contingency, which is a problem in the here and now. In this context, we continue to see China's military advances – particularly its continued deployments opposite Taiwan – as tilting the military balance in the mainland's favor. However, some of these developments, including the reported interest in developing an aircraft carrier and a modern, blue-water navy, pose long-term concerns beyond the Taiwan Strait. These concerns are not just those of the United States. Many aspects of China's military programs lead other nations, both within East Asia and globally, to question China's intentions and to adjust their own behavior.

Conclusion

The United States is a Pacific power; our interests and network of alliances and friendships constitute a vital interest that we will defend. But the Asia-Pacific region is not a zero-sum game. A China that is a responsible stakeholder in the international system and an engine of economic growth is an enormously positive prospect. China's continued development and integration into the international system as a responsible stakeholder has long been, and remains, a central tenant of our China policy and a core U.S. interest. China can contribute to international stability; it can be a partner in confronting the global challenges of international terrorism and the proliferation of weapons of mass destruction. China can assist in responding to humanitarian disasters and combating infectious disease.

At the same time, we recognize the challenges in our relationship. As the President's National Security Strategy Report states: "Our strategy seeks to encourage

China to make the right strategic choices for its people, while we hedge against other possibilities.” As I mentioned earlier in this testimony, both the U.S. and Chinese leadership must be – and are – realistic over our differences. We have many questions and concerns about China’s military modernization and what China’s leaders plan to do with these emerging capabilities. We believe these questions are reasonable, and answering them in a transparent and forthright manner can only help us better understand each other.

Thank you.