

Statement of Franklin D. Kramer
Before
House Armed Services Committee
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Mr. Chairman, Members of the Committee:

I appreciate the opportunity to testify today on the issue of Chinese military power. I would like to discuss three points with the Committee:

First, what is the appropriate context for analyzing Chinese military power.

Second, how significant is that power.

Third, what should the United States be doing.

The Department of Defense has just issued its 2005 analysis of Chinese military power. I have reviewed the unclassified version, which seems to me does an excellent job of analyzing a hard intelligence target—one for which, the report acknowledges, there are numerous intelligence gaps. I will come back to that point in my recommendations to the committee.

There is no question that the Chinese military is a potential adversary of the United States in the Taiwan Strait. In 1996, we placed aircraft carriers around Taiwan in response to the Chinese missile firings. But, as the DoD report makes clear, the full context in which to understand China's military power is multidimensional. On the one hand, as the report says, the "United States welcomes the rise of a peaceful and prosperous China, one that becomes integrated as a constructive member of the international community." Moreover, as the report further states, since the EP-3 incident in April 2001, the "United States has developed a cooperative and constructive relationship with China." President Bush has met regularly with Chinese leaders; Secretary of State Rice has been to China twice in the relatively short time since she assumed her new position.

Shortly after September 11, President Bush met with then-Chinese President Jiang Zemin. He noted that the "government of China responded immediately to the attacks" and that there is a "firm commitment . . . to cooperate in intelligence matters, to help interdict financing of terrorists

organizations. . . . President Jiang and the government stand side by side with the American people as we fight this evil force.”

The President went on to state that “China is a great power.” He welcomed a “constructive relationship” and he said, “Today’s meetings convinced me that we can build on our common interests.”

The President’s statements are reflective of the positive sides of the relationship—with a focus on common interests and actual cooperation. It is my best understanding that cooperation on counterterrorism continues. Further, the Administration currently is working closely with China on the North Korea problem in the context of the Six Party talks; there are joint commissions on economic matters; we are just beginning a new senior dialogue on issues of global concern; and there are even military-to-military contacts—all points noted by the report.

Overall, China is a very major global economic and geo-political force. It is a permanent member of the United Nations Security Council. It is creating significant trading and political relationships in the Asia region and beyond.

But there is clearly a negative side also. As I have already noted, Taiwan has always been the potential flash point issue for the U.S.-China relationship, and only recently a senior Chinese general raised the possibility of nuclear attack on the United States in a Taiwan context---a quite serious matter. More broadly, Secretary Rumsfeld has questioned the rationale behind Chinese military spending. China’s recent relations with Japan have not been positive, ranging from the anti-Japanese demonstrations in China to the submarine incursion in Japanese waters. And, in the context of the Shanghai Cooperation Organization, China has called for the United States to set a timetable to leave facilities it is using in Central Asia which are still important to the war on terror and in support of the Afghan government.

Similarly, on the economic front, the issue of limitations on textile imports raises the broader question of whether China will integrate into the global economy in a smooth or a disruptive fashion. The recent Unocal issue raises the questions of how to manage the world’s energy resources on which all nations depend for continued growth and development, the relationship between energy and security, and the issue of reciprocity of ownership rights in China as opposed to the United States—all of which led Congress quite properly to raise concerns about the potential takeover. Many observers

have raised the issue of what is sometimes called the “China price,” or, more specifically, the impact on both developed and developing economies of China’s ability in some contexts to produce market quality goods at lower prices than other market competitors appear to be able to match.

So, it is not surprising that the DoD report states that “we see China facing a strategic crossroads. Questions remain about the basic choices China’s leaders will make as China’s power and influence grow, particularly its military power.”

An important goal of the United States is to help shape the decisions made by the Chinese. But to understand their choices, it is important to see China from a Chinese domestic as well as an international perspective. Since Deng Xiaoping’s promulgation of the Four Modernizations in 1978, and especially since his so-called “Southern tour” in 1992, China’s economy has grown dramatically. Members of the Committee have been to China so I will not belabor the point—China is the world’s sixth largest economy (second by purchasing power), has maintained a 9-10% growth rate for many years, and is on its way to becoming second in every measure.

The growth in China is, however, quite uneven. While the coastal cities have modernized—and perhaps some 250-300 million people may have reached middle class levels by Chinese standards, that still leaves the great bulk of the country and the great majority of the people—1 billion by official count, perhaps 1.2 billion by other estimates—with far to go. Importantly, China faces internal problems of a huge migrant population on the order of 150 million, an inefficient banking system, significant corruption, countrywide pollution, and high energy requirements for which it must rely on imports. Moreover, it remains a communist state with very significant limitations on political freedom, yet there are growing incidents of worker and village outbursts against the state hierarchy—the report notes the remarkable number of 58,000—and maintaining internal stability remains a key governmental goal.

The Chinese leadership seems genuinely to have continued economic modernization as their highest priority. Last year’s 2004 DoD report notes that the “imperative for growth necessitates that China prioritize investment in agriculture, industry, and science and technology ahead of purely military endeavors . . .” To accomplish their economic modernization goal (sometimes put, as the 2005 report states, of raising GDP per capita (\$1,250

in 2004) to the levels of an “intermediate developed country” (roughly \$3,400 in 2049), however, they need to continue the international trade and investment that has led to the growth until now. In that context, stability and security become a *sine qua non* for the country’s development. That, of course, would seem to counsel against military confrontation. Along those lines, the DoD report states that “Chinese strategy, as they define it, is one of maintaining balance among competing priorities for national economic development and maintaining the type of security environment within which such development can occur.”

It is in this broad context of competing interests and actions that one must analyze Chinese military power. The first question regarding military power is military power “to do what?” As Secretary Rumsfeld has indicated, there are good reasons to suggest that China has little need for a significantly enhanced military establishment. Of course, the reality is that all major countries maintain a reasonably consequential military, and the Chinese have recently begun to utilize their military for diplomatic reasons—exercising with countries, exchanging delegations, and even supporting peacekeeping to enhance their global diplomatic reach. Moreover, as the Chinese economy grows and becomes more integrated in the world, it is reasonably understandable for them to have farther reaching concerns about, for example, maintaining the oil flow from the Middle East through the Southeast Asian straits. But the fact of the matter is that none of these are the fundamental reason for the significant recent modernization approaches of the Chinese military. Even with their modernization, they cannot approach the United States in global terms nor will they be able to do so for some years. United States military spending is substantial, and we will continue to maintain the strength of our forces. Rather, in the Chinese context, the most basic rationale for modernization and the highest priority near and medium term for the military is “Taiwan.” The DoD report is clear:

“In the short term, the PRC appears focused on preventing Taiwan independence or trying to compel Taiwan to negotiate a settlement on Beijing’s terms. A second set of objectives includes building counters to third-party, including potential U.S., intervention in cross-strait crises. . . .Over the long-term, if current trends persist, PLA capabilities could pose a credible threat to other modern militaries operating in the region.”

The Taiwan issue presents a dilemma for China. From the point of view of maintaining economic growth, there is no reason for Taiwan to be a military issue and every reason for it not to be. Thus, China needs to maintain investment and trade with the outside world for growth, and military action against Taiwan would disrupt that flow and perhaps disrupt it very, very badly. Even focusing on Taiwan itself suggests no value whatsoever for a military option when economics are put to the forefront. Taiwan invests heavily in China, has provided some of the most advanced industrial technology, and has some 1 million Taiwanese living on the mainland.

But the issue of Taiwan is not solely an economic one for the PRC—in addition to economics, there is a combination of history, emotion, nationalism, legitimacy for the Communist Party, and divergent systems. Without seeking to resolve those complicated issues, however, it seems fair to say that China, as much as any country and perhaps more so, has benefited from the stability and security in Asia—including the Taiwan Straits—and will continue to do so. The United States position, with which I fully agree, is that there should be a peaceful resolution of the Taiwan issue, and no unilateral changes in the interim by either side. Thus, from an American, and I would say Taiwanese and Chinese, perspective, there is a common interest in continuing that stability while seeking to resolve other divergent issues peacefully. The question is whether those other factors that affect PRC decisionmaking, and, in the context of this hearing, particularly changes in the military situation, make maintenance of that stability less likely.

The recent Anti-Secession Law that the Chinese passed earlier this year illustrates the issue. The law, as the Administration has noted, is “not helpful.” I myself advised the Chinese against its passage. As passed, it authorized the use of force in the Taiwan context. But it also had other provisions including that negotiations with Taiwan could take place on “equal footing.” And, after its passage, we had the interesting visits of two senior Taiwanese party leaders visiting the mainland with full honors and meeting with the Chinese president.

There can be no doubt that much of the motivation of the Anti-Secession Law was to push at Taiwan militarily—and it means we must continue to look at the PRC-Taiwan cross-Strait balance. In 2000, when the first DoD report on Chinese military power came out, I was the Assistant Secretary of Defense for International Security Affairs and responsible for the report. The

report said that, if then current trends continued, the China-Taiwan balance (U.S. aside) would tip in China's favor by about 2005. It is now 2005 and the trends have generally continued and the balance is starting to tip in China's favor. Again, the current DoD report is clear:

“The cross-Strait balance of power is shifting toward Beijing as a result of China's economic growth, growing diplomatic leverage, and improvements in the PLA's military capabilities, including those that provide Beijing options short of full-scale invasion. China air, naval, and missile force modernization is increasing demands on Taiwan to develop countermeasures that would enable it to avoid being overwhelmed quickly.

“In contrast, Taiwan defense spending has steadily declined in real terms, over the past decade. . . . Taipei is continuing to acquire . . . capabilities, but the growth of PLA capabilities is outpacing these acquisitions.”

It is not the case that the shift in balance of capabilities means that Beijing has the present intention of using force. As the DoD report says: “Beijing views unification as a long-term goal. Its immediate strategy is focused on deterring Taiwan from moving toward de jure ‘independence.’”

There are a number of reasons for Beijing not to use force—for example, its capabilities are still developing, and, as I have noted, it would very badly hurt its economic development which remains its highest priority—but the clearest reason from a military perspective is the United States. I have been in meetings with the Secretary of Defense and the President of China on several occasions where the latter noted that Taiwan was a “small guy,” China a “medium guy” bigger than the small guy, but behind the small guy was a “big guy”—the United States.

This deterrent factor which the United States presents is the key reason why China is developing capabilities to make more difficult third party intervention in a Taiwan scenario. As the DoD report says, in addition to capabilities against Taiwan, the “PLA is simultaneously developing the capability to deter and/or slow a potential U.S., or U.S.-led, response to defend Taiwan.”

What precisely are the capabilities that Beijing is developing that has caused the shifting of the balance and which it is considering in the context of deterring the United States.

An important first capability is the availability of sufficient resources for a buildup. While military modernization is not the highest Chinese priority, it gets substantial resources. The DoD report states that the lack of transparency of the Chinese defense budget means that we do not know how much is being spent. The public figure for 2005 is \$29.9 billion—but there are problems of calculating including different purchasing powers—and the public figure seems to leave out important parts—for example, subsidies to defense industries—so that the DoD report, though noting that the “opacity of the PLA budgeting system precludes significant outside analysis,” estimates that such factors “could increase actual defense expenditures by two to three times.” My own view is that one should expect that, so long as the Chinese economy continues to grow, and the Chinese continue to maintain their current view toward national security issues—and especially Taiwan—that sufficient money will be put into the budget for it to grow significantly over the next two decades.

The resources that have been made available to the PLA have meant that it has made some important strides in capabilities and the trends are there for those to continue. There are also important areas in which it is still significantly deficient but on which it has focused resources—areas that, therefore, we should watch closely in determining our own actions and those actions that we recommend for others, including Taiwan and other regional states.

Key areas in which the Chinese have made important strides include:

- expansion of short-range ballistic missiles capable of hitting Taiwan, the current force being roughly 700, with increases expected in the range of 100 per year,

- anti-ship cruise missiles, which have implications for surface naval forces,

- submarines, which have a sea denial role, particularly in the area around Taiwan,

--fourth generation fighters, including Russian SU-30s and SU-27s, along with advanced air-to-air and air-to-surface missiles, which have implications for air control over the Strait,

--air defense missiles, including advanced Russian missiles, again with implications for control of the Strait,

--space, including a variety of satellites, and

--computer network operations (probably, although this is somewhat speculative).

Other areas in which they have made strides and are seeking to make further progress but have some important ways yet to go include:

--Lift/amphibious capabilities—As the report states, the Chinese have increased amphibious production but the “intelligence community believes these increases will be inadequate to meet requirements”--though the Chinese are also looking to civil capacity as an augmentation,

--UCAVs—Per the report, the PLA is indicating an “interest” in turning old fighters into UCAVs; not there yet but important to watch,

--Joint approach—The Chinese recognize its importance, and have added commanders of PLA Air Force, Navy and Second Artillery to Central Military Commission and appointed Air Force and Navy officers as Deputy Chiefs of Staff—but joint training is “seldom conducted in a major amphibious assault exercise,”

--Joint logistics— are improving but the “first experimental joint logistics unit was created only in July 2004,” and

--ICBM/SLBM significant upgrades—Follow-on systems are in process but the numbers (currently approximately 20 ICBMs) do not appear to be significant yet (though uncertain).

There are additional areas in which the Chinese are working, as yet without enormous success but the prospect of advancement is quite important and we should watch very carefully. These include effective C4ISR satellites; counter-ISR (they are working on anti-satellite capabilities but have not

fielded any); significant airborne warning and control systems (working with the Russians); in-flight refueling; significant airlift, sealift, and airborne capabilities; potential development of a blue water navy (first steps with purchase of Russian ships but still quite small); and significant development of land attack cruise missiles or ballistic missiles capable of targeting naval forces (early actions).

How should one put this all together—what should the United States do to maintain our up-to-now effective deterrence policy in the Strait, and how should the military balance be shaped in the future. An important overall recommendation is to recognize that we are not passive observers. The United States has a great capacity to change circumstances in the world, and we should do so to ensure that there is no miscalculation by the Chinese military or senior leadership that causes a Taiwan scenario that it is in all interests to avoid. In that overall context, I have ten specific recommendations for the Committee.

First, it is important to remember that the Taiwan Strait scenario is only a potential one—and one which we want to deter. Our relationship with China is multifaceted, and, as President Bush has noted, we welcome the emergence of a positive China abiding by international norms. One of the important set of decisionmakers in China is the PLA—and we need to shape their perspective on the world. The Committee should continue to support DoD efforts to engage those decisionmakers through exchanges with the PLA. There are some risks but they are manageable, and affecting the existing and upcoming leadership views is very important.

Second, it is very difficult to take a greater interest in a country's defense than it takes for itself. The Taiwan Relations Act very properly provides that the United States will help Taiwan maintain a sufficient self-defense. As Assistant Secretary of Defense, I oversaw numerous programs to assist Taiwan including the so-called “software” programs, involving jointness and other activities, to help Taiwan create a more effective functioning military. In the past several years, however, Taiwan has, for a number of reasons, not maintained the level of spending that the change in the Strait military balance would seem to warrant. There is now before the Taiwan legislature an important defense bill for the acquisition of a number of systems. That bill warrants passage, and, equally importantly, over time Taiwan needs to take the steps to assure itself an adequate self-defense. A good step for the

Committee would be to communicate its views on the Taiwan's own defense expenditures to your legislative counterparts.

Third, China has purchased from other countries much of its advanced weapons systems. The Chinese are developing their own capabilities—but limiting their purchases will make a difference in the timing of their advancing capabilities. For example, I spent considerable time as Assistant Secretary helping end the Israeli sale of the Phalcon airborne warning and control aircraft sale to China. The Committee should continue to support the Administration by talking with legislative counterparts in the European Union regarding the EU arms embargo.

Fourth, and related to third, it is important to cause the problem of stability in the Taiwan Strait to be not only a problem for the United States. Many of our allies and friends have not looked upon the issue as one for their involvement. However, going forward, those countries should recognize that a failure of deterrence in the Taiwan Strait would have very significant consequences not only for Taiwan and the United States, but also for the economy and stability of the entire world. They have an important role in helping maintain that stability. The Committee should work with counterparts in other countries to help spread that message.

Fifth and turning to more specific military issues, in any Taiwan scenario, the United States would look to utilize facilities in other countries—including, for example, Japan and the Philippines. Maintaining and expanding our relationships with those countries that are, of course, already treaty allies would be very important. While there are different specifics associated with each of the relationships, the Committee should work with its counterparts on other committees to ensure that the Congress is supportive of a strong Administration policy that enhances our capacity for access.

Sixth, improvements in anti-ship cruise missiles potentially challenge the United States Navy in ways that it has not been since the end of the Cold War. So do the expanding number of quiet submarines in the PLAN. The Committee needs to review with the DoD and the Navy whether overall United States naval concepts and capabilities are now adequate and will remain so for the future in the face of expected modernization. This issue requires major focus

Seventh, the expanding SRBM/MRBM capacity of the Second Artillery could be developed over time to make the use of regional airfields by the United States Air Force more difficult if a Taiwan scenario were to occur. There are a variety of potential approaches to dealing with this problem—from shelters to missile defense to offensive options. The Committee needs to work with the DoD and the Air Force to ensure that the necessary capabilities are available.

Eighth, even assuming the airfields are available, both the United States Air Force and the United States Navy would need the tanker capabilities of the United States Air Force in any Taiwan scenario. Tankers have, of course, been the subject of considerable discussion in the Congress, in part because of significant acquisition issues. However those issues are resolved, the Committee should review with the DoD the adequacy of tanker assets in light of the potential requirements of a Taiwan scenario and other worldwide requirements.

Ninth, identified above and in the DoD report are a number of capabilities that the PLA is developing but which are still in early days. Similarly, the DoD reports notes the lack of transparency on PLA capabilities. Each of these issues suggests that the Committee should work with its counterpart committees, the DoD and the Intelligence Community to provide a significant focus on PLA modernization and as good an intelligence picture as is possible.

Tenth, the requirements of a Taiwan scenario differ considerably from those of an insurgency such as we are now facing in Iraq and Afghanistan; or from the problems of the overall war on terror; or from the specific problems of dealing with weapons of mass destruction. All these issues are very important problems and, most importantly to note, are not lesser-included cases of one another. The Committee will soon begin to get the results of the on-going Quadrennial Defense Review. It will be necessary to take an overall view as to the requirements of defense in the 21st Century in a way which calls for a comprehensive analysis. The Committee should consider how best to do that—potentially with an outside panel or with outside assistance since the questions that need to be considered are fundamental and will require a great deal of effort.

Mr. Chairman and members of the Committee, I appreciate the opportunity to have expressed my views and I look forward to your questions.