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*China Brief is a bi-weekly journal of information and analysis covering Greater China in Eurasia.*

*China Brief is a publication of The Jamestown Foundation, a private non-profit organization based in Washington D.C. and is edited by L.C. Russell Hsiao.*

*The opinions expressed in China Brief are solely those of the authors, and do not necessarily reflect the views of The Jamestown Foundation.*



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**In a Fortnight**

**TAIWAN-JAPAN RIFT OVER ADIZ**

By L.C. Russell Hsiao

Taipei has rejected a proposal from Tokyo that would allow Japan to expand its air defense identification zone (ADIZ) to include airspace above areas west of the island of Yonaguni currently under the jurisdiction of Taiwan's ADIZ. Yonagunijima is Japan's westernmost island in the Ryukyu chain, situated 108 kilometers from the coast of the eastern Taiwan county of Hualien. According to a Japanese daily, *Sankei Shimbun*, Tokyo plans to re-draw its ADIZ for Yonaguni Island by shifting the zone westward in mid-June (*Taipei Times*, May 28). Tokyo claims that the move is necessary to ensure that Japan has control over airspace along its border. The Taiwanese Ministry of Foreign Affairs, however, rejected the proposal on the grounds that the plan would adversely affect Taiwan's airspace and infringe upon the integrity of its national sovereignty. The spat between Taiwan and Japan over the ADIZ underscores the growing rift between the two sides since Taiwanese President Ma Ying-jeou assumed office in 2008. The rise in tensions may also reflect heightened regional concerns over rapid changes in the regional security landscape and uncertainty over Taiwan's diminishing capability to defend its airspace in light of the growing military imbalance along the Taiwan Strait.

The Japanese government filed the request through the Interchange Association, which serves as the de facto Japanese Embassy in Taiwan, to accept its plan to rezone its ADIZ (*Taiwan News*, May 28). Details of the request pertain to shifting the air defense identification line that runs 123 degrees east longitude and divides the airspace over Yonaguni Island in half, leaving the area east of the line to Japan and the area west to Taiwan. The line was drawn by the U.S. military after World War II, and the current plan reportedly extends it 12 nautical miles from baseline, and

adds 2 nautical miles as a buffer zone (*China Times*, May 31). An aircraft entering an ADIZ is required to inform relevant authorities its planned course and destination through the ADIZ. According to one Taiwanese Ministry of National Defense official quoted by the *China Times*, since Yonaguni Island is located so close to Taiwan, the plan would undoubtedly undermine Taiwan's sovereignty and affect its air space (Taiwan Today, May 31).

The plan to redraw the ADIZ closely follows reports that Japan has been reviewing plans to deploy its Ground Self-Defense Forces (GSDF) to Yonaguni Island. According to a Japanese official, "We [Japan] are studying (the deployment) so that it could be included in the planned year-end revision of the basic defense program," confirming a *Tokyo Shimbun* report in 2009. The *Tokyo Shimbun* described the plan as part of Japan's shift of its defense focus from its northern borders to the country's southwestern borders. Naha on the main island of Okinawa, which is located 500 kilometers northeast of Yonaguni, is Japan's current southernmost deployment of troops (*Global Times* [China], July 3, 2009). According to the Japan-based *Yomirui Shimbun*, the GSDF had plans to increase the number of troops for its 1<sup>st</sup> Combined Brigade in Naha to about 2,300 (*Yomiuri Shimbun*, July 31, 2009). Japanese ministry officials have reportedly pointed out in the past that military deployments along southern Kyushu to the First Island Chain, which includes Taiwan, are critical for the defense of Japan's southwestern borders (Taiwan Review, July 3, 2009).

In March, Japanese Defense Minister Toshimi Kitazawa visited Yonaguni Island, in his meeting with the island's mayor, Kitazawa announced that the central government will "positively study" the possibility of deploying Ground Self-Defense Force troops there. The defense minister also said that Tokyo is planning to stipulate GSDF deployment in its next midterm defense buildup plan to be compiled by the year-end. The defense minister acknowledged that the Yonaguni Island is "located at an important place in terms of national defense" (Kyodo News, March 26). Plans reportedly also include establishing a defense force base on the island (*The Age* [Australia], May 14).

The Chinese-media has lashed out at Japan's plans. Wu Haizhong, a Japan-specialist at the Chinese Academy of Social Sciences—one of China's leading government think tanks—stated that, "Japan has claimed to enhance strategic dialogue with China. What they plan to do now does not match their previous announcement." "Yonaguni is closer to Taiwan than to Okinawa ... They have to think twice before jumping because this move will easily cause tensions from the Chinese mainland and Taiwan," Wu added (*Global Times*, July 3, 2009).

The spat over the ADIZ lays bare the growing rift between Taiwan and Japan. Japan's proposed plan to redraw the ADIZ and the possibility of deploying self-defense forces to Yonaguni Island also shows Japan's shifting defense priorities, which is taking place against the backdrop of China's military modernization and growing tensions over maritime territory in the East China Sea. In light of the naval exercises by the People's Liberation Army Navy (PLAN) around the contested Okinotori Islands in April and Taiwan's declining tactical air defense capabilities, tensions appear to be on the rise as regional unease grows in response to a changing regional security landscape.

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## Premier Wen's Four-nation Tour: A "Responsible Leadership Role"?

By Willy Lam

Premier Wen Jiabao's just-completed weeklong tour to South Korea, Japan, Mongolia and Burma (Myanmar) provides a good opportunity for evaluating the extent to which China is playing a "responsible leadership role" in world affairs. In President Barack Obama's National Security Strategy report released in late May, the U.S. President expressed the hope that Beijing would "make choices that contribute to peace, security and prosperity" in the global arena. In light of the *Cheonan* incident and alleged Burmese nuclear ambitions, Premier Wen's tour may appear to indicate a willingness on the part of Beijing to play that role.

On this tour, the avuncular Wen practiced "close-to-the-people diplomacy" by practicing *tai-chi* and playing baseball with students and retirees in South Korea and Japan. In Rangoon, he watched a display of Chinese kung-fu by Burmese school kids. The premier also vowed that China "will never become a threat to any countries." Yet, misgivings abound over whether the Chinese Communist Party (CCP) administration is making the kind of contribution to the global commonwealth that is commensurate with the country's quasi-superpower status.

Given that the Korean Peninsula has again become Asia's hottest flashpoint, Wen's stance on Pyongyang's alleged involvement in the sinking of the South Korean warship *Cheonan* has elicited the most attention. The Korean crisis dominated the trilateral summit that Wen held with the leaders of South Korea and Japan in the South

Korean resort of Jeju Island. Very much in the spirit of a peacemaker, the premier indicated that “China is a country that upholds justice and [global] responsibility.” Regarding the *Cheonan* Incident, Wen told international reporters that “we do not have any self-interest in this issue – and we will not display favoritism to any party” (China News Service, June 2; Reuters, June 2). Like other Chinese officials, however, Wen repeatedly ducked the question of whether, in Beijing’s opinion, the Kim Jong-Il regime was responsible for torpedoing the *Cheonan*. This is despite widely held views that the Chinese should have been the first to know about the truth behind the naval mishap. A sizeable number of Chinese – diplomats, businessmen and academics – visit Pyongyang regularly; and senior Chinese cadres apparently discussed the incident with Kim Jong-Il during the Dear Leader’s visit to Beijing early last month.

In his Seoul press conference, Wen attempted to shift the focus from the culpability issue to ways to contain the crisis. “The pressing task for the moment is to properly handle the serious impact caused by the *Cheonan* incident, gradually defuse tension, and avoid possible conflicts,” he said. “China will actively communicate with relevant parties and... help promote peace and stability in the region, which fits our common and long-term interests best” (*Korea Times*, May 30; AFP, May 30).

Beijing’s refusal to condemn North Korea despite compelling evidence of Pyongyang’s complicity has weakened the CCP administration’s ability to function as peacemaker in the Korean Peninsula. Moreover, Wen made a rare acknowledgement that China was hardly a disinterested party in the unfolding crisis. Wen admitted in his interview with Japanese broadcaster NHK that his country would suffer gravely in the event of full-fledged warfare between North and South Korea. “If there is a clash, the people of North and South Korea will suffer the most serious harm, but it would be difficult for China to escape [damage],” Wen said. He cited the well-known Chinese proverb – “If the city gate catches fire, the disaster even affects the fish in the moat” – to illustrate his point about China’s vulnerability to instability in the Hermit kingdom (NHK News, June 1; China News Service, June 1).

While it is true that Beijing garnered much international goodwill by chairing the Six-Party Talks on the Korean nuclear issue from 2003 to 2007. Yet, the CCP administration’s acquiescence in Kim’s roguish behavior – apparently to prevent the influx of refugees that may result from the collapse of the Stalinist regime – may undercut the moral authority that China claims is a prerequisite for playing a greater international leadership role.

Wen’s two-day visit to Burma aroused much media interest for two reasons: He was the first Chinese head of government to have visited the pariah state in 16 years; and his tour was on the eve of Burma’s first elections in 20 years. There was speculation over whether Wen, who is the only Politburo member to have publicly supported the introduction of *pushi jiazhi*, or “global values,” into China, would at least indirectly prod the military junta toward speeding up democratic reforms [1]. On the eve of his arrival in Burma, Wen told the Japanese media that the CCP administration was pushing forward with political reform in China. “We guarantee that citizens have election rights, the right to know, the right to participate [in politics] and the right to supervise [the government],” Wen said (*Global Times* [Beijing], June 2; China News Service, June 2). It is clear, however, that as in the case of North Korea, Beijing has stuck to a “see no evil” stance regarding the military authorities’ systemic suppression of the human rights of their own people.

Immediately upon landing in Rangoon on June 2, Wen highlighted Beijing’s concern for ordinary Burmese by visiting the Rangoon No. 1 High School. There, he told secondary students there that while this was his first visit to the country, he wanted to get across the message that “China and Burma are friendly neighbors that share the same mountains and rivers.” It seems evident, however, that Beijing’s primary interest was exploiting natural resources in the isolated regime. The Chinese Foreign Ministry pointed out after Wen’s meeting with military strongman Than Shwe that both sides had “reached consensus on many issues and signed a lot of major deals” in areas including trade, finance, energy, science and technology. Wen and his hosts also discussed ways to improve border security. Bilateral relations were frayed last August, when fighting between the Burmese army and rebel ethnic groups drove tens of thousands of refugees into China’s southwestern provinces. That the Chinese leader did not make things difficult for the junta on either the human rights or the nuclear fronts was evidenced by Wen’s statement that Beijing respected the Burmese government and people’s “choice of a development path in line with [Burma’s] conditions” (Reuters, June 3; AFP, June 3; Xinhua News Agency, June 4).

A major concern of Wen’s Burmese tour was putting the finishing touches to an agreement on the construction of an oil pipeline linking Burma’s Indian Ocean port of Kyaukphyu to China’s Yunnan Province. This would enable China-bound oil tankers from the Middle East to bypass the Malacca Strait by offloading their crude at Kyaukphyu. Chinese strategists have repeatedly warned that given China’s dependence on the Malacca Strait, the country’s “petroleum security” could be jeopardized if its enemies

were to choke off the Strait in times of crisis (*Straits Times* [Singapore] June 1; Irrawaddy.org [Thailand], June 2).

The centerpiece of Wen's trip to Mongolia was enhanced Chinese investments in mines and infrastructure in the land-locked country. Beijing is eager to import more copper, uranium and oil from its resource-rich neighbor. Better ties with Mongolia will also help Beijing promote "national cohesiveness" among the 4 million-odd ethnic Mongols resident in China's Inner Mongolian Autonomous Region (Xinhua News Agency, June 2; Reuters, June 1).

As for as world affairs are concerned, China has been most successful in economics-related undertakings. Trading agreements, including the formation of free trade areas (FTA) – where China's 1.3 billion-people market has become Beijing's diplomatic trump card – have the past decade played a pivotal role in the prevention of conflict in the Asia-Pacific Region. Moreover, joint development of areas with sovereignty disputes is seen as a win-win formula for the resolution of the Sino-Japanese row over the East China Sea. During his visit to Tokyo, Wen and then-prime minister Yukio Hatoyama agreed to speed up talks to substantiate a two-year-old theoretical agreement reached between the two countries over the joint exploitation of gas under the East China Sea (AFP, May 31; Xinhua News Agency, May 31).

Indeed, the most lasting result of Wen's four-nation trip could be laying the groundwork for the establishment of a China-Japan-South Korea FTA. At the trilateral summit in Jeju Island, the three heads of government agreed that a detailed feasibility study on the subject would be ready before the end of next year. The FTA will promote stronger links between the 1.5 billion people living in the three countries, whose collective GDP accounts for the bulk of Asia's (Xinhua News Agency, May 30; *People's Daily*, May 31).

Premier Wen's Asian foray has coincided with a rethink on China's global role within the country's foreign-policy elite. While a good number of strategists have continued to trumpet the no-holds-barred expansion of the quasi-superpower's international influence, others have counseled a more measured approach. In a late May article in the *Global Times* entitled "Don't always think that we have to change the world." China Foreign Affairs University Professor Wang Fan cautioned that "we [Chinese] must recognize the limits of China's strength and capacity." "China cannot change everything, nor can China change within a short time-frame things which it wants to change badly," he said. The international relations expert noted that regarding a host of issues including nuclear non-proliferation, anti-terrorism and carbon emission, "China

doesn't possess the power to initiate [changes] because it only has the capacity to play the role of a coordinator or an assistant." "Beijing can't even do anything about the misunderstanding, bias and discrimination that the international community has held via-a-vis China for a long time," Wang added (*Global Times*, May 25; Tianya.cn [Beijing], May 30).

What should be highlighted, however, is that it is well within China's capacity to stop exacerbating negative developments that could threaten global peace and stability. Take, for example, nuclear proliferation in North Korea and Iran. Despite Beijing's well-known pledge to help the global community rein in their programs to develop weapons of mass destruction, China has continued to boost investment, trading and strategic ties with the two pariah nations. There is strong evidence that the CCP administration has failed to enforce anti-North Korean sanctions imposed by the United Nations Security Council in June last year (See *China Brief*, "Kim Jong-Il's secret visit to Beijing," May 13). During his four-nation Asian tour, Wen skirted questions of whether Beijing would support a new series of Security Council sanctions on the DPRK. Yet as U.S. Secretary of State Robert Gates said in Singapore last week regarding Beijing's relations with the Kim regime, "to do nothing would set the wrong precedent" (Associated Press, June 6; *Wen Wei Po* [Hong Kong], June 6).

Despite speculation about China running world affairs with America within a "Group of Two" framework – and despite the global appeal of the "China model" – Beijing's problematic ties with North Korea, Burma and a host of rogue states shows that China doesn't have what it takes to become either a world cop or an international reconciliator. While the administration under President Hu Jintao is devoting unprecedented resources to worldwide power projection, the focus of much of China's diplomacy remains domestic, in the sense of ensuring a benign international environment for economic growth. The onus is on the Chinese leadership to demonstrate that, short of playing a "responsible leadership role" in augmenting world peace, Beijing will at least do its utmost to contain the forces that undermine global stability.

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## China's Growing Maritime HA/DR Capabilities

By Leah Averitt

China launched what it claims is the first purpose-built hospital ship (Type 920) in the world in 2007, stirring a considerable amount of international speculation regarding the Chinese Navy's future roles and missions. The use of hospital ships in non-military operations by the U.S. Navy has long been associated with the concept of soft power. While soft power consists of such areas as diplomacy and economic assistance, it is also inclusive of elements of communication. Particularly in the case of humanitarian assistance and disaster relief (HA/DR) missions, the ability to convey a message to "relieve ... conditions such as human pain, disease, hunger..." especially with the use of military doctors, can be extremely powerful [1]. In spite of the prominent role that Chinese hospital ships increasingly play in the Chinese Navy's effort to shape international perception of the Peoples' Liberation Army Navy (PLAN), a detailed examination of the evolution of the Chinese hospital ship program and its strategic implications has been lacking in discussion of the PLAN's growing naval capabilities.

Given China's growing maritime HA/DR capabilities, there are now more opportunities for cooperation between the United States and China in HA/DR. During the PLAN's Qingdao Fleet Review in April 2009, Chief of Naval Operations Admiral Roughead was invited to tour the *Daishan Dao*. Subsequently, Admiral Roughead extended an invitation for Chinese participation in a U.S. HA/DR mission. In June 2009, four Chinese visited the *USNS Comfort* in Colombia during *Continuing Promise 2009*. Chinese visitors composed a mix of civilian and military, and their attendance during the HA mission demonstrated the first step toward afloat medical cooperation between the United States and China. This was rather significant for the overall maritime and strategic relationship as it demonstrated cooperation despite the *USNS Impeccable* incident in March 2009. The United States will again embark on an HA mission, this time to Asia during *Pacific Partnership 2010*, providing another potential opportunity

for U.S.-China cooperation in maritime HA/DR.

### CONCEPTUAL ORIGINS IN SOUTH CHINA SEA SKIRMISHES

Some observers have claimed that the development of this new ship was a response to China's inability to respond with maritime HA/DR during the 2005 Tsunami relief efforts. That explanation, however, ignores the fact that the 10,000-ton 866 *Daishan Dao* was under construction as early as May 2004 [2]. Moreover, China has been deploying hospital ships since the early 1980s in preparation for combat-related missions [3].

China's first-generation hospital ships, the *Nankang*-class, were converted from *Qiongscha*-class attack transport ships and entered the fleet in the early 1980s. Chinese analysts assert that the skirmishes in the Paracels and the Spratlys, 1974 and 1976 respectively, were the main motivating factor driving the development of first-generation Chinese hospital ships. The *Nankang*-class hospital ships are deployed in the South Sea Fleet and their placement reflects the purpose for which they were designed. According to Qu Zhaowei: "Given the scale of an amphibious campaign to land on the islands in the South China Sea would not be too large, the two *Nankang* ships would prove sufficient to meet the need" [4].

The distance of these naval skirmishes from mainland China was enough to warrant the need for a hospital ship. Lacking a hospital ship at the time (1970s) of these maritime conflicts, Chinese soldiers and sailors who were wounded were not able to receive treatment offshore in the immediate zone of conflict. The primary historical reason for building hospital ships has been to create the ability to treat wounded military personnel during combat at some distance from one's home shores. Up until that time, all hospital ships built by other countries had been conversions from other ships. The Chinese response to the disputes in the Spratlys and Paracels of converting other hulls into hospital ships followed the trend of international hospital ship conversions at the time.

### INTERIM EXPERIMENTATION WITH DEFENSE MOBILIZATION

Commissioned in January 1997, the *Shichang* was built as a multi-role aviation training ship. The second-generation Chinese hospital ship is actually referred to as a "national defense mobilization ship" (*guofang dongyuan jian*). Mobilization refers to the ability to mobilize civilian assets for military use. When medical modules, painted white with red crosses, are placed on the *Shichang*, rather than cargo containers, the ship effectively becomes a hospital ship. It is likely that dual-use platforms such as U.S. Navy LPDs that have used modular hospitals on deck influenced

the design of the *Shichang*. Canada (ships forthcoming) and Germany also have similar hospital ships.

The *Shichang* was actually built in response to the Chinese observation of the Falklands War according to Chinese sources [5]. During that conflict, the *SS Uganda* was converted by the British from an educational cruise liner and was used as a hospital ship. One Chinese author reflects: “The experience of the [Falklands War] illustrates that the fighting of a war is closely linked to the issue of the mobilization of transport assets” [6]. As recently as 2008, China mentioned its desire to have a clearly defined national defense mobilization system that is compatible and commensurate with its national security needs [7].

#### A PURPOSE-BUILT, DEDICATED HOSPITAL SHIP

According to the *People’s Daily*, the 866 *Daishan Dao* is the world’s first purpose-built hospital ship (*People’s Daily Online*, November 3, 2008). *Jane’s Fighting Ships* lists the Russian hospital ship, *Yensei*, as the first purpose-built hospital ship. The *Daishan Dao* belongs to the East Sea Fleet and was commissioned on 22 December 2008. The exterior of the ship is painted white along the guidelines of the Geneva Convention and has six red crosses. It has a helicopter hangar with the capacity to hold 1-2 helicopters along with a helicopter pad. The indigenously built Z-8 large shipborne helicopter has been photographed operating with the *Daishan Dao*. Pictures also show that there are six lifeboats. The vessel has a medical staff of 600 along with a crew of 200 to sail the ship. In addition, it is said to have over 500 beds with 8 surgical operating rooms and the capacity to “accommodate 40 major surgeries a day – about as many as a large hospital in Beijing” (*People’s Daily Online*, March 24, 2009). Xinhua News Agency indicates: “This ship makes China one of the few countries in the world to possess long range medical rescue capabilities. A large hospital ship is considered an important division of a modern navy” [8].

Yu Dapeng is the captain of the 866 that held its first exercise in mid-March 2009 (*People’s Daily Online*, March 24, 2009) followed by exercises in June and September. On October 20, 2009 the *Daishan Dao* departed Shanghai on a 39-day, 5,400 nm humanitarian assistance training mission (HATM) carrying nearly 100 civilian and military medical experts (*PLA Daily*, November 30, 2009). China’s HATM took it to many stops among the islands and reefs in the South China Sea to include visiting many military outposts. China’s HATM shows the first indication of the ship’s potential soft power.

Nevertheless, Chinese analysts assert unequivocally that support to large-scale amphibious warfare was the primary

reason for building the *Daishan Dao*. They state that the Chinese hospital ship can “integrate and participate in amphibious attack squadrons.” They go on to say that: “Once war erupts, the *Daishan Dao* and *Shichang* or other modular hospital ships, anchored at a certain distance, can prepare to admit the injured” [9].

Interestingly, Qu Zhaowei also notes the hospital ship’s potential as a “new means to influence developing countries.” China has growing relationships with many resource-rich countries, especially in Africa. The *Daishan Dao*’s potential to positively influence these areas through hospital ship visits might increase economic gains.

#### RETHINKING DEDICATED HOSPITAL SHIP PLATFORMS

Very little is known about the fourth-generation hospital ship, vessel 865, except for a few photographs that have surfaced recently [10]. The ship appears to be a container ship that has been refitted with medical modular units much the same as the *Shichang*. The 865 is a dual-use ship; it can be used as a container ship or a hospital ship. It is possible that this type of ship was designed in response to the fact that the maintenance and repair of a purpose-built hospital ship, especially in peacetime, is expensive [11].

According to *Jane’s Fighting Ships*, vessel 865 is the largest modularized hospital ship in the world (4xs larger) with over 100 modules and weighing in at 30,000 tons. A recent photograph in *Renmin Haijun* actually shows two modularized hospital ships being assembled side-by-side, suggesting that the use of medical modules for container ships could be significant in scale [12].

#### THE IMPACT OF HOSPITAL SHIP MISSIONS ON MARITIME STRATEGY

While assisting in wartime is its first responsibility, the use of a hospital ship in non-war environments such as HA/DR has increased dramatically over the past few years. The exercise of soft power with hospital ships has gained increased importance after HA/DR was designated as one of the U.S. Navy’s core interests in *A Cooperative Strategy for 21<sup>st</sup> Century Sea Power*. Thus, while the Chinese hospital ship program and the impressive *Daishan Dao* in particular was not the result of the 2005 Tsunami relief effort, it is likely that higher profiles for these vessels in the aftermath of that event and other major USN maritime HA/DR efforts are having an impact on Chinese strategy in this domain. Indeed, the need to improve China’s HA/DR support capacity was identified in the country’s 2006 Defence White Paper. Moreover, a PLA Navy captain recently announced at an international conference in Vancouver that China would soon begin HA/DR missions

deploying the new hospital ship beyond East Asian waters [13]. Hospital ships have demonstrated an enormous capacity to produce a range of positive and highly significant effects and this is clearly recognized in Beijing.

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## U.S.-China Strategic & Economic Dialogue: Not Exactly a "Dialogue"

By Gordon G. Chang

More than 200 American officials converged on Beijing in late May for the second U.S.-China Strategic and Economic Dialogue. After two days of intensive discussions with their Chinese counterparts, the American side boasted of many accomplishments. The State Department, working on the "strategic" track of the Dialogue, pointed to "26 specific outcomes,"[1] which included, "talked broadly about development issues, and agreed to enhance communication and dialogue on these issues." Three memorandums were signed as was one "Work Plan." One memorandum was renewed and one joint statement issued. Two meetings were held on the sidelines of the Dialogue, and eight more were announced for the coming year. The State Department, obviously, now considers "talking" as an achievement in and of itself. Even by this low standard, the Dialogue showed meager results.

Secretary of State Hillary Clinton, however, said afterward, "this dialogue mechanism ... helped put us rapidly back on a positive track" [2]. This "positive track," if it existed, lasted a week. At the Shangri-La Dialogue held in Singapore June 4 - 6, tensions broke out into the open between Defense Secretary Robert Gates and Chinese military officers, especially Major General Zhu Chenghu, who stated, "you, the Americans, are taking China as the enemy" (*South China Morning Post*, June 6).

What caused the contentious exchanges? On June 3, China's foreign ministry confirmed that no arrangements had "yet" been made for Gates's long-planned trip to China, scheduled after the Singapore event (*Straits Times* [Singapore], June 3). Some Chinese analysts were more direct. "The U.S. has not made any concrete moves to clarify its stance on the arms sales [to Taiwan], and neither has it shown its attitude," said Peng Guangqian, a Beijing-

based military strategist. “That’s the reason Beijing doesn’t want to thaw military ties” (*People’s Daily*, June 4).

In January, Beijing began cutting mil-to-mil relations with the United States to protest the Obama administration’s sale of \$6.4 billion of hardware to Taiwan. American officials nonetheless thought the Chinese had since cooled down, especially after Admiral Robert Willard, commander of U.S. forces in the Pacific, met with General Ma Xiaotian, deputy chief of the General Staff, in May at the Dialogue.

Chinese statements about that meeting, however, showed that Beijing was far from ready to move U.S.-China relations forward. “The barriers between U.S.-China military relations are not built by China,” General Ma said to Willard, according to the official Xinhua News Agency. “The United States has not fulfilled its obligations and continued its arms sales to Taiwan despite protests from China,” stated a Xinhua editorial. “As a result, since the establishment of bilateral relations, the high level China-U.S. military exchanges have been in what General Ma calls a strange cycle of ‘development, standstill, another development, another standstill’” (Xinhua News Agency, June 6).

Gates correctly viewed the Chinese refusal to meet as a snub and publicly complained that breaking off ties “makes little sense.” “He just doesn’t believe that a relationship of this importance can take place in fits and starts,” said Pentagon press secretary Geoff Morrell, referring to the obviously peeved defense secretary. “There needs to be a continuous, high-level engagement between these two powers and it can’t be derailed by bumps in the road that will inevitably come up” (Reuters, June 2). The problem is that these disruptions are more than “bumps” and that it is not possible to structure ties that “can’t be derailed.” The two countries have interests that conflict and, more important, hold values that are incompatible.

American officials—in both this administration and the last one—apparently do not want to recognize that the stark differences between the two societies matter. Gates, in particular, chalks up his recent troubles with China as merely problems inside the People’s Liberation Army. “Nearly all aspects of the relationship between the United States and China are moving forward in a positive direction, with the sole exception of the military-to-military relationship,” he said en route to Singapore. “The PLA is significantly less interested in developing this relationship than the political leadership of the country” [4].

Yet, problems in the relationship are not just confined to military matters, despite what Gates’s public comments indicate. In addition to arms sales to Taiwan, recent

months have seen Washington and Beijing publicly disagree on climate change remedies, trade matters, control of the internet, and Dalai Lama visits, just to name the more prominent controversies. Moreover, the defense secretary should have known that Mrs. Clinton had not fared well at the Dialogue in Beijing. She was not able to convince her hosts, for example, to work with the international community on the most pressing issue of the moment: North Korea’s sinking of a South Korean ship in March.

Mrs. Clinton and Mr. Gates were not the only Americans receiving the cold shoulder. Treasury Secretary Timothy Geithner also came away empty-handed as the “Economic Track” of the Strategic and Economic Dialogue did not result in any apparent progress. That did not prevent the Treasury Department from issuing a “Fact Sheet” [5] at the conclusion of the Dialogue, however. It is true that the eight-page document indicates that the United States and China agreed on every major issue under discussion. Among other things, the two nations said they would take steps to rebalance the global economy and “reaffirmed their commitment to continue executing the important cooperative measures pledged to at the first meeting of the Strategic and Economic Dialogue.”

In fact, the Treasury’s summary of the second Dialogue looks just like the summary for the first one, held in Washington last July. Unfortunately, there was little to suggest that American officials had, in the interim, changed the minds of their Chinese counterparts on any issue of significance to the United States.

For instance, the fact sheet, which contains few facts and almost no specifics, does contain the word “currency,” but only in connection with the pledge of the two countries to establish “an anti-counterfeit currency training mechanism.” Of more interest to the United States is Beijing’s fixing the value of its currency, the renminbi, to the dollar to obtain trade advantages. No other economic issue between the two countries is as contentious—or as fundamental—as this one.

Two months ago, the consensus was that Beijing would permit a small revaluation, perhaps three percent. Now, even a little adjustment looks to be off the table because of the plunging euro, wrecked by the Greek and other debt crises. After the Dialogue concluded, there was no evidence that Chinese officials showed any flexibility on the issue.

That did not deter Mr. Geithner from issuing hopeful words. “We welcome the fact that China’s leaders have recognized that reform of the exchange rate is an important part of their broader reform agenda,” he said in his closing

statement. “Allowing the exchange rate to reflect market forces is important not just to give China the flexibility necessary to sustain more balanced economic growth with low inflation but also to reinforce incentives for China’s private sector to shift resources to more productive higher value added activities that will be important to future growth. This is of course China’s choice” [6].

China’s choice, for the meantime, is not to revalue, something evident from the absence of exchange-rate issues from the Treasury’s Fact Sheet and the general silence of Chinese officials on this subject after the Dialogue concluded. Even though the renminbi is undervalued by perhaps as much as 40 percent, the Chinese have evidently decided not to budge.

Clearly, however, pressure is building in Washington to force China to revalue the yuan, as the renminbi is informally known. Senators Chuck Schumer, the New York Democrat, and Lindsey Graham, the South Carolina Republican, would impose penalties on China if it maintained a misaligned currency.

Beijing has for years been able to prevent Congress from taking action, but on April 19 the powerful House Ways and Means Chairman Sander Levin said he would act if China refused to do so. He essentially gave President Obama and Secretary Geithner until June to persuade Beijing to take action.

Why did Levin set a June deadline? The G-20 convenes in Toronto this month. Previous meetings of this grouping have achieved few substantive results, but Levin was willing to be patient. Now that the administration looks like it has failed, a showdown in Congress looks likely.

Chinese intransigence upsets not only Americans. Other nations, including some developing countries like Brazil and India, want Beijing to free its currency as well. Perhaps the added pressure of facing a united front at the Toronto G-20 will convince Beijing that its currency policy must change. Yet in the setting most conducive to making real progress—the one-on-one discussions in the Chinese capital in May—the United States got nowhere.

It was not so much a “dialogue” last month as a one-way conversation, with Washington talking—even pleading—and Beijing looking the other way. As Geithner indicated, China has choices, and at least from Washington’s perspective, Beijing has made the wrong ones, on both the strategic and economic tracks. Chinese leaders, whether we like it or not, appear to have decided to go their own way. That is the big message from the last round of the now-misnamed Strategic and Economic Dialogue.

How long can the Dialogue last if it does not produce results? In Washington, successive administrations have considered communication with Beijing almost as an end in itself. Americans are still working on the assumption that the overwhelming attractiveness of their ideals will ultimately persuade Chinese leaders to change their approach to the world. By deepening institutional relationships, American policymakers are hoping that China, as it becomes more prosperous and powerful, will cooperate with the international community in solving the world’s many problems.

Yet Beijing has moved in the opposite direction in the last two years. American “engagement” policy, however, has remained unchanged. Washington officials talk to their Chinese counterparts almost every day, conducting dozens of bilateral forums each and every year. The two nations, however, are moving further apart on the issues that count. And as disputes between them arise and worsen, Washington will have to consider the possibility that no amount of dialogue, however structured, will convince Chinese leaders to calculate their interests in the way we think they should.

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## The China-Pakistan Reactor Deal and Asia's Nuclear Energy Race

By Stephen Blank

In late April, China announced the sale of two nuclear reactors to Pakistan. This deal is clearly against the guidelines of the Nuclear Suppliers Group (NSG) and the spirit if not the letter of the Nonproliferation Treaty (NPT) [1]. Nevertheless, the United States has not and may not even register a protest to this sale in spite of its implications for regional stability. Washington is seeking Beijing's support for effective sanctions on Iran in the U.N. Security Council, which dampens the political will to take Beijing to task on other international issues [2]. Although the announcement of this deal does not come as a surprise, the sale reinforces China's long-standing ties to Pakistan and the country's sensitive nuclear program, and it testifies to the growing strength of China's nuclear industry through its ability and desire to export to foreign markets. As the Iran connection also demonstrates, this deal is taking place within a strategic framework that extends beyond Sino-Pakistani relations. Indeed, China's sale of additional nuclear reactors to Pakistan is happening in the context of renewed aggressiveness by major nuclear powers to export reactors and technology abroad on a global scale and the parallel expansion of the desire by many Asian states for nuclear energy.

China has already built one reactor, the Chasma-1 in Punjab and is building a second one, Chasma-2. According to the "new" deal, China is lending Pakistan \$207 million to buy two more reactors, Chasma-3 and Chasma-4 (Cnsnews.com, May 21). Beijing and Islamabad argue that these new deals do not violate the NSG guidelines because they are part of the original deal for Chasma-1 and 2 from 2004 before China joined the NSG (Cnsnews.com, May 21).

Pakistan has sought nuclear reactors from China since 2008 at least and oft-cites as Islamabad's defense the 2005 Indo-American deal where the Bush Administration prevailed upon the NSG in 2008 to grant India a waiver even though it is not a signatory to the NPT. Naturally, the Indo-U.S. deal infuriated the Musharraf regime and its successor regime headed by President Asif Ali Zardari. Pakistan claimed that it also had urgent energy needs that could only be solved by nuclear energy imports but the United States, though it recognizes those needs, fobbed Pakistan off. At the same time, however, India's success with NSG owed much to its very good record on non-proliferation, something that cannot be said about Pakistan (Cnsnews.com, May 21).

To be sure, China has long supported Pakistan's nuclear

and military programs to check Indian power. This deal is another sign of the Middle Kingdom's growing assertiveness in international affairs. For example, about a month before the sale to Pakistan, China reportedly announced the opening of a missile plant in Iran (*The Straits Times*, April 30). This missile plant, taken in tandem with China's growing nuclear exports, arguably betokens an expansion in China's support for dubious states in the proliferation context (Asia Times Online, May 22). The flap over Burma's nuclear ambitions is further cause for concern about risks for regional instability. There is no doubt that China's overall foreign and defense policy has become generally assertive but there is more within the context of this deal than its growing assertiveness.

Nonetheless, China's assertiveness on these issues is palpable. China plays in the nuclear export arena as both an importer and exporter. It has imported reactors and enrichment plants from the United States, France and Russia (*China Daily*, June 9, 2008). It currently seeks to import the newest fourth generation reactors for commercial use (China Daily Online, May 19). Yet in 2008 after years of frustration it coordinated a state policy to develop nuclear power independently and it now intends to compete with other exporters (e.g. South Korea) (Xinhua News Agency, February 18). Thus, China has recently opened up discussions with Turkey and Arab states about selling Istanbul nuclear reactors and technology ostensibly for peaceful use (Xinhua News Agency, January 7; *China Daily Online*, May 12). Finally, although China never misses opportunities to proclaim its devotion to the cause of nuclear nonproliferation, it has in fact, been a major proliferator of missile technology to Iran, among others [3].

At the same time, China's import and export activities reflect the growing global demand for nuclear power. The surge in demand for nuclear energy has several causes. Given the "oil shock" of the previous decade, even though prices have fallen 40-50 percent from their high in 2008, many states who lack hydrocarbon resources are searching for what they believe is a more stable, reliable, and domestically based source of energy in the face of expected recoveries of their domestic demand for energy. Another driver of demand for nuclear energy is the growing concern for the dangers of climate change brought on by profligate hydrocarbon use. Allegedly, nuclear energy—safely and properly used—represents less of a risk to the environment. China's deal with Pakistan must also be viewed in the context of this heightened competition to export nuclear technology and the parallel-expansion in demand for it.

The most recent precedent of a nuclear energy deal is the U.S.-India nuclear deal whereby the United States will

provide India with civilian nuclear energy and for which Washington got a waiver in the NSG. At the time, it aroused much controversy precisely for the reason that it violated NSG guidelines and the spirit of the Nonproliferation Treaty [4]. However, since then there has been a veritable explosion of competition among Asian and European providers (including the United States) to sell nuclear technology abroad, not least to India. South Korea's shocking victory over France in the competition to sell the UAE has had major effects abroad in this context. South Korea clearly aims to be a major nuclear power exporter. Its firms like Korea Electric Power co. (KEPCO) are active in India, China, Jordan, and Turkey [5]. South Korea aims to capture 20 percent of the global market by 2030 and export 80 nuclear reactors [6]. South Korean President Lee Myung-Bak has publicly expressed his belief that this deal with the UAE will facilitate other exports abroad (*The Korea Times*, January 13).

Yet South Korea's stunning example has not been lost on its competitors, Japan and China. For instance, in Japan,

A new company should be formed later this year to support Japanese exports of nuclear power technology and knowledge. The Ministry of Economy Trade and Industry (Meti) has agreed to set up the firm with involvement from utilities the Tokyo, Chubu and Kansai electric power companies as well as with reactor vendors Toshiba, Hitachi and Mitsubishi Heavy Industries. The Innovation Network of Japan - a joint venture of government and industry - may also join. The move is seen as a reaction to South Korea's success in exporting to the United Arab Emirates and directed towards winning new nuclear contracts with the emerging nuclear countries of South-East Asia [7].

Not to be undone, Japan is now considering relaxing its restrictions on the export of nuclear technology, specifically to India (part of the larger dawning Indo-Japanese partnership due to the rise of China). These discussions reflect the forces driving the nuclear export and import in Asia. Since getting its waiver from the NSG India has concluded civil nuclear deals with the United States, France, Russia, and Kazakhstan. India clearly wants to cement ties with Japan in this and other domains, and Japan, likewise, wants stronger ties with India and not to be left out of one of the biggest nuclear markets in the world [8]. More recently, the two states agreed to form a working group to prepare the way for a reactor sale devoted strictly to peaceful purposes (*Asahi Shimbun*, May 3). Clearly, the pressure from South Korea is prompting Japan to gear up and compete in the exploding Asian market with its spiraling demand for electricity and all forms of power.

South Korea and Japan are hardly the only rivals in this field. France and the United States are long-standing purveyors of peaceful nuclear technology. Russia, since 2006 has been competing on a global scale for uranium sources and to see nuclear reactors across the globe. Moscow's efforts in this field merit a separate analysis but it is a vigorous rival for these other Asian and Western exporters.

Therefore, China's recent nuclear exports to Pakistan and the future of its nuclear exports in general need to be examined these three contexts. The first context is that of the overall growth of the assertiveness of China's diplomacy in general and efforts to use nuclear power and military instruments like missiles as sources of influence abroad. In the case of exports to Pakistan, a second context is the long-standing geopolitical rivalry among India, China and Pakistan in which China's "all-weather" friendship with Pakistan has been a deliberate and conscious Chinese strategy to inhibit the growth of Indian power. Finally, and third we must keep in mind that China is not only an exporter of nuclear energy, it also is a consumer of that energy and so it will be a key market for other exports like Russia, the United States, France, South Korea, and Japan. As an importer, it obviously will welcome the rivalry of exporters who wish to sell to it so that it can obtain more favorable terms. However, as an exporter of nuclear energy and a power that wants to export more of it for both economic and political gain, it cannot afford to let either its rivals outpace it in Asia or in other areas that China deems as essential to the pursuit of its larger strategic goals.

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[The views expressed here do not represent those of the U.S. Army, Defense Department, or the U.S. Government.]

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