

**TESTIMONY FOR THE HOUSE COMMITTEE ON
FOREIGN AFFAIRS**

**Investigating the Chinese Threat,
Part One: Military and Economic
Aggression**

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Madame Chairman, and distinguished members, I thank you for giving me the opportunity to appear before you today.

I submitted some written remarks, Madame Chairman, and I wonder if they could be submitted for the record.

Future Asia

My job is to look out into the future, twenty years or so, and calculate what we're likely to see in Asia. The lazy way to do this is to follow straight-line trends over the past twenty years, project them into the next twenty and see what you get.

For populations, this is fairly reasonable, for other trends it is unsafe beyond five years or so. Still, if one can project economic growth trends, together with populations and migration trends for five years, you can lay a baseline for longer-term trajectories.

When you try to integrate multiple trend lines and aggregate the results, the margins for error grow and conclusions are necessarily speculative. But if, twenty years ago, one had done a straight-line projection of China's previous decade of economic and population growth, or for military spending growth, or even foreign exchange reserves growth, your figures for 2012 would be a bit low, but not really off the mark.

Many of the international threats that the United States faces are discrete and as such, analyzing them is more or less straightforward. Not so with China. China poses a multidimensional matrix of threats and approaches it with a strategy which I believe the Beijing leadership has thought through in great detail over the past two decades.

The threats are economic, industrial, commercial, financial. They are technological, scientific, territorial, political, diplomatic. They involve transnational crime and environmental challenges. There are colossal demographic challenges that, too, can turn into threats in very short order.

The military threats posed by China are intensely more complicated by the non-military dimensions. And all these threats can blow up in America's face at a moment's notice.

My written remarks are quite extensive, but they still only touch upon a few areas where America's national security is already in jeopardy. Let me start with the economic threats from China. They include trade, financial, industrial and technological factors and the Chinese strategies that underpin them. I will also touch upon China's territorial seas claims, but not its threats to its continental neighbors because they are penumbral to America's core interests and those of our treaty allies.

Then there non-economic threats to the U.S. and its allies, including China's diplomatic support around the world for countries of proliferation concern – "rogue states" with avowed goals of harming the United States. China's support for rogue states seems at once a cynical but highly effective tactic to keep the United States off balance. I have recently done extensive research on China-North Korea relations and that is a focus of today's testimony. I appeared last summer before the HFAC Oversight Subcommittee to discuss on China-Pakistan, another nuclear state whose nuclear weapons program China has abetted. I have not written on the details of China's diplomatic and technical support for Iran's nuclear program, but I am familiar with the broad outlines.

China also poses a very new challenges in Africa, the Middle East, the Pacific Islands, and of course in the Western Hemisphere. Only in Latin America, however, does China have a prepackaged ideological network – the so-called "Bolivarian Alliance" – for Beijing's regional diplomacy to build upon. China is already the leading trade partner with South America, importing petroleum, minerals, metals and raw materials and exporting manufactured goods, construction services, and providing increasingly vast amounts of credit. For most of the last decade the dominant analysis of China's "rise" in Latin America has been that China is focused on advancing its substantial commercial interests (Chinese imports from Latin America grew from \$2 billion in 2000, to \$91

billion in 2010), securing energy and other vital natural resources, and opening markets to sustain its own political-economic stability. For the most part, this line of analysis has led to the assumption that any Chinese “threat” in Latin America is at most a distant prospect for the United States. But the intensity of China’s new economic interests in the Hemisphere suggests China is interested in more than profits. The Chinese have shown a puzzling eagerness for a strategic presence in the Caribbean which does not seem related to their resource needs. I have not prepared any further remarks on Latin America, but I can address some broader strategic factors if you wish.

First, let me explain the economic threats.

State Mercantilism with Chinese Characteristics

On the evening of September 21, 2005, Deputy Secretary of State Robert Zoellick proffered to a large audience of dinner guests at the National Council on US-China Relations a short but important policy speech which centered on the question “Whither China?”

In it, he six times used the term “mercantilism” to describe China’s economic strategy as if to say that China’s mercantilist policies were certainly doomed to failure, and that for China’s own sake, it could not sustain them. But one of Mr. Zoellick’s remarks caught my attention. Mr. Zoellick, informed no doubt by the mountains of secret intelligence data that flooded his in-box each day, observed that, and I quote:

“China’s economic growth is driving its thirst for energy. In response, China is acting as if it can somehow ‘lock up’ energy supplies around the world. This is not a sensible path to achieving energy security. Moreover, a mercantilist strategy leads to partnerships with regimes that hurt China’s reputation and lead others to question its intentions.”¹

It was a supremely astute observation. Here we are, six years later, and China not only has continued on this text-book path of mercantilism, but has widened it to six lanes. And it is not just energy supplies that China is “locking up” but mineral and agricultural resources as well. Six years ago, Mr. Zoellick simply could not believe that China intended to embark on this course, but all evidence is that they have.

The instruments of state mercantilism

The most unsettling aspect of China’s relentlessly high economic growth rates, is the aggressiveness with which the state uses all means, licit and illicit, to achieve them, from foreign exchange manipulation, commodities monopolies, predatory business practices, cyber intrusions to gain market-moving information (and there is evidence suggesting that some cyber penetrations in financial institution computer networks have the potential to crash entire sectors), wholesale theft of intellectual property and proprietary business information, intimidation of trade partners, arrests of foreign businessmen, even scamming international carbon trading markets designed to reduce global climate change.

China also is expanding rapidly its demographic footprint around the globe with intensive out-migration to developing countries in Africa², Latin America and the Caribbean³, Central and North Asia⁴, the Russian Far East⁵ and the Pacific⁶, notably in the form of large labor cohorts engaged in construction and infrastructure projects which then remain in their host countries which enter host country retail sectors and after the projects are completed. These new communities of overseas Chinese are now have significant impacts on host country economies and politics.

Complementing this economic aggressiveness is China's apparent intention to assert its territorial claims to dominate civilian maritime and aviation transportation in East Asia, particularly in the sea and airspace of the South China Sea, the Taiwan Strait, and the East China Sea. These territorial sea and airspace claims also impact subsea oil, gas and mineral resource exploration and development as well as important fisheries of China's neighbors in Southeast Asia, Taiwan, Japan and South Korea. It should also be noted that China's territorial sea claims are in direct conflict with international law, specifically the 1982 "United Nations Convention on the Law of the Sea" (UNCLOS) to which China is a party. China justifies its disregard for the UNCLOS by averring that its territorial claims predate the UNCLOS and therefore are not covered by it.⁷

There is no question that China's state-directed mercantilism engages in all these practices, although some suggest that it is not a conscious or monolithic state policy. The numbers are quite persuasive that, whatever China is doing, it has the effect of expanding China's economic power at the expense of the rest of the world.⁸

China's Industrial heft

This factoid should startle you. At the outset of the Second World War, America's GDP was about *double the combined output* of Japan's and Germany's in the Second World War, and remained *more than double* the USSR's throughout the entire Cold War.⁹

Already, China is the world's largest steel producer; in the words of one very senior and very alarmed U.S. trade official, "China now has more *excess* steel capacity than the entire steel production capacity of Japan. In addition, China produces more steel than the United States, European Union, and Japan combined," an observation he capped with the conclusion that, "China is not investing in steel on a market basis."¹⁰ The immensity of China's other primary industries – aluminum, copper, cement, petroleum, – is staggering. More important – in 2008, China eclipsed the United States in output of information technology products and is now the world's biggest producer.¹¹

*Today, China's industrial sector has already surpassed America's.*¹² So, too, will China's military industrial infrastructure soon overtake America's if current trends continue. 2012 is a landmark year for the Chinese People's Liberation Army because it is the first year that the Chinese government has announced a military spending budget in excess of \$100 billion.¹³ The Defense Intelligence Agency pegs China's 2011 military spending at \$183 billion at current foreign exchange rates, while the Central Intelligence

Agency places Chinese military spending at about 4.3% of China's \$7 trillion gross domestic product, or about \$301 billion, or about \$485 billion in purchasing power parity terms.¹⁴ At the outset of World War II, America's victory was assured by the numbers. Today, it would not be.

But why has China embarked on such an aggressive and predatory strategy of mercantilist economic expansion?

After all, there are good reasons not to. Clearly, none of East Asia's major powers is interested in disrupting China's trade or lines of civil aviation or maritime transportation. Just the opposite. They are all far too dependent on China's manufacturing and merchant marine supply chains to risk such a thing. However, given the tremendous growth of China's domestic industrial and manufacturing sectors (now much bigger than the United States¹⁵); given China's industrial policies of sourcing the vast majority of manufacturing components domestically; given China's neurotic hoarding of commodities and raw materials well beyond the demand of its industries; and of course, given the significant expansion of China's naval forces, particularly advanced submarines, the opposite is not necessarily true. In the year 2012, China looks like it is making contingency plans for a major breakdown in global commodities supplies, either through a collapse of the U.S. dollar or a significant military conflict.

Beijing's Influence in Global Commodities

Indeed, China's vast demand for global commodities has given Beijing virtual control to set global commodity prices – and literally every Bloomberg update of commodity price movements includes some explanation or another about how prices are impacted by Chinese demand. No other country wields such influence, not even the United States, because frankly, no other country's demand for any given commodity is set by the central government. They are all set by market forces.

Some analysts see in China's boundless appetite for physical commodities, particularly copper, a way Chinese non-state lenders back their assets.¹⁶ They extend domestic yuan denominated financing backed with vast warehoused stockpiles of copper bullion, and there no doubt is some truth to this. Nevertheless, China's imports of copper, iron ore, aluminum, gold, nickel, and other nonferrous metals, are completely state-directed, and there is no question that central government considers them to be strategic stockpiles; they are stockpiles that are well in excess of anything China's industrial sectors require.

But the Chinese government is also engaged in speculative frontrunning in commodities. Indeed, in early 2009, China's State Reserves Bureau (SRB) suddenly ordered the purchase of about 300,000 tons of copper – about 2% of global annual production – at rock bottom prices, and sold off at the height of the market in October 2010 for a profit, in that one transaction set, of about \$1.5 billion.¹⁷

But China does not limit its exertions to control global commodity markets simply to its state-directed aggregate national demand for commodities. One of the most striking

features of China's strategy is the obsessive effort to control the sources of those commodities. Again, this is particularly visible in China's vast global investments in copper mines, from Afghanistan to Zambia, from Peru to Mongolia.

If you once asked what China is doing with all the U.S. dollars it gets for its exports to the United States – because it certainly isn't spending them on U.S. manufactured goods – the answer is: China is using them to buy up as many international commodities sources as it can, mines, oil fields, pipelines, plantations, ranches and farms. One might almost think that China is spending its dollars as fast as it can before the dollar collapses.

But this would be misleading. Because China still seems intent on amassing as many U.S. dollars as it possibly can, by any means necessary.

Gaming Global Financial Markets

Which raises questions about China's manipulation of global financial markets. Here it seems that Chinese financial wizards have exploited just about every trick in the book to milk vast amounts of cash from international markets. One minor but characteristic way Chinese entities raise cash is from so-called "reverse listings" of China-play companies within defunct or shell companies that are already listed as penny stocks on US stock markets, and sad to say, many (if not most) of these Chinese firms are, themselves, shell companies.¹⁸ Compounding the problem is China's steadfast refusal to permit auditors to release any accounting data to U.S. investigators or regulators citing, what else? – state secret laws.

The real money-making success of China's financial sector is not, however, in these small-scale scams, well, small-scale if less than a billion is small scale. And it doesn't seem to come from normal interest from China's vast foreign exchange holdings.

Indeed, the stewards of China's \$3.2 trillion in foreign exchange reserves have two advantages that others do not: 1) they are market-makers adept at front-running international markets on a galactic scale, and 2) they have the ultimate in inside information – they are deep inside the computer networks of every major bank, brokerage house and commodities trader in the world. And the evidence is clear that Chinese intelligence agencies have penetrated literally all major global central banks – including the Federal Reserve. In January, the FBI arrested a Chinese citizen computer programmer contracted by the Federal Reserve Bank in New York that in New York who had stolen software that accesses all US government agency account balances, appropriation and non-expenditure activity, payments, deposits and intra-governmental transactions within the US Treasury.¹⁹

Internationalized Yuan – Threat to the Dollar?

Perhaps a more existential threat to the American economy is China's effort to compete with or supplant the U.S. dollar as the medium for international trade and finance without actually having to make its own currency, the *renminbi* (RMB) yuan convertible. While

Beijing began to encourage Chinese companies to use the RMB in overseas transactions early in 2011²⁰, it has only been in the last several months that China has begun to encourage its trading partners to open yuan trading accounts, financing, and remittances to avoid having to denominate transactions in U.S. dollars or other hard currencies.²¹ China has amassed an unprecedented foreign exchange war chest of \$3.2 trillion, but rather than use its U.S. dollars to buy U.S. products, it either spends them on commodities or directly invests them in buying up mining and exploration assets across the globe.²² It seems that whenever China's monthly foreign exchange accounts fail to show massive increases (about \$400 billion a year for 2008, 2009, 2010, and 2011), it's because the state is importing unusually large tranches of commodities.²³ The problem is, no one outside of China's State Administration for Foreign Exchange (SAFE) really understands what China is doing with its forex. China is not getting much of a return on its \$1.2 trillion in U.S. Treasuries, but it is accumulating large amounts of forex over and above its trade surpluses and direct foreign investment. If it's "hot money" – U.S. dollars that Chinese companies are repatriating to China and exchanging for RMB – then at some point SAFE must reinvest it in accounts that yield more than RMB accounts do.²⁴

Increasingly, China wants to convert trade and finance transactions away from dollars and ultimately into RMB. In April 2011, China revealed that seven percent of its foreign trade in the first quarter of 2011 had been conducted in RMB yuan, up from less than a half-percent a year earlier.²⁵ Last September, China suggested that it might consider some future convertibility arrangement for the RMB if it were allowed to join the International Monetary Fund's special drawing rights (SDR) mechanism.²⁶ Chinese negotiators apparently pressured France into supporting a broader international role for the RMB without first achieving RMB convertibility by hinting that China would use its foreign exchange reserves to purchase Eurobonds.²⁷ But Beijing's actions reflect a continued policy adamant that the state control China's currency, not some unpredictable international marketplace.²⁸

The sudden emergence of China's non-convertible RMB yuan as a staple currency in global trade is unsettling and raises the prospect that, should the U.S. dollar's acceptance as the international trade medium begin to weaken, China would have a worrisome potential to undermine the dollar unexpectedly. Indeed, China is already the world's second largest trading nation and its biggest exporter (outstripping the United States by 25 percent), its biggest manufacturer, its biggest consumer of raw materials and natural resources. Theoretically, there is no reason that the RMB could not supplant the dollar, and, theoretically, the dollar is already vulnerable to collapse under an aggressive Chinese monetary attack if Beijing really wanted to push things to a global crisis.²⁹

Which raises the question of "how did we get into this mess?"

The Advanced Persistent Cyber Threat

The answer in large part is found in China's predatory and kleptomaniacal trade practices, and the single most versatile tool in China's kit of unfair practices is cyber espionage. In fact, these practices are so pervasive that most European and North

American government counterintelligence agencies have issued formal warnings to their parliaments, congresses and to business communities that Chinese industrial espionage is the single greatest threat to their businesses.

In January of this year, three of the most cyber-spy savvy men in America delivered a powerful warning on China's cyber threat. Former Director of National Intelligence Mike McConnell, former Secretary of Homeland Security Michael Chertoff and former Deputy Secretary of Defense William Lynn spelled it out as clearly as they could: China's economic and industrial espionage and cyber warfare capacities are able "to cripple our critical infrastructure, including financial networks and the power grid. Now . . . the threat of economic cyber espionage looms even more ominously."³⁰

While the United States has only in the last six months officially – on the record – named China as the primary adversary in global economic warfare, other countries have been less reticent. In late 2007, the Director General of Britain's domestic security service, MI-5, Jonathan Evans, sent a confidential letter to 300 chief executives and security chiefs at banks, accountants and legal firms which, according to the London *Times*, underscored the "damage to UK business resulting from electronic attack sponsored by Chinese state organisations, and the fact that the attacks are designed to defeat best-practice IT security systems."³¹ The letter was remarkable because it warned "Chinese state organizations" were the perpetrators. At about the same time, a top German intelligence official told the press that computer hacking by China against German companies and its government "was occurring on an almost daily basis." German intelligence officers briefed reporters that computer hackers linked to the Chinese military had hacked into German ministries -- including the office of Chancellor Angela Merkel -- and infected them with spying programs.³² French and Canadian counterintelligence agencies have expressed similar anxieties.³³

But it was not just European politicians that the Chinese targeted. In November, 2008, the FBI notified both the McCain and Obama presidential campaigns that both their computer networks had been penetrated, and that "China was the place of origin."³⁴ This should have surprised nobody: By June 2008, Congressman Frank Wolf had been aware that his congressional computer database had been attacked repeatedly by Chinese hackers for two years, and despite his demands, congressional networks were not secured. Wolf charged that "despite everything we read in the press, our intelligence, law enforcement, national security and diplomatic corps remain hesitant to speak out about this problem. Perhaps they are afraid that talking about this problem will reveal our vulnerability. In fact, I have been urged not to speak out about this threat."³⁵ It still took the U.S government another three years to admit that China was the main cyberthreat to the country.

In August, 2011, white-hat hackers in U.S. software security firm McAfee managed to access a server in China which had been a jump-off for cyber attacks and discovered a cyber-espionage operation that had lasted many years, had penetrated 72 governments and other organizations, most of them in the U.S., and had downloaded vast amounts of data from military secrets to industrial designs. Dmitri Alperovich, McAfee vice-

president said, “I am convinced that *every company in every conceivable industry with significant size and valuable intellectual property and trade secrets may have been compromised*, with the great majority of the victims rarely discovering the intrusion or its impact.”³⁶

One Washington official “with a clearance” said in an email, “the story is understated...it's actually much worse than reported!”³⁷

The Scale of the Cyber Problem

That “giant sucking sound” you often hear from your PC? It’s China’s indiscriminate cosmic-scale cyber-vacuum cleaner. It suggests that China’s intelligence services have established Google-like server farms all across China into which downloaded data can be stored, organized, prioritized, cached and – of course – searched. It also suggests that China doesn’t care whether anyone knows about the ubiquity of their cyberpenetrations – perhaps because they cannot be stopped.

In October 2011, the United States Office of the National Counterintelligence Executive (NCIX) issued a startling report “Foreign Spies Stealing US Economic Secrets In Cyberspace: Report to Congress on Foreign Economic Collection and Industrial Espionage, 2009-2011”³⁸ warning that Foreign economic intelligence collection and industrial espionage are “significant and growing threats to the nation’s prosperity and security” and cautioned that “Chinese actors are the world’s most active and persistent perpetrators of economic espionage. US private sector firms and cybersecurity specialists have reported an onslaught of computer network intrusions that have originated in China.” The report went on: “the *governments* of China and Russia will remain aggressive and capable collectors of sensitive US economic information and technologies, particularly in cyberspace.” On the first page of the report, the NCIX indicated that, by far, the major sources of industrial espionage and theft of trade secrets was China.

The megaindustrial-scale theft of intellectual property and proprietary business information both by Chinese employees of foreign firms³⁹ and by professional state cyberpenetrations of foreign commercial, academic, financial government computer networks is standard operating procedure for all Chinese companies and state entities. Most recently, the top information security officer of Northern Telecom (Nortel) revealed that his company’s networks had been under the control of Chinese hackers for over a decade, the precise decade when Nortel found itself unable to compete with Chinese telecoms firms in international bidding. During that decade, the man said, “they had access to everything . . . They had plenty of time. All they had to do was figure out what they wanted.”⁴⁰

Even America’s most advanced IT firms have admitted breaches. Intel said in November 2011 that hackers had penetrated Intel’s networks and warned that “the theft or unauthorized use or publication of our trade secrets and other confidential business information as a result of such an incident could adversely affect our competitive position

and reduce marketplace acceptance of our products.” Sikorsky, Lockheed, Mantech, CACI International, Northrop-Grumman, Juniper Networks, VeriSign, are among the top U.S. companies whose computer networks have been penetrated by Chinese hackers.⁴¹

It is no longer a secret that Chinese cyber penetrations of the most sensitive U.S. databases and information systems – including U.S. space databases – are state-sponsored. On February 29, 2012, NASA admitted in a formal submission to Congress that it had virtually no defense against cyber attacks. The NASA report is the most self-damning report I have ever seen from an agency of the US Government. One quote: “. . . Our ongoing investigation of another such attack at JPL involving Chinese-based Internet protocol (IP) addresses has confirmed that the intruders gained full access to key JPL systems and sensitive user accounts. With full system access the intruders could: (1) modify, copy, or delete sensitive files; (2) add, modify, or delete user accounts for mission-critical JPL systems; (3) upload hacking tools to steal user credentials and compromise other NASA systems; and (4) modify system logs to conceal their actions. In other words, the attackers had full functional control over these networks.”⁴² *The attackers had full functional control over these networks!* Verily, it takes the breath away.

These penetrations demonstrate that NASA in particular (but civilian space contractors, and other defense agencies as well) are virtually defenseless against them. Most alarming are the almost total vulnerability of U.S. space assets to hostile information operations (IOs) from China and the inability of U.S. agencies to construct effective patches when they actually discover the penetrations. Increasingly, U.S. government sources are confirming the details of these vulnerabilities to the press, and the scale of the danger must draw Congressional action.

All evidence available to both the U.S. government as well as to cyber security experts across the world leaves no doubt about the attribution of the espionage and aggressive computer network operations: it is the Chinese state.

It has been only in the last several months, however, that the United States government has begun openly to warn that the Chinese government itself condones, if not directs, the wholesale cyberpenetration of global government, business, academic, nongovernmental organization and personal computer networks. On September 23, 2011, Treasury Secretary Timothy Geithner said “they [China] have made possible systematic stealing of intellectual property of American companies and have not been very aggressive to put in place the basic protections for property rights that every serious economy needs over time.” Geithner added, “We’re seeing China continue to be very, very aggressive in a strategy they started several decades ago, which goes like this: you want to sell to our country, we want you to come produce here ... if you want to come produce here, you need to transfer your technology to us.”⁴³

Geithner was right, of course. China has never been cooperative in reining in IPR violations, and one is left with the inescapable impression that the Chinese government

itself directs, condones and even sponsors the practice of driving foreign rivals into bankruptcy – non-payment of bills is a favorite tool in this regard.

American Superconductor

An emblematic case is the attack on American Superconductor, which supplied U.S.-made proprietary wind turbine electrical systems and control software to China's Sinovel, the world's second largest wind turbine manufacturer. American Superconductor (AMSC) had over \$700 million worth of undelivered components on existing contracts with Sinovel when, without notice, Sinovel refused to accept the goods, claiming they were defective. The Massachusetts-based AMSC had invested heavily in the expansion of its manufacturing facilities on the Sinovel orders which by last summer had accounted for over 70 percent of AMSC's revenues. AMSC discovered, quite by accident, that Sinovel had somehow managed to get AMSC's source codes and blueprints and had cancelled its orders with AMSC, not because the products were defective, but because Sinovel had begun to pirate and manufacture exact replicas of AMSC's products in China. With a bit more investigation, AMSC discovered Sinovel had promised \$1.5 million to an AMSC employee who had stolen the software source codes and blueprints. AMSC successfully prosecuted the employee who admitted his role. But Sinovel still refuses to pay for the \$700 million in undelivered AMSC goods despite a contractual obligation to do so. AMSC is now in a catastrophic financial crisis.⁴⁴

Sinovel, however, has the backing of the Chinese government and has continued to profit vastly from its behavior. It seems to have no intention of paying its debts.

The Threat from Counterfeits

Another vulnerability to American companies from pirating and counterfeiting U.S.-made goods and intellectual property is the prospect that the counterfeits will severely damage the reputations of the American companies. This is a problem in basic industrial commodities as well as brand name consumer goods and pharmaceuticals. It is a threat China has no intention to mitigate. On October 24, 2007, Jon W. Dudas, Under Secretary of Commerce for Intellectual Property Rights, commented that the Chinese government was resistant to bilateral discussions China's rampant counterfeiting of trademarks and outright theft of intellectual property. "Since April, when the United States sought dispute settlement at the WTO (World Trade Organization) over IPR issues," Dudas observed, "bilateral relationships with our counterpart offices have suffered." Dudas bemoaned China's failure to enforce IPR protections, and noted that China openly permitted the widespread counterfeiting and theft of intellectual property.⁴⁵

But the substitution of shoddy, or deliberately-defective components has already had an impact the U.S. defense supply chain.⁴⁶

Chinese-manufactured IT components are ubiquitous throughout U.S. government computer systems making it difficult to tease-out the source of hardware- and firmware-

based “Trojan horses, “backdoors” and “kill switches”.⁴⁷ In October, 2008, *Business Week* reported that counterfeit microchips – never shipped by their purported manufacturer – were installed in U.S. defense systems, including an F-15 fighter, a breach of industrial security that highlights the vulnerability of U.S. aerospace systems.⁴⁸

In 2007, Chinese-manufactured microchips were assembled into Seagate hard-drives and shipped to customers – with password viruses pre-loaded.⁴⁹ And in December, 2008, the Pentagon banned the use of all external IT storage and other devices (e.g. flash drives, hard drives) on DoD computers because viruses embedded in their Chinese-made components and software had uploaded back-doors “worms” into classified computer systems -- enabling hackers to penetrate even classified systems.⁵⁰

A 2010 survey of defense industry suppliers conducted by the Commerce Department showed that “detected incidents of counterfeit parts in the supply chain” had jumped almost 250 percent from 2005 to 2008 (3,868 incidents to 9,356). The survey identified fake Chinese parts on aircraft brakes and substandard titanium in fighter jet engine mounts, as well as other problems affecting Boeing, Raytheon and L-3.⁵¹ A classified 2005 Pentagon report warned that components supplied by BAE Systems “experienced field failures” – equipment failures during operational use – which were traced to counterfeit Chinese-made microchips that were infiltrated clandestinely into the manufacturing process.

Melissa E. Hathaway, then-head of cyber security in the Office of the Director of National Intelligence, was quoted as saying: "Counterfeit products have been linked to the crash of mission-critical networks, and may also contain hidden 'back doors' enabling network security to be bypassed and sensitive data accessed [by hackers, criminals, and spies]."⁵² In a 2008 report, *Business Week* magazine cited Robert P. Ernst of the Naval Air Systems Command's Aging Aircraft Program as estimating “that as many as 15% of all the spare and replacement microchips the Pentagon buys are counterfeit. As a result, he says, ‘we are having field failures regularly within our weapon systems—and in almost every weapon system.’ He declines to provide details but says that, in his opinion, fake parts almost certainly have contributed to serious accidents.”⁵³

Of course, devices most susceptible to Chinese counterfeiting are computer networking systems. In one case, US Homeland Security officials seized \$143 million worth of counterfeit Cisco Systems trademarked network computer equipment manufactured in China which was intended for sale to the US Marine Corps in use for combat communications.⁵⁴

Cyber Threat could Crash Financial Markets

There is also clear evidence that Chinese state-directed cyberwarriors already have the capacity to cripple if not destroy U.S. financial markets. Secretary of Defense, Leon Panetta worries that a cyber attack on financial markets and power grids could be “the next Pearl Harbor.” He was not just talking about organized crime. According to December 31, 2011 issue of *The Economist* magazine, Panetta is anxious that “some

attackers are aiming to cause more serious damage.” Says *The Economist*, “a report on the risks of economic warfare . . . written in 2009 for the Pentagon’s Irregular Warfare Support Programme (IWSP) . . . cites a paper prepared for law-enforcement officials by a group of anonymous moneymen who were alarmed by trading patterns around the time that Lehman Brothers failed.” The paper suggests that computer-generated financial crashes like the May 6, 2010 “Flash Crash” and the collapse of the stock market in 2008, could have been the result of deliberate manipulation. “Rumours persist,” said *The Economist*, “of involvement by those with non-economic motives.”⁵⁵

Because China’s demand is centrally-controlled in Beijing, global consumers of virtually any commodity – even soybeans – are at the mercy of Beijing directed commodity traders and those traders have full access even to soybean computers.⁵⁶ The impact of wholesale Chinese penetration of databases, theft of financial and commercial secrets, intellectual property and the counterfeiting of goods, therefore, poses a broad and potentially mortal threat to U.S. defense readiness in a very direct sense.

Technology Transfer

Theft and cyberpick-pocketing are not the only illicit ways Chinese state and commercial entities, gain U.S. business secrets. For decades, China has had a broad industrial policy requiring foreign companies making direct investments or trading with China to share sensitive technology. And most foreign firms acquiesce hoping, almost always in vain, that they can keep one-step ahead in technology as Chinese state entities ensure that shared technology is disseminated to their Chinese competition and/or they can make enough profits in Chinese markets to compensate for losses of intellectual property.⁵⁷

Many advanced technology firms in the U.S. also find that they must finance “research labs” in China as a condition of market access. Intel, IBM, Applied Materials, Microsoft, Google and General Electric are only a few of the scores of American firms engaged in wholesale transfer of technology to China via vast US-funded research centers.⁵⁸ Yet, Microsoft’s Chief executive said in May 2010 that “Intellectual property protection in China is not just lower than other places, it’s very low, very, very low,” adding “We see better opportunities in countries like India and Indonesia than China because the intellectual property protection is quite a bit better.”⁵⁹ Just two years earlier, Microsoft spent \$280 million to open its biggest research center outside the U.S. where it employs 3,000 Chinese. And Microsoft shouldn’t have been surprised that its intellectual property had been pillaged by its Chinese partners because it turned over its source codes to China in 2003 as a condition for entry into the Chinese market.⁶⁰

Virtually all foreign businesses in China recruit their work forces directly through Chinese state agencies or their Chinese joint venture partners, which is the same thing. Accordingly, the loyalty of their employees is first and foremost to the Chinese side which manages their employee files, their security and police dossiers, supervises their household registrations (*hukou*) and oversees their careers.⁶¹

Chinese police and security organs also intimidate foreign businessmen, especially foreign citizens of Chinese ancestry. A number of prominent cases over the past few years include a senior Chinese-born Australian mining executive and a Chinese-born American geologist whose primary transgressions appear to have been their loyalty to their parent companies rather than the Chinese state.⁶²

China certainly uses more conventional means to swamp non-Chinese competitors in international markets: heavy state subsidies to Chinese telecommunications and construction firms enable them to undercut foreign rivals, while cyber-acquired business information permits Chinese companies to under-bid their foreign competition by just enough to ensure success.⁶³

In 2010, U.S. intelligence agencies reported to the Congress that *Chinese telecommunications firm Huawei had an unsecured \$40 billion line of credit with Chinese state banks to facilitate its domination of global telecommunications markets.*⁶⁴ The same is true in wind and solar power sectors, automotives, microelectronics, construction, the list is endless.⁶⁵

Lesser severe commercial but still significant threats from China's behavior in global markets would include lack of health and safety standards or enforcement in agricultural goods, processed juices and foods, medical supplies and pharmaceuticals, even construction materials such as steel cranes and gypsum wallboard.

China's Maritime Claims

China is not content with a culture of strong-arm commercial and financial aggressiveness. As a unitary state actor in the international arena, China has a coherent multidimensional approach to global competition which also includes the domination of sealanes and civil airspace in East Asia. This is one of Beijing's top strategic goals, not just for economic and military advantage, but also for domestic political legitimacy and regional diplomatic propaganda. In this context, the most visible geostrategic flashpoint between China and the rest Asia – and the United States as well – is China's growing belligerence in the seas it shares with its Asian neighbors.

China's increasingly adamant territorial sea claims in the South China Sea, the Taiwan Strait and the East China Sea are certain to be resolved only one of two ways: either China gets what it wants or it will use armed conflict to enforce its so-called "core interests."

Let me review the bidding on China's maritime claims:

South China Sea

Combined, the South China Sea, the Taiwan Strait and the East China Sea are the globe's single busiest maritime route through which roughly half of the world's seaborne traffic transits each year.⁶⁶ China claims them all, and Chinese law, on its face, restricts

“freedom of navigation and overflight” in China’s EEZ and continental shelf only to states that observe “the laws and regulations of the People's Republic of China.”⁶⁷ As recently as two weeks ago, U.S. experts noted that China’s so-called “Nine-Dash Line” (which encompasses the bulk of the South China Sea) now demarcates absolute right over all the fishing resources of the entire sea.⁶⁸ While in public Chinese diplomats play down territorial sea claims to foreign audiences,⁶⁹ China’s absolute sovereignty is nowhere demurred.

China views its claims to the South China Sea are not covered by the 1982 United Nations Convention on the Law of the Sea (UNCLOS) because China’s claims antecede the Convention and because the Convention “does not deny historical claims.”⁷⁰

In June 2010, at his headquarters in Pearl Harbor Naval Base, Hawaii, Admiral Patrick Walsh gave an interview to a reporter from Japan’s major newspaper, *Asahi Shimbun*. Walsh was stressed by a new intensity in Chinese naval harassment in the South China Sea, especially its unseemly reef-grabbing and physical force against non-Chinese fishermen from the Sea’s other littoral states. Mimicking the “core interest” terminology of the Chinese themselves, Walsh told the Japanese correspondent, “This is an issue that has us very, very concerned because, on principle, the interference with freedom of navigation in international water is a *core interest* for those who use the global commons.” Walsh referred to “this economic 'carotid artery' that runs through the South China Sea ... they [the Chinese] are willing to put at risk over rocks, reefs and disputed claims.”⁷¹

Beijing persists in its broad “Nine Dash Line” territorial sea claim around the full periphery of the South China Sea – a claim which *The Economist* magazine calls “a great lolling tongue of Chinese sovereignty”⁷² encompassing about 1.5 million square kilometers of water. There are promising seabed oil and gas structures within whatever EEZs are carved from the Sea’s continental shelf and the islets occupied by China, Taiwan, Vietnam and the Philippines. Since 1992, China has warned its south sea neighbors against exploring the Sea’s oil and gas resources.

Since 1974, China has inexorably tightened its claims to the Sea and its islets, claims that were first articulated in 1947 by the Chinese Nationalist Government under Chiang Kai-shek in Nanking, and which the regime in Taipei had staked in the maritime vacuum as Japan gave up claim to the islands at the end of World War II. Taipei’s nationalists occupied some of the largest of the islands, Itu Aba in the Sea’s southern Spratly chain and Pratas in the Sea’s far northern edge amidst Taiwan, Hong Kong and Luzon. As early as 1974, Taipei reportedly opened up the Taiwan Strait to the transit of People's Liberation Army Naval (PLAN) warships in support a Chinese attack on South Vietnamese forces in the Paracel islands⁷³ then occupied by tottering South Vietnamese Saigon regime. Saigon had inherited the islands from France at independence in 1954 – France had reclaimed them from Japan in 1945, and Japan had claimed them from the teetering French government as it collapsed before the Nazis in 1940.

In March 1988, Chinese troops destroyed Vietnamese forces then occupying Johnson South Reef in the Spratlys.

And since then, Chinese naval, civilian maritime administration and fisheries forces have occupied a succession of minor reefs to enforce their claims. In recent years, China's military has systematically garrisoned several chains of submerged coral shoals in the Spratlys west of the southern Philippine island of Palawan, secretly emplacing huge caissons of concrete in their shallow water and constructing massive platforms and anchorages. The Chinese forcefully ejected Philippines troops from Mischief Reef in 1995, and the Philippines has been complaining about it ever since. In 2002, ASEAN induced China to accept the 2002 ASEAN Declaration on the Conduct of Parties in the South China Sea which includes a commitment by all parties to "resolve their territorial and jurisdictional disputes by peaceful means, without resorting to the threat or use of force." China's subsequent behavior, however, reflects that Beijing saw the move as pure propaganda and never intended to abide by the code of conduct in the first place.

In May 2011, the Philippines air force spotted several new structures in the Spratly island group, all complete with satellite communications, air defense cannons, and 300 meter-long cargo docks. The discovery coincided with the visit to Manila of China's defense minister, General Liang Guanglie who, without a hint of irony, proceeded to sign a communiqué with his Philippines counterpart which urged that "unilateral actions which could cause alarm should be avoided."⁷⁴

China gradually is tightening its strategic presence in the South China Sea. By 2008, the deputy commander of the Chinese navy's East Fleet, Admiral Zhang Huachen, explained that "with the expansion of the country's economic interests, the navy wants to better protect the country's transportation routes and the safety of our major sea lanes." A retired PLA general was a bit more candid: "We kept silent about territory disputes with our neighbors in the past because our navy was incapable of defending our economic zones, but now the navy is able to carry out its task."⁷⁵

Indeed, incidents at sea between U.S. Navy and Chinese forces have always been a fact of life (the most violent was an incident in April 2001 when a Chinese jet fighter collided with an American EP-3 reconnaissance aircraft 60 miles off Hainan Island). They have intensified since March 2009 when the U.S. naval ocean surveillance ship *USNS Impeccable* engaged in submarine detection operations in international waters about 75 miles south of Hainan Island was surrounded by several Chinese fishing boats which closed to within 25 feet of the American ship. The confrontation was preceded by a close approach incident when a Chinese naval frigate crossed the *Impeccable*'s bow at a range of 100 yards. When the U.S. lodged an official complaint about the Chinese behavior, China's foreign ministry countered that the U.S. vessel had broken "international and Chinese law" and besides, the U.S. complaint was "totally inaccurate and confuses right and wrong and is unacceptable to China."⁷⁶

A senior Chinese strategic analyst at People's University in Beijing, Professor Shi Yinhong, observed that "the United States is present everywhere on the world's seas, but these kinds of incidents may grow as China's naval activities expand."⁷⁷

China now picks fights in the South China Sea with alarming frequency. On June 11, 2009, a Chinese submarine deliberately cut the cable of a sonar array being towed by the *USS John McCain* in international waters about 140 miles northwest of Subic Bay, Philippines. Shortly after the contretemps with the *Impeccable*, China's fisheries department announced it would increase its fisheries patrols in South China Sea⁷⁸ and by June had deployed eight new patrol vessels which had seized several Vietnamese fishing boats. In 2009 alone, Chinese had seized 433 Vietnamese fishermen in the South China Sea.⁷⁹

In August 2011, Chinese naval vessels confronted an Indian Navy ship that was transiting between two Vietnamese ports, and India promptly asserted freedom of navigation on the high seas. In October 2011, India announced its intentions to explore for subseabed oil in Vietnamese waters, drawing Chinese protests, with the Chinese government officially declaring "challenging the *core interests* of a large, rising country for unknown oil at the bottom of the sea will not only lead to a crushing defeat for the Indian oil company, but will most likely seriously harm India's whole energy security and interrupt its economic development."⁸⁰ In February 2012, armed Chinese vessels prevented Vietnamese fishing boats from seeking storm refuge in the Chinese-occupied Paracels – and reportedly tried to rob the Viet crewmembers.⁸¹

At the southern end of the South China Sea where China's maritime claims about Indonesia's, Indonesian authorities detained eight Chinese fishing boats and arrested 75 illegal Chinese fishermen. A year later, in the summer of 2010, Indonesian patrol vessels again confronted a fleet of ten Chinese fishing boats, but this time, a Chinese "fishery management vessel" (described as a "repurposed heavy gunboat") threatened to fire on the Indonesian coast guard ships. Moreover, the Chinese boats were not even in waters claimed by China, but in Indonesia's EEZ near Natuna Island.⁸² One analyst believes that massive overfishing in Chinese waters have left coastal fisheries in "a state of near collapse," and this has prompted the Beijing government to encourage its fleet of 300,000 fishing boats to go farther asea – a migration that now brings regular clashes in neighboring fishing grounds that China now claims as its own.⁸³

As if to rationalize its new belligerence, China also set about declaiming that it had "core interests" in the South China Sea. In March, 2010, according to *The Washington Post*, Chinese assistant foreign minister Cui Tiankai explained to two senior U.S. officials that his country viewed its claims to the South China Sea on par with its claims to Tibet and Taiwan.⁸⁴ This was reportedly the first time China had defined the South China Sea to be as central to China's security as Taiwan. Thereafter, Chinese diplomats proclaimed a "core interest" in the South China Sea to progressively more senior Americans – and Southeast Asians as well. In tandem, Chinese security scholars declared in the official media that "by adding the South China Sea to its core interests, China has shown its determination to secure its maritime resources and strategic waters."⁸⁵

By June 2010, China's proprietary posture in the South China Sea had become unbearable not just to the major South China Sea littoral states, but to the United States as well. Addressing the annual Asian Security Summit in Singapore (also known as the "Shangri-La Dialogue") on June 5, U.S. Defense Secretary Robert Gates countered China's "core interest" rhetoric with his own declaration of "the longstanding belief of

the U.S. government that a peaceful and non-coerced resolution to the Taiwan issue is an abiding national interest – and vital for the overall security of Asia.”⁸⁶

In response, senior American officials began explicating America’s “national interests” in the South China Sea. Speaking at the Asian Regional Forum (ARF) in Hanoi on July 23, 2010, Secretary of State Hillary Clinton called for a binding international code of conduct for the states claiming disputed islands in the South China Sea, including China, as well as a formal international process for resolving those claims. “The United States has a national interest in freedom of navigation, open access to Asia’s maritime commons and respect for international law in the South China Sea,” Clinton asserted. China’s foreign minister immediately characterized the U.S. stance as an “attack” on China, adding ingenuously that “nobody believes there’s anything that is threatening the region’s peace and stability.”⁸⁷

There ensued several months of Chinese complaints about American interference in the Sea, beginning with the banner headline on the front page of the July 26, 2010, *Huanqiu Shibao* (the international news mouthpiece of the Chinese Communist Party) which charged “Hillary’s ignorant rhetoric is cause of South Sea furor, Yang Jiechi refutes U.S. distortions, China Slams American interference in South Sea.”⁸⁸ An English commentary in *Global Times* (the English language edition of *Huanqiu*) warned darkly of the “American Shadow over South China Sea” and cautioned that “Southeast Asian countries need to understand any attempt to maximize gains by playing a balancing game between China and the US is risky.” The commentary continued. “China’s tolerance was sometimes taken advantage of by neighboring countries to seize unoccupied islands and grab natural resources under China’s sovereignty. . . China will never waive its right to protect its core interest with military means.”⁸⁹

China kept up the pressure until it became clear that it was simply making things worse for its Southeast Asian diplomacy. By the spring of 2011, the “core interest” formula had faded for a time from China’s official South China Sea rhetoric. But it resurfaces regularly in pseudo-unofficial commentaries in English on Chinese media websites. Chinese media still indulgently post commentaries calling for “economic punishment” of Southeast Asian neighbor which have the temerity to challenge new Chinese assertions of territorial sovereignty in South China Sea waters.⁹⁰ The U.S. Navy’s Pacific Commander, Admiral Patrick Walsh fretted on the record to the Associated Press on January 17, 2012 that South China Sea disputes “have all the ingredients of an escalatory situation,”

2012 has seen a recrudescence of China’s belligerence at Sea. Earlier this month, People’s Liberation Army Major General Luo Yuan, executive director of the China Military Science Society, proposed that China establish a new “administrative zone” encompassing much of the South China Sea, and the enforcement of territorial claims in the Sea by stationing troops on more disputed islands and encouraging its fishermen and oil companies to start commercial operations around them.⁹¹

Is China’s expanding security footprint in the South China Sea a problem for the U.S. as well as Southeast Asia? As former Asia policy aide to President George W. Bush,

Michael Green, put it: “The Chinese are elbowing, seeing how far they can go before the referee blows the whistle on them and they get a yellow card . . . This is also a [Chinese] signal to Vietnam, the Philippines, and the smaller countries in the region, that ‘look, if we can do this to the Americans, what chance do you think you have?’”⁹²

The Taiwan Strait

Perhaps a more momentous question for this Committee to address is whether eventual unification of Taiwan with China means that the Taiwan Strait becomes a Chinese “inland waterway.” The Taiwan Strait links Japan and South Korea to their markets in Europe and their energy suppliers in Southeast Asia, the Middle East and Africa. Whichever power controls the Taiwan Strait also controls Japan’s, South Korea’s, Taiwan’s as well as China’s sea lines of communication (SLOCs).

Taiwan’s current president, Ma Ying-jeou, a scholar of international maritime delimitations, in his 1981 law school dissertation⁹³ explains “The Taiwan Strait requires no *international* delimitation since the ROC and the PRC are not foreign states *inter se*. There is presumably no room for applying international law.” For its part, the Chinese military sees the Strait as sovereign Chinese waters.

China only began to get touchy about foreign naval transits of the Taiwan Strait in the past decade or so as it unilaterally determined that foreign naval vessels must have advance permission for the Chinese government to transit territorial waters. At its narrowest, (between *Haitan* island and Taiwan’s coast) the Strait is about 76 miles wide – and international law recognizes a 12-mile (20 kilometer) territorial waters jurisdiction and an additional 12-mile “contiguous zone” of enforcement⁹⁴ thus narrowing the international channel to just a few dozen miles. Even then, China considers the entire Taiwan Strait as its continental shelf. Chinese law on its face restricts “freedom of navigation and overflight” in China’s EEZ and continental shelf only to states that observe “the laws and regulations of the People's Republic of China.”⁹⁵

China started to put up “no trespassing” signs in the Strait on April 17, 2001. That day, two Australian Navy frigates and a supply ship were intercepted by PLA Navy vessels and ordered by radio to leave the Taiwan Strait by the Chinese commander who insisted that the Australians had entered China's 12-nautical mile territorial waters. The Australian flotilla, steaming from Pusan in South Korea to Hong Kong, refused to change direction and continued on their way. The Australian *Sun-Herald* described the incident as a “tense stand off” in which the Australian commander “stared down” the Chinese.⁹⁶

Unlike previous fulminations by the PLA, this affair was not a matter of the People’s Liberation Army’s overzealousness in defending the country’s territorial waters in contravention of customary international law that it did not fully understand. China’s foreign ministry subsequently filed a diplomatic protest with Australia about the incident to which the Australian Foreign Ministry responded that “our position is our ships were exercising their rights under the international law of the sea which provides that foreign vessels can pass through another country's territorial waters, under the right of innocent passage, as it's described.” Australian Prime Minister John Howard later said “China's

always had a different view about what international law allows the vessels of one country to do in the territorial waters of another.”⁹⁷

China, therefore, can be expected to persist in its “different view about what international law allows” as its navy grows more muscular and as Taiwan recedes from the picture as an autonomous international actor.

Another episode in November 2007 seems also to have heightened suspicions among U.S. Navy commanders that China’s posture toward the freedom of navigation in the Taiwan Strait was illegitimately possessive. When the U.S. aircraft carrier USS *Kitty Hawk* and its accompanying battle group transited north from Hong Kong through the Taiwan Strait, the Foreign Ministry declared itself “gravely concerned” about the battle group’s passage.⁹⁸ Taiwan’s press claimed that a Chinese naval task force which included the *Sovremennyy*-class guided missile destroyer *Shenzhen* and at least one Type-039 Song class submarine shadowed the Americans for 28 hours during the transit – the submarine seemed to be lurking near Orchid Island off Taiwan’s southeastern tip in what were clearly Taiwanese, not Chinese waters.⁹⁹ Although a U.S. Navy spokesman later denied any incidents had taken place, newspaper reports from Taipei said Taiwan navy antisubmarine aircraft had monitored the movements of a Chinese submarine and the destroyer *Shenzhen* during the *Kitty Hawk*’s transit and Taiwan’s defense ministry declined to deny stories that the Chinese navy had shadowed the Americans.¹⁰⁰

The significance of the putative encounter is not whether it occurred, but what the United States Pacific Command commander, Admiral Timothy Keating, thought the Chinese might have been signaling at the time. At a press conference in Beijing a few weeks later, Keating noted “Chinese submarines have impressive capabilities and their numbers are increasing.” He cautioned that “in submarine operations in particular, because of the medium in which they’re conducted, underwater, there is greater potential, in my opinion, for inadvertent activity that could be misconstrued or misunderstood.” And when asked why the *Kitty Hawk* battle group had chosen to return to its homeport in Japan via the Taiwan Strait rather than up Taiwan’s eastern coast, Keating seemed to bristle:

We don’t need China’s permission to go through the Taiwan Straits. It’s international water. We will exercise our free right of passage whenever and wherever we choose as we have done repeatedly in the past and we’ll do in the future. As it happens, the weather was pretty crummy on the leeward side of Taiwan, and so the commander made an appropriate decision, requested permission, was given permission to transit the Taiwan Strait, and we’ll do that whenever we need to.¹⁰¹

Nevertheless, the United States Navy has not made a practice of transiting the Taiwan Strait – and when such transits are undertaken, they seem always to be part of a broader political message. For example, the November 2007 sortie was in response to China’s sudden withdrawal of permission for the *Kitty Hawk* to portcall at Hong Kong. U.S. fleet elements were deployed to the Taiwan Strait in March 2004 to deter Chinese interference in Taiwan’s presidential elections, similar movements of U.S. ships took place in

February and March 2000. And during Taiwan's first free presidential elections in March 1996, China launched four short-range DF-15 ballistic missiles into Taiwanese waters and closed the Taiwan Strait to commercial shipping in a transparent attempt to intimidate Taiwan's electorate. The U.S. sent two separate aircraft carrier battle groups to positions near the Taiwan Strait.¹⁰² It was China's ability and willingness to seal off the Taiwan Strait to international shipping that riled Washington in 1996.

With China now at the center of all East Asian export manufacturing supply chains, neither Japan nor South Korea (and certainly not Taiwan) is interested in interrupting or severing China's SLOCs. For example, over half of South Korea's component exports go to China – up from one-third at the beginning of the decade.¹⁰³ China became Japan's top trading partner in August 2007, something that a Japanese finance ministry official said reflects "the gradual shift of production by Japanese firms to China. I think the trend of growing trade with China will continue."¹⁰⁴ By April 2010, over half – 50.69% - of Taiwan's manufacturing production was produced by Taiwan-owned corporation factories overseas (well over 60% of which were in China in 2006). That figure was only 12.39% in January 2000. And over 60% of all exports booked by Taiwan firms are shipped from Taiwan-owned factories in China.¹⁰⁵

So, clearly, none of East Asia's major powers is interested in disrupting China's maritime trade.

The East China Sea – the Senkaku Islands

China's territorial claims on Japan's Senkaku Islands just east of the northern approaches to the Taiwan Strait significantly impact Japan's strategic depth as well as the perception among Asia's democracies that Japan remains a great power. They are also significant because the Senkaku Islands are covered by the US-Japan Mutual Defense Treaty.¹⁰⁶

Japan has administered the Senkaku islands since the 1870s when the Ryukyuan (Okinawa) kingdom formally joined the Japanese empire. Japan erected light beacons and navigation aids on the islands and from 1904 through 1941, a Japanese fishing community of over 200 thrived on the main Senkaku island. But Japan is now under intense geopolitical pressure from China to abandon the islands.

For a nation with a 5,000-year history of border conflicts and territorial disputes, China's claim to the Senkakus is far and away the newest – newer even than China's 1940s claims to the South China Sea islets. Indeed, up to 1969, both the Taipei and Beijing governments consistently catalogued the Senkaku islands as Japanese territory.¹⁰⁷ Indeed, there is no record anywhere of a Chinese (Taipei or Beijing) claim to the Senkaku islands prior to 1969.¹⁰⁸

Prior to 1969, no one knew of any particular benefit to owning the Senkaku Islands, except the Japanese who viewed it more as a navigation hazard surrounded by a rich fishing ground. In 1968, however, a report issued by the United Nations Economic Commission for Asia and the Far East (ECAFE), noted that "The best prospect for large

new petroleum discoveries are [sic] believed to be the mature and youthful continental margins off eastern Asia and off northern Asia.”¹⁰⁹ While this news was greeted with some gratification in Japan, Taipei’s Republic of China government – then representing the Chinese mainland in the United Nations – was spurred into proffering Chinese claims to the Senkaku Islands and to the seabed oilfields within its orbit. It was a difficult propaganda “sell” because not a single Taipei publication could be found that had ever catalogued the Senkakus as Taiwan’s.¹¹⁰

The Senkakus then became a matter of “face” in Beijing. In Henry Kissinger’s early meetings with Chinese premier Zhou Enlai in October 1971, Zhou made a point of claiming the Ryukyu islands: “Taiwan is cursing us about the Ryukyus; not just about Okinawa. . . . I will not go into the historical facts of that, but I am certain those islands sent gifts to the Chinese Emperor and were looked upon as tributary states.”¹¹¹ As late as 1973, however, Premier Zhou still had not raised the Senkakus issue with the Japanese despite the fact that he had already done so with President Nixon and Henry Kissinger and even with the Canadian foreign minister.¹¹²

The subsequent history of China’s claims to the Senkakus revolved around expedience. On October 2, 1974, Chinese vice premier Deng Xiaoping told an overseas Chinese group in Beijing that “we will never give up this Chinese territory but Japan also will not surrender it,” and mused that “the movement to guard Tiaoyutai (Senkakus) has to be continued.” Nonetheless, Deng conceded to a visiting Japanese group that the China would be willing to shelve the Senkaku issue during negotiations with Japan on a peace treaty.¹¹³ From then until the early 2000s, as the Chinese navy acquired increasing power-projection capabilities, China was content to leave the Senkakus on the back-burner.

In January 2003, *China Youth News* quoted a Chinese Maritime Patrol Service’s deputy commander as saying that the Service had responded effectively to violations of Chinese jurisdiction in the East China Sea with patrol vessels and aircraft to meet incursions by American and Japanese ships and aircraft. Chinese Maritime Patrol ships “had warned Japanese ships which were leaking oil pollution into the territorial seas.”¹¹⁴

More ominously, over the past decade, several provocative transits of Chinese naval flotillas (including submarines) past the Senkakus and into Ryukuan waters have heightened Japan’s sense of the Senkakus’ strategic vulnerability. In April 2010, the PLA Navy conducted an exercise east of the Senkakus in Japanese narrow territorial waters between Okinawa and Miyako islands. The Chinese fleet (at least ten warships) included destroyers, missile frigates and submarines. In 2008, a smaller Chinese fleet of four ships made a similar sortie. In fact, Chinese naval vessels have been probing Japanese waters east of the Senkakus since 2005. In September 2005, on the eve of Japan’s Diet Elections, five Chinese warships including one of China’s latest Russian-made *Sovremenny* class destroyers menaced Japanese coast guard vessels north of the Senkaku islands thereby ensuring a landslide reelection victory for Prime Minister Junichiro Koizumi’s pro-defense Liberal Democratic Party. A few weeks later, on October 2, the fire-control radar aboard the Chinese *Sovremenny* near the Senkaku

islands "locked-on" a Japanese P-3 patrol aircraft and another Chinese vessel's artillery radar targeted a Japanese coast guard vessel nearby.¹¹⁵ China's navy was baring its teeth.

This foray was a repeat of a similar one that took place the previous January, at the start of government-sponsored anti-Japanese demonstrations across China, when two Chinese *Sovremennyy*s loitered near a Japanese-leased oil exploration vessel in Japanese EEZ waters.¹¹⁶

Pointedly, throughout 2005, China's new naval cheekiness in Japanese territorial waters coincided with sometimes violent, state-directed anti-Japanese demonstrations in several Chinese cities in March and April – protesting (of all things) Japan's application to become a permanent member of the United Nations Security Council. The Chinese leadership's entire anti-Japan campaign seemed animated at least partly by an urge to test the limits of the U.S.-Japan mutual Security Treaty.¹¹⁷

By October 2006, Chinese submarine activity in the Senkakus-Okinawa area began to alarm U.S. Naval planners. On October 27, a PLA Navy Song-class submarine surfaced in waters off Okinawa within torpedo range of the U.S. carrier *Kitty Hawk* where it was seen in the *Kitty Hawk*'s wake by an F-18 pilot as he vectored to land on the carrier.¹¹⁸ The Chinese submarine was undetected by the carrier battle group's anti-submarine systems apparently because it had lain in wait, submerged and stock-still, for at least one day as the task force approached the area. Beijing's state-controlled media later reported that China's top submarine officer and vice chief of staff of the PLA Navy, Rear Admiral Ding Yiping, had "personally commanded" the entire operation (he may even have skippered the submarine himself) and predicted the success of his mission would lead to a promotion.¹¹⁹

The operation suggested that Chinese submarines already are quite at home in Japanese waters. Chinese hydrographic survey ships assiduously mapped the seas around the Senkakus and by June 2008 Japanese media reported that Chinese submarines had entered territorial waters of the Japanese home islands and had shown themselves "very comfortable" with marine characteristics of the Japanese coastline.¹²⁰ From then on, China's naval presence in Japanese waters has become increasingly intense, reinforcing a sense in both Tokyo and Washington of the tactical importance of the Senkaku islands almost equidistant between Okinawa and the China Coast in the East China Sea.

September 2010 – Senkaku Climax

The China-Japan face-off over the Senkakus reached a political climax on September 7, 2010 when the skipper of a Chinese "fishing boat" deliberately rammed a Japanese coast guard cutter within Japan's territorial waters near Kuba island in the Senkaku chain. When the Japanese coast guard arrested the Chinese skipper, China's foreign ministry protested that Japan had no right to take any maritime enforcement action in Chinese sovereign territory.¹²¹ This was followed by three weeks of steadily escalating diplomatic demarches, protests and threats culminating in a *de facto* Chinese embargo on exports of Chinese rare-earths oxides (essential in the manufacture of advanced electronic

devices) to Japan.¹²² Chinese customs officials also slowed processing for Japanese-owned factories in China.

The entire episode sent chills throughout the global trading structure, but the crisis finally prodded the United States to weigh-in publicly on Japan's side. On September 24, the White House reiterated that the United States considers the Senkakus to be under Japanese "administration" and hence is covered by the U.S.-Japan Mutual Security Treaty.¹²³ At a Pentagon press conference the same day, Chairman of the Joint Chiefs of Staff Admiral Mike Mullen confirmed that the U.S. "security umbrella" extended to the Senkakus, and that the United States was very supportive "of our ally in that region, Japan." Defense Secretary Robert Gates, standing next to Mullen, seemed to think the Admiral's statement wasn't clear enough. He interrupted the admiral to add "and we would fulfill our alliance responsibilities."¹²⁴

Even before the September 2010 confrontations, Japan's concerns about the Senkakus were heightened by the ever-increasing and aggressive surface, submarine and naval air operations of the Chinese Navy. On May 25, 2010, the commander of U.S. forces in the Pacific, Admiral Robert Willard, warned "there has been an assertiveness that has been growing over time, particularly in the South China Sea and in the East China Sea" and characterized his command's interaction with Chinese naval counterparts as a "very immature military-to-military relationship."¹²⁵

China's naval harassment of Japanese vessels persists well into 2012. Japan's 2011 National Defense Policy Guidelines – in a major strategic about face – has ordered the navy to increase the submarine fleet from the current 16 to 22: no longer will Japan's submarine force be arrayed against a northern Russian threat, but against the southern Chinese one. Tokyo now faces the financial responsibilities of building up its island defenses in the Ryukyu's far west Nansei Shoto – including the Senkakus. And Japanese troops are now exercising with American allies in scenarios to counter Chinese aggression against the islands.¹²⁶ As recently as March 16, 2012, Chinese coast guard vessels entered Japanese territorial waters within 20 kilometers of the Senkaku Islands, an incursion which the Chinese government broadcast on its coast guard website because "This patrol reflects the Chinese government's consistent position on the sovereignty of the Diaoyu [Senkaku] Islands" and which the Japanese government termed "extremely serious."¹²⁷

The Committee should be aware that Tokyo and Washington both agree explicitly that the Senkaku Islands, as Japanese-administered territory, are within the ambit of the US-Japan Mutual Security Treaty. Any heightened confrontation between Japan and China over the Senkaku Islands could quite easily involve U.S. Naval, Air and/or Marine forces.

Beijing's Proliferation Behavior – Its relationship with Pyongyang

Almost as threatening as China's muscular strategy of rigid state mercantilism and its relentless intimidation of its maritime neighbors is Beijing's predictable support for virtually every rogue state on the planet, and North Korea is emblematic of this behavior.

Without China's active cooperation and diplomatic cover, North Korea could not sustain its nuclear weapons or its ballistic missile programs. There is ample enough evidence in the public record that China facilitated the transfer of Pakistani nuclear weapons technology to North Korean in return for North Korean ballistic missile assistance to Pakistan as early as 1993.¹²⁸

Let me stress that today, China's military alliance with North Korea remains its strongest, and there has been no instance in the past twenty years that reflects any willingness in Beijing to pressure Pyongyang in its relations with the United States of Japan.¹²⁹ Since 2002, The United States has sanctioned Chinese companies for providing North Korea with tributyl phosphate, an acid solvent used in the extraction of uranium and plutonium salts from nuclear reactor effluents¹³⁰ – once in April 2004, ironically just one month before the U.S. State Department recommended that China be admitted to the Nuclear Suppliers' Group, an informal international nonproliferation organization. In 2003, at U.S. insistence, China interdicted one such shipment¹³¹ but there is no indication that China has made any other effort to enforce its export controls on North Korea. It is the opinion of at least the arms control experts at the U.S. State Department that China enforces its rules “only under the imminent threat, or in response to the actual imposition, of sanctions” and that China's failure to respond is not so much an “inability” to enforce its export regulations as an “unwillingness” to do so.¹³²

In fact, China quite frequently has facilitated the transit of Pakistani military aircraft at Chinese airbases *en route* to North Korea – with cargos that U.S. intelligence has linked to the nuclear/missile transactions.¹³³

From 2003 and the beginnings of the Six Party Talks process it is clear that Beijing's and Pyongyang's military consulted closely on nuclear diplomacy – top ranking Chinese and North Korean delegations met before the April and August talks with the Americans in Beijing, and China's foreign ministry appeared to be excluded from any decision-making.¹³⁴ For the next three years, the Six Party Talks passed through a roller-coaster sequence of manic-depressive sessions, yielding breakthrough agreements (September 2005, February 2007 and June 2008) and utter catastrophes (the October 2006 nuclear detonation and the July 2008 missile ICBM launch). All the while, the only consequence was buying time for Pyongyang's weapons development and strengthening Beijing's leverage over Washington.

Chronology 2008- Year of Hope

In June 2008, China's heir-apparent, Vice President Xi Jinping, made a three-day visit to Pyongyang just prior to North Korea's confused and largely irrelevant nuclear fuels declaration – and “proposed to strengthen bilateral coordination and cooperation in the six-party talks on the Korean Peninsula nuclear issue.”¹³⁵ The Chinese people were reminded, on the front page of the *People's Daily* no less, that “the friendship between the Chinese and Korean peoples . . . has been sealed in blood. The peoples of China and Korea have always understood each other, sympathized with each other, supported each

other, aided each other, and the story of China-Korean friendship is impregnable against all forces."¹³⁶

Although a week later, North Korea turned over an 18,882-page "declaration" of nuclear programs to China (as the chair of the "Six Party Talks"), the declaration seemed designed more to obfuscate than inform -- and also had the humorous quality of being irradiated with, of all things, highly enriched uranium(!).¹³⁷ Unsurprisingly, the declaration did not include "all nuclear programs" (specifically any mention of highly enriched uranium, nuclear proliferation to Syria, or an accounting of nuclear weapons) as was required by the accords of February 13, 2007 and September 19, 2005.

Given Xi Jinping's fairly lengthy sojourn in Pyongyang, the certainty that he consulted in depth on tactics surrounding the "Six Party Talks" process, together with the fulsome "impregnable" and "sealed in blood" oratory about the China-North Korea relationship, it seems likely that the Chinese leader departed North Korea quite satisfied with the level of Pyongyang's compliance.

The question is, by the time North Korea made its declaration on June 26, 2008 (having harvested -- who knows -- several dozen kilograms of plutonium¹³⁸ from its spent fuel rods), was the United States closer to its goal of a denuclearized North Korea? Not really. Indeed, the last four years, several missile launches, and yet another nuclear detonation prove it was farther away than ever. And China is largely responsible.

2009 "Sino-Korean Friendship Year"

2009, hailed in Beijing and Pyongyang as "Sino-Korean Friendship Year, was a banner year for North Korean brazenness, with an ICBM launch and a subsequent withdrawal from nuclear safeguards in April and a second nuclear detonation on May 25.¹³⁹ That was followed up by a Chinese tour guide who lured two American journalists across the Yalu River where they were captured by North Korean border Guards. The Americans were eventually retrieved by former president Bill Clinton in a glitzy publicized rescue mission (which quite fortuitously coincided with Chinese intelligence and propaganda department delegations).¹⁴⁰

Throughout 2008 and 2009, the United States Embassy in Beijing alerted the Chinese foreign ministry that Chinese state-owned firms, "working through North Korean intermediaries, were acting as a key source of raw materials and technology for a North Korean ballistic missile development project in Syria" among others. (The embassy cited several Chinese companies which supplied proliferation-related material to Pakistan, Iran,¹⁴¹ One of the revelations in Wikileaks is how often Chinese companies use the North Koreans as intermediaries in transferring nuclear weapons and nuclear delivery system technology to sanctioned states like Iran and Syria, and of course, to Pakistan. A former colleague of mine who has worked this issue calls North Korea "China's proliferation proxy."

2010 – Succession and Living Dangerously

North Korea's bizarre dynastic succession was at the center of a very strange year, 2010. It was a year of even more remarkably brazen North Korean behavior than 2009, with the North's unprovoked sinking March 26 of a South Korean naval vessel (with a Chinese-made torpedo¹⁴²) and the artillery bombardment of a South Korean fishing village which killed two civilians in November. In neither case did China permit any international sanctions against North Korea. Instead, Kim Jong Il had two "successful" visits to China in May, apparently to seek China's blessing for the eventual succession of Kim's 28-year old son, Kim Jong-eun as North Korea's new "dear" leader, and again in August to formalize China's anointment of his heir.

Following Kim's May 2010 visit to China, foreign journalists were persuaded that China would criticize Pyongyang's torpedo attack, but surprisingly, China's support for the North firmed-up instead.¹⁴³ Within a week, Kim Jong Il had fired his premier, replaced him with a Kim family confidant, and named his brother in law, Jang Song Thaek, as his deputy as commander of North Korea's army. Jang had been an avid promoter of Kim's son, Jong-eun, as the country's new leader.¹⁴⁴ By early August, the stage had been set for Jong-eun's succession, and a Korean Workers Party Congress – the first in 30 years – was set for the end of the month. In the meantime, U.S. intelligence had determined that Jong-eun was the driving force behind North Korea's new belligerence. It was time, then, for Jong-eun to make a formal visit to Beijing to receive the Chinese Communist Party's recognition of his new status. At last, Kim Jong-il proclaimed in public to Chinese President Hu Jintao, "In the complex international situation, it is our historic mission to ensure that the baton of friendship between Korea and China is smoothly handed over to the next generation." China responded, "Maintaining and stabilizing the current relationship between China and North Korea is of maximum benefit to China," reported the Party-controlled *Huanqiu Shibao*. Simultaneously, PLA Shenyang Military Region commander Zhang Youxia visited North Korea where he received assurances that "in the future, North Korea will consolidate and develop exchanges and cooperation with China in every sphere, and make increasing efforts to strengthen friendly cooperation between our two militaries."¹⁴⁵

Secure in the knowledge that the succession had China's blessing, arrangements for North Korea's leadership succession could move forward. On September 28, unexpectedly, Kim Jong-eun was given new titles, ahead of the KWP Congress that supposedly would have legitimated the promotions. On October 11, China's internal security czar, Politburo Standing Committee member Zhou Yongkang, met with Kim Jong Il in Pyongyang to extend yet another invitation for the younger Jong-eun to visit China. Elder Kim Kim told Zhou that he wanted to educate the "younger generation about the traditional friendship between the two countries ... and sincerely learn about China's experience." According to the official Korean News Agency, Zhou Yongkang, a member of the Standing Committee of the Political Bureau of the Communist Party of China, presented Kim Jong-un with a plate engraved with a photo showing former Chinese leader Mao Zedong and North Korean founder Kim Il-sung smiling during a meeting. All this came on the 60th anniversary of China's entry into the Korean War to

fight against the United States, a date that was noted in both China and North Korea with reaffirmations of blood-friendship.¹⁴⁶

In just a few days, on November 12, 2010, North Korea had invited an American nuclear weapons specialist, Dr. Siegfried Hecker, to observe its ultramodern and ultra-secret, uranium enrichment complex near Yongbyon. Hecker said he was “stunned” by the facility’s complexity – “hundreds and hundreds” – more than 2000, in fact, of newly installed uranium centrifuges, control rooms, computers, that had been assembled no earlier than April 2009.¹⁴⁷

Nuclear proliferation experts across the globe, too, were stunned by Hecker’s report. Shannon Kile of the Stockholm International Peace Research Institute (SIPRI), assessed it unlikely that North Korea had the indigenous expertise needed to assemble such a centrifuge plant, “I just can’t imagine they would have been able to do this on their own. This is pretty esoteric technology.” Mark Fitzpatrick, proliferation expert at the International Institute for Strategic Studies in London, said he “Chinese middlemen, undoubtedly, are a major part of North Korea’s procurement network.” Beijing, of course, did not comment. The centrifuges, ‘finely calibrated cylindrical devices that spin at supersonic speed’, are highly sophisticated machines which, in my firm opinion, China would not release for sale to just anyone and is certainly capable of restricting access to if it so desired.

Then, on November 23, as if to say “we’ve shown you our uranium centrifuges, we can do as we like,” North Korean coastal artillery randomly began to barrage a South Korean fishing village on the island of Yeonpyeong, killing two civilians and two soldiers. Again, Beijing’s reaction was to blame everyone, including the United States, for North Korea’s “overreactions”, while on December 10 China’s top diplomat, Dai Bingguo, flew to Pyongyang where he was photographed holding Kim Jong Il’s hand among a gaggle of smiling Chinese and North Korean officials. When the Chinese foreign ministry spokeswoman was asked why Beijing seemed to back Pyongyang’s viciousness, she responded “I want to ask those people who bring accusations against China what they have done to contribute to the regional peace . . . Military threats won’t solve the problem, but to increase tension.”¹⁴⁸

2011 and 2012 – Sudden Succession and Continuity

2011 was a relatively uneventful year, possibly because Kim Jong Il was dying, and the succession was settled. He postponed a scheduled trip to Russia in June, but made the journey to Siberia in late August. On November 19, Kim Jong Il met with a top level Chinese military delegation led by General Li Jinai, who assured Kim that “in the new historical era, China will be at one with North Korea and, in line with the consensus reached by the leaders of both sides, will ceaselessly increase understanding and mutual confidence.”

Within a month, Kim Jong Il was dead. Beijing betrayed no anxiety at the transition, likely because China had been aware of Kim's fragile health all along, his death was not unexpected, and Beijing had been fully involved in the succession. Young Jong-eun's ascension to the status of "Dear Young General" and "Great Successor" has thus far been managed uneventfully and, with China's backing, North Korea seems even to have the Americans under control.

That is to say, yet again the drama returns. On February 29, 2012, Pyongyang negotiators in Beijing happily agreed to a nuclear and missile moratorium with American counterparts in return for massive food aid and an American acknowledgment that North Korea had a right to nuclear power development. But again, true to form, Pyongyang turned around and on March 16 announced a "space launch" using an ICBM to take place in mid-April, in commemoration of Kim Il Sung's 100th birthday, in apparent disregard for their so-called "Leap Day Agreement" missile halt. The Chinese state newspaper, *People's Daily*, reported the announcement deadpan on page 3, and noted that a Chinese vice foreign minister had "made an appointment to see" (*yuejian*) the North Korean ambassador to "express concern and worry" (*guanqie he youli*). Two days later, *People's Daily* published North Korea's assertion that a space launch was its legitimate right and that the United States was attempting to deny North Korea its rights.¹⁴⁹

Chinese diplomats informed their American counterparts that North Korea is going ahead with the launch, and there is no chance they will change their minds. Washington shouldn't think there's anything it can do, so basically, "get over it." Then, as South Korea proposed a nuclear summit to discuss the North's behavior, Pyongyang unleashed a storm of propaganda which termed Seoul's "thrice-cursed act of hurting the dignity of the supreme leadership of the DPRK," and, of course, threatened war.

And so it goes. The result has been a demonstration by Pyongyang's new leadership that it, not the U.S., calls the game in and that Pyongyang retains Beijing's full backing.

Conclusion

China has assumed an adversarial posture toward the United States, Europe, Japan and others in a variety of foreign policy and warfighting areas. As one Chinese strategist puts it: *In the world today, virtually all of America's adversaries are China's friends.*¹⁵⁰

Indeed, across the board, from nuclear and missile proliferation to human rights, to global climate change and fisheries, China adopts postures diametrically opposite to the United States. And even during the Iraq and Afghanistan wars, China has gone out of its way to provide weapons and explosives, and I would argue, even computer network assistance, to hostile states and insurgents in direct combat with U.S., coalition and NATO forces.

Can Americans feel reassured the "new multipolar world order" that China's leaders demand will be hospitable to American leadership or values in the coming decades? Or is there a grave potential for collision as the international system enters a power transition

phase? University of Chicago's John Mearshiemer pointed out in 2008, "as history shows, powerful states on the rise often fight wars with other major powers."¹⁵¹

China is now too big to confront, and managing China's rise now requires a quiet, coherent, multi-dimensional and disciplined strategy that must be coordinated with allies and friendly democracies. Crucial to achieving America's strategic policy goals is consensus among the world's democracies to "balance" China's rise in every sector of the multidimensional rivalry. The key obstacle to this consensus is China's sheer economic weight and Beijing's willingness to use it to punish its competitors. Unless the United States takes the lead, the world's democracies must perforce acquiesce in China's ascent and ultimately will acquiesce to Beijing's world view.

China is now an economic superpower, and it is simply too big for the United States to inflict trade, financial or economic sanctions on it – even if it wanted to. To do so would be "mutual assured economic destruction." But there is no need for the world's democracies to avert their eyes and pretend that China is, somehow, a "responsible stakeholder" in the international system.

But I have not been asked here to tell you what to do about it . . . just to tell you what the problem is.

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⁶⁶ The Taiwan Strait is the most travelled strait. In the year ending August 15, 2002, a total of 259,086 civilian aircraft transited the Taiwan Air Defense Identification Zone (ADIZ) while 246,015 international commercial ships transited the Taiwan Strait and the East Taiwan maritime route, for a daily average of about 675 ship transits – compared to the Dover Strait which sees a daily average of 400-500 ships over 300 tons in daily transit. About 90,000 ships pass through the Strait of Gibraltar annually; about 50,000 ships a year pass through the Straits of Malacca. The Suez Canal processes about 55-60 transits a day while the more constricted Panama Canal manages just 40-44.

⁶⁷ Article 11, Exclusive Economic Zone and Continental Shelf Act, Adopted at the third session of the Standing Committee of the Ninth National People's Congress, 26 June 1998.

⁶⁸ Wallace ("Chip") Gregson, LTG USMC ret., former assistant secretary of defense commented at a CSIS panel on March 15 that unlike the apparent clarification on the 9-dash-line over sovereignty, China is "now claiming all of the fishing resources in the entire S. China Sea." See The Nelson Report, March 15, 2012.

⁶⁹ On February 29, 2012, PRC Foreign Ministry was in passive-aggressive mode, complaining that "What should be pointed out is that neither China nor any other country lays claim to the entire South China Sea. We are not sure whether it is because of their unawareness of facts or it is out of their ulterior motives that some people keep making irresponsible remarks on this issue. We believe it needs to be clarified." Yet, the MFA has made no effort whatever to "clarify" it. The Nine-Dash-Line encompasses virtually the entire Sea, and in case there might be any misunderstanding, the PRC Foreign Ministry asserted in the same paragraph that "China's position on the South China Sea issue is consistent and clear. China has indisputable sovereignty over islands in the South China Sea as well as their adjacent waters. There is no such thing as being more or less confrontational." See Foreign Ministry Spokesperson Hong Lei's Regular Press Conference on February 29, 2012, at <http://www.fmprc.gov.cn/eng/xwfw/s2510/2511/t910855.htm>. On March 16, 2012, the PRC/MFA reasserted "China has indisputable sovereignty over the islands in the South China Sea and their adjacent waters. China will not accept certain country's groundless accusation. We urge relevant countries to respect China's sovereignty, sovereign rights and jurisdiction in real earnest." Foreign Ministry Spokesperson Liu Weimin's Regular Press Conference on March 16, 2012, at <http://www.fmprc.gov.cn/eng/xwfw/s2510/2511/t915492.htm>.

⁷⁰ See footnote 7 supra. In August 30, 2008, officers of the U.S. Embassy in Beijing queried MFA Department of Treaty and Law Oceans and Law of the Sea Division Deputy Director Yin Wenqiang about China's Sea claims. "Yin stated that China's jurisdictional claims in the region -- defined by the so-called 'Nine Dashes' or 'Cow's Tongue,' a nine-segment dotted line on PRC maps of the SCS first published by the Kuomintang Government in 1947 -- 'do not contradict' the 1982 UN Convention on the Law of the Sea (UNCLOS)." Yin further explained that "China's sovereignty over the islands and 'rights to utilize economically and exercise jurisdiction' over China's claim came much earlier than UNCLOS." Stating the area contained by the 'Nine Dashes' is a 'reflection of history,' Yin said that 'UNCLOS does not deny historical claims.' Yin pointed to the various territorial disputes extant in the SCS, saying 'UNCLOS cannot clarify everything.' Hence, China continues to promote the 'shelve differences, mutual development' approach to addressing economic development activities in the SCS and other disputed areas. China will not refer its SCS claim to dispute settlement procedures established in UNCLOS, because, Yin said, 'it is not in China's tradition' to submit to such compulsory or binding decision mechanisms. When queried as to why China acceded to UNCLOS, Yin commented that China became a signatory nation because neighboring countries in the SCS joined, and China believes its SCS claim is not threatened by UNCLOS."

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⁷² “Banyan: They have returned; China should worry less about America’s ‘containment’ strategy and more about why the neighbours welcome it,” *The Economist*, Aug 12th 2010, at http://www.economist.com/node/16791842?story_id=16791842.

⁷³ “Dalu Meiti zha Tai tiaozhan gongshou nanhai chenji, Taiwan fangmian zhunbei zai Taiping Dao jian jichang” (大陸媒體轟台 挑戰共守南海默契, 台灣方面準備在太平島建機場) [PRC Media blasts Taiwan – Challenge to Tacit Understanding re Spratly Islands, Taiwan plans Airstrip on Itu Aba]. *Shijie Ribao*, January 7, 2006, citing a report in Xinhua’s *International Herald Leader* <http://www.xinhuanet.com/herald>).

⁷⁴ David Jude “DJ” Sta. Ana, “China builds more Spratly outposts,” *The Philippine Star*, May 24, 2011 at <http://www.philstar.com/ArticlePrinterFriendly.aspx?articleId=689184>; “China, Philippine Defense Chiefs Discuss Spratlys,” The Associated Press, May 23, 2011.

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⁸⁰ Ben Bland and Jamil Anderlini, “Tensions flare over oil in South China Sea,” *Financial Times*, October 16, 2011, at <http://www.ft.com/cms/s/0/8316f698-f801-11e0-8e7e-00144feab49a.html>.

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⁸² Kelley Currie, “Why is China Picking Fights with Indonesia?,” *The Weekly Standard*, August 6, 2010, at <http://www.weeklystandard.com/blogs/why-china-picking-fights-indonesia>.

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⁸⁴ John Pomfret, “U.S. takes a tougher tone with China,” *The Washington Post*, July 30, 2010; p. A01.

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⁸⁷ Pomfret.

⁸⁸ “Xilaili Wangtan Nanhai zhengduan; Yang Jiechi bochi Meiguo waili, Zhongguo pingji Meiguo xieshou Nanhai,” (希拉利忘談南海 爭端; 楊潔篪駁斥美國歪理, 中國評擊美國插手南海), *Huanqiu Shibao*,

July 26, 2010, p. 1. An image of the front page can be found at

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⁹⁴ United Nations Convention on the Law of the Sea (UNCLOS), Article 33.

⁹⁵ Article 11, Exclusive Economic Zone and Continental Shelf Act, Adopted at the third session of the Standing Committee of the Ninth National People's Congress, 26 June 1998.

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⁹⁹ Wu Jieming et al, “Meiguo Xiaoying hao Zhonggong qianjian, Tai Hai duiqi 28 xiaoshi” [USS Kitty Hawk and PRC submarine face-off in Taiwan Strait for 28 hours], Taipei *China Times*, January 15, 2008. “Report: Chinese ships confronted Kitty Hawk,” Kyodo News Service, January 16, 2008, at http://www.navytimes.com/news/2008/01/kyo_china_080115/.

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¹⁰⁴ “China becomes Japan's top trade partner,” Agence France Presse, April 25, 2007.

¹⁰⁵ Lin Yizhang, “Taiwan jie dan, Zhongguo Shengchan bizhong kong yue liucheng “ (台灣接單中國生產比重恐逾六成) [Ratio of Taiwan export orders filled in China feared over 60], *Liberty Times*, Taipei, April 23, 2010, at <http://www.libertytimes.com.tw/2010/new/apr/23/today-fo3.htm>. An article in English is at “Taiwan’s Overseas Production Triples In Ten Years: Liberty Times,” *eTaiwan News*, April 23, 2010.

¹⁰⁶ See Department of State Daily Press Briefing, Adam Ereli, Deputy Spokesman, for March 24, 2004, p. 14, at <http://www.state.gov/r/pa/prs/dpb/2004/30743.htm>. Ereli said “The Senkaku Islands have been under the administrative control of the Government of Japan since having been returned as part of the reversion of Okinawa in 1972. Article 5 of the 1960 U.S.-Japan Treaty of Mutual Cooperation and Security states that the treaty applies to the territories under the administration of Japan; thus, Article 5 of the Mutual Security Treaty applies to the Senkaku Islands.”

¹⁰⁷ In January 1953, for example, the Chinese Communist Party's (CCP) flagship newspaper, *People's Daily* (*Renmin Ribao* 人民日報), called on the people of the Ryukyus to rise up against the American imperialists occupying their homelands and (just to be clear about to whom they were referring) the newspaper enumerated the "Senkaku" (尖閣) archipelago as part of the Ryukyu chain, using the Japanese name for the islands rather than the current Chinese name "Diaoyu" (釣魚), clear evidence that the Beijing government considered the islands part of then American-occupied Okinawa even in the heat of the Korean War. See "Ziliao: Liuqiu Qundao Renmin Fandui Meiguo Zhanlingde Douzheng" (資料: 琉球群島人民反對美國佔領的鬥爭) [Reference: The Struggle of the Ryukyu Islands People Against the American Occupation], *Renmin Ribao*, January 8, 1953, p. 4. The unsigned article apparently assumed that the Senkakus were still inhabited because the first sentence reads: "The Ryukyu Islands are located in the sea between the northeast of our country's Taiwan and the southwest of Japan's Kyushu island, and they include the Senkaku Islands . . ." The Senkakus are the first islands listed.

¹⁰⁸ John J. Tkacik, "The EEZ around Japan's Senkaku Islands," U.S. Asia Law Institute, New York University School of Law, December 14, 2010, at <http://www.usasialaw.org/?p=4644>.

¹⁰⁹ K.O. Emery and Hiroshi Niino, "Stratigraphy and Petroleum Prospects in the Korean Strait and the East China Sea," UNECAF/CCOP *Technical Bulletin*, Vol. 1, 1968, p. 13, cited in Ma Ying-jeou, "Seabed Delineations", p.19 (footnote 38).

¹¹⁰ And every Taiwan geography text book indicated the islands were Japanese. For example, the Republic of China Yearbook (中華民國年鑑-Zhonghua Minguo Nianjian) published in October 1968 states "Taiwan's northernmost [island] is Pengjia Yu."

¹¹¹ Memorandum of Conversation, October 21, 1971, 10:30 a.m. -1:45 p.m., *Foreign Relations of the United States* (FRUS), 1969-1976, Volume E-13, Documents on China, 1969-1972.

¹¹² See telegram from Embassy Tokyo to the Secretary of State dated June 15, 1973, 73 Tokyo 7545, entitled "Japan's attitude on jurisdictional issues concerning oil resources off China's coast" at <http://aad.archives.gov/aad/createpdf?rid=34558&dt=2472&dl=1345>

¹¹³ Telegram from Amconsul Hong Kong to the Secretary of State dated December 6, 1974, 74 Hong Kong 13174, entitled "Teng Hsiao-ping's October meeting with overseas Chinese" at <http://aad.archives.gov/aad/createpdf?rid=190250&dt=2474&dl=1345>.

¹¹⁴ Xu Xiangli, "Zhonggong qianghua haishang jiankongquan," (中共強化海上監控權) [PRC beefs up Maritime Surveillance Capabilities], Taipei *China Times*, February 13, 2003.

¹¹⁵ "Zhong-Ri zheng youtian, zhanjian dapao dui feiji, Jiefangjun paokou xiangxiang, Ri dachen pi tiaoji, jianyi buzhangjie huitan jiejie" (中日爭油田 戰艦大砲對飛機 解放軍砲口相向 日大臣批挑釁 建議部長級會談解決) [PRC-Japan squabble over oilfield, Chinese warships aim cannon at Japanese aircraft and ships, Japan PM slams Chinese provocation, suggests ministerial level summit to discuss resolving issue], New York *World Journal* (In Chinese), October 3, 2005, p. A-8.

¹¹⁶ (No author cited), "Resources and energy -- More open China a threat to Japan; China Gorging and Japan-China Resource and Energy Conflicts," *Yomiuri Shimbun*, April 13, 2005, reprinted in *Japan Focus*, at <http://japanfocus.org/article.asp?id=318>. Yang Peiling, "Xiandaiji Quzhujian xunxing youtian haiyu" (現代級驅逐艦 巡行油田海域) [Sovremennyy-class destroyers patrol oilfield waters], Taipei *China Times*, January 26, 2005.

¹¹⁷ After North Korea's highly provocative July 2006 missile tests, recalls the U.S. ambassador to the United Nations, China's foreign minister "repeatedly blamed the entire crisis on Japan's aspiration for a permanent seat on the Security Council!" (exclamation mark in original). John Bolton, *Surrender is Not an Option*, Threshold Editions (New York), 2008, p. 297

¹¹⁸ Bill Gertz, "China sub secretly stalked U.S. fleet," *The Washington Times*, November 13, 2006, at <http://www.washingtontimes.com/national/20061113-121539-3317r.htm>; Audra Ang, "Admiral Downplays China Sub Incident," The Associated Press, November 17, 2006, at <http://www.washingtonpost.com/wp-dyn/content/article/2006/11/17/AR2006111701469.html>. Private conversations with U.S. analysts indicate the submarine was spotted accidentally by an F-18.

¹¹⁹ "Gencong Xiaoying, Ding Yiping zuozhen zhihui; Haijun zhongda xingdong zhihuiguan zhiyi 2003 nian yin qianting shigu bei jiangzhi; jinnian 8 yue beige jinsheng fusilingyuan; yuji sannian hou geng shangceng lou" (跟蹤小鷹 丁一平坐鎮指揮海軍重大行動指揮官之一 2003年因潛艇事故被降職 今年8月破格晉升副司令員 預計三年後更上層樓) [Shadowing the Kitty Hawk, Ding Yiping in personal

command; One of commanders of the major naval operation was demoted because of a 2003 submarine accident; promoted to deputy commander of the navy this August; predicted for another step up within three years], *Shijie Ribao*, November 16, 2006, p. A-01 at http://www.worldjournal.com/wj-ch-news.php?nt_seq_id=1445428. This story cites Beijing's *Zhongguo Tongxun She* as the source.

¹²⁰ Chen Shichang, "Dalu Qianjian Gongran Fuhang Riben Hai, Dumai Xinwen Zhiyi zai Shiwei, Xianshi Suxi Haiyu Dixing, 'Haimianxia de Shili' Chaoyue Ri Ziweidui" (大陸潛艦 公然浮航日本海 讀賣新聞指意在示威 顯示熟悉海域地形 「海面下的實力」超越日自衛隊) [Mainland Submarine Cruises in Sea of Japan for first time, *Asahi Shimbun* says significance is in its demonstration, clearly it was familiar with the maritime characteristics, 'Subsurface force' surpasses the Japanese Self Defense Forces], *World Journal*, New York, June 9, 2004.

¹²¹ Yoree Koh, "Maritime Collision Fuels China-Japan Row," *The Wall Street Journal*, September 8, 2010, at <http://online.wsj.com/article/SB10001424052748704362404575479163404472760.html>; Ian Johnson, "China and Japan Bristle Over Island Dispute," *The New York Times*, September 8, 2010 at <http://www.nytimes.com/2010/09/09/world/asia/09beijing.html>; Shino Yuasa, "China calls in Japan envoy over boat collision," The Associated Press, September 8, 2010; Chris Buckley *et al*, "Beijing Protests as Japan Arrests China Boat Captain," Reuters, September 8, 2010.

¹²² Jamil Anderlini *et al*, "Wen turns up heat in row with Japanese," *Financial Times*, September 22, 2010 at <http://www.ft.com/cms/s/0/d328082a-c5ee-11df-b53e-00144feab49a.html>; Keith Bradsher, "Amid Tension, China Blocks Vital Exports to Japan," *The New York Times*, September 22, 2010 at <http://www.nytimes.com/2010/09/23/business/global/23rare.html>.

¹²³ Press Briefing by Press Secretary Robert Gibbs, September 23, 2010, at <http://www.whitehouse.gov/the-press-office/2010/09/23/press-briefing-press-secretary-robert-gibbs-special-assistant-president->

¹²⁴ DOD News Briefing with Secretary Gates and Adm. Mullen from the Pentagon, September 23, 2010, at <http://www.defense.gov/transcripts/transcript.aspx?transcriptid=4690>.

¹²⁵ Kathrin Hille, "US warns over Beijing's 'assertiveness'," *Financial Times*, May 25, 2010, at <http://www.ft.com/cms/s/0/0a97c53a-681a-11df-a52f-00144feab49a.html>.

¹²⁶ After South Korea-U.S. Drills, Now it's Japan's Turn," *Wall Street Journal* online, December 1, 2010, <http://blogs.wsj.com/japanrealtime/2010/12/01/after-south-korea-us-drills-now-it%E2%80%99s-japan%E2%80%99s-turn/>; Geoff Dyer, "Slighted Chinese hit at US-Japan drill," *Financial Times*, December 2, 2010, at <http://www.ft.com/cms/s/0/4c4325c8-fe07-11df-853b-00144feab49a.html>. Martin Fackler, "Japan Announces Defense Policy to Counter China," *The New York Times*, December 16, 2010, at <http://www.nytimes.com/2010/12/17/world/asia/17japan.html>.

¹²⁷ Mure Dickie and Kathrin Hille, "Japan protests China's island incursion," *Financial Times*, March 16, 2012, at <http://www.ft.com/cms/s/aa82cf7a-6f68-11e1-b368-00144feab49a.html>.

¹²⁸ Pakistan's late prime minister Benazir Bhutto reportedly delivered "critical nuclear data" as part of a barter deal for North Korean missile components and designs on her December 30, 1993, visit to Pyongyang. There can be little doubt that the North Korea visit was known to – and aided by – China. Bhutto's Pyongyang trip came a day after her "extremely fruitful and constructive" official visit to Beijing during which she found, after two and a half hours of intense meetings with Chinese Premier Li Peng, that "Pakistan and China have completely identical views on international and regional issues." The Bhutto visit to Pyongyang took place at a particularly sensitive time for Pakistan, China and North Korea. The United States threatened sanctions on China for transferring nuclear-capable missiles to Pakistan. North Korea was in delicate negotiations with the United States over its refusal to allow the International Atomic Energy Agency to inspect its nuclear facilities. The Pakistani prime minister believed she was obliged to maintain strict operational security in transferring CD-ROM's of sensitive nuclear data to Pakistan, and therefore needed "an overcoat with the 'deepest possible pockets' into which she transferred CDs containing the scientific data about uranium enrichment that the North Koreans wanted." See Glenn Kessler, "Bhutto Dealt Nuclear Secrets to N. Korea, Book Says," *The Washington Post*, June 1, 2008; A16, <http://www.washingtonpost.com/wp-dyn/content/article/2008/05/31/AR2008053102122.html>. Bhutto's visits to Beijing and Pyongyang, her first trip abroad after her October 1993 election as Prime Minister, were marked by gushing oratorical paeans to Pakistan-China and Pakistan-North Korea friendship. That nuclear issues were central is evidenced by Bhutto's own avowal that "nuclear nonproliferation should not

be made a pretext for preventing states from fully exercising their right to acquire and develop nuclear technology"; See "'Text' of Bhutto Banquet Speech," Pyongyang Korean Central Broadcasting Network in Korean, December 30, 1993, transcribed by the Foreign Broadcast Information Service, Daily Report at FBIS-EAS-93-249. In a perhaps telling moment, the North Korean media reported that Kim Il Sung and Bhutto exchanged gifts, but added the odd note that each "saw the [other's] gift and expressed thanks for it." See "Kim Il-song, Bhutto Exchange Gifts", FBIS Daily Report, December 30, 1993, at FBIS-EAS-93-249.

¹²⁹ China also has security clauses in its Treaties with the Russian Federation and with the Shanghai Cooperation Organization (SCO) partners. But the Treaty with North Korea is the only one with a formal mutual defense clause. See John J. Tkacik, Jr. "How the PLA sees North Korea," in Andrew Scobell and Larry M. Wortzell, *Shaping China's Security Environment: The Role of the People's Liberation Army*, Strategic Studies Institute, U.S. Army War College (Carlisle), 2006, pp139-172. A discussion of the PRC-DPRK Alliance Treaty is on pages 144-145.

¹³⁰ Bill Gertz, "N. Korea seeks aid from China on nukes"; *The Washington Times*, December 9, 2002, page A-01 at http://findarticles.com/p/articles/mi_hb5244/is_200212/ai_n19696552.

¹³¹ Private conversations with a Bush Administration official. In May 2004, Assistant Secretary of State John Wolf told a congressional committee that the U.S. still supported China's membership in the NSG. He explained, "Let me be clear on the April cases. And when you talk about, I mean, the Iran Non-Proliferation Act covers all of the export control regimes, not just the Nuclear Suppliers Group list. And most of the sanctions that were imposed on Chinese entities related to things that were non-nuclear (emphasis added)." He then noted, "We haven't seen the kinds of activity that worried us several years ago. That doesn't mean that it's not taking place. It's only that we haven't seen it." See "U.S. Representative Henry J. Hyde (R-Il) Holds Hearing On China And The Nuclear Suppliers Group - Committee Hearing," May 18, 2004, transcript by Federal News Service.

¹³² See testimony of Assistant Secretary of State for Verification and Compliance, Paula A. DeSutter in Hearings conducted by the U.S.-China Economic and Security Review Commission entitled "China's Proliferation Practices and the North Korean Nuclear Crisis" on July 24, 2003, pp. 7-31 at http://www.uscc.gov/hearings/2003hearings/hr03_7_24.php. This comment appears on p. 26.

¹³³ Danny Gittings, "Battling the Bribers," *The Asian Wall Street Journal*, October 29, 2002, p. 18. See also David E. Sanger and James Dao, "A Nuclear North Korea: Intelligence: U.S. Says Pakistan Gave Technology to North Korea," *The New York Times*, October 18, 2002, p. A1. A compelling case that the Pakistani shipments transited Chinese military bases is made by Edward Timperlake and William C. Triplett II, "N. Korea, Pakistan, China," *The Washington Times*, December 8, 2002.

¹³⁴ John Tkacik, "Getting China to Support a Denuclearized North Korea," Heritage Foundation Backgrounder, August 25, 2003, at <http://www.heritage.org/research/reports/2003/08/getting-china-to-support-a-denuclearized-north-korea>.

¹³⁵ "N. Korean Leader Hopes To Work With China In 6-Way Talks," Kyodo News Agency, June 18, 2008.

¹³⁶ "Chaoxian Laodongdang zongshuji Jin Zhengri huijian Xi Jinping," (Korean Workers Party General Secretary Kim Jong Il meets Xi Jinping), Renmin Ribao, June 19, 2008, p. 1, at http://paper.people.com.cn/rmrb/html/2008-06/19/content_41928.htm.

¹³⁷ Glenn Kessler, "New Data Found On North Korea's Nuclear Capacity, Intelligence on Enriched Uranium Revives Questions About Weapons, Secretary of State Condoleezza Rice said U.S. is 'troubled'," *The Washington Post*, June 21, 2008, p. A08 <http://www.washingtonpost.com/wp-dyn/content/article/2008/06/20/AR2008062002499.html>. Glenn Kessler, "Message to U.S. Preceded Nuclear Declaration by North Korea," *The Washington Post*, July 2, 2008, p. A07 at <http://www.washingtonpost.com/wp-dyn/content/article/2008/07/01/AR2008070102847.html>.

¹³⁸ The South Korean government counts 38 kilograms, Japan's government counts 44 kg, CNN reporters seem to think there were 40 kg, while The Washington Post reports nearly 60 kg. For an excellent summary of the discrepancies, see The Nelson Report, July 2, 2008.

¹³⁹ John J. Tkacik "Sea of Blood, Year of Friendship: China-North Korea Relations in 2009," Jamestown *China Brief*, June 12, 2009 at <http://china-business-intelligence.com/content/sea-blood-year-friendship-china-north-korean-relations-2009>.

¹⁴⁰ John J. Tkacik "Hu you gonna call? Pyongyang gets Chinese advice on Bill Clinton," *China Business Intelligence*, August 17, 2009, at <http://china-business-intelligence.com/content/hu-you-gonna-call-pyongyang-gets-chinese-advice-bill-clinton>.

¹⁴¹ See Department of State telegram 76155 of July 21, 2009, "Subject: Following Up With China On Cases Of Proliferation Concern," at <http://wikileaks.ch/cable/2009/07/09STATE76155.html>.

¹⁴² "N. Korea Used Chinese-Made Torpedo in Attack on S. Korean Ship: Source," Yonhap News, May 19, 2010.

¹⁴³ Jay Solomon and Andrew Browne, "Beijing Is Shifting on Korea, U.S. Says; Officials Expect China to Move Toward Criticism of Longtime Ally North Korea, See a Rift in Attitudes Toward Pyongyang," *The Wall Street Journal*, May 26, 2010, at <http://online.wsj.com/article/SB10001424052748704032704575268333052475278.html>; Christian Oliver, "China will not protect 'whoever sank S Korean ship'," *Financial Times*, May 28 2010, at <http://www.ft.com/cms/s/0/65c162f0-6a30-11df-b268-00144feab49a.html>; Choe Sang-hun, "China Balks at Criticism of North Korea," *The New York Times*, May 30, 2010, at <http://www.nytimes.com/2010/05/31/world/asia/31korea.html>.

¹⁴⁴ Jaeyeon Woo, "North Korea Shifts Leaders," *The Wall Street Journal*, June 7, 2010, at <http://online.wsj.com/article/SB10001424052748703303904575292020878690654.html>.

¹⁴⁵ "N Korean leader's son to join party leadership: report," AFP, August 7, 2010, at <http://www.taipeitimes.com/News/world/archives/2010/08/07/2003479745>; David E. Sanger and Thom Shanker, "U.S. Sees North Korea as Rattling Sabers for Heir," *The New York Times*, August 13, 2010, at <http://www.nytimes.com/2010/08/14/world/asia/14policy.html>; Kim Jong Un in China '100 percent true' - China Seeks Fresh Nuclear Talks With North Korea, Reuters. August 28, 2010; Michael Wines, "North Korea Confirms Leader's Trip to China," *The New York Times*, August 30, 2010, at <http://www.nytimes.com/2010/08/31/world/asia/31korea.html>; Chinese paper defends relations with N Korea Reuters , August 31, 2010, at <http://www.taipeitimes.com/News/world/archives/2010/08/31/2003481687>; North Korea Seeks Stronger Military Ties With China," Reuters, September 1, 2010.

¹⁴⁶ "Top Chinese leader praises North Korea," Associated Press, October 11, 2010; "China Approves N.Korean Leadership Succession," Yonhap, October 14, 2010 at http://english.chosun.com/site/data/html_dir/2010/10/14/2010101400839.html; Chico Harlan, "North Korean leader promotes son, sister in advance of party conference," *The Washington Post*, September 28, 2010, at <http://www.washingtonpost.com/wp-dyn/content/article/2010/09/28/AR2010092801744.html>; "China goes too far," Joongang Daily, October 30, 2010, <http://joongangdaily.joins.com/article/view.asp?aid=2927736>.

¹⁴⁷ David E. Sanger, "North Koreans Unveil Vast New Plant for Nuclear Use," *The New York Times*, November 20, 2010, at <http://www.nytimes.com/2010/11/21/world/asia/21intel.html>. Fredrik Dahl, "Analysis: North Korea likely needed outside help for centrifuge," Reuters, November 22, 2010.

¹⁴⁸ David Barboza, "Senior Chinese Official Meets North Korean Leader," *The New York Times*, December 10, 2010, at <http://www.nytimes.com/2010/12/10/world/asia/10north.html>.

¹⁴⁹ "Chaoxian xuanbu jiang fashe zizhu yanfa weixing yin guanzhu; Zhongguo zhen cheng xiwang youguan gefang baochi lengjing kezhi bimian shitai shengji" [North Korea announcement of upcoming launch of indigenously developed satellite draws attention, China sincerely hopes all sides will deal calmly and avoid aggravating situation], *Renmin Ribao*, March 17, 2012, p. 3, at http://paper.people.com.cn/rmrb/html/2012-03/17/nw.D110000renmrb_20120317_1-03.htm?div=-1. Chaoxian Meiti Cheng fashe weixing shi qi hefa quanli" [North Korean media state launch of satellite is its legitimate right], *Renmin Ribao*, March 19, 2012, p. 3, at http://paper.people.com.cn/rmrb/html/2012-03/19/nw.D110000renmrb_20120319_6-03.htm?div=-1.

Other notable instances (of scores) include U.S. citizen Hu Zhicheng at Andrew Jacobs, "Engineer's Return to China Leads to Jail and Limbo," *The New York Times*, November 26, 2011, at <http://www.nytimes.com/2011/11/27/world/returning-to-china-engineer-finds-jail-and-then-limbo.html>, and Australian writer Yang Hengjun at Jeremy Page, "Chinese Spy Novelist's Disappearance A Mystery," *The Wall Street Journal*, March 30, 2011, at <http://blogs.wsj.com/speakeasy/2011/03/30/chinese-spy-novelists-disappearance-a-mystery/>.

¹⁵⁰ In Chinese, his phrase is "zai shijieshang, jihu suoyou Meiguode duishou dou shi Zhongguode pengyou." See Yuan Peng, "Yuan Peng: Meiguó san dà shòuduàn yányuán Zhōngguó juéqì" (Yuan Peng: America's three major schemes to impede China's rise), *Guangzhou Ribao*, November 23, 2007, p. A20, at http://gzdaily.dayoo.com/html/2007-11/23/content_86129.htm (June 27, 2008). Dr. Yuan Peng is now a

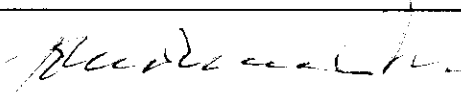
senior specialist in American affairs at the Chinese Institute for Contemporary International Relations (CICIR), the research arm of China's Ministry of State Security. For a discussion of CICIR's role in the Ministry of State Security see Michael Pillsbury, *China Debates the Future Security Environment*, National Defense University Press (Washington, D.C.) 2000, pp. 365-366.

¹⁵¹ Among others, Professor John Mearsheimer makes this point with reference to the United States and China. See John J. Mearsheimer, "Rivalry in the Offing," *China Security*, Vol. 4, No. 2 Spring 2008, pp. 9, 11 at <http://www.chinasecurity.us/cs10.pdf>.

United States House of Representatives
Committee on Foreign Affairs

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