

# **China's Strategic Modernization**

## **Report from the ISAB Task Force**

The Secretary's International Security Advisory Board (ISAB) was asked to examine China's strategic modernization, including the principal underlying motivations. Based on this review, the Board was asked to recommend approaches that could "move the U.S.-China security relationship toward greater transparency and mutual confidence, enhance cooperation, and reduce the likelihood of misunderstanding or miscalculation that can contribute to competition or conflict."

### *I. Key Themes*

The ISAB Task Force highlights the following themes related to China's strategic modernization:

- The communist leadership in Beijing seeks three primary and interrelated goals: (1) regime survival; (2) dominance in the Asia/Pacific region, together with growing influence on a global level; and (3) prevention of Taiwan's de jure independence. These goals shape its views of, and policies toward, the United States. The United States is viewed as China's principal strategic adversary and as a potential challenge to the regime's legitimacy, specifically with regard to Taiwan. At the same time, managing a positive relationship with the United States -- at least for the short to medium term -- is desirable to achieve other national objectives, most importantly sustained economic development. China views the United States as its most significant trading partner, and sees that trade as essential to China's continued economic growth.
- The U.S.-China relationship is complex and unique. It differs fundamentally from the U.S.-Soviet relationship and the strategic rivalry of the Cold War. Both the United States and China share enlarging economic interdependencies that, in China's case, are essential to the regime. Specifically for Beijing, the United States is the main source of technology for modernization and a major market for its exports. For this and other reasons, while China is preparing for armed conflict with the United States by seeking military advantages in asymmetric areas of warfare, it appears that Beijing does not desire such conflict.
- Chinese military modernization is proceeding at a rate to be of concern even with the most benign interpretation of China's motivation. The major objective is to counter U.S. presence and U.S. military capabilities in East Asia through the acquisition of offensive capacities in critical functional areas that systematically exploit U.S. vulnerabilities, including U.S. gaps in missile defenses, and U.S. dependence on space, on the inability to bring major force to bear except through carrier battle groups, on the small number of U.S. bases in the region, and on vital

but fragile electronics and the Internet. The high priority modernization of China's nuclear arsenal reflects the importance Beijing assigns to strategic forces as the umbrella under which its political-military interests will be enhanced in and beyond the Asia-Pacific area.

- Continued, rapid economic development is vital to China's primary goals of regime survival and regional dominance. To compete with the United States, China likely believes it needs sustained economic growth at a 10% annual rate for decades. This affects Chinese security thinking and policies in a number of ways. For example, the urgent and sustained need for energy and raw materials influences relationships in all regions with states providing such resources, including the perceived requirement to protect its trade routes.
- Chinese emphasis on industrial and defense espionage reflects the priority of acquiring advanced technology for its economic development and military modernization.
- It is essential that the United States better understand and effectively respond to China's comprehensive approach to strategic rivalry, as reflected in its official concept of "Three Warfares." If not actively countered, Beijing's ongoing combination of Psychological Warfare (propaganda, deception, and coercion), Media Warfare (manipulation of public opinion domestically and internationally), and Legal Warfare (use of "legal regimes" to handicap the opponent in fields favorable to him) can precondition key areas of strategic competition in its favor.

## *II. China's Strategic Motivations*

China's military modernization is inspired in part by growing nationalism and pride, by the goal of checkmating U.S. military power while expanding its own presence and capabilities in Asia and the Pacific, by its increasing international commerce, and by Beijing's desire to be perceived as a serious player on the world scene. Chinese leaders believe that China has been humiliated in the past by Korea and Japan, and more recently by the United States over Taiwan. They probably believe that, with rising nationalism underway, any similar humiliation in the future would be a threat to the regime from within.

Most important, China has established the goal of becoming a global power through dominance in the Asia/Pacific region – a goal that is seen as clearly within its grasp as long as it can sustain economic growth through rapid modernization. While China's economic base is being enlarged and strengthened, Beijing seeks greatly enhanced military power and reach.

Acutely aware that its legitimacy is contingent upon maintaining and facilitating robust economic expansion, China's leadership is crafting policies to protect its perceived national interests at home and abroad. On the economic front, this translates into accelerated growth (roughly 10 percent per year) and efforts to overcome domestic obstacles, such as poverty, shortages of key skills, and low consumer spending. On the

military front, this involves transforming its military from a manpower based land army to a technology based and professionally proficient world power. This undertaking requires phasing and focus, and China appears to have developed a strategic plan for both.

For China, phasing for this undertaking is contingent upon overcoming geographic and political hurdles. China's initial thrust is to "break out" from its centuries-long containment along the Pacific littoral. Geography has contributed to this perceived containment, through the offshore barriers of Korea, Japan, Taiwan, the Philippines, Southeast Asia, and Malaysia; but the real force that has "bottled-up" China along its coastline has been the British—and now U.S.—navies. In China's view, Taiwan is the key to breakout: if China is to become a global power, the first step must include control of this island. Achieving this objective would dramatically increase Beijing's ability to command the seas off its coast and to project power eastward. It also would deny the United States a key ally in a highly strategic location. This motivation is reinforced by Beijing's intense nationalistic objective of recovering Chinese territory that was taken by force, and removing any challenge to Beijing's regime legitimacy.

Three critical points follow. First, while Taiwan may be seen by others as a regional issue, China views it in a global context, central to the legitimacy of the regime and key to power projection. Second, while the United States may view the Taiwan question as status quo versus integration with China, Beijing views it as peaceful reunion or forcible conquest. Beijing cannot tolerate Taipei's independence; and since success on Taiwan is only the first phase of a larger plan, it seems unlikely China will permit indefinite delay in realizing this objective. Third, as the United States is a major player in the Taiwan issue through its security commitment, China's plan must include efforts to make this decision so risky and potentially costly for Washington that American decision makers will back away rather than fight.

While Taiwan appears the primary motivation for China's near term focus, efforts are underway to initiate programs required for global reach. Intense diplomatic and economic initiatives have been launched to control, progressively, the energy and other material resources needed to sustain China's growth. Political efforts are being undertaken worldwide—from within the UN and regional organizations, to the governments and industries of key states in Europe, the Middle East, Africa, Latin America, and Southeast Asia—to develop the contacts, relationships, and the agreements needed to become a world class power.

Every indication is that China has been following this two-tracked strategic plan for over a decade, refining it as conditions permit, but not varying the twin objectives of Taiwan first and global power to follow. Since both goals could mean conflict with the United States, China will make concerted efforts to reduce that risk (which would de-rail economic modernization) while preparing for that eventuality.

### *III: Chinese Strategic Modernization*

Chinese military writings refer to “assassin’s mace” as acquiring capabilities designed to give a technologically inferior state advantages over a technologically superior power. This thought has become a guiding principle for Chinese strategic modernization.

In the nuclear arena, China has a very active weapons program and is expanding its ICBM force to bring more warheads into play in its strategic competition with the United States. In fact, China is unique among the NPT-recognized nuclear weapons states. While all others have reduced their nuclear postures, China is engaged in a substantial expansion. This includes development and deployment of next-generation strategic systems with new thermonuclear warheads as well as tactical nuclear arms, encompassing enhanced radiation weapons, nuclear artillery, and anti-ship weapons.

China’s strategic modernization builds on its existing capabilities, including ICBMs capable of striking the United States, together with IRBMs that can target Japan and other U.S. allies and friends in the region. According to the 2008 *Military Power of the People’s Republic of China*, by 2010 China will probably deploy solid-fueled, road-mobile nuclear ICBMs, together with submarines carrying intercontinental-range missiles. By 2015, China is projected to have in excess of 100 nuclear-armed missiles, some of which may be MIRVed, that could strike the United States. Holding the U.S. homeland hostage to missile attack is important to Chinese military goals.

China’s modernization programs and its search for asymmetric advantages also place great emphasis on perceived U.S. vulnerabilities in space and cyberspace (see ISAB *Report on U.S. Space Policy*, April 25, 2007). Notably, there are indications that China is developing a capability for electromagnetic pulse (EMP) warfare, both as a theater weapon (e.g., in a Taiwan conflict) and as a strategic weapon against the United States. According to the congressionally mandated *Commission on the Threat to the United States from Electromagnetic Pulse*, “China and Russia have considered limited nuclear attack options that, unlike Cold War plans, employ EMP as the primary or sole means of attack.”

As a key part of its strategic modernization, China is also developing a range of space-denial capabilities, together with satellites and lift capabilities that will enhance China’s ability to operate in space. The direct ascent ASAT launch of January 2007 demonstrated Beijing’s ability to shoot down satellites and suggests a key element of Beijing’s efforts to restrict the use of space-based assets by the United States in a future crisis. China has launched its own satellites and is developing microsatellites for remote sensing.

China is actively developing the means for cyber or electronic warfare to attack U.S. computer systems and supporting networks, together with tactics and measures to protect its own information systems. Beijing reportedly views “electromagnetic dominance” as early as possible in a conflict as essential to disrupt the enemy’s battlefield information systems. Cognizant of perceived U.S. dependence on modern command, control, communication, computers, intelligence, surveillance, and reconnaissance (C4ISR),

China deems it essential to deny access to such systems. As with strategic nuclear forces, China views space as a central arena to counter the United States and as a setting in which to demonstrate Beijing's twenty-first century major power status.

Consistent with Beijing's emphasis on asymmetric advantage, China's modernization includes a growing capability for Conventional Precision Strike and other anti-access/area-denial capabilities, ranging from new classes of surface ships to modern submarines, to aircraft armed with anti-ship missiles and precision munitions, to advanced cruise missiles, submarine-launched ballistic missiles, and short- to medium-range missiles capable of targeting U.S. ships, including aircraft carriers.

Chinese strategic modernization is consistent with what is publicly known about China's espionage efforts in the United States. According to the Cox Commission that studied Chinese espionage, China has obtained classified information on "every currently deployed thermonuclear warhead in the U.S. intercontinental ballistic missile arsenal." China's espionage priorities also include technologies related to the space shuttle, submarine propulsion, and night-vision capabilities designed not only to advance China's strategic modernization but also to develop countermeasures against U.S. capabilities. While such information from abroad has greatly assisted China, and provides evidence of Chinese priorities, China's own indigenous programs are themselves extensive.

Chinese espionage in the United States is comprehensive and pervasive. It includes not just technology acquisition but extends to economic, financial, political, and military planning, decision making, management and operations. U.S. counter intelligence capabilities have not prevented overall Chinese success in these endeavors.

#### *IV. Implications*

The thrust of China's modernization programs provides strong evidence that it seeks both to deter U.S. operations against China in the event of a Taiwan crisis, and to restrict more limited U.S. options with regard to Taiwan by Beijing's ability to place at risk population centers in the United States as well as U.S. forward-deployed capabilities. China's strategic forces are also configured to target key U.S. allies such as Japan and thereby weaken their support for the United States in the event of a confrontation with China.

Chinese writings give high priority to improving the reliability and capability of China's nuclear forces to strengthen Beijing's deterrence credibility in the eyes of existing and potential adversaries. In addition, these strategic nuclear capabilities are designed to increase China's flexibility in deploying conventional forces while deterring the United States in a future crisis. The emphasis on increased range, payload, and survivability of nuclear forces appears to be aimed at complementing and enabling China's growing capabilities to fight high intensity conflicts along its periphery, particularly including anti-access and area denial capabilities such as advanced cruise missiles and anti-ship ballistic missiles. Chinese strategic forces provide the context within which these anti-

access and area denial capabilities may be expected to operate with greater success and freedom. They may do so by enabling China to subject the United States to coercive nuclear threats to limit potential U.S. intervention in a regional contingency, and by limiting U.S. willingness to engage in threats of escalation as Chinese forces succeed in the region. Numerous Chinese military statements support this interpretation.

The modernization of Chinese strategic forces provides Beijing with this double-edged sword in the event of a conflict along its periphery: they help limit vulnerability to U.S. deterrence threats by forcing the United States to weigh the potential costs of any threatened escalation; and they provide China with means to issue coercive threats against the United States. The improved survivability and offensive strike capabilities of Chinese strategic forces contribute to both goals.

The potential political consequences of the combination of dramatically improved anti-access/area denial capabilities and modernized strategic forces point to a broader political-military strategy. It includes both reducing the salience of U.S. military power to support allies in the region, and undercutting the credibility of the U.S. extended deterrent for traditional U.S. allies in the region. Over time, allies may feel compelled to adjust to these new realities of power by becoming increasingly skeptical of U.S. military support in a crisis, fearful of Chinese power, and accommodating to Chinese interests. The beginning of this process may already be seen in emerging Japanese and South Korean private expressions of doubt about the credibility of the U.S. nuclear deterrent. Japanese officials and commentators identify North Korean nuclear capabilities (and relative U.S. nuclear inaction) as the basis for their increasing skepticism, but Chinese nuclear expansion must loom in the unstated background.

## *V. Findings and Recommendations*

The U.S. ability to shape/change Chinese choices related to its strategic modernization may be very constrained. It is unlikely that Beijing's view of the United States as a threat to China's strategic objectives can be ameliorated by "educating" the Chinese. However, the Task Force believes there are a number of measures that should be taken to reduce the prospect for misunderstanding and the chance of miscalculation that could lead to crisis and conflict. Most important, the United States must – in actions and words – demonstrate its resolve to remain militarily strong and its consistency to defend its interests and meet its security commitments to friends and allies in the region. Measures to be taken include:

### *(1) Counter-steps to China's Strategic Modernization*

The United States must take seriously China's challenge to U.S. military superiority in the Asia/Pacific region. While the United States needs to address the most severe near

term military shortfalls, it is even more essential that the U.S. take a strategic approach for the long term. Using superior U.S. military technical capacities, the United States should undertake the development of new weapons, sensors, communications, and other programs and tactics designed to convince China that it will not be able to overcome the U.S. militarily.

China's vulnerabilities are growing as its dependence on space and the Internet continue to increase in both the commercial and national security fields. In addition to reducing U.S. vulnerabilities in areas such as space and cyber through more effective defensive measures, the United States should explore new offensive capabilities in these areas. Specifically, in addition to improving the ability to defend existing U.S. force capabilities targeted by the Chinese, the United States should focus R&D on high technology military capabilities not included in China's military plans — military systems that will demonstrate to Beijing that trying to get ahead of the United States is futile (much the way SDI did against the Soviet Union).

Effective deterrence of China in the future has both offensive and defensive components. In the nuclear field, the United States must take seriously China's perception of its own nuclear weapons as effective tools of military power and intimidation. For almost two decades, the United States has allowed its nuclear posture -- its stockpile, infrastructure, and expertise -- to deteriorate and atrophy across the board. The United States cannot risk China perceiving the United States as either unprepared or unwilling to respond to Chinese nuclear threats and use.

Washington should also make clear that it will not accept a mutual vulnerability relationship with China – something Beijing seeks through its expansion of offensive nuclear capabilities. To avoid the emerging creep toward a Chinese assured destruction capability, the United States will need to pursue new missile defense capabilities, including taking full advantage of space. The United States must explore the potential that space provides for missile defenses across the spectrum of threats.

In addition, the United States should deploy more robust sea- and space-based capabilities to contribute to deterrence in a future crisis over Taiwan. Such capabilities will contribute to the continued credibility of the U.S. security guarantee to Japan and other friends and allies in Asia.

The United States must also maintain dominance over the sea lines of communications, both for our own economic well being and to assure our allies in the region that we will protect their interests.

U.S. arms transfer policies and practices that enable friendly nations in Northeast Asia to sustain a credible conventional defense as the PLA is modernized should be an important dimension of U.S. non-proliferation policy. The nations of the region have noted the impact of the PLA's rapid modernization and have requested access to advanced U.S. conventional military capabilities to sustain deterrence. The prolonged conventional military vulnerability of these nations may stimulate efforts to compensate for

conventional military weakness with nuclear weapons. U.S. policy has been insufficiently sensitive to this issue, and has denied these nations access to capabilities they seek to sustain conventional deterrence. Moreover, from a non-proliferation perspective, the security of the region is indivisible; a failure of the United States to meet the needs of one ally will adversely affect the perception of others regarding U.S. reliability.

Finally, given Beijing's efforts to gain access to U.S. advanced technologies for China's strategic modernization, the United States should give high priority to counterintelligence efforts to disrupt and prevent defense and industrial espionage in the United States.

## *(2) Declaratory Policy*

The Task Force assesses that declaratory policy can play an important role in reducing the likelihood of misunderstandings and miscalculation with China.

The biggest threat to U.S.-China relations in the short term (5 to 10 years) is probably Taiwan. Beijing will never give in on the issue of whether Taiwan is a province of China. Recognizing U.S. policy to discourage both Beijing and Taiwan from taking provocative measures, the United States should make clear that it will meet all commitments under the Taiwan Relations Act and will not accept Chinese use of force to establish territorial control in the region. Also in the short term, tensions could flair over sovereignty of the South China Sea, which China claims in its entirety. If China expects to discover major oil reserves in the Sea, or if another country claims the Sea and attempts to control either the resources or sea lanes through it, China would likely react strongly. The United States should also publicly reaffirm its commitment to retain a forward-based U.S. military presence in East Asia, including bases in Japan and South Korea, and other cooperative military arrangements in the region.

The United States should reject Chinese efforts to impede U.S. capabilities and prevent U.S. freedom of action through contrived international regimes – such as imposing arms control limitations on U.S. capabilities in space. In doing so, the United States should demonstrate the self-serving motivations of Beijing's calls to prevent militarization or weaponization of space, and respond with firmness to Chinese efforts to constrain via legal challenges legitimate U.S. activities (such as Chinese lawsuits targeting overhead satellite commercial imagery of China).

Most important, for both U.S. credibility as an ally and to discourage further proliferation, the United States should reaffirm its formal security guarantees to allies, including the nuclear umbrella. To be credible, this reaffirmation must be backed by an effective, reliable, and safe nuclear posture. Steps must be taken across the nuclear weapons infrastructure to meet these conditions and transform the U.S. stockpile.



### *(3) Address the Chinese Civil Military Disconnect*

The Task Force finds the separation between the civilian leadership and the PLA to be a potential focal point for U.S. action to ameliorate Chinese hostility. Most of the senior civilian leadership has little, or more likely no, military knowledge or experience. There is nothing similar to Office of the Secretary of Defense (civilians overseeing the military) or military representation in the foreign ministry. And while China's civil leadership has a good understanding of the United States, its people, and intentions, PLA leadership has little experience with westerners and demonstrates in their writings clear paranoia and misperceptions about U.S. intentions and about the importance of the West in China's development.

The disconnect between China's civilian leadership and the PLA may have contributed to potentially dangerous incidents, e.g., the forced landing of the P-3 in 2001. While clearly an internal matter for China, addressing this disconnect could reduce the prospects for miscalculation and misunderstanding. To do so, the Task Force recommends:

- Encouraging the civilian leadership to make participation in senior governance bodies a requirement for promotion to senior military positions; and encouraging civilian participation in military decision-making councils as a requirement for advancement in senior civilian positions.
- Encouraging the U.S. military to expand military-to-military exchanges, dialogue, and cooperative efforts to resolve common problems, building on the excellent efforts already undertaken by PACOM. In doing so, U.S. planners and participants must remain cognizant that China could use such confidence building measures to collect intelligence and spawn disinformation.

### *(4) Promote a More Transparent China*

Consistent with the emphasis on promoting democracy and human rights in the U.S. National Security Strategy, the Task Force recommends expanding support of democratic measures in China in a manner that leads to greater transparency. Specifically, the United States should:

- Sponsor further Track II activities to provide a more firm foundation for cooperation. Both the Departments of State and Defense are currently supporting activities that can lead to greater mutual understanding of strategic objectives and intentions. Additional effort should be exerted on expanding these relationships.
- Press at senior levels to have China acknowledge the range of areas where the United States supports legitimate Chinese interests, and insist that China recognize U.S. support and reject Chinese disinformation.

*(5) Improve U.S. Understanding and Intelligence Capabilities*

While there are similarities between China and states that have emerged previously as global powers, there is no precedent for the scale, scope and speed of China's appearance on the world scene. Although this emergence fundamentally impacts U.S. national security interests, the United States possesses only a limited understanding of Chinese intentions and how Beijing's economic and military expansion affects these interests.

As a consequence, the United States needs a better understanding of China's motivations, capabilities, and vulnerabilities. Specifically, the Task Force believes there is a requirement, on a continuing basis, for far broader and more in depth assessments of China, including:

- Frequent updated assessments (based on intelligence and counterintelligence sources) of Chinese intentions and capabilities.
- Assessments of Chinese vulnerabilities: political (domestic and international), economic, military, and technological.
- An updated, national-level assessment of U.S. interests in the Asia-Pacific region.

In conducting these assessments, U.S. policy officials need to provide guidance identifying for the Intelligence Community what information on China is needed to support actions.