

U.S.-CHINA ECONOMIC AND SECURITY REVIEW COMMISSION
Hearing on “China’s Emergent Military Aerospace and Commercial Aviation
Capabilities”

The Honorable Roscoe G. Bartlett
May 20, 2010

I have testified before this Commission before. It’s a pleasure to join you again today. I want to thank Commissioners Daniel A. Blumenthal and Peter Videnieks for allowing me to join a distinguished group of experts.

China’s military aerospace and commercial aviation capabilities are best understood in the greater context of China’s military expansion. That expansion is fueled by economic growth. Increasing energy consumption to support economic growth, particularly oil, is a major driver for China. Though committed to a Post-Oil future, China’s ambition to control 50% of its anticipated oil consumption provides much of the impetus for its military planning. This can be seen most clearly in China’s aggressive development of a blue water navy.

I would like to review some information from four reports. The reports are the Defense Department’s 2009 Annual Report to Congress: Military Power of Military Power of the People’s Republic of China; this Commission’s 2009 Report to Congress; “China’s Planned Evolution of Naval Capabilities” published by STRATFOR on January 29, 2010; and “Fueling the dragon: China’s race into the oil market,” by Gal Luft of the IAGS published this month.

I’ll take the last first. I believe that there is too little consciousness of the role that energy and oil plays. I believe that energy is the greatest challenge facing us in the 21st Century. Gal notes that, “With real gross domestic product growing at a rate of 8-10% a year, China’s need for energy is projected to increase by 150 percent by 2020...Its oil consumption grows by 7.5% per year, seven times faster than the U.S... by year 2010 China is expected to have 90 times more cars than in 1990. With automobile numbers growing at 19% a year, projections show that China could surpass the total number of cars in the U.S. by 2030.”

There is very little understanding of the exponential impact of growth of 7.5%, 10% or 19% per year. Let me briefly review the implications.

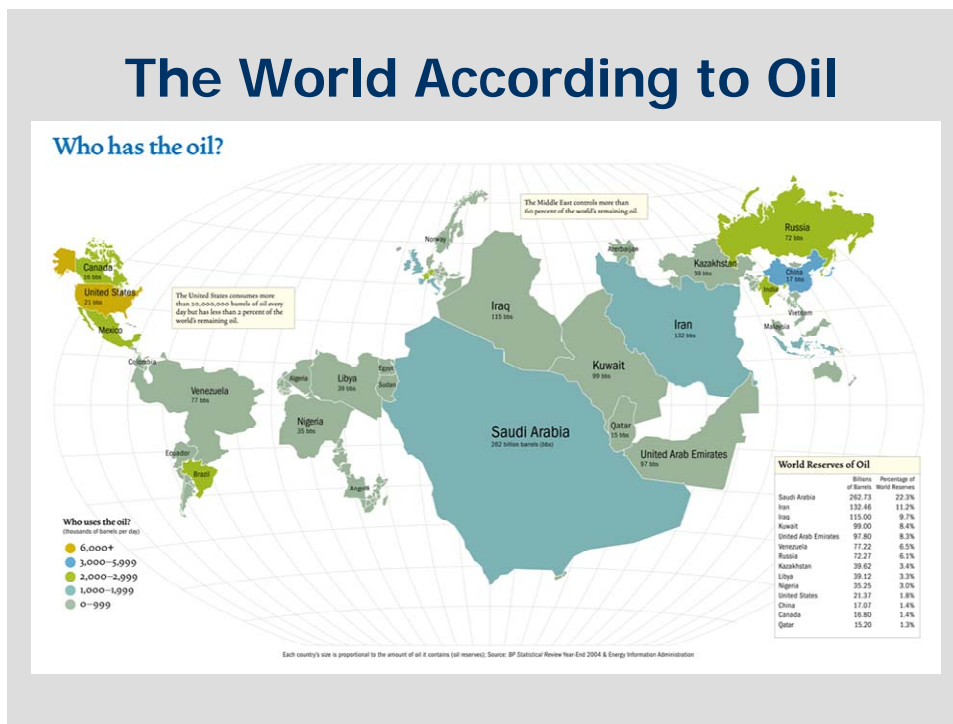
The Defense Department’s 2009 report notes that the PLA’s “armed forces continue to develop and field disruptive military technologies, including those for anti-access/area-denial, as well as for nuclear, space, and cyber warfare, that are changing regional military balances and that have implications beyond the Asia-Pacific region.”

Six areas are singled out.

- Defense Budget Outpacing Economic Growth
- Strengthened Deterrent and Enhanced Strategic Strike
- Improving Anti-Access/Area-Denial Capabilities – I will comment shortly in more detail about this topic .
- Regional conventional strike
- Competing for Dominance of the Electromagnetic Spectrum
- The report also details some Persistent Limitations. The most relevant for today’s focus is aerial refueling capability to support force projection.

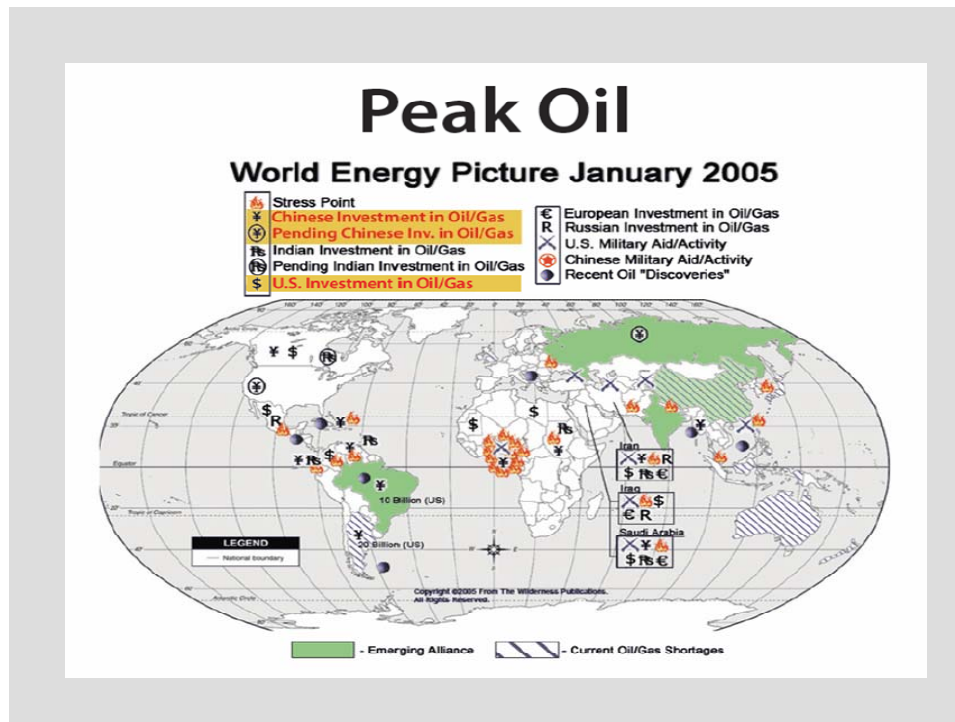
This report also includes a small section about the role of oil contributing to China’s military developments. It notes, “In the last decade, China has pursued long-term supply contracts with a diverse range of supplier nations including Chad, Egypt, Indonesia, Kazakhstan, Nigeria, Oman, Russia, Australia, Saudi Arabia, Sudan, and Venezuela. In 2006, China’s top three suppliers were: Angola (16 percent), Saudi Arabia (16 percent), and Iran (12 percent). In 2007, six percent of China’s crude oil imports came from Sudan. Currently, slightly over half of China’s imported oil comes from the Middle East and almost a quarter is imported from Africa.”

Gal Luft observes that, “China has become increasingly dependent on Middle East oil. Today, 58% of China's oil imports come from the region. By 2015, the share of Middle East oil will stand on 70%.” I will tell you the reason for this shift is simple. The Middle East OPEC nations are where the oil is. That is where the oil must increasingly come from. OPEC is increasing its world market leverage every year.



The Defense Department report notes that “China has also pursued equity positions in a variety of overseas energy assets and investments.” I would say that is an understatement. Our own State Department has very little understanding of China’s investments in oil. Let me recount an exchange I had with a State Department official.

Much more worrisome to Gal Luft are aggressive efforts by China to negotiate deals with America’s largest oil suppliers: Canada, Saudi Arabia, Mexico and our 4th largest supplier, Venezuela.



I would like to come back now to the PLA’s Improving Anti-Access/Area-Denial Capabilities. China’s efforts to enhance its anti-access capabilities bear directly upon the balance of air power in the Pacific Region. I would like to draw your attention to China’s development of a carrier-killer missile. U.S. Navy Adm. Robert Willard, US PACOM, testified to Congress on March 23, 2010 that China is “developing and testing a conventional anti-ship ballistic missile “designed specifically to target aircraft carriers” as part of its anti-access, area-denial efforts. This development studied closely by Andrew Erickson, a researcher at the China Maritime Institute at the U.S. Naval War College. As reported in a Defense News on April 4, 2010, “Chinese Anti-ship Missile Could Alter U.S. Power,” by Wendell Minnick, Andrew warns that

“...such a missile “could change the strategic equation” and “dramatically diminish” America’s power projection”.

“...a Chinese ASBM would affect U.S. strategy in the region, for even the “likelihood of a capability may have a large deterrent effect.”

“The ultimate conclusion one begins to come to is that U.S. carriers will very soon no longer be the uncontested juggernaut of the world’s seas.”

This Commission’s 2009 report provides evidence that China is moving to protect its access to oil by building a blue water navy. Rear Admiral Michael McDevitt, who is now retired, testified before this Commission that as China’s anti-access capabilities increase, U.S. military capabilities will likely grow apace, allowing the United States to maintain the “delta of advantage” it currently enjoys for “the next four to five years.”

Rear Admiral McDevitt testified that China’s military modernization, ostensibly defensive in nature, “is creating a dynamic that, as its security situation improves, it is making the security environment for many of its neighbors worse.”

It should be no surprise that the report found that, “Concern about China’s naval modernization is beginning to fuel a maritime arms race in the region.” Among nations cited as having “begun to augment their own navies by purchasing naval platforms and weapons” are Australia, India, Vietnam Indonesia, Malaysia, Singapore, and South Korea.

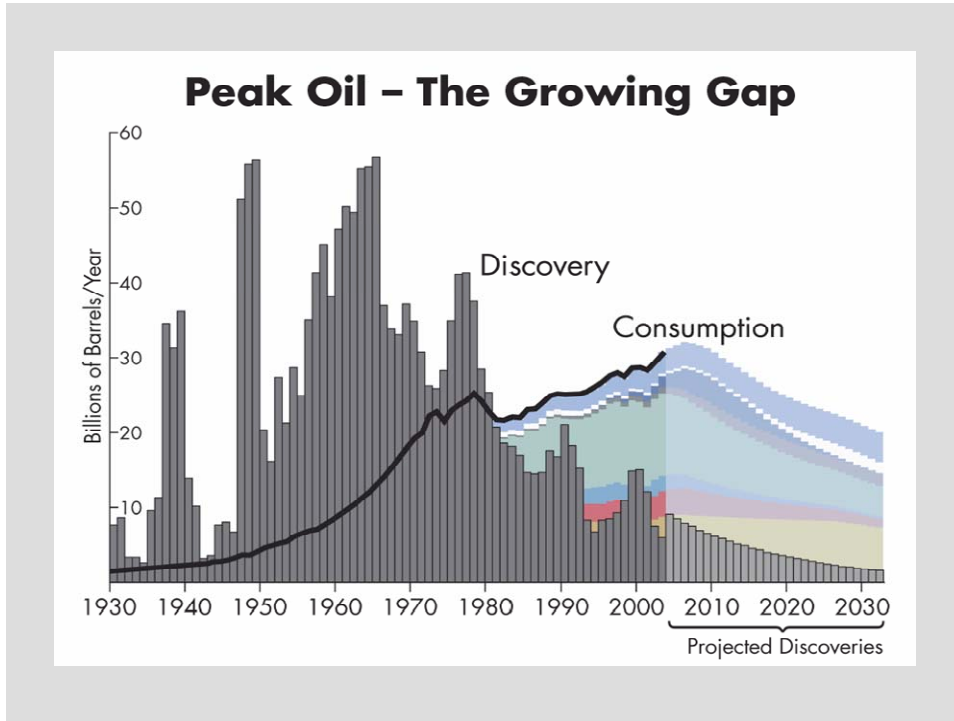
“China’s Planned Evolution of Naval Capabilities” published by STRATFOR on January 29, 2010 reported on a recent commentary by The China Internet Information Center about plans by China “to build overseas bases to support naval operations and protect Chinese interests abroad.” Just a day earlier, CAPT. Chris Chambers told a conference in Singapore that China will be increasing its participation, including a shared leadership role, in the multi-national anti-piracy naval operations off the coast of Somali. This is the Shared Awareness and Deconfliction (SHADE) working group. Pending “final approval in Beijing,” China “will expand...its current three-ship task force and take responsibility for more patrols in areas of more active piracy...the anti-piracy operations have given Beijing the perfect opportunity to test and refine its capabilities...Taking a leadership role in SHADE also gives China a valuable opportunity to observe and learn protocols and operations of other nation’s fleets...the extended mission raises discussion of a resupply base in the Indian basin” that would be opposed by India and the United States.

Why is China undertaking this expansion of its naval capabilities. We come back again to the foundation of energy from oil to fuel economic growth. Stratfor notes, “China’s economic growth has led to a major shift in the country’s resource needs. China now imports large amounts of raw materials, including oil and minerals from the Middle East and Africa.

Reporting for SIGNAL MAGAZINE on April 10, 2010, James C. Bussert in “China Enters The Aircraft Carrier Club,” reviewed a series of “seemingly unconnected steps over the past two decades have positioned the People’s Republic to begin construction and incorporation of a modern carrier into its fleet.”

Twenty years of planning leading to carrier capability. A five-point plan for a Post-Oil future. I will tell you that China understands the crucial role of energy in this 21st

Century. China's culture encourages a planning horizon of centuries. Meanwhile, here in the United States, our companies are fixated on the next quarterly report while Congress is consumed with campaigns that dominate the activity of our legislative branch every other year.



Thank you for allowing me to join you this afternoon.

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