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American Foreign Policy Council

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FROM THE EDITORS

Welcome to the November 2012 issue of AFPC's Defense Dossier. In this issue, we take a look at China, the world's most populous country, Asia's rising economic giant and a nation that of late has taken center stage in U.S. defense planning.

Earlier this year, the Obama administration publicly unveiled a "pivot" toward Asia in its military and defense planning. At the heart of this reorientation, which is now underway, lies the People's Republic of China, and for very good reason. In recent years, the Chinese military has undergone a rapid—and controversial—military modernization, one that has added a level of complexity to the country's regional standing. Along with its growing military might has come a new, and troubling, regional assertiveness that has unsettled China's neighbors and called into question the concept of the "peaceful rise" propounded by Chinese officials. Compounding these complexities is China's political system, now undergoing a major transition of leadership that will doubtless impact the way Beijing views the world.

To help explore and understand these dynamics, this issue of the Defense Dossier features contributions by a world-class collection of experts. We hope that you enjoy it.

Sincerely,

Ilan Berman Chief Editor

Richard Harrison Managing Editor

THE DRIVERS OF CHINA'S FOREIGN POLICY

ARTHUR WALDRON

China's dramatic emergence as a major regional and world power poses challenges to the existing international order, and questions for the observer. Perhaps the most important is the nature of policy and policy-making in the People's Republic of China—the most populous country in the world as well as the second largest economy, and the strongest military power in Asia.

UP FROM MAO

At its founding in 1949 the People's Republic proclaimed itself a revolutionary communist regime and close ally of the Soviet Union. Today it is something dramatically different: still a repressive top-down government without meaningful popular participation, ruled by the eighty million members of the country's nominally communist party, but no longer at all drab or Soviet in its feel. Since rapid economic growth began in the 1990s, the urban landscape of China has been transformed: today's Shanghai, for example, is perhaps once again the queen city of Asia, as it was in the decades before World War II.

The man who proclaimed the founding of the People's Republic, Mao Zedong, was until his death in 1976 China's supreme policy and decision maker. A convinced revolutionary, Mao initiated divisive political campaign after political campaign, presiding over almost three decades of social chaos during which little by way of growth or progress was achieved.

Mao is still venerated as founder of the state and fount of regime legitimacy, but his policies have been halted or turned on their heads. Instead of struggle, his successors have sought social calm and harmony. The conspicuous failure of this policy was the violent crushing of the democracy movement in 1989. But relative calm has prevailed since, and instead of exporting revolution, the People's Republic has become the workshop of the world, a massively important exporter of goods, including many high-technology products.

All in all, China has transformed itself to a functional, highly competitive player in the international game of power and influence. Even the United States, briefly alone as sole super-power after the dissolution of the Soviet Union in 1991, has managed economically only with Chinese loans, financing its imports and deficits only by contracting massive debt to China.

THE WAGES OF MILITARIZATION

China, moreover, has steadily been building a huge and increasingly state-of-the-art military that by sheer numbers is the largest on the globe. This emergence of China as a military power has coincided with over-extension of the United States, which still maintains forces in Europe, has made large-scale interventions in the Middle East, and now is carrying out a return to Asia, or "pivot"—at a time when actual military spending is being slashed.

With China's massive military spending and modernization comes a far greater influence of the military over policy making. In the first generation of power in the People's Republic, the government power holders—the communist officials—were the commanders of the military as well. Whether technically "civilian" or not, nearly all of them had been part of the Red Army that defeated the Nationalists in the civil war of 1945-49.

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That has now changed. Military personnel today have their own hierarchy, with control being held by the Central Military Commission, which connects the armed forces to the party. In a sense, the Commission is becoming a second center of power, alongside the civilian government. Government leaders regularly seek a seat at the top of the Commission in order to preserve their power after leaving civilian office. Some report that outgoing leader Hu Jintao is seeking exactly this as the new leader Xi Jinping comes into office.

China, meanwhile, has become increasingly comfortable with flexing its newly found economic and military power, notably in the past two years. Perhaps the most striking example has been by reviving long-dormant territorial claims to islands, reefs, and seas over an offshore area larger than the Mediterranean, where Beijing is now seeking to exercise control over areas more than a thousand miles from China's shores. If successful these claims will transform the strategic geography of Asia, rendering China no longer a distant presence but rather an immediate neighbour for such countries as Indonesia, the Philippines, and Malaysia, among others.

The standoff between Beijing and Tokyo over the Senkaku islands has drawn particular attention. They are a small, wind-swept and rocky group northeast of Taiwan and southwest of Okinawa called Diaoyu in Chinese and claimed by China.

Japan has held the islands since the end of the nineteenth century. China began burnishing its all-but-forgotten claims only in the late 1960s, when rumors began to circulate about substantial petroleum deposits under nearby sea-beds. Recently we have seen brief landings on the uninhabited islands by small groups of Japanese and Chinese nationalists; confrontations between Japanese patrol vessels and Chinese fishing boats in one of which a Japanese ship was rammed, and now a continuing cat and mouse game between the coastal patrol craft of the two powers.

While confronting Japan, China continues to pursue claims to rocks and reefs near (and also claimed by) such countries as Vietnam, Malaysia, and the Philippines.

As if this were not enough, China is also ac-

With China's massive military spending and modernization comes a far greater influence of the military over policymaking.

tively trying to hold down India, which is rising economically more or less in tandem with China. Strong relationships are in place between China and such Indian neighbors as Pakistan, Bangladesh, and Sri Lanka. China continues to claim as sovereign territory India's Arunachal Pradesh, which Beijing calls "South Tibet."

Finally, China is now quite open about wanting to see the United States out of Asia; in particular out of Japan.

As a newly arrived power China is demonstrating a more than healthy appetite for redress of grievances and changes to the status quo. China's behaviour, in turn, has surprised many experts who assumed that, like Europe and other parts of the world, China would welcome, or at least acquiesce to, Washington's shouldering the thankless burden of keeping the international system safe.

Such acquiescence would above all make economic sense and it was widely believed that China sought economic growth above all. As the American experience has shown, playing the role of policeman even in a limited region can be hideously costly, while producing little or nothing by way of tangible benefits. Quite the opposite: others can free ride and prosper while the policeman expends his efforts.

So why is China adopting what looks like a forward foreign policy when conventional and economic rationality would suggest it has no need to do so, or interest?

ALL POLITICS ARE LOCAL

For an answer we must look to the internal situation in China. We have already mentioned how the country has modernized economically and militarily, while noting that politically the system is still very much a top-down autocracy. This lack of popular participation in choosing the regime or the policies it pursues is the Achilles's heel of the current order in China, and it is becoming an ever more severe problem.

On one hand, China's population is now better educated and closer to an acceptable standard of living than ever before in the country's history. That might seem to be a fact favoring stability, but it is not. If we consider European history, for example, it is clear that the emergence of a middle class and urban population in the eighteenth century was a root cause of political disturbances, starting with the French revolution, that reverberated one way or another until the post-World War II period and the European Union. We see the population beginning to move to center stage of power in China very clearly. Speech is still rigidly controlled and dissenters end up in prison or labor camps. But not each and every one of them does. Dissent in China now has a face among the beneficiaries of economic development-we can name lawyers, law professors, retired officials, artists, writers, and others who speak out consistently in favor of a more liberal political order.

Among China's farming and labouring classes too, clear signs of change are visible. The communist party—now grown corrupt to a degree that was long considered unimaginable—is enriching itself by confiscating farmers' land holdings and selling them to developers, denying to the farmers and keeping for themselves the huge increases in land values that have accrued with urbanization and economic growth. As for labor, much of it, whether in factories or construction, is carried out by impoverished people who have fled from the countryside to the cities. Technically speaking these people should not be in the cities at all: the migrants have no legal status or protection.

The result of these social developments is ever increasing social disorder in China. What would have been unthinkable a few decades ago is now routine, as wrongfully expropriated farmers, for example, engage in violent demonstrations against the corrupt communist officials who are appropriating their wealth. Cars and buildings are burned, demonstrators are beaten and killed, and communists die too, regularly. The rate of such incidents is steadily increasing. Mao Zedong had the brute power in his hands to crush anyone who challenged him. So too, although to a lesser extent, did his eventual successor as China's strongman, Deng Xiaoping, who died in 1992. But since Deng, leadership has become collective and steadily weaker.

This lack of popular participation in choosing the regime or the policies it pursues is the Achilles's heel of the current order in China, and it is becoming an ever more severe problem.

Both Mao and Deng were from the same mold: they were intellectually dynamic, hardened to the exercise of brutal power, and each in their own way charismatic. Their successors are by contrast uniformly colorless and mediocre.

The days of the revolutionary communists who fought their way to power passed forever when Deng left the scene. What was left were leaders who had grown up not fighting for power but serving as bureaucrats and relying for advancement on the favour of those senior to them.

When we look at pictures of these leaders—for example the members of the standing committee of the politburo—they often seem indistinguishable. All are upper middle aged; all wear dark suits and mostly red ties, most have glasses, and one guesses that their jet black hair is without exception dyed. They have very similar life experiences too: all have worked from an early age within the bureaucracy.

So we come to the challenge that the rulers of China face, which is that society is steadily growing stronger, more self-aware, and less malleable, even as the rulers are becoming weaker and more divided.

How to control society? This is not a new question. China has never had truly representative government; all of its rulers have been closed elites of one sort or another—dynastic families in traditional times, self-perpetuating ruling parties since the dynastic order ended in 1912.

Society has been given order by the imposition of ideology and the channeling of popular emotions in directions that are thought to serve the rulers. In traditional times that meant Confucian orthodoxy above all.

The end of the dynastic order was driven to some extent by popular indignation at the poor performance of the dynasty against foreign adversaries. The military was the arm of government that had to be strengthened if such threats were to be defeated, while the ideology for such defeat was nationalism.

THE FURIES OF NATIONALISM

Chinese nationalism is difficult to define but easy to recognize. It is most likely to appear at times when central government is becoming weak by comparison with society. It manifests itself through popular indignation, mass demonstrations, and grievances that seem regularly about to shift from targeting foreign forces to attacking corrupt or incompetent government.

The first major wave of this sort of Chinese nationalism began in 1925; the Nationalist party rode it to power. After the Japanese attacks and invasion of the 1930s the Communist party similarly benefited. One of the few constants in the regime that came to power in 1949 is constant emphasis on things military and on nationalism.

What is happening now is that the civilian party leaders are seeking to shore up their power by bringing the military in as a partner, and by seeking to build pro-regime social solidarity by stoking anti-foreign and nationalistic sentiment.

We have seen, earlier this year, substantial damage to Japanese interests in China, as vast crowds briefly ran amok, protesting about the Senkaku/Diaoyu islands, burning Japanese factories, restaurants, cars and car dealerships, and so forth. Japanese were shocked by the sudden outpouring of slogans such as "declare war" and "nuke Japan." Those who had long worked for amicable relations and friendship with China after the horrors of war were disappointed and angered.

At present real conflict between Japan and China seems unthinkable—it would be so damaging to their common interests, economic above all. Yet in the weeks since the furor over Senkaku/Diaoyutai peaked, little sign of reconciliation or of long-term management of the problem is apparent.

This situation is worrying. It suggests that China's leadership is becoming increasingly hostage to its internal situation. To resolve the fundamental problem of governance, which cannot be rendered truly stable without somehow bringing the population in, China's rulers may see the fostering of nationalism as an alternative that will permit them to keep their power.

Paradoxically, China's "foreign" policy may be shaped more by domestic imperatives in the years ahead than ever before in the history of the People's Republic, with military rather than economic imperatives perhaps becoming more influential.

CHINA'S DRIVE INTO ASIA

JUNE TEUFEL DREYER

China's recent assertiveness in the South China and East China seas should be seen as the logical extension of a process that began twenty years ago when, in early 1992, the country's National People's Congress unilaterally legislated the annexation of all contested territories in the region, and giving its People's Liberation Army (PLA) the duty to enforce China's sovereign rights therein. Under the new regulation, non-military foreign vessels would have the right of innocent passage; non-innocent passage would be met by "all necessary measures."¹ Although unilateral annexation does not mean actual annexation, the NPC law was enough to worry China's neighbors as well as the many non-Asian powers whose ships transit the area to transport goods to and from the region's rapidly growing markets.

EARLY EXPANSIONISM

When the Japanese government, already concerned about the interest Beijing had shown in the Senkaku islands after indications in the late 1960s that the area might contain rich oil and gas deposits, hinted that the annexation could prevent a planned visit by its imperial couple, the PRC's foreign ministry declared that the law had changed nothing—which, in terms of actual jurisdiction, was correct. The imperial visit proceeded as scheduled.

Three years later, the Indonesian government discovered maps showing the Natuna Islands, with their abundant gas resources, inside the PRC's exclusive economic zone (EEZ). Its foreign minister was immediately dispatched to Beijing, where he was Yang informed a gathering of foreign ministers of the Association of Southeast Asian (ASEAN) states that they must understand that China was a big country while they were small.

told that China did not claim the islands. Although this is not precisely the same as saying that the area around the islands fall within the PRC's EEZ, Jakarta said no more about the issue.

The Philippines was not quite so lucky. The same year, it discovered that Chinese radars and other structures had been erected on the aptly named Mischief Reef during a time when monsoons had prevented its navy from patrolling the area. As well, EEZ boundary markers had been erected close to the shore of Manila's Palawan province. The structures stayed despite protests, and were added to in 1999.

Eventually, however, the furor subsided—for practical reasons. The aggrieved countries were eager to profit from China's need for raw materials to power its rapidly increasing economic development. The PRC's creeping territorial aggrandizement seemed to have abated as well. Perhaps Beijing was heeding the advice of elder statesman Deng Xiaoping to "secure our position... hide our capabilities, bide our time, be good at maintaining a low profile, and never claim leadership."² Or perhaps this was a foreign policy reprise of the pattern seen in domestic politics during the Mao era, in which periods of repression (*shou*) were followed by periods of relaxation (*fang*). In this formulation, the main goal is not abandoned, simply

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left in abeyance for a future time when conditions seem more favorable.

Publicly, Beijing emphasized that it wanted nothing more than peace in order to concentrate on building economic prosperity in which all countries would profit: a sort of Chinese variant of the adage that a rising tide would lift all boats. Unspoken but implicit was the message that any boats unwilling to put to sea would be left high and dry. The doubledigit increases in the country's defense budget were explained in various ways: to cover the costs of inflation, to give soldiers and their families a more comfortable lifestyle, to deter Taiwan from issuing a formal declaration of independence, and, sometimes, to prevent encirclement by a hostile power-an oblique but obvious reference to the United States. While these explanations failed to convince, other countries' misgivings were generally outweighed by the economic advantages conferred by not challenging them.

GROWING ASSERTIVENESS

By the middle of the 2000s, however, a new assertiveness became noticeable. Chinese statesmen and highranking military officers became increasingly vocal in international fora, with official sources declaring the South China and East China seas as well as Taiwan to be "core interests," presumably meaning that Beijing is willing to fight for sovereignty over them.

A familiar diplomatic pattern followed. During the spring of 2010, Chinese foreign minister Yang Jiechi stormed out of a meeting with his Japanese opposite number when the latter brought up the topic of the PRC's expanding nuclear capabilities.³ That summer, Yang informed a gathering of foreign ministers of the Association of Southeast Asian (ASEAN) states that they must understand that China was a big country while they were small.⁴. When U.S. Secretary of State Hillary Clinton suggested that territorial disputes be settled through peaceful negotiations rather than force and asserted that freedom of navigation in the area was a national interest of the United States, an angry Yang exited the meeting.⁵ The PRC media, in turn, opined that what the U.S. calls its national interest is not freedom of navigation, as Secretary Clinton had stated, but rather its presence in the Pacific, meaning military superiority and political influence in the area.⁶

A further escalation occurred when, in September 2010, a Chinese fishing vessel rammed two Japanese Coast Guard vessels in the waters near the Diaoyu/Senkaku islands. When Japan announced its intention to try the boat's captain, Beijing, arguing that the coast guard had no business in the waters off its territories, demanded his release. Told that the captain would be held responsible for the damage he had caused, Beijing halted rare earth exports (crucial to the manufacture of certain parts in Japanese autos), subjected imports to an agonizingly slow inspection process, and advised travel agencies against sending tourists to Japan. The captain was released, and Beijing announced that its maritime surveillance vessels would henceforth patrol the area around the islands, which they have since done.

In mid-2012, an incident occurred involving India, which has land border disputes with China and is concerned about what could be perceived as expanding PLA naval influence in the Indian Ocean. After four ships of the Indian Navy departed the Philippines for South Korea, a PLA naval vessel radioed "Welcome to the South China Sea," and escorted the Indian ships through the area. Sources in New Delhi interpreted the incident as clear evidence that Beijing regards the area as its to administer and considered India to be a factor in the South China Sea dispute.⁷

Relatively minor incidents also took place between China and the Vietnam and China and the Philippines throughout this period, with all three nations drilling in contested waters believed to contain rich oil and gas deposits. Hanoi protested that a Chinese naval vessel had cut the underwater cable of one of its exploration ships; Vietnamese fishermen complained of being barred from waters that generations of their ancestors had worked. In mid-2011, for its part, Manila discovered that Chinese boundary posts had been erected near Reed Bank, within the Philippines' Exclusive Economic Zone (EEZ). April 2012 saw the beginning of a larger two-month Sino-Philippine confrontation over Scarborough Shoal, known to the Chinese as Huangyan island. Filipino naval personnel boarded Chinese fishing ships in the area, located off Zambales province, finding large amounts of illegally collected corals and sea creatures. Chinese maritime surveillance ships then moved in, positioning themselves so as to prevent the arrest of the fishermen.⁸ China subsequently embargoed imports of fruit from the Philippines, threatening a multi-million dollar business that employs an estimated 200,000 people. Manila quietly capitulated, just as Tokyo had, and Chinese ships continue to patrol the area.

As with the 2010 incident involving Japan, there was speculation that Beijing had contrived the confrontation to provide a convenient excuse to expand its authority. In this case, the Chinese government announced the formation of a new municipality, Sansha, "three sand(banks)," which will have jurisdiction over the Paracel and Spratly islands as well as Macclesfield Bank (called the *xisha, nansha*, and *zhongsha*, or western, southern, and middle sandbanks, respectively, in Chinese). A PLA garrison has been stationed there.

Vietnam and the Philippines, both members of ASEAN, where China has observer status, took their dispute to the July meeting of the ASEAN Regional Forum. Their claims received sympathy from several fellow members, but no positive results for the aggrieved parties. Host country Cambodia, heavily dependent on the PRC for its economic well-being, chaired the meeting, twice rejecting efforts to include a reference to recent developments in the area. In the end, for the first time in the history of the organization, no joint communique was issued.⁹

Have China's leaders, or at least an influential segment thereof, decided that the period of biding time and enhancing the country's capabilities has ended, and now is the time for revealing the PRC's capabilities?

A FLARE-UP WITH JAPAN

Just weeks after the tensions in Southeast Asia ceased to make headlines, a new and more violent confrontation began between China and Japan. As with the disputes between China and its southern neighbors, it is difficult to pinpoint a first instance. Shortly after Hong Kong activists tried to land on the Diaoyu/Senkaku islands in August, hawkish Chinese general Luo Yuan advocated that the Diaoyu be made into a target range and that a "People's War on the Sea" be launched.¹⁰ The equally hawkish governor of Tokyo, Ishihara Shintaro, then announced that he was negotiating with the owners of the islands, themselves Japanese citizens, to purchase three of the five on behalf of his municipality.¹¹ Believing it likely that Ishihara would construct facilities on the largest of the islands, thereby stepping over another of Beijing's supposed red lines, Prime Minster Noda Yoshihiko, hoping to defuse the situation, sought to buy them on behalf of the government. Beijing issued a strong warning against doing so.

Wedged between two unpalatable alternatives, Noda chose what he regarded as the less bad and purchased the islands. Beijing reacted sharply: demonstrations erupted in over a hundred Chinese cities, causing extensive damage to Japanese businesses and Japanese-made products, even those belonging to Chinese nationals. At least one city ordered owners of Japanese cars to keep their vehicles off the streets for the safety of the occupants; patriotic citizens advocated boycotting all Japanese products. These were among the milder reactions: others advocated nuclear strikes on the country and mass extermination.

THE NEW NORMAL?

What prompted this latest *shou* has been the topic of much speculation. Have China's leaders, or at least an influential segment thereof, decided that the period of biding time and enhancing the country's capabilities has ended, and now is the time for revealing the PRC's capabilities? Or perhaps China is simply testing the willingness of other states to counter its advances and will move forward, albeit cautiously, until it encounters determined resistance and then will await a time when conditions are deemed conducive to another advance.

Yet another theory hypothesizes that the belligerent behavior is connected with a factional struggle centering on who will succeed outgoing party, government, and military commission head Hu Jintao and his premier Wen Jiabao. The mysterious ten-day disappearance of heir-apparent Xi Jinping in September 2012, with the implausible explanation that he sprained his back in the swimming pool, fanned this speculation. Already one prospective candidate for the party's inner sanctum of power, the Politburo Standing Committee, has been purged for corruption while his wife has been convicted of a murder that he may later be found complicit in.¹²

A third, related, hypothesis is that the belligerent foreign policy behavior serves as a distractor to divert the attention of an increasingly restive population away from potentially explosive problems such as unemployment stemming from slowing economic growth, corruption among highranking officials, and widespread abuses of power.

Whatever the reasons, the PRC's timing for the current drive forward makes sense. ASEAN is in disarray and seems unlikely to be able to form a united front against Chinese claims any time in the foreseeable future. Japan has had a succession of shortlived, weak prime ministers and is still recovering from the devastating earthquake/tsunami/nuclear meltdown of March 2011.

However, the future is rife with imponderables. The PRC's economic growth has slowed to a degree that concerns the country's central planners, capital flight out of the country has increased, and the current leadership struggle does not bode well for the emergence of a leader strong enough to cope with major domestic problems that, in addition to the economy, include rising citizen discontent and alarming environmental deterioration. In the unlikely event that an anti-Japanese boycott is successful, Japanese companies who cannot sell to the PRC market could move their factories, which employ hundreds of thousands of Chinese, elsewhere. India and Vietnam are interested potential recipients, for reasons both political and pecuniary. Moreover, both countries have been talking with Japanese defense officials about expanding diplomatic and strategic ties with Tokyo. A continued belligerent posture against Japan could also bring the harder-line LDP back to power, complicating Beijing's plans to assert dominance in the East China Sea.

For the moment, however, the advantage is clearly with China. ■

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CHINA'S OVERREACH, AMERICA'S OPPORTUNITY

DANIEL TWINING

Asian states have reacted to China's rise in several ways. They have deepened economic integration with China in order to benefit from its economic dynamism. Simultaneously, however, they have offset their economic dependence on China by strengthening military and diplomatic ties with each other and the United States. More recently, Asian states and companies have pursued an economic diversification strategy that aims to balance economic ties to China with deeper trade and investment links to other rising Asian economies, including India, Vietnam, and Indonesia. These changes have provided new and significant strategic opportunities for the United States in Asia.

JAPAN DRIFTS BACK INTO THE FOLD

Historically, Japan has shown a striking ability to rapidly transform itself in response to international conditions, as seen in the break from isolation during the Meiji period, its rise to great power in the Twentieth Century, the subsequent descent into militarism, and its renewal as a dynamic trading state. Since 2001, successive Japanese prime ministers have articulated unprecedented ambitions for Japanese grand strategy. These have included: casting Japan as the "thought leader of Asia"1; forging new bilateral alliances with India and Australia²; cooperating with these and other democratic powers in an "Arc of Freedom and Prosperity"3; formalizing security cooperation with NATO⁴; constructing a Pacific community around an "inland sea" centered on Japan as the hub of the international economic and political order,⁵ and; building a new East Asian community with Japan at

its center.⁶ These developments reflect the churning domestic debate taking place in Japan about its future as a world power and as a model for its region—trends catalyzed by China's explosive rise.

East and Southeast Asian states have benefited from China's economic magnetism, they also fear the effects of undue dependence on Chinese trade and investment and worry openly about the implications of a strong China for their security and autonomy.

The ascent of the Democratic Party of Japan (DPJ) to power in 2009 after nearly six decades of unbroken rule by the conservative Liberal Democratic Party (LDP) convulsed not only Japanese politics but also its foreign policy, turning Tokyo in a more independent direction. In 2009, then-Prime Minister Yukio Hatoyama mused about constructing a pan-Asian fraternal community based on "solidarity"—not with Tokyo's closest alliance partner across the Pacific, but with its near neighbors, led by China.7 Such words were followed by concrete initiatives. Then-DPJ Secretary General Ichiro Ozawa led a delegation of 143 parliamentarians and hundreds of businessmen to Beijing in 2009, reviving in form if not substance the tributary delegations from China's neighbors that, in pre-modern times, ritually visited the Chinese court to acknowledge its suzerainty as Asia's "Middle

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Kingdom."

These and other moves suggested a striking shift in Japan's geopolitical alignment. But Beijing missed its opportunity to drive a lasting wedge between the United States and Japan. China's aggressiveness against Japan since 2010, including a number of maritime confrontations inside Japan's Exclusive Economic Zone and around the Japanese-held Senkaku islands, an embargo on rare-earth exports to Japan, and rising anti-Japanese nationalism in China, has led Japan to revert back to-and indeed reinforce-its alliance with the United States. Within Japanese politics, China hawks like the DPJ government's Minister for National Policy, Seiji Maehara, and new LDP leader Shinzo Abe are ascendant, and Japanese public opinion has become more hostile towards China as a result of its bullying.

In response to China's growing power and assertiveness, Japan has focused not only on strengthening its U.S. alliance, but on deepening its security and diplomatic partnerships in Asia as well. From a U.S. policy perspective, this has turned the U.S.-Japan alliance from a bilateral security mechanism into a hub of multilateral security cooperation in Asia with like-minded, militarily capable Asian powers. Japan has struck new military partnership agreements with Australia and India. Tokyo led the push to launch a new U.S.-Japan-India strategic dialogue to complement the existing U.S.-Japan-Australia security trilateral. Japan has also used its substantial economic resources to strategic ends in an effort to shape a balance in Asia, with India, Indonesia, and Vietnam the top recipients of Japanese foreign assistance.

Additionally, Tokyo has led the international campaign to open up Burma through new investment, assistance, and diplomatic dialogue; Japanese officials have a strategic vision of Burma as an economic and strategic bridge between Japan and India. Japan has also worked vigorously within Asian institutions to ensure that they remain open and pluralistic, rather than more closed and Sinocentric. Japan's preferred ASEAN Plus Eight format (the Southeast Asian nations plus China, Japan, Korea, India, Australia, New Zealand, the United States, and Russia) increasingly structures important pan-Asian regional meetings like the East Asia Summit and the ASEAN Defense Ministerial-Plus Meeting. In short, Japan has quietly pursued a concerted campaign to ensure that Asia remains amenable to its interests and values and, by extension, those of its U.S. ally—despite the shadow cast by Chinese power.

INDIA'S ASCENDANCE

Since the end of the Cold War, India has re-emerged as a pan-Asian power. It did not have such a profile from 1947-1991, due to the structural constraints imposed by the U.S.-Soviet global rivalry, India's pursuit of non-alignment, and internal development and security challenges. But the end of the Cold War, economic reforms launched in 1991, the demise of nonalignment, and transformational economic growth since then have expanded India's strategic horizons. A rising, confident India today is returning to its roots as a wider Asian power, harking back not only to the Raj but to an earlier era when Indian trading and cultural networks tied together a vast region stretching from the Persian Gulf and East Africa to Indonesia.

Shifting power balances caused by China's rise and new opportunities for trade and investment have led to intensified Indian strategic and economic relations with Japan, South Korea, and key states in Southeast Asia. Not only has India "looked East" over the past 20 years, but its growing role in East and Southeast Asia has been actively encouraged by regional powers determined to diversify their strategic options in order to balance Chinese power while prospering from economic partnership with one of the world's rising giants.

The contrast with China is instructive: while East and Southeast Asian states have benefited from China's economic magnetism, they also fear the effects of undue dependence on Chinese trade and investment and worry openly about the implications of a strong China for their security and autonomy. Such concerns largely do not apply with India: Singapore's Lee Kuan Yew posed the key question when he asked why states across Asia acutely fear China's rise but not India's.⁸ Asian states continue to move closer to India even as they hedge against China, which offers New Delhi important strategic opportunities—and dovetails with the United States' own determination to shore up and enlarge a regional security architecture that preserves pluralism while supporting America's role as resident power and *primus inter pares* in the Indo-Pacific.

The implications of India's emergence as a pan-Asian power are profound. First, India is tying up with countries (like Japan and Australia) that are friends of the United States, creating a new architecture of strategic cooperation in Asia-one that incorporates India as a regional security provider alongside traditional U.S. alliance partners. Second, India's rise as an East and Southeast Asian power is bolstering strategic stability by creating new security networks linking together Asian powers friendly to the United States and wary of China. Third, India shares America's objective of maintaining the freedom and security of the Indian Ocean sea lanes of communication (SLOCs) by denying China undue influence in what India considers its "home seas." Fourth, India is redefining its interests in favor of more active support for good governance and free markets, aligning it with America's objectives of advancing human rights and democracy as a source of security. This is particularly salient in Asia, where the region's major non-democracy also happens to be the leading peer competitor to both India and America. Fifth, India's aggressive military modernization in response to the China challenge will make it a more capable partner for the United States towards the shared goal of maintaining balance in Asia.

A SHIFT IN SOUTHEAST ASIA

The growing wariness of Chinese power and penetration now being evinced by Southeast Asian states has created considerable possibilities for American policy. These states cannot balance China by themselves, or even in combination; for that, they need to pull in countervailing great powers by aligning more closely with the United States as well as U.S. security partners like India and Japan. Political and historical sensitivities mean that this must often be The growing wariness of Chinese power and penetration now being evidenced by Southeast Asian states has created considerable possibilities for American Policy.

done quietly, and outside of formal alliance structures. But Southeast Asia's growing economic dependence on China should not be confused with political kowtowing; regional nations have moved closer to the United States and its security partners even as they have become more enmeshed economically with China. There should be no doubt that key Southeast Asian states, including traditional allies like the Philippines and non-traditional partners like Vietnam, seek active and sustained American support for their security and autonomy vis-à-vis Beijing. In this sense, their objectives dovetail with the U.S. interest in supporting a pluralism of power in Asia.

Key elements of Southeast Asian strategies for managing Chinese power include: (1) supporting ASEAN solidarity, so as to create a power bloc that prevents China from pursuing a divide-and-conquer strategy; (2) enmeshing China in regional institutions so that ASEAN can deploy its combined weight in them; (3) engaging the United States, Japan, and India in regional clubs in order to use their power and influence as a balancer against China, and; (4) intensifying bilateral relations with key external powers, traditionally the U.S. and increasingly India (as well as Russia for Vietnam and Australia for Indonesia), to prevent Chinese dominance and preserve foreign policy autonomy.

Likewise, in light of expanding Chinese power and assertiveness, the urgency behind Southeast Asian military modernization—particularly in Indonesia, the Philippines, and Vietnam—provides important opportunities for the United States. Southeast Asian states each have their own requirements and sensitivities, but most want to see more U.S. leadership and presence in their region, as well as U.S. security assistance for their military modernization. Countries like Vietnam, Singapore, Malaysia, and Indonesia

are also expanding security ties with India; they view India's rise as useful ballast against Chinese dominion. The region's states have long been wary of Japan in light of its imperial history, but acute concern over China is mitigating that legacy, creating additional possibilities for expanded Japanese security assistance. This can take creative forms; for instance, Japan's Coast Guard has deployed to Southeast Asia to assist with naval modernization in countries like Indonesia.

How might the future defense plans of Southeast Asian states intersect with U.S. objectives in the region? First, regional countries could form a crucial pillar of U.S. plans to diversify its forward presence in Asia. Second, the United States will want to invest more directly in force modernization in Southeast Asia-including in non-allied states like Indonesia and non-democracies like Vietnam-in order to bolster the regional balance. Third, Washington will need to deepen strategic and contingency planning to determine how to protect its national interests in the event of a Southeast Asian conflict with China. Fourth, the United States will also need to ensure that support for Southeast Asian force modernization does not inflame sub-regional security dilemmas. The good news is that sustained economic growth and the region's expanding diplomatic and security horizons will give Washington more capable partners with which to work to provide regional public goods of security and stability.

THE ECONOMICS OF STABILITY

In a rising Asia, economic influence is as important as military power in sustaining American leadership. In that regard, the next U.S. administration must pursue a more expansive agenda to liberalize trade and investment across the Pacific—not only by finalizing and enacting the Trans-Pacific Partnership, but also by securing important new trade agreements with India and ASEAN. Finally, strong U.S. alliances with South Korea and Australia will remain critical pillars of a regional security architecture that encourages China to pursue a peaceful rise—and creates disincentives for Beijing to consider more militarized alternatives.

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ASYMMETRY AND COERCION ACROSS THE STRAIT

RUSSELL HSIAO

The thaw in overt tensions in the Taiwan Strait since President Ma Ying-jeou assumed the executive office of Taiwan (Republic of China, or ROC) in 2008 has been remarkable. The political brinkmanship that dominated cross-Strait exchanges and made the 110 mile-wide Taiwan Strait a constant flashpoint over the past decade has given way to talks of "peace" between Taipei and Beijing.

Yet, over this period of warming relations, the military modernization of China's People's Liberation Army (PLA) has continued to accelerate—in fact, the PLA increased the number of ballistic and cruise missiles aimed by its Second Artillery forces at Taiwan from 1,400 last year to more than 1,600 this year.¹ Moreover, the PLA has not relaxed its military preparedness against Taiwan. For example, China conducted 31 military drills and exercises in 2009, 74 percent of which involved scenarios reportedly targeting Taiwan.²

As a result, in spite of the Ma administration's overtures, a growing asymmetry is emerging in the Taiwan Strait—one that could have a destabilizing effect on U.S. regional interests in the long term.

THE ELUSIVE "STATUS QUO"

Rising trade and investment flows between Taiwan and the People's Republic of China)—crowned by the signing of the Economic Cooperation Framework Agreement (ECFA) in 2010—are increasingly tying the two to each other in the international supply chain. In theory, these links should make disruptive political action on the part of Taiwan and China increasingly costly for both players. This would presumably prolong the political "status quo" in the Taiwan Strait, and in the process maintain peace and stability. However, this pathway is no longer sustainable.

In light of the weak correlation between the growing economic integration between Taiwan and China and political integration between them, coupled with Beijing's obsession over unifying Taiwan, China is likely to increasingly rely upon military coercion to compel concessions from Taiwan on sovereignty. China refuses to renounce the possibility of using force to compel unification, and acts to continually subjugate the Taiwan to the Mainland. By doing so, Beijing is attempting to create a *fait accompli*—one which could lead to U.S. acquiescence to the absorption of Taiwan by the PRC. However, a breakdown of the current *modus vivendi* between Taiwan and China could lead to outright hostilities between the two.

Indeed, the U.S. Department of Defense, in its 2011 report to Congress, found that "China continued modernizing its military in 2010, with a focus on Taiwan contingencies, even as cross-Strait relations improved. In pursuit of this objective, the PLA seeks the capability to deter Taiwan independence and influence Taiwan to settle the dispute on Beijing's terms. In pursuit of this objective, Beijing is developing capabilities intended to deter, delay, or deny possible U.S. support for the island in the event of conflict."3 This tracks with the assessments of Taiwan's intelligence chief, National Security Bureau Director Tsai Der-sheng: "It is impossible to deny that Beijing still sees military intimidation as an effective tool in preventing Taiwan from moving toward [de jure] independence."4

It is interesting to note that in the 2011 Taiwan National Security Survey, respondents were asked: "If the act of declaring independence will not cause

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In large part to maintain its sovereignty, Taiwan has been strengthening its asymmetric and defensive capabilities.

Mainland China to attack Taiwan, do you favor or not favor Taiwan independence?" Of the people surveyed, 74.1 percent responded in favor, whereas 18.4 percent answered that they did not.⁵ This statistic is significant because it underscores the effect of Beijing's military coercion. Yet if the military balance in the Taiwan Strait continues to shift in Beijing's favor, and in light of Washington's passivity to date in addressing the widening "sovereignty gap" there, the cross-Strait knot may become a real source of instability in the medium- to long term.

TAIWAN ARMS

Against the backdrop of the contentiously delayed \$11 billion arms package to Taiwan pledged by the United States back in 2001, Taiwanese military leaders have been taking active measures to shore up its defensive and interdiction capabilities to counter Chinese military-coercion.

In a large part to maintain its sovereignty, Taiwan has been strengthening its asymmetric and defensive capabilities. Its military is actively shoring up the island nation's indigenously developed military capabilities. As early as 2007, the *Hsiung Feng* (HF)-*IIE* surface-to-surface cruise missile system developed by the Chung Shan Institute of Science and Technology (CSIST) was deployed.⁶ Also in October 2007, the ROC military successfully test-fired the HF-IIE missile—a land attack cruise missile variant with a range of 600 kilometers (373 miles), which was reportedly already being deployed on a small scale.⁷

Taiwan also successfully test-fired an advanced HF missile with a range of 800 kilometers in January 2008, believed to be another variant of HF-IIE that at the time had not reached mass production stage.⁸ Following reports in 2010 about new Chinese missile installations in Shandong province in Northeastern China, the ROC military revealed that it was planning to test its indigenously designed HF-IIE surface-tosurface cruise missile in June 2010 and produce 80 units by the end of that year.⁹ The announcement to deploy HF-IIE missiles also came in the wake of Taiwanese intelligence indications that China has deployed eight battalions of advanced S-300PMU2 long-range surface-to-air missiles in Fuqing county in Fujian province's Longtian Military Airbase.¹⁰

Testing has also been completed on a longrange air-to-surface missile. Mass production and deployment of the new weapon, known as the *Wan Chien* (Ten Thousand Swords), will reportedly begin in 2014.¹¹ The *Wan Chien* is designed to strike airports and will help enhance the ROC Air Force's long-range strike capabilities while allowing attacking personnel to evade defensive fire from the target area.¹²

There likewise appears to be forward movement in a long-awaited program to build diesel submarines in Taiwan. A domestic submarine program—which had been aborted under former President Chen Shuibian's administration—was resuscitated in President Ma Ying-jeou's second term. Interest in the program resurfaced after local reports revealed that officials from the ROC Navy reportedly briefed a group of legislators in the Legislative Yuan's Foreign Affairs and Defense Committee about the program during a classified meeting in late January 2012. The move can be seen to represent a realignment in the domestic political environment and growing concerns about China's military deployments.¹³

The ROC Navy plans to spend \$1.2 billion to procure six domestically built minehunting ships over a 12-year period to strengthen the nation's ability to counter a blockade by China. The program's budget has yet to obtain final legislative approval, but experts believe that the minehunters would "significantly enhance" the Navy's ability to counter a naval blockade.¹⁴ The legislature last year also reportedly passed an \$853.4 million budget to build between seven and 11 stealthy corvettes dubbed the "carrier killer," with delivery scheduled for 2014, which will come equipped with the eight HF-II and HF-III antiship missiles, as well as a 76mm rapid-fire bow gun. The boats are reportedly expected to remain in service

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for 25 years.¹⁵

Last but not least, Taiwan so far has purchased a total of 388 PAC-III missiles as part of the multibillion-dollar procurement deals. Furthermore, Taiwan's Deputy Defense Minister, Andrew Yang, has stated that the island is upgrading two missile batteries and adding four more, anchored by PAC-III missiles, from the United States. The defense shield is reportedly due in 2015, and will enable Taiwan to track incoming Chinese short-range missiles. The program serves to deny Beijing the ability to engage in coercion by threatening limited missile attacks against key infrastructure to intimidate decision-makers in Taipei.¹⁶

A new framework is needed to address the growing asymmetry in the Strait and counter Chinese coercion of Taiwan.

SUPPORTING TAIPEI... AND STABILITY

Against the backdrop of China's growing military threat, new initiatives by Taipei and Washington are needed to shore up Taiwan's military capabilities and address the shifting balance of power in the Taiwan Strait. As China continues its acquisition, development and deployment of new military systems, it is also increasingly strengthening its coercive power over Taiwan. The shifting balance of power will have a destabilizing effect on U.S. interests in the region.

A new framework is needed to address the growing asymmetry in the Strait and counter Chinese coercion of Taiwan. Such an approach would allow Taipei to negotiate with Beijing from a position of strength and, in turn, contribute to ensuring peace and stability in the region.

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CHINA'S MARCH TOWARD SPACE MODERNIZATION

RICH HARRISON & ISAAC MEDINA

Since Beijing made the conscious decision to open its markets to the international community in 1978-1979, the world has witnessed a dramatic rise in China's economic prosperity. In recent years, accompanying the Middle Kingdom's so called "peaceful rise" has been a corresponding—and rapid—military modernization. This development has not gone unnoticed by China's neighbors in the Pacific Rim or by officials in Washington, culminating in the Obama administration's announcement, in early 2012, of a foreign policy and defense "pivot" to Asia.¹

Not all of China's military modernization efforts are well-understood, however. While advances to the Chinese Navy and Air Force, as well as the PRC's particularly intrusive cyberwarfare and cyberespionage efforts, have garnered considerable media attention, the country's burgeoning space initiative has gotten far less coverage. So have the possible negative effects that China's space efforts hold for U.S. national security.

FROM NATIONAL PRIDE TO ASYMMETRIC WARFARE

China launched its first satellite on April 24, 1970.

The launch coincided with a government propaganda campaign and the mobilization of People's Liberation Army (PLA) troops, indicating that, in addition to scientific ones, political and military motivations were at play.² Western observers at the time believed China had launched a reconnaissance satellite designed to monitor the Sino-Soviet border.³ Dr. John Foster, then Director of Defense Research and Engineering at the U.S. Department of Defense (DoD), called it "the beginning [...] of a continuing rather large, intense programme with important military values."⁴ In reality, the satellite in question simply took some atmospheric measurements and broadcast a song titled "The East is Red."⁵ It would take time for the military to play a significant role in China's space ventures, but as one observer noted several years later, "China's space program [...] has had military implications from the very beginning."⁶

The collapse of the Soviet Union in 1991 left Russia in such a desperate need for cash that the Kremlin happily sold life-support and spacesuit technology to Beijing, providing a boost to the Chinese space program.⁷ On September 21, 1992, the Chinese government approved *Project 921* (named for the date of its implementation), which outlined a threestep plan for human spaceflight. The project is still in effect today, and its ultimate goal is to establish longterm human presence in space through a 60-metricton space station with a ten-year lifespan and a launch date around 2020.

To a large extent, the goal of this effort is prestige. As one analyst recently noted, "Chinese scientists believed major powers had space stations and to be a major power a country must have a space station."⁸ China's interest in human spaceflight therefore lies in visibility. It is a good form of advertisement.⁹ Feats such as sending humans to space communicate a message about a country's might. As such, China understands its space activities as part of its "comprehensive national power;" i.e. everything that makes a country powerful politically, economically, militarily, etc.¹⁰ It therefore comes as no surprise that "China sees space not just as an arena for industrial policy, but as a diplomatic tool. Every Chinese space mission is a form of strategic communications."¹¹

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The evolution of China's space program has brought with it the ability to hold American space capabilities at significant risk.

But China's space program is also strategic in nature. The 1991 Gulf War was a pivotal moment for the so-called "revolution in military affairs," showcasing the incredible strategic advantage that originates from what Chinese scholars refer to as "informationized" warfare made possible by new Command, Control, Communications, Computers, Intelligence, Surveillance and Reconnaissance (C4ISR). The use of a wide array of space assets to quickly gather information about an enemy, including targeting criteria, and then disseminate the data in a timely manner, demonstrated the prowess of the U.S. military. It also convinced Chinese officials of the need to rely on asymmetric warfare tactics to counter the superior U.S. networkcentric warfare capabilities.¹² Since then, exploiting vulnerabilities in the space domain have been central to the slow but steady progress of China's space program.

A major turning point in this regard came in October 2003, when the official *PLA Daily* announced that space would become a "sphere of warfare."¹³ The announcement presaged President Hu Jintao's introduction of the "new historic missions" for the PLA in 2004, which included safeguarding Chinese space interests.¹⁴

Then, in late 2006, National Reconnaissance Office Director Donald Kerr said that China "illuminated" a U.S. imaging satellite with a groundbased laser, thus revealing the PRC was likely developing a comprehensive anti-satellite (ASAT) capability.¹⁵ Later, in January 2007, the Chinese conducted a successful ASAT test against an old weather satellite called *Fengyun-1C* in low Earth orbit (LEO). Several countries decried the ASAT test, and Vice President Dick Cheney stated that the "anti-satellite test, and China's continued fast-paced military build-up... are not consistent with China's stated goal of a 'peaceful rise."¹⁶ These efforts support expert contentions that America's use of information technology in the battlefield (e.g. Iraq, Afghanistan, and the Balkans) has triggered the Chinese military to develop a new doctrine that calls for a preemptive, aggressive assault on enemy C4ISR systems during conflict.¹⁷ Based on this new doctrine and its new historic missions, the PLA has shifted its focus from fighting "people's wars" to regarding space, cyberspace, and the electromagnetic spectrum as distinct domains on par with land, air, and sea.¹⁸

CHINA'S THREAT TO U.S. SPACE ASSETS

The evolution of China's space program has brought with it the ability to hold American space capabilities at significant risk.

The PLA shocked the world with the 2007 medium-range ballistic missile test that zeroed in and obliterated Fengyun-1C. Aside from detrimental effects resulting from the satellite's destruction (i.e. space debris), the larger takeaway was that the PLA is capable of using direct-ascent technology to destroy satellites in LEO—where several U.S. spy satellite constellations reside. Moreover, as the Chinese continue to master satellite launches and orbital maneuvers the PLA's ability to use on-orbit satellites as weapons likewise will increase. If desired, small microsatellites could be launched and placed in orbit paths near U.S. assets with the sole purpose of colliding during wartime. Due to the speeds at which satellites travel, a very small object can create a significant amount of damage during such a collision.

Hit-to-kill ASAT weapons are not the only means at China's disposal to harm U.S. satellites. The PLA has developed directed energy weapons of varying types, including microwave, radio frequency, and lasers. Of these, ground-based lasers represent the most mature technology.¹⁹ Such weapons can be used against satellites by sending streams of energy toward them either to disrupt a satellite's onboard sensor systems—or, in extreme cases, to cause significant structural damage.²⁰ The evidence is compelling that China's technological expertise in laser technology is advancing. Moreover, the PRC has developed satellite jamming techniques and other forms of electronic attacks which target the data links sent from satellite to satellite, as well as those sent from satellite to ground station.²¹ If successful, attacking the flow of information during a U.S. military operation could affect our command and control architecture. This is similarly true for the more traditional form of attacking the U.S. ground stations which manage data flow from satellites.

At the most extreme, the Chinese also have the ability to detonate a nuclear warhead in space, thereby creating an electromagnetic pulse reaction that could affect satellite ground stations below, as well as non-hardened electrical systems on satellites. Experts, however, concede that this option is extremely unlikely, and would only be last resort option because of the indiscriminate effects to satellites of all nations, including China's.²²

The creation of a comprehensive set of ASAT capabilities fits into the PLA's broader 'area control strategy' which seeks to diminish any advantage in combat that superior technological power may have.

Lastly, although human spaceflight is of relatively low priority to the PLA, one Chinese military author has even claimed that manned platforms "are not only the best space weapon for attacking satellites in low earth orbit, synchronous orbit, and high orbit, they are also the best method for conducting near attack operations."²³ The creation of a comprehensive set of ASAT capabilities fits into the PLA's broader "area control strategy" which seeks to diminish any advantage in combat that superior technological power may have.²⁴ Some experts believe China's reasoning is simple: developing asymmetric capabilities will close the military gap with the U.S. and prepare China for a possible conflict over Taiwan.²⁵

A NEW THEATER FOR SINO-AMERICAN CONFLICT?

American dependence on space assets has increased substantially with the advent of GPS technology, leading to enhanced communications and the aforementioned use of satellites by the U.S. military. To provide a sense of scale for the commercial importance of space, the "global space economy" peaked at a total of \$290 billion in 2011 alone.²⁶ Unfortunately, growing reliance on space assets, particularly in military affairs, has created new vulnerabilities that U.S. adversaries can exploit.

China's flourishing space program was not necessarily developed for military purposes. However, as evidenced by the PLA's trend toward militancy in space, the exploration and use of space for national prestige and scientific discovery appears increasingly to be playing a secondary role to military affairs. Today, Chinese military leaders clearly understand the utility of space during an encounter with the U.S. And the PLA has developed several tactics to poke holes in the U.S. space architecture. As Eric Sterner of the George C. Marshall Institute points out, "success in developing the capability to deny the United States use of space could change the regional military balance and weaken U.S. security guarantees to its allies, possibly encouraging them to become more accommodating to China's assertion of its power in the region. Success in using the capability could mean defeating the United States in an armed conflict." 27 While Beijing continues its march toward the final frontier, Washington would do well to consider how Chinese efforts in this domain can affect U.S. space assets now and in the future.

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