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[H.A.S.C. No. 111–114]

CHINA: RECENT SECURITY DEVELOPMENTS

COMMITTEE ON ARMED SERVICES
HOUSE OF REPRESENTATIVES

ONE HUNDRED ELEVENTH CONGRESS

SECOND SESSION

HEARING HELD
JANUARY 13, 2010

U.S. GOVERNMENT PRINTING OFFICE

58–169 WASHINGTON : 2010

For sale by the Superintendent of Documents, U.S. Government Printing Office
Internet: bookstore.gpo.gov Phone: toll free (866) 512–1800; DC area (202) 512–1800
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CHINA: RECENT SECURITY DEVELOPMENTS

HOUSE OF REPRESENTATIVES,
COMMITTEE ON ARMED SERVICES,
Washington, DC, Wednesday, January 13, 2010.

The committee met, pursuant to call, at 10:00 a.m., in room 210, Capitol Visitor Center, Hon. Ike Skelton (chairman of the committee) presiding.

OPENING STATEMENT OF HON. IKE SKELTON, A REPRESENTATIVE FROM MISSOURI, CHAIRMAN, COMMITTEE ON ARMED SERVICES

The CHAIRMAN. Good morning. Today we have with us Admiral Robert Willard, Commander of the United States Pacific Command, the Honorable "Chip" Gregson, Assistant Secretary of Defense for Asian and Pacific Security Affairs, and David Shear, Deputy Assistant Secretary of State for East Asian and Pacific Affairs. And we welcome you gentlemen to the first hearing before this committee.

We are pleased that you could join us today and testify on recent security developments involving the country of China.

Also I wish to welcome Admiral Willard's wife, Donna, who is seated behind the good Admiral, and we welcome you. If the Admiral missteps a bit, why you just whisper in his ear and help him out. Welcome.

This is a very important and a very timely hearing. It is interesting to note that just this morning, press reports indicate that Google is contemplating pulling out of China, which we may discuss a bit in our hearing.

Now, I have stressed for some time the significance of developments in China to our national security. In recent years, while we have been heavily focused on events in the Middle East and South Asia, China's influence has grown in Asia as well as beyond.

I am pleased that the Obama Administration has prioritized the United States-China security relationship and was encouraged by the joint statement that resulted from the President's recent visit to China. I welcome the Administration's efforts to increase U.S.-China's relations and cooperation in areas of common interests ranging from counterterrorism and nonproliferation to energy security.

We must work together with China for the settlement of conflicts and reduction of tensions that contribute to global and regional instability including denuclearization of the Korean peninsula, the Iranian nuclear issue, and the situation in South Asia.

I particularly welcome the administration's support for increasing military-to-military contacts. I have long viewed such contacts

as essential. It builds trust, it promotes understanding, it prevents conflicts and it fosters cooperation. And given my own visits to China in recent years, I know how important these relationships are.

Looking back at U.S.-China security cooperation under the previous Administration, there are some positive steps, but there is still much progress to be achieved. In the new Administration, we will continue to face plenty of challenges, and I remain concerned by trends and ambiguities regarding China's military modernization, including China's missile buildup across from Taiwan and the steady increase of China's power projection capabilities.

Moreover, China's military budget continues a trend of double-digit increases at a time when China provides more and more of the loans that support the American economy.

China's transparency on defense issues is still limited, and questions remain regarding China's strategic intentions. This was highlighted just days ago following China's concerning missile intercept event.

At the same time the reduction of tensions across Taiwan's state is a positive development, and I hope to see further progress in that area, including meaningful action by China to reduce its military presence directly opposite to Taiwan.

I am also encouraged by China's recent involvement in the counterpiracy operations in the Gulf of Aden. This demonstrates responsible use of Chinese military power in line with its international responsibilities, of which I hope we can see more.

I continue to believe China is not necessarily destined to be a threat to our country, but there are trends and ambiguities that do concern us. I continue to believe that the United States must demonstrate our own interests in the Asia-Pacific region including our ability to project power effectively there. At the same time we must also acknowledge China's limitations and recognize that China's choices may well be shaped by our own actions.

So I look forward to hearing from our witnesses about the actions that the Department of Defense (DOD) and the Department of State (DOS) are undertaking, and I hope they will help us better understand recent security developments involving that nation.

I also look forward to receiving a 2010 Department of Defense annual report on this subject which is due to this committee in the month of March.

Before we begin I turn to my friend from California, the Ranking Member Buck McKeon.

[The prepared statement of Mr. Skelton can be found in the Appendix on page 39.]

STATEMENT OF HON. HOWARD P. "BUCK" MCKEON, A REPRESENTATIVE FROM CALIFORNIA, RANKING MEMBER, COMMITTEE ON ARMED SERVICES

Mr. MCKEON. Thank you, Mr. Chairman. Thank you for holding today's hearing on recent security developments involving the People's Republic of China. Today is our first opportunity to examine the Administration's policy toward China and how such a policy is aligned with our overall approach to the region.

This hearing also gives us a form to better understand China's military buildup and activities where they are expanding their areas of influence around the globe, all of which have serious implications for the strategic posture of the United States.

I would also like to welcome our witnesses the Chairman recognized, and thank you all for being here today. I look forward to hearing your testimony and our discussion.

As I review our policy toward China, it is my understanding that President Obama's team may follow an approach of strategic assurance as put forward by Deputy Secretary of State James Steinberg. This strategy is based on the belief that China cannot be contained and therefore we, America and the international community, must accept its rise to power. In return we seek China's reassurance that its stature will not come at the expense or security of other nations.

For example, strategic assurance may be demonstrated in part via China's cooperation with the United States and other nations on matters of shared interest. In particular within the last year, we worked together in our handling of the global financial crisis, countering piracy off the east coast of Africa, and isolating North Korea for its persistent and aggressive nuclear and missile tests.

While these are positive steps in our relationship, we cannot ignore the reality that China still falls short in the column of reassurance. Actions speak louder than words. Here are but a few of the examples.

First, on Monday China demonstrated its resolve to expand its strategic capabilities with a missile defense test. As of yesterday, we heard from the Pentagon that this test was conducted without advance notification to the United States. What are China's intentions for employing a missile intercept system? Once again we are left in the dark to question China's commitment to transparency and cooperation. More concerning, this test comes at a time of tension over our arms sales to Taiwan. Is this test intended as an aggressive signal?

Second, according to the latest U.S.-China Economic and Security Commission report, I quote: "There has been a marked increase in cyber intrusions originating in China and targeting U.S. Government and defense-related computer systems, an activity that could potentially disrupt U.S. commercial and banking systems, as well as compromise sensitive defense and military data." And the Chairman remarked about Google and the problem that they are having and where we are moving in that direction.

Third, in March 2009, a Chinese naval vessel behaved in an aggressive manner toward the United States Naval Ship (USNS) *Impeccable*. Despite China's assertion of its rights within its maritime exclusive economic zone (EEZ), this incident illustrates its willingness to violate international law and reflects increasing risks of China's expanding military operations in areas where U.S. forces routinely operate.

Independently, these examples are a cause of concern, but more so when seen under an umbrella of marked uncertainty surrounding China's future course in terms of its military and security ambitions.

I would like to now turn to the neighborhood in which China resides. This brings me to the President's recent trip to Asia. While some see the U.S.-China joint statement as a significant accomplishment, from my view we are merely left with a laundry list of issues that need to be worked out. Furthermore, I am deeply concerned with the message we sent to our partners in the region. From Australia to India, the trip raised questions about who has the upper hand in the U.S.-China relationship. At a time when we should be focused on reaffirming our commitment to the region, we left many doubting the depth and breadth of American power and influence.

For example, in its 2009 Defense White Paper, the Government of Australia states, "We also need to consider the circumstances of a more dramatic and, in defense planning terms, sudden deterioration in our strategic outlook. While currently unlikely, a transformation of major power relations in the U.S.-Pacific region would have a profound effect on our strategic circumstances. Of particular concern would be any diminution of the willingness or capacity of the United States to act as a stabilizing force."

I hope each of you will give concrete examples of what we are doing to alleviate these doubts.

Finally, in just a few weeks the Department of Defense will submit its 2010 Quadrennial Defense Review (QDR) to Congress. Shortly afterwards we will receive the Nuclear Posture Review (NPR). In the 2006 QDR, the Pentagon noted that China was at a strategic crossroads and that it had the greatest potential to compete militarily with the United States.

In its 2009 Annual Report to Congress on China's Military Power, the Department maintained that the pace and scope of China's military transformation continued to increase, fueled by the acquisition of advanced foreign weapons. Also similar to years past, it noted that China continues to develop and field disruptive technologies, including those for anti-access and area denial as well as for nuclear, cyber, and space warfare.

When we receive the QDR, I will be looking closely at any changes to the Department's assessment of China. My fear is that we will downgrade the China threat in an attempt to justify last year's and future cuts to key defense programs. If the conclusion is the same as it was in 2006, then I expect the President's budget to invest in the necessary capabilities to execute our contingency plans in Asia. This is the type of strategic reassurance our allies need, and is the key to stability in Asia.

With respect to the NPR, we must be cognizant that any additional reductions in our strategic capabilities will only invite China to seek strategic parity with the United States.

In closing, today we will hear about the need for candid dialogue and improved engagement with China. As you know, we made changes to the Pentagon's Annual Report on China's Military Power in this year's defense bill to focus on those areas. While I believe that coming to the table is vital to avoiding misunderstanding and miscalculation, we must be mindful that it takes two to make a relationship work and that our priority focus must always be on protecting America's national security interest.

This is truly a timely hearing and we appreciate your appearance here this morning. Thank you, Mr. Chairman.

[The prepared statement of Mr. McKeon can be found in the Appendix on page 41.]

The CHAIRMAN. I thank the gentleman.

A word to the members. We will be back in our old haunts, the committee room, around the first of next month. So it will be much more convenient for us, and it is going to look very, very good. I am very pleased with what I saw yesterday.

Each of the witnesses today, as I understand it, have statements to make. And we will call on Admiral Willard first. Admiral.

STATEMENT OF ADM. ROBERT F. WILLARD, USN, COMMANDER, U.S. PACIFIC COMMAND

Admiral WILLARD. Thank you, Chairman Skelton, Representative McKeon, and members of this committee. Chairman, thank you very much for introducing my wife Donna who joins me today. She has been a military spouse for 36 years, in addition to being a mom and a grandmother. And she is now very much a joint spouse at Pacific Command (PACOM), with oversight of the needs of Army, Navy, Air Force, Marine Corps, and Coast Guard families, as well as families of our civilian workers within PACOM. I am pleased to have her here as well. Thank you, sir.

I have now been in command of the United States Pacific Command for about three months. And although I may be new to PACOM, I have commanded extensively in the Asia-Pacific region. Subsequently, during my 36 years of service, I have developed a great respect for this part of the world. In that time, I have come to believe that now more than ever it is vital to our Nation's security interests and economic prosperity.

In previous tours, as now, the emergence of China and its military has been a routine topic of discussion in my interactions with regional leaders. Of concern to most, reconciling China's declared desire for a peaceful and stable environment for economic development with a new military capability and capacity that appear designed to challenge international freedoms of action and potentially enforce influence over regional nations.

Reconciliation of these two divergent positions can only occur through continuous frank conversations and mutual actions within a strong and mature military-to-military relationship, a relationship that does not yet exist between the United States military and the People's Liberation Army (PLA). And until it does, and it is determined that China's intent is indeed benign, it is critical that we maintain the readiness of our forward-deployed forces, continually reinforce our commitment to our allies and partners in the region, and meet each challenge by the People's Republic of China (PRC) in a professional manner that is consistent with international law. It is clearly in both nations' interest and the Asia-Pacific region's interest to manage these complexities and to develop a relationship with China that is constructive in every way.

At U.S. Pacific Command, our goal is to support this relationship by identifying opportunities that allow us to work more closely with China while also encouraging her to reconcile strategic intent with increasingly sophisticated combat capabilities. Congress can assist

by maintaining a focus not only on China but on the growing importance of the Asia-Pacific region to our Nation and to our global partners.

Our messages during engagements with Chinese leadership, both in Beijing and during their visits to Washington, D.C., must be consistent, resolute, and invoke the Nation's principles and values. I offer my staff's direct support to you during your travels to the region and invite you to stop in Honolulu and visit U.S. Pacific Command on your way to or from this area of responsibility (AOR).

Finally, I would like to thank this committee for the strong support you provide to the men and women of our United States military. Despite being involved in two wars, our retention and recruiting rates remain very strong, which is a direct reflection of the quality of life initiative supported by you and by the American people.

On behalf of more than 300,000 men and women of U.S. Pacific Command, please accept my sincere appreciation for the work that you do for us and for this great Nation. Thank you, and I look forward to answering your questions.

The CHAIRMAN. Thank you Admiral.

[The prepared statement of Admiral Willard can be found in the Appendix on page 46.]

The CHAIRMAN. Secretary Gregson.

STATEMENT OF HON. WALLACE C. GREGSON, ASSISTANT SECRETARY OF DEFENSE FOR ASIAN AND PACIFIC SECURITY AFFAIRS, U.S. DEPARTMENT OF DEFENSE

Secretary GREGSON. Mr. Chairman, members of the committee, thank you very much for this opportunity to appear today to discuss recent military and security developments in the People's Republic of China. I am pleased to be joined by old friends and colleagues, Admiral Willard and Mr. David Shear.

China's rapid rise as a regional political and economic power with growing global influence has significant implications for the Asia-Pacific region, the United States, and the world. These developments occur in a dynamic environment with little historical precedent.

As Secretary Gates said, during the past three decades an enormous swath of Asia has changed almost beyond recognition. Hundreds of millions have emerged from poverty to higher living standards as a result of cooperation, openness, and mutual security. New and reemerging centers of power alike are realizing extraordinary growth and development. From India to Indonesia, China to Russia, and Australia to Japan, millions have moved from poverty to prosperity. China's rapid development helps drive this extraordinary and dynamic growth.

In turn, China gains greatly from Asia's growth. The United States welcomes a strong, prosperous, and successful China. As President Obama stated, the relationship between the United States and China will shape the 21st century, which makes it as important as any bilateral relationship in the world.

But this development occurs as new challenges emerge. Our new security issues cover a very wide range. These include economics, regional areas of tension, terrorism, proliferation, energy supplies,

piracy, the effects of climate change and disasters, both manmade and natural. Our increasingly interconnected world and common demands for resources require cooperation and integrated solutions.

Since the committee's last hearing on this topic, we have seen several significant developments, some positive, others troubling. Many are documented in the Secretary of Defense's Annual Report on the Military Power of the People's Republic of China.

On one hand, we have several positive examples of China's contribution to international peace and stability. We are encouraged by China's support for the United Nations Security Council Resolution (UNSCR) 1874 and its efforts to support the denuclearization of the Korean peninsula.

China is also developing emergency military capabilities that are allowing it to contribute cooperatively in the delivery of public goods from peacekeeping and counterpiracy to humanitarian assistance and disaster relief. We appreciate the positive experience of our two navies working in concert with the international community to combat piracy in the Gulf of Aden, and we are looking forward to building on these experiences.

But we have concerns about the pace, scope, and lack of transparency in China's military modernization. The People's Liberation Army is changing from a mass army, designed for protracted wars of attrition on its own territory, to one developed for winning short-duration, high-intensity conflicts on its periphery against high-tech adversaries. Weapons and material to support this are being procured from both foreign sources and an increasingly capable industrial and technical base.

Organizational and doctrinal changes are also evident, as are disruptive technologies designed for anti-acess in aerial denial, nuclear space, and cyberspace arenas.

Modernization and expansion of military capabilities across the Taiwan Strait continues, with the addition of more missiles, enhanced air, surface, and undersea capabilities. Over the past several years, China developed and articulated roles and missions for the PLA that go beyond immediate territorial interest.

We will continue to use military engagement with the PRC to demonstrate U.S. commitment to the Asia-Pacific region and act as a partner in addressing common security challenges. We will maintain and enhance our presence and alliances in Asia and clearly demonstrate U.S. resolve. Our interests lie, as they have for the decades of Asia's rise, in constructive engagement with China, combined with a strong network of alliances and partnerships throughout the region.

Thank you and I appreciate the opportunity to be here, and I look forward to your questions.

The CHAIRMAN. Thank you Mr. Secretary.

[The prepared statement of Secretary Gregson can be found in the Appendix on page 58.]

The CHAIRMAN. Secretary Shear.

STATEMENT OF DAVID B. SHEAR, DEPUTY ASSISTANT SECRETARY FOR EAST ASIAN AND PACIFIC AFFAIRS, U.S. DEPARTMENT OF STATE

Mr. SHEAR. Thank you, Mr. Chairman, Mr. McKeon. I appreciate the opportunity to appear before you today. My colleagues from the Department of Defense have already addressed our military-to-military relations with China, so my remarks will focus on the President's November trip to Asia as well as our broader security goals regarding China and the region.

Since coming to office, President Obama has repeatedly stated that the United States welcomes the emergence of China, and that in an interconnected world power does not need to be a zero-sum gain. We welcome an international world for China in which its growing economy is joined by growing responsibility. And I would reiterate our desire that as the Chinese economy grows, they become a responsible member of the international community.

President Obama's trip to Asia in November 2009, with stops in Japan, Singapore, China, and South Korea, was intended to demonstrate the U.S. commitment to the region, build trust, articulate our values on issues such as human rights, and strengthen and expand our cooperation with China. The trip was productive in this regard.

During his first-ever visit to China, the President deepened his acquaintance with his Chinese counterparts and demonstrated to them the importance we place on cooperating on such issues as Iran, North Korea, and Afghanistan. The President set the stage for further cooperation with China in preparation for the Copenhagen conference on climate change. He discussed exchange rates in trade, clean energy, military-to-military exchanges, human rights, and stopping the spread of nuclear weapons. We outlined the key accomplishments of the visit in a joint statement issued by President Obama and President Hu Jintao on November 17th.

It has been said before that in order to get China right, you have to get the region right. The United States is a vital contributor to Asian security and economic prosperity. Our active presence in Asia helps promote regional security and stability. We intend to deepen our engagement and strengthen our leadership in the region by strengthening our complements to allies and partners and enhancing our involvement in regional institutions. And the Secretary addressed these issues as well as our presence in the region in an important speech in Honolulu yesterday.

The President's trip to China and the region demonstrated the importance we place on East Asia, which remains vital to U.S. security and prosperity. In the November joint statement, the Chinese recognized the positive role the United States plays in East Asia by stating that China welcomes the United States as an Asia-Pacific nation that contributes to peace, stability, and prosperity in the region.

The trip was also a continuation of our efforts to build a positive, cooperative, and comprehensive relationship between the United States and China. As President Obama has said, the ability of the United States and China to partner with each other is a prerequisite for progress on some of the most important issues of our times. Those issues include several important security challenges.

Issues such as North Korea and Iran cannot be successfully addressed without intensive and sustained involvement by China. To date we have been encouraged by China's willingness to cooperate with these areas, although there is a lot of work to be done.

We obviously do not see eye to eye with the Chinese on every issue. For example, on Taiwan, the United States remains committed to our one-China policy based on the three joint communiqués and the Taiwan Relations Act (TRA). We believe that this policy has contributed greatly to the peace and stability of the past several decades, and we remain committed to that framework. We welcome the improvement in cross-Strait relations over the past year. At the same time we have voiced our concerns about China's rapid military modernization program as it relates to Taiwan.

China's continued military buildup across the Taiwan Strait, despite improvements in cross-Strait relations, raises many questions about Beijing's commitment to a peaceful solution to the cross-Strait issue.

Similarly, the United States and China have differences on the issue of human rights. The promotion of human rights remains an essential element of American foreign policy. As the President has said, it is a part of who we are as a people. President Obama has stated that the rise of a strong prosperous China can be a source of strength for the community of nations.

This summer, we will hold another meeting of the U.S.-China Strategic and Economic Dialogue that we initiated last July. We will use this and other forms to continue building our relationship with China and to seek pragmatic cooperation on issues of mutual concern. At the same time, we will remain engaged and active throughout the region, supporting our allies and expanding our leadership in this vitally important part of the world.

Thank you for the opportunity to make these remarks, sir. And, Mr. Chairman, if you don't mind, I would like to say a little something on the subject of Google. As you all may know, Google made a statement yesterday about a cyber attack on its facilities allegedly originating from China. And Secretary Clinton made a strong statement on this yesterday, which I would like to repeat for you all. She said: We have been briefed by Google on these allegations which raise very serious concerns and questions. We look to the Chinese Government for an explanation. The ability to operate with confidence in cyberspace is critical in a modern society and economy.

The Secretary also said that she will be giving an address next week on the centrality of Internet freedom in the 21st century, and we will have further comment on this matter as the facts become clear. The Secretary will deliver a speech on Internet freedom next Thursday that was scheduled before Google's announcement. She has been very engaged on the issue of Internet freedom and anticipated the need to stake out clear policy ground on this subject.

The Secretary had dinner with ten executives of leading high-tech companies last week and discussed Internet freedom during that dinner. She has been actively listening and learning from those assembled executives, including Google's Chief Executive Officer (CEO) Schmidt . She takes this issue very, very seriously. And

we have been in touch with Google subsequent to their contact with Secretary Clinton, and we have been in contact with all of the agencies dealing with cyber security on this issue, and we will be happy to remain in touch with you on this subject.

The CHAIRMAN. Thank you very much Secretary Shear.

[The prepared statement of Mr. Shear can be found in the Appendix on page 74.]

The CHAIRMAN. A question to Admiral Willard and Secretary Gregson. What is the major security challenge our country has with China? And to Secretary Shear, what is the major nonsecurity challenge we have with China? Admiral.

Admiral WILLARD. Chairman Skelton, I think the major security challenge is the level of uncertainty that exists in attempting to reconcile the public statements that China makes regarding its long-term intent, which is generally that it characterizes its military capabilities and capacities as defensive only and seeks a peaceful and harmonious environment in which to grow its economy and prosper, with a military capability that is not necessarily consistent with that characterization of the future in that the power projection capabilities, the capabilities' capacities, both in asymmetric areas and conventional areas, tend to exceed that description. That ambiguity that currently exists and our attempts to reconcile that are the security issue that we hope to tackle in a military-to-military dialogue with our PRC counterparts.

The CHAIRMAN. Secretary Gregson.

Secretary GREGSON. I would only add to the Admiral's remarks that we remain particularly concerned about their ongoing developments in the nuclear arena, cyberspace—as Secretary Shear eloquently discussed—and space capabilities. Their development in the air and maritime realms also fit in there, but particularly nuclear, cyberspace, and space capabilities constitute a potential asymmetrical threat to our ways of doing business. We watch all this very carefully.

The CHAIRMAN. Thank you. Secretary Shear.

Mr. SHEAR. Let me discuss the major nonsecurity challenges by sharing with you our priorities for our nonsecurity relationship with China. The number one priority is coordinating with China on the global financial crisis. Economic recovery is President Obama's number one priority. And economic recovery and how we coordinate with the Chinese on this subject is the number one issue on our agenda with the Chinese.

We want the Chinese to rebalance their economy as we rebalance ours. The Chinese people will need to save less and consume more. We would like to see the Chinese economy shift away from its emphasis on heavy industry export-oriented industry. We seek the Chinese pursuit of a market-oriented flexible exchange rate. All of these issues came up in the President's meetings in Beijing with its Chinese counterparts.

A second priority is cooperation with China on international security issues such as Iran and North Korea.

And the third priority is coordination with the Chinese on the subject of climate change. And I think on climate change, we achieved some progress both with the Chinese and the inter-

national community in the context of the Copenhagen conference several weeks ago.

The CHAIRMAN. Mr. McKeon.

Mr. MCKEON. Thank you, Mr. Chairman. In my opening statement, I highlighted some of the concerns when it comes to our policy approach toward China. From what I can gather from last year's annual report to Congress, you share some of the same concerns regarding China: a shift in strategic priorities and behavior, especially as it expands its need for access to more markets and natural resources; expanding and improving disruptive military technologies in areas such as space and cyber space; a lack of transparency when it comes to military budget intentions and decision-making; and its increasing leverage in the region and around the world.

Gentlemen, what precisely is the President's China policy, how is it different from his predecessor, and how will it seek to address these shared concerns? I want to start with you, Admiral.

Admiral WILLARD. Thank you sir. I think from the military standpoint, our approach to China is very much two-fold. It is first and foremost to seek to grow a relationship with China that encourages their constructive contributions to the security issues in the Asia-Pacific region. It is the purpose behind a military-to-military dialogue. It is the reason for our emphasis to the Chinese on the need for continuity, some constancy. In terms of that dialogue, we think that it is lagging behind the other engagements between our Nation and the People's Republic of China.

Secondarily, on the issue of the ambiguities that currently exist, the inconsistencies that we deal with in the Asia-Pacific region, we bear the responsibility to ensure our forward presence and the readiness of our forces in the region, to assure our allies and partners in the region and to continue to grow those relationships, as Secretary Gregson described in his opening comments, so as to maintain a security in the region that we have frankly been responsible for, for the past 150 years.

So we will maintain our presence in the region as robustly as we have in the past as we continue to engage the Chinese in dialogue, and hopefully foster an improved relationship and get to some of the ambiguities that have been discussed thus far this morning.

Mr. MCKEON. Thank you. Secretary Gregson.

Secretary GREGSON. In the President's words stated to the Chinese at the Security and Economic Dialogue as well as in Beijing, we seek a positive cooperative and comprehensive relationship with China. Secretary Gates' interpretation or his characterization of our policy is that China is not a strategic adversary; it is a partner in some respects, but a competitor in others.

Our Defense Strategy released in 2008 states, as you mentioned, a Chinese potential for competing with the United States. And that U.S. interaction will have to be long-term, multi-dimensional, and involve peacetime engagement between our defense establishments as much as it involves field and military capabilities. It is impossible to separate our engagement with China from our engagement with the region. Our consistent and increased engagement with the region are enhancements of our alliances and partnerships there, not only in the East Asian region but increasingly through the In-

dian Ocean area, will be essential to us shaping the environment that will allow us to also shape or develop cooperative comprehensive relationships with the Chinese.

Mr. MCKEON. Secretary Shear.

Mr. SHEAR. In order to build a positive, cooperative, and comprehensive relationship, we are engaging with the Chinese to seek out common interests and devise ways of pursuing those common interests together. This is not an easy task. It can be very challenging. While we share common interests, our interests are not always identical. And our bilateral relationship with China, our approach to the region as a whole, as well as to maintaining our military strength in the region, are all part of a comprehensive approach to developing a relationship with China.

Mr. MCKEON. Thank you.

China, they are shifting away from labor-intensive relations and they are moving toward increasing production of high-technology goods. They have matured as a manufacturer and assembler of advanced technology products. They have created an attractive environment for foreign companies to make investments with increased subsidies, tax incentives, and preferential loans.

At the same time, we are hearing concerns from industry that defense policy changes emerging from the QDR, coupled with recent anticipated cuts in DOD spending, will force U.S. industry to divest itself of certain capabilities, reduce our production lines, and inhibit innovation.

Gentlemen, as the President develops his China policy, to what extent does U.S. industrial policy enter into his decisionmaking?

I am concerned about our workforce. Do you share my concern that the United States industrial base may be unable to sustain the technological innovation that has been the hallmark of U.S. military, given the current physical environment? And can you provide specific examples of how the President's China policy seeks to address China's unfair trade policies and ensure that the U.S. military continues to have access to the manufacturing capacity, technological capacity, and strategic materials necessary to equip our warfighters in the future?

Mr. SHEAR. If I may start, Congressman, with regard to China's unfair trade practices. We have a multipronged approach towards trade with China that includes pursuing cases in the World Trade Organization (WTO) on Chinese unfair trade practices. And we achieved several successes last year in this regard, particularly with the protection of intellectual property rights. We are also enforcing our laws and regulations on trade, and the President's decision on the 421 case on tires is a case in point.

Again, we are also vigorously pursuing the Chinese on the enforcement of intellectual property rights. Overall, as we pursue economic recovery, I think attention to our technological capabilities will be central to the Administration's approach to both the economy as a whole and to our economic relationship with China.

Mr. MCKEON. Admiral.

Admiral WILLARD. Representative McKeon, while trade is not in my lane, certainly the industrial base and the production of our military capacities is. And I would only offer that the work that you do as a committee to help to strengthen the United States in-

dustrial base on behalf of its military, the attention that you pay that—and I know that Secretary Gates' emphasis on doing what we can to strengthen the U.S. industrial base in support of our Armed Forces is of critical importance. And I would offer, one, my thanks to you for our efforts in this particular area, and again offer my emphasis on the criticality of an industrial base that can support this military not in the near term, but in the long term.

Mr. MCKEON. Thank you very much.

Secretary GREGSON. Mr. McKeon, it is clear that China is developing an increasingly capable technical and industrial base. It is also clear that they are able to procure certain items of foreign military goods and technology and reverse-engineer it to suit their needs.

At the same time, industrial espionage is not unknown. Our intelligence agencies and our technology control agencies exercise as vigorous a control as possible to ensure that we not only prohibit unauthorized American transfers of technologies to China, but also that our other partners around the world obey our tech control restrictions.

Behind the industrial base, of course, is also the American educational base. And I think that we need to make sure that that base, the colleges and universities, the quality of the graduates that we are producing, is maintained. We have the advantage of qualified students from all over the world that want to come to the United States to go to our schools, and we are enriched by that process, as is our entire educational and then on into the industrial and technical base. We need to make sure we maintain that as a priority so that we can meet the goal that you set out that we maintain our advantages.

Mr. MCKEON. Thank you very much, Mr. Chairman.

The CHAIRMAN. I thank the gentleman. Dr. Snyder.

Dr. SNYDER. Thank you, Mr. Chairman. I appreciate you all being here.

Secretary Gregson, it is hard to believe it has been about 40 years since your Vietnam days. We appreciate your service there as a marine, a young marine in Vietnam.

Mr. Shear, I am going to direct my questions to you just because of our limitations on time, but Admiral and Secretary, feel free to join in if you want to augment what Mr. Shear has to say. Mr. Shear, what do you see, what does the Chinese Government perceive as their greatest existential threat?

Mr. SHEAR. I think Chinese security goals—the Chinese pursue a variety of security goals. I think the number one goal is the preservation of the Chinese Communist Party (CCP). I think the Chinese Communist Party is very concerned about the prospects for social stability in China. I think they spend a lot of time and resources trying to ensure that the vast social and economic changes they are undergoing do not shake their rule of China.

Dr. SNYDER. So as the Chinese Government is sitting there looking ahead, they see their greatest existential threat not the United States, not Taiwan, not the Japanese or any other foreign entity, they see their greatest existential threat as being something happening internally. Is that a fair summary of what you said?

Mr. SHEAR. Yes. I think the Chinese pay a lot of attention to internal security and internal social stability, and that is a number one goal for them.

Dr. SNYDER. Would you—I forget the length of time it has been since we had that devastating earthquake in China that I think caught the world's attention probably longer than some of these tragedies do because of what happened to the school buildings. And I was surprised by the level of cracking down the Chinese Government exerted on parents trying to find out what happened.

As you look back at that, how do you analyze what occurred with regard to the internal discussions, internal investigations, that occurred around the destruction of the school houses?

Mr. SHEAR. I agree, the destruction of the school houses, the loss of lives, as well as the overall destruction in Sichuan province was very tragic. We did everything we could to help the Chinese recover from that.

Dr. SNYDER. I am interested in stifling the investigation internally about what occurred, the building codes at school buildings.

Mr. SHEAR. My belief is that the Chinese Government has conducted an investigation and that that they have concluded that they need to improve building codes. They have not been particularly transparent in the extent to which they have conducted this investigation. They have, as you say, repressed dissent on this subject. It was very interesting watching the Chinese public's reaction to the earthquake, however. There was a great deal of spontaneous interaction on the Internet; voluntary groups arose spontaneously through communication on the Internet, and a lot of Chinese simply up and volunteered to go to Sichuan to help things out. So you have a very complicated situation.

Dr. SNYDER. Going back to what you said about the number one threat they perceive as internal stability, if you aggressively repress and stifle the efforts of parents to find out why their children died because of bad local government policies in terms of approval of building codes, isn't that an indication of evidence for your first statement? I mean, I don't know how to look at it other than they were apprehensive that somehow a local effort to figure out what happened with local building codes could turn into some kind of a national movement. Because if there were bad policies in those school buildings, I suspect it could have occurred anywhere. Is that a fair analysis?

Mr. SHEAR. I agree.

Dr. SNYDER. I want to ask, too, you are a linguist and have lengthy State Department experience, where are we with regard to the development of Chinese languages skills amongst our folks here that aspire to be both part of the military, part of Admiral Willard's group, but also State Department? Where are we at with regard to Chinese language skills?

Mr. SHEAR. The State Department itself has an extensive language product conducted both in Washington, in Taipei, and in Beijing. I myself was one of the first—was the first foreign service officer (FSO) to study Chinese in mainland China after 1949. I went to the Johns Hopkins Center in Nanjing.

Dr. SNYDER. The fact that we have an aggressive State Department program is an indication that we don't have language skills

within the American public at large. Where do you see that in terms of as we move ahead?

Mr. SHEAR. I agree that we need more Chinese language skills developed within the American public at large. We have seen great growth in Chinese language teaching in high schools and at the university level. And in this regard the President announced a very strong initiative during his trip to increase the number of American students in China to 100,000 over the next 4 years, and we will be working to implement that in the coming weeks and months.

Dr. SNYDER. Thank you all for your service.

The CHAIRMAN. I thank the gentleman. Mr. Bartlett.

Mr. BARTLETT. Relevant to Dr. Snyder's question, I would like to suggest that China has two concerns that largely illuminate their very aggressive military buildup. The first is Taiwan, a tiny island the size of Maryland, three-fourths of which is truly uninhabitable, 20-some million people, versus a homeland of 1,300,000,000 people. Why the big concern? I think they see if Taiwan can declare its independence, so can a lot of other regions, like Tibet, for instance, and they see their empire unraveling if Taiwan can do this.

So I hope that we can resolve this concern diplomatically because I think China will do anything necessary militarily to keep Taiwan from declaring its independence.

The second major concern they have—and, Admiral, you mentioned that in the eighth page of your prepared testimony—energy. I led a congressional delegation (CODEL) of nine Members to China three years ago to talk about energy, and they began their discussion of energy by talking about post-oil.

We in the Congress have a lot of trouble seeing beyond the next election, and our business community is primarily focused on the next quarterly report. The Chinese are looking ahead decades and generations, and there will indeed be a post-oil world. The Chinese are now aggressively buying up oil all over the world and buying goodwill.

And, Mr. Secretary, I ask the State Department, why would they buy up oil when in today's world it makes no difference who owns oil? Who comes to that, what is in effect a global auction, with the dollars buys the oil. So who owns the oil makes no difference. They told me the Chinese were buying oil because they didn't understand the marketplace. I think they understand the marketplace very well. And I think that in the future, the Chinese will tell us, "Gee, guys, I am sorry, but we own the oil and we cannot share it with the world."

To make that a reality they have to have a blue water navy big enough spread globally across the world far enough to protect all of the sea lanes for the passage of this oil. To the extent that we continue to use a fourth of the world's oil, that we have done nothing to reduce our demand for foreign oil, I think we hasten the day that the Chinese will tell us we are not going to share our oil with the world.

What should be our policy relative to energy, because I think it is an overarching issue. Oil is now $80 a barrel. The world will never ever again have sustained good times until we do something meaningful about alternative energy. And so far, we the world and

we the United States have done nothing meaningful about aggressive conservation or alternative energy. What ought we be doing to avoid this real potential threat from the Chinese to deny us access to oil because they own it?

Mr. SHEAR. Congressman, we are pursuing intensive dialogue with the Chinese on the subject of energy security, in which we have raised our concerns about Chinese efforts to lock up oil reserves with long-term contracts, and will continue to engage them on this subject at very senior levels.

Mr. BARTLETT. But, sir, engaging them on the subject is quite irrelevant. As long as we continue to be largely dependent and increasingly dependent on foreign oil, we have no meaningful program of conservation or development of alternative energy to wean us from oil. Oil is an incredible energy source. The quantity and quality of energy and oil is unmatched anywhere in liquid fuels. And to the extent that this 1 person in 22 uses a fourth of the world's oil, to the extent that this continues, do we not make inevitable this confrontation with China over energy?

Mr. SHEAR. We share your concerns on this subject, Congressman, and our energy security dialogue with the Chinese is aimed at avoiding conflict over the search for oil.

Mr. BARTLETT. I would like to see shared concerns matched by some meaningful leadership action. Sir, I just don't see that. Do you see it?

Mr. SHEAR. We have worked with the Chinese to increase their cooperation with the International Atomic Energy Agency (IAEA). We have seen some progress there. The Chinese are building an oil reserve, an emergency oil reserve, which we welcome. We are going to keep pursuing this issue with the Chinese.

Mr. BARTLETT. Thank you.

To China envisioning a post-oil world, I think we in no way believe that there will be a post-oil world. I would suggest that we ought to confer more with the Chinese so that collectively we do not precipitate huge international crises over energy. Thank you.

The CHAIRMAN. I thank the gentleman.

Mrs. Davis.

Mrs. DAVIS. Thank you, Mr. Chairman.

Thank you to all of you and thank you for your service as well.

If I could follow up on my colleague's question, I guess, how would you characterize China's energy dependency as influencing its defense policy? Would you say that to a great extent, or if you would like to characterize that for us? And how has it used the sale of military technologies to secure energy deals? Is that, again, a large part of their policy, or to a greater, less extent, and what should we be doing about that?

Mr. SHEAR. I will defer to my Defense Department colleagues on this subject.

Secretary GREGSON. Thank you.

We see China increasingly developing the ability to get, to move beyond concerns of territorial defense and moving around the world in large part to protect their access to energy sources and to protect the lines of communication. It would suggest it drives not only defense policy for China to an extent, but it also drives a lot of their foreign policy.

We tend to focus on the development of the Chinese navy, thinking of the lines of communication from the Persian Gulf. Saudi Arabia is their biggest supplier of oil. Angola is the second. But there is also, the Chinese are also concerned with energy extraction, mineral extraction in Central Asia and other areas, so it is a definite driver of their policy.

Sale of military technology is a concern, particularly to states that are of keen interest to us, such as Sudan and others, where arms deals have been negotiated and executed. One can derive a conclusion that if they are importing oil from there, that there is a connection between the arms deals. Nevertheless, while we suspect a connection, we are concerned about Sudan. And any arms transfers to Sudan, of course, are of concern. Yes, we see that, too.

Mrs. DAVIS. In our discussions, and I might turn to Admiral Willard in terms of the transparency and the relationships, the military relationships. In that regard, in terms of energy, is that an issue that has some transparency in discussion, or would you say, again, that that is of great concern to us but one that we are not able to impact greatly?

Admiral WILLARD. I think the Chinese have actually been quite vocal regarding their concerns over their sea lines of communication (SLOCs) in particular, as it relates to the movement of all their commerce, to include their trade but as well energy and other natural resources.

They refer to, in particular, the Malacca problem, which is their choke point, all of our choke point, at the Strait of Malacca, and the strategic value of that Strait and the importance of protecting and securing those sea lines to include the various choke points that exist between the sources of those natural resources and commerce and China itself.

Secretary Gregson, I think, said it well. The expansion in their naval capacity and their Air Forces certainly has a dimension to it that has to do with securing their regional commercial interests. How far that will extend beyond the Asia-Pacific region, the South China region, and East China Sea into the Indian Ocean region remains to be seen. But they are demonstrating the capability to operate at longer ranges by virtue of their assistance to the international counter-piracy issue in Gulf of Aden now and their ability to sustain their operations there.

Mrs. DAVIS. Secretary Shear, would you say that in the development of our relationships, then, and that we are working with that in a more cooperative way or, again, not having quite the ability to have that at a level of discussion that we are seeking, and what are we doing about that?

Mr. SHEAR. At the same time, we are discussing with the Chinese energy security and regional security issues. At the same time, we are seeking more transparency from the Chinese in their defense and security policies.

We are also strengthening our relationships throughout the region, particularly in Southeast Asia. Secretary Clinton has visited Southeast Asia three times last year. She is in the region again as we speak. And remaining in contact with our friends and allies throughout the region, particularly in Southeast Asia, will play an important role in our addressing this.

Secretary GREGSON. If I may touch very briefly on one aspect of your question about transparency, it is not strictly a defense equity, but there is active engagement in the scientific and educational communities on development of renewable energy between China and the United States. Usually it occurs in conferences and efforts under the cognizance of the Department of Energy (DOE) or the Department of Interior (DOI). So that is one encouraging sign that there is some thought to life beyond oil.

Mrs. DAVIS. Thank you.

The CHAIRMAN. I thank the gentlelady.

The gentleman from Virginia, Mr. Forbes.

Mr. FORBES. Thank you, Mr. Chairman.

Mr. Chairman, I want to begin by thanking you for not just this hearing but for asking a lot of tough questions about China and the United States' relationships before many Members of Congress did that. I appreciate your leadership on that.

Also, Admiral, thank you so much for your service and for your wife's service. I know that is a partnership team.

For all of your staff, I know the heavy work that they have to do just to come to a hearing like this.

Mr. Secretary, this year we appreciate so much all of you being here.

I am going to try to ask my questions so that they can have short and succinct answers, not because I want to cut you off, because I would love for you to extrapolate any way you want in the record; just because I only have five minutes, and this microphone goes dead.

But, Admiral, I looked at your testimony, and as I read that testimony, China currently has 290 ships in their navy. Am I accurate in that assessment?

Admiral WILLARD. Roughly, yes, sir.

Mr. FORBES. Roughly. That number doesn't exist in a vacuum. Isn't it significant that we try to extrapolate or actually get some idea of what their shipbuilding plan actually is so we know how many ships they are going to be building over the next several months if we want to try to project our strength against theirs?

Admiral WILLARD. Of course.

Mr. FORBES. Is that a significant component to our evaluation?

Admiral WILLARD. It is part of a broad evaluation of China's future.

Mr. FORBES. If we look, according to the 2009 Military Power of People's Republic of China Report to Congress produced by the Pentagon just a few months ago, the estimate was that they had 260 ships; is that correct?

Admiral WILLARD. I would have to go back and seek that number.

Mr. FORBES. Let me just tell you, for the record, it was, so we missed it by about 30 ships. How many ships do we currently have, roughly, in our Navy now?

Admiral WILLARD. In the Pacific Command, I have access to about 180 ships.

Mr. FORBES. Overall in the Navy, any idea?

Admiral WILLARD. About 283.

Mr. FORBES. We have 283. According to the report that was given us a few months ago, they had 260 ships. Again, just as one component, fewer ships than we did. According to your testimony, they have 290. That is more ships than we do.

Again, I know that is just one component to look at, but it shows the importance, I think, and the significance of having some idea of what kind of shipbuilding plan they are undertaking so we know whether that 260 ships were accurate or the 290 ships were accurate.

Mr. Secretary, I would like to ask you if the United States currently has a shipbuilding plan, not whether it is being modified, not whether you like it, not to even ask you to tell me what it is, but do we currently have a shipbuilding plan for the United States of America as you know it from the Department of Defense?

Secretary GREGSON. There is a plan, as delineated in the program and in the President's budget, yes.

Mr. FORBES. So it exists?

Secretary GREGSON. Yes, sir.

Mr. FORBES. Now, are you aware that, by law, the Department of Defense was supposed to give the United States Congress that shipbuilding plan when they submitted the budget, so that we would know and could make the same kind of comparisons that the Admiral talked about were significant in knowing about the ships that the Chinese had, that we were supposed to have that by law submitted to us at the time the budget was submitted?

Secretary GREGSON. It is not our intention to ever ignore any requirements from Congress.

Mr. FORBES. Just asking you whether you knew that that was the law or not?

Secretary GREGSON. No, I did not.

Mr. FORBES. The question I would ask you, Mr. Secretary, if you could supply for the record at some particular point, if that shipbuilding plan existed, I would just submit to you, one, the law required that we get a copy so we could make that same kind of comparison.

Secondly, this committee unanimously had a congressional inquiry demanding that you comply with the law, the Department of Defense, and give it to us. To date, we still haven't had it. I would just ask you to submit to the record for us the legal justification of why you refused or the Department of Defense refused to give the United States Congress their shipbuilding plan.

Then I would also ask you if you want to submit for the record, because I won't have time to have you in my minute and 15 left, how we can legitimately talk about a lack of transparency with China when we won't submit our own shipbuilding plan to the United States Congress?

Mr. Shear, I would just ask you, again, shortly for your testimony, if you could submit to us for the record, I was excited to hear about the victories that we have had in wins with intellectual property rights and the economy with China, and we want to get those publicized because I don't hear them, you know, anywhere that I look or study.

If you would submit a list of those victories that we have had this year for the record, both with intellectual property rights and

the Chinese economically for the record, we would love to have them so we can talk about them and get them out.

[The information referred to can be found in the Appendix beginning on page 83.]

Mr. FORBES. With that, gentlemen, thank you so much for your service and for being here.

Mr. Chairman, I yield back.

The CHAIRMAN. Thank you very much.

Admiral, I might point out that one of those most memorable congressional moments was when, along with Mr. Forbes, we planted the tree at Kunming in memory of the American fliers who flew the hump and those who were part of the Flying Tigers during the Second World War. I certainly hope that you will be able to revisit that place for us and give us an update on the tree that we planted.

Admiral WILLARD. I will do that.

The CHAIRMAN. Mr. Marshall.

Mr. MARSHALL. Thank you, Mr. Chairman.

I would like to yield my time to the chairman of the Seapower Subcommittee, the gentleman from Mississippi, Mr. Taylor.

Mr. TAYLOR. Thank you, Mr. Chairman.

Thank you, Mr. Marshall.

Admiral, you know, in my life, I never guessed as a kid we would be at war in Panama or Afghanistan or Bosnia. You know, we always thought it would be the war against the Russians, and thank goodness that did not happen.

With that in mind, the things we don't expect to happen often do happen. One scenario that concerns me is that, you know, our carriers can go about 15 years from here to there on the fuel that is built into that vessel. But the vessels that defend those carriers have to refuel every three to five days.

A logical assumption is that the weak link, then, in our carrier task force is the oiler that supplies that destroyer or cruiser that protects the carrier. If I am a potential enemy of the United States, I am not going to hit us where we are strong; I am going to hit us where we are weak. It is my understanding that we have a limited number of oilers in the Pacific, somewhere between 8 and 12.

And so the logical question would be, you know, since our enemies have been pretty good at finding our weaknesses and exploiting them, and thus the improved explosive device (IED) in Iraq, what steps is the Navy taking should some scenario develop in the Pacific where a potential enemy's first step is to take out those 8 or 12 oilers? Does the fleet then fail to sail? Because one of the things really that Congressman Bartlett impressed on me is our need for energy independence in the long term.

One of the ways that we can achieve that, as we know, is with nuclear-powered surface combatants. Each one of those can save about ten million gallons of fuel per ship per year, plus you don't need that oiler. You lose that weak link.

Now, Congress has passed language that says our next generation of surface combatants is going to be nuclear-powered. We have passed legislation that says the next generation of large-deck amphibs is going to be nuclear power.

But what I don't see is the Navy taking any steps to implement that. That is one thing.

The second thing is, in the short-term, if you have only got 8 or 12 of this thing that is vital, what steps does the Navy have as a backup should a clever foe decide that round one is to take out the oilers? What is your backup plan, and what are we doing in the short-term to increase those numbers so that that worst-case scenario doesn't happen?

Admiral WILLARD. Thank you, Representative Taylor.

I think you bring up some provocative issues, and that is how we handle some of the tactical level risks to our force complement when we conduct major-scale operations. And certainly the protection of our tanking assets at sea is a major factor in our planning and in the way in which we attempt to mitigate potential vulnerabilities.

I think, to your point regarding nuclear power, we gain great flexibilities with our aircraft carriers and our submarines being nuclear-powered. As you suggest, our surface ships do rely on refueling. I would offer that we refuel at sea. We also refuel in port. When we are operating in the western Pacific, the approach is to complete both of those.

We also have the capability, though it is exercised rather rarely, to refuel our surface ships from our carriers themselves. Our big deck ships have the opportunity to conduct refueling of our smaller escort ships.

Between protection operations around them and the various ways in which we can take advantage of geography and the force complement to conduct refueling, we manage this problem, and our naval commanders are tasked with planning around it and managing it very carefully.

I take your point that refueling of our ships is keenly an area that we have to focus on, and the adequacy of our tanker fleet to be able to ensure that we have the freedom of actions that we require in our operations is very important.

Mr. TAYLOR. Admiral, if I may, the chairman is going to gavel this thing in 20 seconds. I have laid out my concerns. Would you have someone from your office, at your convenience but hopefully in the very near future, come visit with me with a more detailed and in-depth answer than you are able to give in public?

Admiral WILLARD. Be happy to. Thank you.

Mr. TAYLOR. Thank you, sir.

The CHAIRMAN. Thank you.

The gentleman from Minnesota Mr. Kline.

Mr. KLINE. Thank you, Mr. Chairman.

Thank you, gentlemen, for your service and for being here today.

It seems like forever that we have been concerned with, worrying about China's role in a couple of places. I would like for you to touch on briefly some of which you already have. One is, of course, when General Gregson and I were lieutenants, we were worried about Taiwan, the Straits and China and what China's actions may be. And in that case, we were probably mostly worried about what the Taiwanese government might do that might precipitate military action on the part of China.

It seems we are sitting here today, and we still have some of those concerns. President Ma in Taiwan and some new folks there may have changed some of that dynamic, and I would be interested in your discussing where you think we are and what the level, if you will, of tension is now in China-Taiwan relations.

Then the other one that never goes away and we have been discussing in our lifetime, we have had U.S. forces in Korea since before Mr. Gregson and I were lieutenants and certainly before you were an ensign, Admiral. And we still have troops there. And the question here is China's role in being able to influence actions in North Korea, particularly with their nuclear and missile activities.

We have 3 minutes and 22 seconds. If any of you or all of you can address both of those and how you see China, where China is now in both of those issues, relationship with Taiwan, the potential for military action there and how China is doing in helping us get back to the Six-Party Talks, and what is going on in North Korea?

Secretary GREGSON. Thank you for those questions. I will go very quickly, so my colleagues can jump in.

Since the election of President Ma Ying-jeou, Taiwan and China have undertaken a series of reciprocal actions that we find very favorable. Direct flights, visitations to offshore islands, business ties, all the sinews of normal peace-time engagement that we think contributes to a decrease in tension and operates in support of our objective of a peaceful settlement of issues across the Taiwan Strait.

It has been mentioned more than a few times before, we remained concern about the buildup of PRC military capabilities across the Strait. We watch very carefully not only the amount of that buildup but the types of systems that they are developing to make sure that we maintain the ability to fulfill our obligations under the Taiwan Relations Act (TRA).

On North Korea, we are encouraged by China's support of United Nations (U.N.) Security Council Resolution 1874, very important to prevent North Korea from profiting from their nuclear-related technology, their missile-related technology. It is very important to keep North Korea from exporting any type of weapon systems that are prohibited under 1874.

China's support is essential to maintain an international consensus to keep 1874 a viable resolution, and we are very positively encouraged, as I said, about their development on that.

In the meantime, we continue to ask China to exert their influence to work on their neighbor to convince them of the wisdom of complete, verifiable and irreversible denuclearization, which remains our goal with North Korea.

Mr. KLINE. And are you getting a good response from the Chinese in that effort? I mean, that is what we are getting down to. We have said for a long time that we cannot have success with the denuclearization and the demilitarization or missilization, I guess, if that is a word, of North Korea without China's active participation because of the enormous influence that China has with North Korea.

Are we seeing that influence, or is it sort of quiet now?

Secretary GREGSON. We are seeing influence. We would like to see more influence for our part. We have made it quite clear that we intend to fulfill all of our obligations to our allies and that we

will, to the extent that we are not successful in achieving complete, verifiable, and irreversible denuclearization in North Korea, we will enhance those alliances, and we will enhance our ability to enforce our alliance obligations, and that that is a condition that contributes as much to instability in Northeast Asia as any other scenario that China could be worried about.

Mr. KLINE. Thank you.

I see my time has expired, so I will yield back the two seconds. Thank you, Mr. Chairman.

The CHAIRMAN. I thank the gentleman. The gentleman from Washington, Mr. Larsen.

Mr. LARSEN. Thank you, Mr. Chairman.

Gentlemen, thank you for coming today.

Secretary Gregson, with regard to Monday's missile test, how would you characterize the notification China gave to the international community compared to what the U.S. does when we conduct a missile test or even when Russia conducts a missile test?

Secretary GREGSON. I am not aware that we received any notification until after the test.

Mr. LARSEN. How would that differ, then, how would that differ largely with a ballistic missile test process that the U.S. undertakes or that Russia undertakes? Do we provide notification?

Secretary GREGSON. Traditionally, through notice to mariners, notice to airmen, closure areas, various things, yes.

Mr. LARSEN. So there was no indication at all or, not indication; there was no communication with the international community about the missile test and its reasons and so on, at least as far as we know from China?

Secretary GREGSON. I am looking at my colleagues. I am personally not aware of any.

Mr. LARSEN. Secretary Shear, do you have any thought on that?

Mr. SHEAR. We are not aware of any prior notification of the test. We have spoken with the Chinese since the test. We have asked them for more information. We have asked them to be more transparent with regard to this test and their testing in general.

The Chinese have only responded so far that this particular test was defensive in nature. It was not aimed at any specific countries and that no orbital debris was created by this test.

Mr. LARSEN. Something we could all read in the paper ourselves but not actually helpful. That is my comment. You don't have to comment on that.

Mr. Chairman, before we move forward, I have a statement for the record. I would like unanimous consent to enter that.

The CHAIRMAN. Without objection.

[The prepared statement of Mr. Larsen can be found in the Appendix on page 44.]

Mr. LARSEN. Thank you.

For Secretary Shear and Secretary Gregson, China may be our most important dialogue in Asia right now, but Japan clearly remains our most important ally in the region. This reports, obviously, with the new Japanese government trying to seek or create or develop in concept an East Asia security group between Japan, China, and South Korea—recent statements indicate that maybe Japan all along was intending to include the United States.

How would you discuss the steps that the U.S. has taken to strengthen the U.S.-Japanese relationship while we are also pursuing a various set of relationships with China? I mean, Secretary Shear can start there, and Secretary Gregson can follow.

Mr. SHEAR. We are working very closely with the Japanese to strengthen the alliance. Secretary Clinton met with Foreign Minister Okada in Honolulu yesterday. They celebrated the 50th anniversary of the U.S.-Japan Security Treaty. They recommitted to strengthening the alliance. I think it was a very good meeting.

Mr. LARSEN. Secretary Gregson.

Secretary GREGSON. We have been undergoing for some time a transformation and realignment of U.S. forces and Japanese forces within Japan. Pending is the continuation of the realignment with the buildup of U.S. forces in Guam. The Guam program also includes near continuous presence of Japanese aviation and ground forces in Guam and their training. We look forward to rapid implementation of that as a way to adapt and transform the military and security aspects of our alliance for the new century.

Mr. LARSEN. Thanks.

Back to the missile test, and this may be for Admiral Willard or for Secretary Gregson, given the recent Taiwan arms sales going through and in the context of this missile test, do we see this as a tit-for-tat, and do we anticipate something else happening because of the Taiwan arms sales, which I think most of us, all stand four-square behind?

For instance, when they were announced in 2008, China suspended any further military-to-military discussions, including the consultative talks, but those started up again last month, I think.

Are we anticipating another tit-for-tat because of the arms sales, Admiral Willard?

Admiral WILLARD. Well, if history bears out at such time as arms sales would be announced or their consultation with our Congress would take place, the PRC has typically reacted very vocally, and our military-to-military engagement has historically been suspended. Whether or not that is the case this time or not will remain to be seen.

I would offer that in the discussions that General Xu had with the Secretary and with me on his way back to Beijing, we emphasized the need for constancy in that military-to-military dialogue. We were explaining the mutual benefit of maintaining it, whether or not differences erupt between our governments or not.

Again, I think we will be testing the maturity of that military-to-military relationship in the future, not just over our legal obligation to conduct Taiwan arms sales, but over other issues between our governments as well.

Mr. LARSEN. Thank you.

I see my time is up.

The CHAIRMAN. Mr. Coffman.

Mr. COFFMAN. Thank you, Mr. Chairman.

I would like to ask the panel to address what I believe has become a very serious emerging national security threat as it relates to China. It has to do with industrial base supply issues controlled by China and not any specific military threat, but I am hoping, given your background and your current positions focusing on Pa-

cific Rim nations, to garner the benefit of your thoughts and comments. Worldwide demand for rare earth elements are escalating rapidly.

Rare earths are used in a number of applications, including emerging green technologies, and many of us on this dais have concerns as to what that means for American innovation and domestic job growth. But the fact that so many national security and defense systems require these materials to function and operate is of greater concern to us here at this hearing.

Ninety-five percent of worldwide rare earth reserves being accessed today are located in China or controlled by Chinese-led interests. Today, there are no rare earth elements or production sites of significance taking place in North America or anywhere outside of China.

China's domestic demand for rare earth elements could easily equal Chinese production as early as 2012. Furthermore, in October of 2009, an internal report by China's Ministry of Industry and Information Technology disclosed proposals to ban the export of five rare earth elements and restrict supplies of the remaining metals as early as next year.

I ask the witnesses to comment on these developments and address their entity's situational awareness of the reliance on these rare earth elements, what they feel are the strategic implications, and how they plan to develop an appropriate policy to mitigate this impending supply crisis as it relates to national security and defense?

Mr. SHEAR. Sir, I would like to take that question for the record and get back to you as soon as we can.

[The information referred to can be found in the Appendix beginning on page 84.]

Mr. COFFMAN. I appreciate that.

Very well, anyone else care to respond?

Secretary GREGSON. Likewise.

Mr. COFFMAN. A second question. About four or five years ago, I believe that since we don't have formal relations with Taiwan in terms of an ambassador here, I think general counsel might be the term—I am not sure what the term is for their diplomatic representative in Washington—I was at a dinner seated next to him and asked him what the most significant national security issue was to Taiwan. At that time he said a recession in China.

I asked him why that was the case. He said because then he felt that the leadership of the People's Republic of China, the PRC, will look outward as to threats to deflect the attention of the people of China on their own domestic problems, and that is where he felt that Taiwan would be the most vulnerable.

I wonder if any of you could comment on that?

Secretary GREGSON. That has, the relationship of economic development, national development, to the authority, legitimacy of the leadership has been often discussed as a matter of speculation. A connection has been drawn, and as a matter of fact, it has often been stated that eight percent per year growth or better is necessary to maintain domestic tranquility within China.

While we watch that from the defense side, we also watch the development of capabilities. We try and make sure that we have

done everything we can to counter the capabilities we see on the other side of the Strait. Relying on the fact that we can't read minds and read intentions with clarity, we can draw inferences and we can get ideas. But we are not relying on the conditions of prosperity to be a guarantee that nothing bad will happen.

We are taking all appropriate precautions to make sure we can react if the situation worsens, regardless of what the prosperity situation is across the Strait.

I understand the points of your dinner companion, and I think it is an interesting observation, a very interesting observation, particularly from their side. But on the defense side, we remain oriented on the capabilities.

Mr. SHEAR. The Chinese Government certainly appeals to Chinese nationalistic sentiment frequently, but we don't see an uptick in that or an effort to blame Chinese domestic problems on foreign sources as a result of the economic downturn. It looks to us like the Chinese economy is turning around. They had eight percent growth last year. I think they may have eight to nine percent growth this year. We are not seeing that phenomenon happen right now.

Mr. COFFMAN. Thank you, Mr. Chairman.

The CHAIRMAN. I thank the gentleman.

Mr. Kissell.

Mr. KISSELL. Thank you, Mr. Chairman, and welcome gentlemen.

Admiral Willard, thank you for being here, and thank you for the service that you render to your nation.

I am going to go back a little bit. As we know, China is an ancient kingdom many thousands of years old, and I am going to go back 2,000 to 3,000 years.

Sometimes when we study history, we tend to separate our time lines and forget that history moves at the same time period. In the time period while Europe was in the Middle Ages and before, China was a prospering kingdom and arguably could have made some of the same decisions that Europe later made in terms of conquest, expansion, exploration, and did not. And if the history book that I taught from was correct, it was a decision that this was not a pursuit that they wanted nationally to evolve to. And while Europe later came to dominate the world, China in many ways chose not to do that.

And if you look at the history since then, of course, the time period where the European nations tended to dominate China, that China has never pursued that course of what you maybe call aggression or expansion or looking overseas and other places for, you know, their national prospects.

I am trying to get an idea in my mind what is the mindset of the Chinese now. How much has that changed, or has it changed? We have talked about all the ambiguities that exist among what China may be doing. For our two secretaries, if you had to narrow it down, what is the Chinese mind set? Is it aggressive? Is it defensive? Is it, we want to be equal to, we want respect? What is the mindset of the Chinese now?

Mr. SHEAR. We are familiar with your view of Chinese history. From our historical experience, we see rising powers as a potential

challenge to the international community. We hope to avoid that in China's case by engaging intensively——

Mr. KISSELL. And I don't mean to interrupt, but what is the Chinese mindset? I understand how we view it, but what do you think that they, long-term, how are they trying to position themselves, and why?

Mr. SHEAR. I think the Chinese want to express themselves as a major global power. I think they have done that mostly economically so far. I think that remains a lower priority on their list after securing communist power, communist party stability in power, and after domestic economic development.

Secretary GREGSON. I would concur with that.

I might add that I think a lot of Chinese attitude consists of the fact that world trends are working in their direction now and that it is time for them to enjoy some of the largesse and the benefits of being a world power that they were not able to do for the last couple of centuries.

Mr. KISSELL. One other question, going in a different direction, I had read recently where water would be a great limitation towards China and its ability to continue its economic expansion. I just wonder what your thoughts are, how that may anything figure in, how much it figures in, and what that might mean long term?

Secretary GREGSON. At conservative population growth estimations and conservative economic growth observations, there is the potential out there in the future that resource allocation of precious liquids—oil, water—will become an item that is going to require vigorous, active, and cooperative management.

The Mekong River Initiative right now is one way to try and manage water and related items, like fresh water fish, recent things. The Mekong starts in China and, of course, goes through Southeast Asia. Any time somebody puts a dam at one point on the river, it affects everybody downstream, those obvious things. Yes, this is going to be an item of major concern.

Mr. KISSELL. Thank you, gentlemen.

I yield back my time.

The CHAIRMAN. I thank the gentleman.

The gentleman from Louisiana, Mr. Fleming.

Mr. FLEMING. Thank you, Mr. Chairman.

My question is for Admiral Willard. As you know, sir, our aircraft carriers are a platform that we use to project power around the world. This is certainly relevant to some of the issues brought up about oil and energy in general.

It is my understanding that the Chinese have a mid-range ballistic missile that can travel up to 2,000 kilometers, can easily attack an aircraft carrier, and that we really don't have any antidote for that. Hopefully it is still under development and not fully capable.

So what is our Navy's plan to protect our aircraft carriers given this potential shift in power and certainly our ability to project our Navy and the Naval Air Forces closer to the perimeters of China itself?

Admiral WILLARD. As you suggest, as one element of the anti-access strategy by China, there has been development of a ballistic missile capability that we believe is intended to target surface

ships to include our aircraft carriers, and it is an issue of major concern.

We, within our programs, are developing capabilities to protect, you know, obviously, protect our surface ships to include our aircraft carriers. From that, the details, obviously, we would need to discuss at some future opportunity in a closed session.

Mr. FLEMING. Would you agree, sir, that this may put even more emphasis on the need for the next-generation bomber, which is an air platform that, again, is a standoff type of defense mechanism or attack mechanism, if you will, that, you know, we have sort of laid that aside here recently, and I am wondering if maybe we need to take a stronger look at that in view of what we are seeing here?

Admiral WILLARD. I think when we approach the anti-access capabilities that are being developed here that we have to look broadly at all of the capabilities that provide us opportunities to continue to operate with freedom of action inside the envelopes of that capability. Certainly our bomber force and any recapitalization of our bomber force, extended range weapons, as well as our ability to penetrate with our surface ships and not give up access where we require it are all parts of the defense strategy to accomplish that.

Mr. FLEMING. Thank you, sir.

Thank you to the panel, and thank you for your service.

I yield back.

The CHAIRMAN. I thank the gentleman.

The gentleman from Mississippi, Mr. Taylor.

Mr. TAYLOR. Mr. Chairman, I am going to yield to the only member of the Ranger Hall of Fame that is a Member of Congress, Mr. Marshall.

Mr. MARSHALL. Thank you, Mr. Taylor, I appreciate that.

I am curious about the extent to which we can expect that China at some point might be more helpful to us where terrorism is concerned and specifically the efforts in Iraq and Afghanistan and our worries about Pakistan and India and possible conflicts there.

A couple of Chinese colonels published a book called "Unrestricted Warfare" in the mid-1990s. Probably most of you have already read that or at least read an executive summary of it. And that piece, that book, explores ways in which China can engage in conflicts with the United States, in essence, asymmetrically, and publication of the book was authorized and approved by the Chinese government. Not so many years have passed since the publication of the book.

Among the things that these two colonels observe, and this book's publication precedes 9/11, is that the close relationship between America's political elite and the military-industrial state combined with America's military expeditionary capacity means that it is only a matter of time before America gets itself involved in conflicts that bankrupt it.

If there is an ongoing attitude in China that it is good for China to see the American economy weakened, then it seems to me that China might be holding back in assisting us with regard to Iraq, Afghanistan, and terrorism generally because this is something that is costing us an awful lot of money.

I would just like general comments about Pakistan, India, the flash points there, nuclear power, you know, controlled by both,

and any thought that China is at some point here going to join this effort against terrorism which, if you think about it, given the nature of their evolving economy, they are going to be a target also eventually.

Mr. SHEAR. Congressman, with regard to China's approach to American economic health, I think the Chinese have recognized that we are interdependent economically and that our economic relationship benefits both sides.

On the subject of terrorism, we engage the Chinese on this subject, both at senior levels and at the working level through a counterterrorism working group, which has met recently.

In general, our cooperation on counterterrorism issues with the Chinese is at a fairly basic level, but we are working on it. On the subject of Afghanistan and South Asia generally, I think the Chinese share our interest in peace and stability in South Asia, particularly in Afghanistan. It is right on China's border.

We have engaged the Chinese fairly intensively on the subject of Afghanistan. Special Envoy Holbrooke has been to Beijing twice to discuss this subject with them. They have expressed an interest in cooperating, but we are still at the early stages.

Mr. MARSHALL. So we haven't seen anything concrete?

Mr. SHEAR. Not yet, no.

Mr. MARSHALL. And where terrorism is concerned, have we seen anything concrete there?

Mr. SHEAR. We conducted exchanges with the Chinese, particularly in the run-up to the Olympics. We are continuing those exchanges, but I would say we are at a very basic level.

Mr. MARSHALL. What have we proposed that they do with regard to terrorism or stability in Afghanistan, Pakistan, India, et cetera? What are we proposing that they are just not willing to do?

Mr. SHEAR. We think, we think, as I say, the Chinese have expressed an interest, a general interest in cooperation. We conducted a working-level meeting with the Chinese to discuss specific ways in which we can work together on the ground in Afghanistan before the President's visit in November. I think they are thinking this through right now.

We have proposed such avenues, things they can do to help Afghanistan in agricultural infrastructure, infrastructure generally, capacity-building and areas like that. But we are still just beginning. We are pressing the Chinese on this.

Mr. MARSHALL. What about assistance from China? I know we are looking at different ways to get materials into Afghanistan. Is there any movement where that is concerned?

Secretary GREGSON. We are developing alternative lines of communication to avoid overdependence on the lines of communication (LOCs) through Pakistan. Generally they involve the Northern Distribution Network. We don't know of an opportunity yet for China to contribute.

Mr. MARSHALL. Thank you, Mr. Chairman.

The CHAIRMAN. I thank the gentleman.

Mr. Franks.

Mr. FRANKS. Thank you, Mr. Chairman.

Thank you, Admiral Willard. I want to direct my first question to you, thank you just for your lifetime commitment to the cause

of human freedom and all the things people like us up here talk a lot about the importance of protecting freedom. People like you personify it, and we are really grateful to have you here today.

I was encouraged about your discussion related to protecting some of our battle groups from emerging Chinese missile technology. As you are probably very aware in the Perry-Schlesinger report, it said that we had to be careful with long-range defenses because it could upset the strategic balance between the U.S. and China, and the U.S. and Russia.

But in light of some of the recent reports in the media that China is working to perfect or develop a mid-range and long-range missile defense capability, they don't seem quite as concerned about that strategic balance as maybe we are.

I guess my question to you, can you talk to us a little bit about the Chinese missile defense technology advances and specifically their medium- to long-range capabilities?

Admiral WILLARD. I would only offer that, in terms of their missile defense capabilities, that they are by and large still in the research and development (R&D) stages, that this is a subject actually of inquiry regarding the most recent missile-to-missile engagement that has been witnessed and that the Chinese, as we have discussed earlier, reported on over the past several days.

These developments and other developments we would continue to watch, but in terms of levels of detail and so forth, obviously, in a closed session to discuss.

Mr. FRANKS. Well, let me, if I could, then, switch—thank you, Admiral—to Secretary Gregson.

Can you tell us about China's space program? Have there been any advances in technology, or have they continued pursuing space as a military venue since their 2007 anti-satellite (ASAT) test? The question is predicated on the notion that, you know, China has, with their ASAT capability, has pursued, in a phrase, weaponizing space, and it seems it is pretty clear to me that has already happened. But can you tell us, have they continued pursuing space as a military venue since their last ASAT test in 2007?

Secretary GREGSON. The Chinese have stated that they oppose the militarization of space. Their actions seem to indicate a contrary intention. We continue to press the Chinese for explanation, and we would be happy to provide details in a closed session.

Mr. FRANKS. Well, Mr. Chairman, I guess I make the point all too often here that I think it is important as a country to maintain our missile defense capability. We seem to be moving into a dynamic, militarily and otherwise, in the future that that will be a critical consideration for us, and I think that we have a moral responsibility to the citizens to be able to defend the U.S. from any missile launched from anywhere on the globe, at least that is the goal.

I know that Mr. Reagan contemplated and hoped for that, and we have come probably further than even he contemplated at one point. But I think the ultimate concern should still be to be able to defend ourselves in that situation because in a world where radical rogue nations are potentially going to be a part of that equation, I think it is vital that we continue in the direction of developing that.

And I thank all of you for your efforts in that regard.

I yield back, Mr. Chairman. Thank you.

The CHAIRMAN. I thank the gentleman.

Ms. Bordallo, the gentlelady from Guam.

Ms. BORDALLO. Thank you very much, Mr. Chairman.

Secretary Gregson, I appreciate working with you on the Guam issues and look forward to your answers today.

Mr. Shear, thank you for appearing before the committee.

Finally, Admiral Willard, thank you, and I look forward to working with you as our new PACOM commander.

As you all may know, I co-chair the China Caucus with my colleague, Congressman Forbes, and I have several questions regarding recent security developments in China and how it affects our posture in the Asia-Pacific region.

Secretary Gregson, it seems that China wants to continue becoming a global power that has serious force projection capabilities. On his most recent Asia trip, President Obama stated that the United States is and will remain a Pacific power. In that vein, how does the realignment of military forces in Japan and to Guam play in the balance of power in the Pacific? If we are to remain a Pacific power, what other enhancements of our current military and civilian capabilities are needed to maintain a robust posture in the Asia Pacific area?

Secretary GREGSON. Thank you for the question.

Secretary Gates has remarked often that there is sovereign U.S. territory in the Pacific, Alaska, Hawaii and Guam, and with the help, vital help, from Japan, we are increasing, as you know, our air, naval, and marine presence in Guam. This will also enable the continuous or near-continuous presence of Japanese and other allied and friendly forces for training with the United States and better position us for continued engagement, not only throughout Southeast Asia and the Indian Ocean but also into the area involving the compact states and our other territories in the mid-Pacific. I think this will allow us to continue to develop capabilities and to continue to develop relationships across a region that will contribute to peace, stability, and prosperity throughout the area.

Ms. BORDALLO. Thank you.

My final question is for Admiral Willard.

The 2009 report to Congress from the U.S.-China Economic and Security Review Commission made a very intriguing and a stark finding, and that is China's development of anti-ship cruise missiles. The report states that, "According to the U.S. Department of Defense, this missile will have a likely range of 1,500 kilometers, be armed with maneuverable warheads, and is intended to deny regional access to surface ships of the opposing side. When combined with appropriate surveillance and targeting systems, this missile could have the potential to destroy or disable aircraft carriers and their associated battle groups while in transit."

Now I am concerned by this finding and would like to explore our deterrent capabilities in the Pacific to respond to this growing tactical threat by the Chinese. What types of deterrents are in place on our surface fleet to combat this tactical weapon? What impact would this weapon system have on our ability to project our naval power in China, such as port visits to Hong Kong?

Admiral WILLARD. Thank you, ma'am, for the question.

I would offer that the Chinese have developed a ballistic missile with extended-range capabilities that we believe is intended to counter surface ships. They have also developed extended-range cruise missiles, as you suggest, for launch from their surface ships and from their submarines as part of a broader anti-access strategy.

All of these developments, capability developments, and the capacities that they are fielding, have led to concerns both on the part of the United States and on the part of the region with regard to what they are there for and their intended use.

In the case of—you bring up deterrents, there is a responsibility that we bear to the region, writ large, to extend deterrence throughout the region to prevent wars from happening, to prevent future contingencies from occurring. We have been very successful, I would offer, for many decades now in accomplishing that.

That is by and large accomplished through our presence and posture in the region, and that is unchanged. Regardless of these developments, capabilities, developments that you describe, we maintain a presence on the waters in the region as we have for a century and a half, and we intend to stay.

We think that the extended deterrence that the United States offers to our allies and partners in the region, our presence to ensure security in the sea lines of communication and air lines of communication in this part of the world, are vital to our Nation's security as well as to our Nation's economy and the economies of our partners and allies.

Ms. BORDALLO. Thank you, Admiral.

And I yield back. I thank the chairman.

The CHAIRMAN. I thank the gentlelady.

Mr. McIntyre.

Mr. MCINTYRE. Thank you, Mr. Chairman.

Thank you, gentlemen, for being here today. Because I was tied up in another matter, I got here a little bit later. I want to ask about something just for clarification.

I know in December of a year ago, China began to provide its naval vessels to protect the commercial ships navigating in the Gulf of Aden from the Somali pirate attacks. Do you characterize this as a positive development with regard to U.S.-Chinese cooperation? And are they willing and are currently working with the United States in cooperation vis-à-vis dealing with these pirates?

Admiral WILLARD. I would, from the PACOM perspective, we view it as a very positive development. It is a demonstration of the PRC's willingness to utilize their military capability in a way that is contributing to other nations, to the international betterment of security in that particular region of the world.

They began those operations operating outside of the international regime that was put in place to coordinate the efforts by the many nations that are contributing to the anti-piracy effort over the years. Now that this has been occurring, I would offer that the PRC has grown closer to those regimes and to the extent that there is a line of communication that has been developed and a level of information sharing that is both contributing to their oper-

ations and also contributing to the operations of the combined task force that is engaged in counter-piracy.

To both your questions, yes, it is positive. And yes, they have grown closer to cooperating, not just with the United States, but with the international effort that is often foreign-led in the Gulf of Aden.

Secretary GREGSON. I concur completely with the Admiral.

The freedom of navigation, freedom of the seas, freedom of navigation, freedom of innocent commerce, freedom of innocent passage is vitally important to both the United States and China as well as the rest of the world, particularly considering the Gulf of Aden and where it sits across the lines of communication that are vital to energy supplies moving around the world.

The Chinese over time, as the Admiral stated, are increasingly coming to understand and to appreciate the norms of cooperation that have been established in an international task force out there. While they still cannot for their own political reasons join the international task force, they are operating "in cooperation with" the task force. And informal lines of communication and cooperation are growing, and we see this as overall a very positive development.

Mr. MCINTYRE. Thank you.

With the very limited time, let me change to another subject.

Admiral, do you believe that we are building enough ships to counter the continual buildup of ships by the Chinese in their naval fleet in the Pacific? Do you feel like we are keeping the pace as we need to, or that there needs to be a stronger buildup of the American fleet?

Admiral WILLARD. I would speak for Pacific Command and our ability to contend with the security issues within my area of responsibility, and I believe I can do that. I think that the importance of maintaining our industrial base and continuing to recapitalize our surface fleet in the Navy is critically important and that, as the Pacific commander, it is critically important to me that my naval component contribute the level of combat power that I require for the joint operations that we conduct.

Mr. MCINTYRE. The question is, do we have enough ships to do that? Or do you feel like we are on course to maintain the level of the number of ships we need to do that?

Admiral WILLARD. I am satisfied with the current budget and shipbuilding level of effort that we are pursuing in the United States Navy to produce the ships that I require to accomplish my mission in the Pacific.

Mr. MCINTYRE. Beyond the number of ships, do you feel like, or if in fact there becomes a problem with the number of ships, do you feel like we still have the capability otherwise to effectively counter the Chinese buildup?

Admiral WILLARD. The short answer is yes. Currently, the U.S. Pacific Command is contributing nearly 30,000 troops to the Middle East, and certainly force structure to the two wars that are currently ongoing in our Nation. And as we determine our abilities to meet our obligations throughout the Pacific to include the potential for future contingencies in the Western Pacific, I have to evaluate the associated risks with that force structure commitment to our

two wars and what mitigations I am obligated to put into place to ensure that I can perform my mission. And, yes, I believe I can do that.

Mr. MCINTYRE. We want to support you in that. Thank you, Mr. Chairman.

The CHAIRMAN. I thank the gentleman from North Carolina.

The last question I would address to Secretary Gregson. In light of the Google news this morning and other recent attacks against American Government sites, how are we addressing the increase in the cyber attacks from China?

Secretary GREGSON. I think it is not only increased cyber attacks from China that the United States faces, but increased cyber attacks from a number of places, including nonstate actors, everybody with access to the necessary——

The CHAIRMAN. I understand that. I am asking about China.

Secretary GREGSON. Among other things, we are standing up a Cyber Command as a sub-unified command of Strategic Command (STRATCOM). We have a number of security procedures that have been put in place over the years throughout the Department of Defense to protect our proprietary networks. And we continue to research ways where we can enhance our defenses in the future. This is an ever-evolving threat and we take it very seriously.

The CHAIRMAN. Secretary Shear, do you have any comments?

Mr. SHEAR. Cyber security is a national priority for this Administration. Shortly after taking office, the President directed that the National Security Council and the National Homeland Security Council conduct a top-to-bottom review of our cyber security efforts. The results of that review were published in May. We are in the process of implementing those. We are particularly concerned, particularly after the Google affair, about Chinese efforts. We will be raising this with the Chinese, and we take it very seriously.

The CHAIRMAN. Secretary Gregson, in open session can you tell us what the jurisdiction of the Cyber Command is?

Secretary GREGSON. I would like to take that for the record, Mr. Chairman.

[The information referred to can be found in the Appendix beginning on page 83.]

The CHAIRMAN. Thank you very much.

I certainly thank the witnesses today. I think this is the first hearing on China per se that we have had in this Congress, and you have done very, very well.

Admiral Willard, thank you, Secretary Gregson, Secretary Shear. It is certainly good for you to be with us, and look forward to seeing you again. The very best to you.

[Whereupon, at 12:03 p.m., the committee was adjourned.]

A P P E N D I X

JANUARY 13, 2010

PREPARED STATEMENTS SUBMITTED FOR THE RECORD

JANUARY 13, 2010

House Armed Services Committee

Chairman Ike Skelton

Opening Statement

China: Recent Security Developments

January 13, 2010

Good morning. Today we have with us Admiral Robert Willard, Commander of the U.S. Pacific Command; the Honorable Chip Gregson, Assistant Secretary of Defense for Asian and Pacific Security Affairs; and David Shear, Deputy Assistant Secretary of State for East Asian and Pacific Affairs. Welcome gentlemen, to your first hearing before this committee. We're pleased you could join us today to testify on recent security developments involving China. This is a very important and timely hearing.

I've stressed for some time now the critical significance of developments in China to our national security. In recent years, while we've been heavily focused on events in the Middle East and South Asia, China's influence has grown in Asia and beyond.

I'm pleased that the Obama Administration has prioritized the U.S.-China security relationship, and was encouraged by the Joint Statement that resulted from the President's recent visit to China. I welcome the Administration's efforts to increase U.S.-China security cooperation in areas of common interest ranging from counter-terrorism and nonproliferation to energy security.

We must work together with China for the settlement of conflicts and reduction of tensions that contribute to global and regional instability, including the denuclearization of the Korean Peninsula, the Iranian nuclear issue, and the situation in South Asia. I particularly welcome the Administration's support for increasing military-to-military contacts. I've long viewed such contacts as an essential part of efforts to promote understanding, build trust, prevent conflict, and foster cooperation. Given my own visits to China in recent years, I know how important these relationships are.

Looking back at U.S.-China security cooperation under the previous Administration, there were some positive steps. But there is still much progress to be achieved. And the new Administration will continue to face plenty of challenges. I remain concerned by trends and ambiguities regarding China's military modernization, including China's missile buildup across from Taiwan and the steady increase of China's power projection capabilities.

Moreover, China's military budget continues a trend of double-digit increases, at a time when China provides more and more of the loans that support the American economy. China's transparency on defense matters is still limited. And questions remain regarding China's strategic intentions. This was highlighted just days ago, following China's concerning missile intercept event.

At the same time, the reduction of tensions across the Taiwan Strait is a positive development and I hope to see further progress in this area, including meaningful action by China to reduce its military presence directly opposite Taiwan. I am also encouraged by China's recent involvement in counter-piracy operations in the Gulf of Aden. This demonstrates a responsible use of China's military power, in line with its international responsibilities, of which I hope to see more.

I continue to believe China is not necessarily destined to be a threat to the United States. But there are trends and ambiguities that concern us. And I continue to believe that the United States must demonstrate our own interests in the Asia-Pacific region including our ability to project power effectively there. At the same time, we must also acknowledge China's limitations and recognize that China's choices may well be shaped by our own actions.

So I look forward to hearing from our witnesses about the actions that DOD and the Department of State are undertaking, and hope they will help us better understand recent security developments involving China. I also look forward to receiving the 2010 DOD annual report on this subject, which is due to the committee this March.

House Armed Services Committee

Howard P. "Buck" McKeon

Opening Statement

China: Recent Security Developments

January 13, 2010

Thank you to the Chairman, Ike Skelton, for holding today's hearing on recent security developments involving the People's Republic of China. Today is our first opportunity to examine the Administration's policy toward China and how such a policy is aligned with our overall approach to the region. This hearing also gives us a forum to better understand China's military buildup and activities where they are expanding their areas of influence around the globe—all of which have serious implications for the strategic posture of the United States.

I would like to welcome our witnesses—Mr. Gregson, the Assistant Secretary of Defense for Asian and Pacific Security Affairs; Admiral Willard, Commander of U.S. Pacific Command; and Mr. Shear, Deputy Assistant Secretary for East Asian and Pacific Affairs at the State Department. We look forward to your testimony and a candid discussion.

As I review our policy toward China, it is my understanding that President Obama's team may follow an approach of 'strategic assurance' as put forward by Deputy Secretary of State James Steinberg. This strategy is based on the belief that China cannot be contained and therefore we—America and the international community—must accept its rise to power. In return, we seek China's 'reassurance' that its stature will not come at the expense or security of other nations.

For example, strategic assurance may be demonstrated, in part, via China's cooperation with the United States and other nations on matters of shared interests. In particular, within the last year we have worked together in our handling of the global financial crisis, countering piracy off the east coast of Africa, and isolating North Korea for its persistent and aggressive nuclear and missile tests.

While these are positive steps in our relationship, we cannot ignore the reality that China still falls short in the column of reassurance. Actions speak louder than words. Here are but a few examples:

First, on Monday, China demonstrated its resolve to expand its strategic capabilities with a missile defense test. As of yesterday, we heard from the Pentagon that this test was conducted without advanced notification to the United States. What are China's intentions for employing a missile intercept system? Once again, we are left in the dark to question China's commitment to transparency and cooperation. More concerning, this test comes at a time of tension over our arms sales to Taiwan. Is this test intended as an aggressive signal?

Second, according to the latest U.S.-China Economic and Security Commission Report, 'there has been a marked increase in cyber intrusions originating in China and targeting U.S. government and defense-related computer systems'—an activity that could potentially disrupt U.S. commercial and banking systems, as well as compromise sensitive defense and military data.

Third, in March 2009, PLA-Navy ships behaved in an aggressive manner towards the USNS *Impeccable.* Despite China's assertion of its rights within its maritime Exclusive Economic Zone, this incident illustrates its willingness to violate international law and reflects increasing risks of China's expanding military operations in areas where U.S. forces routinely operate.

Independently, these examples are each a cause of concern but more so when seen under an umbrella of marked uncertainty surrounding China's future course in terms of its military and security ambitions.

I would like to now turn to the neighborhood in which China resides. This brings me to the President's recent trip to Asia. While some see the U.S.-China Joint Statement as a significant accomplishment, from my view, we were merely left with a 'laundry list' of issues that need to be worked out.

Furthermore, I am deeply concerned with the message we sent to our partners in the region. From Australia to India, the trip raised questions about who had the upper hand in the U.S-China relationship. At a time when we should be focused on reaffirming our commitment to the region we left many doubting the depth and breadth of American power and influence. For example, in its 2009 Defense White Paper, the Government of Australia states: 'We also need to consider the circumstances of a more dramatic and, in defense planning terms,

sudden deterioration in our strategic outlook. While currently unlikely, a transformation of major power relations in the Asia-Pacific region would have a profound effect on our strategic circumstances. Of particular concern would be any diminution in the willingness or capacity of the United States to act as a stabilizing force.' I hope each of you will give concrete examples of what we are doing to alleviate these doubts.

Finally, in just a few weeks, the Department of Defense will submit its 2010 Quadrennial Defense Review (QDR) to Congress. Shortly afterwards we will receive the Nuclear Posture Review (NPR). In the 2006 QDR, the Pentagon noted that China was at a strategic crossroads and that it had the 'greatest potential to compete militarily with the United States.' In its 2009 Annual Report to Congress on China's military power, the Department maintained that the pace and scope of China's military transformation continue to increase, fueled by the acquisition of advanced foreign weapons. Also similar to years' past, it noted that China continues to develop and field disruptive technologies, including those for anti-access and area denial, as well as for nuclear, space, and cyber warfare.

When we receive the QDR, I will be looking closely at any changes to the Department's assessment of China. My fear is that we will downgrade the China threat in an attempt to justify last year's and future cuts to key defense programs. If the conclusion is the same as it was in 2006, then I expect the President's budget to invest in the necessary capabilities to execute our contingency plans in Asia. This is the type of strategic reassurance our allies need and is the key to stability in Asia. With respect to the NPR, we must be cognizant that any additional reductions in our strategic capabilities, will only invite China to seek strategic parity with the United States.

In closing, today we will hear much about the need for candid dialogue and improved engagement with China. As you know we made changes to the Pentagon's annual report on China's military power in this year's defense bill to focus on those areas. While I believe that coming to the table is vital to avoiding misunderstanding and miscalculation, we must be mindful that it takes two to make a relationship work and that our priority focus must always be on protecting America's national security interests.

Statement for the Record
House Armed Services Committee
January 13, 20010

I would like to thank Chairman Skelton for holding today's hearing on recent security developments involving the People's Republic of China. I would also like to thank Admiral Willard, Secretary Gregson, and Secretary Shear for appearing before the Committee.

It is clear the United States fully intends to engage with many countries in the Asia Pacific region. This is perhaps no better exemplified than by President Obama's statement that he will be America's first Pacific President.

Any sense of triumphalism from elements in some Asian countries that misreads current US economic issues as a sign of our decline in Asia is severely misplaced. The United States has no intention of leaving the region and every intention of continuing to lead in the Asia-Pacific through engagement with allies, partners and friends.

2009 was an extremely important year for the US-China relationship. In 2009, there was no other country in the world that the U.S. engaged with more than China – and for good reason. As the world's largest developed country and the world's largest developing country, it is critical that the U.S. and China work together to solve many issues facing the region and world.

However, China continues to act in a way that creates tension and strategic uncertainty in our relationship. In 2007, China shocked the world with an unannounced Anti-Satellite Test, and earlier this week the PLA unexpectedly tested a ground-based mid-course missile interception technology. This missile test creates significant questions for the United States and our allies in the region. Most major countries alert the international community when conducting similar missile tests, but China chose not to do so. Frankly, this is not how a responsible stakeholder should behave.

One of the key planks of a successful US-China relationship is an advanced, sustained and reliable military to military relationship. If ever there was a time for openness, transparency and military-to-military dialogue, now is it. In this regard, I was happy to see both the US and China commit take concrete steps to improve mil-to-mil during the President's trip to China in November.

Beyond military-to-military contact, cooperation between the U.S. and China is essential on counter-terrorism, North Korea (DPRK), anti-piracy and many other issues. China must step up to address these challenges not only because it wants to be viewed as a responsible international power, but also because it is in China's own national interest to do so.

China's public statement following North Korea's nuclear test and subsequent vote at the United Nations for sanctions is its strongest condemnation of the DPRK to date. We must continue to work together to denuclearize the Korean peninsula.

Additionally, China's decision to send naval ships to the Gulf of Aden to help in the fight against piracy was an important indication of its willingness to work with other nations for mutually beneficial purposes. China appears committed to continuing to deploy their naval vessels outside of the Pacific in the future, as a PLA-N Admiral has recently discussed China's desire to establish refueling and supply centers in the Middle East.

Finally, there has been a lot of attention placed on China and Cyber-Security. According to the U.S.-China Economic and Security Review Commission's annual report, "China has been heavily involved in conducting human and cyber espionage against the United States...This malicious activity has the potential to destroy critical infrastructure, disrupt commerce and banking systems, and compromise sensitive defense and military data."

At the same time, China's economic systems and infrastructure are becoming increasingly dependent on the internet and face some of the same consequences we do from uncontrolled cyber-attacks and cyber-crime. The U.S. and China must begin a high level dialogue on cyber issues soon to ensure that Cyber-Security issues do not escalate further and damage our relationship.

Thank you for the opportunity to submit this statement for the record. I look forward to participating in the hearing today.

STATEMENT OF

ADMIRAL ROBERT F. WILLARD, UNITED STATES NAVY

COMMANDER

UNITED STATES PACIFIC COMMAND

BEFORE THE HOUSE ARMED SERVICES COMMITTEE

ON RECENT SECURITY DEVELOPMENTS INVOLVING CHINA

JANUARY 13, 2010

STATEMENT OF
ADMIRAL ROBERT F. WILLARD, UNITED STATES NAVY
COMMANDER
UNITED STATES PACIFIC COMMAND
BEFORE THE HOUSE ARMED SERVICES COMMITTEE
WEDNESDAY, JANUARY 13, 2010

Chairman Skelton, Representative McKeon and Members of this Committee,

I have now been in command of the U.S. Pacific Command for about three months, and although I may be new to U.S. Pacific Command, I have commanded extensively in the Asia Pacific Region. Consequently, during my 36 years of service I have developed a great respect for this part of the world and believe that now, more than ever, it is vital to our nation's security interests and economic prosperity.

In previous tours as now, the emergence of the Peoples' Republic of China (PRC) and its military has been a routine topic of discussion in my interactions with regional leaders. China's national strategy remains primarily focused on economic development. Such an approach emphasizes domestic stability and the international conditions that will support economic growth. Today, despite the pressures of a global recession, its powerful economic engine is also funding a military modernization program that has raised concerns in the region - a concern also shared by the U.S. Pacific Command. China's interest in a peaceful and stable environment that will support the country's developmental goals is difficult to reconcile with new military capabilities that appear designed to challenge U.S.

freedom of action in the region and, if necessary, enforce China's influence over its neighbors - including our regional allies and partners.

The PRC's stated goals of a defense-oriented military capability contributing to a "peaceful and harmonious" Asia appear incompatible with the extent of sophisticated weaponry China produces today. Reconciling these two can only occur through continuous, frank conversations and mutual actions within a strong and mature military-to-military relationship – a relationship that does not yet exist with the People's Liberation Army (PLA). Until it does and it is determined that China's intent is indeed benign, it is critical that we maintain the readiness of our postured forces; continually reinforce our commitment to our allies and partners in the region; and meet each challenge by the PRC in a professional manner that is consistent with international law.

People's Liberation Army (PLA) Modernization

China has continued an aggressive program of military modernization with the supporting doctrine and professionalized military to successfully achieve campaign objectives across a broad spectrum of operations. This program of modernization has been supported by a military budget that has grown annually by double digits over the last decade. While PRC leaders have consistently characterized such developments as defensive in nature, the scope of modernization, the extensive commitment to advanced training, the development of robust power projection capabilities and most importantly, Beijing's lack of transparency call such assertions into question.

The PLA has placed increasing emphasis on attracting and retaining a professional cadre of officers and non-commissioned officers. Incentives include advanced training and education, as well as housing and post-service employment preferences that should lead to a more motivated, better trained and professional military capable of conducting a broader range of combined arms missions.

China continues to develop anti-access systems capable of holding air and maritime forces at risk at extended distances from the Chinese littoral. The PLA Navy (PLAN) is continuing to develop a "Blue Water" capability that includes the ability to surge surface combatants and submarines at extended distances from the mainland. The force strength in 2009 consisted of approximately 27 destroyers, 48 frigates, more than 70 missile-armed patrol craft, 55 amphibious ships, 40 mine warfare ships, and 50 major auxiliaries and service/support craft. Modernization programs have included development of sophisticated shipboard air defense systems as well as supersonic sea-skimming anti-ship cruise missiles.

Chinese leaders are pursuing an aircraft carrier capability. In 1998 China purchased an incomplete former Soviet *KUZNETSOV* class aircraft carrier, which began renovations in 2002 at its shipyard in Dalian. I expect this carrier to become operational around 2012, and will likely be used to develop basic carrier skills.

China continues to field the largest conventional submarine force in the world totaling more than 60 boats. This force is complemented by a number of nuclear powered fast attack and ballistic missile submarines. China is also

developing a new submarine launched ballistic missile, the JL-2, capable of ranging the west coast of the United States.

China fields a growing number of sophisticated multi-role fighter aircraft, including the SU-27 and SU-30 purchased from Russia and indigenously produced 4th generation aircraft. The PLA Air Force (PLAAF) and Naval air forces have continued to focus on improving pilot and controller proficiencies in complex, multi-plane combat scenarios, including operations over water. The PLA has focused considerable effort on building up its air-to-air and anti-air capabilities and has deployed an increasing number of upgraded Russian SA-20 PMU 2 long range surface-to-air missile systems along the Taiwan Strait. China has also developed an anti-ship ballistic missile based on the DF-21 designed specifically to target aircraft carriers.

Until recently, "jointness" in the PLA meant that different services operated toward a common goal in a joint or combined campaign with operations separated by time and distance. However, years of observing U.S. military operations and modern warfare campaigns have convinced PLA leadership of the need for greater integration between services to include enhanced joint operations at the tactical level. Additionally, the PLA has placed increased emphasis on training in more demanding conditions, such as electromagnetic jamming environments.

China's Strategic Capabilities

China maintains a nuclear force capable of ranging most of the world, including the continental United States. This capability has been enhanced through the development of increasingly sophisticated road mobile delivery systems as well as the development of the *JIN* class ballistic missile submarine. Despite assertions that China opposes the weaponization of space, the PLA is developing an anti-satellite capability that was dramatically demonstrated in January 2007 when China intentionally destroyed one of its own weather satellites with a direct ascent missile.

U.S. military and government networks and computer systems continue to be the target of intrusions that appear to have originated from within the PRC. Although most intrusions focus on exfiltrating data, the skills being demonstrated would also apply to wartime computer network attacks.

China's Ongoing "Sovereignty" Campaigns

Beijing remains committed to eventual unification with Taiwan, and has not ruled out the use of force to achieve that goal. In fact, Beijing's continued military advancements exacerbate the already considerable cross-Strait combat power imbalance that exists today. The Taiwan Relations Act requires the United States "to provide Taiwan with arms of a defensive character and to maintain the capacity of the United States to resist any resort to force or other forms of coercion that would jeopardize the security, or the social or economic system, of the people on Taiwan." At the United States Pacific Command, we are fulfilling these obligations on a daily basis.

Motivated by a need for indigenous natural resources and consolidation of self-proclaimed sovereignty limits, the PRC has reinforced its claims to most of the South China Sea (SCS), including the contested Spratly and Paracel Islands. Consequently, the PLAN has increased its patrols throughout the SCS region and has shown an increased willingness to confront regional nations on the high seas and within the contested island chains. Additionally, China lays claim to the Senkakus, contested by Japan, and contests areas on its border with India.

As an integral part of its strategy, the PRC has interpreted certain international law in ways contrary to international norms, such as the UN Convention for Law of the Sea (UNCLOS), and has passed domestic laws that further reinforce its sovereignty claims.

U.S./China Military Relationship and Security Cooperation

U.S. Pacific Command maintains a program of military activities with the PLA, highlighted by exchanges of visits by senior leaders from both sides last year. During his visit to Washington DC in November, General XU Caihou, Vice Chairman of the Central Military Commission, agreed with Secretary Gates to further develop the military aspect of the US-China relationship. As the primary implementation authority for military-to-military relations with China, U.S. Pacific Command looks forward to working with the PLA on concrete and practical measures to strengthen our military relationship. These measures include senior leader visits, humanitarian assistance and disaster relief exercise observer exchanges, a naval passing exercise, a military medical exchange, and continued

POW/MIA accounting. The PLA leadership has also shown a willingness to expand military engagement to areas such as counterterrorism, counter-piracy, maritime safety, and non-proliferation.

As the Executive Agent for the U.S./PRC Military Maritime Consultative Agreement (MMCA), U.S. Pacific Command co-led senior leader bilateral MMCA discussions last summer in Beijing. The MMCA forum was initiated in 1998 and is intended to improve safety for airmen and sailors when our nations' vessels and aircraft operate in proximity to one another. During the December 2009 Defense Policy Coordination Talks held in Honolulu, both sides agreed to reinvigorate the MMCA as a viable diplomatic tool through which we can manage issues related to maritime and air safety. We are presently in consultations to set the specific dates and topics for the next Plenary MMCA, which will be held in Hawaii.

China's mandate for protecting its Sea Lines of Communications (SLOCs), which support its flows of energy and other commerce, as well as its resources within its Exclusive Economic Zone (EEZ), has created both challenges and opportunities. The challenges have been exemplified by the occasional confrontations between Chinese maritime forces and foreign mariners in the SCS, including the aggressive harassment of USNS IMPECCABLE in March 2009. On the other hand, security of the SLOCs should be regarded as an area of common interest for regional navies, including the U.S. and Chinese navies, and may be an opportunity for increased military-to-military cooperation.

Leaders in Beijing have consistently characterized China's nuclear weapons program as based on the tenets of deterrence and no-first use. They have also stated their opposition to a nuclear-armed Korean peninsula and proliferation of WMD. These positions have provided a foundation for continued U.S. and PRC cooperation within the framework of the Six Party Talks and on United Nations Security Council Resolutions 1718 and 1874 addressing the North Korean nuclear weapons and ballistic missile programs and seeking to prevent North Korean weapon proliferation.

The Joint POW/MIA Accounting Command's (JPAC) efforts in China have been a positive aspect of the relationship. Investigations and recovery missions have been successful and to date PLA unilateral suspensions of military-to-military activities have not impacted ongoing JPAC missions. Current plans include missions to China in August and September 2010.

Defense Telephone Link

Historically, communications between U.S. and PRC military leadership during times of crisis have rarely occurred. Provisions for a US/PRC Defense Telephone Link (DTL) were initially discussed in 1997 and formally agreed to in February 2008 with installation complete in March 2008. The Defense Telephone Link enables the Secretary of Defense and other senior leaders to communicate directly and securely with their counterparts in the PLA. My predecessor, Admiral Keating, used the DTL to communicate with General MA Xiaotian in May 2008 regarding earthquake relief assistance. This successful communication

notwithstanding, use of this important tool for crisis coordination has not been regularized, a problem in our common interest to improve.

Section 1201 of the FY 2000 National Defense Authorization Act (NDAA)

The FY2000 NDAA is included in a list of four issues that the Chinese government believes obstructs the normal development of our military relations: U.S. Taiwan military relations including arms sales, U.S. air and maritime operations in China's EEZ, and the FY2000 NDAA requirement that the Department of Defense provide to Congress an "Annual Report on the Military Power of the PRC." The Chinese say that the FY 2000 NDAA hinders US/PRC goals for the stable development of military relations by legally restricting engagement to specified areas. However, as Secretary Gates has said, "no exchanges today approach the point where the provisions would prohibit the activity." I agree with the Secretary.

In Closing

As one views across the whole-of-government, one easily sees how complex our nation's relationship with China has become. It is clearly in both nations' interest and the Asia Pacific region's interests to manage these complexities and to develop a relationship with China that is constructive in every way. At U.S. Pacific Command our goal is to support this relationship by identifying opportunities that allow us to work more closely with China, while also encouraging her to reconcile strategic intent with the increasingly sophisticated combat capabilities being developed by the PLA and its periodic

actions that are seen by the region as unconstructive and contrary to international norms. Congress can assist by maintaining a focus not only on China, but on the growing importance of the Asia Pacific Region as a whole to our nation and to our global partners. Our messages during engagements with Chinese leadership must be consistent and invoke our nation's principles and values. I offer my staff's direct support to you during your travels to the region and invite you to stop in Honolulu and visit U.S. Pacific Command on your way to or from the AOR.

Finally, I would like to thank this Committee for the strong support you provide to the men and women of the United States Military. Despite being involved in two wars, our retention and recruiting rates continue to be strong, which is a reflection of the quality of life initiatives supported by you and the American people. On behalf of the more than 300,000 men and women of U.S. Pacific Command, please accept our sincere appreciation for the work you do for us and our great nation.

Thank you.

Robert F. Willard, USN
Commander, U.S. Pacific Command

Adm. Robert F. Willard is the Commander, U.S. Pacific Command, Camp H.M. Smith, Hawaii.

Admiral Robert F. Willard is a Los Angeles native and a 1973 graduate of the United States Naval Academy. He has a Master's Degree in Engineering Management from Old Dominion University and is an MIT Seminar XXI alumnus.

An F-14 aviator, Willard served in a variety of west coast fighter squadrons; VF-24, VF-124, VF-2, and VF-51 aboard the aircraft carriers USS Constellation, USS Ranger, USS Kitty Hawk and USS Carl Vinson. He was Operations Officer and Executive Officer of Navy Fighter Weapons School (TOPGUN) and aerial coordinator for the movie. He later commanded the "Screaming Eagles" of Fighter Squadron 51.

Following nuclear-power training, Willard served as Executive Officer of USS Carl Vinson (CVN 70), commanded the amphibious flagship USS Tripoli (LPH 10) in the Persian Gulf during "Operation Vigilant Warrior" for which Tripoli received a Navy Unit Commendation and commanded the aircraft carrier USS Abraham Lincoln (CVN 72).

As a Flag Officer, Willard twice served on the Joint Staff, was Deputy and Chief of Staff for U.S. Pacific Fleet at Pearl Harbor, Hawai'i, commanded Carrier Group Five aboard USS Kitty Hawk (CV 63) and commanded the U.S. Seventh Fleet in Yokosuka, Japan. In March 2005, Willard became the 34th Vice Chief of Naval Operations; in May 2007, he assumed command of the U.S. Pacific Fleet; and on October 19, 2009, he became the Commander, U.S. Pacific Command, Camp H.M. Smith, Hawai'i.

Admiral Willard's decorations include the Defense Distinguished Service Medal, Distinguished Service Medal, Legion of Merit and various other awards.

"CHINA: MILITARY AND SECURITY DEVELOPMENTS"

PREPARED STATEMENT OF
THE HONORABLE WALLACE C. GREGSON
ASSISTANT SECRETARY OF DEFENSE
FOR ASIAN AND PACIFIC SECURITY AFFAIRS

TESTIMONY BEFORE THE HOUSE ARMED SERVICES COMMITTEE

WEDNESDAY, JANUARY 13, 2010, 1000-1200

Mr. Chairman, I would like to thank you for the opportunity to appear before this Committee and to speak about recent military and security developments in the People's Republic of China (PRC), an issue of continuing significance for U.S. foreign and defense policy in the Asia-Pacific region and beyond. Since the Committee's last hearing on this topic, in June 2008, we have witnessed several significant developments – some positive, others troubling – many of which were documented in the 2009 edition of the Secretary of Defense's annual report on *Military Power of the People's Republic of China*. Although this report will form the backdrop for much of my testimony this morning, I would note that this hearing will also provide an opportunity to speak to several important developments that have occurred in the intervening months and that are informing our efforts as we prepare the first edition of the Secretary of Defense's annual report on *Military and Security Developments Related to the People's Republic of China* that is due to Congress in March of this year.

In his July 27, 2009 speech before the opening session of the U.S.-China Strategic and Economic Dialogue, President Obama observed that the "relationship between the United States and China will shape the 21st century, which makes it as important as any bilateral relationship in the world." Accordingly, the United States has committed itself to the pursuit of a relationship with China that is positive, cooperative, and comprehensive – an aspiration that was re-affirmed in the U.S.-China Joint Statement on November 17, 2009.

The President and Secretary of Defense recognize that sustainable and reliable U.S.-China military-to-military ties are an important component of the overall bilateral U.S.-China relationship and have committed, with PRC President Hu Jintao and Central Military Commission Vice Chairman General Xu Caihou, to work to develop further and improve our contacts and interactions in this area.

From our perspective, we believe that the complexity of the security environment, both in the Asia-Pacific region and globally, calls for a continuous dialogue between the armed forces of the United States and China, at all levels, to expand practical cooperation where our national interests converge and to discuss candidly those areas where we have disagreement. It is especially important during periods of friction and turbulence.

By building cooperative capacity, fostering institutional understanding, and developing common views on the international security environment and related security challenges, the U.S. and Chinese militaries will be better positioned to seize opportunities for cooperation, improve our mechanisms for communication, and reduce the risk of incidents or accidents between our military forces when they operate near each other.

Uncertainty over China's Strategic Intentions and International Role

As President Obama has said, "we can't predict with certainty what the future will bring, but we can be certain about the issues that will define our times." China's growing presence and influence on economic and security questions of regional and global consequence has become one of these defining issues. Indeed, China has made substantial progress over the past thirty years in raising national incomes and in achieving higher living standards for the Chinese people. We respect and applaud this achievement of historical importance. The United States has done much to encourage and facilitate China's development and prosperity though its engagement with the international community. The United States welcomes a strong, prosperous, and successful China

that plays a greater and more responsible role in world affairs. Yet at the same time, we have been watching carefully as China has also embarked on a comprehensive effort to translate its increasing economic capacity into military power.

To understand military and security developments related to the People's Republic of China, we must recognize that the relationship the United States has with China is a complex one: it has elements of cooperation as well as competition, opportunities, as well as challenges.

For example, some of China's emerging military capabilities have allowed it to contribute cooperatively in the delivery of international public goods, from peacekeeping and counter-piracy, to humanitarian assistance and disaster relief. There are other capabilities China is developing that are destabilizing to regional military balances, that could restrict access to the maritime, air, space, and cyberspace domains, or that could enable China to exercise military aggression or coercion against it neighbors. China's growing capabilities also entail greater responsibility, and we remain concerned over the relative lack of transparency from China into the military capabilities it is acquiring, the intentions that motivate those acquisitions, and the resources dedicated to the task. It is this multi-faceted picture of military and security developments in China that I will focus on for the rest of my prepared remarks this morning.

Opportunities and Challenges in U.S.-China Security Developments

In speaking of U.S.-China relations, President Obama has said that "our ability to partner is a prerequisite for progress on many of the most pressing global challenges." The Department of Defense and other parts of the U.S. Government are investing in an expanded suite of mechanisms for dialogue and consultation with the People's Republic of China, such as the State and Treasury-led Strategic and Economic Dialogue, an enhanced program for military-to-military exchange, DoD's Defense Consultative Talks,

and an invigorated Military Maritime Consultative Agreement process to manage maritime safety issues between our two armed forces.

We continue to see some positive examples of cooperation and partnership. On North Korea, Iran, Afghanistan and Pakistan, and host of regional and transnational security issues, we are working well with Beijing and others in the international community. But we believe China can and should do more. I understand my colleague from the Department of State will address the Administration's perspective on these issues in greater detail; however, I would like to discuss a number of these each briefly.

With respect to North Korea, we see Pyongyang's nuclear test and missile launches as underscoring the need for vigorous implementation of UNSC resolution 1874, including irreversible steps by North Korea to completely eliminate its nuclear weapons programs. We are encouraged by China's positive role in organizing the Six-Party process, and we believe China must be part of the implementation of a solution. In the absence of concrete and irreversible action by North Korea to denuclearize, the U.S. will continue to take enhanced security measures with our allies in the region, which inevitably will have ramifications for the larger regional security dynamic.

On Iran, we are committed to the dual track strategy of engagement and pressure and have made a concerted effort over the past year at engagement. Iran's pursuit of nuclear weapons could have major consequences for the stability of the Middle East. Iran has failed to live up to its international obligations and thus we have no choice but to begin pursuing the pressure track. China's support in pressuring Iran will be key. We were able to work together with China and the P5+1 to pass the IAEA resolution in November censuring Iran. As we move forward, we expect that China will continue to stay in line with the views of the international community and support the dual track approach.

Finally, we see a role for China to play in realizing stability and security in Afghanistan and Pakistan. We appreciate China's continued engagement on Afghanistan, but Beijing can contribute further in the fields of development, reconstruction, and agriculture, and could provide a greater level of general assistance in the form of direct budget support to the Afghan Government or contributions to multi-donor trust funds. China has also provided important support for economic progress in Pakistan. However, the PLA could use its ties with its counterparts in Pakistan to enable greater focus on the extremists who use sanctuaries there to attack Afghanistan and the Pakistani government, and to train terrorists for attacks against targets in the United States, China, and Europe.

We have also seen a return to stability and progress in the U.S.-China military-to-military relationship over the past year, following China's decision to suspend a number of planned exchanges in response to the October 2008 U.S. announcement of arms sales to Taiwan.

It is inevitable that our military relationship will be a complex and difficult one to manage. We have different interests in Taiwan. Because of our different histories and philosophies, we view many issues through different prisms. China is a rising power that is seeking a larger place in the world and a stronger military as part of that large role. As China's international role expands, our two militaries will increasingly find themselves operating in the same space. We need to have sustainable and reliable communication channels to ensure that encounters do not lead to incidents or accidents. We need to ensure that China understands our interests and does not challenge them militarily, as we welcome its own increased international role in pursuit of its own national objectives in ways that do not conflict with international norms. The United States and China must find meaningful ways to define the terms of our defense relationship, not by the differences we have, but rather by the interests we share. We also require a more balanced and reciprocal footing to ensure stability and consistency in our exchanges, and to break the on-again/off-again cycle. Stability in the relationship is necessary to build

mutual trust and establish rules of the road that can prevent or least reduce the risk of accidents or incidents.

To build cooperative capacity, for example, we are looking to build upon the positive experiences of our two navies working in concert with the international community to combat piracy in the Gulf of Aden. The United States welcomed China's strategic decision to deploy its assets to the region, bringing China's capacities to bear in support of the international community's effort to address a common threat. China currently participates in escort operations, but does not appear willing to assist in other counter-piracy operations. However, at China's invitation, the Combined Maritime Force, located in Bahrain, met with PRC officials in December to discuss the mechanics of Shared Awareness and Deconfliction (SHADE) and how China could support SHADE's efforts in the Gulf.

There is still much more to be done. There are ways in which our two militaries can work together to find common ground, whether it is countering piracy in other parts of the world, supporting international peace operations, pursuing our shared commitment to non-proliferation, combating infectious disease, or delivering humanitarian assistance and disaster relief to those in need. During Secretary Gates' October 27, 2009 meeting with China's Central Military Commission Vice Chairman General Xu Caihou, the two sides agreed to concrete and practical measures for working together on some of these issues in the year ahead, such as by conducting a joint maritime search and rescue exercise, a disaster management exchange, and military medical subject matter expert exchanges.

Greater openness and transparency among nations leads to greater understanding, mutual trust, and stability in the international system. There are a great many opportunities ahead to expand reciprocal exchanges and cooperation, including those between mid-grade and junior officers, and among our institutions of professional

military education. To foster greater institutional understanding, the United States and China also need to find ways to sustain a comprehensive dialogue, even through periods of disagreement, based on open and substantive discussion of strategic issues. There is perhaps no area of greater importance in this regard than nuclear policy and strategy. Following a first round of talks on these issues in April 2008, China deferred continued discussion. Secretary Gates raised this matter with General Xu. General Chilton did likewise during General Xu's brief visit to U.S. Strategic Command. We are awaiting China's response.

High-level dialogues provide important platforms for building toward common views on the international security environment and related security challenges. During 2009, the visits to China by the U.S. Chief of Naval Operations and the U.S. Chief of Staff of the Army, in April and August, respectively, provided each side the opportunity to exchange views on current security challenges and explore new mechanisms to build relationships between our two militaries. The June 2009 Under Secretary of Defense for Policy-led U.S.-China Defense Consultative Talks and the December 2009 Deputy Assistant Secretary of Defense for East Asia-led U.S.-China Defense Policy Coordination Talks similarly served as platforms for the two sides to exchange views and explore avenues for cooperation across a diverse range of topics, including Iran, North Korea, piracy, and defense policy development.

As we continue to move forward and explore new areas for engagement with the PLA, we do so consistent with the provisions of Section 1201 of the *National Defense Authorization Act for Fiscal Year 2000*. Some have argued that these provisions should be changed. We do not believe that to be the case. There are many areas in which we can expand our exchanges that would not require revisions to the existing statute. U.S.-China military-to-military exchanges have not approached the point where the legal provisions would prohibit any activity in our mutual interest. Although our approach to these defense interactions complies with the law, it also makes for sound security policy,

balancing our interests. To engage the PLA without considering the inherent risk would be irresponsible. However, to avoid engagement altogether risks forfeiting opportunities to increase mutual understanding and lessen the chance for miscalculation, while also encouraging China's responsible behavior as an agent of positive influence on regional and global security affairs.

Despite our determination, as I mentioned earlier we remain troubled by China's continued lack of openness and transparency in military affairs. China's neighbors have voiced similar concerns. This opacity raises questions as to China's long-term intentions, and leads outside observers to compare China's observed behavior and capabilities against its declaratory policies, such as China's January 2007 Anti-Satellite (ASAT) test, for which we have yet to receive a satisfactory response.

Moreover, we remain vigilant in our watch for behavior that puts at risk the safety of our Soldiers, Sailors, Airmen and Marines or is in clear violation of international norms of behavior.

We have not observed a resurgence of the sort of harassment by PRC fishing vessels of U.S. naval auxiliary ships conducting routine and lawful military operations in international waters that occurred in spring 2009, but it could become an issue again. The Department will continue to use all available channels to communicate the U.S. Government position on these and other matters to our PLA counterparts, while taking advantage of opportunities for the two sides to discuss practical ways to reduce the chances for misunderstanding and miscalculation between our armed forces. We are seeking to invigorate the Military Maritime Consultative Agreement (MMCA) process, having held a special session of the MMCA in August 2009 and MMCA charter discussions in December 2009.

China's Military Power

At the Department of Defense, we have a special responsibility to monitor China's military modernization and to maintain deterrence of conflict. Consistent with this responsibility, the Secretary of Defense submitted in March 2009 his annual report on *Military Power of the People's Republic of China.* Although prepared by the Department of Defense and signed by the Secretary of Defense, it is a product of intensive interagency coordination and, as such, reflects the views held broadly across the U.S. Government regarding China's rapidly expanding military capabilities.

As our report shows, China's PLA is pursuing comprehensive transformation from a mass army designed for protracted wars of attrition on its territory to one capable of fighting and winning short-duration, high-intensity conflicts along its periphery against high-tech adversaries – an approach that China refers to as preparing for "local wars under conditions of informatization." The pace and scope of China's military transformation have increased in recent years, fueled by acquisition of advanced foreign weapons, continued high rates of investment in its domestic defense and science and technology industries and far-reaching organizational and doctrinal reforms of the armed forces. The near-term focus for the PLA continues to be on preparing for contingencies in the Taiwan Strait, despite a significant reduction in cross-Strait tension since the March 2008 election of Taiwan President Ma Ying-jeou. On this point, I would like to make clear this Administration's position: we maintain our one-China policy based on the three joint U.S.-China communiqués and the Taiwan Relations Act. We take these obligations seriously and will continue to make available to Taiwan such defense articles and defense services necessary to maintain a sufficient self-defense capability.

Looking over the long-term, PLA modernization trends suggest that Beijing is generating capabilities to employ military force in support of Beijing's political objectives in other regional situations.

This modernization is truly transformational with no part of the PLA today not undergoing some type of reform or modernization, from force structure re-capitalization and doctrinal evolution, to a rejuvenation of the personnel system with extensive human capital reforms, ranging from building a professional non-commissioned officer corps to overhauling the professional military education system.

China's comprehensive military modernization is supported by continued increases in government funding. China's announced 2009 defense budget was approximately $70.6 billion, a 14.9 percent increase from the previous year. This continues more than two decades of double-digit percentage annual increases in the military budget. However, estimating China's actual defense spending is difficult due to a lack of accounting transparency and China's still incomplete transition from a command economy. Moreover, China's public defense budget does not include large categories of expenditure. DoD estimates that China's military-related spending for 2009 could total $150 billion, or more.

With this context, I would like to summarize briefly some specific and notable developments we have observed in China's military modernization.

We see in China at least 10 varieties of ballistic and cruise missiles deployed or in development. China has the most active land-based ballistic and cruise missile program in the world. China's Second Artillery Corps has at least five operational short range ballistic missile (SRBM) brigades, each deployed within striking range of Taiwan. The PLA ground force controls two additional SRBM brigades garrisoned opposite Taiwan. Over the past decade, China's deployed conventional SRBM force has grown at a rate of approximately 100 missiles per year and there are more than 1,000 SRBMs currently assigned to brigades opposite Taiwan.

China continues to upgrade the quality of its existing SRBM systems to increase their range, lethality, accuracy, and reliability – including counters to ballistic missile defenses. The Second Artillery Corps is also moving to develop and field conventional theater-range ballistic and cruise missile systems to enable it to threaten Taiwan or other potential adversaries from launch sites deeper on the mainland and at ranges that go far beyond that which can be reached by SRBMs. The Second Artillery Corps' emerging inventory of conventional anti-ship ballistic missiles also provides Beijing with an extra employment option to enhance its anti-access/area denial strategies against off-shore threats associated with, and potentially beyond, a Taiwan Strait scenario.

In addition to these conventional strike systems, China continues to field its road-mobile, solid-propellant DF-31 and DF-31A intercontinental-range ballistic missiles. It is also qualitatively modernizing and upgrading older versions of its strategic missiles, and continues to pursue a viable sea-based deterrent with its new Type-094 (JIN-class) ballistic missile submarine and developmental JL-2 submarine launched ballistic missile. These improvements will bring greater range, mobility, accuracy, and survivability to China's strategic forces, making them capable of striking many areas of the world, including the continental United States.

China continues to invest heavily in a robust undersea warfare program with a mixture of second generation nuclear powered submarines, namely the Type-093 (SHANG-class) nuclear powered attack submarine, and conventionally powered, diesel electric boats, such as the SONG-class and YUAN-class submarines (with the latter having, possibly, an air independent propulsion (AIP) system), as well as the 12 KILO-class boats China purchased from Russia.

China's investment in submarine programs is complemented by its investment in new surface combatants designed to improve the PLA Navy's capacity for anti-surface and anti-air warfare. The PLA Navy recently received two LUYANG II-class guided

missile destroyers (DDG) fitted with an indigenous long-range surface-to-air missile (SAM); two LUZHOU-class DDG equipped with the Russian-made SA-N-20 long-range SAM; and four (soon to be six) JIANGKAI II-class guided-missile frigates (FFG) to be fitted with a medium-range, vertically launched naval SAM currently under development. Finally China is continuing construction of its new HOUBEI-class wave piercing catamaran hull missile patrol boat, each equipped with Chinese designed anti-ship cruise missiles.

China also has an active aircraft carrier research and development program, and we believe China's ship building industry could begin construction of an indigenous platform if the leadership were to choose to do so. China may be interested in building multiple operational aircraft carriers by 2020.

China bases some 490 combat aircraft within un-refueled operational range of Taiwan. Although many of China's aircraft are obsolete or upgraded versions of older aircraft, modern aircraft from Russia and China's own F-10 fighter make up a growing percentage of the force. These improvements, combined with advances in China's integrated air defense system, have reversed Taiwan's historic ability to maintain dominance of the airspace over the Taiwan Strait. In the future, an increasingly sophisticated array of armaments, and the development of aerial re-fueling will further improve China's offensive air capabilities.

The PLA is making significant strides in evolving its concepts for cyber-warfare, from defending PRC networks from attack to include offensive operations against adversary networks as part of its larger strategy of developing an advanced information warfare capability to establish control of an adversary's information flow and maintain dominance of the battlespace. In recent years, numerous computer systems around the world, including those owned by the U.S. Government, continued to be the target of intrusions that appear to have originated within the PRC. Although these intrusions

focused on exfiltrating information, the accesses and skills required for these intrusions are similar to those necessary to conduct computer network attacks. It remains unclear if these intrusions were conducted by, or with the endorsement of, the PLA or other elements of the PRC Government. However, developing capabilities for cyber-warfare is consistent with authoritative PLA military writings on the subject.

In addition to an emphasis on cyber-warfare, we are seeing China's emergence as an international space power. China is investing heavily in a broad range of military and dual-use space programs, including reconnaissance, navigation and timing, and communication satellites, as well as its manned program. Complementing China's space access capabilities is a growing ability to threaten and deny access to space by others through a robust and multidimensional counter-space program featuring direct ascent anti-satellite weapons, directed energy weapons, and satellite communication jammers. China's January 2007 demonstration of a direct-ascent anti-satellite weapon – for which China has yet to provide a satisfactory answer to the international community's legitimate questions regarding intentions – is simply one aspect of this growing and disruptive capability.

Despite the welcome development of China's routine publication of defense white papers (the most recent being *China's National Defense in 2008* published on January 20, 2009), much more could be said by China about the purposes and objectives of the PLA's evolving doctrine and capabilities. Our annual report does not attempt to answer all of these questions, but it does raise them. As Secretary Gates has said, "These are *assessments* that are in this publication [emphasis added]. It would be nice to hear first hand from the Chinese how they view these things." Until China's leaders begin to see transparency less as a transaction to be negotiated and more as a responsibility that accompanies the accumulation of national power, the insights contained in our report will remain incomplete, bridged only by such assessments and by informed judgment.

Conclusion

As President Obama has said, "[the U.S.-China] relationship has not been without disagreement and difficulty. But the notion that we must be adversaries is not pre-destined." The Department of Defense, along with our partners across the U.S. Government, will continue to engage China to develop further those areas where we can cooperate and where it is in our mutual interest to do so. At the same time, we will continue to encourage China to improve transparency and openness in its military affairs, recognize the importance of integrating more firmly with a globalizing world, and act in ways that support and strengthen international political, economic, and security systems.

We are working to develop and implement a multi-faceted program for U.S.-China military-to-military cooperation and dialogue. However, the choices of China's leaders will continue to have a major effect on progress in this relationship: choices regarding transparency versus opacity, substance versus symbolism, and implementation versus negotiation.

We will continue to use military engagement with the PRC to demonstrate U.S. commitment to the Asia-Pacific region and to encourage China to play a constructive role in the region, and act as a partner in addressing common security challenges. But we also will maintain our presence and alliances in Asia, develop our capabilities, and clearly communicate U.S. resolve to maintain peace and stability in the Asia-Pacific. For although we see opportunity in China's military modernization for greater cooperation we also see risks: risks that China may one day calculate it has reached the tipping point in the Taiwan Strait and issue an ultimatum; risks that China may use its military to exercise coercion against its neighbors; and risks that misunderstanding or miscommunication between the United States and China could lead to confrontation, crisis, or conflict. The United States has made a consistent choice over multiple decades that our interests lie in constructive engagement with China combined with a strong

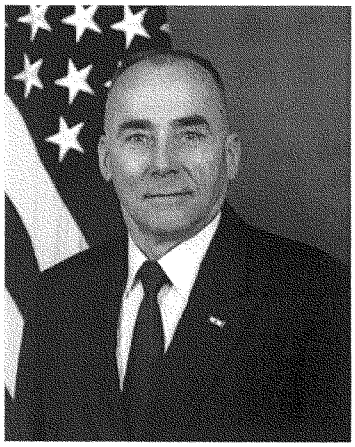
network of alliances and partnerships in the region. How China responds and the choices that it makes, will play an important role in determining how we move forward.

Secretary of Defense Gates has said that "it is essential for the United States and China to cooperate whenever possible." Managing this relationship in such a way that our two countries and our two peoples can maximize the benefits of our interactions requires patience, leadership, and strategic vision. I am confident that through an invigorated defense relationship, the armed forces of both sides can build a solid foundation for cooperation in the service of regional peace, stability, and prosperity.

Thank you.

Wallace "Chip" Gregson

Assistant Secretary of Defense, Asian and Pacific Security Affairs



The Honorable Wallace "Chip" Gregson was sworn in as the Assistant Secretary of Defense, Asian and Pacific Security Affairs May 13, 2009. From 2006 until assuming the duties of Assistant Secretary of Defense, Lieutenant General Gregson (USMC, Retired) was owner and president of WCG & Associates International, a foreign policy and military affairs consulting organization.

Previously General Gregson served as Chief Operating Officer for the United States Olympic Committee. From 2003 to 2005, he was Commanding General of the Marine Corps Forces Pacific and Marine Corps Forces Central Command, where he led and managed over 70,000 Marines and Sailors in the Middle East, Afghanistan, East Africa, Asia and the United States. From 2001 to 2003 he served as Commanding General of all Marine Corps forces in Japan, where he was awarded the Japanese Order of the Rising Sun, the Gold and Silver Star, and the Korean Order of National Security Merit Gukseon Medal. Prior to his time in Japan he was Director of Asia-Pacific Policy in the Office of the Secretary of Defense from 1998 to 2000. He has served in the Marine Corps since his graduation from the United States Naval Academy in 1968. A combat veteran of the Vietnam conflict, he earned the Bronze Star with Combat "V" device for valor and heroism, and was also awarded the Purple Heart.

General Gregson is a member of the Council on Foreign Relations; the Pacific Council on International Policy; the International Institute for Strategic Studies; the U.S. Naval Institute; and the Marine Corps Association.

His civilian education includes a Bachelor's degree from the U.S. Naval Academy, and Master's degrees in Strategic Planning from the Naval War College and International Relations from Salve Regina College. He was awarded an Honorary Doctorate in Public Service by the University of Maryland University College.

General Gregson and his wife Cindy currently reside in Colorado. They have two sons, one serving as a Marine Corps officer.

DAVID B. SHEAR
DEPUTY ASSISTANT SECRETARY
BUREAU OF EAST ASIAN AND PACIFIC AFFAIRS
U.S. DEPARTMENT OF STATE

BEFORE THE
HOUSE ARMED SERVICES COMMITTEE

JANUARY 13, 2010

CHINA: RECENT SECURITY DEVELOPMENTS

Chairman Skelton, Mr. McKeon, and Members of the Committee: thank you for inviting me to appear before you today. My colleagues from the Department of Defense have already addressed our military-to-military relations with China, so my remarks will focus on the President's November trip to Asia, as well as our broader security goals regarding China and the region.

Since coming to office, President Obama has repeatedly stated that the United States welcomes the emergence of China, and that "in an interconnected world, power does not need to be a zero-sum game." We welcome an international role for China in which "its growing economy is joined by growing responsibility." President Obama's trip to Asia in November 2009, with stops in Japan, Singapore, China, and South Korea, was intended to demonstrate the U.S. commitment to the region, build trust, articulate our values on issues such as human rights, and strengthen and expand our cooperation with China.

The trip was productive in this regard. During his first ever visit to China, the President deepened his acquaintance with his Chinese counterparts and demonstrated to them the importance we place on cooperating on such issues as Iran, North Korea and Afghanistan. The President set the stage for further cooperation with China in preparation for the Copenhagen conference on Climate Change. He discussed exchange rates and trade, clean energy, military-to-military exchanges, human rights, and stopping the spread of nuclear weapons. We outlined the key accomplishments of the visit in a Joint Statement issued by President Obama and President Hu Jintao on November 17.

It has been said before that in order to get China right, you have to get the region right. The United States is a vital contributor to Asian security and economic prosperity. Our active presence in Asia helps promote regional security and stability. We intend to deepen our engagement and strengthen our leadership in the region by strengthening our commitments to allies and partners and enhancing our involvement in regional institutions. The President's trip demonstrated the importance we place on East Asia, which remains vital to U.S. security and prosperity. In the November Joint Statement the Chinese recognized the positive role the United States plays in East Asia by stating that "China welcomes the United States as an Asia-Pacific nation that contributes to peace, stability and prosperity in the region."

The trip was also a continuation of our efforts to build a "positive, cooperative, and comprehensive relationship" between the United States and China. As President Obama has said, the ability of the United States and China to partner with each other is "a prerequisite for progress" on some of the most important issues of our times. Those issues include several important security challenges. Issues such as North Korea and Iran cannot be successfully addressed without intensive and sustained involvement by China. To date, we have been encouraged by China's willingness to cooperate with us in these areas, although a great deal of work remains to be done.

Our two countries share the strategic objective of the verifiable denuclearization of the Korean Peninsula, and we worked together with the international community to adopt UN Security Council Resolution 1874. This resolution contains a ban on arms exports, enhanced restrictions on arms imports, and inspection provisions to address North Korea's nuclear, missile, and other WMD proliferation activities, as well as its transfer of conventional weapons. We continue to work with China to bring North Korea back to the Six-Party Talks and to a process of denuclearization.

China also opposes Iranian development of nuclear weapons and expressed concern about the Iranian situation in the U.S.-China Joint Statement released during the President's November trip. China is an active member in the P5+1

process, and recently supported the IAEA Board of Governors' resolution that sharply criticized Iran's nuclear program. Both the United States and China have endorsed a "dual-track" approach that seeks to persuade Iran to cooperate with the international community, but provides for a "pressure track" if they refuse. We are very concerned that Iran has not honored the commitments it made in Geneva, and we continue to engage with China and other P5+1 partners on next steps, including how and when to apply the pressure track on Iran.

We are seeking to broaden our cooperation with China in other regions as well. Both our countries are threatened by instability in South and Central Asia. In the Joint Statement released during the President's trip, both sides agreed to support the efforts of Afghanistan and Pakistan to fight terrorism, maintain domestic stability, and achieve sustainable economic and social development. We have encouraged China to take a larger role in providing developmental assistance to Afghanistan in order to help promote peace and stability in that region.

The November Joint Statement also stated that both sides agreed to deepen counterterrorism consultation and cooperation. We have sought to expand our cooperation with China on terror finance, countering extremism, and travel and transportation security. For example, in September 2009, the United States hosted the seventh round of U.S. – China counterterrorism consultations in Washington, where we had productive discussions on these topics.

We have sought to increase our cooperation with China on nonproliferation, but the results have been mixed. We continue to see evidence that some Chinese companies sell arms and restricted materials to countries of concern. We have urged China to increase its efforts to implement and enforce export and financial controls, and take more active steps to punish proliferators and publicize its investigative procedures. In the past year we have had two meetings of the U.S.-China Nonproliferation Dialogue in which we discussed our concerns. Additionally, President Obama discussed nonproliferation and nuclear security with President Hu during his trip to China, and China has agreed to actively participate in preparations for the Nuclear Security Summit in April.

We obviously do not see eye-to-eye with the Chinese on every issue. For example, on Taiwan, the United States remains committed to our one China policy based on the three joint communiqués and the Taiwan Relations Act. We believe that this policy has contributed greatly to the peace and stability of the past several decades, and we remain committed to that framework. We welcome the improvement in cross-Strait relations over the past year. At the same time, we have voiced our concerns about China's rapid military-modernization program as it relates to Taiwan. China's continued military buildup across the Taiwan Strait, despite improvements in cross-Strait relations, raises many questions about Beijing's commitment to a peaceful solution to cross-Strait issues.

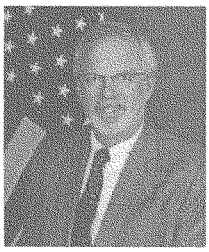
Similarly, the United States and China have differences on the issue of human rights. The promotion of human rights remains an essential element of American foreign policy. It is part of who we are as a people. We believe these rights are not unique to America, but rather are internationally recognized rights that should be available to all peoples. We frequently raise human rights in our meetings with Chinese counterparts, as President Obama did with President Hu in Beijing in November. We will continue to raise these issues, including at the next round of the U.S.-China Human Rights Dialogue scheduled for early this year.

President Obama has stated that "the rise of a strong, prosperous China can be a source of strength for the community of nations." This summer we will hold another meeting of the U.S-China Strategic and Economic dialogue that we initiated last July. We will use this and other forums to continue building our relationship with China and to seek pragmatic cooperation on issues of mutual concern. At the same time, we will remain engaged and active throughout the region, supporting our allies and expanding our leadership in this vitally important part of the world.

Thank you for the opportunity to testify before you today on this important topic. I welcome your questions.

Deputy Assistant Secretary for East Asian and Pacific Affairs: David B. Shear

Bureau of East Asian and Pacific Affairs



BIOGRAPHY

David B. Shear
Deputy Assistant Secretary for East Asian and Pacific Affairs
Term of Appointment: 8/31/2009 to present

David B. Shear joined the Foreign Service in 1982. He has served in Sapporo, Beijing, Tokyo, and Kuala Lumpur. In Washington, he has served in the Offices of Japanese, Chinese, and Korean Affairs and as the Special Assistant to the Under Secretary for Political Affairs. He was Director of the Office of Chinese and Mongolian Affairs in 2008-2009 and was appointed Deputy Assistant Secretary in September of 2009.

Mr. Shear was a Rusk Fellow at Georgetown University's institute for the Study of Diplomacy 1998-99. He is the recipient of the State Department's Superior Honor Award and the Defense Department's Civilian Meritorious Service Award for his work in U.S. Japan defense relations.

Mr. Shear graduated from Earlham College and has a Master's degree in International Affairs from the John's Hopkins School of Advanced International Studies. He has attended Waseda University, Taiwan National University, and Nanjing University. Mr. Shear has a first degree rank in the practice of Kendo, or Japanese fencing. He speaks Chinese and Japanese.

WITNESS RESPONSES TO QUESTIONS ASKED DURING THE HEARING

JANUARY 13, 2010

RESPONSE TO QUESTION SUBMITTED BY MR. SKELTON

Secretary GREGSON. The mission statement for U.S. Cyber Command, which is to be a sub-unified command under U.S. Strategic Command, states that: USCYBERCOM plans, coordinates, integrates, synchronizes and conducts activities to: direct the operations and defense of the specified DOD information networks; prepare to, and when directed, conduct full-spectrum military cyberspace operations in and through cyberspace in order to enable actions in all domains, ensure U.S./Allied freedom of action in cyberspace and deny the same to our adversaries. The DOD will support, when requested and directed to, U.S. Government agency requests for assistance. [See page 34.]

RESPONSE TO QUESTION SUBMITTED BY MR. FORBES

Mr. SHEAR. The United States advanced its trade agenda with China on a number of fronts in 2009. The U.S. won two major cases on intellectual property rights at the WTO as well as a key WTO case on auto parts tariffs and subsidies. In addition, President Obama announced a decision to impose three-year ad valorem tariffs on Chinese tire imports to stop a harmful surge of imports of Chinese tires. Finally, China agreed to open its markets in several key areas in the most recent U.S.-China Joint Commission on Commerce and Trade (JCCT).

World Trade Organization

On December 21, 2009 the World Trade Organization Appellate Body rejected China's appeal and confirmed important panel findings that Chinese restrictions on the importation and distribution of certain copyright-intensive products, such as theatrical films, DVDs, music, books and journals, are inconsistent with China's WTO obligations. The WTO ruling is critical to guaranteeing that legitimate, high-quality American entertainment products have full access to the Chinese market. Getting these products into China's markets promptly is a vital tool in the fight against rampant intellectual property piracy in China.

In another dispute brought by the United States, a WTO panel ruled that certain Chinese intellectual property protection and enforcement rules were inconsistent with China's WTO obligations. The panel found that China's denial of copyright protection to works that do not meet China's "content review" standards is impermissible. It also found it impermissible for China to provide for simple removal of an infringing trademark as the only precondition for the sale at public auction of counterfeit goods seized by authorities. Finally, the panel clarified China's obligation to provide for criminal procedures and penalties to be applied to willful trademark counterfeiting and copyright piracy on a commercial scale. In keeping with the ruling, China has committed to correct these problems by spring 2010, affording American rights holders new opportunity to protect and profit from their goods, services, and ideas.

In December 2009, the Obama administration announced an agreement between the United States and China confirming China's termination of many dozens of subsidies most of which had been supporting the export of "famous brands" of Chinese merchandise. The agreement will ensure a level playing field for American workers in every manufacturing and export sector, including household electronic appliances, textiles and apparel, light manufacturing industries, agricultural and food products, metal and chemical products, medicines, and health products.

As a consequence of WTO litigation, China in September 2009 eliminated discriminatory charges on imported auto parts, creating increased market opportunities for American manufacturers.

Section 421 Tire Case

In September, the President announced a decision to impose three-year ad valorem tariffs on Chinese tire imports to stop a harmful surge of imports of Chinese tires. This decision was consistent with China's WTO accession protocol, which allows WTO members to take such action when an import surge from China disrupts the market.

U.S.-China Joint Commission on Commerce and Trade

Through this year's JCCT, the U.S. negotiated increased market access in China for American businesses and workers in a variety of sectors:

- China agreed to improve access for U.S. energy companies by removing local content requirements on wind turbines. This agreement will enable more American companies to take advantage of the fast growth of China's wind energy sector.
- China agreed to accept medical devices that had received prior approval by a foreign country. According to industry, China's prior approval requirement could have affected over $350 million in U.S. products.
- China gave assurances that it will impose maximum administrative penalties on individuals that used the Internet to infringe on intellectual property rights and began a four-month campaign to clamp down on Internet piracy. This agreement will help to ensure that U.S. copyright holders continue to benefit from their products as internet use expands across China.
- China agreed to strengthen oversight and enforcement regarding counterfeit pharmaceuticals.
- China gave assurances that it was in the process of liberalizing its licensing procedures for certain types of direct selling services companies. One U.S. company has already received its license. [See page 20.]

RESPONSE TO QUESTION SUBMITTED BY MR. COFFMAN

Mr. SHEAR. The Department of State takes very seriously reports that China is seeking to limit exports of rare earth elements. We are working closely with other agencies to review the consistency of China's rare earth export restrictions with its WTO commitments. In November 2009, the United States requested the establishment of a WTO dispute settlement panel regarding China's export restraints on nine raw materials that are key inputs for numerous downstream products in the steel, aluminum, and chemical sectors. Although China is the source of most of the world's supplies of rare earth metals, widespread and substantial reserves of these metals exist elsewhere. [See page 25.]

QUESTIONS SUBMITTED BY MEMBERS POST HEARING

JANUARY 13, 2010

QUESTIONS SUBMITTED BY MR. ORTIZ

Mr. ORTIZ. What is the impact of China's military modernization on the DOD's efforts to transform U.S. military capabilities and the U.S. approach to the Asia-Pacific region? Has thought been given to a greater U.S. Naval presence in PACOM AOR, in addition to the buildup in Guam?

Secretary GREGSON. The Department of Defense takes seriously the potential challenge posed by China's military modernization program. The QDR discusses this in the context of how we will deal with increasingly sophisticated anti-access capabilities, such as those China is fielding and developing in large numbers and across all domains—air, sea, land, space, and cyber. The QDR outlines several operational concepts and capabilities to counter anti-access challenges: developing air-sea battle concepts, expanding long-range strike capabilities, exploiting undersea advantages, increasing the resiliency and dispersal of U.S. forward posture and base infrastructure, assuring access to space and the use of space assets, enhancing the robustness of C4ISR capabilities, defeating enemy sensors and engagement systems, and increasing joint and combined training capacity in the West Pacific. All of these have potential applications within the Asia-Pacific region.

As noted in the QDR report, we are transforming the U.S. sovereign territory of Guam into a hub for security activities in the region. We continue to review our Asia-Pacific posture with an emphasis on maintaining a credible deterrence and assuring allies and partners. As part of this posture review, we are examining whether positioning additional naval forces within the PACOM AOR is necessary.

Mr. ORTIZ. With the increase of the PLA Navy, and all the demands being asked of PACOM, what does the Pacific Command need to effectively deal with the broad range of security concerns in the Area of Responsibility?

Admiral WILLARD. USPACOM has a requirement for a forward military presence. This presence is a combination of U.S. Forces stationed in Japan, the Republic of Korea, Singapore, and Guam along with the rotational forces that deploy and transit through the Western Pacific. Additionally, USPACOM needs increased intelligence, surveillance and reconnaissance (ISR) assets, to provide timely indications and warnings. It is important that these forces and assets remain in the Pacific and are available. USPACOM along with the Department of State, and the whole of government needs to assure access to bases and support areas. This access is most critical in dealing with the broad range of security concerns in the Pacific.

QUESTIONS SUBMITTED BY MR. FORBES

Mr. FORBES. Please submit the legal justification used by the Department of Defense that supports the Department's refusal to submit the Fiscal Year 2010 Navy Shipbuilding Plan as required by section 231 of title 10, United States Code.

Secretary GREGSON. Given that the National Security Strategy (NSS) was due for release soon after the FY 2010 budget, the impact of the NSS on force structure could not be accounted for in a FY 2010 Shipbuilding Plan.

In addition to the National Security Strategy, the statutory guidelines require that the report reflect the Quadrennial Defense Review (QDR). The latest QDR is being developed in parallel with the NSS. Additionally, the Nuclear Posture Review, which has direct bearing on the numbers of strategic ballistic missile submarines, remains underway in conjunction with the QDR. All of these efforts have substantive impacts on the Navy's force structure requirements.

Therefore, the Department considered it prudent to defer the FY 2010 Report and submit its next report concurrent with the President's Fiscal Year 2011 budget.

The Annual Long-Range Plan for Construction of Naval vessels for FY 2011 will be delivered to Congress on 1 February 2010.

Mr. FORBES. Please explain how the United States can claim to have a level of transparency with the People's Republic of China (PRC) with regards to military matters when the Department of Defense cannot provide a legally required shipbuilding plan to the United States Congress.

Secretary GREGSON. The transparency we see from China's military is improving, but still has a long way to go, and this requirement is something we raise with the

PLA quite frequently and at all levels. With respect to the U.S. Navy's shipbuilding plan, I understand the Department of the Navy is putting the finishing touches on the Annual Long-Range Plan for Construction of Naval Vessels for FY2011 and should be submitting it to the appropriate oversight committees shortly.

QUESTIONS SUBMITTED BY MR. BISHOP

Mr. BISHOP. As China's ballistic missile technology and programs continue to mature, their emerging capability makes it even more urgent for the Department of Defense to invest in a comprehensive, multi-layered missile defense system. In the FY10 Defense Appropriations Conference report, Congress approved additional money for Standard Missile-3 Block 1A interceptors. How soon does PACOM need this proven defensive capability in order to increase the ability of the U.S. to provide additional protection for the Allies of the PACOM theatre?

Admiral WILLARD. [The information referred to is classified and retained in the committee files.]

Mr. BISHOP. The Department of Defense has asked China to be more transparent in their long-range missile testing by providing missile notifications, and we hear of more and more Chinese missile technology advances. Do recent Chinese missile technology advances provide the United States with an increased urgent operational requirement for the Standard Missile-3 Block 1A technology at an accelerated pace?

Admiral WILLARD. [The information referred to is classified and retained in the committee files.]

QUESTION SUBMITTED BY MRS. MCMORRIS RODGERS

Mrs. MCMORRIS RODGERS. Secretary Gregson, Mr. Shear, and Admiral Willard, I'd like to thank each of you and offer my appreciation for the service you are performing to our nation. Your work in the defense of our country and its citizens does not go unnoticed. Thank you. Does the Department of Defense feel threatened at any level from a cyber attack emanating from China? And have we had any indications of a threat of a cyber attack from China? In December 2009, President Obama named a Cyber Security Chief to the White House. With the increased importance the White House is placing on cyber defense, and with the ever-increasing number of cyber attacks we are seeing, does the Department of Defense feel the need to increase staff to manage this increased threat? Also, is the DOD coordinating efforts with other countries to share intelligence gathered? What can the DOD report to Congress on this endeavor?

Secretary GREGSON. With the difficulty in attributing cyber activities to a specific actor, let alone a specific government, DOD defends its networks round the clock from a variety of threats regardless of source. Over the past ten years, the frequency and sophistication of cyber intrusions and probes into DOD networks have increased exponentially. More than 100 foreign intelligence organizations are trying to hack into U.S. systems. Foreign militaries are developing cyber capabilities. And some governments already have the capacity to disrupt elements of the U.S. information infrastructure.

To address this growing and pervasive threat, Secretary Gates directed the formation of U.S. Cyber Command, a sub-unified command under U.S. Strategic Command. As U.S. Cyber Command and the supporting Service elements are stood up, DOD will evaluate over time the staff size required to accomplish the mission. As with intelligence gathered in other areas, DOD is coordinating efforts to share information about cyber threats with other countries. The Department has briefed six committee staffs, including the HASC, and intends to continue an ongoing dialogue with concerned Members and committee staffs on the Department's efforts to address cyberspace issues, including the stand-up of U.S. Cyber Command.

QUESTIONS SUBMITTED BY MR. COFFMAN

Mr. COFFMAN. I'd like to ask the panel to address what I believe has become a very serious emerging national security threat as it relates to China. It has to do with industrial base supply issues controlled by China, and not any specific military threat. But I am hoping—given your backgrounds and your current positions focusing on Pacific Rim nations—to garner the benefits of your thoughts and comments. Worldwide demand for rare earth elements is escalating rapidly. Rare earths are used in a number of applications including emerging green technologies, and many of us on this dais have concerns as to what that means for American innovation and

domestic job growth. But the fact that so many national security and defense systems require these materials to function and operate is of greater concern for us here at this hearing. Ninety-five percent of worldwide rare earth reserves being accessed today are located in China or controlled by Chinese-led interests. Today, there is no rare earth element production of significance taking place in North America or anywhere outside of China, and Chinese domestic demand for rare earth elements could easily equal Chinese production as early as 2012. Furthermore, in October 2009 an internal report by China's Ministry of Industry and Information Technology disclosed proposals to ban the export of five rare earths and restrict supplies of the remaining metals as early as next year. I ask the witnesses to comment on these developments. Please address their entities' situational awareness of this reliance, what they feel are the strategic implications, and how they plan to develop appropriate policy to mitigate this impending supply crisis as it relates to national security and defense.

Secretary GREGSON. The Department of Defense is aware of the issues concerning the rare earth elements and their importance to U.S. industry and national defense. The Office of Industrial Policy has been investigating actions involving rare earth resources for many years, particularly in the context of potential foreign acquisitions of U.S. rare earth deposits. Section 843 of the National Defense Authorization Act for Fiscal Year 2010, Public Law 111–84, requires the Comptroller General to complete a report on rare earth materials in the Defense supply chain. The Office of Industrial Policy, in collaboration with other U.S. Government agencies including the U.S. Geological Survey, has also initiated a detailed study of the rare earth elements. The study is assessing the Department of Defense's use of these materials as well as the status and security of domestic and global supply chains. The report, to be completed this fiscal year, will address vulnerabilities in the supply chain and include recommendations to mitigate any potential risks of supply disruption.

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Admiral WILLARD. This question highlights not only the importance of rare earth elements, but also their long-term strategic value to China. Now, with over 50 percent of rare earth ore reserves (the United States has about 10 percent) China is not so much reliant but indeed looks to corner the global rare earth market. Confident in a long-term plan for domestic exploitation, some Chinese have gone so far as to advocate banning the sale of rare earth (RE) elements to the United States as part of sanctions against U.S. companies for their role in recent arms sales to Taiwan.

That China could control not only prices but access to important RE materials is worrisome, as the U.S. Rare Earth Industry and Technology Association reports that "Rare Earth elements are uniquely indispensable in many electronic, optical and magnetic applications for the U.S. military." These systems and subsystems include those vital for electronic warfare (jamming), avionics, night vision, and specific weapons systems such as the Predator UAV, Tomahawk cruise missile, Excalibur Precision Guided Artillery Projectile, the GBU–28 "Bunker Buster," and other smart

munitions. Our challenge, therefore, is to secure an environment in which access to such strategically important materials is unimpeded.

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