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# CHINA: RECENT SECURITY DEVELOPMENTS

COMMITTEE ON ARMED SERVICES
HOUSE OF REPRESENTATIVES
ONE HUNDRED TENTH CONGRESS
SECOND SESSION

HEARING HELD
JUNE 25, 2008

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# CONTENTS

## CHRONOLOGICAL LIST OF HEARINGS

2008


| | Page |
|---|---|
| HEARING: | |
| Wednesday, June 25, 2008, China: Recent Security Developments | 1 |
| APPENDIX: | |
| Wednesday, June 25, 2008 | 29 |


**WEDNESDAY, JUNE 25, 2008**

**CHINA: RECENT SECURITY DEVELOPMENTS**

STATEMENTS PRESENTED BY MEMBERS OF CONGRESS


McHugh, Hon. John M., a Representative from New York, Committee on Armed Services ..... 2

Skelton, Hon. Ike, a Representative from Missouri, Chairman, Committee on Armed Services ..... 1


WITNESSES


Breedlove, Maj. Gen. Philip M., USAF, Vice Director for Strategic Plans and Policy, Joint Chiefs of Staff ..... 5

Shinn, Hon. James J., Assistant Secretary of Defense for Asian and Pacific Security Affairs ..... 3


APPENDIX


PREPARED STATEMENTS:

Shinn, Hon. James J., joint with Maj. Gen. Philip M. Breedlove ..... 33

DOCUMENTS SUBMITTED FOR THE RECORD:

[There were no Documents submitted.]

WITNESS RESPONSES TO QUESTIONS ASKED DURING THE HEARING:

[There were no Questions submitted during the hearing.]

QUESTIONS SUBMITTED BY MEMBERS POST HEARING:

Mr. Larsen ..... 43

# CHINA: RECENT SECURITY DEVELOPMENTS

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HOUSE OF REPRESENTATIVES,
COMMITTEE ON ARMED SERVICES,
*Washington, DC, Wednesday, June 25, 2008.*

The committee met, pursuant to call, at 10:10 a.m., in room 2118, Rayburn House Office Building, Hon. Ike Skelton (chairman of the committee) presiding.

## OPENING STATEMENT OF HON. IKE SKELTON, A REPRESENTATIVE FROM MISSOURI, CHAIRMAN, COMMITTEE ON ARMED SERVICES

The CHAIRMAN. Today we have in front of us Assistant Secretary of Defense Mr. Shinn, Assistant Secretary for Asian and Pacific Security Affairs; Major General Breedlove, Vice Director for Strategic Plans and Policy, with Joint Chiefs of Staff.

And we welcome both of you gentlemen for being with us, and we appreciate your testifying today on recent security developments involving China.

Now, I have stressed for some time the critical significance of developments in China. And while our military resources have been heavily focusing on Iraq, China's influence has grown in Asia and, of course, beyond. To address this reality, we must proactively and effectively engage with China on multiple fronts.

While there are many positive steps to note in this last year, progress is still to be achieved. And Secretary Gates and Admiral Tim Keating have pursued two major initiatives. These are high-level policy dialogue with China, seeking clarity on its intentions and strategy in the security arena, and military-to-military contacts.

Although some progress has been made, China has still not adequately revealed its full defense spending, military modernization efforts, or its strategic intentions.

And I should add at this point that I had the pleasure of visiting China, along with my friend Randy Forbes, with a delegation last summer to explore these very issues. I very much appreciate the hospitality that was extended to us then. And I was honored, along with Mr. Forbes and our delegation, to plant a tree at the memorial in Kunming in memory of the American airmen and their Chinese allies who flew "The Hump" en route from Burma to China and also the American Flying Tigers who defended China.

We also received a briefing at the headquarters of China's 2nd Artillery Corps, which commands their nuclear and missile forces, a visit that has been previously made only by Secretary Rumsfeld. This was an encouraging sign of increased openness, and it was an

excellent opportunity for us to learn more about China's strategic intentions. It was an excellent, excellent briefing.

I am encouraged by China's agreement to begin submitting an annual report to the United Nations on its military expenditures. This is positive but, frankly, not enough. China announced its military budget for 2008. It is about $58.8 billion, continuing a trend of double-digit increases for the last decade. Our country continues to assess the real budget as two to three times greater than that.

The Department of Defense's 2008 report on China's military power also notes that China continues its missile buildup across from Taiwan, and its power projection capabilities are steadily increasing. Secretary Gates has called on China to increase its security cooperation with the United States in the areas of common interest, ranging from counterterrorism and nonproliferation to energy security.

Admiral Keating has also made significant progress in arranging for meaningful military-to-military contacts between the two countries in compliance with the guidance on such contacts established by this committee in law.

In addition, the United States-China defense hotline is now operational. There is dialogue with China on nuclear strategy and policy. There is continuing U.S.-China cooperation on the denuclearization of North Korea. And China recently supported additional sanctions against Iran for its suspected nuclear activities. There is also a new United States-China agreement on Korean War prisoner-of-war, missing-in-action (MIA) matters.

And I continue to believe that China is not necessarily destined to be a threat to the United States. There are trends and ambiguities that do concern us. And today's sharing should help us better understand China's military development efforts. But we must also acknowledge China's limitations and recognize that China's choices may well be shaped by our own actions.

There are also unique opportunities for progress with China on security matters this year, given the 2008 summer Olympics in Beijing, new leadership in Taiwan, recent movement by Taiwan and the mainland toward an easing of tensions across the Taiwan Strait.

So, gentlemen, we thank you for being here. We are very interested to hear your assessment of recent security developments.

And let me turn to my friend John McHugh, the gentleman from New York.

**STATEMENT OF HON. JOHN M. MCHUGH, A REPRESENTATIVE FROM NEW YORK, COMMITTEE ON ARMED SERVICES**

Mr. MCHUGH. Thank you very much, Mr. Chairman.

Mr. Chairman, as you know, the distinguished ranking member, Mr. Hunter, is a bit delayed.

I would say to our witnesses, like all of us here, we extend to you a welcome and words of appreciation, Mr. Secretary, General. We look forward very much to your comments.

Mr. Chairman, I would ask that the ranking member's statement be entered in its entirety into the record.

[The information referred to was not available at the time of printing.]

Mr. MCHUGH. And, with that, just let me say a few words, particularly to you, Mr. Chairman, in appreciation for holding these hearings.

These reports over the past seven years have been a critically important component of our Nation's ability to judge the emerging Chinese circumstance. As the chairman noted, all of us are excited and, by and large, optimistic about the opportunity to work with China in partnership on issues that are of mutual concern to both nations.

The Chinese people, as we are all hopeful they demonstrate very clearly in the upcoming Olympics, are an important part of world development. And their partnership, as the chairman noted, in such things as the six-party talks and other areas, are absolutely essential.

However, their military ambition still remains clouded. I and, I know, others on this committee, as well as many others across the globe, are concerned about their intentions and as much about what we don't know as what we do know. And, of course, this report is very helpful in helping us fill in with some of those blanks.

So with that word of appreciation and in anticipation of your comments, gentlemen, again, welcome.

Mr. Chairman, I will yield back.

The CHAIRMAN. Thank you so much.

Without further ado, Mr. Shinn, we will begin with you, sir.

**STATEMENT OF HON. JAMES J. SHINN, ASSISTANT SECRETARY OF DEFENSE FOR ASIAN AND PACIFIC SECURITY AFFAIRS**

Secretary SHINN. Mr. Chairman and distinguished members, General Breedlove and I thank you for giving us the opportunity to appear before you today.

We submitted some written remarks, Mr. Chairman. We would appreciate it if they could be submitted for the record.

The CHAIRMAN. Without objection.

Secretary SHINN. And if I may, what I would like to do is just briefly summarize those written remarks with around three of the key questions which concern us and which I am sure concern this committee regarding China's security developments.

I think the first question is, what are the Chinese doing in terms of their modernization and their buildup? The second question is, what does it mean? What does it mean for us and for our allies from the region? And the third, for a practical question, is, what is the Defense Department, in particular, and the U.S. Government, more broadly, doing to react and deal with this buildup?

With regard to the first question, as Congressman McHugh noted, we have submitted the China Military Power Report, of which we are quite proud. And we hope that the Members found it useful and to fulfill the mandate. I think there are four key points about the facts of the buildup that were highlighted in the report.

The first, as you know, is that the Chinese have engaged in a sustained, very sizable increase in their expenditure, and they have done so over quite a few years. The official budget is about $60 billion. Our estimates suggests it is perhaps twice that, but we don't

really know. And that goes to previous comments about the importance of transparency.

The second major observation about the buildup is that it is across all their services. It is comprehensive in the sea, land and air forces of the People's Liberation Army (PLA). And it is also particularly significant that it includes the nuclear, as well as the conventional forces.

The third point is that, if you will, the Chinese are investing heavily in what you might call the software of the PLA, as well as the hardware assets. In other words, in personnel recruiting, in training, in the logistics, and their command and control apparatus. We think this was so significantly important that there is a special topic session in this year's power report to try and get to the importance of this software investment.

And the fourth and final observation about the military buildup, as you know, it reflects what appears to be a deliberate and well-thought-through Chinese strategy to invest in asymmetric warfare, cyber warfare, counter-space capability, their very sophisticated ballistic and cruise missile program, and, of course, undersea warfare. We tried to lay this out in chapter three of the report, because we think it is so important.

If I may move to the second question, what does this mean? What does this buildup mean for us and for our allies in the region?

I think the first inclusion is that the cross-strait military balance continues to shift in the mainland's favor as a result of this buildup. There is an annex at the end of the military power report that lays out, in a couple of tables, the results of the mainland Chinese military buildup, and on the other column, it has the Chinese forces. And it is a pretty graphic piece of evidence for the shift in the military balance across the straits.

The second observation about what it means is that it increasingly puts U.S. forces in the region and the forces of our allies in the region at risk. Again, as the members know, the Chinese have invested heavily in what they call anti-access or area-denial capabilities; in particular, the sophisticated command, control, communications, computers, intelligence, surveillance, and reconnaissance (C4ISR) required to track, for example, U.S. missiles at long distance and the anti-ship cruise missiles to threaten those forces once they are under way.

I think the third and final observation about what this means, what this buildup means for us, is that this increasing capability may alter their intent. In other words, the increasing capacity of the PLA may present the Chinese leadership with more options. And, as the chairman mentioned in his comments, this goes right to the heart of the issue: What is the intent of this buildup?

For example, we don't know as the Chinese nuclear forces increase in their size, in their survivability and in their precision, we are not sure if this is going to alter, for example, their no-first-use policy.

We are very careful about inferring intent based solely on expanding capability, but as the members of this committee know, in particular, in the military, in the absence of transparency, one is

forced to plan for the worst case. And that is part of the reason for the deep seriousness with which we view the military buildup.

Mr. Chairman and members, if I could finish very briefly on the third question, which is, what is the Department of Defense (DOD) and the U.S. Government, with the direction and support of the Congress, doing about this Chinese threat? I think, again, there are probably four principal lines of operation in response to it.

The first and, in some respects, the most pressing is to continue in the intelligence collection and analysis, so we understand as much as possible, not just about the contours of the force buildup, but also as much as possible trying to divine the intent. What does the leadership, what does the PLA leadership, what does the party leadership intend to do with its increasing capability?

The second line of operation, obviously, is to continue to train, equip and posture our forces in the Pacific, under the command of Admiral Keating, and to do so in a way that responds to the shifting capabilities of the PLA.

The third observation—and it is consistent, complementary to the second—is to work very closely with our alliance partners in the region to build their capacity and to make sure that these alliances are also modified over time to deal with enhanced Chinese capability.

And finally, the final area of focus is to engage the Chinese government and the PLA at a number of levels, both at the top level with the secretary, the mil-to-mil contact that the chairman made reference to, junior officers, mid-grade noncommissioned officers (NCOs), and to keep going a couple of functional committees, for example, on cooperating on disaster relief.

I think the rationale for this is, number one, as you engage in this contact with the PLA and the Chinese leadership, you learn more about them. We can also signal our resolve in the Pacific, which reduces the chances of miscalculation on the other side. And we can build both the confidence and the communication links, such as the defense telephone link that was referred to earlier, if things go badly.

So, in conclusion, Mr. Chairman and members, China's rise certainly presents us with a variety of opportunities and challenges. As the chairman said just a few moments ago, the Chinese are definitely not destined—they are not destined—to be an adversary. China has a lot of choices to make, and we have some capability to shape those choices. As my secretary said a few weeks ago, we do not see China as a strategic adversary. It is a competitor in some respects and a partner in others.

Thank you, Mr. Chairman.

[The joint prepared statement of Secretary Shinn and General Breedlove can be found in the Appendix on page 33.]

The CHAIRMAN. Thank you so much, Mr. Shinn.

General Breedlove, please.

**STATEMENT OF MAJ. GEN. PHILIP M. BREEDLOVE, USAF, VICE DIRECTOR FOR STRATEGIC PLANS AND POLICY, JOINT CHIEFS OF STAFF**

General BREEDLOVE. Good morning, Mr. Chairman, distinguished members. I would like to thank you for the opportunity to

appear today before you to discuss these developments that we have already been briefing on.

It has been just a little over a year since I have had the last opportunity to talk about this important topic with you. And while many of the same concerns about China remain from that discussion, we have also seen some reasons for encouragement, especially in regards to our relationship with the People's Liberation Army, the PLA.

Mr. Chairman, as you mentioned we have had a series of bilateral dialogues on nuclear strategy and doctrine, and we have established the phone link. Beyond that, we have also—in other engagements, our delegations have seen a modest increase in exposure to PLA facilities, as you mentioned about your trip, Mr. Chairman.

We continue to see progress and cooperation in areas of common interest, like humanitarian assistance, disaster relief, and military environmental protection. Another encouraging sign was China's reception of relief supplies delivered by our military aircraft to the needy Chinese during this past winter's storms and the most recent earthquake.

Unfortunately, as you mentioned, many or some of our concerns still remain. It comes as no surprise that China is modernizing its military. We have to expect that from a nation experiencing such impressive economic growth. However, how much of the PLA's modernization program remains opaque to us and to China's neighbors.

We continue to communicate to China that our desire for greater transparency and openness is to gain a better understanding of their strategic intent, as the Secretary has mentioned. We believe this is clearly in the interest of all concerned in order to avoid any misunderstanding or miscalculation.

We continue to watch the situation closely and respond in a manner that benefits peace and stability in this most important region.

Thank you again, Mr. Chairman. I greatly look forward to your questions this afternoon.

[The joint prepared statement of General Breedlove and Secretary Shinn can be found in the Appendix on page 33.]

The CHAIRMAN. General, thank you very much.

Let me ask one question before I ask Mr. McHugh.

The Taiwan Straits has been considered a very dangerous spot on our planet. Is it as dangerous today as it was two to three years ago?

Secretary SHINN. In terms of the danger associated with military balance across the straits, Mr. Chairman, I think we would have to conclude that, as the balance has shifted toward the mainland, that has materially increased the danger across the straits.

On the other hand, as you know, there have been some recent political developments across the straits. In particular, after the election of Ma Ying-jeou, apparently the two sides have engaged in some discussions that have reduced, at least it appears to have reduced, the threat and the probability of the use of force.

I am not sure, if you add these two together, what the net effect is, but there has definitely been some change.

The CHAIRMAN. General.

General BREEDLOVE. Sir, if I could add, I would agree with the secretary, and I would say, from a purely uniform military perspective, clearly there are two sides to the answer I would pose. First of all, as you are well aware, sir, that the military capability that China has to put upon the strait in the form of increased air defense and other capabilities, which might be better discussed in our closed session later, make it militarily a more challenging area.

I would also add, however, sir, as we mentioned in the opening remarks, we have had increased dialogue, and we now have better forms of communication with our military counterparts, which would hope to be, in some manner, a diffusing capability to possible incidents across the strait.

The CHAIRMAN. Mr. McHugh.

Mr. MCHUGH. Thank you, Mr. Chairman.

Gentlemen, as I briefly mentioned in my opening comments, that the concern is as much about what we don't know as what we know.

Mr. Secretary, you commented, and it is a matter of record, that our estimates project that the actual military spending by the Chinese may be at least two times what they publicly state. I don't know what you can say in open session; I don't know what you can say about what you don't know. It is a rather difficult challenge.

But I am just curious, do we have any estimates on where we are concerned they might be making these undeclared expenditures? What kind of programs? Is this where the anti-cyber is coming from? Or what are the kinds of things we are trying to find out?

Secretary SHINN. As you know from your previous comments, there is a lot of black areas in their military expenditure that we just don't have much insight into.

To answer your question more specifically, you know, they don't appear to include in the formal announced budget their weapons acquisitions from abroad, for example, a lot of these big-ticket purchases from the Russians.

We really don't know where the research and development (R&D) for the nuclear program falls. In fact, we have very little visibility at all into their nuclear expenditure, either the missiles, the warheads, the fissile material.

And I think, third, we don't know generally, we have very little visibility generally into the R&D, the real underlying R&D, particularly the dual-use R&D that may arise as a byproduct of the rapid economic industrialization that General Breedlove referred to earlier and which many of the Members have observed firsthand on your trips, for example. So we have very little visibility into that.

Mr. MCHUGH. General, I don't know if you want to add. I saw you nodding your head.

General BREEDLOVE. No, sir. I just agree with what the Secretary said.

Mr. MCHUGH. Then let me just ask a follow-up, and then I would be happy to yield to my colleagues.

Mr. Secretary, you mentioned foreign acquisitions. And the report shows very clearly we are concerned about, as you know, the

big-ticket items, particularly Sunburn ballistic missiles, a great threat to our ships, et cetera, et cetera.

And yet we have data coming out of Stockholm Peace Institute that suggests, in fact, it said that China's purchases on these items, types of items from Russia last year, actually dropped 70 percent.

How do we reconcile that? I am a little pressed to make a lot of sense out of those two conflicting data points.

Secretary SHINN. I am not sure we could reconcile them with a great deal of granularity, Congressman. But I think one of the likely explanations is that the Chinese may well have either bought all of the initial systems that they wanted to, and that is just, sort of, a function of their acquisition profile over time, or they may have made more progress earlier on in terms of creating an indigenous capability. It is clear, as you know, that they never intended to become dependent upon foreign suppliers for a long time. And there was always a big technology-transfer component of these deals with the Russians and elsewhere.

Mr. MCHUGH. Yeah, that is what I was afraid of. So they may have figured it out for themselves and are relying less upon those kinds of purchases and can do them indigenously.

We don't see any diplomatic parting of the ways between the Russian and Chinese partnership, do we? No surface rift we can see? It is just a purchase change; is that correct?

Secretary SHINN. I think that is correct, sir. As you know, there have been some joint exercises; the Russians and Chinese cooperate in some areas. They have somewhat brittle relationships than others. It is hard to make out a distinct pattern that explains the track record for the decline in weapons purchases.

Mr. MCHUGH. Thank you, gentlemen.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you.

Solomon Ortiz from Texas.

Mr. ORTIZ. Thank you, Mr. Chairman.

Thank you so much for appearing before our committee this morning.

I know there are people who might not have the opportunity to go to China, but my first trip was back in 1983. And now you go to China and you see the investment that China has made. It takes years to build and to construct, but it only takes one crazy minute to destroy all that we have built. So I am glad to see the engagement between the United States and China, the proposal by Secretary Gates.

About six years ago, there was a delegation from this committee that went to China. And we asked to see if we could meet with their war college to talk to the students there, and we were told that we couldn't do that. Anyway, we went there, and we asked, and they were able to accommodate us, and we met with the students, most of them lieutenant colonels and colonels. It was right after 9/11. We broke into groups, and we had a very, very constructive discussion.

So, I am elated that now we are reaching out. And this is very, very important, because I think that when we communicate with one another, there is hope and that nothing crazy will happen.

I see where I think that China has agreed to make a report to the United Nations about their doing the buildup, they have become more transparent. Is this something that we have not seen before, the transparency that China now is offering?

Secretary SHINN. Certainly, there has been some progress, Mr. Ortiz. And the report to the U.N., although it obviously glides over some important details, it is certainly a step in the right direction.

With regard to your initial comment about the fact that it takes a long time to build up these capabilities but they can be used very quickly, this is one of the reasons—this has animated the nuclear dialogue. Any time you deal with the question of nuclear weapons, you have to take a deep breath and step back.

In fact, the nuclear dialogue is an area where we have made steady progress since, as you know, Secretary Rumsfeld visited China in 2005. And I believe Chairman Skelton had one of the very first visits to the 2nd Artillery, which is the nuclear force part of the PLA, which was a significant breakthrough. That was a significant breakthrough and accelerated this dialogue.

So, before turning to General Breedlove for any comments he would wish to add, we very much appreciate the continued engagement of the Chinese on the part of the members of this committee and Congress. We owe, I think, some of the progress on the defense telephone link, for example, to some persistent advocacy by members of this committee in their discussions with the Chinese, and it has been very helpful.

General BREEDLOVE. And, sir, just to add, in fact, I am a product of those exchanges which you talked about. In my National War College experience, in the mid-1990's, I was one the delegations received during a tumultuous period where it was year by year whether it was going or not because of that one moment of disagreement between our nations during the time. But I was able to go and was afforded an in-depth and unique experience with the PLA for almost 17 days.

In the military sense, this continues at a very brisk level, and I think you would be encouraged by that. Later this year, our vice chairman will entertain the Guang-Jo military region commander and the commander of the PLA Air Force. We have a robust connection even below the war college level; our command and staff college levels are now meeting and talking.

And, most recently, we see quite an improvement or an increase in the number of what we would call functional exchanges—exchanges on humanitarian assistance, disaster relief, some pretty intricate meetings on pandemic influenza and disease, maritime safety and military law. In fact, it was most fortuitous that one of our last engagements on humanitarian assistance was just before their recent disaster, and we had a good insight into what their plans were and how they planned to respond to that and how we might couple to that.

So I don't want to take up too much of your time, sir, but I would say that we continue a brisk interaction in the military-to-military arena.

Mr. ORTIZ. Just one last question, if I may. You know, the Olympics are coming up in less than a month, the first week, if I am not mistaken, of August.

Do you think that, by working together, we are prepared? Because I know terrorism is everywhere. What insight can you give me as far as being ready for the Olympics? Because we are going to have our athletes there, as well, athletes from around the world. Could you elaborate a little bit about that?

Secretary SHINN. We would be glad to talk about this a bit more in the closed session, if we may. I think for this, the open session, we are working with the Chinese principally in areas to provide, as you suggested, for the safety and security of our U.S. spectators and athletes. The Chinese have not requested a great deal or very much assistance at all, in sharp contrast to, for example, the security that we have offered in previous Olympics.

General BREEDLOVE. Sir, if I could add, too, I would echo that we would be happy to talk a little bit about U.S. Pacific Command (PACOM)'s plans in the closed session.

We do have some insight into China's preparation. As the secretary said, they have made very little, if almost no, requests from us. However, we have been briefed and had some insight into their preparation: over 100,000 police officers dedicated, 600,000 police volunteers, 300,000 surveillance cameras. They have, sort of, laid out some of the extent of their preparation to us.

And again, sir, we would be happy to talk a little bit more about PACOM's plans when we go to closed session.

Mr. ORTIZ. Thank you so much.

Thank you, Mr. Chairman.

The CHAIRMAN. You will note the five-minute lights or clocks are not working, so do your best to stay within time limits as you see them.

Mr. Bartlett.

Mr. BARTLETT. Thank you.

Mr. Secretary, you mentioned the Chinese emphasis on asymmetric warfare. Of course, the most asymmetric attack on our country would be a countrywide, robust electromagnetic pulse (EMP) laydown. Whether or not the Chinese are anticipating this might be divined from what they are personally doing.

Are their weapons systems EMP-hardened? Do they have national plans—which we do not have, by the way—for dealing with the eventuality of an EMP laydown over their country?

Of course, they are much less dependent than we are on an infrastructure powered by electricity.

What do we know of their weapons systems and their EMP hardening and of any national plans for responding to a potential EMP laydown over their country?

Secretary SHINN. Thank you, Congressman.

We don't know a great deal about this subject. We would be glad to share with you what we do know in a closed session and in more detail. But it is extraordinarily important that you bring it up, because it is one of several examples of asymmetric warfare that we need to deal with.

You, I think, referred to it in your remarks; the consequence of EMP is that you destroy the communications network. And we are, as you know and as the Chinese also know, heavily dependent upon sophisticated communications, satellite communications, in the conduct of our forces. And so, whether it is from an EMP or

it is some kind of a coordinated Affordable Sensor Technology for Aerial Targeting (ASTAT) effort, we could be in a very bad place if the Chinese enhanced their capability in this area.

Mr. BARTLETT. You mentioned satellites. They, of course, are the weakest link in communications, unless they are hardened. And we have very few hardened. I think about 97 percent of all of our military communications move over non-hardened satellite links, so this is an enormous vulnerability.

The Chinese are aggressively scouring the world and buying oil. We are not doing that. And I suspect we are not doing that because, in today's world, it makes no difference who owns the oil. He who comes with the dollars at the auction block buys the oil. So why would China be buying oil? And they are very aggressively buying oil. And not just buying oil, they are buying good will. Would you like a soccer field? Hospitals? Maybe roads?

At the same time they are doing that, they are very aggressively building a blue-water navy and emphasizing submarines. And last year—and I get various numbers—but they launched from several to many times as many submarines as we launched last year. That would be necessary, of course, to protect the sea lanes if you were going to claim your oil and not share it with the rest of the world.

Do you think that these two actions on the part of the Chinese are linked, their aggressively buying oil around the world and their aggressive pursuit of a blue-water navy?

Secretary SHINN. They may be linked, although we don't know. This comes to the capability and intent question in a pretty profound way.

I mean, your observations, obviously, are correct on both counts, in the sense that the Chinese government has pursued energy properties, oil and gas, with an emphasis on direct investment and attempted control over those resources to a fairly sustained degree, and, again, in quite contrast to our reliance upon fungible global markets.

Mr. BARTLETT. Thank you, Mr. Chairman.

The CHAIRMAN. Thank you.

As I mentioned a few moments ago, the clocks in front of us are not working. The one I have up here is not working accurately. So I am doing my best to guess at five minutes without a clock.

Mr. Taylor.

Mr. TAYLOR. Thank you, Mr. Chairman.

Mr. Shinn, are you a political appointee? Are you a Bush Administration appointee?

Secretary SHINN. Yes, sir.

Mr. TAYLOR. I am curious, what is the Bush Administration's interpretation of our commitments to the nation of Taiwan to defend it against a cross-strait invasion, should there be one? Has that policy ever been articulated by the Bush Administration?

Secretary SHINN. I believe it has been articulated on a couple of cases by our Secretary and, most recently, I think, publicly by Deputy Secretary of State Negroponte.

Mr. TAYLOR. Okay. And what did he say?

Secretary SHINN. Which is that we will fulfill our obligations to Taiwan under the terms of the Taiwan Relations Act.

Mr. TAYLOR. Okay. How about a clarification for the American public? What is that obligation?

Secretary SHINN. Our obligation, as I understand the Taiwan Relations Act, sir, is to provide the Taiwanese with such weapon systems as may be required to provide them with defensive capabilities in the face of the threat from the mainland.

Mr. TAYLOR. Is that a commitment of American troops? American ships? American aircraft? Or is that a commitment of equipment?

And this all, really, going into the what-if category. What if April Gillespie had told Saddam Hussein the Bush Administration will defend the Kuwaitis?

So, a very clear reason for this question. So, let's be real precise in your answer, sir.

Secretary SHINN. To be very precise and to be very clear, Congressman, there has been no change on the part of this Administration.

Mr. TAYLOR. No, but for the benefit of the American people, then, what is this Administration's interpretation of a longstanding commitment or lack of commitment? What exactly does it mean?

Secretary SHINN. Our policy, to be very precise, sir, is based upon, as you know, the One-China policy, the three communiques with China, and the Taiwan Relations Act. And we continue with that policy, sir.

Mr. TAYLOR. No, but for the sake of the American people, because there is a lot of confusion out there, so why don't you articulate it as you understand it?

Secretary SHINN. The policy, as articulated by figures much more senior in the chain of command than me, sir, including the Secretary of State and Secretary of Defense, has been that our policy toward the defense of Taiwan has not changed, that we continue to fulfill our obligations under the Taiwan Relations Act, that we oppose efforts by parties on either side to change the status quo as we define it.

Mr. TAYLOR. But is it a commitment of materiel? Is it a commitment of American war ships? Is it a commitment of American troops? What is it, sir?

Secretary SHINN. We have committed to, as obliged by the Taiwan Relations Act, to provide the Taiwanese with such weapons systems as may be required to oppose military coercion by the Chinese and by the PLA.

Mr. TAYLOR. So you are talking equipment, not people?

Secretary SHINN. The Taiwan Relations Act is principally focused on equipment, yes, sir.

Mr. TAYLOR. I thank you very much for that answer.

Thank you, Mr. Chairman.

The CHAIRMAN. Mr. Secretary, you made that perfectly unclear.

I am trying to go back in history, and you are going to have to refresh my recollection. Did we not, at one time, have our 7th Fleet stationed, or at least partially stationed, in the Taiwan Straits?

Secretary SHINN. As the chairman knows, yes, sir, historically.

The CHAIRMAN. When did that end?

Secretary SHINN. I don't actually remember when it ended, sir.

The CHAIRMAN. Can you ask somebody behind you when that ended?

Secretary SHINN. Do you remember?

The CHAIRMAN. Anybody?

Secretary SHINN. I think we are huddling, sir, to compensate for our lack of historical memory.

The CHAIRMAN. This is not medieval history; this was just yesterday. When did that end? When did the 7th Fleet stop patrolling the Taiwan Straits?

Secretary SHINN. I think, Mr. Chairman—and I would be glad to come back with a more——

The CHAIRMAN. Let's get that before the hearing ends, please.

Secretary SHINN. Yes, sir.

I believe, Mr. Chairman, that this all happened around 1979, when we abrogated the treaty with Taiwan and entered into these relations with the People's Republic of China (PRC), with reasonable confidence, but——

The CHAIRMAN. Well, let's get that for us.

Mr. Jones.

Mr. JONES. Mr. Chairman, thank you very much.

Secretary Shinn, how much does the fact that we borrow billions of dollars from the Chinese government to pay our bills, how much does this, in your opinion professionally and as an American citizen—this has to somehow damage whatever leverage we have with the Chinese, simply because we owe them over $447 billion. And they are smart people. We have a trade deficit with China of over $250 billion.

I cannot believe—and I am not a professional in anything, but when you are trying to—at one time the strongest economic nation in the world, I am talking about America, and now we are having to borrow money from the Chinese, I have to believe that this does somehow put us at a disadvantage when we are trying to build relationships with the Chinese military.

Am I right or wrong?

Secretary SHINN. Congressman, I am a little bit outside my lane on the balance of payments and the Chinese accumulation of surpluses area. And we would defer to the Treasury Department.

But you are clearly right that China's sustained economic growth has provided the wherewithal for this impressive military buildup that I referred to in my opening remarks.

Mr. JONES. So, as long as we are a debtor nation, then, because of that weakness in our economy, our government then, for people like yourself, the negotiators of the future, both military and nonmilitary, we are not going to be seen as an equal to the Chinese. I mean, am I reading this correctly?

If you answered that, Mr. Chairman, I will yield back.

But I just don't know how, unless we can somehow show the world that we can get back on our economic feet, that we are going to be in a position where we can do no more than just talk to the Chinese and hope they will work with us.

Any response from the General or you on that?

General BREEDLOVE. Sir, I would be out of my lane, too, to speak to the economic piece.

Mr. JONES. Well, Mr. Chairman, I am going to close by making this one statement. I don't think you—this is just, to me, very simple. Because the Chinese are not fearful of America because we are

too dependent on them to pay our bills. And I, Mr. Chairman, regret that and hope that we, as a Congress of the future, will do something about it.

Thank you.

The CHAIRMAN. I thank the gentleman.

Mr. Larsen, to be followed by Mr. Forbes. And we are doing our best to keep some kind of track of the time.

Mr. Larsen.

Mr. LARSEN. Thank you, Mr. Chairman.

I, for one, think your answer on Taiwan was perfectly adequate and appropriate.

Secretary SHINN. Thank you, sir.

Mr. LARSEN. A little bit of ambiguity isn't a bad thing.

The question, though, if you can give us your thoughts, or if the DOD has some thoughts, on President Ma's approach to mainland China and if that changes our calculus at all.

In other words, we can control things that we do, but we can't necessarily control some things that either mainland China does or the Taiwanese government does to enhance their own relationship.

How is that effort that Ma is undertaking to reach out to the PRC government changing any sort of calculus?

Secretary SHINN. As I think I responded to the chairman's observation on this point, it certainly has been a positive political development that the Taiwanese are engaged in what appears to be constructive discussions or negotiations with Beijing.

From what I do for a living, from strictly in the military/defense side of the picture, it doesn't alter our focus on our job, with respect to both deterring coercion in that part of the world and responding to possible changes in Chinese political intent over the longer run.

I was not trying to be evasive to Congressman Taylor's question. There is some built-in ambiguity in our security relationship in Taiwan that does serve a useful buffering function.

Mr. LARSEN. General Breedlove.

General BREEDLOVE. Sir, I would just add that, as you saw before the elections, there was an increase in, sort of, what I would call more bellicose exercising on the part of the Chinese along the coast opposite Taiwan. And, clearly, since we have come to governments now that are a little less at tension, those exercises have tamped down and calmed down a little bit.

And this is good. As the chairman and others have mentioned, this transparency and understanding and dialogue is important in order that we don't have a miscalculation of a military manner that is more likely because of an exercise that is going on.

Mr. LARSEN. Thanks.

I think in terms of the communication aspects, too, that the establishment of the defense telephone link has been an important step. It is one small tactical step but part of a larger picture of engagement.

And a term I picked up in Japan—we were there visiting in January on a trip—and this was from some reporter, a Japanese reporter, is a term they use is "hedge and integrate," which I thought might be an appropriate set of terms for us to use in our relationship with China. That is, we want to help China integrate into the international system, be the responsible stakeholder that Mr.

Zoellick talked about, but we need to hedge our own bets so long as there is this opaqueness to intention and military modernization on the part of China. Its government may not like that response, but that is a very rational response for us to have.

And speaking of Japan, today, Japanese destroyers are visiting a Chinese port for the first time since World War II. And I think it underscores that, although it is always all about us—that is, we see a bilateral relationship—there is also a set of multilateral relationships that we are merely a part of in that region.

Can you talk about the Japan-China relationship relative to the United States?

And I see the lights are working. The yellow light is on, so time is running short.

Secretary SHINN. I think we would agree entirely with your observation that the Japanese are a critical piece of this puzzle. And, in particular, the alliance relationship with the Japanese is a key part of this, as you described it, hedge and integrate. I am not sure we would use exactly the same phrase, but the policy of trying to shape Chinese choices but being prepared to deal with the consequences if they make choices we don't like. And the Japanese are a critical part of that.

It is why we spend so much time on the—as I said earlier, on trying to adjust that alliance over time, to deal with a rising China in East Asia.

The CHAIRMAN. You will notice the light is working again.

Did you finish, Mr. Larsen?

Mr. LARSEN. You banged the gavel, so I am finished.

The CHAIRMAN. All right.

Mr. Forbes.

Mr. FORBES. Thank you, Mr. Chairman.

And, gentlemen, thank you for being here.

I am going to talk quick, since the light is back on. But I want to tell you there are some good things going on. First of all, your testimony today, we appreciate. We appreciate the good work Admiral Keating is doing.

Mr. Shinn, you mentioned the chairman's visit to the 2nd Artillery unit. We can't understate the importance of that. He was the second American leader, after Secretary Rumsfeld, to go in that unit. And I watched the discussions he had with their leadership. They were very, very good, very productive. And I think that was incredibly important.

My concern, though, is we have been wrong a lot in the past. We were wrong on their carrier program. We were wrong on their sub program. We consistently underestimated their capabilities. And we have only recently really talked about a lot of their asymmetrical programs.

You mentioned the fact that they had a deliberate and well thought-out asymmetrical warfare plan. My concern is to make sure we have one that is at least looking at that and defending it.

And I know it is difficult. When we go to China, we know that even when we are in the hotel rooms, they are filming everything we do. I have no question everything we are discussing today, they have footage, they have everything else, to know exactly what we talked about. We don't have the same luxury back there.

But we know from their public documents that they have a strategy based on asymmetrical threats. They have talked about Assassin's Mace publicly. We know also their efforts are well-developed.

And I have three outlines of concern.

One, their anti-access for naval ships. We know that, according to our annual military power report, China has developed and deployed 8 of their last 12 diesel subs with Sizzler and Thai ship missiles.

We also note from the media they have an underwater sound surveillance system that has been talked about publicly that helps them get fixed sensors and pinpoint where our U.S. submarines are.

We know that they also, according to public documents, have long-range radar sites that are over-the-horizon capabilities. So this helps them to know where our vessels are at any particular time.

I am a little concerned about their anti-access space programs. We know the PLA's ability to attack satellites operating in low earth orbit; their ability to jam, blind or otherwise disable our satellites was in the annual military power report. All of this impacts our navigation capabilities. And finally, we have talked about many times their cyber capabilities to conduct military and industrial espionage. We know that their doctrine is to support cyber warfare against both civilian and military networks. We know that they have got an ongoing program from inside the PRC. And so my question is, based on all this, just two. One, can we be confident today in telling the American people that, based on all these asymmetrical threats and where they have developed, that the American people today, as well as our American children who are growing up in the next decade, are going to have a country that is safe from these threats?

And if not, what recommendations do you have for Congress or the secretary of defense to address these threats? But then the second question is this: How do we ensure the needed investment and the ability to make decisions on these challenges, when so much of what we have to deal with is of a classified nature, and yet it is important for us to have a public discussion and build public coalitions to put these kind of investments there? Thank you, and I just throw those two questions to you.

Secretary SHINN. Thank you for highlighting the cyber issue, Congressman Forbes. This is a serious one. And it is for that reason that we devoted a significant portion of the China military power report to that. Chapter three, in both the classified and the unclassified sections, spends a lot of time outlining just the contours of that challenge. And we would be glad to discuss this in some more detail in a closed session. We will also have at the closed session my former colleague, John Landry, General Landry, the national intelligence officer (NIO) for military affairs, and we would be able to get into some more detail on your other point about which ones, which aspects of Chinese military modernization we correctly estimated, which ones we fell short, and which ones we were long, actually.

General BREEDLOVE. Sir, if I could just add, it looks like the light just went off. We talked last year about airplanes and their ability to use them and the need to—sorry, sir. I will save that for later.

The CHAIRMAN. Go ahead and finish either the question or the answer.

General BREEDLOVE. All right, sir. We talked a little last year about their purchase of aircraft, advance aircraft, and what we said was it definitely represents a capability that we need to be concerned about, but they still need to be able to train and have the tactics and techniques and procedures and experiences to use them. I think the same sort of answer would come on the navy. I think your concern is absolutely valid, and they are purchasing a navy that will be very threatening at some point in the future. But large portions of that now, you don't bring a navy to the water like our navy without 300 years of that kind of experience.

So I think that your concern is very valid. And that our concern about their naval capability will grow over time. But right now they are still in sort of the baby step stages in some of these capabilities.

The CHAIRMAN. The gentlelady from Guam, Ms. Bordallo.

Ms. BORDALLO. Thank you, Mr. Chairman. I just have a single question here. I am curious about the last year China denied U.S. port calls in Hong Kong. Has that been resolved?

General BREEDLOVE. Yes, ma'am. It wasn't resolved. It has been resolved. The sad news is that the particular visit of the carrier was not resolved in time for it to make that visit and meet our families. We are very concerned about that and the humanitarian aspect of what happened to our families. I would add though, that probably more concerning in that episode was that two of our smaller ships were denied safe port in that very same storm, just after that visit. And this is very concerning because this is a law of the sea and humanity concern, that we should be able to afford safe harbor to our ships when they need it, as we would if the Chinese fleet was sailing around America. And the good news is we have entered into very specific discussions to address those concerns in the future.

Ms. BORDALLO. Thank you, Mr. Chairman.

The CHAIRMAN. Thank you. Mr. Franks, please.

Mr. FRANKS. Well, thank you, Mr. Chairman. Mr. Chairman, I am always glad when General Breedlove visits the committee. I have had a long, close friendship with this man. He is the only one that has ever had me in an F–16 in a 360-degree loop over the Goldwater range, and I am so glad that he was at the controls, or we might neither one be here. But I appreciate him very much. The Air Force is privileged to have such an officer. And I understand he is up for another star here pretty soon. So, thank you for being here, General.

You know, I think that I would first like to take up where my friend, Mr. Taylor, left off. I understand, Secretary Shinn, that you are really in an impossible situation to fully express either your own views or even official views on some of the questions he was asking, but I think they were extremely well taken, and that strategic ambiguity, I believe, is a very dangerous thing, ultimately. I understand that there are times that we can't, you know, show our

cards completely. But I think our experience and again, using his example, in Iraq, where Saddam Hussein was approached and it was a little unclear. You know, we said all options were on the table when it came to defending Kuwait. But we were a little ambiguous in our declaration, and it is my opinion—I could be completely wrong—but that if Mr.—or if Saddam Hussein had known what was going to follow, and that he would be defeated in that situation, that he probably may have found a way to prevent him from going into Kuwait.

With that said, for all the reasons that Mr. Forbes, including those reasons, pointed out, I believe that long term, China represents one of the greatest challenges that we have. Over a short-term, it might be the coincidence of jihadist terrorism and nuclear proliferation. But in terms of this clarity and again, not to put you in too awkward a spot, Secretary Shinn, but do you think that there is going to be a time in the near future when we will clarify exactly what our commitment is, both to the American people and to the world, in terms of preventing an attack by the PRC on Taiwan? It seems to me that lack of clarity only increases that miscalculation the general spoke of, and that transparency that he spoke of is critically important. And I think that applies to what our own actions would be, even under our treaty. Do you think that such a clarity is forthcoming?

Secretary SHINN. It would be difficult for me to predict what, if any, successive Administration to this one would alter our policy toward China and Taiwan, or under what circumstances. We do take very seriously—and you are right, deterrence is a delicate and complicated business. And it is for that reason that I noted, under the question of what are we doing about it, what are we doing about modernization of the Chinese army, armed forces, that we continue to put such an emphasis on training, equipping and posturing our forces in the Pacific in response to emerging capabilities there, that we continue to strengthen our alliances, including with the Japanese and the South Koreans, with our eyes wide open.

Mr. FRANKS. Mr. Chairman, would the general care to expand on that at all?

General BREEDLOVE. Sir, just very quickly, I am unqualified to speak to what the political, or what our policy may be in relation to the political outlook, but I do know that, as a military man, what I do understand is the direction from every Administration I have served under is that the policy is that the question or any resolution of the Taiwan question has to be by peaceful means, and that the United States would oppose any non-peaceful resolution of the Taiwan issue.

The CHAIRMAN. Thank you. Ms. Sanchez.

Ms. SANCHEZ. Thank you, Mr. Chairman, and thank you, gentlemen, for your service to our country and for being before our committee. I think most of the questions that I have are really more of a classified type, so I will wait for that. And the largest one that I have is the one that deals with how we legitimately do assess China's military capability, since I think that is probably within the context of the next hearing. So, I will pass at this point and yield back my time.

The CHAIRMAN. Thank the gentlelady. Mrs. Drake, please.

Mrs. DRAKE. Thank you, Mr. Chairman. I would also like to thank you for being here today, Mr. Shinn and General. And Mr. Shinn, I really like the way you started, that you just laid it out, you know, what are the Chinese doing and what does that mean to us. And one of my questions is: Can we tell to what extent they appear to be focused on domestic security and stability for China itself, as opposed to regional and more global security concerns, because I agree with the General; I don't think it is unusual for a country like China to want to modernize their fleet. They are creating jobs in a country that has tremendous need. So, I am wondering how we look at that. And as I said, the way you started out: What are they doing and what does it mean to us? So, that would be my first question, is: Do we know if this is domestic, or do we know if this is more global in scope?

Secretary SHINN. That is a good question. And I think it is difficult to infer anything about Chinese political intent without factoring into the equation how they view domestic unrest and challenges to their legitimacy from within their own borders. To get into more detail, as you know, and there is some discussion of this in the military power report, the principal elements, military elements that are used for domestic maintenance of order, as they say, is the People's Armed Police, which has been separated now for some years from the PLA.

But it is undoubtedly true that the enhanced capabilities of the PLA, in terms of their logistics, their mobility, and their command and control, has probably given the leadership more confidence that they can react to domestic problems more, perhaps more quickly and more comprehensively. Whether, to what degree that is a motivator of the broader military buildup, it is very hard to say, which is your question—the domestic focus or the international focus.

Mrs. DRAKE. General.

General BREEDLOVE. I would just say that the secretary has it exactly right. It is not mutually exclusive. All of the improvement that they make in their military capability reflects directly back over into their capability to handle internal concerns. And I think that was reflected well in their response to the earthquake, in which they actually did pretty well, and part of that response was specifically due to the capability of their military and the pre-planning of their military to respond. So, I believe that the military improvement is clearly a part of their domestic agenda.

Mrs. DRAKE. And one second question, and then I will yield back. But on my trip to China, in every meeting that I was in, I asked the same question, and I knew they knew to be prepared for it, and in every meeting I didn't get an answer. And the question was: Could they comment on the status of the contracts that China has entered into with Cuba for both natural gas and oil in Cuban waters? And they wouldn't answer that. And I know Congressman Bartlett has asked the question about oil. But I also wonder: What is driving a lot of what China is doing? And if the need for energy in the future, with the growth of their country, isn't going to be a key component that we would need to look at in the future and all the more reason for America to develop our own resources, to not be caught in that.

Secretary SHINN. It is an important point, one we don't have, I think, a particularly good answer to, which is to say: To what degree is China's long-term intent about the use of its military associated in some way with their growing demand for energy? It is not clear to us.

Mrs. DRAKE. General.

General BREEDLOVE. Ma'am, just like we built our navy, hundreds of years ago, to keep the sea lines open, I believe there is a direct correlation to what you are seeing now. I think a lot of the things you see happen is China's plan to maintain access to energy. Like the chairman, I have seen, myself, soccer fields in Africa, in my deployment to the Darfur region, and the way that the Chinese get into these doors. And their military capability and their navy, I think, directly relates to their ability to maintain access to energy.

Mrs. DRAKE. Thank you. Thank you both. I yield back, Mr. Chairman.

The CHAIRMAN. The gentlelady from Kansas, Mrs. Boyda.

Mrs. BOYDA. Thank you, and thank you again for your service and coming in. This is certainly a timely and important topic. It is on everyone's mind, I think. Just following up on Mr. Forbes question, when you were talking about the cyber defense and cyber warfare, cyber terrorism. I think the clock went off before you were able, actually, to get into that area. What do we know about the cyber terrorism or the cyber warfare? Certainly, our computers have been hacked into. What are we doing about that? If you could just expound on that, I would appreciate it.

Secretary SHINN. It is an important topic, a really important topic. We would be glad to discuss as much of that as we can in the closed session just because of the sensitivity, the sensitivity of the information, as well as the importance of this issue, as Congressman Forbes pointed out.

Mrs. BOYDA. I yield back.

The CHAIRMAN. Thank you very much. Mr. Wilson, please.

Mr. WILSON. Thank you, Mr. Chairman. And thank both of you for being here today. And General Breedlove, I particularly appreciate seeing your Air Force uniform. My association with China is that my dad served in the 14th Air Force, the Flying Tigers, during World War II. It was life-changing for him. He truly appreciated and developed an affection for the people of China. Additionally, I had the extraordinary opportunity of visiting with President Jiang Zemin with Congressman Ortiz. When it was mentioned that I was the son of a Flying Tiger, he interrupted everything and announced that the American military is revered in China.

Additionally, I had the opportunity to lead a delegation for the 60th anniversary of V-J Day, where there were public celebrations, the erection of monuments. There were television programs and all types of exercises, recognizing that it was the American Air Force that provided the security that saved millions of lives of the people of China.

And President Hu, when I met him again, as the son of a Flying Tiger, he immediately recognized the appreciation that the people of China have for the American military. And so I share the view of Secretary Shinn that, indeed, China is a competitor. I don't, it

is a challenger, but I don't believe it should be a threat or an enemy. In fact, I have seen firsthand the integration of our economies. It is mutually beneficial.

In my home state of South Carolina, recently, we have had a number of manufacturing facilities being developed, creating jobs in South Carolina with investment coming from, of all places, the People's Republic of China. And so, putting that in perspective, though, I am concerned. China, as the second largest energy consumer, following the United States, in the world, and the third largest importer of oil—has this dependency affected their defense policy and planning for the future? And has China used the sale of military technologies as incentives to secure energy deals? For either one of you.

General BREEDLOVE. Sir, I will answer to the extent that this forum will allow. I think, certainly, it has. I think we see China making friends around the world in peaceful ways like soccer stadiums, but also through arms sales, maybe not even sophisticated arms sales, but less sophisticated arms sale. But they are making friends in many of the emerging areas of the world where energy is going to be big, the Gulf of any and other places, as an example. And as we were talking before, sir, I think clearly their need and their vision to say that we are going to have to have clear naval lines of communications to transport this energy translates into the development that we see in their navy.

Mr. WILSON. Another concern I have, when you mentioned about arms sales, with the U.N. resolution 1747 and 1803—is China living up to the obligations of showing restraint for the sale of heavy arms and missile technology to Iran?

General BREEDLOVE. Sir, we are struggling because we don't know what we can say in this forum. Can we talk about that later this afternoon?

Mr. WILSON. That would be fine. Additionally, it is my view that China, as a modern nation now, from my visits to Beijing and Shanghai, that they should have, and they should know that we have a shared threat of terrorists who are against modernism. Is China being as helpful as they can be in the global war on terror?

Secretary SHINN. Again, I think maybe we should go into the closed session on that. I think generally speaking, though, we have broad and shared interests with the Chinese, with regard to terrorism. They have exhibited considerable anxiety, as you know, about not just the possible exposure of the Olympics to terrorism, but its involvement more generally in some of their border areas. So, that is an area where we are, as the secretary has said, partners and not competitors.

Mr. WILSON. And particularly with the terrorist activity in the western provinces, it would seem like so clear that they should be working with us. And so thank you. And I yield the balance of my time.

The CHAIRMAN. Mr. Johnson from Georgia.

Mr. JOHNSON. Thank you, Mr. Chairman. Gentlemen, thank you for serving your country. I would like to know whether or not there have been any upticks in Chinese investment in defense capability or military capability that can be linked to the invasion by this country of the sovereign nation of Iraq.

Secretary SHINN. Mr. Johnson, I don't know of any evidence that there has been a connection between those two. I do know that the Chinese have studied U.S. military activity in the Gulf over many years and have tried to emulate much of our military doctrine in their own training. And I believe we discussed this a little bit in the China military power report.

General BREEDLOVE. Sir, if I could pile on that. I would not tie it—your question was very specific about Iraq. What I would say is that China has watched every war or skirmish that we have fought in the last 18 years and studied it. And they have developed their own approach to warfare, which they call fighting under informatization. That word doesn't make good sense to us. But what it means to them is netcentric, highly informed intelligence, ISR, in other words, all the things that we excel in in America, trying to tie all of those together into an ability to fight. And so while I wouldn't say it is tied directly to Iraq, it is tied to every military endeavor we have had in the last, say, 15 to 18 years. They are trying to emulate our ability to work this kind of warfare, and they are investing heavily in trying to build their own capability to conduct that kind of warfare.

Mr. JOHNSON. Is there a suggestion that if we had not been engaged in any conflicts around the world then they would not respond in the way that they have?

Secretary SHINN. I don't think so. I don't think we can draw that connection, Congressman. We do know that the Chinese are vitally concerned about their energy supply, as has been noted by a few other Members in their comments here. And they do keep their eyes on the gulf.

Mr. JOHNSON. Do you believe that the actions of Iraq, I mean, excuse me, of China in enhancing its military capabilities, particularly the development of its blue water navy, is purely defensive, or does it have some, or are you concerned that perhaps there may be some offensive mindset about taking over the world or dominating some area of the world through military power? What is your thinking on that?

Secretary SHINN. I would like General Breedlove to answer that as well. We have observed a definite trend, long-term trend of Chinese investment in naval expansion, and not just quantity, but sophistication and quality. It remains unclear to us what the long-term intent of the use of that naval force would be. We do not know if they intend, or they might intend to use it in some way to assure themselves of energy security. That is a possibility, but we just don't know.

General BREEDLOVE. Sir, in the little bit of time we have left, I would say that it would be hard to construe an aircraft carrier as being a purely defensive weapon. I believe that some of the things we see China doing, like pursuing an aircraft carrier, pursuing some of the other longer range capabilities that they have, conventional capabilities, clearly indicate that they have aspirations beyond the shores of Taiwan. I wouldn't use the terms that you did about the entire world. I think they are very pragmatic and are looking at their economic zone that they consider.

Mr. JOHNSON. Thank you.

The CHAIRMAN. Thank the gentleman. We have three members who have not asked questions. And we will call on Mr. Hunter now. We will go immediately into the classified session when we have finished all those that wish to ask questions. Mr. Hunter.

Mr. HUNTER. Thank you, Mr. Chairman. And thank you for holding this important hearing. And gentlemen, thanks for being with us. If you look at the fast-moving scenario with respect to China's military capability, they are outbuilding us now 3.4 to 1 in subs. If you add the purchases from the Russians, it goes to over five to one. We see an American plan on attack boats that takes us down to less than 40 at the low ebb. You see the purchase of the sovereign mini class missile destroyers, which were designed by the Russians for one reason, and that was to kill American aircraft carriers.

And the proliferation of medium range intercontinental ballistic missiles (ICBMs), or ballistic missiles, and the development of antiship capable ballistic missiles. Now, that shows, I think, a military blueprint which is pretty aggressive. And it also hints, at least, that the Chinese don't intend to be forced to build a navy that can compete with our Navy, but rather to stand the U.S. battle force off hundreds of miles, before it gets to the straits, by using their strong suit, which will be land-based ballistic missiles with antiship guidance systems.

Now, against that backdrop, and against the backdrop that you have mentioned, and as manifested in this book or in the report, the 2008 report to Congress on China's military capability, the United States really hasn't changed our defense planning, our procurement, our R&D, and our own force structure in a way to meet what is a pretty rapidly moving train here.

So, General Breedlove, in your position as—on the joint chiefs, shouldn't we be undertaking a shift and an acceleration in a number of programs, as a result of what we see over the horizon with at least a potentially much more capable Chinese military?

Why is it business as unusual in our plans as this expansion takes place?

General BREEDLOVE. Sir, I share your concern, and I join your remarks about the clear expansion campaign of the Chinese forces and, obviously, the fact that our force is not growing. What I would feel uncomfortable trying to articulate is what is the need and the plan for that need as we listen to our combatant commanders (COCOMs)—Admiral Keating and others, sir, who articulate requirements—and as we hear our services articulating their requirements for recapitalization of the force, it is clear that we have some tough decisions to make about both of those needs for our military services. And I think that that is quite the subject of our current budget discussions inside our department. And I think, sir, that is about as far as I feel qualified to speak to at this moment.

Mr. HUNTER. Well, let me just say this, General. This Congress, while we have had great differences on policy with respect to the warfighting theaters we are engaged in right now, we have written some pretty large checks. If you come forth with a required need to expand in given areas, such as attack submarines, and Lord knows you don't need to go into classified material—we have got, on the record, the U.S. Navy reporting that we failed to meet in

excess of 30 percent of high priority missions, existent missions for attack boats, because we didn't have enough submarines.

Now, that's with a force that's over 50. We get down to 40, we are obviously going to expand that number dramatically. And yet there has been no leadership that I have seen in the Pentagon saying that we need to expand that submarine force. We have tried to move a few puts and takes around on that committee to get a few more boats into the pipeline at an earlier time. But I think your position should be, in telling us what we need to deploy, to build, develop, and deploy to defend this Nation. Then, if we have to make cuts, at least we do it in an informed manner. And we can undertake the priorities. And I see this trend that we have turned the Quadrennial Defense Review (QDR) into, rather than what do we need to defend America, what do we think Congress is going to give us? And we build the box, and then we say this is what we need, and we tend to cut back on what should be major priorities, because you simply don't think the money is going to be there.

So, my question to you is, don't you think that we need to make some substantial changes in our planning and procurement of major systems to meet what is obviously an emerging challenge with respect to China's military capability? Personally, what are your thoughts on this?

General BREEDLOVE. Sir, I think that I would answer in two ways. First of all, we have articulated capabilities. We see a threat as capability and intent. And I think that clearly, you have made very wise and correct statements about the increase in their capability. I think part of what we need to do now is being much better and have a much better understanding of what their intent is for that capability. And then we would be able to ascertain what the threat might be in order to shape our forces for that. As we have discussed a little in the session today, the capability of the Chinese to project their power is still somewhat limited. It is clearly increasing, as you have articulated.

And I think that without getting outside of bounds of this discussion, I think Admiral Keating and his capability in the Pacific right now is well positioned and capable to meet the current threat. But I think the discussion is clearly about what this capability intent and, therefore, threat might be in the future. And that, I think, sir, is what you are really driving at.

Mr. HUNTER. That is right. Just to finish, and I will close down so other members can have their opportunity to ask questions. But my point is, Admiral, this thing is moving pretty quickly. I mean, the steel, the increase in steel production for China last year was greater than our entire steel production which is existent. You have got a very rapidly changing and evolving build-up, which is in some dimensions very sophisticated, and you folks, from my view, are not weighing in and saying, "Let's look over the horizon, and let's start doing some things now," because, as you know, our programs are no longer one- and two-years programs. When we ascertain intent as you said, and if you are going to try to ascertain the intent of China, I would highly commend the letters and the recommendations and the analysis we did just before about a million Chinese came into the Korean theater when our experts were absolutely certain that they would not engage. So, you have to

meet capability with the understanding that intent can change very quickly and that there are many voices in China. And you don't know which voice is going to dominate at a particular time. But I think you folks need to weigh into this over-the-horizon challenge that we are going to meet and start putting together some new programs. And we will be able to talk about those in a closed session. Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Mr. Hunter. Mr. Courtney, please.

Mr. COURTNEY. Thank you, Mr. Chairman. Just to follow up on Mr. Hunter's questions, general, again, you have, a number of times this morning talked about how the navy, the Chinese navy has limited capability because it is somewhat in its infancy, I guess would be the best way to characterize it. The Congressional Research Service (CRS) report which came out this month by Mr. O'Rourke, described the 2006 incident with the Kitty Hawk where, again, a Chinese submarine, undetected, surfaced right near one of our aircraft carriers and actually got away undetected. I am just going to read a very short excerpt. The ease with which the submarine maneuvered undetected into Japanese waters and evaded U.S. and Japan's self-defense force submarine sensors suggests that China's large submarine fleet engages in far more sea patrols than the U.S. has any hope of tracking. I mean, that seems to suggest a capability that is a little bit more advanced.

I mean, we heard a lot from Mr. Hunter about the size of the fleet growing, which I completely concur and agree with him. But it sounds like they are also learning how to drive these boats in a way that certainly caught us by surprise. Again, an event which Mr. Forbes described has happened to us a lot lately. So, I just wonder if you could comment on that incident in terms of your own analysis of their capability.

General BREEDLOVE. Sir, I would agree with you fully in the fact that that was a surprise to us. And I believe we, as a military, learned a lot more about where the Chinese military is in their capability through that incident. And I would not argue in any way, shape, or form that that is not a huge concern to us, and we have to adapt our tactics, techniques, and procedures to meet the fact that we now understand they may have this capability. If I—I hope I have not overstated the fact that they have no capability. They do. They have some very sophisticated weaponry, and I think that what I was trying to relate is that this is a military that has not gotten near the capability it can with its current equipment and processes. When it gets to a level closer to ours of tactics, training, procedure and experience, it will be a very formidable force. And I think that was the comparison I was trying to draw.

Mr. COURTNEY. Thank you. And I guess I would just echo Mr. Hunter's observation that the timeline for us to be able to have a fleet that is even close to the size of the Chinese navy is going to take some planning. And last year this committee led the way in terms of advance procurement in the *Virginia* class program—moved the building schedule, as you know, up a year. We would like to actually keep the momentum going, and our defense authorization bill certainly heads down that path. And we look forward to getting the support of the top level of the navy and the Pentagon to hit that goal.

Quickly, the election of the new Taiwanese president apparently put into abeyance the purchase of weapons systems by the Taiwanese government, including diesel submarines. And I was wondering, Secretary, if you could sort of comment on the status of that issue. We appeared to have some movement from the Taiwanese Parliament last year, in terms of stepping up and appropriating for that effort. And where do you see that right now, given the—I guess they pretty much called a time out, in the wake of the election.

Secretary SHINN. If you will pardon me if I consult my notes very carefully, since anything regarding Taiwan gets parsed very, very carefully not just here, but abroad. It is true that for a couple of years, Taiwanese defense expenditures actually decreased, in the face of what, in our view, was a significantly expanding PLA force. It appears that that has reversed, that we have a, that the Taiwanese national assembly has passed this budget, and they are going to be engaged in a, I think, long overdue uptick in acquiring some additional systems.

Mr. COURTNEY. So, the recent decision to sort of put this on hold is temporary? Is that your view?

Secretary SHINN. Actually, I don't believe that we made a decision to put things in abeyance. This was driven, as far as I understand, by Taiwanese domestic politics.

The CHAIRMAN. Ms. Shea-Porter.

Ms. SHEA-PORTER. Thank you. Mr. Shinn, the question I have has to do with the economic development that we are seeing in China right now. When I was there last summer, there were signs of it all around. And I would like to ask you, are some of our trade policies and some of our economic decisions, including our borrowing, helping them to build up their forces and build up their security and at risk to our security? And are you addressing that in any way? Is this a conversation that you are having not simply with other people in your particular realm, but with people who are responsible for economic decisions in this country?

Secretary SHINN. Again, that is a little bit out of my lane, since we do, we do military stuff.

Ms. SHEA-PORTER. But I think maybe we should have the conversation where we talk about the impact that borrowing has and the impact that trade policies have and the ability for China to receive the money, in order to build up their defense. So, I think we should be connecting the dots.

Secretary SHINN. We are acutely aware of the relationship. However, between Chinese industrialization, much of which is driven by the private sector, or at least the semi-private sector, and their ability to engage in the sustained programmatic buildup, and not just the money to fund these programs, but also the technical transfer from, for example, "civilian" in quotes unquotes, "civilian" shipbuilding in China and their ability to ramp up the PLAM with the speed and sophistication that they have.

Ms. SHEA-PORTER. Well, every administration does have a responsibility. It is not just under the role of the private sector. Last summer, I was talking to the Chinese about steel dumping, and I had heard from both the president of U.S. Steel and the union that

we had a problem there. And so it is not simply the private sector. There is a role.

And again, I will ask you, is there a place where these two intersect—the questions about our trade policy and the inadvertent impact of building up China to the point where they, if they chose to be, could build a military that could threaten us?

Secretary SHINN. It is a very good question, congresswoman, for which I don't have a good answer because of what, you know, the world that I work in.

Ms. SHEA-PORTER. Okay. Let me change it to personal. Do you make the connection, stepping aside from your own professional role here? I mean, is this something Americans should be talking about? I will tell you that you may not be talking about it, but they are talking about it in Main Street in my town.

Secretary SHINN. I agree with you. And back home where I come from, I believe there is a clear impression among my neighbors and my relatives that China's economic growth has clearly powered their military expansion, and that the two are linked in some respect.

Ms. SHEA-PORTER. Thank you. I yield back.

The CHAIRMAN. I thank the gentlelady. If there are no further questions for open session, except Mr. Ambassador, Mr. Shinn, would you tell us what you learned in the meantime about the 7th Fleet and the Taiwan Straits, please?

Secretary SHINN. The gentleman behind me assures me that we will get you the detailed answer, sir. If we do it in between this and the next session, I would be glad to.

The CHAIRMAN. I hate to lecture the expert, but you should know these things. That is not ancient history. There is a big difference as to where our fleet is at any particular time.

Secretary SHINN. I admit to ignorance on many counts, Mr. Chairman. I am just told by Dave Helvey here, that in February 1953, two years after I was born, 1953, that President Eisenhower lifted the 7th Fleet blockade on the Taiwan Straits.

The CHAIRMAN. Has it been back since? Why don't you find that out? That is a good start. That is a good start. Thank you very much. And we will go into the classified session now. Thank you so much.

[Whereupon, at 12:00 p.m., the committee proceeded in closed session.]

# A P P E N D I X

JUNE 25, 2008

## PREPARED STATEMENTS SUBMITTED FOR THE RECORD

JUNE 25, 2008

**"CHINA: RECENT SECURITY DEVELOPMENTS"**
**PREPARED JOINT STATEMENT OF**
**DR. JAMES J. SHINN**
**ASSISTANT SECRETARY OF DEFENSE FOR ASIAN AND PACIFIC SECURITY AFFAIRS AND**
**MAJOR GENERAL PHILLIP BREEDLOVE, USAF**
**VICE DIRECTOR FOR STRATEGIC PLANS AND POLICY, JOINT CHIEFS OF STAFF**
**BEFORE THE HOUSE ARMED SERVICES COMMITTEE**
**WEDNESDAY, JUNE 25, 2008, 1000-1200**

Mr. Chairman, I would like to thank you for the opportunity to appear before this Committee and speak about recent security developments in the People's Republic of China (PRC), an issue of continuing significance for U.S. foreign and defense policy. Since the committee's last hearing on this subject, a little more than a year ago, we have seen several significant positive developments, but we continue to have several significant concerns.

The positive developments reflect the commitment on the part of President Bush and Secretary Gates to build a constructive bilateral U.S.-China relationship. In the President's own words, "You can either have a constructive relationship...or we can have a destructive relationship. I've chosen to have a constructive relationship." In line with this commitment, U.S. policy encourages China to conduct itself as a responsible stakeholder in the international system.

China's rapid emergence as an economic and political power is shaping the Asia-Pacific region and the world. Consequently, China's behavior at home and abroad is increasingly the focus of international attention. As China's influence expands, there will naturally be areas where our national interests overlap. It is our desire that, through a policy of constructive engagement, those areas of overlap become opportunities for cooperation with the Chinese, rather than points of conflict.

**Uncertainty in China's Role in the International System**

As China grows, it will naturally attempt to protect and advance its interests. But there is an open question as to whether this pursuit will take place within the global systems of rules and values China now benefits from, or if it will seek other paths that divert from or even challenge these systems. U.S. China policy is to shape China's choices in a way that encourages its increased participation as a constructive partner in upholding the international system.

The international world order that China has benefited from is based on shared international interests including freedom of the high seas, the freedom of trade that has fueled the remarkable economic growth in East Asia of the last three decades, the freedom of the use of outer space, and the freedom of the use of cyberspace that benefit all of us by reducing transaction costs, increasing communications, and serving as the

pathways for the generation of wealth. The United States stands ready to defend these international interests and preserve access through our military presence in Asia and our bilateral alliances. China, too, benefits from our presence in Asia and has acknowledged this as recently as this month during the U.S.-China Security Dialogue in Beijing,

China has to make choices about joining in the international consensus on the benefits of openness and committing to sharing in the responsibility of protecting it. If China chooses another path, a path that runs counter to the imperatives of openness, it will find itself at odds not just with the United States and our Asian allies, but with the global system that has enabled the prosperity that China now enjoys.

**Opportunities and Challenges in U.S.-China Security Developments**

The Department of Defense is enhancing our relationship with China's Ministry of National Defense through multiple dialogues with China on matters of common interest and areas of concern. As Secretary Gates recently said, "We do not see China as a strategic adversary. It is a competitor in some respects and a partner in others. But we recognize how important it is to strengthen human communications and discuss the important issues relating to national security, military modernization with openness and candor."

In this spirit, we continue to engage China's government via the Defense Consultative Talks, held most recently in Washington in December 2007, the Defense Policy Coordination Talks, held most recently in Shanghai in February 2008, and the first-ever U.S-China Nuclear Dialogue in April 2008. OSD and JCS representatives were on Acting Under Secretary of State for International Security and Nonproliferation John Rood's delegation to the U.S.-China Security Dialogue held Beijing in June 2008.

The U.S. government has asked Beijing to halt commercial transactions by Chinese firms that violate UN sanctions, nonproliferation norms, and PRC law, but our efforts are met with mixed results. China's willingness to cooperate on these issues is uneven. Of particular concern is the sale of conventional weapons to Iran, a country that supports terrorism and groups in Iraq, Lebanon, and Afghanistan that target and kill Americans and our allies. We look to China to act responsibly and restrict conventional arms sales that promote instability and violate international norms. Similarly, we still observe Chinese firms and individuals transferring a wide variety of weapons-related materials and technologies to customers around the world – including to Burma, Zimbabwe, Cuba, Sudan, and Syria.

One way that the Department seeks to shape China's behavior toward being a more constructive, responsible participant is through a carefully thought out program of military-to-military interactions. In this regard we are moving forward with an expanded set of exchanges among senior defense officials (such as Secretary Gates' visit to China

in November 2007), naval ship visits, military academy exchanges, and other interactions among mid-grade and junior officers.

One recent accomplishment was the completion of a defense telephone link in March 2008 between the Secretary of Defense and China's Minister of National Defense. This link is intended to help us improve understanding and reduce misperceptions, thereby helping to manage – or better yet, avoid – a potential crisis. It will enhance openness and improve clarity by improving communications between our two militaries.

Another development that I would like to mention is the opening in April of discussions between the U.S. military and the People's Liberation Army (PLA) on nuclear policy and strategy. There is no area where transparency and openness are more important than in China's nuclear forces modernization. We have just begun discussions on these issues, and we have a long way to go. But with the commitment of our senior leadership, we have an opportunity for a constructive and open dialogue that can deepen understanding, dispel misperceptions and, potentially, contribute to the avoidance of miscalculation.

As we look to broaden areas of constructive engagement with China, our efforts naturally gravitate towards areas of mutual interest. An important part of our military-to-military relationship has been focused on addressing transnational and non-traditional security challenges, including humanitarian assistance and disaster relief.

China's people have been devastated by two recent natural disasters: an especially brutal winter storm and a devastating earthquake in May 2008. In both cases, the U.S. military facilitated the US Government relief effort to the Chinese people. To a large degree the foundation for our ability to cooperate with the PRC on these humanitarian relief endeavors was laid through our military exchanges on disaster relief with the PLA. For example, in 2006, the U.S. military and China's PLA conducted the first maritime search and rescue exercise. Last year, US Army Pacific participated in a disaster management exchange with the PLA; a related exercise is planned for later in 2008.

As we continue to move forward and explore new areas for engagement with the PLA, we do so consistent with Section 1201 of the *National Defense Authorization Act for Fiscal Year 2000.* And we do nothing in our contacts that could knowingly enhance the military capabilities of the PLA. Some have argued that these limitations should be changed. We do not believe that to be the case. There are many areas in which we can expand our exchanges that would not require revisions to the existing statute. Our approach to these defense interactions is not only a matter of law; it makes for sound defense policy. To engage the PLA without considering the inherent risk to our warfighting advantage would be irresponsible. However, to avoid engagement altogether risks forfeiting opportunities to encourage China's responsible behavior as an agent of positive impact in the region.

**Concerns Over Transparency and Strategic Intentions**

Despite our optimism, we remain troubled by China's continued lack of openness and transparency in military affairs. This opacity raises questions as to China's true intentions, and compels outside observers to compare China's behavior and capabilities against its declaratory policies.

For example, China continues to significantly underreport its defense expenditures. China's announced defense budget for 2007 was $45 billion, and $58 billion in 2008, continuing a trend of double-digit increases over the past fifteen years. However, China's published defense budget does not include large categories of expenditure, such as expenses for strategic forces, foreign acquisitions, military-related research and development, and China's paramilitary forces. The Department of Defense estimates China's total military expenditures in 2007 to be between $97 and $139 billion. China's most recent biennial defense white paper represents a modest improvement in terms of content and quality, but much remains unaddressed. We look forward to China's upcoming submission of defense expenditures to the United Nations, as its choice of whether to file a detailed versus an abbreviated report will speak directly to its intentions toward improved openness and transparency.

Furthermore, we continue to lack a clear understanding of China's intentions, and the motivations and decision-making guiding its military investments. Unlike the United States, which publishes authoritative documents on national security and military strategy, China produces no such documents for public release. Insight into China's goals and direction in these areas would represent an effective step toward allaying not only our concerns, but those of our allies and partners in the region.

China's January 2007 test of a direct ascent anti-satellite weapon was inconsistent with its own policies and the spirit of cooperation in the peaceful utilization of outerspace outlined by President Bush and President Hu. China's steadfast refusal to provide a credible explanation for this event, coupled with the creation of dangerous debris – which remains in orbit well over a year later – cast doubt among neighbors and other countries as to China's strategic intentions.

Similarly, in the cyber area, many computer intrusions around the world – including those owned by the U.S. Government, defense-related think tanks and contractors, and foreign governments, were subject to intrusions that appear to have originated within the PRC.

The future of Asian security and prosperity will, to a large extent, be determined by the choices that China's leaders make. These choices span the range of issues, not least of which is China's growing military power. Both the United States and China approach our relationship realistically. Both sides are aware of the potential for conflict, particularly in the Taiwan Strait, and as we move forward, we remain ever mindful of areas where our interests diverge.

**China's Military Power**

In the Department of Defense, it is our responsibility to monitor the development of that power and maintain deterrence of conflict. At present, China's ability to sustain power at a distance remains limited. However, as the 2006 Quadrennial Defense Review (QDR) report notes, looking into the future, "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."

In March, the Department of Defense submitted its annual report on the Military Power of the People's Republic of China.

Although this report is tasked to the Department of Defense and signed out by the Secretary of Defense, it is a product of intensive interagency coordination. Our report reflects the views and concerns held broadly across the United States Government over China's rapidly expanding military capabilities.

Our report attempts to present the analysis in a factual, descriptive, and analytical way. It discusses the advances that China has made, as well as the weaknesses of its military. It seeks to assess China's current and future military potential without exaggerating.

As our report shows, the Chinese PLA is pursuing an ambitious, comprehensive, and long-term military modernization program, emphasizing preparations to fight and win short-duration, high-intensity conflicts along its periphery.

The near-term focus for the PLA continues to be on preparing for military contingencies in the Taiwan Strait. Long-term trends suggest that Beijing is generating capabilities to employ military force for other regional contingencies, such as conflict over resources or territory.

With that context, I would like to summarize briefly some specific and notable developments in this year's report.

We see in China at least 10 varieties of ballistic missiles deployed or in development. China has over 1000 short range ballistic missiles deployed to garrisons opposite Taiwan and is establishing new missile bases outfitted with conventional, theater-range missiles that could support a variety of contingencies across China's periphery, including maritime anti-access, with a new anti-ship ballistic missile.

China has made substantial progress in fielding road-mobile, solid-propellant DF-31 and DF-31A intercontinental-range ballistic missile, which began to be deployed in 2006 and 2007, respectively. China continues to upgrade and qualitatively modernize older versions of its strategic missiles, and it continues modernization of its sea-based deterrent

with a new submarine-launched ballistic missile program for deployment aboard a new class of ballistic missile submarine. 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.

We believe China has an active aircraft carrier research and design program. If the leadership were to so choose, the PRC shipbuilding industry could start construction of an indigenous platform by the end of this decade.

China is investing in new surface combatants to improve the PLA Navy's capacity for anti-surface and anti-air warfare, including two LUYANG II-class and two LUZHOU-class guided missile destroyers, and three JIANGKAI II-class guided missile frigates, all equipped with advanced long-range surface to air missiles. These systems reflect leadership's priority on developing advanced anti-air warfare capabilities for China's naval forces, a historical weakness of the fleet.

China is improving its precision strike capability with at least two land-attack cruise missile programs, and the acquisition of advanced anti-ship cruise missiles, including the Russian-made SS-N-27/SIZZLER for its newest KILO-class submarines.

Modern aircraft such from Russia and China's own F-10 fighter make up a growing percentage of the force. Increasingly sophisticated armaments and development of aerial refueling capability will improve China's offensive air capabilities.

An equally important, and often overlooked, aspect of China's comprehensive military effort is its concerted program to improve its human capital system, as discussed as a special topic in this year's report. China's leaders recognize that an educated and trained officer and enlisted corps is essential to their aspiration of fielding a modern military force. To that end, the PLA is improving training and exercises, and is emphasizing technological know-how in its recruitment, training, and professional military education efforts.

As I already touched upon, the PLA is making significant strides in cyber-warfare. Networks around the world, including in Europe and in the Pentagon, suffered intrusions that appeared to originate from the PRC. And as our report indicates, many of the skills and capabilities required to conduct intrusions are also required to conduct attacks against enemy networks.

In addition to an emphasis on cyber-warfare, we are seeing China emerge as a growing international space power. 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.

Complementing these growing space capabilities, China is developing ability to deny others access to space through a robust and multi-dimensional counter-space program featuring direct ascent anti-satellite weapons, directed energy weapons, and satellite communication jammers. We witnessed one aspect of this developing ability by way of the January 2007anti-satellite weapon test.

As China continues to develop new weapon systems and new capabilities under veiled or less than candid conditions, we remain concerned that the U.S. and the rest of the world may miscalculate PRC behavior and capabilities. This point is illustrated through the 2004 discovery of China's YUAN-class diesel-electric attack submarine. While we are improving our capacities in estimating China's current and future military capabilities, events such as this give us pause and prescribe a degree of humility. We need to recognize that surprise will be an inevitable part of our relationship with China, even as we work to help Beijing understand the value of transparency, predictability, and constructive cooperation.

Overall, many of China's military modernization developments are relevant to a Taiwan contingency. While we see opportunities on the horizon for a near-term reduction in cross-Strait tension, and we encourage both sides to take advantage of them, there is much more that Beijing can do to support reducing cross-Strait tension, demonstrate flexibility with respect to Taiwan's international space and to reduce the threat to Taiwan presented by the PLA's sustained military build-up opposite the island. On these counts, we have seen little progress from Beijing. We continue to see growth in PLA capabilities deployed opposite Taiwan, and we will watch closely for signs of Chinese steps to shift that balance further even as we encourage Beijing to work with Taiwan on more positive actions to reduce tensions.

Taiwan recently reversed the trend of the past several years of declining defense expenditures. In June 2007 the Taiwan legislature passed a long-delayed defense budget totaling $8.9 billion, which included funding for P-3C Orion aircraft and PAC-II upgrades – systems the United States first made available to Taiwan in 2001. For 2008, the Taiwan Legislature in December 2007 passed a $10.5 billion budget. This was a twelve percent increase over the previous year. Taiwan also continues to bolster its defense by strengthening its crisis management structure, instituting military personnel reforms, improving its joint capabilities, modernizing its equipment, and improving its overall contingency training. Consistent with the provisions of the Taiwan Relations Act, the United States continues to make available defense articles, services, and training assistance to enable Taiwan to maintain a sufficient self-defense capability.

However, some elements of China's military modernization 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 Department of Defense will continue to monitor these important developments, and will continue to engage China to improve its transparency in military affairs, recognize the importance of openness in a globalized world, and act to support the health and success of the international system on which it relies for its own prosperity, stability, and security.

Progress in military-to-military relations will depend on choices by both China and the U.S. Choices that emphasize transparency over opacity, substance over symbolism, and implementation over negotiation will go a long way to further our defense relations. We at the U.S. Department of Defense act according to our best understanding of ongoing changes in the international security environment. On this continuum of change, better understanding affords better cooperation, while greater uncertainty requires greater hedging.

The U.S. has made a consistent choice over multiple decades that our interests lie in constructive strategic engagement with China combined with our strong bilateral military alliances and presence in Asia. These choices do not have to be in conflict. China's strategic choices, its openness about its military modernization and policies will play an important role in determining how we move forward. The implications of these choices, already significant, will only become greater over time.

As I have emphasized throughout this testimony, 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, minimize the risk of misunderstanding or miscalculation, and foster regional and global security and stability.

The United States is a Pacific power with an enduring role in Asia. We have vital interests and a network of alliances and friendships that we will support and defend. But the Asia-Pacific region is not a zero-sum game. We welcome China's emergence as a responsible economic power and encourage its continued integration in the international system. China's security and stability, and that of the Asia-Pacific region, is enhanced by a strong U.S. security presence. Likewise, China's continued development and integration into the international system as a responsible stakeholder has long been, and remains, a central element of our China policy and a core U.S. interest.

Thank you.

## QUESTIONS SUBMITTED BY MEMBERS POST HEARING

JUNE 25, 2008

## QUESTIONS SUBMITTED BY MR. LARSEN

Mr. LARSEN. What is your assessment of China's counterspace efforts? Did U.S. and international reaction to China's anti-satellite missile test modify China's approach to counterspace?

General BREEDLOVE. [The information referred to is classified.]

Mr. LARSEN. How will the election of Taiwan's new President Mr. Ma Ying-jeou and Taiwan's new legislative leaders of the KMT Party impact U.S.-Taiwan defense relations?

General BREEDLOVE. After 8 years of cross-Strait tensions, the decisive 2008 Taiwan election victories by the Nationalist (KMT) party in the Legislative Yuan (LY) and KMT Presidential candidate Ma Ying-jeou have provided a major opportunity to improve relations between China and Taiwan. The Chinese Communist Party welcomed Ma's victory as reducing the threat of Taiwan independence and creating an atmosphere for resumed dialogue and closer ties. Recognizing that final resolution of Taiwan's status will not be decided under Ma's Administration, leaders on both sides have raised the possibility of negotiating a peace agreement that might stabilize the cross-Strait situation as well as creating confidence building measures (CBM); however, neither side has put forth any concrete terms. If successful, an agreement and/or CBMs might greatly reduce the chance of a crisis that could draw the United States and China into a military conflict.

U.S.-Taiwan defense relations are extremely robust and USPACOM's military-to-military engagement is at its highest point. Ma's Administration highly values the U.S.-Taiwan defense relationship and is very unlikely to change. President Ma has reiterated from his campaign statements his "three no's" policy: no negotiation of unification, no independence, no use of force; however for President Ma, he will need to maintain a strong defense capability in order to negotiate from a position of strength and to deter Chinese military aggression. President Ma has stated he will maintain at least a 3 percent of GDP defense budget and is committed to Foreign Military Sales procurement from the United States.

From a policy perspective in the near- and long-terms, I do not see any change in our defense relations with Taiwan. Our relationship remains strong and vibrant with healthy military engagements. It is in our U.S. national interest for Taiwan to have a strong self-defense capability in order to maintain peace in the Taiwan Strait.

Mr. LARSEN. Can you elaborate on any specific upcoming U.S.-China military exercises or other contacts? How important are U.S.-China military contacts to increasing transparency of China's strategic intentions and capabilities, positively influencing future PLA leaders, promoting cooperation and avoiding miscalculations between the two sides? What are the prospects for further progress in this area and what challenges still exist?

General BREEDLOVE. Due to China's request, we have not had many significant military contacts in recent months because of China's focus on the Olympics and Paralympics. We do anticipate a few significant military contacts before the end of the calendar year. I anticipate the highlight will be a platoon exchange focused on Humanitarian Assistance/Disaster Relief that we hope will occur in the autumn. This exchange will expand a program in an area that we have already established a solid base for future cooperation. At China's invitation, we will also be sending one of our General Officers to join other foreign military dignitaries to observe a PLA military exercise. We also anticipate a few other high-level visits to China and expect to see one of their Vice Chairmen of the Central Military Commission visit the United States before the year is out.

These and other military contacts serve many functions that benefit the United States. They provide opportunities for cooperation and confidence building, but perhaps more importantly, they provide venues in which we communicate our satisfaction and issues of concern—a street that goes both ways. At the same time, we are exposing and educating future leaders on both sides of the Pacific that we anticipate will reduce future misunderstanding and miscalculation.

Finally, our bilateral relationship with the PLA provides an example to our friends and allies in the Asia-Pacific that the United States is committed to positive engagement in the region.

Overall, we have seen a modest increase in the transparency of strategic intent and capabilities this year. Most noteworthy, was the initiation of the bilateral dialogue on nuclear strategy. The defense telephone link that was established this year gives us a potential tool for avoiding miscalculation between the two sides.

We have no illusions that any of these efforts will immediately meet our goals for transparency or enhanced communication. While we are not where we want to be in either of these areas, we are in better shape than we were last year. I fully expect to be able to make the same statement about our progress next year.

Mr. LARSEN. DOD reports that in 2007, U.S.-China military contacts achieved measured progress on DOD priority initiatives, such as advancing dialogue on nuclear policy and strategy and establishing a "defense hotline". Please elaborate on developments in U.S. China dialogue on nuclear policy and strategy. Please also elaborate on the benefits we hope to achieve with the "defense hotline". What is the potential for this hotline to enhance communication and avoid miscalculations between the U.S. and China?

General BREEDLOVE. [The information referred to is classified.]

Mr. LARSEN. How would you assess China's progress on nonproliferation efforts, including export controls? What specifically is DOD doing to encourage China's participation in the Proliferation Security Initiative?

General BREEDLOVE. China 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.

China is now a party to the Nuclear Nonproliferation Treaty, the Biological and Toxin Weapons Convention, the Chemical Weapons Convention, and is a member of the Nuclear Suppliers Group and the Zangger Committee. It has adopted export controls similar to the Australia Group control lists on chemical and biological related items, and has enacted missile-related export controls. China has also cooperated with the international community in supporting a series on UN Security Council Resolutions to impose sanctions on Iran and North Korea over both countries' nuclear developments.

We also have bilateral cooperative activities, including the State Department's Export Control and Related Border Security Program, which has supported training for PRC licensing enforcement officials, the Department of Homeland Security's Container Security Initiative, and the Department of Energy's Megaports Initiative.

However, we continue to have serious concerns about the activities of a number of PRC entities who continue to supply items and technologies useful in weapons of mass destruction, their means of delivery, and advanced conventional weapons to regimes of concern.

In regards to the PSI, China has a tremendous stake in ensuring its vessels are less susceptible to proliferators. China operates one of the largest commercial shipping registries in the world, so Chinese participation in PSI would be a great benefit to the PRC and the PSI partner nations. We have invited China to participate in PSI, but our offers so far have been declined. We will continue to engage China to revisit their decision on this.

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