

# China on the March

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**T**WENTY YEARS from now, will China be a friend or foe of the United States? Certainly, China's youngest generation will influence the answer. It controls future policies, the pace of internal development, domestic stability and whether there is a crisis over Taiwan. Yet America's response is also important; the wrong actions could turn China against us.

The United States must adopt a two-pronged policy. The first is to encourage China to become a "responsible stakeholder" in the international community. The second is to hedge against competitive or aggressive behavior by China. Americans are impatient and dislike ambiguity, so successive U.S. administrations have struggled to sustain public support for a policy that to many, at first glance, can seem self-contradictory. But there is no reason for our policy to be self-contradictory. The key is what might be termed "prudent hedging", which does not impede engagement and does not create a self-fulfilling prophecy where treating

China as an enemy turns it into one.

Since Chinese military leaders cannot predict the future, they will prepare for the worst even as they hope for the best. Hedging is contagious. The problem is their efforts will appear to Washington as the very behavior against which we are hedging. During the Cold War, hedging and worst-case-scenario assumptions led to a dangerous and expensive arms race.

There is already, of course, a localized but very real "arms race" between the two powers—where U.S. and Chinese forces are committed to direct, head-to-head military competition—over the Taiwan Strait contingency. The United States has a policy, the Taiwan Relations Act, to be prepared to defend Taiwan from Chinese invasion or coercion. (At the same time, Washington opposes Taiwanese independence.) The U.S. military therefore correctly anticipates the long-term mission of ensuring access to the strait and achieving air and sea dominance there. China, for its part, will not renounce the use of force to prevent Taiwan's independence. For the Chinese military, this means being able to intimidate, if not conquer, Taiwan. It also means being able to chase or scare away U.S. forces from the strait by making naval and air operations there too hazardous. For the foreseeable future, the U.S. and Chinese militaries will take each other's measure in the strait and pursue competing military objectives.

To make things more complicated,

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both China and the United States have other strategic factors driving their military postures. For example, global leadership requires the United States to maintain its forces' qualitative superiority and quantitative sufficiency. The Defense Department will receive in excess of \$500 billion (including supplementals) in the 2007 fiscal year for a host of current missions and future contingencies—but many are completely unrelated to east Asia.

For its part, China will be spending about 15 percent of this amount on defense this year (even correcting for hidden subsidies in the Chinese budget). In China's eyes, it has not yet built a military large and strong enough for the large role it sees for itself—no matter how the relationship with the United States turns out. Moreover, China weighs its military power in relation to the neighbors it seeks to deter—Japan, Russia and India—as well as to the United States. So even in a world where Washington and Beijing had the best of relations, China would still build its military to match its global ambitions and pursue its regional rivals.

This should concern the United States, but what should we do? It is important for China's people, its neighbors and the United States to know the size and shape of China's build-up, and the requirement that they be open about it might dissuade the Chinese from an excessive build-up. But emphasizing transparency does not address the question of what would be "excessive." Former Secretary of State Warren Christopher, when characterizing U.S. sanctions on Iran, was fond of saying that the United States should not sell Iran a Kleenex. In the same spirit, the United States would clearly prefer that China arm itself with only a bow and arrow. Between a bow and arrow and an all-out drive to match the United States across all elements of military power, where will China end up? Where should it end up, in terms of American interests?

**M**AO ZEDONG gave the People's Liberation Army (PLA) a strategy of "People's War" aimed primarily to cope with a Soviet invasion (and, secondarily, a U.S. invasion). The idea was to draw invading armies deep into Chinese territory, enveloping and slowly destroying them in a war of attrition. This strategy required a mass conscript army spread all over the Chinese countryside; a side benefit, as Mao fully understood, was that this army could also maintain Communist Party control over the huge population.

In contrast, Deng Xiaoping and his successors have advocated new theories of "Local War" (versus total war) and "Rapid War, Rapid Resolution" (as opposed to war of attrition). The Chinese have a plan, described in their Defense White Paper of December 2004, to bring the military out of perceived backwardness. It describes the modernization trajectory for the PLA in terms of a "Revolution in Military Affairs with Chinese Characteristics."

First is to deal with the Maoist legacy. The PLA is still too large, with 2.3 million active duty personnel, 800,000 reservists and a People's Armed Police of 1.5 million. In a Chinese version of the American "Revolution in Business Affairs", the PLA is required to shed its farms, businesses and other deadweight features from the peasant army days. In addition, China's defense R & D system and military industry have the features not of today's go-go commercial economy but instead the pathologies of the dated state-owned enterprises: backward, bureaucratic and entrenched. Finally, China is trying to increase the readiness of at least selected units, train them intensively and exercise them realistically (including joint exercises with Russia and other nations).

Second is to emulate some U.S. reforms. The PLA, PLAN (navy) and PLAAF (air force) are undertaking their own version of the Goldwater-Nichols reforms of the 1980s to bring the three military

services, today quite separate and dominated by the PLA, into the age of joint operations. The Chinese also stress the need for “informationalization” or what the United States calls “command, computers, control, communications, intelligence, reconnaissance and surveillance (C<sup>4</sup>ISR).” The white paper stresses satellite and airborne sensors, unmanned aerial vehicles and information warfare.

Finally, while China seeks to modernize its own defense industry, it is turning principally to Russia for advanced tactical aircraft, submarines, surface combatants, air defenses, anti-ship cruise missiles and other systems that challenge U.S. forces in ways Chinese-made weapons cannot. The United States and Europe have an arms embargo against China dating from the Tiananmen incident in 1989.

The white paper is more circumspect about the missions it envisions for its growing and modernizing force, but we can nonetheless identify several objectives. First is to maintain strategic nuclear deterrence by maintaining a force of ICBMs and SLBMs. Second is to puncture American dominance wherever possible. China aims to exploit vulnerabilities in key American capabilities, using counter-space, counter-carrier, counter-air and information warfare to keep the United States from dominating a military confrontation, even if eventual U.S. victory is assured.

This second point is important if China hopes to credibly threaten Taiwan and prevent or counter U.S. intervention. The Taiwan-China balance is clearly shifting in China’s favor as Taiwan’s defense spending decreases. China does not have the amphibious and airborne forces required to invade Taiwan, and such an operation would be disastrous if U.S. forces got involved. Instead, China aims to intimidate Taiwan with short-range ballistic missiles (SRBMs)—700 CSS-6 and CSS-7 missiles are deployed in the military district opposite Taiwan, and this force is growing every year—and attempts to col-

lapse its economy by blocking commercial air or marine vehicles (e.g., by sowing mines near Taiwan’s harbors).

While countering the United States is a major preoccupation, there are other missions as well. Long before China can hope to match the United States, it must establish clear regional supremacy. China’s adjusted defense spending of \$50–\$80 billion is already comparable to Japan’s \$44 billion, Russia’s \$65 billion and India’s \$24 billion. Moreover, given that China is a resource-poor country—the world’s third largest oil importer, with a clear dependence on Middle Eastern and African sources—China wants to protect its supply lines. Resource politics also help drive outstanding territorial claims, as China continues to contest ownership of the Senkaku, Spratly and other islands. Periodic incidents between the PLA and the navies of the region are not strategically significant, but they have deep emotional resonance given the larger feelings of rivalry and historic grievances among the nations of east Asia.

Finally, the Chinese military is still seen as an important guarantor of domestic stability. China’s leaders, all of whom lived through the Cultural Revolution, fear internal disorder perhaps above all other “national security” threats. Public rioting and other disorders are growing—even in the statistics reported by the Chinese authorities. In 2004, 74,000 “mass incidents” were reported. This is the predictable result of rapid and uneven economic change. Unlike the Soviet Union, however, China is not an ethnic patchwork; the likelihood of ethnic disintegration in a country 92 percent Han Chinese is remote. Nonetheless, the regime sees the armed forces as an important deterrent to would-be troublemakers.

To achieve these goals Beijing, at present, does not have all the resources it would like. The Chinese defense budget has grown at more than 10 percent per annum for two decades, faster than

the growth of GDP, though slower than the growth of overall public spending. However, military spending competes with other pressing needs—a middle class as large as the U.S. population, inequality between cities and countryside and among regions, an aging population (China's workforce will peak in 2015, and already the population is aging faster than it is growing richer), underdeveloped and bad-debt-burdened capital markets and so on—which means the government cannot hand the military a blank check.

**T**HE UNITED States and most countries in the region might prefer to see China stuck in the Maoist People's War tradition. But the reality is, barring an economic slowdown or other catastrophe, China will develop its military power in parallel with its financial and political power, seeking to accomplish the missions its strategy dictates.

This has serious consequences for the U.S. military, U.S. policy in the region and other regional states. They are not welcome developments, but they are broadly consistent with the growing power of a "responsible stakeholder." As Chinese forces become more deployable, effective and experienced, they can also become more useful in countering international disorder, including terrorism—should China choose the "responsible stakeholder" model. But other effects will alter the military landscape of east Asia profoundly.

Japan, Russia, India and others will soon face a Chinese military much more formidable than in the past. China will slowly go from being a continental power to a regional (though not global) power by: modernizing its tactical air capability, airborne warning and control, mid-air refueling and airlift; acquiring more capable surface combatants (though not rivaling those of the U.S. Navy's blue-water force) and a fledgling carrier force; and bolstering the "informationalization" and

joint capabilities of the military branches. Newer, mobile DF-31 and DF-31A ICBMs, solid-fueled ICBMs, and JL-2 SLBMs, if not accompanied by a large jump—tens rather than hundreds and no MIRV'd missiles—in numbers of warheads, will not alter significantly the long-standing Chinese strategic nuclear threat to the United States.

The sheer weight of China's military investments will inexorably shift the balance between China and Taiwan in China's favor. China is fielding more numerous and accurate ballistic missiles, drone aircraft, mine-laying craft, diesel submarines and other capabilities that are clearly aimed at the Taiwan contingency rather than general growth of comprehensive military power. Taiwan is not spending nearly enough to counter these efforts, specifically the missile and blockade threats. (Taiwan's island geography, more than its military, counters the invasion threat.) As Taiwan's ability to defend itself declines, its dependence on the United States increases.

This power shift is mirrored economically and politically. Taiwan was once thought the gateway through which foreign investment would flow into China; now Taiwan is bypassed in favor of China. Politically, Chen Shui-bian's DPP is weak, and the Pan-Blue alliance is flirting with the mainland.

But alongside these developments are additional modernization efforts by the PLA to counter selected areas of U.S. military advantage. These developments are highly likely to continue. They are not natural ingredients of a post-Maoist general upgrade of China's military power; they are specifically aimed at U.S. forces and fueled by the Taiwan contingency.

China is stressing anti-satellite and information-warfare capabilities designed to deny U.S. forces the C<sup>4</sup>ISR that is their trademark. Reacting to this trend will require greater investment in satellite defense (through maneuvering, redundancy and other means). In addition, China is

buying modern integrated air defenses, including the Russian S-300, to prevent the United States from gaining air dominance in the strait or over China itself.

Moreover, China wants the ability to locate and threaten U.S. carriers in nearby waters, especially the Taiwan Strait, through space and airborne long-range ocean surveillance, quiet diesel submarines and sophisticated anti-ship cruise missiles from Russia. China is also slowly buying the vessels and gaining the experience to patrol its trade routes, show the Chinese flag and make port calls or gain basing (e.g., in Pakistan) well beyond its shores. It is well on its way to a green-water, if not fully blue-water, navy. These trends are worrisome, but they can be countered in a manner that need not lead to tensions.

Yet we must watch for political and military developments that could dramatically change the United States's hedge strategy. Behavior inconsistent with a "responsible stakeholder's" power growth, bearing in mind the competition inherent in the Taiwan scenario, would suggest all-out competition and "cold war." We must monitor irredentist claims, aggressive rhetoric about "enemies" like Japan and the growth of hypernationalism among Chinese youth overdosing on "standing up proud."

A significant increase in defense spending would also be troublesome. A crash spending effort at the expense of economic objectives would signal a major change in Chinese intentions, and in time capabilities, as would any crash program to obtain amphibious and airborne forces to invade Taiwan.

Other potential alarming developments include: the emergence of offensive biological or chemical weapons programs, an attempt to match or exceed the U.S. strategic nuclear deterrent force in overall numbers, changing Chinese nuclear policy from no-first-use minimum deterrent to first-use or counterforce, or any large expansion in scale and scope of weapons

purchases from Russia. (These purchases today, while of high-end items China cannot make for itself, total only about \$2 billion per year.) Finally, major new military alliances or foreign basing of Chinese forces could signal Beijing's readiness to challenge America's global position.

**C**HINESE EFFORTS to undermine U.S. operational supremacy will require specific U.S. investments in response. These investments are in line with the Pentagon's budgetary plans and demand accommodation in future budgets. They constitute the near- and medium-term hedges a two-pronged U.S. strategy requires.

But if China's military has a portfolio problem, America's is even more complex. U.S. force structure and investment is being pulled in five directions at once. First, there are the costs of hedging against China. In terms of military investment, this means ultra-modern air and naval capabilities. It is the main budgetary rationale for advanced fighter aircraft, a new strategic bomber, new aircraft carriers and other surface combatants, stealthy unmanned aerial systems with long range and dwell time, nuclear attack submarines and a host of C4ISR assets. Yet this comes against the backdrop of the "long war" against terrorism—a mission that emphasizes the need for special operations forces and greater spending on intelligence, law enforcement, diplomacy and homeland security.

Meanwhile, experience in Somalia, Bosnia, Kosovo, Iraq, Afghanistan and elsewhere in the past 15 years suggests the world will call upon U.S. forces to conduct peacekeeping and stability operations, notwithstanding public ambivalence about such involvements. These missions require large ground forces with a wide range of capabilities, from combat to policing to economic reconstruction.

Next, the military must still be prepared to fight "traditional" major the-

ater wars in North Korea and the Middle East, perhaps simultaneously. This requires a relatively large conventional force structure.

Finally, continuing threats from WMD underscore the need for deterrent forces (nuclear and non-nuclear) of reasonable size and survivability, and for protective measures ranging from chemical suits to missile defenses.

The United States must pursue these missions simultaneously, sacrificing none to fund the others. However, the Department of Defense (DOD) faces a looming budget crunch of huge proportions.

To a remarkable degree, the 50 percent increase in the DOD baseline since 9/11 has gone to funding the program of record on 9/11 (i.e., the weapons that were already in the pipeline on 9/11). This program was unrealistically budgeted before 9/11, as is true of most weapons systems. Additionally, exploding personnel benefit costs devour a larger and larger chunk of the Pentagon budget, as do the high operations tempo and intensive training schedule.

Perversely, the supplementals will contribute to the crunch in two ways. First, it appears they will not cover the costs of “resetting” the force (e.g., repairing or replacing vehicles used more intensively than planned). Second, some of the new and most innovative programs (i.e., programs that were not part of the program of record on 9/11) are funded in the supplementals and will have to fight their way into the baseline budget when the supplementals dry up. Many of them will not win this daunting battle against older and more entrenched programs, hindering the overall process of transformation.

The growth in the personnel, operations and maintenance portions of the budget squeezes out the investment portion (research, development, test and evaluation, and procurement) most relevant to the China-hedging mission. Moreover, a mixture of poor management, prolonged

wars and chronic cost growth is creating a perfect storm that will limit the resources available to hedge against China.

Future administrations and Congresses will have to ensure adequate funding. The hedging must effectively counter these developments, not contribute unnecessarily to the Chinese build-up, be consistent with the “engagement” part of U.S. strategy towards China and be affordable within a constrained DOD budget.

**S**O WHAT should the United States do? First, we must invest broadly in military capabilities, using a portfolio approach that gives appropriate emphasis to advanced aerospace and maritime forces—as well as to the ground and special forces needed for other near-term missions.

We must take nothing for granted, and this means improving the intensity and quality of intelligence on and analysis of the Chinese military. Washington must also maintain and expand U.S. alliances in Asia, including those with Japan, South Korea and Australia, pursuing deeper military partnerships with the Philippines, Singapore, India and possibly Vietnam.

This requires sustaining and overhauling the U.S. military “presence” in the region. It is particularly important to shore up the U.S.-Republic of Korea (ROK) alliance, which has declined precipitously under Presidents Roh and Bush. The alliance is important for deterring North Korea, but beyond that it is a vital regional foothold for the United States. It will be easier for the Japanese public to support the U.S. presence if we have forces in the ROK. The U.S. air and naval buildup on Guam is also an important contribution.

It goes without saying that the United States must be prepared to defend Taiwan from unprovoked Chinese military coercion. It is also not in America’s interests for the European Union to lift its post-Tiananmen arms embargo.

But at the same time, it is in our inter-

est to continue military-to-military (mil-mil) activities with China. Mil-mil is often considered an instrument of the engagement prong of the two-pronged strategy, since it engages an important constituency, the PLA, in U.S.-China relations and does so in the “responsible stakeholder” framework. But mil-mil is also an important instrument of hedging, because if there are crises, tension and competition in the future, mutual familiarity will help avoid miscalculations. Reciprocity in military-to-military activities is important, but it need not be exactly symmetric.

“Value-based reciprocity”, where each side obtains equal benefits, should be the metric that guides mil-mil activities. Given the Chinese misunderstandings surrounding the 1999 Belgrade Embassy bombing and the 2001 Hainan mid-air collision, one useful theme of mil-mil contacts would be crisis management. Additionally, the planned talks between the U.S. commander of Strategic Command (STRATCOM) and the head of the Chinese Second Artillery are valuable. However, STRATCOM has a broad range of strategic responsibilities that the Second Artillery (which is centered on nuclear deterrent forces) does not, so the pairing is likely to devolve to a discussion of nuclear forces and space forces. STRATCOM should be careful these talks do not replicate U.S.-USSR strategic nuclear discussions of the late Cold War. Those talks took place in the context of a Cold War that is not present (or desirable) between the United States and China. They also reflected a strategic nuclear parity that again is neither present nor desirable in the contemporary U.S.-China case.

Finally, we should expand military-to-military activities to anticipate joint action where doing so is in both countries’ interests. Joint action could include search-and-rescue, counter-terrorism, counter-piracy, counter-narcotics, counter-human trafficking, humanitarian relief, non-combatant evacuation and peacekeeping.

THERE ARE also steps the United States should not take. The first is to create an encircling anti-Chinese alliance. Most of the hypothetical members have important bilateral relationships with China, including economic relations. They have two-pronged strategies of their own and will not join in a “hedge-only” U.S. strategy.

The second is to create a U.S.-Taiwan alliance—*à la* a NATO Article Five guarantee—committing the United States to Taiwan’s defense regardless of the latter’s behavior. The United States should also oppose any Taiwanese attempt to obtain offensive deterrents, especially nuclear weapons.

The third may be counterintuitive, but an attempt to neutralize China’s nuclear deterrent with counterforce or missile defense would likely backfire. Such a move would not assure protection from a Chinese nuclear strike, and China would build a larger nuclear force.

Finally, the United States must not work to deny access to resources needed for economic development, particularly by non-market methods. Of course, Washington should pressure Beijing to do likewise.

CHINA’S LEADERS probably aim to match the United States in military power. But they realize that, if that is possible, it will take decades to achieve.<sup>1</sup> In the meantime they have set themselves more achievable goals that necessitate offsetting U.S. actions. The United States must react skillfully to avoid a new cold war. □

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<sup>1</sup>The Council on Foreign Relations Task Force on Chinese Military Power concluded that China was twenty years behind the United States in terms of overall military technology and capability, and that the balance would remain “decisively in America’s favor” both regionally and globally for the next twenty years.