

Section 3. China

1. General Situation

China has the world's largest population and a vast landmass surrounded by 14 countries. It has long borderlines and a long coastline. China is also a nation with various races, religions, and languages. Most of its ethnic minorities⁶⁶ populate the borderlands often with the same ethnic groups living across the borders. China, with a long history, has been shaping and maintaining a distinct culture and civilization, and pride of its unique history and the experiences of semi-colonization after the 19th century is driving a desire for a strong nation as well as fueling their nationalism. China is a state with a socialist regime, and aims at building a modern socialist state under the leadership of the Chinese Communist Party (CCP).

In recent years, China has significantly increased its international trade, attracting considerable foreign investment; the economy has dramatically grown, especially in the coastal and urban areas. However, although the Chinese economy continues to be on a relatively high growth track, a slowdown and deteriorating employment conditions, brought about by the global financial crisis, is apparent particularly in the coastal areas. Domestically, China faces various hurdles including the great political problem of corruption within central and local communist party leadership. Furthermore, as a result of rapid economic growth, issues such as wealth gaps among urban residents and environmental pollution are emerging, in addition to a widening urban-rural and coastal-inland disparity. Moreover, issues associated with the rapid aging of the population are forecasted to arise in the future. China also has ethnic minority issues, such as the March 2008 clash between minorities and the authorities in the Tibet Autonomous Region that stemmed from minority protests. It has been reported that some ethnic minorities in the Xinjiang Uygur Autonomous Region are undertaking campaigns seeking separation and independence. Under the guiding principle of the "Scientific Outlook on Development," the Hu Jintao administration aims to build a "Harmonious Society" as its fundamental policy and is committed to giving priority to the solution of the aforementioned domestic problems⁶⁷. China also aims to improve its current economic structure, where it is dependent on exports abroad and foreign investment creating a dearth of domestic demand, in order to maintain stable economic growth.

On the diplomatic field, it is believed that in order to maintain national stability China is aiming to maintain stability in the strategic international environment by sustaining favorable relations with major powers such as the U.S. and Russia, to maintain favorable relations with neighboring countries and stable situations in those countries, to promote the multipolarization of the world, and to secure an energy supply and other interests necessary for economic development.

On the military front, China has been modernizing its military forces, backed by the high and constant increase in defense budget. In its military modernization China appears to give particular priority to the Taiwan issue as an issue of national sovereignty and territorial integrity, and for the time being it will probably aim for the improvement of military capabilities to prevent Taiwan's independence and other efforts, but in recent years, China has begun to work on acquiring capabilities for missions other than the Taiwan issue. The military trends of China draw attention from countries in the region, as the country has been steadily growing as a major political and economic power in the region.

2. Military Affairs

1. National Defense Policy

China states that it prioritizes the defense of national sovereignty, security and territorial integrity, safeguarding of the interests of national development, and the interests of the Chinese people above all else. China proclaims that it endeavors to build a fortified national defense and strong military forces compatible with national security and

development interests and enrich the country and strengthen the military while building a moderately prosperous society⁶⁸ in all aspects.

China has a policy of the active promotion of the “Revolution in Military Affairs with Chinese Characteristics,” which mainly consists of the mechanization and informatization of its military power, based on its military strategy⁶⁹ to win a local war under informatized conditions, according to global trends in military developments observed in the Gulf War, the Kosovo conflict, the Iraq War and others. Moreover, China appears to emphasize not only physical means but also non-physical means with respect to military affairs and warfare, incorporating the concept of “Three Warfares”—“Psychological Warfare,” “Media Warfare” and “Legal Warfare”—into the tasks of the political work by military⁷⁰, and declaring a policy of “close coordination between military struggle and political, diplomatic, economic, cultural and legal endeavors⁷¹.”

In China’s military modernization, backed by the stable relations with Russia and other neighboring states that share land borders with China, it is believed that China is giving the top priority to handling of the Taiwan issue, more specifically to improving the capability to hinder the independence of Taiwan and foreign military support for Taiwan.

Furthermore, in recent years, China has begun to work on acquiring capabilities for missions other than the Taiwan issue⁷². As regards a long-term plan for China’s military modernization, China proclaims that “according to the requirements of national security and the level of economic and social development, [...] it will lay a solid foundation by 2010, basically accomplish mechanization and make major progress in informatization by 2020, and by and large reach the goal of modernization of national defense and armed forces by the mid-21st century⁷³.”

In the long term, China appears to be aiming to develop a military force according to the development of national strength, as this is compliant with the development plan for the country as a whole⁷⁴.

China has reduced the number of its military personnel, mainly in the army, and has been modernizing equipment of its entire armed forces, especially its naval and air forces, and nuclear and missile capabilities. In addition, China is working to improve joint operational capabilities among services and branches, to conduct practical exercises, to cultivate and acquire highly-capable human resources for administering operations of an informatized force, and to improve the foundation of the domestic defense industry. Much of the equipment used in the People’s Liberation Army (PLA) is still outdated, and the current military modernization efforts are believed to be undertakings that intend wholly to improve the military’s capabilities. Nevertheless, China does not show a clear, specific future vision of its military modernization. From this perspective, there is concern about how China’s military strength will impact the regional situation and Japanese security, which is to be carefully analyzed.

2. Military Transparency

Historically, China has not disclosed specific information on its possession of weapons, procurement goals or past procurements, the organization and locations of major units, records of main military operations and exercises, or a detailed breakdown of the national defense budget.

China has released defense white papers titled China’s National Defense every two years since 1998. In January 2009, China published China’s National Defense in 2008, and the nation also conducts a lot of dialogue with national defense authorities of other countries⁷⁵. Furthermore, in August 2007, China expressed its will to return to the United Nations Register of Conventional Arms and to participate in the United Nations Instrument for Reporting Military Expenditures, and has submitted an annual report based on each system.

China has regularly published compiled documents on its national security while reintegrating itself into and commencing participation in U.N. systems regarding armaments and military expenditures. These efforts can be appreciated as a contribution to improving the transparency of its military capabilities. However, China has

not yet achieved the levels of transparency expected of a major regional power. For example, as for a detailed breakdown of national defense spending, China basically announced only the total amount and general purposes for the three categories: personnel, training and maintenance, and equipment. Slight progress can be seen in China's National Defense in 2008 in terms of information disclosure⁷⁶ but it does not provide a basic breakdown such as procurement costs for major weapons. Moreover, the report for the United Nations Instrument for Reporting Military Expenditures submitted by China in 2007 was not filled out in accordance with the standard format used by Japan and many other nations, whereby a detailed breakdown of military expenditure is required: the information disclosed was almost as simple as that provided in China's defense white papers.

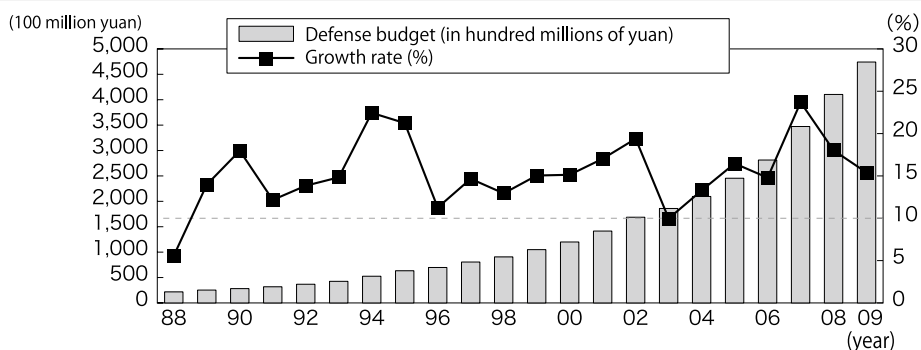
Details have yet to be disclosed regarding the cause of the breach of international law in November 2004, where a submerged Chinese nuclear-powered submarine navigated in Japanese territorial waters. Moreover, in January 2007, when China conducted an anti-satellite weapons test, the Chinese government gave an insufficient explanation of the details and intention of the test to allay Japan's concerns. In addition, in November 2007, China sent notification indicating a refusal for U.S. naval vessels including U.S. aircraft carrier Kitty Hawk to pull into Hong Kong on the expected day of arrival, but then later revised their notice and allowed the vessels to port. However, the U.S. naval vessels had already abandoned their port and changed course. These incidents incite concern over China's decision-making and behavior concerning its military.

China is steadily growing as a major political and economic power in the region, and its military power also attracts attention from other countries in the region. In order to allay concerns over China, it is becoming more and more important for China itself to improve transparency of its national defense policy and military capability. It is hoped that China will increase transparency concerning its military affairs by disclosing specific information pertaining to its defense policies and military capabilities.

3. National Defense Budget

China announced a national defense budget for FY 2009 of approximately 472.9 billion yuan, 15.3% up from the previous year. Thus China's official defense budget recorded a growth rate of over 10% for 21 consecutive years in terms of the initial defense budget. This pace of increase in official defense expenditures means that the defense budget has doubled every five years, and that the official national defense budget of China has nominally increased twenty-two fold over the last 21 years⁷⁷.

Fig. I-2-3-1 Changes in China's Official Defense Budget



Note: The total defense budgets for FY 2002 and FY 2004 were not disclosed, and there is a discrepancy when the disclosed growth rates and amounts of increase is applied to the initial budgets of FY 2001 and FY 2003. This graph uses 168.4 billion yuan and 210 billion yuan for FY 2002 and FY 2004, respectively. These are calculated on the assumption that the disclosed growth rates and amounts of increase are based on the actual defense expenditures for FY 2001 and FY 2003.

As regards the relationship between defense and the economy, China positions the build-up of defense capabilities as an important task as economic development, explaining that it “sticks to the principle of coordinated development of economy and national defense” in China’s National Defense 2008. Accordingly, it is believed that China will continue to input resources for the improvement of its defense capabilities within the range of not hampering its economic development. However, attention is to be paid as to whether China will continue increasing its defense budget at the same pace as before, despite the apparent slowdown of the Chinese economy. (See Fig. I-2-3-1)

In addition, it must be noted that the amount of the defense budget announced by China is considered to be only part of its actual military expenditures⁷⁸. For example, it is believed that the announced defense budget does not include all the equipment procurement costs and research and development expenses.

4. Military Posture

China’s military forces are composed of the People’s Liberation Army (PLA), the People’s Armed Police Force⁷⁹, and the militia⁸⁰. It is provided that these bodies be instructed and led by the Central Military Commission⁸¹. The PLA is defined as a people’s army created and led by the Chinese Communist Party, comprising the Army, the Navy, the Air Force, and the Second Artillery Force (strategic missile force). (See Fig. I-2-3-2)

(1) Nuclear and Ballistic Missile Forces

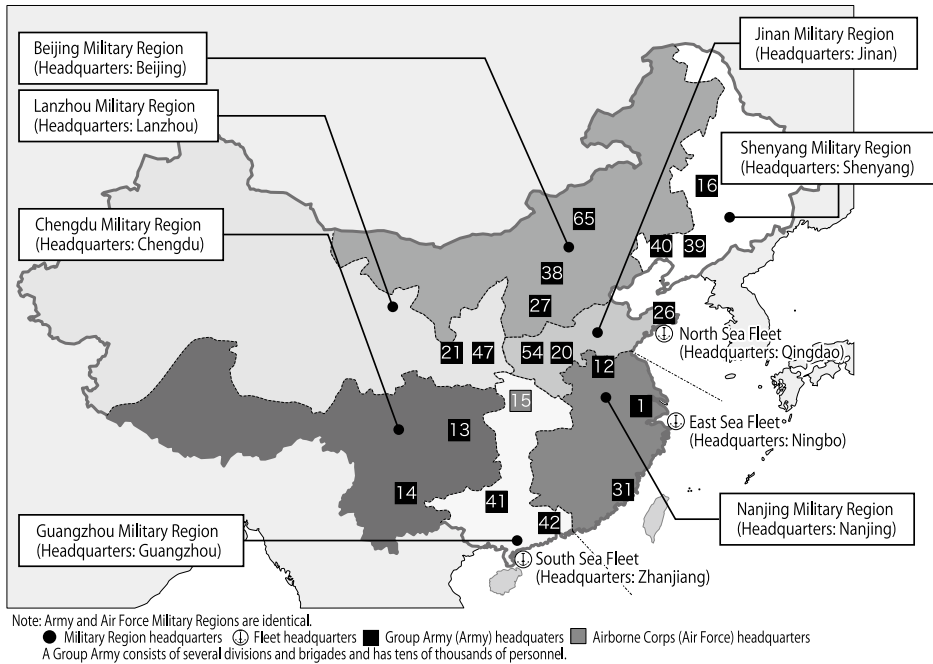
China has continued independent efforts to develop nuclear capabilities and ballistic missile forces since the middle of the 1950s, seemingly with a view to ensuring deterrence, supplementing its conventional forces, and maintaining its voice in the international community.

China possesses various types and ranges of ballistic missiles: intercontinental ballistic missiles (ICBM), submarine-launched ballistic missiles (SLBM), intermediate range ballistic missiles/medium range ballistic missiles (IRBM/MRBM), and short range ballistic missiles (SRBM). The survivability and readiness of China’s ballistic missile forces are under improvement by updating liquid propellant type to a solid propellant one. Moreover, it is also believed that China is working to increase performance by extending ranges, improving precision, introducing MIRV and other means⁸².

China possesses approximately 30 ICBMs as a strategic nuclear force, the majority of which have been fixed-type missiles with liquid fuel propellant systems. In general, this type of missile requires time to inject liquid fuel immediately before launching, and thus signs of a launch can be detected beforehand and may invite a preemptive attack. For this reason, China has developed the DF-31, which is a new mobile-type ICBM with a solid fuel propellant system mounted onto a transporter erector launcher (TEL), and the DF-31A, an extended model of the DF-31, which appears to have already been deployed. Regarding SLBMs, the country currently appears to be developing the JL-2, a new SLBM with a range of approximately 8,000km, and constructing Jin-class nuclear-powered ballistic missile submarines (SSBN) to carry the missiles. Now that the DF-31 and the DF-31A have been deployed, once the JL-2 reaches a level of practical use, it is believed that China’s strategic nuclear capabilities will improve by a great margin.

As for the IRBM/MRBM covering the Asia-Pacific region including Japan, China has deployed liquid-fuel-propellant DF-3 and DF-4 missiles. Currently, however, the country also deploys the DF-21, which can be transported and operated on a TEL. These missiles are capable of carrying nuclear warheads. It is believed that China is currently developing conventional-warhead anti-ship ballistic missiles based on the DF-21, which could be used to attack ships at sea including aircraft carriers. China is also believed to be developing the DH-10, a cruise missile with a range of 1,500km or longer. Once available for actual operation, those missiles might complement ballistic missile forces, covering the Asia-Pacific region including Japan. In addition to IRBM/MRBM, China also possesses a 100 plus dozens of H-6 (Tu-16) medium-range bombers that are capable of

Fig. I-2-3-2 Deployment and Strength of PLA



		China	Taiwan (Reference)
Total military forces		Approx. 2,200 thousand troops	Approx. 290 thousand troops
Ground forces	Ground troops	Approx. 1,600 thousand troops	Approx. 200 thousand troops
	Tanks	Type-98A, Type-96, Type-88A/B and others Approx. 8,660 vehicles	M-60, M-48A/H and others Approx. 1,830 vehicles
Maritime forces	Warships	Approx. 890 vessels/1,320 thousand tons	Approx. 330 vessels/210 thousand tons
	Destroyers & frigates	Approx. 75 vessels	Approx. 30 vessels
	Submarines	Approx. 60 vessels	4 vessels
	Marines	Approx. 10 thousand troops	Approx. 15 thousand troops
Air forces	Combat aircraft	Approx. 1,980 aircraft	Approx. 530 aircraft
	Modern fighter aircraft	J-10×84 Su-27×166 Su-30×97	Mirage 2000×57 F-16×146 F-CK-1 (IDF)×128
Reference	Population	Approx. 1,333 million	Approx. 23 million
	Term of service	2 years	1 year

Source: The Military Balance 2009 and others.

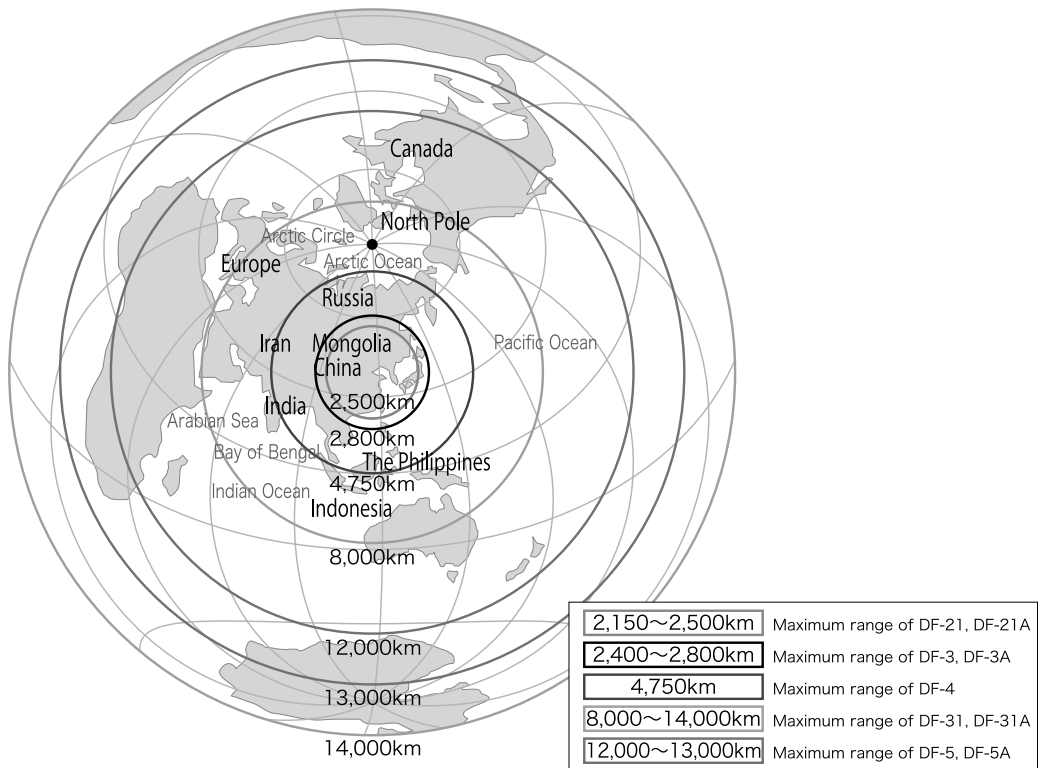
carrying nuclear warheads.

Concerning short-range ballistic missiles (SRBM), China possesses a large number of DF-15 and DF-11, and they are likely to have been deployed against Taiwan⁸³. (See Fig. I-2-3-3)

(2) Ground Forces

The size of the Chinese ground forces is the largest in the world with approximately 1.6 million personnel. Since 1985, China has continuously sought to modernize its armed forces by curtailing the number of personnel and streamlining organizations and systems in order to improve efficiency. The country aims to develop highly

Fig. I-2-3-3 Range of Ballistic Missiles from China (Beijing)



capable military forces, while reducing units inferior in equipment and technologies. Specifically, China is improving mobility by such measures as switching from its past regional defense model to a nationwide mobile model, working to motorize and mechanize its infantry. In addition, China is believed to be strengthening its airborne troops (belonging to the air force) and special operations forces. The country is making its military units smaller, modular and multi-functional⁸⁴ and also working on reforms to improve its logistical support capabilities.

(3) Naval Forces

The naval forces consist of three fleets—the North Sea, East Sea, and South Sea Fleets. The Chinese Navy has approximately 890 ships (including approximately 60 submarines), with a total displacement of approximately 1.32 million tons. The navy is in charge of the maritime national defense and protecting the sovereignty of territorial waters and maritime rights and interests. The Chinese Navy introduced modern Kilo-class submarines from Russia and is actively constructing new types of domestic submarines to enhance its submarine force. Additionally, the Navy is increasing surface combatant ships with improved air defense and anti-ship missile capabilities, and is increasing and improving landing ships and supply ships. Also, a large hospital ship was commissioned in October 2008. In view of these developments in the modernization of the Chinese Navy, it is believed that China is trying to build capabilities to perform operations in areas more distant from China's shore. Moreover, several high-ranking military officials have expressed positive views on possessing an aircraft carrier⁸⁵, including Chinese Defense Minister General Liang Guanglie, who remarked at the Japan-China Defense Ministers Meeting in March 2009 that China cannot remain “without an aircraft carrier indefinitely”. China also purchased Varyag, an incomplete Kuznetsov-class aircraft carrier, from Ukraine, and carried out renovations



A transporter erector launcher (TEL) equipped with DF-31 ICBMs [U.S. Missile Defense Agency]



Varyag, the carrier bought by China from the Ukraine [Courtesy of: Ships of the World]

such as repainting⁸⁶. These facts indicate China's strong interest in possessing an aircraft carrier, and it is believed that China is currently advancing research and development on technology necessary for the possession of aircraft carriers in the future.

(4) Air Forces

The Chinese Air Force and Navy have approximately 1,980 combat aircraft in total. The number of fourth-generation modern fighters is rising steadily. China is domestically mass producing J-10 fighters and carried out import and licensed production of Su-27 fighters as well as importing Su-30 fighters equipped with anti-surface and anti-ship attack capabilities from Russia. China is importing highly sophisticated long-range surface-to-air missiles from Russia in order to improve air defense capabilities. In addition to the introduction of modern fighters, China is making continuous efforts to improve its in-flight refueling capabilities and early warning and control system, which are essential for the operation of modern air forces. Furthermore, it is reported that China has a plan to import a number of large cargo aircraft from Russia. In view of these developments in the modernization of its air force, it is believed that China aims to build capabilities such as air-to-surface and air-to-ship attack capabilities in further forward areas, and improving long-distance transport capabilities, in addition to improving the air defense of its territory⁸⁷.

China has also begun to enhance the electronic warfare and intelligence gathering capabilities of its aircraft in addition to increased efforts in actual reconnaissance flights against surrounding countries. In recent years in particular, Chinese air activities that appear to be some form of information gathering against Japan have been observed. Also, in September 2007, H-6 medium-range bombers flew into the Japanese air defense identification zone over the East China Sea to advance near to the Japan-China median line. Further attention needs to be paid to these activities conducted by Chinese air forces in the area surrounding Japan.



A Chinese Air Force Airborne Early Warning and Control aircraft
[Jane's All the World's Aircraft 2010@IHS (Global) Limited]

(5) Military Use of Space and Cyber Warfare Capabilities

China continues to put forth efforts for space development. The country has launched various satellites into space using indigenously produced rockets, successfully conducted manned space flights, and launched a lunar orbiter. In September 2008, China launched the Shenzhou-7 manned spaceship and its astronaut successfully performed China's first extravehicular activities. As it appears that in China's space development military and non-military

sectors are related⁸⁸, there is the possibility that China utilizes space for such military purposes as information gathering, communications, and navigation.

China is developing anti-satellite weapons, and the country tested the destruction of its own satellite in January 2007, applying ballistic missile technology. It is also pointed out that China is developing a system that uses laser beams to hamper satellite functions.

China is thought to have interest in cyber warfare and they are believed to have organized and be currently training a cyber warfare-specialized unit⁸⁹.

China's interest in anti-satellite weapons and cyber warfare can be attributed to the increasing reliance of information gathering and command and communication in the military sector, which are vital for swift and efficient exercise of military strength, on satellites and computer networks⁹⁰.

5. Maritime Activities

(1) Situation of Maritime Activities

China has been intensifying its maritime activities in recent years. With regard to activity in waters near Japan, a submerged Chinese nuclear-powered submarine navigated in Japanese territorial waters in November 2004, breaching international law. In addition, Chinese naval vessels have been observed conducting what appeared to be exercises or information gathering activities. Other naval vessels as well as Chinese government ships have also been observed engaging in apparent oceanographic research within the exclusive economic zone of Japan. Furthermore, in September 2005, Maritime Self-Defense Force P-3C patrol aircraft observed that a total of five Chinese naval vessels, including one Sovremenny-class destroyer, were sailing near the Kashi gas field (Tianwaitian in Chinese) in the East China Sea and some of them (a total of three vessels including the Sovremenny-class destroyer) circled around the said gas field. In October 2006, a Chinese Song-class submarine surfaced in the vicinity of the U.S. aircraft carrier Kitty Hawk in international waters reportedly near Okinawa. The foreign submarine's approach to a U.S. aircraft carrier is a militarily noteworthy incident⁹¹.

In October 2008, four Chinese naval vessels, including a Sovremenny-class destroyer, passed through the Tsugaru Strait to advance to the Pacific Ocean. This was the first identified passage by Chinese surface combatants through the strait. These ships traveled southward in the Pacific and sailed between Okinawa Island and Miyako Island to take a route circling Japan. In November 2008, four naval vessels, including a top-of-the-line Luzhou-class destroyer, passed between Okinawa Island and Miyako Island and headed to the Pacific Ocean. In December 2008, two Chinese maritime research ships conducted navigation operations not permitted to foreign ships under international law such as hovering and cruising within the territorial waters of Japan near the Senkaku Islands.

Besides activities in waters near Japan, China is enhancing its activities in the Spratly Islands and Paracel Islands, over which it is engaged in territorial disputes with neighbors, including some ASEAN countries. In November 2008, a flotilla of vessels consisting of a Luyang II-class destroyer, a Yuzhao-class amphibious ship and other vessels reportedly exercised in waters near the Spratly Islands. In March 2009, Chinese ships including a naval intelligence collection vessel, a Bureau of Maritime Fisheries patrol ship, and trawlers approached a U.S. Navy acoustic research ship operating in the South China Sea to obstruct its operations. Other incidents also occurred in the same month⁹².

(2) Objectives of Maritime Activities

Taking into general consideration relevant factors including China's geographic location and economic globalization as well as the fact that China explicitly states in its laws and other means that its navy assumes the role of safeguarding maritime rights and interests and protecting maritime safety, maritime activities by the Chinese navy and other organizations are considered to have the following objectives.

The first objective is to intercept naval operations by enemies in waters as far as possible from the country in order to defend Chinese territory and territorial waters. Behind this is an increase in effectiveness of long-range attacks due to recent progress in science and technology.

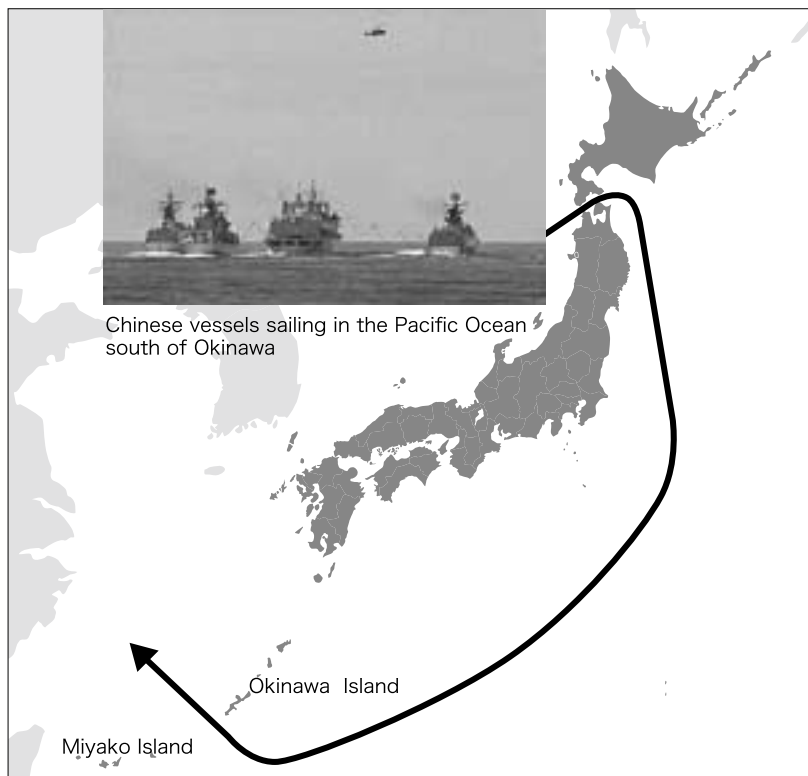
The second is to develop military capabilities to deter and prevent Taiwan's independence. For example, China maintains that it will not allow any foreign intervention in solving the Taiwan issue and realizing the unification of China. If China aims to hold back by force foreign intervention into Taiwan, which is surrounded by the sea, it needs to enhance its military operational capabilities at sea.

The third is to acquire, maintain, and protect maritime rights and interests. China is engaged in exploring and drilling oil and gas fields as well as building facilities and surveying for such facilities in the East China Sea and South China Sea. It is believed that the aims of the naval vessels operating near the drilling facilities of the Kashi oil and gas fields in September 2005 included the demonstration of their naval capabilities of acquiring, maintaining, and protecting maritime rights and interests.

The fourth is to defend the sea lanes of communications for China. The background of this is the fact that the sea lanes of communications, including crude oil transportation routes from the Middle East, are extremely important lifelines for the increasingly globalizing Chinese economy.

It depends on future international situations at the time as to how far the Chinese Navy should defend the sea lanes of communications by itself, but given recent modernization of the Chinese Navy and Air Force, the scope of their capabilities is believed to be expanding beyond waters near China. For example, as the first ever operation conducted by the Chinese Navy outside China's coastal waters, naval vessels including destroyers were dispatched to escort Chinese ships and others in the Gulf of Aden and off the Somali coast, where a number of acts of piracy have been occurring recently. This shows not only that the Chinese Navy is improving its

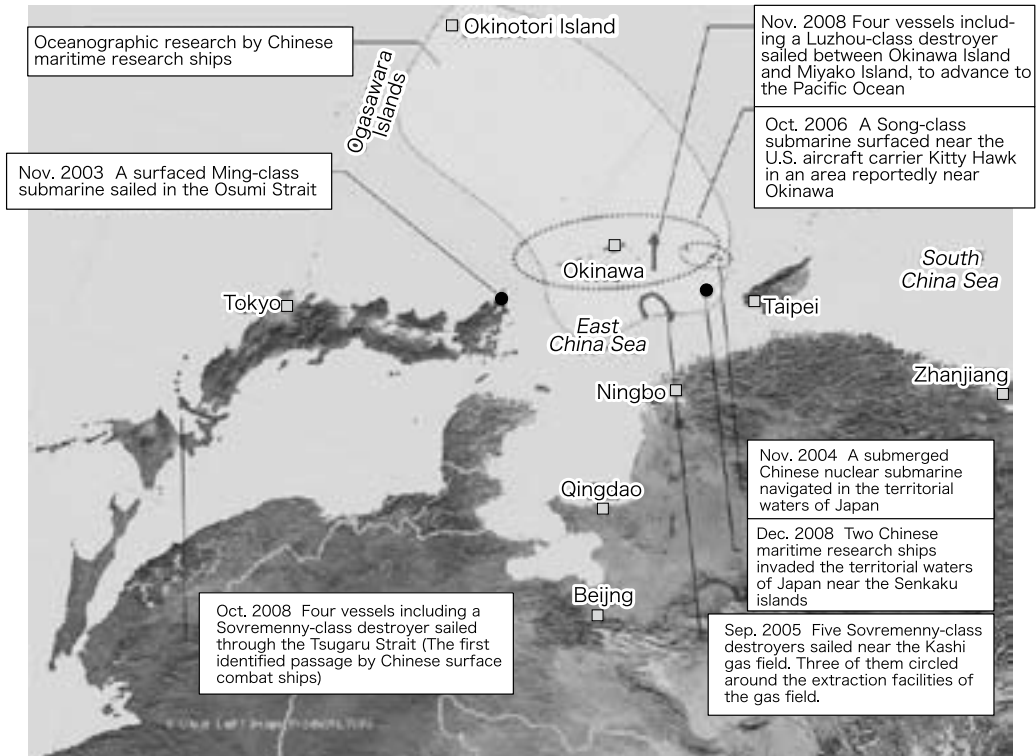
Fig. I-2-3-4 Track of the Chinese Vessels that Passed Through the Tsugaru Strait



capabilities to perform operations in distant waters but also the fact that China is increasingly emphasizing the protection of the sea lines of communications⁹³.

Attention needs to be paid to Chinese maritime activities with the objectives described above, including the operation of naval vessels and oceanographic research activities near Japan and development of facilities that serve as bases for these activities⁹⁴. (See Fig. I-2-3-4) (See Fig. I-2-3-5)

Fig. I-2-3-5 Chinese Activities in the Sea near Japan



6. Education and Training

In recent years, the PLA has been conducting practical exercises and large-scale exercises, including cooperative exercises of the Army, Navy, and Air Force and landing exercises in order to modernize its operational capability. In 2002, as a revision to the previous Military Training Outline, the PLA enforced the Outline of Military Training and Evaluation, which orders the PLA to reform exercises based on science and technology and constantly promote new forms of exercises. Furthermore, the national military training conference held in 2006 emphasized promoting a shift from military training under the conditions of mechanization to military training under the conditions of informatization. The new Outline of Military Training and Evaluation, issued in 2008, highlights training for military operations other than war (MOOTW), education in the knowledge and expertise required for informatization, simulated training of high-tech weapons and equipment, network training and training in complex electromagnetic environments where electronic interference occurs, in addition to joint exercises by different services.

In the education spectrum, the PLA aims to develop military personnel versed in science and technology. In 2003, a human resource strategy project was launched to develop human resources capable of directing informatized operations and of building informatized armed forces. The project has a goal of achieving a big

leap in the development of military personnel to 2020. In recent years, the PLA appears to be increasing its wage standards, and it is believed that the objective of this is to secure highly-capable human resources. Moreover, in 2000, in order to recruit highly-capable and highly-educated people, the military started a system where civilian college students are provided with scholarships and then allowed to enter the military as commissioned officers after graduation.

7. National Defense Industry Sector

While China imports highly sophisticated equipment and parts that it cannot produce domestically from other countries such as Russia, it is believed to place emphasis on indigenous production of military equipment. The country manufactures much of its equipment domestically and is now actively making research and development efforts on new equipment. China's national defense industry sector appears to be developing due to, an improvement of private industry infrastructure accompanying economic growth, use of dual technologies, and the absorption of foreign technologies, as well as its own efforts. The sector is working as a base for the modernization of China's military.

Favorable growth in the Chinese defense industry was once hindered by inefficiency caused by excessive secrecy and other factors; however, in recent years, reform of the defense industry has been progressed. In particular, the emphasis has been placed on two-way technological exchanges where military technologies are utilized for building the national economy, and in turn civilian technologies are absorbed for a build-up of national defense. Specifically, China states that technologies of the defense industry have contributed to the development of civilian space exploration, the aviation industry, and the ship building industry. Furthermore, China maintains that it encourages and supports international cooperation and competition in dual-use industries, thus appearing to have interest in absorbing foreign technologies through dual-use industries.

3. External Relations

1. Relations with Taiwan

China holds the principle that Taiwan is a part of China, and that the Taiwan issue is therefore a domestic issue. The country maintains that the "one-China" principle is the underlying premise and foundation for discussions between China and Taiwan. China also claims that it would never abandon efforts for peaceful unification, expressing that it will take policy and measures to solve issues of Taiwanese interest and protect their due authority, while it has also repeatedly stated that it has not renounced the use of force from the standpoint of strong opposition to any intervention in the unification of China by foreign powers as well as any move toward independence of Taiwan. The Anti-Secession Law, enacted in March 2005, provides that China will not renounce use of force, stating that China will employ non-peaceful means if a serious situation occurs which would lead to Taiwan's separation from China.

Chen Shui-bian (Democratic Progressive Party), who was inaugurated as president of Taiwan in 2000, took actions strongly oriented to Taiwan's independence.

This incited sharp reactions by China. In comparison, Ma Ying-jeou, who took office in May 2008, advocates a policy of pursuing Taiwanese economic development through expanding economic exchange with China and the status quo rather than



Talks between the Association for Relations Across the Taiwan Strait President Chen Yunlin (left) and Straits Exchange Foundation Chairman Chiang Pin-kun held in Taipei in November 2008 [Kyodo News]

independence. Relations between China and Taiwan are developing. This can be seen in the fact that the leaders of both sides' authorized organizations for cross-strait talks⁹⁵ met for the first time in 10 years in June 2008 and that direct chartered passenger weekday flights, direct maritime links and direct mail services between China and Taiwan began in December 2008. While President Ma Ying-jeou expressed demands including Taiwan's participation in international organizations and the withdrawal of Chinese missiles aimed at Taiwan, President Hu Jintao stated the following⁹⁶.

- 1) Regarding the issue of Taiwan's participation in activities of international organizations, fair and reasonable arrangements can be made on the condition that this does not give rise to notions of "two Chinas" or "one China, one Taiwan".
- 2) The two sides can at a suitable time engage in contacts and exchanges on military issues and consider setting up a mechanism for mutual trust concerning military security.

How China-Taiwan relations will develop is drawing attention.

2. Relations with the United States

There are various outstanding problems between the United States and China, such as human rights in China, proliferation of weapons of mass destruction, the Taiwan issue, and trade issues. However, since a stable U.S.-China relationship is essential for China in developing its economy, it is believed that China will continue to desire to maintain that stable relationship.

The United States believes that international peace and stability and the expansion of free and fair trade are beneficial for China as well as for other countries in the international society, and thus China has a responsibility to support these common interests in cooperation with the United States and other major states in the world. Based on this recognition, the United States makes it an objective of its policy towards China that China will continue to be its economic partner and take responsible actions in the international community. At the same time, the United States recognizes that China has the greatest potential in the long run to compete militarily with the United States and build disruptive military technologies that could offset U.S. military advantages. Accordingly, the United States is engaging with China to make it a constructive partner in the international community, while recognizing it necessary to hedge against the case that such effort would fail⁹⁷.

In response, Chinese President Hu Jintao stated at the U.S.-China Summit meeting in April 2009, that China and the U.S. shared extensive common interests, and that they would work together to build a positive, cooperative and comprehensive relationship in the twenty-first century. China thus shows its emphasis on developing China-U.S. relations.

Military exchanges have also developed between China and the United States. The countries have been conducting various policy-related dialogues, and China dispatched an observer to a U.S. military exercise (U.S. Pacific Command exercise "Valiant Shield") for the first time in June 2006. Moreover, joint exercises have been conducted between the Chinese and United States navies on mutual port visits by naval vessels since September 2006. A military hotline between the defense departments of the two countries was set up in April 2008. However, the military exchanges of the two countries have been sluggish since the U.S. Department of Defense notified Congress of possible arms sales to Taiwan in October 2008.

The United States is concerned that the insufficient transparency of the Chinese military may endanger stability by increasing the possibility of misunderstanding and miscalculation⁹⁸. The U.S. refers to improve mutual understanding with China and to prevent conflict by communicating U.S. resolve to maintain deterrence and stability in the Asia-Pacific region as goals in U.S.-China military exchanges⁹⁹.

3. Relations with Russia

Since the China-Soviet confrontation ended in 1989, both countries have continuously maintained a stance of

placing importance on their bilateral relationship. It has been emphasized that the “strategic partnership” between China and Russia, which was established in the mid-1990s, has deepened. In 2001, the China-Russia Treaty of Good-Neighborliness and Friendly Cooperation¹⁰⁰ was concluded. Subsequently in 2004, the long-standing issue of border demarcation between the two countries, which once evolved into a military clash, came to a settlement. The two countries share a common idea that they will promote the multipolarization of the world and building of a new international order. In addition, economic motives have been driving the good relationship between them in recent years.

On the military front, since the 1990s, China has purchased modern weapons from Russia, including Su-27 and Su-30 fighter aircraft, Sovremenny-class destroyers, and Kilo-class submarines. Russia is currently the largest supplier of weapons to China; however, some point out that their trade amounts have been on the decline in recent years due to the advancement of indigenous weapon production in China. It is also pointed out that Russia, which shares a land border with China, has a policy of not supplying such sophisticated weapons to China that would cause a threat to Russia itself.

China-Russia military exchanges include regular visits by highest-ranking defense officials and joint military exercises. They conducted their first joint exercise in the Shandong Peninsula and other areas in China in August 2005. In August 2007, a joint exercise consisting of anti-terrorism operations was conducted in the Lanzhou Military Region in China and in the Volga-Ural Military District in Russia by the member states of the Shanghai Cooperation Organization (SCO)¹⁰¹. It has been reported that Russia and China will hold a joint anti-terrorism exercise in summer 2009. It is believed that through these joint military exercises with Russia, the two countries can deepen mutual understanding and build confidence between their military forces and show the presence of China and Russia as one pole in the multipolarizing world, and China can learn operational methods of Russian weapons and military operational doctrines.

4. Relations with North Korea

North Korea and China have a “traditional friendship,” and North Korea seems to rely heavily on China for a great portion of its food assistance and energy supply. Accordingly, China is believed to have a stronger influence on North Korea than other countries¹⁰². China agreed to U.N. Security Council Resolution (UNSCR) 1695, which condemned the launches of ballistic missiles by North Korea in 2006, UNSCR 1718, which imposed sanctions on North Korea in relation to the nuclear tests, the Security Council presidential statement in April 2009 condemning North Korea’s missile launch, and UNSCR 1874, which settled additional measures against North Korea in response to the nuclear test in May 2009. In addition, China has played an active role chairing the Six-Party Talks that have been held in Beijing since 2003, and the international community expects that China will continue its proactive efforts to resolve the nuclear issue.

5. Relations with Other Countries

(1) Relations with Southeast Asian Countries

As for its relations with countries in Southeast Asia, China has been continuously developing bilateral relations with all the countries in the region through active mutual top-level visits and other means. China is also actively involved in multilateral frameworks such as ASEAN Plus One (China), ASEAN Plus Three, and the ASEAN Regional Forum (ARF). Through diplomatic forums, the country is deepening economic and cultural cooperation with ASEAN countries, and recently, it has been proactively advancing cooperation in the security sector¹⁰³. In addition, China is also strengthening these relationships via military aid, for example, through the provision of army engineering equipment for the Philippines and patrol boats for Cambodia.

(2) Relations with Central Asian Countries

The Xinjiang Uyghur Autonomous Region, located in the western part of China, is situated next to Central Asia. It directly shares borders with the three countries of Kazakhstan, Kyrgyzstan, and Tajikistan, and has ethnic minorities settled in the areas straddling borders. Naturally, the region hosts lively exchanges between the people of those countries. Thus China is greatly concerned about the political stability and security situations in Central Asian states, which might be influenced by terrorism caused by Islamic extremists and other factors. Chinese engagement in SCO, which was established in June 2001, is viewed as an indication of China's concerns in such areas.

(3) Relations with South Asian Countries

While China has continued to be at odds with India due to issues such as border conflicts, it has traditionally maintained a favorable relationship with Pakistan, which has been at odds with India as well. Cooperation in the military sector, such as exporting weapons and transferring military technologies has also been reported. On the other hand, in recent years China has been committed to improving its relationship with India while also paying consideration to maintaining balance with Pakistan. Actively conducting mutual visits by top leaders with India, China states that relations with India are strategic and that the issue of border demarcation between the two countries, which once culminated in military clashes, is progressing. It is believed that the development of relations with India can be attributed to the two states' placing of importance on economic growth as well as responses to progressing U.S.-India relations.

Regarding military exchanges, China has conducted joint naval search and rescue exercises with Pakistan and India since 2003. In December 2007, "Hand-in-Hand 2007," the first anti-terrorism joint exercise since the 1962 China-India border conflict, was conducted between both countries' armies in Yunnan Province in China, and the anti-terrorism joint exercise "Hand-in-Hand 2008" was conducted in South India in December 2008.



China-India anti-terrorism joint exercise Hand-in-Hand 2008 [Xinhua News Agency/Kyodo News]

(4) Relations with EU Countries

Trade between China and EU countries has grown remarkably in recent years. For China, the EU is now as important a partner as Japan and the United States, especially in the economic field. China, at diplomatic opportunities, strongly requests EU countries to lift their arms embargoes against China which have been imposed since the Tiananmen Square incident in 1989.

Regarding information technology, avionics, and air-independent propulsion systems for submarines and other areas, EU member countries possess more advanced technologies than that of China or Russia, which exports weapons to China. Therefore, if the EU arms embargo on China was lifted, it is possible that the weapons and military technologies of EU countries would transfer to China, and that they would be utilized as a bargaining chip to gain the edge in weapons transactions with Russia. Japan has expressed to the EU its objection to lifting the arms embargo on China, and it is necessary to pay continuous attention to future discussions within the EU.

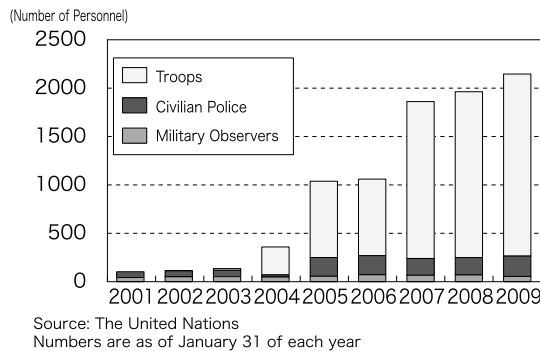
6. Overseas Activities

China states that it will consistently support and actively participate in U.N. peacekeeping operations, and according to China's National Defense in 2008, the country has sent a total of 11,063 military personnel to U.N.

peacekeeping operations. According to the United Nations, as of January 2009, China had deployed a total of 2,146 personnel, police officers, and military observers to 10 U.N. peacekeeping operations, including the United Nations Mission in Liberia (UNMIL) and the United Nations Mission in Sudan (UNMIS), thus showing a certain presence in peacekeeping operations. China's aim in its proactive attitude to U.N. peacekeeping operations appears to include their intent to strengthen relations with the region where the PKOs are being conducted, particularly with regard to relations with African nations.

Since December 2008, China has deployed naval ships including destroyers for escorting missions in the Gulf of Aden and off the Somali coast, where piracy has been rife. (See Fig. I-2-3-6)

Fig. I-2-3-6
Change in the Number of Chinese Personnel Dispatched
to the United Nations Peacekeeping Operations



7. International Transfer of Weapons

China has provided developing countries in Asia, Africa and other areas with weapons such as small arms, tanks, and aircraft, and it is reported that the main recipients are Iran, Pakistan, Bangladesh, Thailand, and Myanmar while weapons are also being exported to African countries such as the Democratic Republic of Congo, Namibia, and Zimbabwe. With regard to arms exports, China states that it does not interfere in the domestic affairs of importing countries. It has been pointed out that China is supplying weapons to countries that have problems in terms of democracy and human rights, and attention is paid as to whether China will improve the transparency of international weapons transfer in response to the concerns of the international community.

4. Military Capabilities of Taiwan

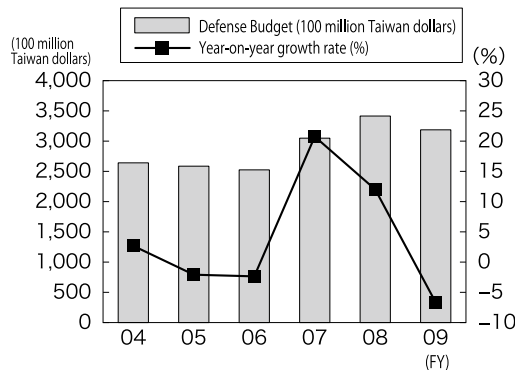
According to the Taiwan's Quadrennial Defense Review (or the Taiwanese version of QDR) released by the Taiwanese Defense Ministry in March 2009, Taiwan, under the guidance of building the "hard rock" defense advocated by President Ma Jeou Ying, identifies prevention of war, homeland defense, response to contingencies, deterrence of conflict and regional stability as the strategic objectives, and takes the military strategy of "resolute defense and credible deterrence."

Taiwan implemented Jingjing Program (Streamlining Program), in which the total number of military personnel was reduced to 275,000 by the end of 2008, in order to use national defense resources more efficiently, reduce the total number of military personnel, restructure the organizations, and shift to a voluntary service system. Furthermore, Taiwan, for improved expertise of its military personnel and other purposes, aims to transform its armed forces currently consisting of drafted personnel and volunteers into all-volunteer forces, while reducing the total forces to 215,000 personnel by the end of 2014¹⁰⁴. At the same time, the Taiwanese armed

forces attribute importance to introducing advanced technologies and improving joint operational capabilities.

In August 2005, then Taiwanese President Chen Shui-ban announced a policy to increase the ratio of the defense budget to its GDP, which was approximately 2.4% in FY 2005, up to 3% within three years, in order to meet increasing demands for national defense. Taiwan states that it reached a ratio of 3% in 2008¹⁰⁵. The Ma administration also sets out the policy that the defense budget will not go below 3% of GDP, in principle. (See Fig. I-2-3-7)

Fig. I-2-3-7 Change in Defense Budget of Taiwan



Source: National Defense Reports of the Ministry of Defense of Taiwan, etc.

With regard to Taiwan's military power at present, ground forces include 41 Army brigades and three Navy Marine Corps brigades with a total of approximately 215,000 personnel. In addition, it is believed that the total of 1.65 million reserve personnel of air, naval, and ground forces would be available in case of war. Regarding naval capabilities, in addition to Kidd-class destroyers imported from the United States, Taiwan possesses relatively modern frigates and other vessels. Regarding air capabilities, Taiwan possesses F-16 A/B fighters, Mirage 2000 fighters, Jing Guo fighters, etc.

In view of the fact that China is enhancing its missile, naval, and air forces, the Taiwanese military believes it still needs to modernize the equipment. In October 2008, the U.S. Department of Defense notified Congress of the possible sale of Patriot PAC-3 surface-to-air missiles and 30 AH-64D attack helicopters, and others to Taiwan. Taiwan also wishes to purchase F-16C/D fighter aircraft from the U.S. and the issue is to be observed.

Taiwan is also promoting the independent development of equipment. Tien Kung II surface-to-air missiles and Hsiung Feng II anti-ship missiles are deployed and Hsiung Feng IIE cruise missiles are being developed in order to acquire long-range attack capabilities.

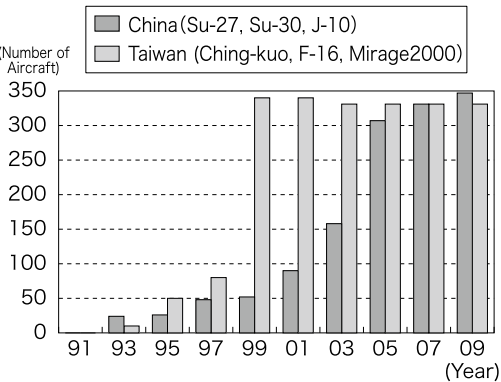
The military capabilities of China and Taiwan are generally characterized as follows:

- 1) Regarding ground forces, China possesses an overwhelming number of troops; however, their capability of landing on and invading the island of Taiwan is limited. Nevertheless, China is making efforts to improve its landing and invasion capabilities, by building large landing ships in recent years and other efforts.
- 2) Regarding naval and air forces, China, as well as overwhelming Taiwan in terms of quantity, has been steadily modernizing its naval and air forces in recent years in the qualitative sphere, where Taiwan has had superiority.
- 3) Regarding missile attack capabilities, China possesses numerous short-range ballistic missiles with a range that covers Taiwan, and Taiwan seems to have few effective countermeasures.

In addition to sizes of forces and performance and quantity of equipment, a comparison of military capabilities should take into account various factors such as objectives and characteristics of envisioned military operations, operational posture, proficiency of military personnel, and logistics. Nevertheless, as China is rapidly

modernizing its military power, the overall military balance between China and Taiwan is shifting in favor of China. Attention should be paid to the modernization of both the Chinese and Taiwanese military capabilities and U.S. weapon sales to Taiwan. (See Fig. I-2-3-8)

Fig. I-2-3-8
Change in Modern Fighter Aircraft of China and Taiwan



Source: Military Balance (of respective year)