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CHINA: RECENT SECURITY DEVELOPMENTS

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

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JUNE 13, 2007

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CHINA: RECENT SECURITY DEVELOPMENTS

HOUSE OF REPRESENTATIVES,
COMMITTEE ON ARMED SERVICES,
Washington, DC, Wednesday, June 13, 2007.

The committee met, pursuant to call, at 10:08 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. Our hearing will come to order. Before I welcome our witnesses—we are very appreciative, of course, to have them—I wish to inform our members I was keenly disappointed that the testimony was not furnished to us 48 hours, per our custom and per our rule. It was furnished to us last night at 7:30. And I am told the hangup was at Office of Management and Budget (OMB). And I think it went well past our witnesses that this happened.

I will make an inquiry as to why that happened, and, frankly, it is of deep concern, because those of us on the committee take a great interest in looking at the testimony ahead of time. And we will make proper inquiry, and I don't want that to happen again.

So welcome, Mr. Lawless, Major General Breedlove. We thank you for being here today to testify on recent security developments involving China. We look forward to your testimony. It is a very, very important subject. It has been for some time the critical significance of development in that country to our national security. While our military resources are heavily focused in Iraq, China's influence has grown in Asia, as well as beyond.

To address this reality, we must proactively and effectively engage with China on multiple fronts. There are positive steps in the last year, but progress still has to be achieved.

I am encouraged by the recent agreement between our country and China for a defense hotline to handle security emergencies. I am also encouraged by recent efforts by Secretary Gates, Pacific Command (PACOM) Commander Admiral Keating, and former Commander Bill Fallon to pursue more robust U.S-to-China military contacts. That is a major step in the right direction. Such contacts increase our understanding of China's strategic intentions and capabilities, and can hopefully avoid miscalculations between the two sides. And I share the views of Secretary Gates and the admirals on this.

I am also glad to see Secretary Gates calling on China to increase its security cooperation with the U.S. in areas of common interest, ranging from counterterrorism and non-proliferation to en-

ergy security. There are unique opportunities for progress on these issues. This year the preparations are accelerating for the 2008 Summer Olympics in Beijing, and both sides want to ensure there is necessary security for that event. In addition, China's leading the Working Group on the Denuclearization of North Korea, and could potentially play a constructive role with the Iranian nuclear situation.

Moreover, China's approach to Taiwan has recently been constructive but, given Taiwan's upcoming elections, this will remain a significant challenge. This year's Department of Defense (DOD) report on China's military power notes a modest improvement in China's transparency in regards to defense policy and spending. This is positive. Yet China is still not adequately revealing its full defense spending, military, and modernization efforts, or strategic intentions.

China's official defense budget for 2007 is about $45 billion. However, the real budget is between $85 to $125 billion, continuing a trend of double-digit increases. China also conducted a successful antisatellite missile test back in January, leaving dangerous debris in orbit for years. China continues its missile buildup across from Taiwan, and its power projection capabilities are steadily increasing.

I continue to believe that China's not necessarily destined to be a threat to the United States. There are trends and ambiguities that concern us, and hearings like today's should help us understand where China is in terms of investing in advanced military technology and advancing their military doctrine as well as tactics. There are also Chinese limitations to acknowledge, and those should be addressed today as well. We must also recognize that China's choices may well be shaped by our own actions.

So, gentlemen, I am interested in hearing your assessment of most significant recent security developments involving China.

However, before we begin our testimony, I turn to my friend, my colleague from California, Duncan Hunter, for any statement he may wish to make.

STATEMENT OF HON. DUNCAN HUNTER, A REPRESENTATIVE FROM CALIFORNIA, RANKING MEMBER, COMMITTEE ON ARMED SERVICES

Mr. HUNTER. Thank you, Mr. Chairman, and let me join with you in welcoming our witnesses.

You know, today as we look at China's military capacity, the pace and the scope of its military modernization and China's near- and longer-term strategic aspirations in the region and around the world, the Pentagon's 2006 Quadrennial Defense Review report noted that China is at a strategic crossroads with the, quote, "Greatest potential to compete militarily with the United States."

So while much of our attention right now is focused on the warfighting theaters in Iraq and Afghanistan, I want to congratulate you, Mr. Chairman, for looking over the horizon, because clearly China is over the horizon; that is, it is in a period of expansion and achieving new military capabilities, and we must be on top of this situation in terms of understanding where China is going mili-

tarily and assuring that we maintain American security interests while this expansion is underway and well into the future.

You know, two events happened, Mr. Chairman, that I think we are all aware of, that I thought were particularly important for the American people to understand. One was the emergence of that SHANG-class submarine. I believe it was October 26th of last year about 80 miles east of Okinawa where the submarine emerged, SHANG-class submarine emerged near the Kitty Hawk. Now, it didn't represent an immediate threat to the United States. There were several reasons, as I understand, and without going into classified detail with respect to why it was able to be fairly close without being observed or located by the American naval forces, but I thought it was important for the American people to focus on that SHANG-class submarine emerging near the Kitty Hawk, because it showed the American people what China is purchasing and building with American trade dollars.

As we move several hundreds of billions of dollars more to them each year than they move to us, they are clearly using some of that money, some of that American cash, to buy military equipment. They have purchased the SOVREMMENNY-class missile destroyers from the Russians, which were designed to kill American aircraft carriers. They now have a tactical fighter production program. They are building and fielding between 750 and 1,000 short-range ballistic missiles each year. And so China is moving to, in my estimation, step into the superpower shoes that have been vacated by the Soviet Union with respect to military power.

Now, the other event that I thought was a remarkable event, and one which heralded a new era of military competition between China and the United States, was the shootdown of a satellite in January by China. Presumably nobody practices shooting down their own satellites. So while the practice shot was indeed at an aging weather satellite that China owned, this heralded, in my estimation, a new competition in space, whether we want it or not, between the United States and China. Now, because a large portion of America's industrial base is now moving to China, including part of the industrial base that we rely on for security, for the American security apparatus, I think this is a particularly crucial hearing to hold.

So Mr. Chairman, I would ask that my written statement be accepted into the record, if you might, and I share your concern that the United States focus appropriately on the emergence of China's modern military capability.

And I know that our witnesses will speak to that capability, and I look forward to the hearing. Thank you for holding this hearing, Mr. Chairman. Very important, while we are concentrated on Iraq and Afghanistan, to look over the horizon. And this hearing fits that requirement. Thank you.

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

[The prepared statement of Mr. Hunter can be found in the Appendix on page 41.]

The CHAIRMAN. We welcome our witnesses. Secretary Lawless, a special thanks to you for your service, and we wish you well in the days ahead, sir. And General Breedlove, it is good for you to be with us, and we look forward to your testimony.

Secretary Lawless.

STATEMENT OF HON. RICHARD P. LAWLESS, DEPUTY UNDER SECRETARY OF DEFENSE FOR ASIAN AND PACIFIC SECURITY AFFAIRS, DEPARTMENT OF DEFENSE

Secretary LAWLESS. Yes, Mr. Chairman. I think before I begin my oral statement I would like to take note of and apologize for the tardy arrival of the written testimony. We will look into it and make sure it doesn't happen again, and get back with your staff and explain what we discovered as to why it would have arrived so late.

Mr. Chairman, I would like to thank you for the opportunity to appear today before this committee and speak about recent security developments related to the People's Republic of China. This is a very timely hearing, the substance of which holds great significance to U.S. defense and security policy.

Last month the Department of Defense submitted its annual report on the Military Power of the People's Republic of China to Congress. Although this report is tasked to the Department of Defense and signed out to you and the other Members of Congress by the Secretary of Defense, it is a product of intensive interagency coordination. Our report, therefore, reflects views and concerns held broadly across the United States Government over China's rapidly expanding military capabilities.

This year's report comes against the backdrop of an overall U.S.-China relationship that continues to improve from the low point of the April 2001 EP–3 incident. The President has stated his satisfaction that the United States and China have developed a good constructive relationship. The U.S. policy encourages China to conduct itself as a responsible international stakeholder by participating in multilateral organizations, upholding international law, and supporting economic integration and global stability. China benefits substantially from the existing international system, and we encourage it to take on a greater share of responsibility for the health and success of that system.

We continue to see some positive examples of cooperation, most notably in the Six-Party Talks, Ambassador Negroponte's Senior Dialogue, and the Strategic Economic Dialogue led by Secretary Paulson. We have also seen improvements in the military-to-military relationship, where we are moving forward with an expanded set of exchanges among senior defense officials, naval ship visits, military academy exchanges, and other interactions among mid-grade and junior officers.

We are also making progress, we believe, in cooperation to address transnational and non-traditional security challenges, including humanitarian assistance and disaster relief. We have received positive signals that the People's Liberation Army (PLA) is now ready to move forward on the defense telephone link, as earlier mentioned, which we first proposed in 2004. We believe these exchanges and mechanisms have the potential to improve mutual understanding, reduce miscalculation, and contribute over time to the demystification of the two parties involved.

In conducting our defense interactions, consistent with section 1201 of the National Defense Authorization Act for Fiscal Year

2000, we do nothing in our contacts that could knowingly enhance the military capabilities of the China PLA. Some have argued that these limitations, the congressionally imposed limitations, should be changed or revised. We do not believe that is the case. There are many areas in which we can expand our exchanges with China that will not require, would not require revisions of the existing statute. Our approach to these defense interactions is not only a matter of law, it makes for sound defense policy on the part of the United States.

So overall, while we have seen some progress in China's willingness to cooperate on international issues of concern, we do have questions over China's commitment to these developments. There remains more for China to do to curtail proliferation. We remain concerned with China's efforts to limit United States presence and influence through the development of exclusionary regional forum and frameworks that stand against the trend of greater regional cooperation in Asia. China's use of its influence in the Shanghai Cooperation Organization, the SCO, to call for a U.S. withdrawal from regional bases, runs counter to our efforts on the war on terrorism.

In the bilateral military relationship, we are troubled by what appears to be an unwillingness to reciprocate the openness and transparency we have shown to visiting People's Republic of China (PRC)–PLA representatives. And while we are encouraged by President Hu's stated interests in opening a dialogue with us on nuclear strategy, policy, and doctrine, we are concerned by an apparent reluctance on the part of the PRC Government to discuss transparently these important issues. And we have been unable to schedule a date for this dialogue.

Both the United States and China approach this relationship realistically. Both sides are aware of the potential for conflict, particularly in the Taiwan Strait. And as we move forward, we remain mindful of the uncertainty inherent in China's future. That future, to a large extent, will be determined by choices that the Chinese leaders make. These choices span a range of issues, not the least of which, we would suggest, is China's growing military power.

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

Our report, this year's *China Military Power Report,* attempts to present the analysis in a factual, descriptive, and analytical way. It discusses the strides that China has made, as well as the weaknesses we have identified in its military. It seeks to assess China's future military potential without exaggerating that potential. 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 appears to be on preparing for military contingencies in the Taiwan Strait. Long-term trends,

however, suggest that Beijing is generating capabilities to employ military force for other regional contingencies, such as conflict over resources or territory. China's officially disclosed defense budget has steadily increased over the past 15 years. In March, China announced that its defense budget for 2007 would increase some 17.8 percent over the previous year, to approximately $45 billion. However, we and others believe that significant expenditures related to China's military are not included in that official budget. Our best estimate is China's actual 2007 defense expenditures could fall in the range of $85 billion to $125 billion. While there may be differences in estimative models inside and outside the Department of Defense, the near universal conclusion is that the official PRC military budget significantly underreports China's military expenditures. This discrepancy between the official budget and what China actually spends is emblematic of our fundamental concerns over a lack of transparency in China's military and security affairs.

The issue is often raised by PRC scholars and foreign experts of Chinese security affairs who are inclined to explain the PRC's sensitivities over budget transparency; that it is for China to decide the appropriate level of disclosure and discourse on this separate issue—on this sensitive issue. While that may well be the case, in the absence of adequate explanation for the capabilities which are growing dramatically, both in pace and in scope, we, the Department of Defense, and more broadly the United States Government, are put in a position of having to assume the most dangerous intent a capability offers.

With that context, I would like to summarize briefly some of the specific and notable developments in this year's report. We see in China at least 10 varieties of ballistic missiles either deployed or in development. Ongoing deployments include over 900 short-range ballistic missiles in garrison opposite Taiwan. The PLA is establishing new missile bases outfitted with conventional theater-range missiles that could support a variety of contingencies across China's periphery. China has made substantial progress in fielding the road-mobile solid-propellant DF–31 intercontinental range ballistic missile (ICBM) with the deployed missile force. We expect that China will make considerable progress in fielding the longer-range version of this missile, the DF–31A, beginning this year.

China continues to upgrade and qualitatively modernize older versions of its ICBM-class missiles, and it continues to modernize its sea-based deterrent with the JL–2 submarine-launched ballistic missile for deployment aboard a new class of ballistic submarines, the Type–094. These changes are important. They will bring greater range, mobility, accuracy, and survivability to China's strategic forces, capable of striking many areas of the world, including the continental United States.

China is building and testing second-generation nuclear-powered submarines. In addition to the JIN-class ship, submersible, ballistic, nuclear submarine (SSBN), the PLA Navy is also performing sea trials on a new nuclear attack submarine, the Type–093 or SHANG-class. China accepted delivery last year of the first of two of an eight-hull purchase—excuse me, I am sorry, I correct it—the final two of an eight-hull purchase of Russian KILO-class diesel electric submarines, bringing the total number of KILOs in the

Chinese inventory to 12. China is investing in new surface combatants to improve the PLA Navy's capacity for anti-surface and anti-air warfare.

We also see continuing interest on the part of the PLA Navy in developing an indigenous aircraft carrier capability. Modern aircraft, such as the Russian Su–27s and the Su–30's, and China's own F–10 fighter make up a growing percentage of that Air Force. Increasingly sophisticated armaments and development of aerial refueling capability have improved China's offensive air capabilities. China is improving also its precision strike capability, with at least two land-attack attack cruise missile programs underway, and the acquisition of advanced anti-ship cruise missiles, including the Russian-made SS–N–22/SUNBURN, SOVREMMENNYS, and the SS–N–27B/SIZZLER for its newest KILO-class submarines, as provided by Russia.

The PLA is making significant strides in cyber warfare, moving from solely defending PRC networks from attack to offensive operations against adversary networks. Finally, we are seeing China's emergence 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 communications satellites, as well as its manned space program. At the same time, as we witnessed last January, China is developing the ability to deny others access to space through a robust and multi-dimensional counterspace program, featuring direct ascent anti-satellite weapons, ground-based lasers and satellite communication jamming systems.

Many of these developments are relevant to a Taiwan contingency. In this context, we continue to see China's military advances as tilting the military balance in the Mainland's favor. However, some of these developments pose long-term concerns well 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.

The United States, as Secretary Gates observed in his recent presentation in Singapore, is a Pacific power. Our interests and network of alliances and friendships constitute a vital interest that we will defend. But the Asia-Pacific region is not a zero-sum game. A China that is a responsible stakeholder in the international system and an engine of economic growth is an enormously positive prospect. China's continued development and integration into the international system as a responsible stakeholder has long been, and remains, a central tenet of our China policy and a core U.S. interest. In that context, we have submitted this year to you, in May, our annual *China Military Power Report*. Thank you, sir.

The CHAIRMAN. Mr. Secretary, thank you very much.

[The prepared statement of Secretary Lawless can be found in the Appendix on page 48.]

The CHAIRMAN. As I understand it, General Breedlove, you do not have a statement. Am I correct?

General BREEDLOVE. That is correct, Mr. Chairman. I will join the Secretary's statement.

The CHAIRMAN. Thank you. And you will be available for questions?

General BREEDLOVE. Yes, sir.

The CHAIRMAN. Okay. Thank you very much.

Let me ask just one question before I call on my colleagues. You made reference, Mr. Secretary, to the military-to-military, and as I understand it there have been some military-to-military war college-level exchanges. Would an increase in that or full attendance at respective war colleges be of benefit to our country? Should we pursue that more fully?

Secretary LAWLESS. Sir, this has probably been one of the most successful areas of exchanging communication. The answer to your question is "yes." In every case that offer has been on the table, and in every case what we have attempted to do is make absolutely sure that it wasn't a one-way street, and that any advantage that accrues to the People's Republic of China also accrues to us.

In other words, we would like to have not only normally transparency, but we need to have reciprocity. So one of the issues has been getting opportunities to attend their teaching institutions, military teaching institutions, as we have offered them access to ours.

The CHAIRMAN. Is there a major problem within our military, as well as within our student body, to speak their language?

Secretary LAWLESS. I do not believe there is. We have some very specific information on that, on language capabilities, to offer to you. Heretofore, there has not been a problem. The people attending our institutions generally come reasonably well prepared in the English language, and I think we take great care to make sure that the folks that we put into their institutions have some level of Mandarin, including discussions beforehand.

The CHAIRMAN. Thank you very much. Mr. Jones.

Mr. JONES. Mr. Chairman, thank you.

Mr. Secretary, I want to pick up on the line of what Ranking Member Hunter was—over here, sir.

Secretary LAWLESS. I am sorry.

Mr. JONES. I am to the left, but on most issues I am to the right. But anyway, the trade deficit with China seems to be that we are every month and every year more and more in a hole as it relates to the trade deficit.

From your comments, and I tried to listen very carefully, it does appear that China is taking advantage of our economic woes and our trade policies of sending more jobs overseas and more dollars overseas. With the report you gave, it sounded like to me that the Chinese are obviously putting major bucks into investing in their military equipment needs.

At what point would you say—do we have 4, 5 years; do we have 10 years; do we have less?—that China is going to be where they are equal to this country as it relates to their ability with their Navy and Air Force?

Secretary LAWLESS. I think first of all, the one overarching concern that we have is that this is not the same type, qualitatively or quantitatively, at this point of challenge that we faced with the former Soviet Union. China, as a consequence of its economic growth, is developing a very broad, very successful, very advanced

defense industrial base. That industrial base allows them to do many things at the same time. It not only provides a cash flow, but it provides a capability that is multitiered, and allows them to undertake several programs at the same time.

So a concern that exists here is that as China continues to grow economically, it will not only have more resources to allocate to the purchase of equipment, the underlying industrial base will consequently become much more sophisticated and be capable of generating the quality of product that is required for military modernization.

Additionally, as the trade imbalance continues and the Chinese foreign exchange reserves continue to build, they have more cash to spend with the direct purchase of sophisticated systems and technology. The acquisitions from Russia represent multibillion-dollar purchases year after year. And these are very important that we track.

Coming back, finally, to your question to us, as to when we think we will be challenged, I believe that in some areas we already sense that that challenge is already in front of us, particularly in some of the capabilities we have seen to develop.

The other issue is that we think China has done a very good job of assessing where it can develop asymmetric capabilities. In other words, this is not a head-to-head situation. China is not necessarily interested in the ability to stand toe to toe and go into a major conflict with the United States. That said, they can obviously see that we have security commitments that require us to be in certain locations and have certain sustained capabilities. Against that requirement that we have to defend our interests and the interests of our allies and partners, they are very capable of judging where asymmetric opportunities exist, and concentrating themselves on asymmetric opportunities. I think this year's *China Military Power Report* addresses that issue. And it is an issue that we will continue to follow in the coming years.

Mr. JONES. Mr. Chairman, just one other point, if I have time. Has my time expired?

The CHAIRMAN. No, you are good.

Mr. JONES. I think you are the expert, and this is where many people, including myself—and I represent the Third District, Camp Lejeune, Seymour Johnson Air Force Base—that the Chinese are not going to be confronting us probably militarily, but if they continue to grow and expand their military power, then they can dominate Asia, Southeast Asia.

The suggestion I want to fully understand is that at some point do you believe that this country is going to have to make a decision that this is of such importance that we not show military weakness, that we are going to have to really ramp up the investments? And the reason I mention that is because we had Secretary Wynne before this committee a few weeks ago, and I forgot the general that was there with him, but talking about the fact that they are having to reprioritize some of their programs and move some up, move some around; and because of this budget situation and this policing the world, that we really are not giving the full commitment that maybe this country needs to give, to say that we cannot continue to allow China to continue to grow and expand. And we

would be put at a disadvantage that we might not be able to catch up.

Do you see—would you recommend to the Congress that sometime, sooner rather than later, that we need to understand that we cannot continue to fall back and become weaker in the eyes of the Chinese?

Secretary LAWLESS. I think that my response would have really two components to it. The first is I think we have done a really good job of tracking and predicting where they are headed capability-wise. The broader those capabilities grow, and the more sophisticated those capabilities become vis-a-vis the systems we have already deployed, the challenge for predicting intent and the use of those capabilities becomes exponentially more difficult. You just simply have a more difficult time predicting how a given capability is going to be used, or, for that matter, why that capability was deemed essential by the Chinese leadership to spend money on and bring it into their inventory. This goes to the issue of transparency.

I think if we had a better dialogue with them, a true dialogue of depth, coming back again to my remarks on the strategic nuclear dialogue, where we have several times proposed to them this is an essential area of discussion, and really gotten quite an uneven response, if we had the quality of dialogue that we are seeking with them we might be able to constrain and put some of those issues of intent to bed. Not being able to, we must plan and prepare for the worst.

I think our services, reference the comments that you just referred to, are making an attempt to anticipate the net result of the capabilities the Chinese are attempting to put in place. But I think it is an area of intense concern, and we are giving it due attention from the highest levels of the Department of Defense and the interagency discussion.

I want to make one more point. In my oral testimony I mentioned the fact that the *China Military Power Report* had been coordinated across many elements of the United States Government, particularly the intelligence services and other policymaking elements of the government. There is a process now underway to assess, not just within the Department of Defense, but much more broadly within the entire executive branch, where we stand with China on these security issues.

So this is something that not just the Department of Defense is seized with, but all elements of the government, including the White House. And so we are giving it sufficient attention, and I believe the U.S. Government as a whole is abreast of the problem and attempting to make decisions based on our assessment of where this is headed.

Mr. JONES. Thank you, Mr. Chairman.

The CHAIRMAN. Before I call on Dr. Snyder, let me ask you regarding your comments of asymmetric preparation that China is making. You said there are special forces. Could you give us a short, short version of what they are doing?

Secretary LAWLESS. Yes. I think that both of you gentlemen have mentioned, others have mentioned the January direct ascent antisatellite (ASAT) test. Space and counterspace is obviously an area in which China perceives the ability to establish itself with an

asymmetric capability. And it does so for the simple reason that it is obvious that we are very dependent on our space-based resources, communications, intelligence resources that we have in space.

Again, I think that China correctly perceives that this is an area where asymmetric capabilities will give it the ability to disrupt and delay and frustrate our abilities to operate. It is a major issue for us, and one that is getting a lot of attention.

The CHAIRMAN. Dr. Snyder.

Dr. SNYDER. Thank you, Mr. Chairman. Gentlemen, thank you for being here.

Mr. Secretary, I had several questions. First, with regard to the direction that China seems to be going both economically and militarily, they clearly are a competitor of ours, economically, that is not going to go away. Is that a fair statement?

Secretary LAWLESS. Certainly not going to go away, yes.

Dr. SNYDER. They have hundreds of millions of people that are still in poverty, that are very envious of what is going on in their coasts. And so somehow I think if we as a Congress think that we can present to the American people we have a simple plan to take us back to the bygone days when China was a weakened Third World country, those days are gone and past. And in my lifetime I think we will see the Chinese economy pass ours in terms of gross domestic product.

So the second part of the question I wanted to ask you, you have a very impressive career and background. I suspect you do this as an exercise. If you put yourself at the position of working in the civilian side of the Chinese military, are they doing anything that you would not recommend to the Chinese leadership that they do? That they would be doing?

Secretary LAWLESS. That is a good question. To the extent that we understand what it is that they are doing——

Dr. SNYDER. Right.

Secretary LAWLESS [continuing]. I think that they are doing an incredible amount of things right. And I think that comes back to my earlier comment about the sophistication of the strategies and the scope of the modernization and transformation that is taking place. All too often I think we focus too much on raw capabilities, be it an anti-satellite ballistic missile, be it anti-access systems, when in fact we should be focusing much more broadly. We have a situation that is now in probably its tenth year of comprehensive transformation of the entire national security and military structure. That means doctrine, that means manpower levies——

Dr. SNYDER. Which, as an experienced CIA and military person, you have known for some time that they have needed desperately to do in terms of their modernization.

Secretary LAWLESS. That is right. But once the reckoning was made, what we are seeing is a very sophisticated wholesale transformation of their military.

Dr. SNYDER. Right.

I want to ask one very specific question. I quickly read your statement here which we received this morning, and it seems to be a very thoughtful and balanced discussion. I appreciate the depth of thought in it. What role does the—I think it is called the U.S.

China and Economic Review—Security and Economic Review Commission play? Are you familiar with that body——

Secretary LAWLESS. We are.

Dr. SNYDER [continuing]. That the Congress set up? I have always been very skeptical. I don't think we have gotten a presentation from them that would reflect the kind of thoughtfulness that you have presented this morning. Do they help shape policy for the Administration?

Secretary LAWLESS. Sir, I don't believe they shape policy as much as they perhaps inform it. We have had a pretty robust relationship with this particular body over the past several years. I have testified in front of it. In fact, I believe this Friday one of my China team chiefs will be testifying on the energy issue. As you know, their mandate is much broader than just pure security and defense issues. But I have actually been quite impressed by the quality of the questions that are put to us and the quality of the published material that they issue under the imprimatur, I believe, of Congress. And that material is actually pretty widely read, including by our Chinese friends.

So our interaction with that particular group has been quite positive, and we find them quite incisive in the questions they ask us. They task us a lot.

Dr. SNYDER. You have had a different experience than I have. I want to ask about the Internet. You talked about the need for more transparency in their military. Two aspects of the Internet. First of all, they are abysmally not transparent with regard to their own population in terms of the great restrictions on the Internet. How do you see that going ahead in the future? How can a country modernize, as you pointed out, quite dramatically in a lot of different ways, how can they do that and have such repressive policies with respect to access, to things internationally?

And the second component I don't think you mentioned in your written statement. You mentioned asymmetric attacks. You are an Internet guy. Where do you see the Chinese capability with regard to cyber attacks or potential?

Secretary LAWLESS. Thank you. Turning to the last question first, because I think it is relevant to both pieces of what you have asked about, whatever their internal Internet control practices may be, they have developed a very sophisticated, broadly based capability to degrade and attack and degrade our computer systems and our Internet systems. I mean the fact that computer access warfare and the things that that allows you—disruptive things that that allows you to do to an opponent are well appreciated by the Chinese. And they spend a lot of time figuring out how to disrupt our networks, how to both penetrate networks in terms of gleaning or gaining information that is protected, as well as computer network attack programs which would allow them to shut down critical systems at times of contingency. So first of all, the capability is there. They are growing it. They see it as a major component of their asymmetric warfare capability.

Coming to the first question you asked, I believe that while it may not be possible for them to totally control Internet activity in China, it seems to me they are doing a very good job. And we have not really seen that that capability to control the Internet within

China has really resulted in any net loss of capability. If anything, their determination to familiarize themselves and dominate to some degree the Internet capabilities not only of China and the region, but the world, provide them with a growing and very impressive capability that we are very mindful of and are spending a lot of time watching.

General BREEDLOVE. Sir, I would just add, without being redundant, that the Secretary mentioned that they are very keen on their asymmetric ability to address our military power. And this is one of those areas that they talk about, specifically in their white papers and others, when they talk about warfare in an environment of informatization. That is a word hard for me to pronounce, but obviously it means something to them. And so I would see this as a key area where they would look to see our vulnerability, since we are so netcentric in our warfare. And it is a concern to us.

The CHAIRMAN. Mr. Hunter.

Mr. HUNTER. Thank you, Mr. Chairman. And again thank you for holding the hearing. And gentlemen, excuse me for having to step out during a part of your opening statement.

But it is fairly clear that China is transforming their military, Mr. Secretary, as you have just stated. In your opinion, what should we be doing with our own military capability to adapt to a transformed Chinese military?

Secretary LAWLESS. I think that our ability to plan and adjust ourselves to that evolving capability in the first instance results or leads us back to good intelligence. I am concerned that perhaps we don't have the quality and the breadth of intelligence focused on this issue that we perhaps have had in the past. It certainly doesn't meet the standards of what we were able to apply to the Soviet Union as it emerged.

And I think that additionally we need, I think, to adopt a much more comprehensive approach within the Department of Defense concerning our management of this particular issue. Again, this is a dynamic problem. It is a problem in which—it is an issue where we continue to be surprised from time to time with regard to the speed with which a given system is deployed. And therefore, I think there is a real incumbent burden on us to be very fast on our feet and be able to adjust to the capabilities that we see that are being fielded.

Mr. HUNTER. Let me get to some specific systems here. You have a lot of short-range ballistic missiles being produced, an inventory of between, as I understand, 750 and 1,000 in place. A lot of them are across from the Taiwan Straits. Do you see any changes we need to make or any emphasis we need to make with respect to missile defense as a result of China's emerging missile program?

Secretary LAWLESS. I think that is an ongoing calculation. In fact, I specifically mentioned, I believe, that we can count no fewer than ten systems either deployed or under development. The emphasis there is on the word at least. I think that these are challenges that are being presented to our ballistic missile programs. I think some of those challenges were addressed by the director of that program in some recent testimony and interaction with Congress. It is an issue that I defer to our Missile Defense Agency to address.

But suffice to say on the policy side of the equation, we are doing a lot of discussion within the region with our partners and allies about the threat that those missiles pose. And I would suggest that this year's Military Power Report discusses not only the threat vis-a-vis Taiwan and how we believe that is changing the status quo and is creating a new dynamic there, we also address the growing capabilities of the regional—that is, the medium-range ballistic missile (MRBM) and the intermediate-range ballistic missile (IRBM) deployments that are being made, a subject of course that is addressed in much greater detail in the classified annex to the report.

Mr. HUNTER. Let me ask you just one last question, Mr. Chairman. You know, China is cheating on trade right now. They are devaluing their currency by some 40 percent. That has been the subject of legislation by myself and Mr. Ryan and a number of members, in fact 178 members of the House last year. They are buying ships and planes and military equipment with American trade dollars. And a large portion of the American defense industrial base is moving to China. Do you see a problem there?

Secretary LAWLESS. Sir, I think we see a huge issue here. Again, some comments that were perhaps made while you were out of the room, the underlying defense industrial capacity that China is building gives it terrific surge capability. When you are able to build a particular combatant not in one shipyard, but in four or five, and you are capable of undertaking—again, sophisticated industrial base—many programs, parallel programs at the same time, you have great flexibility to surge that capacity. And I think that is an issue that we are all deeply concerned with. And this comes to the heart of the economic modernization of China.

Mr. HUNTER. And I think that the ability of the Chinese to translate this massive commercial industrial capability, especially the ship construction capability of China, to translate that into a warship construction capability with respect to surface vessels and submarines would very much threaten our ability to maintain a Naval dominance in the region simply in terms of platforms that they can produce, and with the new sophistication that attends many of their programs. I think you see the American shipbuilding programs being quickly outstripped by China simply by translating or transferring their domestic capabilities into a military production capability. Do you agree with that?

Secretary LAWLESS. I do. As a matter of fact, we were just in the Far East last week. One of the interesting commentaries that was then being discussed was the fact that Japan and the Republic of Korea, which lead the world in shipbuilding capacity and capability, are now readjusting their projections, believing that instead of China being a full head-to-head competitor, top-ranked competitor vis-à-vis those two shipbuilding powers, instead of it being 15 years out it is more like to 5 to 6 years out. So you have the ability of China to introduce and, frankly, deploy capabilities on the commercial side of the equation, shipbuilding being a perfect example, which even their competitors had heretofore underestimated or misestimated. So I think that goes to the heart of your question.

Mr. HUNTER. Okay. And just to close, Mr. Chairman, I think it is incumbent upon us to ensure that China stops cheating on trade.

This 40 percent devaluation is dealing a death blow to large portions of our industrial base, and motivating many corporations and many businesses to move their production to China. And in the end, the United States may end up seeing massive pieces of the U.S. industrial base turn to making equipment that is used against us in some type of a conflict in the future.

I think it is important for us, as Armed Services members, to in this case really concentrate and really focus on this problem of this transfer of the U.S. industrial base to mainland China. Thank you, Mr. Chairman.

The CHAIRMAN. Thank you. Ms. Davis.

Mrs. DAVIS OF CALIFORNIA. Thank you, Mr. Chairman. Secretary, nice to have you here. Thank you, General, as well.

I want to take perhaps the flip side of that discussion and just bring your attention to the article in *Atlantic Monthly*. I don't know if you saw that.

Secretary LAWLESS. I did. The James Fallows article?

Mrs. DAVIS OF CALIFORNIA. The "Superiority Complex." actually, this one is by Keir Lieber and Daryl Press.

Secretary LAWLESS. Oh, I am sorry. Okay.

Mrs. DAVIS OF CALIFORNIA. Perhaps that is different. It's called "Superiority Complex," and it discusses why America's growing nuclear capabilities may make war with China more likely. According to the authors, a future conflict over Taiwan could become the starting point of a nuclear war between China and the U.S. And it goes on to discuss the nuclear imbalance and a number of the steps that the U.S. has taken of late. Perhaps if you haven't read it, then I don't want to ask you to fairly respond to it. But it suggests that some of the imbalance would play out across the globe as well. And I wondered if you have any insights into China's view of this new reality.

Secretary LAWLESS. Well, that is an interesting comment in that, as I mentioned briefly, we have had on the table an offer at the highest levels, this is a Presidential discussion, this is a Secretary—that Secretary Rumsfeld had when he was in China in October of 2005. We have consistently told the People's Republic of China that we think it is appropriate that we begin a dialogue on nuclear strategies and better understand why they are doing what they are doing. Because what is really happening here is, while the United States capabilities are remaining essentially constant, we have a significant improvement in China's ability to target the United States or to target us regionally, but specifically the continental United States.

This opens a whole range of issues for us. And so what we have said to them is we really need to sit down and talk about that. The welcome mat is out, the invitation has been made, and here we are two-plus years later since we began this dialogue, waiting for them to answer the mail. We are going to continue to press at every level for this dialogue to begin for the very reasons that you state. I think such a dialogue is critical. This is not an arms control regime that we are attempting to put in place, it is a discussion. Because we need to understand why they are doing what they are doing, which creates an inherently more or greater instability, we believe,

in the nuclear relationship between the United States and the People's Republic of China. So again, it is a dialogue.

Mrs. DAVIS OF CALIFORNIA. Do you acknowledge, though, and accept the fact that perhaps there are steps that we are taking as well that would make them more nervous on this front?

Secretary LAWLESS. If that is true, they need to tell us that. The absence of a dialogue cripples any discussion and knocks it over to a track two or track three exchange; for example, the types of exchanges that you are talking about in *Atlantic Monthly*. We would rather have that discussion behind closed doors, face to face with the people that are most concerned, in this case the military strategic planners and the military leadership of China. To date, they have not taken us up on that invitation. If they would, I think both countries would be far better off.

Mrs. DAVIS OF CALIFORNIA. General, did you want to comment?

General BREEDLOVE. I would say this is another example of what the Secretary talked about earlier, a place where opaqueness doesn't help. We watched the Chinese developing their road-mobile ICBMs. We watched them continue to upgrade their static ICBMs. Now we see them in a sea-launch ballistic missile program. So we see indications of intent and other things, but we continue to try to engage, as the Secretary has said, in dialogue at a very high level, and our offers go unanswered.

Mrs. DAVIS OF CALIFORNIA. I certainly appreciate that. I think what is important sometimes is when articles like this are out in the public's face, it is important in some ways to acknowledge that those issues are out there. It is a fairly, I guess, intense article in that regard, and I was interested in giving you that opportunity to respond. And I appreciate that.

Thank you, Mr. Chairman. I wanted to turn, and I think my time is about up, but perhaps someone else may speak about the interests of Members of Congress, certainly, sending a letter to the Chinese Government regarding the concerns and atrocities in Darfur. And perhaps you will be able to speak about that as well, and what in fact we are doing to try and mitigate that situation as well, in cooperation with them. Thank you very much.

The CHAIRMAN. Thank the gentlelady. The gentleman from North Carolina, Mr. Hayes.

Mr. HAYES. Thank you, Mr. Chairman, and thank you very much for your interest in and knowledge of the China situation. And thank the witnesses for being here today.

Two questions in particular. General Breedlove, first a tactical question, and then I would like to come back to you, Secretary Lawless, for a trade follow-up.

In your testimony there is a lot of discussion about the capabilities of the Chinese Air Force, particularly combined with the Flanker and the Sukhoi and their own production. How would you assess our response or our own development, given stealth, given other capabilities? Do we need to maybe think a little bit more—again looking at your testimony as a whole—toward missile defense as a protection against China just in a general sense?

General BREEDLOVE. Sir, I will try to track two answers in what you have asked.

Mr. HAYES. I don't see much air-to-air coming.

General BREEDLOVE. Yes, sir. Clearly, we share the concern that Mr. Jones talked about earlier, about the ambitious programs to develop these capabilities such as the aircraft and others. And another indicator along those lines is you can have the more sophisticated weaponry, but we need to be watching their training, because they have to train to get the capabilities. And, unfortunately, now we do begin to see more sophisticated training in their capabilities, which might lend some intent to the more ambitious and the better equipment that they are buying.

As far as missile capability, sir, I would have to defer to what the Secretary said earlier. I am a little ill-prepared to answer and would defer to our missile defense folks as far as that tack goes.

Mr. HAYES. The $45 billion significant increase in the Chinese defense budget, based on your comments you just made, would you say that a lot of that is going into more intensive, more extensive training, particularly for pilots and other members of their military?

General BREEDLOVE. Sir, I can't comment on the amount of money that is being spent on training, but what we do see is more sophisticated training, trying to train in a joined environment, trying to address the kind of skills to share information and to be more netcentric and combined in their arms approach; and those are clearly indications of a more sophisticated approach to training, as opposed to a very disparate army, navy, air force-type training which has been their past.

Mr. HAYES. Thank you.

Secretary Lawless, Congressman Hunter referred to trade issues, and the Berry Amendment for some 42 years has been a trade defense mechanism. Looking forward, obviously, the Chinese are a tremendous customer of us and other folks in the West. By the same token, we are a much larger customer of them. Do you see this balance tipping and at what point?

You talk about the ship-building industry—it went from 15 years to 5—the dynamic changes if we allow our industrial defense base—and you referred to the importance of theirs—to deteriorate to the point where it generates jobs and dollars so that we can compete financially with them. If you can comment on that and also on how important it is again to maintain the equity in the trade agreements, which has not been the case so far.

Secretary LAWLESS. I think what I would like to do is answer that by coming back to the issue of the industrial base. And it is true that many of our exports to China comprise—although while there are some components of agricultural products or non-finished products, a huge portion of what we sell to China is, of course, in very high-quality, finished goods. Airliners, for example, or commercial aircraft.

China has made a decision to develop a competitive aircraft industry. Airbus, in a recent agreement with them in return for their agreement to buy some of the Airbus aircraft, has agreed to establish a full production facility in Tianjin, I believe; and that is supposed to be up cranking out A320-level aircraft within three or four years.

Obviously, there is going to be a transfer of technology and a transfer of that knowledge base to China as a direct consequence

of that decision by Airbus to invest that facility in China and operate that facility in China. So I am concerned that China, in taking a very long look and a very long perspective on everything that is being done, has decided that it will acquire every single piece of advanced manufacturing and the full range and compete with us across the full range of all products, no matter how sophisticated.

Mr. HAYES. Quick question—thank you—if I may, Mr. Chairman.

Just speak very briefly about China's competitiveness in the petroleum market and how that affects us in Nigeria and other places.

Secretary LAWLESS. I think, in the first instance, it is broader than just petroleum. It is the entire energy market and China's requirement and its ability to look down the road and recognize how incredibly dependent China will become—is becoming already—on imported energy and on imported raw materials.

This isn't just about oil. It is about uranium to fuel all of the reactors that they are going to build for commercial power. It is about access to raw materials, be it coking coal, be it iron ore.

Mr. HAYES. Thank you very much. I don't want to impose on the chairman's kind nature here.

The CHAIRMAN. Mr. Larsen.

Mr. LARSEN. Secretary Lawless, General Breedlove, thank you for coming to help us out this morning.

First off, I would like to ask, Mr. Secretary, if you can make some folks available for us maybe next month before we go into recess. A few of us are heading to China later August; and if we are able to get the benefit of some of your expertise from some of your staff before we headed over there, we would very much appreciate that on a variety of issues.

I won't put you on the spot to answer now but certainly want to look forward to that.

It is interesting, that point you made earlier about. I think you said that the need for the Department of Defense—a more comprehensive approach to the management of issues related to China. Secretary Paulson has been assigned the strategic economic dialogue. Secretary Negroponte for the State Department is coordinating the diplomatic side of things; and I have always been a little bit struck by DOD's approach to China, which sometimes is not in contradiction but is different than even within DOD, getting different messages as well about China. So I would encourage you to follow up on if that was just an idea thinking out loud about the DOD taking a more comprehensive approach and sort of sorting out the policy.

The reason I ask and I want to—this is a prelude. Because there are some questions that come up about missile defense and whether or not we need to be concerned about China and missile defense, and it is interesting. Because Secretary Gates at the Shangri-La conference, in an answer to a question about China missile defense and Japan and missile defense and Moscow and Russia, was asked whether we have considered a similar offer of cooperation of missile defense to the Chinese. He said, "I haven't thought about it. I think if the Chinese had expressed an interest in it, we would take it seriously."

That is on line—on page two of four of the transcript from the Shangri-La conference.

And, again, I don't know if he was thinking out loud or not. But if we are—you know, if we are headed that way or we are open to that, it runs counter to some of the questions that we have been asked here about missile defense in China. So it would be nice for everyone to get on the same page on that issue.

I think that as well trying to understand what you all think the appropriate balance between—in this relationship, especially the military relationship, would be important for us; and I would like to have your opinion if you think China is all about us, that is, China does things because of what the U.S. does and we seem to be—we seem to take an approach here that if China is investing in X, Y or Z then we necessarily need to invest in X, Y or Z, and this will get to China's intentions.

Do you think the PLA is more concerned about the U.S. any more than they are with their own presence in the Asia Pacific region? Do they get up in the morning and say what is the U.S. doing and how do we counteract that? Or are they looking more regionally and then, as a result, we need to then have a policy that responds more to how they see their region vis-a-vis how we see the region.

I know it is a complex question, but it seems to be very at the crux of how we approach China on a military-to-military, defense-to-defense relationship.

Secretary LAWLESS. I think I understand the nature of the question.

You asked, is China all about us? I think China is all about China. And that means that China is all about what it has to do in a whole range of relationships: its relationship with Japan, its future relationship with the Korean Peninsula, its relationship with southeast Asia, the Strait of Malacca. These are issues which China is dealing with and spending a lot of time thinking about.

We have security commitments in the region. We have many bilateral commitments, be it with Australia, be it with the Philippines, treaty relationships. And we have partnerships. We have strategic a framework agreement that has been put in place, recently, with Singapore.

I think what we have to do is figure out where China is coming from and how they are going at each of these individual relationships, because each of these partners turns to us and says what are we going to do about this or how are we going to adjust ourselves to compensate for this situation that has evolved.

One of the issues that I forgot to mention earlier, which really underlines what we had to do——

Mr. LARSEN. If I could, it seems in my mind it makes the case then for reacting appropriately and not overreacting and engaging China on any number of these issues.

Secretary LAWLESS. Yes, sir. That is correct.

The CHAIRMAN. Thank the gentleman.

Mr. Randy Forbes.

Mr. FORBES. Mr. Chairman, thank you for your willingness to hold this hearing; and, gentlemen, thank you for being here today. I only have five minutes. I have a couple of comments and want

to give you a few questions to give us an answer back for the record in one answer today.

First of all, we know that China has a huge checkbook that they have shown a willingness to use in the United States to affect our policies, and they have been very effective in this.

I was glad to hear you and agree with you when you talked about them developing asymmetric opportunities. Many of the witnesses we have had over the last several years have ignored the asymmetrical direction they are going. Also, your comments about they are being competitive with us in several areas.

The one I disagree with you, though, is our ability in tracking and predicting where their capabilities are going. Over the years, as we have read reports from DOD and we have had testimony, we have underestimated their capabilities and their ultimate goals time and again. We missed them on subs; we missed them on carriers; we missed them on blue-water navy. When we look at negotiations, we are losing those negotiations in intellectual property rights, human rights, currency issue, access for our business, trade deficits. They are the number one espionage problem we have in the country, according to the Attorney General.

Three questions I would like to throw out for you to respond to us at some date is this:

Given what we know with our history, what would be the value to the United States of working with the Chinese to develop an aircraft carrier, as Admiral Keating has previously suggested, which would clearly extend to PRC's capabilities beyond just regional affairs?

It baffles me. I hope with you can give us some answers on it.

Second, the attorney general has testified on two occasions before Congress that China represents the number one espionage threat against the United States. As you know, Chinese military strategy strongly emphasizes deception at the strategic, operational, technical levels. How responsive can we really expect the Chinese to be when we call for transparency with regard to their military modernization?

Third thing is how rapidly and how effectively are they using modeling and simulation to improve their training and to bring about jointness in their operations and between their services and also with their allies?

And then the question if you could answer for me today is this one: We talked about their cybercapabilities. But to what extent are the Chinese cyberwarfare units attacking computer systems in the United States currently?

Secretary LAWLESS. Well, first of all, I commend you on your overall presentation. There is not much there that I am going to disagree with, even when you get the response to the questions.

I would suggest, however, that in the response to the questions you are probably going to have much more clarity on what it was that Admiral Keating said and did not say.

Mr. FORBES. That is what we are looking for. We only see what we get in print. We are going to meet with him. That is why I asked—why it said.

Secretary LAWLESS. Past masters at spinning comments. That is the Chinese, not Admiral Keating.

I think that what we really want to do is we would love to have that discussion about cyberwarfare. There is a major treatment of that issue in the classified annex this year. It is probably an area where we, because of the nature of things that we know and understand with some degree of detail, I would rather defer a discussion to a classified venue. It is a very important area, and I cannot stress how diligently we are following this and attempting to understand what the capabilities are and the intent is. But it is a very important discussion, and we would love to have that with you in a classified.

Mr. FORBES. We look forward to doing that.

The last thing I would suggest for your review in looking at is this modeling and simulation aspect of it.

We have seen some very sophisticated programs that they are coming out with; and, as you know, one of the weaknesses we have seen with them has been their jointness and their ability to bring that about. It looks like to us they may be using some sophisticated modeling simulators the same way we have to try to bring about that jointness and jointness with allies and hope you can give us some feedback on that in a written form.

Mr. Chairman, thank you, and I yield back.

The CHAIRMAN. The gentleman from Georgia, Mr. Johnson.

Mr. JOHNSON. Thank you, Mr. Chairman.

It seems certainly that dialogue with China to try to minimize misunderstandings and misapprehensions, if there might be any, would be appropriate; and it take two to tango. So it seems like we have been reaching out and we have not been getting the kind of feedback or response back that we would—that we would like; and, meanwhile, the continued investment of China in its military infrastructure continues to escalate.

So the question becomes what does the United States of America do in response? And it can certainly embark—certainly intelligence is important in our ability to respond appropriately. But respond we must.

So I am concerned—in your statement, Secretary Lawless, you say that, on page three, at present, China's ability to sustain power at a distance remains limited. So I am concerned about our—I am concerned about, you know, helping China acquire aircraft carriers. I am concerned. I wonder why would that be a topic of discussion? Why would we think that that would be appropriate to do that? What kind of strategy are we—I mean, what underlies the strategy for that proposal? I wonder about that.

And I am also wanting to know from you a little bit more about the aircraft carriers that China has now. I thought I saw something in the statement and heard you say something, but I can't find it. So if you would tell me a little bit about that, I would appreciate it.

Secretary LAWLESS. Obviously, in the one request for a written response, we will be discussing the aircraft carriers exchange that Admiral Keating recently had. It was not a proposal by Admiral Keating to assist them in any regard with relation to aircraft carriers. It was an observation on his part the way we have gone back and deconstructed it with him. It was an observation on his part that if that is your intention to build a blue-water navy and to

have a carrier battle group and have a carrier as the center of that battle group, you may be underestimating by a long shot your ability to do that and you are underestimating the complexity required to field such a capability.

I think it was more of a suggestion that they needed to understand what it is they were taking on and how complicated and costly and what an actual challenge that would be to them. That is my understanding of the dialogue.

To me, it makes absolutely no sense whatsoever to have a discussion with the Chinese beyond that, except that if they are going to build such a capability we would like to understand what the intent of it is. Is the intent to project power? Is the intent to——

Mr. JOHNSON. What could be the intent other than to project power in the long range?

Secretary LAWLESS. There is a number of explanations for that aircraft carrier being used or being modernized or whatever use they put to that particular ship that has been the focus of a lot of attention to the Viog. That was, as I believe, it was a Kuznetsov class carrier in the Russian navy—excuse me, in the navy of the former Soviet Union. So it was really the peak of the Soviet Union's building program to equip themselves with a true aircraft carrier. So there is a huge amount of attention focused on that.

I think the Chinese could actually be looking at that ship for purposes of developing the ability to target U.S. aircraft carriers. It is a very reasonable and logical conclusion as to why they are spending so much time and attention on that vessel as they are.

As a closing comment, let me just say in every recent interaction that our people have had, senior military leaders and civilian officials, it is very clear that the Chinese intend—it is their intention over the long term to build a blue-water navy and to have at the center of that blue-water navy a carrier battle group just as we have.

So they definitely are moving in that direction, and they have made it pretty clear to us that is where they are going. We need to think about that, and we need to think hard about that.

The CHAIRMAN. Thank the gentleman.

Mr. Franks.

Mr. FRANKS. Thank you, Mr. Chairman.

Mr. Chairman, I have a friend here with me this morning. General Philip Breedlove is a precious, beloved friend and also the former commander of Luke Air Force Base; and he happens to be pretty unique in another way. I have only been in a full 360-degree loop in an F–16 one time, and he was at the controls. So there is a just a lot of respect and admiration for this man. I believe him to be a true champion of human freedom; and I think as long as we have generals, officers like him in our Air Force that there is still a lot of hope for the future for mankind.

So I hope I have put that the right way, but I really wanted to welcome you, General, to be here, and I can't even begin to apologize for missing your opening comments and the Secretary's here this morning. It was unavoidable, to say the least.

But I, again, welcome both of you here.

I know that we have had a lot of discussion related to China's asymmetric capability, especially some of their adventures in ASAT

in the space directions. I will tell you, not to involve you in the interesting political machinations of this committee, but we just came through the process of the DOD authorization bill, and we debated here in this committee this Space Test Bed, and, unfortunately, that has been zeroed out for the time being, and I am very concerned about that.

And without involving you in the political machinations any more than is necessary, given China's superior numbers and their military computer technology or technologists, as it were, and people that work on their military computer capability, it seems like that could be a fairly vulnerable area for us, and that has been suggested already here.

General, could I ask you to—I know that is a little out of your lane, but could I ask you to address it first and then the Secretary?

General BREEDLOVE. Well, sir, thank you for your kind remarks. It was as much fun for me as it was for you, I think, the flying.

Mr. FRANKS. I think it was more fun for you, General.

General BREEDLOVE. Sir, we clearly are a military, as has been mentioned by several members, that is dependent on joint warfare. Joint warfare means netcentric warfare sharing information, and I believe this goes back to the discussion we have had several times today that the Chinese look for those asymmetric ways to dig into our capabilities and they have seen and watched. They watched the Desert Storm. They have watched every war we have done since that time and how our information capability to target and to see and perceive our enemy is key our warfighting capability.

I think it is pretty clear to know that they are going to go after our ability to do that; and, as has been mentioned, we see that as a unique opportunity for them to attack us asymmetrically.

Mr. FRANKS. Spoken like a general of the Air Force.

Secretary, do you have anything to add to that?

Secretary LAWLESS. Actually, no. I am going to enlist General Breedlove on the policy side of the equation. That was a very comprehensive response on that.

No, not really.

Mr. FRANKS. This committee a year and a half or two ago was briefed by the Electromagnetic Pulse (EMP) Commission; and up until that time, a lot of us, including myself, had relegated the EMP threat as more like an asteroid hitting the earth. It would be really bad if it happened, but the chances of it happening are pretty low.

But I have to tell you a lot of us, including myself, became much more concerned as we looked at the Chinese development of EMP, especially as it relates to protecting or being—having an offensive capability and our inability to protect Taiwan against such a weapon if it were deployed. It might be something that would neutralize our fleet there pretty dramatically.

Do you think that we are—if we can answer it in a non-classified setting, are we addressing that in a capable way from your position?

And, General, I direct the question to you first again.

General BREEDLOVE. Yes, sir. I would—I am unprepared to address specific EMP. I would just say that maybe we would need to conduct dialogue with Taiwan as far as their internal efforts first

and their defense spending and the trend in their defense spending and then address this specific problem with them in those discussions.

I will defer to the Secretary further on that.

Secretary LAWLESS. I believe, sir—to come back to your question, I believe that we really would be able to give you a very comprehensive answer in a more secure venue than the one we have here today, in a classified briefing.

That said, taking note of Taiwan's vulnerability and indeed anyone that is dependent on an information society as we all are, one of the things that we have stressed to the folks in Taiwan is their requirement to harden their infrastructure and the fact that their infrastructure or the infrastructure of any advanced country is, obviously, very vulnerable to disruption.

So it is part of an ongoing dialogue about defensive measures to harden and back up their infrastructure because of the threat that we see growing very significantly to that infrastructure.

Mr. FRANKS. I am sorry. We are out of time.

Mr. Chairman, thank you very much.

The CHAIRMAN. Mr. Courtney.

Mr. COURTNEY. Thank you very much. I want to thank the witnesses for their helpful testimony.

I want to ask a specific question, Secretary Lawless. There were press reports last October that the Kitty Hawk had a surprise visitor. A Chinese submarine surfaced within firing range, and it seemed like that would have been a pretty stiff test of the military-to-military relationship between our two countries in terms of whether or not there was any follow-up or communication in the wake of that incident. And I was wondering if you have had any comments about whether or not we can decipher any intent also from that incident?

Secretary LAWLESS. A very appropriate observation and question, I might suggest.

We have been in a process—and, again, we mentioned this in our report again this year—a process with China, I believe, for over 20 years attempting to have an agreement, an military maritime consultation agreement (MMCA) agreement which really talks about safety at sea, talks about communications protocols, talks about how you preempt any conflict at sea or misunderstanding at sea; and that dialogue and the desire to reach agreement with China, as we have every other seafaring nation in the world, has been a very frustrating experience.

The reason it has been a frustrating experience is because, until very recently, China overlaid that dialogue with a policy issue. That is the 200-mile exclusive economic zone (EEZ) economic zone issue and different interpretations as to their rights within their own EEZ. I will tell you this: We recently reached agreement with China that we would take the policy component of that out and put it to the side so that we could actually have a discussion about MMCA and about these types of issues.

The surfacing of that Song-class submarine in the proximity of the Kitty Hawk underlined and reinforced our entire 20 years of discussion with the Chinese as to why we need mechanisms to be able to deconflict, and that very easily could have developed into

an ugly situation for the simple reason that we didn't have those procedures in place and still don't today.

So we have an incremental improvement in the MMCA area that is mentioned in the annual report, but we are a long way from having the type of dialogue to prevent situations like that at sea.

And one last point, as China reaches out and fields a blue-water capability and surges those submarines and those other ships out into areas where they are going to encounter large U.S. battle groups or whatever, we are going to see that issue repeated time and time again. So it is essential that China understand the requirement to deconflict and have these understandings in places. Right now, we don't have that agreement with them.

Mr. COURTNEY. Any speculation about what was going on there? Was it somebody sort of hot-dogging or was it just an accidental coincidence?

General BREEDLOVE. I think—I hate to interrupt, but I think there is one positive to take away from this.

From our incident in 2001 with the EP–3 and the fighter, we saw what some have characterized as some undisciplined actions by the pilot which resulted in the loss of a fighter in this instance. While I am not a naval man, in the air we have certain rules of the road. In the water, there are also rules of the road. And our naval folks tell us that the one positive of the incident is that the sub commander surfaced appropriately in accordance with peacetime signals for a peaceful surfacing.

So at least we take away that there was responsible action on the part of the sub commander, not addressing the military piece but at least the rules of engagement.

Mr. COURTNEY. Again, I just want to actually quickly follow up with Congresswoman Davis' question that she couldn't ask, which is about our efforts to try and change China's policy toward the Sudanese government regarding military transfers and their lack of response to the terrible genocide happening in Darfur.

Secretary LAWLESS. My comment would be, in the first instance, of course, this is a State Department issue, but it is hard to ignore the fact that obviously China places a premium on its relationship with Sudan and obviously is trying to develop a very, very close relationship in the area of energy. And part and parcel of that is China's supplying Sudan with weapons.

One of the issues that I think there is some agreement on is they will attempt to deconflict that weapons program with the Darfur activities. That said, I am not very sure how much ground we have gained with the Chinese in making them appreciate the other issues we have with Sudan, and I think it is a very good example of China's determination—or inclination, excuse me, to put energy as a priority in their national component over the interests of other issues that we might find important, particularly in the case of Sudan. It is really the poster child for that whole issue.

The CHAIRMAN. The gentleman from South Carolina, Mr. Wilson.

Mr. WILSON. Thank you, Mr. Chairman; and, General and Mr. Secretary, thank you very much for being here today.

I am very interested in our relationship with China and how we are working together to combat terrorism and proliferation of weapons of mass destruction.

On my visits to Beijing, I have actually been impressed to find out there is a realization we have a common enemy there. That is, terrorists who want to destroy modern civilization. Could you tell us what progress has been made, what challenges exist and what more can be done to work together?

Secretary LAWLESS. I actually think there has been progress in this area; and I think the progress is manifested by their eagerness to cooperate on the anti-terrorism frontier, sharing information and whatever.

I think the sharper interest we have relates to proliferation and particularly in our dialogue with the Chinese related to nuclear ballistic missile proliferation and to the extent to which China may be enabling other countries that would perhaps fall into the category of rogue states to proliferate and build systems that are destabilizing.

So I think while there has been some level of improvement on the counterterrorism front, there are still other initiatives where China has been invited to the table but has elected not to show up, particularly the Proliferation Security Initiative (PSI).

The Proliferation Security Initiative, as you know, is an ad hoc arrangement whereby the stated purpose of it is to cooperate, to deny or preempt the ability of people to ship weapons of mass destruction or components or enablers thereof. We would have liked to see China show up at PSI and participate.

On the other side of the equation, they are involved in the container initiative, and I think there is a pretty robust or decent dialogue with regards to that particular initiative. So it is a mixed message where there is room for a huge amount of improvement.

General BREEDLOVE. Yes, sir. I wouldn't want to alter what the Secretary has said, but I would just like to harken back to something he did mention before.

One of the areas we would like to see some improvement on has sort of been the international relations piece. As he mentioned, the Shanghai Corporation Organization did work to block our U.S. basing in Kyrgyzstan; and that was not helpful to our war on the terror. So there are places, as the Secretary has said, where we have a mixed record; and we would like to address those areas.

Mr. WILSON. I appreciate you pointing that out. Because it would appear that we should be working together more closely, but specifically Kyrgyzstan needed to be raised.

Additionally, I have had the extraordinary opportunity to visit North Korea and South Korea with the Six-Party Talks. It always has struck me that it is in China's interest of denuclearization of the Korean Peninsula and the stability of the Korean Peninsula that they would benefit most, but they also are the superior and only, virtually, benefactor of the Democratic People's Republic of Korea (DPRK).

How effective are they currently in the Six-Party Talks?

Secretary LAWLESS. That is—I think the record is mixed.

By and large, we give the Chinese due credit for enabling the entire process, hosting the entire process, convincing the North Koreans to show up when there is a meeting; and China has delivered on that aspect of the program, that is, as a host or moderator or enabler for the overall discussions.

I personally believe, having sat through every single Six-Party session, that China needs to be a little bit more declaratory with regard to its concerns.

And, in that regard, you are correct that China remains the single most important, the overwhelming supplier, enabler of North Korea. So, in that regard, one would think that China has leverage it has not elected to use to date. And I think that is a consensus position, and I think that is what is our—our goal is that China becomes more active vis-a-vis North Korea, given the inherent leverage they possess in the issue.

Mr. WILSON. In conclusion, I want to thank you for your efforts; and I just can't reiterate enough that it seems like, to me, mutually beneficial to China, the United States and so on, the entire Korean Peninsula that there be a real effort to, even without regime change, to have the countries that work together.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you.

Mr. Taylor, the gentleman from Mississippi.

Mr. TAYLOR. Thank you, Mr. Chairman.

Mr. Secretary, thank you for being here.

Mr. Secretary, in your remarks, you quote the 2006 QDR that says, "China has the greatest potential to compete militarily with the United States; and field destructive military technologies that could over time alter traditional U.S. military advantages."

Now that is a document that comes from the Bush Administration, a report to Congress. Given that the Bush Administration is saying this, how would you explain that the President's remarks seem to have almost tunnel vision toward Iran and al Qaeda? If the threat is China, why doesn't the Bush Administration say why don't we have free trade with China instead of focusing on Iran and al Qaeda?

To the best of my knowledge, al Qaeda doesn't have an aircraft feet, doesn't have a naval fleet, doesn't have mass armies, doesn't have nuclear weapons. The Chinese have all of these things. The Bush Administration QDR is the one that says they are the threat, and yet the President seems to be focused over here when this document says maybe we ought to be looking over there.

Secretary LAWLESS. I think the QDR, as presented, did address the priority of combating international terrorism. The particular portion of the QDR that we are referring to here discusses the emergence of strategic competitors, and it doesn't make any judgment with regard to where China will eventually go. It simply says that we have identified China, given the industrial base we have discussed here today and a number of other issues, has the potential—and I think I would underline that piece in the QDR—to field disruptive technologies. That is a fact. The potential is there.

Similarly, in that same document, we talk about China as a potential peer competitor; and the reason we are doing that is we are saying that there are a number of choices in front of the Chinese leadership that they have to make, we only have limited control over those choices, and that it will happen over a multi-generational process as China continues to develop its capabilities and its economic power.

We are acknowledging China as a possible peer competitor. It certainly is a peer competitor of the United States in many economic fields today, and it will be in the future in more areas, and eventually it will be a peer competitor in the field of national security and military technology and its capabilities.

I think in the QDR, taken as a whole, puts China in the position of emerging peer competitor. It makes no judgments as to whether attending that issue is more important than dealing with al Qaeda or international terrorism; and, actually, it is quite balanced in that it says we are not prepared to make a judgment as to where China may end up on that spectrum of possibilities.

So the QDR as a whole, that language is very carefully chosen within the context of a nation state peer competitor, as opposed to international terrorism.

I can't give you a better answer than that, other than to say I think the QDR is very balanced.

Mr. TAYLOR. Walk me through something.

I have been in China maybe four hours, but Shanghai looked a lot more modern than New York. It is my understanding it is a secular society that actually goes out of their way to downgrade pollution. It is a society where they have forced abortions. Strikes me as something that is the antithesis of a fundamentalist Muslim. How is it that they have dodged the wrath of al Qaeda?

Secretary LAWLESS. It would be very difficult for me to give you a definitive answer on that. I don't believe there is a large Muslim population with which they have to deal. There is a Muslim population there. They have had their problems in the far west of the country where there is a Muslim majority. There is actually an organization out there that I believe we have designated that has been universally designated as a terrorist organization, I believe.

So it isn't that they have dodged altogether the bullet. I think that the problems they have internally with regard to terrorism are very contained geographically and that they have just simply found a way to manage that threat over the years.

But I don't think that they are ready to rest on their laurels. They appear to be very concerned about the threat of terrorism; and they have got the Olympics coming up, as you know, where there is a venue there for international terrorism to manifest itself.

So China has a problem. The problem is at least under control, I believe. But they have a problem.

Mr. TAYLOR. Thank you, Mr. Chair. Thank you, Mr. Secretary.

The CHAIRMAN. Thank you.

Mr. Akin.

Mr. AKIN. Thank you, Mr. Chairman.

A couple of quick questions here.

The first thing is we have had some briefs from the Navy, particularly as it relates to the situation with China and the importance of network-centric warfare and that being the future where we need to be going with our forces.

Is there any program to develop that that is parallel to the future combat systems, parallel to that in the Army, or is the thinking that maybe some of that software and that communications discipline could be cross-supplied to the Marines or the Navy as well?

General BREEDLOVE. Sir, I will take a stab.

I think I understood your question, and let me just quickly rephrase it to make sure I don't answer it incorrectly. Are you asking are we taking a look at the progress they are making in netcentric warfare and applying it to our military?

Mr. AKIN. Yes. And my question was, do you have your own parallel effort going on toward network-centric warfare in the Navy, or are you waiting to say maybe we can cross-apply it and just take some of the software or maybe something else?

I guess maybe my question is, what is your action to move us into more of a network-centric force in the Navy relative to this situation in China?

General BREEDLOVE. Sir, I would give you my assessment. I am an Air Force officer, so that limits my visibility into the Navy a little bit.

I would tell you that, as an Air Force officer, especially dealing in the aero warfare piece, the Navy is absolutely net warfare centric, and they are lashed in completely with both Army air defense and U.S. Air Force netcentric warfare. In fact, the Aegis cruiser is an incredible example of netcentric warfare and the capability to control and communicate across nets.

So my exposure to the Navy and netcentric warfare is they are extremely good; and my appraisal of the Chinese effort, especially as it pertains to their army, navy, and air force, is they are decades behind us at this point in netcentric warfare.

If we have an asymmetric advantage, that would be the asymmetric advantage.

Mr. Secretary, any——

Secretary LAWLESS. No. I agree with that comment, but I think it is important to stress that in every instance where we have a disadvantage China has done a very good job of assessing exactly where they stand vis-a-vis the United States and has embarked upon a very aggressive program of becoming that centric, understanding it, and integrating their forces.

This is a big issue for them. They are spending a lot of time and money on it. My prediction would be, given the underlying strength of the telecommunications and the Internet activity and computer technology in China, they are going to be able to close that perhaps multi-generational gap very quickly; and that is our concern.

Mr. AKIN. Thank you.

Another aspect of what China's interest has been in doing is, in various ways, is to deny us access to certain regions, particularly around Taiwan, is my understanding; and they have different techniques for doing that. One of them, of course, is asymmetric threats just in general on computers, I suppose. Another one is the Sunburn missile. Do we have a response to that at this point? Is that still a significant threat or can we stop those at this point or is that classified?

Secretary LAWLESS. It is classified, but just let me say one of the elements of this year's China military power per the unclassified version is not just a discussion of Sunburn. It is a discussion of Sizzler as well, which is the submarine-launched anti-ship cruise missile, plus a whole range of land-based and aircraft-based anti-ship missile.

So this is an area in which the Chinese, as you have observed, are spending a huge amount of effort as part of the area of denial or access-denial programs.

I think we would be able to treat your question very effectively in a closed session.

General BREEDLOVE. Sir, just to add a small piece.

In the report, the unclassified report, there are clearly depictions of not only these missiles but the air defense missiles and all of these systems overlapping in an area of denial, access denial mode that reaches clearly to Taiwan; and that is concerning to us as it is, obviously, to you, sir.

Mr. AKIN. And then I guess the next piece of it is the submarine component.

I understand—I have to leave that question for another day.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you very much.

Before I ask Ms. Bordallo, Mr. Secretary, let me ask you in general, regarding the P–3 incident, which I believe was 2001, the USS Kitty Hawk incident on October 26th, 2006, and the Chinese successful anti-satellite test January 11 of 2007, can you, in your understanding and study of China, ascribe any general intent to send any type of messages to the rest of the world within those three incidents?

Secretary LAWLESS. If that was the intent, we certainly have not found a common thread.

I would suggest, rather than carefully calculated intent, what we saw in each of those three cases was a demonstration of capability.

In each case—not in the EP–3 incident in which an aircraft rammed our plane by challenging it in what was called the so-called EEG zone of China, but particularly in the other two areas, the Kitty Hawk incident and the direct ascent anti-satellite missile test, what you have is a China that is developing very impressive either anti-access in the case of the submarine or particularly asymmetric capabilities in the case of the anti-satellite test, developing very impressive capabilities and being willing, if not eager, to demonstrate those capabilities both to us and to their own people.

There is an issue here also of being confident about their own capabilities, and the level of confidence that the Chinese have in their growing capabilities is another issue of significant concern to us.

The CHAIRMAN. Thank you very much.

Ms. Bordallo.

Ms. BORDALLO. Thank you very much, Mr. Chairman. And thank you, Secretary Lawless. It is good to see you again. And I want to thank you for your very important role in the transferring of the Marines from Okinawa to Guam. And to you, General, welcome.

The efforts on the People's Republic of China to improve its military capabilities, particularly its ability to project force in the Pacific, are of particular concern, naturally, to me and my constituents. As you well know, Guam is located just over 1,000 miles from the Chinese mainland, and the recent report from the Department of Defense on China's military power has attracted a significant amount of attention back home. I am also the co-chair of the Con-

gressional China Caucus, along with my colleague from Virginia, Mr. Forbes, so I am very interested in the military capabilities in China.

So my question to you, Mr. Secretary, is this. As you know, the military buildup on Guam is moving forward, particularly with the announcement of Japan's authorizing of $6 million in funding for the buildup. The recent DOD report highlights the increased military spending by the Chinese. So to what extent does the increased Chinese military spending impact the military buildup on Guam?

Secretary LAWLESS. I think that as we have discussed with you in your office, and as we have discussed in our interactions on Guam, and with the Governor and his people and the Senate on Guam, the changes that we are making to Guam is part and parcel of the process that began in 2002 with global basing and our reassessment of our global basing requirements. The idea of devoting much more attention to Guam, again, is part of a reposturing that we believed was necessary in the Western Pacific. It has to do not only with the relocation of certain capabilities from Okinawa and a broader distribution of those capabilities that is the Marine force, it also has to do with some very important buildup, as you know, of U.S. Air Force and U.S. Naval capabilities on Guam. We believe that we need to balance our forces a little bit more carefully in the Pacific.

That is part of the Guam buildup. But we also need—Guam is United States territory, and it is very appropriate that if we are going to expand our capabilities in the Western Pacific and demonstrate to our allies, to our partners, and to other interested parties that we are a Pacific power, and we are determined to stay in Asia, Guam is a very good place for us to do that from. It is U.S. territory, it is ours, and we are in Asia to stay.

So I would suggest there is both a military aspect to the buildup on Guam, a very necessary military aspect. There is also a psychological issue with our commitment to Guam and Guam's role in the greater U.S. posture in Asia and the Pacific. So we certainly appreciate the fine hospitality and the great relations that we enjoy with the people of Guam.

Ms. BORDALLO. Thank you very much, Mr. Secretary, and I do want you to know that we are looking forward to this buildup.

The next question I have is the U.S. Navy recently announced that the USS Buffalo, a Los Angeles-class fast attack submarine, will be home ported in Guam. This will replace the other one where there was an accident. There have also been discussions about utilizing new piers at the Naval Base Guam for maintenance and resupply of aircraft carriers. Are there additional military capabilities that are being considered for placement on Guam that would provide additional security to counter the increased Chinese military buildup that you know of?

Secretary LAWLESS. Yes. We are very much aware of the dynamics of the range rings that are in that book and where Guam sits within those range rings of different Chinese ballistic missile capabilities. Obviously, the buildup on Guam is multifaceted, it is a dynamic and ongoing process, and I think we will continue to assess what the needs of Guam are in defending our presence there and defending the people of Guam.

So you can be sure that we literally meet once every two weeks at a steering committee within the Pentagon to decide how the Guam buildup is moving forward and what we need to do differently. So rest assured that we have this issue in hand and we are very mindful of the requirements of Guam.

Ms. BORDALLO. And I do have just a second part of that question. The lack of transparency in China's accounting for military spending. It seems that the Department of Defense is taking a new tack in its talks with China and ramped down the rhetoric about transparency in China's reports. Can you elaborate on the rationale for the change in tactics?

Secretary LAWLESS. We really don't see that it is a change—we don't see this as a change in tactics. I think that the same themes that appeared and were consistent with previous reporting, previous *China Military Power Reports*, are all still there. I think this is our seventh year in generating a report, or at least our sixth year in generating a report. Those themes remain pretty constant. The rhetoric regarding the military budget, frankly speaking, has become so routine, and we have thumped that drum so much that we thought that we simply didn't need to spend that much time in this report beating on that drum, and that is the only thing that I can attribute it to.

Ms. BORDALLO. Thank you. Thank you very much, Mr. Secretary.

The CHAIRMAN. Thank you. Mr. Cummings, the gentleman from Maryland.

Mr. CUMMINGS. Thank you very much, Mr. Chairman. Mr. Lawless, you stated in your testimony that while Beijing has improved its non-proliferation posture by promulgating export controls and regulations, strengthening its oversight mechanisms, and committing to respect multilateral arms export control lists, at the same time China has participated in the ongoing transfer of conventional weapons to nations such as Iran, Sudan, Burma, Zimbabwe, and Cuba. Is China fulfilling its obligations under the U.N. Security Council Resolution 1747, which calls for the restraint in the sale of heavy arms and missile technology to Iran? And what are your key concerns?

Secretary LAWLESS. In the implementation dialogue on 1747, I think that we are satisfied—and again, I have to be careful here, because I am not speaking on behalf of the State Department, and this is their lead—I think we are satisfied that they are making a real intention—they have the intention of following through on 1747 sanctions. The issue is not so much the letter of the law in China, it is China's ability and willingness to implement the law and to constrain or restrain individual companies that in a very freewheeling way have for a number of years dealt with proliferators and supplied them with a wide range of components, materials, and systems, subsystems. And the issue for us is one of getting the Chinese, let me say, to enforce the laws that they already have on the books with a fairly robust enforcement mechanism, which heretofore has not really existed.

They are doing a much better job than they have done in the past. They are trying to enforce their own laws in this regard. But a lot of important things continue to slip through, and we get very disturbed when important things slip through, because it means

that China is the only supplier of a given system or subsystem that enables a proliferator such as Iran to build a complete system.

So you can understand the frustration. The laws are on the books. They are making a good faith attempt to put the legislation down. The issue is their willingness and ability to enforce the laws they already have. And I am sorry if that is——

Mr. CUMMINGS. No, no.

Secretary LAWLESS [continuing]. A lengthy answer.

Mr. CUMMINGS. That is fine. While Mr. Negroponte testified before the House Committee on Foreign Affairs on May 1, 2007, that China has a mixed record on efforts to stem the proliferation of weapons, especially those relating to missile technology, and this is a follow-up on what you just said, notably China needs to implement effectively its export control regulations and to rein in proliferation activities of its companies.

Mr. Lawless, you also noted in your submitted testimony that China should do more to curtail proliferation. Has China begun to improve its export regulations as to deter private entities from engaging in weapons proliferation? And I take it that—does that fall under the same category that you just stated?

Secretary LAWLESS. Exactly.

Mr. CUMMINGS. In other words, the law is there, and it is just not adhering to them? And what can we do? I mean are our hands tied behind our backs on this?

Secretary LAWLESS. No, not at all. In fact, sir, I would suggest that it is probably not so much an act of commission on their part as it is an act of omission. When you simply don't enforce, and either because you don't have the mechanisms in place to catch a given shipment—you know who your proliferators typically are, you know what companies are involved in these activities, because only certain companies have the ability to ship these products. I think it is a question of the laws are on the books by and large, it is enforcement, and in particular enforcement at a local level. Their regulatory and enforcement authorities may be in some regards lacking. And so perhaps we are not giving them sufficient credit for the things they are able to do given their situation. But they have had enough time now, and these proliferating companies are well known to them.

And you ask if there is anything we can do. There is something we can do, and we do it routinely. We list the companies as proliferators, and basically ban anyone from doing business with them. In certain cases this has resulted in a very negative reaction from the Chinese government, because you have no choice but to sanction a large corporation. That corporation may have a division over here which it does not control that is proliferating, and we have no choice but to sanction the entire corporation, which has happened a number of times. So this is a very sensitive issue between the two governments. But that mechanism does exist if we choose to use it.

Mr. CUMMINGS. Thank you, Mr. Chairman.

The CHAIRMAN. Thank you. Let me, before I call on Mr. Larsen, Mr. Secretary, if I may ask you how we, our country is engaging with China to combat terrorism as well as proliferation of weapons

of mass destruction. How are we engaging with them? What are they doing? What are we doing? If anything?

Secretary LAWLESS. I actually think we are doing a lot. There are fora and activities which China for one reason or another have elected not to participate in, which is a disappointment; for example, the Proliferation Security Initiative. There are other mechanisms that have been established by the United Nations—the gentleman has just mentioned United Nations Resolution 1747—in which we see every indication that China is willing to play a proactive and aggressive role. We have a number of interactions, all organized and led—mostly organized and led by the State Department, or in the case of financial issues, led by Treasury. So you know, there is a very aggressive engagement going on with the Chinese across several areas. They get it, particularly on the very high value issues like nuclear materials control. In other areas, there seems to be a reluctance or an inability to recognize the proliferation potential of a lot of the smaller companies. And so I think there is a lot of room for improvement, and that is all going to be an issue of willingness on the part of the Chinese government to step up and just do it.

So that is sort of where we are with them. A mixed record. Getting better, but significant challenges remain, as Ambassador Negroponte in a very carefully worded statement has noted.

The CHAIRMAN. Thank you. Mr. Larsen.

Mr. LARSEN. Thank you, Mr. Chairman. Again, Secretary Lawless and General Breedlove. Secretary Lawless, earlier in your testimony you mentioned the defense telephone link (DTL). And your testimony in particular says U.S. and Chinese officials will meet in September, 2007 to finalize details of the link. I know there has been some technical issues, like defining who would actually answer the phone in China. But I wanted to ask what specifically is left to discuss, to finalize the DTL?

Secretary LAWLESS. I think there is a lot left to finalize it. In fact, all we really have at this point is the comments by Lt. Gen. Zhang in Singapore at the Shanghai Forum, on I believe it was the 2nd of June, where he said we have made a decision to accept the U.S. proposal, or something of that nature. It was somewhat vague. So the first question that will be before us in the DCTs in September is we would like to hear that across the table formally, if not before.

Mr. LARSEN. You need to hear that from General Guo or from——

Secretary LAWLESS. No, I think we need to hear it in a formal session from General Zhang. And the other thing that has to happen is we have had teams discussing this with them, visiting with them. I think there needs to be a much more concrete demonstration that they are willing to throw the switch on the telephone. And the devil is in the details. But we would intend that by the time we meet in September that this thing be locked up with an agreement on all the specifics of the defense telephone link. It is very important to put that in place. We have been waiting for four years to do it.

Mr. LARSEN. Last—I forget if it was December or January, it was either late December or early January we were there, and in a con-

versation with the Minister of Defense Cao we—I actually had the opportunity to directly ask him for an invitation as an observer to the next joint China-Russia exercise——

Secretary LAWLESS. Yes.

Mr. LARSEN [continuing]. Which I recall the response being something about the weather. In other words, it just sort of landed and we moved on. But I was curious about whether or not that is still something we would like to ask again, if an opportunity arose to ask again for observer status at a joint China-Russia exercise?

Secretary LAWLESS. If you get observer status could you get us observer status?

Mr. LARSEN. I may have better luck? Is that it?

Secretary LAWLESS. I am serious, because as you know, we have requested observer status.

Mr. LARSEN. I know. I know.

Secretary LAWLESS. And we have been told by each party that it is the fault of the other party not wanting us there. So it is sort of like a double uninvite to the event.

Mr. LARSEN. Right. Okay. I got it. So I will put that on my to do list then. Related to that is generally the East Asia Security Summit and the EAS and whether or not—do we still see that as something that we want to try to be a part of, or after a couple of times they have met there doesn't seem to be much that has come out of it? Do we see that as all that important, as important as SCO, as important as any joint exercise between Russia and China? Where does EAS fit in all this?

Secretary LAWLESS. Well, I think it fits into there is a whole matrix of regional fora, security-related fora that is being addressed.

Mr. LARSEN. The ASEAN (Association of Southeast Asian Nations) Regional Forum (ARF).

Secretary LAWLESS. You have the ARF, and other fora, all of which we show up at if we are invited to come. The issue for us has been we want any fora that is created—any forum, excuse me, that is created to be all-inclusive. China has in the past not been helpful in this regard, in that it would actually like to promote venues and fora that are non-inclusive, meaning that the United States is not part of that presentation. Other parties that are there very much would like us to be there as well.

Mr. LARSEN. Right.

Secretary LAWLESS. So I think we will continue to seek out every opportunity in every fora that presents itself to be there, either as an observer or as a full participant. We want to be involved. And to the degree that others don't want us to be involved, we do not believe that is helpful.

Mr. LARSEN. And a final thing is one quick question, does the Department have any plan or desire or is there a role to cooperate with China on security matters for the 2008 Olympics in Beijing? And if so, what specifically would you like that plan to be or is there a plan?

Secretary LAWLESS. There really is no plan. And that is mainly attributable to the fact that China has really never requested any assistance. And in fact, when we have broached the subject, the response has been we got it, we will let you know if we need any

help, but we are pretty confident we can handle it, thank you very much.

Mr. LARSEN. Enjoy the basketball.

Secretary LAWLESS. Yes.

Mr. LARSEN. Just quickly, Mr. Chairman, if you haven't picked up *Rising Star* by Bates Gill, I commend it to your staff as a great airplane read.

Secretary LAWLESS. Thank you.

Mr. LARSEN. Sure.

The CHAIRMAN. Before I thank you, let me make a reference to the upcoming 2008 Summer Olympics in Beijing. My judgment is that all the stops are being pulled for the security for those games. You have any comment on that whatsoever?

Secretary LAWLESS. No. Not other than to say that we believe that China is assigning a very prominent role to physical security and broader security to the games. It appears to be taken on board by them in all of their planning. At this time they seem very confident that they have a good handle on it. And we will continue to offer I think across the entire breadth of the United States Government our support and our willingness to help them. But right now it is an offer that has not been taken by the Chinese. And frankly speaking, I don't think they will take it up. I think they are very confident about what they are able to do.

The CHAIRMAN. Gentlemen, thank you very much. This has been an excellent hearing, and I received compliments on your testimony from other members as they were passing. We appreciate it. And Mr. Secretary, good luck to you in your days ahead. And General, it is good to see you.

[Whereupon, at 12:18 p.m., the committee was adjourned.]

A P P E N D I X

June 13, 2007

PREPARED STATEMENTS SUBMITTED FOR THE RECORD

JUNE 13, 2007

OPENING REMARKS OF RANKING MEMBER DUNCAN HUNTER

China: Recent Security Developments

June 13, 2007

Thank you to my good friend, Ike Skelton, for holding today's hearing on recent security developments involving the People's Republic of China. Today, we take a look at China's military capacity, the pace and scope of its military modernization; and China's near- and longer-term strategic aspirations in the region and around the world. The Pentagon's 2006 Quadrennial Defense Review Report (QDR) noted that China is at a strategic crossroads with the "greatest potential to compete militarily with the United States." While much of the public's attention is focused on ongoing military operations in the Middle East, it is important for this Committee to remain focused on all U.S. security interests throughout the world.

I would like to welcome our witnesses—Mr. Richard Lawless, the Deputy Under Secretary of Defense for Asia-Pacific Affairs and Major

General Philip M. Breedlove from the Joint Chiefs of Staff. We look forward to your testimony and your perspectives on China's military modernization ambitions and their impact on the United States and our allies in the Asia Pacific region. We are also interested in hearing about possible areas of cooperation between China and the United States, as well as how we are preparing to deter and prepare for potential unexpected security challenges in the region. This is a timely hearing and we appreciate your appearance here this morning.

During the last year, China demonstrated its resolve to transform and evolve its military into one that can challenge its regional neighbors first and then into a force that can conduct offensive operations globally. In October 2006, a Chinese SONG-class diesel submarine surfaced near the USS Kittyhawk—demonstrating a deep-water capability; on January 11, 2007, China conducted a direct-ascent anti-satellite (ASAT) test—a provocative act signaling the country's indisputable capability to challenge the United States in space. In March 2007, China continued a fifteen-year trend of double-digit increases in defense spending,

announcing that it would increase its annual defense budget by 17.8 percent over the previous year to $45 billion. If you include categories of spending such as foreign acquisitions and military-related research and development, this figure could be as much as $85 to $125 billion.

Such increased defense spending has contributed to improved capacity and capabilities for the Chinese military. Today, China continues to transform from a coastal navy to a fleet centered on anti-access and area denial. This fleet includes the Russian-purchased SOVREMENNY II guided missile destroyers fitted with anti-ship cruise missiles; nuclear attack and diesel submarines, including twelve KILO-class submarines delivered by Russia, and the Chinese-produced LUYANG II class destroyer with a vertical launch air defense system.

Additionally, China is modernizing its offensive air capabilities—deploying the F-10 multi-role fighter aircraft to operational units; co-producing the multi-role SU-270 MK/FLANKER fighter with Russia; and arming its tactical aircraft with precision weaponry.

Lastly, China's strategic force ambitions remain strong. China has at least ten varieties of ballistic missiles deployed or in development and is updating some of its older systems with improved range, mobility, and accuracy—this includes about 900 CSS-6 and CSS-7 short-range ballistic missiles deployed to garrisons opposite Taiwan. China's road-mobile DF-31 and its longer variant, DF-31A, intercontinental ballistic missiles (ICBMs) reached initial threat availability in 2006 and are expected to achieve operational status in 2007. Make no mistake about it, these missiles could target and reach the United States.

The basis for China's military modernization efforts and emergence as a regional and global power is its economic engine. During the last ten years, I have watched China become the world's third largest trading power by devaluing its currency to achieve an export advantage over its trading partners. In 2006, China's trade surplus with the United States grew to more than $200 billion—a 25 percent increase from 2004. I continue to be very concerned about the Yuan, which

remains undervalued by approximately 40 percent and the Chinese use of American "greenbacks" to purchase its ships, planes, and missiles.

If you look around the world, there is growing evidence that China is pursuing economic relations and military cooperation beyond Asia, including in the Middle East, Africa, and Latin America. As China's demand for energy and natural resources increases, it is partnering with obstinate states such as Iran and Venezuela. In Sudan, China is the country's number one consumer of oil. In return, China continues to be a major supplier of Sudanese arms, although it has declared its intentions to restrict arms sales to uses outside of Darfur.

There is certainly positive potential for cooperation between the United States and China. The former commander of U.S. forces in the Pacific, Admiral William Fallon, testified at the February 2007 PACOM posture hearing that he is optimistic about the future of U.S.-China relations after two years in command and that "military-to-military activities… such as exercises, port visits, and mid-level officer

exchanges can over time reduce the potential for misunderstanding and provide the opportunity to positively influence future PLA leaders." In addition to military exchanges and exercises, the United States and China are cooperating diplomatically in the Six Party talks focused on a denuclearized North Korea.

Despite these opportunities, questions remain, such as: What are China's "true" military intentions and military capabilities—from military contingencies in the Taiwan Straight to other regional contingencies? Will China emerge as a responsible global partner?

China's rapid economic growth, double-digit defense spending, investments in military modernization with a focus on power projection and its strategic forces, and increasing presence around the world require a policy employed by one of America's great leaders, Ronald Reagan—"Trust, but verify." This committee will continue to try to do just that.

Once again, welcome to our witnesses and I'll yield back to my good friend from Missori.

"China: Recent Security Developments"

Prepared Statement of
The Honorable Richard P. Lawless
Deputy Under Secretary of Defense for Asian and Pacific Security Affairs
before the House Armed Services Committee
Wednesday, June 13, 2007

Introduction

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

Context of Bilateral Relations

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

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

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

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

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

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

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

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

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

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

China's Expanding Military Capabilities

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Conclusion

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

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

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

Thank you.

QUESTIONS AND ANSWERS SUBMITTED FOR THE RECORD

JUNE 13, 2007

QUESTIONS SUBMITTED BY MR. FORBES

Mr. FORBES. In the preface of the Office of Naval Intelligence report on China's Naval Modernization, William E. Tarry, director of ONI's Naval Analysis Directorate wrote, "By acquiring some of the world's most impressive naval technologies from abroad while simultaneously building advanced indigenous submarines, combatants and naval aircraft, China is positioning itself to play a growing role in regional and transregional affairs." What would be the value to the United States of working with the Chinese to develop an aircraft carrier as ADM Keating has previously suggested, which would clearly extend the PRC's capabilities beyond just regional affairs?

Secretary LAWLESS and General BREEDLOVE. [The information referred to is classified and retained in the committee files.]

Mr. FORBES. The DoD PRC Power Report states that "China's actions in certain areas increasingly appear inconsistent with its declaratory policies." The Attorney General has testified on two separate occasions before Congress that China represents the number one espionage threat against the United States. As you know, Chinese military strategy strongly emphasizes deception at the strategic, operational, and tactical levels. How responsive can we really expect the Chinese to be when we call for transparency with regard to their military modernization?

Secretary LAWLESS and General BREEDLOVE. [The information referred to is classified and retained in the committee files.]

Mr. FORBES. PLA (People's Liberation Army) doctrine considers computer network operations as a force multiplier in the event of a confrontation with the United States or any other potential adversary. To what extent are Chinese cyberwarfare units attacking computer systems in the United States?

Secretary LAWLESS and General BREEDLOVE. [The information referred to is classified and retained in the committee files.]

Mr. FORBES. I understand that the PLA has developed training systems using modeling and simulation technologies, both for individual proficiency and to increase joint capabilities. To what extent are these training systems being used to train the PLA and how does this factor into the DoD assessment of the PRC's military modernization?

Secretary LAWLESS and General BREEDLOVE. [The information referred to is classified and retained in the committee files.]

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