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Chang Hong-3 with AR-1 Missiles

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In a Fortnight

ADVANCES IN CHINA'S UCAV PROGRAM

By L.C. Russell Hsiao

The acquisition of advanced foreign technologies coupled with sustained high rates of investment in its defense industries has helped accelerate the pace and scope of China's military modernization in recent years. One military platform that apparently benefited from this substantial investment, which has the potential to alter the future battlefield, is China's unmanned combat aerial vehicles (UCAV) program. The attendant technologies associated with the development of an unmanned aerial system capable of combat reflect more than just the hardware required to build the aircraft. The integration of a C4I (Command, Control, Communications, Computing and Intelligence) structure is a necessary component for operating an effective unmanned aerial system. An integrated UCAV system could greatly enhance the Chinese military's capability to track, identify and strike targets in its increasingly complex land, and possibly near-and far-seas missions (China Review News, June 17).

In recent years, China has been actively scouting, purchasing and developing technologies to support its indigenous U(C)AV program. For now, Chinese manufacturers are still playing catch up in the industry dominated by U.S. and European manufacturers. The development of China's indigenous unmanned systems faced many challenges, particularly in terms of developing more secure and resistant control and communication links (Sina.com.cn, February 8, 2007). Nevertheless, the advancement of its indigenous U(C)AV program still requires foreign technologies. For instance, China has tried to acquire from the South African defense company Denel the TV video cameras and second-generation thermal imaging cameras used in its Seeker II UAV surveillance system (UPI, January 13, 2009).

Reports also indicate that China may have already begun to sell its systems to countries in Southeast Asia. According to Malaysia's *Kuala Lumpur Security Review*, the Chinese defense companies at the Brunei International Defense Exhibition 2009 (BRIDEX 2009) featured the *Chang Hong-3* (CH-3) UCAV platform, ostensibly to sell to countries like Brunei and Cambodia. The CH-3 was also a highlight at the 12th annual Defense Services Asia (DSA)-2010 exhibition, which was held in Malaysia from April 19-22. These developments suggest that China's indigenous UCAV program has made a significant stride in recent years.

It is also worth noting that the medium-altitude long-endurance (MALE) UCAV model was first unveiled at the 2008 Zhuhai Airshow, only a year before BRIDEX 2009, and some industry analysts at the time believed that the CH-3 model was still far from becoming a reality. Others also claim that the CH-3 is based off the *Yabhon-R*, which is a system jointly developed by Malaysia and the UAE. There are now reports indicating that the Chinese may unveil a "CH-4" model at the upcoming biannual Zhuhai Airshow, which will be held from November 16-21 in Guangdong (*Wen Wei Po* [Hong Kong], July 15; *China Times* [Taiwan], July 1; Jizhe.cc, July 1; Airshow.com.cn).

Developed by the China Aerospace Science and Technology Corporations' 11th Academy, the CH-3 has a wingspan of 8 meters, body length of 5.5 meters, takeoff weight of 640 kilograms, a payload of 60 kilograms, maximum load 100 kilograms, and can carry opto-electronic reconnaissance equipment and reportedly two AR-1-type air to ground missiles (*Sinodefenceforum.com*). According to military specialists, the new 45-Kg AR-1 is a laser-guided missile that is similar in capability to the U.S. Predator-1 (Military.com, April 9, 2009).

The expansion of China's military satellite network could also enable the use of high-altitude U(C)AVs over long ranges and in operations farther from shore (See "PLA Expands Network of Military Reconnaissance Satellites," *China Brief*, August 19). While the Chinese military has only limited experience with unmanned aerial systems to date, the practical application of UAV sensor information to battlefield operations is clearly moving beyond the developmental stage. Indeed, according to sources cited by China News Agency from the third annual China UAVs Expo, China's unmanned aerial vehicles (e.g. W-50 pilotless aircraft) already entered into active service with PLA units and have attained "combat effectiveness" (*China Daily*, June 11; *China Review News*, June 17).

China's development of unmanned aerial systems was also prominently displayed during the 60th anniversary

celebration of the People's Republic of China (PRC) on October 1, 2009. The Chinese press raved about how 52 types of "new weapon systems" were showcased in 30 vehicle and 12 air formations during the military parade portion of the 60th anniversary celebration (*PLA Daily*, September 17, 2009). According to Professor Tan Kaijia, a weaponry expert at the PLA's National Defense University, "The official debut of the PLA's UAVs reveals that China has made substantial progress in intelligent control system, precise measuring-controlling system and computer information processing for military uses." "The acquisition of a large amount of UAVs will greatly speed up information collecting procedures in battlefield environment and improve the troops' quick-response ability," Tan said (*Xinhua News Agency*, October 1, 2009).

In the final analysis, as China acquires new technologies, the application of unmanned systems in the PLA's tactical C4I operations is likely to increase. While these developments only represent a small step in that direction, the growing range of capabilities embodied within a sophisticated UCAV system could potentially alter the Chinese calculus of forces required for sea control and land attack in scenarios ranging from the South and East China Sea. Furthermore, as China's explorations for new technologies yield more information that it can convert for its own technological purposes, the PLA could exploit existing and developing technology to leap in the development of a varied UCAV system to support its evolving anti-access/area denial strategy.

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Aging Tigers, Mighty Dragons: China's Bifurcated Surface Fleet

By Joseph Carrigan

The rapid modernization of the People's Liberation Army Navy (PLAN) relative to the traditional maritime powers raises profound questions concerning the naval dimension of the regional balance of power in the Western Pacific. The image of a downward-trending and upward-trending fleet inventory for the United States and China respectively, as depicted by some Western analyses (*The Economist*, August 28), underscores one variable in the region's changing strategic calculus. Quantity is no doubt an important measure of a navy's ability to project force, but *quality*, as determined by capabilities, limitations, operational tendencies, and political and military leaders'

confidence in their training, people and equipment, is an equally—if not more—important measure of modern naval warfare.

A survey of open-source reports about PLAN deployments, operations, exercises and movements over the last several years reveals that the PLAN's force structure should not be seen as a monolith. Rather, it has become a bifurcated force—a navy comprised of modern, highly capable ships and submarines and older, decidedly less capable and seemingly less reliable ones. In other words, the PLAN seems to have adopted a “high mix/low mix” approach to force management. It has created a modern, prestigious “A-team” that is tasked with the most important, highest visibility, most politically sensitive operations and exercises and a far less visible “B-team” that is seemingly restricted in the manner in which it is employed. The first group—the “A team”—might be called the “high confidence fleet” and the second—the “B team”—might be called the “limited capability fleet.”

RECENT PLAN DEPLOYMENTS, OPERATIONS, EXERCISES AND MOVEMENTS

Over the past several years, a number of incidents in the greater East Asian maritime region involving PLAN ships and submarines were reported through various media outlets. In one incident in September 2005, a group of five warships, including at least one *Sovremenny*-class destroyer [1], was detected patrolling the contested Chunxiao gas fields in the East China Sea. In another, in September 2006, a *Song*-class diesel patrol submarine broached within five nautical miles of the U.S. aircraft carrier *Kitty Hawk* in the East China Sea. In October 2008, both a *Han*-class nuclear submarine and a *Song* were detected near Japanese territorial waters, apparently observing the U.S. aircraft carrier *George Washington*. Later that month, a small PLAN flotilla consisting of a *Sovremenny* destroyer, *Jiangkai* I and II frigates (the newest, most capable Chinese frigates), and a *Fuchi*-class replenishment ship (the PLAN's newest class), transited the Tsugara Strait between the Japanese islands of Honshu and Hokkaido [2].

Perhaps most prominent among recent PLAN operations and exercises are the six anti-piracy flotillas that have deployed to the Horn of Africa and Gulf of Aden since December 2008. These flotillas have included *Luyang* I and II and *Luhai*-class destroyers, *Jiangkai* I and II frigates, *Fuchi*-class replenishment ships, and the *Yuzhao*-class dock landing ship *Kunlunshan*—some of the PLAN's most modern and capable surface ships.

Earlier this year in March and April, two other PLAN flotillas participated in “long range naval exercises” that

drew considerable international scrutiny (See “PLAN East Sea Fleet Moves Beyond First Island Chain,” *China Brief*, April 29). These flotillas consisted of similarly modern force mixes: a North Sea Fleet flotilla consisted of six ships including a *Luzhou*-class destroyer, *Jiangwei* II and *Jianghu* III-class frigates, and a *Fuqing*-class replenishment ship [3]; while an East Sea Fleet flotilla consisted of as many as ten ships that included two (possibly three) *Sovremenny*-class destroyers, *Jiangwei* I and II-class frigates, two *Kilo*-class submarines, and a *Fuqing*-class replenishment ship [4].

In late June and early July of this year, the PLAN reportedly conducted another notable exercise, again with some of the service's most capable ships as central participants. In an extensive photo composition by *Xinhua News*, three *Sovremenny* destroyers, several *Houbei*-class fast attack craft [5], *Jiangwei* I and II and *Jiangkai* I-class frigates are shown in a series of undated photos taking part in a “live ammunition drill” of thirty-plus ships (*China Daily*, July 1).

Later, on July 26, the PLAN conducted a “multi-naval-arms combined actual-troop and live-shell exercise” (*PLA Daily*, July 29). According to a photo essay in the China Shipbuilding Industry Corporation (CSIC) journal *Modern Ships*, participating PLAN units, including *Sovremenny*, *Luyang* II and *Luzhou* destroyers, and *Jiangwei* II and *Jiangkai* II frigates, conducted missile firings, anti-aircraft drills and complex electronic warfare exercises in the South China Sea.

Most recently, on August 31, China's first and only purpose-built hospital ship, the *Anwei*-class *Peace Ark*, set sail for its first overseas medical mission (*Xinhua News*, August 31). This deployment, in which the ship is scheduled to operate in the Gulf of Aden and provide medical services to the people of Djibouti, Kenya, Tanzania, and the Seychelles, represents the only other extra-regional deployment in PLAN history other than the six aforementioned anti-piracy flotillas.

FIGURE 1: OBSERVED DEPLOYMENTS, OPERATIONS, AND EXERCISES FOR PLAN'S "HIGH CONFIDENCE (SURFACE) FLEET," 2005-2010

Surface Ship Class	Near Coast/Near Seas	Far Seas
Destroyers (11)		
<i>Sovremenny</i> (Project 956E/956EM)	Sept 2005; Oct 2008; Apr 2010 (2-3); July 2010 (3); July 2010; July 2010	
<i>Luzhou</i> (Type 051C)	Mar 2010; July 2010; July 2010	
<i>Luhai</i> (Type 051B)		Second APF
<i>Luyang I</i> (Type 052B)		First APF; Fifth APF
<i>Luyang II</i> (Type 052C)	July 2010; July 2010	First APF; Sixth APF
Frigates (21)		
<i>Jiangkai I</i> (Type 054)	Oct 2008; July 2010	Fourth APF (2)
<i>Jiangkai II</i> (Type 054A)	Oct 2008; July 2010; July 2010	Second APF; Third APF (2); Fifth APF
<i>Jiangwei I</i> (Type 053H2G)	Apr 2010 (2); July 2010; July 2010	
<i>Jiangwei II</i> (Type 053H3)	Mar 2010 (2); Apr 2010; July 2010; July 2010; July 2010	
Fast Attack/Patrol Craft (50+)		
<i>Houbei</i> (Type 022)	July 2010 (?)	
Amphibious Ships (1)		
<i>Yuzhao</i> (Type 071)		Sixth APF
Auxiliaries (5)		
<i>Fuchi</i> (Replenishment Ship) (AORH)	Oct 2008	First APF; Second APF; Third APF; Fourth APF; Fifth APF; Sixth APF
<i>Fuqing</i> (Replenishment Ship) (AORH)	Mar 2010; Apr 2010	
<i>Anwei</i> (Type 920) (Hospital Ship) (AHH)		Aug 2010

NOTES: Each event listed individually by month and year except anti-piracy flotillas (APF). Two or more listings for a given month/year indicate multiple events for the period. Numbers in parentheses following each event indicates multiple units of the class participated. An unknown number of *Houbei*-class fast attack craft participated in the early-July 2010 exercise.

TWO FLEETS EMERGE

Examined together, these operations and exercises offer three key insights. First, as noted above, for the most important, highest visibility, most politically sensitive operations, exercises, and movements, the PLAN consistently calls upon its newest, most capable units—the “high confidence fleet.” The core of the high confidence fleet includes: *Sovremenny*, *Luzhou*, *Luhai*, and *Luyang* destroyers; *Jiangkai* and *Jiangwei* frigates; *Houbei* fast attack craft; the *Yuzhao* dock landing ship and *Yuting* tank landing ship; *Fuchi* and *Fuqing* replenishment ships; the *Anwei* hospital ship; and *Yuan*, *Song*, *Kilo*, and *Han* submarines.

Second, even among the ships of the high confidence fleet, there seems to be some pecking order; in fact, some of these high confidence ships might be considered most preferred, most reliable and even of “highest confidence.” The operations and exercises of the past several years in terms of regional or “near seas” operations and extra-regional or “far seas” [6] operations indicate that a select few ship types enjoy high operational tempos in both categories (see Figure 1). The *Luyang II*-class destroyer, the *Jiangkai I* and *II*-class frigates, and the *Fuchi*-class replenishment ship have not only completed all but one of the PLAN's far seas missions in its history, they have also been among the most active ships in near seas operations and exercises.

Third, the rest of the PLAN surface ship and submarine force structure—the “limited capability fleet”—is conspicuous only by its absence in major operations and exercises in recent years. Its ships and submarines rarely appear in prominent official state media reports and are rarely observed by international media outlets. Thus, it appears

that the limited capability fleet typically does not participate in overseas deployments, prestigious naval exercises, or ship movements that may draw international scrutiny. It is, in a very real sense, the PLAN's "B team." Of course, these ships very well may participate in local operations and exercises to maintain proficiency. Nevertheless, their consistent absence in the most significant deployments, operations, and exercises seems noteworthy.

The limited capability fleet consists principally of *Luhu* and *Luda* destroyers; *Jianghu* frigates; the *Nanyun*-class replenishment ship; and *Romeo*, *Xia*, and *Ming* submarines. Indeed, this "low mix" component is a sizable proportion of the total fleet: 42 of 74 (57 percent) PLAN destroyers and frigates and approximately 20 of the PLAN's 60-plus submarines (33 percent) are in the limited capability category.

If these observations in fact represent larger operational tendencies, it is not unreasonable to assume that the PLAN's limited capability ships and submarines may suffer from some form of benign neglect, be it calculated or unintended. Because high-confidence ships are more heavily relied upon for the most consequential and most visible naval operations (and may well feature more prominently in Chinese war plans), these newer, more-capable platforms may enjoy an overall higher priority for funding, training, maintenance and logistics. As a result, the limited capability fleet as a whole could be not as well-maintained or well-trained, and therefore less ready than their advantaged sister ships of the high confidence fleet, further limiting their capabilities, utility, and employability.

COMING SOON, TO A (PACIFIC) THEATER NEAR YOU

While the full implications of this high/low mix for PLAN capabilities and limitations is beyond the scope of this article, a few points may be worthy of immediate consideration. First, the limited capability fleet—the "B team"—is hardly "not capable." In fact, these ships can perform a number of highly useful functions. Perhaps most notably, they can collectively fire a large volume of anti-ship cruise missiles (ASCM), including the YJ -82/YJ-83 series (C-802/C-803 CSS-N-8 *Saccade*), each with a range of approximately 80 nautical miles [7]. Moreover, these ships can deter, dissuade, even defeat weaker regional navies; augment the PLAN's mine warfare force; assist the coast guard and maritime enforcement agencies in support of near-coast defense and law-enforcement operations; launch and recover unmanned vehicles; and conduct intelligence, surveillance and reconnaissance operations.

Second, this high/low mix further demonstrates that China's Navy is still very much in transition. However, the

trajectory of this transition—the pace at which the PLAN will replace the "B team" with high confidence hulls—remains unclear. On the one hand, Beijing may conclude that the continued existence of the PLAN's limited capability fleet is more helpful than harmful; it may decide that these lesser-capable platforms are sufficiently reliable for select near-coast and near-seas operations, effective enough to support limited combat aims (e.g. an anti-access/area denial posture), and consistent with its "peaceful rise" narrative. Such perspectives, therefore, might mitigate the need for a more rapid PLAN build-up.

On the other hand, Beijing might determine that the ships of the limited capability fleet are increasingly unreliable and ill-suited for an emerging maritime power. In fact, China's political and military leaders may well view this vintage fleet as a liability with the potential to damage the PLAN's burgeoning reputation (especially if a symbol of the state—a warship—were to suffer a serious engineering or combat system casualty or otherwise fail to accomplish some critical mission). If such views prevail, Beijing may feel compelled to initiate an accelerated shipbuilding program to rapidly replace the ships of the limited capability fleet with more high confidence fleet hulls. Moreover, such a program would almost certainly demand the PLAN enter serial production for any ship class it identifies as most essential—much as the 50-plus *Houbei*-class fast attack craft were built to replace most of the PLAN patrol forces. While the *Jiangkai* II-class frigate may already be at some level of serial production, its numbers could very well increase beyond current projections, perhaps commensurate with an accelerated decommissioning of *Jianghu*-class frigates [8]. Similarly, the *Luyang* II-class destroyer, with its phased array radar suite, vertical launch missile launchers, YJ-62 (C-602) missiles, stealth shaping, helicopter support facilities, and "combined diesel or gas turbine" propulsion plant, could be another logical choice for serial production, particularly if Beijing is committed to developing an aircraft carrier capability.

While the future direction and pace of PLAN modernization remains uncertain, it is becoming increasingly clear that the United States (and the U.S. Navy in particular) can no longer take its heretofore-uncontested command of the maritime commons for granted. The PLAN's fleet has grown considerably over the last decade and it will surely continue to modernize in the coming years. Yet, ship numbers hardly tell the whole story. To more fully grasp the extent of the challenges (and to better recognize the opportunities) in the Western Pacific, one must also appreciate the PLAN—both the "aging tigers" of its limited capability fleet and the "mighty dragons" of its high confidence fleet—for its specific capabilities, its operational tendencies, and what it is being asked to do by its political masters.

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NOTES

1. The Russian-built *Sovremenny*-class destroyers are capable of firing the SS-N-22 *Sunburn* anti-ship cruise missile (ASCM)—one of the most advanced weapons of its kind in the world. The *Sunburn* was specifically designed by the Soviet Navy to defeat the U.S. Navy's Aegis weapons system and, therefore, aircraft carrier battle groups.

2. Peter A. Dutton, *Scouting, Signaling, and Gatekeeping: Chinese Naval Operations in Japanese Waters and the International Law Implications*, U.S. Naval War College China Maritime Studies no. 2 (Newport: Naval War College Press, February 2009): 1.

3. The two *Luzhou*-class guided missile destroyers in the PLAN inventory have advanced anti-air warfare capabilities including a vertical launch system (VLS) launchers, a phased array radar (similar to the U.S. Navy's Aegis SPY-1 radar), and a long-range surface-to-air missile. They also reportedly carry the YJ-83 (C-802/C-803) ASCM. The three *Jianghu* III-class frigates are not part of the high confidence fleet but unlike the 25 *Jianghu* I, II, IV and V-class frigates, these ships have, on occasion, operated with the high confidence fleet. The two *Fuqing*-class oilers, along with the two *Fuchi*-class ships, represent the core of the PLAN's underway replenishment fleet despite their age (both in service since 1979) and single-shaft propulsion systems. Yet, unlike the *Fuchi* oilers that have supported all six anti-piracy flotillas, *Fuqing*-class ships have operated only in the near seas.

4. It is unclear whether or not a third *Sovremenny*-class destroyer participated in this operation. As noted in "Chinese navy's new strategy in action," *IISS Strategic Comments*, <http://www.iiss.org.uk/publications/strategic-comments/past-issues/volume-16-2010/may/chinese-navys-new-strategy-in-action/>. The 12 *Kilo*-class diesel-electric submarines purchased from Russia represent a significant undersea capability. In particular, the latter eight "Project 636" boats, are not only exceptionally quiet and therefore difficult to detect, but are capable of firing the SS-N-27B *Sizzler* ASCM—another fearsome weapon designed specifically to defeat the U.S. Navy's Aegis weapons system—and wire-guided and wake-homing torpedoes.

5. According to estimates from *Jane's Fighting Ships* and the Office of Naval Intelligence's unclassified report, *The People's Liberation Army Navy: A Modern Navy with*

Chinese Characteristics, over 50 *Houbei*-class fast attack craft have been built and more are under construction. These stealthy, shallow-draft boats possess a wave-piercing catamaran hull, can achieve speeds over 50 knots, and, according to the 2009 Department of Defense report to Congress on China's military power, each can carry up to eight YJ-83 (C-802/C-803) ASCMs.

6. The translations "near coast," "near seas," and "far seas" were introduced in Nan Li's "The Evolution of China's Naval Strategy and Capabilities: From 'Near Coast' and 'Near Seas' to 'Far Seas,'" *Asian Security*, 5: 2, 145.

7. *Jane's Fighting Ships 2009-2010* states the "C-802 (YJ83/CSS-N-8) *Saccade*" has a range of 81 nautical miles. Yet, there is considerable confusion in open source reports about the precise use of the YJ-8X and C-80X designations and their associated ranges.

8. Both *Jane's Fighting Ships 2009-2010* and www.sinodefence.com project six *Jiangkai* II-class frigates will be built. There are 29 *Jianghu* frigates in service.

* * *

China Unveils "The Kashmir Card"

By Mohan Malik

Even as the Chinese navy signals its intent to enforce sea denial in the "first island chain" in the East (comprised of the Yellow Sea, the East China Sea and the South China Sea of the Pacific Ocean), the People's Liberation Army (PLA) is reportedly on the move along China's southwest frontier in Pakistani-held Kashmir. In late August, media accounts reported the presence of thousands of Chinese troops in the strategic northern areas (renamed Gilgit-Baltistan in 2009 by Pakistan) of Pakistani-held Kashmir bordering Xinjiang province. A Western report suggested that Islamabad had ceded control of the area to Beijing, prompting denials from both capitals (*New York Times*, August 26). Chinese Foreign Office spokesperson Jiang Yu denied the story, saying the troops are there to help Pakistan with flood relief work" (*China Daily*, September 2). Nonetheless, credible sources confirm the presence of the PLA's logistics and engineering corps to provide flood relief and to build large infrastructure projects worth \$20 billion (railways, dams, pipelines and extension of the Karakoram Highway) to assure unfettered Chinese access to the oil-rich Gulf through the Pakistani port of Gwadar. As China's external energy dependency has deepened in the past decade, so has its sense of insecurity and urgency.

"THE KASHMIR CARD"

While China and India have long sparred over the Dalai

Lama and Tibet's status, border incursions and China's growing footprint in southern Asia, a perceptible shift in the Chinese stance on Kashmir has now emerged as a new source of interstate friction. Throughout the 1990s, a desire for stability on its southwestern flank and fears of an Indian-Pakistani nuclear arms race caused Beijing to take a more evenhanded approach to Kashmir, while still favoring Islamabad.

Yet, in a major policy departure since 2006, Beijing has been voicing open support to Pakistan and the Kashmiri separatists through its opposition to the UN Security Council ban on the *jihadi* organizations targeting India, economic assistance for infrastructure projects in northern Kashmir, and the issuance of separate visas by Chinese embassies to Indian citizens of Kashmiri origins [1].

Amidst the current unrest in the valley, Beijing has also invited Kashmiri separatist leaders for talks and offered itself as a mediator, ostensibly in a tit-for-tat for India's refuge to the Dalai Lama [2]. Yet, China is actually the third party to the dispute in Jammu and Kashmir (J&K). While India holds about 45 percent and Pakistan controls 35 percent, China occupies about 20 percent of J&K territory (including Aksai Chin and the Sakshgam Valley ceded by Pakistan to China in 1963). The denial of a visa in July 2010 to Indian Army's Northern Command General B. S. Jaswal who was to lead the 4th bilateral defense dialogue in Beijing because he commanded "a disputed area, Jammu and Kashmir," is said to be the last straw that broke the camel's back.

Consequently, a new chill has descended on Sino-Indian relations. India retaliated by suspending defense exchanges with China and lodging a formal protest. New Delhi sees these moves as part of a new Chinese strategy with respect to Kashmir that seeks to nix its global ambitions and entangle India to prevent it from playing a role beyond the region. Prime Minister Manmohan Singh told Indian media, "Beijing could be tempted to use India's 'soft underbelly', Kashmir, and Pakistan 'to keep India in low-level equilibrium'" (*Times of India*, Sep 7).

Resurrecting old issues and manufacturing new disputes to throw the other side off balance and enhance negotiating leverage is an old negotiating tactic in Chinese statecraft. The downturn in Sino-Indian ties since the mid-2000s may be partly attributed to the weakening of China's "Pakistan card" against India, necessitating the exercise of direct pressure against the latter. Beijing fears that an unrestrained Indian power would eventually threaten China's security along its southwestern frontiers. One Chinese analyst maintains, "Beijing would not abandon its 'Kashmir card'. The Kashmir issue will remain active as

long as China worries about its southern borders" (*Asia Times online*, December 4, 2009). China and Pakistan have been allies since the 1962 Sino-Indian conflict. This enduring alliance was formalized with the conclusion of the China-Pakistan "Treaty of Friendship and Cooperation and Good Neighborly Relations" in April 2005.

Likewise, the sharper focus on Tawang is part of a shriller claim over Arunachal Pradesh in the east, which Beijing now calls "South Tibet" (a new Chinese term for Arunachal Pradesh since 2005), ostensibly to extend its claim over the territories [3]. It is worth noting that prior to 2005, there was *no* reference to "Southern Tibet" in China's official media or any talk of the "unfinished business of the 1962 War." Nor did the Chinese government or official media ever claim that the PLA's "peaceful liberation of Tibet in 1950 was partial and incomplete" or that "a part of Tibet was yet to be liberated." Taking a cue from the Pakistanis, who have long described Kashmir as the "unfinished business of the 1947 partition," Chinese strategists now call Arunachal Pradesh, or more specifically, Tawang, the "unfinished business of the 1962 War" (*Global Times*, November 9, 2009). China also sought to internationalize its bilateral territorial dispute with India by opposing an Asian Development Bank loan in 2009, part of which was earmarked for a watershed project in Arunachal Pradesh [4].

Chinese strategic writings indicate that as China becomes more economically and militarily powerful, Beijing is devising new stratagems to keep its southern rival in check. Some Chinese economists calculate that within a decade or so India could come close to "spoiling Beijing's party of the century" by outpacing China in economic growth (*Bloomberg News*, Aug 15). From Beijing's perspective, India's rise as an economic and military power would prolong American hegemony in Asia, and thereby hinder the establishment of a post-American Sino-centric hierarchical regional order in the Asia-Pacific.

The last decade has, therefore, seen the Chinese military bolstering its strength all along the disputed borders from Kashmir to Burma (aka Myanmar). Beijing also prefers a powerful and well-armed Pakistani military, as that helps it mount pressure, by proxy, on India. China continues to shower its "all-weather" friend with military and civilian assistance from ballistic missiles to JF-17 fighter aircraft, from nuclear power plants to infrastructure. Having "fathered" Pakistan's nuclear weapons program, China is now set to "grandfather" Pakistan's civilian nuclear energy program as well (*The Telegraph*, June 21; *The Diplomat*, June 17; *Nuclear Energy Brief*, April 27). Chinese and Pakistani strategists gloat over how Beijing is building naval bases around India that will enhance

Chinese naval presence in the Indian Ocean [5]. However, the best-laid plans might come unstuck if Pakistan fails to pacify Balochistan Province, where Gwadar is located. The growing Balochi independence movement, which has repeatedly targeted Chinese engineers since 2004, makes the Chinese nervous about implementing their proposals for investment in the construction of a petrochemical complex, a pipeline and a railway line.

Mutual suspicions, geopolitical tensions, and a zero-sum mentality add to a very competitive dynamic in the China-Pakistan-India triangular relationship. Beijing and Islamabad are concerned over the growing talk in Washington's policy circles of India as emerging as a counterweight to China on the one hand and the fragile, radical Islamic states of Southwest Asia on the other, viewing a potential U.S.-Indian alignment with horror. The U.S. military bases in Afghanistan and Pakistan, and India's growing footprint in Afghanistan cause alarm in Beijing and Islamabad. Some Chinese strategists worry about the destabilizing consequences of a prolonged U.S. military presence in "Af-Pak" on the future of Sino-Pakistan ties, as well as on Pakistan's domestic stability. While the remarkable upturn in Indian-American security ties has exacerbated the security dilemma, the post-9/11 U.S. military presence in Pakistan has sharpened the divide within the Pakistani military into pro-West and pro-Beijing factions [6].

A geopolitical crisis of Himalayan proportions may well be in the making from Afghanistan to Burma. The Chinese state-run media have begun to attack India for supposedly hegemonic designs, with some hinting at the merits of a confrontation [7]. Beijing perceives India as the weakest link in an evolving anti-China coalition of maritime powers (the U.S.-Japan-Vietnam-Australia-India) inimical to China's growth. The real irony is that China and India could stumble into another war in the future for exactly the same reasons that led them to a border war half-a-century ago in 1962.

New railroad infrastructure projects in Pakistani-held Kashmir and Tibet are aimed at bolstering China's military strength and intervention options against India in the event of another war between the sub-continental rivals or between China and India. Most war-gaming exercises on the next India-Pakistan war end either in a nuclear exchange or in a Chinese military intervention to prevent the collapse of Beijing's "all-weather ally" in Asia. Although the probability of an all-out conflict seems low, the China-Pakistan duo and India will employ strategic maneuvers to checkmate each other from gaining advantage or expanding spheres of influence (*The Telegraph*, Sep 14). According to one Chinese analyst, Dai Bing: "While a hot war is out

of the question, a cold war between the two countries is increasingly likely" (*China.org.cn*, February 8).

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Having said that, Beijing's new Kashmir activism goes beyond the strategic imperative to contain India. China's relationship with Pakistan is also aimed at countering the separatist threats in its western Muslim-majority Xinjiang province. Much like Tibetan Buddhism, Beijing views radical Islam as a strategic threat to China's national integrity, particularly in Xinjiang (formerly East Turkestan), where the East Turkestan Islamic Movement is fighting for an independent homeland for several decades. Frequent disturbances and protests in Xinjiang and Tibet make the issue more acute insofar as they show how vulnerable the Chinese hold is over its western region.

The spillover effects of rabid Talibanization of Pakistani society worry the Chinese (*The Australian*, July 25). The past few years have seen Chinese civilians working in Pakistan kidnapped and killed by Islamic militants, partly in retaliation against Beijing's "strike hard" campaigns against Uyghur Muslims and partly in protest against Beijing's resource extraction and infrastructure development projects in Pakistan's Wild West. Beijing has repeatedly impressed on Islamabad the importance of tightening control over its porous border with China (*Pak Tribune*, July 18). Should Islamabad fail to stem the radicalization and training of Uyghur separatists on its territory, it risks undermining the strategic relationship with China. Significantly, the Gilgit-Baltistan in northern Kashmir is where the predominantly Sunni Pakistan Army is faced with a revolt from the local Shiite Muslims.

For its part, Pakistan has always been extraordinarily sensitive to Chinese interests. Islamabad essentially "carries the water" for China in the Islamic world. Pakistan played a key role in selling China's point of view on the July 2009 riots in Xinjiang, which resulted in 183 deaths. Pakistan has ensured that the Organization of Islamic Countries (OIC) does not pass any resolution condemning China's "strike hard" campaigns (including curbs on the observance of Ramadan) against its Uyghur Muslim minority. In return, China has repeatedly used its UN Security Council seat to ensure that no harm comes to Pakistan for sheltering anti-Indian terrorist groups (*Pak Tribune*, July 8; *The American Interest*, May-June 2010). Further, Islamabad offers unequivocal support for Beijing's position on every single issue in international forums, from Tibet and Taiwan to trade and the U.N. Security Council reforms.

TIGHTENING EMBRACE

A high degree of mistrust and conflicting relations between India and its smaller South Asian neighbors provide Beijing with enormous strategic leverage vis-à-vis its southern rival. China's strategic leverage thus prevents India from achieving a peaceful periphery via cross-border economic, resource and transportation linkages vital for optimal economic growth. Interestingly, Chinese strategic writings reveal that Pakistan and Burma have now acquired the same place in China's grand strategy in the 21st century that was earlier occupied by Xinjiang (meaning "New Territory") and Xizang (meaning "Western treasure house," that is, Tibet) in the 20th century [8]. Stated simply, following the integration of outlying provinces of Xinjiang and Xizang (Tibet) into China, Pakistan is now being perceived as China's new "Xinjiang" (new territory) and Burma as China's new "Xizang" (treasure house) in economic, military and strategic terms. Beijing's privileged access to markets, resources and bases of South Asian countries has the additional benefit of making a point on the limits of Indian power.

CONCLUSION

Both enmity and amity between India and Pakistan have significant implications for China's grand strategy. A hostile stance toward India reassures the Pakistani establishment of China's unstinted support in Islamabad's domestic and external struggles. It also throws a spanner in the works of any U.S.-facilitated India-Pakistan accommodation over the Kashmir imbroglio. In the triangular power balance game, the Sino-Pakistan military alliance (in particular, the nuclear and missile nexus) is aimed at ensuring that the South Asian military balance-of-power remains pro-China. Nurturing Pakistani military's fears of Indian dominance helps Beijing keep Islamabad within its orbit.

However, Pakistan today is facing a "perfect storm" of crises, with its U.S.-backed fight against al-Qaeda and the Taliban faltering and the country lurching toward bankruptcy. The linchpin of Beijing's South Asia strategy is potentially a "wild card" because Pakistan's possible futures cover a wide spectrum: from the emergence of a moderate, democratic state to a radical Islamic republic to "Lebanonization." If it does not implode or degenerate into another Iran or Afghanistan (a radical Islamic and/or a failed state), and gets its house in order, Pakistan could emerge as a pivotal player in the U.S.-Chinese-Indian triangular relationship. Despite Beijing's disenchantment with the current state of its "time-tested ally," China remains committed to supporting Pakistan. If anything, Pakistan's transformation from being an ally to a battleground in the U.S.-led War on Terror has forced Islamabad into an ever-

tighter embrace of China.

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The Politics of China's Missile Redeployments

By Cheng-yi Lin

Having achieved his administration's goal of institutionalizing cross-strait relations through the Economic Cooperation Framework Agreement (ECFA), Chinese President Hu Jintao is now pursuing negotiations on cultural and educational exchanges with Taiwan as outlined in his "six-point proposal" made during the 30th anniversary of the "Message to Compatriots in Taiwan" speech (See "Hu Jintao's 'Six-Points' Proposition to Taiwan," *China Brief*, January 12, 2009). Chinese leaders appear to have realized that premature political negotiations with President Ma Ying-jeou could negatively affect Ma's reelection bid in 2012. In a recent turn of events, Beijing has hinted at the possibility of withdrawing the missiles targeted at Taiwan if the Ma administration accepts the "one-China principle" [1]. While estimates for the number of Chinese missiles targeting Taiwan vary, President Ma confirmed in Matsuo on September 16 that the PRC continues to introduce missiles and its military deployments against Taiwan has not been reduced [2].

Although the threat of a Chinese military invasion was vastly reduced when the Kuomintang (KMT) regained power and announced its acceptance of the so-called "1992 Consensus," Beijing continues to decry U.S. arms sales to Taiwan. After President Barack Obama announced the January 2010 arms package to Taiwan, Beijing reacted harshly by suspending high-level military exchanges with the United States, and threatened to impose sanctions on defense corporations involved in the arms sales (*China Daily*, February 1). Although U.S. Pacific Commander Robert Willard participated in the Second Round of the U.S.-China Strategic & Economic Dialogue (S&ED), Beijing suspended high-level military contacts and declined to entertain a visit by Secretary of Defense Robert Gates in June 2010. Yet, Gates asserted that Beijing's interruptions of the two powers' "military relationship will not change U.S. policy toward Taiwan" [3].

At the same time, Beijing is encouraging meetings of retired generals on both sides of the Taiwan Strait to deal with sensitive topics related to military confidence-building measures (CBMs). With the sponsorship of an annual golf tournament of retired generals and admirals starting from 2009, Beijing is trying to create an image that attempts to present Taiwan's continued purchase of U.S. arms as anachronistic (*United Daily News*, June 21; *China Times*, August 30). The United States is concerned about the pace and scale of Taiwan's retired generals' trips to China, and therefore, the Ma government has reassured the U.S. that

it will not authorize retired generals to conduct military negotiations with Chinese counterparts (*Taipei Times*, August 31).

The signature of the ECFA and direct air links have been greatly reduced the tensions across the Taiwan Strait. These agreements will bring an estimated one million Chinese tourists to Taiwan by the end of 2010, through this effort Beijing is creating the evidence-backed arguments that the United States should cease arms sales to Taiwan on the basis of the August 17, 1982 Communiqué. According to the logic of China's recent overtures, it may seem that in order to help boost Ma's chances of reelection in 2012, China will likely freeze or reduce the number of missiles targeting Taiwan if the United States reconsiders its arms sales to Taiwan.

Beijing will likely push for the discontinuation of U.S. arms sales to Taiwan in negotiations with Washington and adopt a posture to further calm the waters directly across the Taiwan Strait. After frequent calls from President Ma Ying-jeou for the withdrawal of Chinese missiles opposite Taiwan, it seems clear that Beijing must consider options regarding missile deployment before any meaningful negotiations can occur on a cross-strait peace agreement. For Beijing, a consideration of missile redeployments is more easily attainable than a pledge of renunciation of force against Taiwan. Beijing could also demonstrate its goodwill to the people of Taiwan, reduce Taiwanese enmity toward China and weaken military morale on the island.

Yet, Beijing has many options to obviate the redeployment of its missiles targeting Taiwan. The PLA could merely freeze deployment at current levels, or it could reduce the missiles by a substantial number. It is unlikely Beijing would accept a complete, verifiable and irreversible dismantlement (CVID) of their missiles targeting Taiwan. Even if China did withdraw the missiles, it could quickly redeploy them at any time. For Beijing, it is imperative that the missiles be available to retarget Taiwan if and when the opposition Democratic Progressive Party (DPP) regains power. Those missiles are seen as a deterrent to potential U.S. or Japanese intervention in the Taiwan Strait. Indeed, according to the remarks of retired PLA officer Li Jijun, Chinese missiles are good instruments with which to deter Taiwan independence and to stabilize the Taiwan Strait, and that while there is room for negotiation, those instruments should not be given up before negotiations take place (*China Review News*, November 13, 2009).

While refusing to rule out the use of force against Taiwan, Beijing may also stress that as long as Taiwan does not declare independence, China will not attack. Beijing has said that if Taiwan embraces the "one China principle,"

there will be no war and Taiwan will not have to purchase U.S. arms. For the KMT, the DPP and the Obama Administration, responding to such a Chinese gesture would pose a challenge. Taipei would have to make concrete concessions in cross-Strait talks, and the international community would likely welcome Beijing's move, seeing a reduction of missiles as a positive step toward peaceful reconciliation.

Even though the Pentagon detects the real need for Taiwan's defense to have a sustainable replacement for obsolete and problematic aircraft platforms, the Obama administration is trying to convince Taipei that it is more imperative to consolidate the integration of weapons systems and better coordinate interoperability among different government agencies. Especially in light of the fact that Taiwan's all-volunteer force will take shape by 2014, this gesture seems to imply that the Obama administration plans to increase the "soft power" of Taiwan's military before substantive weapons sales take place [4]. With hesitation and postponement of F-16 C/D sales, the Obama administration's hands could easily be tied if Beijing declared a reduction of its missiles targeting Taiwan. Retired Lieutenant Colonel Mark Stokes stated in Taipei that should Beijing draw down its missiles opposite Taiwan, "then formal notification to Congress could be deferred" [5].

With the improvement of cross-Strait relations, President Ma continues to push Taiwan's military to combine hard with soft power to safeguard the island's security. More importantly, he believes that through military readiness, Taiwan could deter a war in the Taiwan Strait. President Ma also assures Washington that he will never ask the U.S. to fight for Taiwan yet he continues to emphasize the reasonable and rational purchase of U.S. weapons (CNN, May 1). Regrettably, the KMT government reduced its annual defense budget by 6.75 percent from the 2009 level to \$9.3 billion in 2010, in contrast to China's increase of its defense budget by 7.5 percent (\$77.9 billion) from that in 2009 (AFP, January 13; March 4).

President Ma has persistently indicated that before Taiwan goes to the negotiating table, he will "certainly demand that they (mainland Chinese) remove those missiles" [6]. Taiwan's Mainland Affairs Council in June 2010 delinked possible Chinese missile redeployments with U.S. arms sales, and urged Beijing to withdraw military deployments and eradicate the military threat against Taiwan [7]. It will be hard for the DPP to take a different approach from the KMT government. Since Beijing has refused to renounce the use of force, for Taipei, the PRC's redeployment of its missiles must be complete rather than a partial reduction, as well as verifiable and irreversible, and most importantly,

it must involve dismantlement instead of withdrawal.

Even though Beijing shows flexibility in missile deployment, both the KMT and the DPP will push the PRC to renounce the use of force and will want the continuation of U.S. arms sales to Taiwan (*Taipei Times*, August 6) [14]. Taiwan's Ministry of National Defense reacted positively to the prospect of Chinese missiles withdrawal, but does not believe it has "military significance" because missiles could be redeployed and Beijing has not renounced the use of force (*United Daily News*, July 31). The KMT government will rule out a proportionate response in its military posture because of the existing power asymmetry (Central News Agency, June 21). The DPP is skeptical of any positive results that might arise from cross-Strait CBMs or the likelihood of a peace agreement and has been concerned about the KMT government for not raising the defense budget to 3 percent of Taiwan's GDP.

Militarily, the balance of power in the Taiwan Strait has tilted in favor of China. Taiwan maintained the qualitative advantage in the Taiwan Strait area through the 1990s, but China increased its defense budget by double-digit percentages annually from 1989 to 2009, and much of China's new military strength could be deployed against Taiwan. Taiwan can no longer match China's armed forces, neither in terms of quantity nor quality of arms.

The politics of China's missiles redeployments in on-going cross-Strait negotiations have security implications, particularly for the United States. The Obama administration has had difficulties gaining a clear understanding of the ongoing cross-Strait talks, particularly over KMT-CCP negotiations. Moreover, President Ma needs U.S. backing as he forges a closer relationship with China on the one hand, while shoring up the island's deterrent capabilities on the other.

Taiwan's relationship with the United States waned as the competing Taiwanese political parties delayed the arms procurement process from 2004 to 2008. Although critical of the KMT's cross-Strait policy, the DPP Chairwoman Tsai Ing-wen voiced her support for the F16 C/D sale (*Taiwan News*, July 20). Now that a rare consensus has been reached in Taipei, Washington appears concerned over the possible ramifications of such a sale. If the PRC takes actions regarding missile redeployment before President Obama's F16C/D decision, any U.S. plan to go ahead with the sale could be further strained.

As China seizes the initiative to push on-going cross-Strait negotiations on its own terms, there will be a smaller U.S. role in cross-Strait peace negotiations. Indeed, a *détente* in the Taiwan Strait relieves the United States from

being forced into intervening in a Taiwan-China military confrontation. Washington can also focus its attention on dealing with other regional flashpoints, but any increase in Chinese influence over Taiwan should not sacrifice the interests of the United States and other countries in the region.

In addition to thwarting U.S. arms sales to Taiwan, Beijing is aiming to reduce the U.S. role in the establishment of a cross-strait peace agreement. Since May 2008, Beijing's leaders have kept silent about the proposal that the United States and China co-manage the Taiwan issue. The implications of a possible cross-strait peace agreement for the Taiwan Relations Act could mount a policy challenge for the United States. Given China's increasing strength and Beijing's increasing ability to direct cross-strait relations, the lack of a proactive posture by the United States in the Taiwan Strait has allowed U.S. influence to be relatively diminished. China's growing strength is also making it increasingly complicated for the United States and Taiwan to maintain a shared strategic view.

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NOTES

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Bloc Politics in the Persian Gulf: China's Multilateral Engagement with the Gulf Cooperation Council

By Chris Zambelis

China's diplomatic, economic, and security interests in the Middle East continue to expand commensurate with its energy interests and growing international clout. As the world's second-largest consumer of oil and the third-largest net importer of oil overall, Beijing's energy security rests on the steady flow of oil from the Middle East. The multifaceted bilateral relationships that are being forged between China and the leading oil producers in the Middle East and, in particular, the Persian Gulf, such as Saudi Arabia—China's largest oil supplier—and Iran—China's third-largest supplier of oil—reflect Beijing's myriad stakes in the region. China today enjoys close ties with the individual member states that comprise the Gulf Cooperation Council (GCC), namely Saudi Arabia, the United Arab Emirates (UAE), Kuwait, Bahrain, Oman and Qatar. While China's bilateral relations with key players in the Middle East continue to receive ample coverage in Western analyses, its burgeoning engagement with multilateral bodies in the region such as the energy-rich GCC has lagged by comparison. China's engagement with the GCC is, in essence, analogous to its dealings with multilateral bodies such as the European Union (EU), the Association of Southeast Asian Nations (ASEAN) and the African Union (AU). As GCC members increasingly pool their diplomatic and economic resources to maximize their

influence in the region and beyond, the nature of China's relationship with the bloc warrants a closer look.

GCC CHINA BUSINESS FORUM

The first GCC China Business Forum (GCBF) that took place from March 23-24 in Manama, Bahrain represents the efforts of GCC members to engage China as a unified bloc. The GCBF was the product of a joint effort by the Federation of GCC Chambers of Commerce and Industry (FGCC), the China Council for the Promotion of International Trade (CCPIT), and the Bahrain Chamber of Commerce and Industry to strengthen the already robust economic bond between China and the GCC. The event featured, among other things, presentations on economic trends and opportunities in China and the GCC as well as networking sessions meant to facilitate contacts between Chinese and GCC business leaders. The majority of China's oil imports from the Middle East originate in the GCC and Iran (*Gulf News* [Dubai], March 28).

While oil wealth drives the economies of the GCC—member states boast 45 percent of the world's recoverable sources of crude oil—the bloc is also a major aluminum and phosphates producer. Some predict that the GCC will account for 18 percent of the world's output of aluminum by 2015. GCC members are collectively working to diversify their economies away from oil exports. Considering that the smelting process required to produce aluminum is oil intensive, the GCC is well-positioned to broaden its capacity to produce aluminum to meet rising demand in China and other parts of Asia (*Emirates* 24-7 [Dubai], September 10). In addition, the GCC is also keen to expand its stake in another oil-intensive sector: the global plastics conversion market.

With an eye on tapping markets in China and elsewhere in Asia, the GCC is expected to account for up to 11 percent of the total plastics conversion market in the coming years, an increase from its current market share of 2 percent. China is the world's largest importer of converted plastics (*Saudi Gazette* [Jeddah], September 16). The Aluminum Corporation of China Limited (Chalco), a subsidiary of the Aluminum Corporation of China (Chinalco) is also interested in developing an aluminum production plant in Saudi Arabia (www.chinalco.com; September 18). Bilateral trade between China and the GCC topped \$70 billion in 2008; according to some estimates, the Sino-GCC trade volume will reach between \$350 and \$500 billion by 2020 (GCC China Business Forum, <http://www.gulfchina.com/>; *Emirates Business*, March 11; ArabNews.com [Saudi Arabia], March 16).

In another first in Sino-GCC relations, both sides held their

inaugural Strategic Dialogue gathering in Beijing on June 4 to discuss a range of topics. Co-chaired by Chinese Foreign Minister Yang Jiechi and Kuwaiti Deputy Prime Minister and Foreign Minister Sheikh Muhammed Sabah al-Salem al-Sabah [1], GCC Secretary General Abdul Rahman al-Attiyah, and Minister of State for Foreign Affairs of the UAE Anwar Muhammed Qarqash, the Ministerial-level meetings in Beijing showcased the growing significance of Sino-GCC ties. Both sides used the occasion to highlight the rapid development of mutually beneficial economic, diplomatic and cultural relations between China and the GCC. The meeting also prompted a statement denouncing Israel's May 31 attack against the Gaza Freedom Flotilla and a call for the lifting of Israel's blockade against Gaza (SINA, June 4). A second Ministerial-level Strategic Dialogue meeting is planned for 2011 in the UAE.

BLOC POWER AND POLITICS

The Cooperation Council for the Arab States of the Gulf (commonly referred to as the GCC) was established in 1981 amid the backdrop of the Iran-Iraq War and the Iranian Revolution of 1979 as a trade and security bloc to foster closer economic cooperation and political and security integration among its six constituent members [2]. The GCC has since evolved into an organization keen to maximize the respective influence of its individual members as a collective body on a range of issues.

GCC members share a great deal in common. The group is composed of monarchical Arab dynasties, each of which is ensconced in a strategic alliance with the United States. The United States, in essence, guarantees the sovereignty and security of individual GCC members. The network of U.S. military bases and naval assets positioned in and around GCC member countries reflects the strategic importance of the Persian Gulf. Bahrain, for instance, is home to the U.S. Navy's Fifth Fleet. The regional headquarters of U.S. Central Command (USCENTCOM) is in Qatar. Fixed U.S. military installations and forward operating bases (FOBs) are also located in Kuwait, Oman and the UAE. While the United States has removed its troop presence from Saudi Arabia, close military and security cooperation between U.S. and Saudi forces continues; Saudi Arabian military bases are also available to U.S. forces in the event of a crisis. Patrols by U.S. Carrier Strike Groups are a fixture of the Gulf's waters. GCC countries also spend billions of dollars on purchases of advanced U.S. weapons platforms and technology; The United States just concluded its largest arms deal ever: a sixty billion dollar deal to supply advanced weapons platforms to Saudi Arabia (Al-Jazeera [Doha], September 13).

Due to their role as logistical hubs for U.S. forces, GCC

countries have also proved indispensable to launching and sustaining the U.S.-led wars in Iraq and Afghanistan. The GCC states, along with Israel, Egypt and Jordan, are also critical to U.S. efforts to contain Iran and project U.S. power in the greater Middle East. In spite of China's growing interests in the Persian Gulf, the region remains firmly entrenched in the U.S. security orbit. Even with the United States engaged in two wars in Iraq and Afghanistan, there are no indications that Beijing is willing to challenge Washington's position as the preeminent force in the region.

OIL AND NATURAL GAS

The collective oil and natural gas wealth of individual members underlies the power and influence of the GCC and their importance to China, the United States and the global economy; four GCC members are part of the Organization of the Petroleum Exporting Countries (OPEC) [3]. In spite of their modest populations—the combined population of GCC member states is around 37 million—the group wields a tremendous amount of leverage internationally. GCC members with the exception of Bahrain [4] are among the world's leading energy producers. Saudi Arabia is the world's largest oil producer and home to approximately one-fifth of the world's proven oil reserves. Saudi Arabia is also a major source of natural gas (U.S. Energy Information Administration [EIA], July 14). The UAE is the world's eight-largest oil producer, and boasts the world's seventh largest oil reserves and sixth-largest natural gas reserves (EIA, July 14). Kuwait is the world's ninth-largest oil producer and has the world's fifth largest oil reserves (EIA, July 14). Qatar boasts the world's third largest natural gas reserves, and is currently the world's top exporter of Liquefied Natural Gas (LNG). Qatar is also a major oil exporter (EIA, July 14). Oman is also an important producer of oil and a potential exporter of LNG (EIA, July 14).

As the United States and other major energy consumers in the West seek to reduce their dependence on foreign oil, the GCC eyes rising demand for oil from China (and Asia overall) as crucial to sustaining its members' economies. In 2009 Saudi oil exports to the United States—for the first time in over 20 years—dropped below the 1 million barrels per day (bpd) mark. In contrast, Saudi oil exports to China during the same time frame surpassed 1 million bpd, almost twice the amount of oil exported by Saudi Arabia to China in 2008 (See “Shifting Sands in the Gulf: The Iran Calculus in China-Saudi Arabia Relations,” *China Brief*, May 13). In June 2008, China surpassed Japan as Kuwait's top destination for oil exports (*Gulf News*, August 1). The UAE is another important source of oil for China (EIA, July 2009). In addition, China has been the top importer

of Omani oil for six years running (*Oman Daily Observer*, July 10). With around ten percent of its LNG exports heading to China, Qatar has also emerged as an important source of Beijing's growing LNG needs amid stagnant demand in the United States (*Trade Arabia* [Manama], October 29, 2009). Chinese energy giants have also inked a number of major oil and gas exploration agreements with their counterparts in the GCC in recent years.

INVESTMENT AND FINANCE

The emergence of sovereign wealth funds (SWFs) in the GCC, essentially state-owned and -directed investment funds built on petrodollars, adds another dynamic to the GCC's global influence. SWFs afford the GCC with a means to diversify their revenue streams away from energy exports. Eager to maximize the returns on their investments, the GCC is looking to China (and the Far East), as the new center of gravity for global economic growth. Moreover, both China and the GCC have floated the idea of establishing a Free Trade Agreement (FTA) to cement their burgeoning economic ties (*Gulf News*, March 28). In contrast to China's usual position as the dominant exporter in its bilateral trade dealings, the balance of Sino-GCC trade is heavily skewed in favor of the Gulf countries, a consequence of China's dependence on imports of the region's oil and gas. At this stage, the prospects of a Sino-GCC FTA are remote; the political context behind the calls for an FTA, however, reflects the consensus in both China and the GCC of the importance of further strengthening relations (*The National* [Abu Dhabi], June 1; *Gulf News*, March 28; *Arabian Business* [UAE], June 30, 2009) [5].

DIPLOMACY

In spite of the array of common interests that bind them, individual GCC members continue to conduct foreign relations with China and other countries on a bilateral basis. Diverging interests among members also plague the group on critical issues such as the Iranian nuclear program and the U.S.—and European-led campaigns to sanction Tehran, as well as territorial disputes between GCC members. GCC members such as Saudi Arabia, Bahrain and the UAE perceive Iran as a threat; Qatar, in contrast, enjoys friendly ties with Iran. GCC members also tend to differ on how to engage Iran, especially when it comes to the question of economic sanctions. Diverging interests among members have also precluded the establishment of the long-awaited GCC customs union and common currency (*Emirates Business*, June 6).

Conflicting interests and disputes among GCC member states will continue to affect the relative influence of the GCC as a bloc. Yet there is ample evidence indicating that when

it comes to China, the collective interests of GCC members largely converge. Likewise, China has demonstrated its willingness to accommodate the interests of the GCC as a bloc to ensure friendly ties, in addition to maintaining close bilateral relationships with its constituent members. With its growing profile as a diplomatic player in the region, the GCC is also extending its hand to China in order to shore up its own diplomatic position. Sino-GCC diplomacy with respect to the Iran question is one example. As the latest round of U.S.—and European-inspired sanctions on Tehran take hold, China will continue to conduct business as usual with Iran, a country it counts as a strategic partner; incidentally, sanctions against Tehran will clear the way for additional Chinese investment in Iran as the competition from European and other investors for Iranian business is removed from the equation (*Asia Times* [Hong Kong], July 28). There is also a growing realization in the GCC and in other regional circles that Iran is well on its way to becoming a nuclear power, in spite of U.S., and especially Israeli, threats against the Islamic Republic. As a result, the GCC may be looking to Beijing down the road to act as a mediator with the capacity to influence Tehran's actions. The GCC is also intent on diversifying its alliances in light of the perceptions of declining American power in the Middle East and on the world stage.

The rapid expansion of Sino-GCC diplomatic ties overall must also be considered in their historical context. During the Cold War, China maintained friendly relations with the traditional rivals of the pro-Western monarchies in the Middle East, namely Egypt and Iraq, whose pan-Arab nationalist and socialist revolutionary ideologies resonated strongly with Beijing. In contrast, China tended to perceive the Gulf monarchies as agents of U.S. imperialism. China did not establish full diplomatic relations with all of the members of the GCC until 1990. In this regard, the impressive evolution of Sino-GCC ties in recent years is emblematic of the dramatic shifts in China's stance in the international arena.

CONCLUSION

The remarkable developments witnessed in Sino-GCC relations in recent years will continue to flourish. Based on the trajectory of current trends, mutual interests revolving around energy and trade will underscore the strategic ties shared by both parties. For its part, China appears eager to engage GCC members on their terms as a bloc while maintaining close bilateral relationships with each country. China's approach to diplomacy with the GCC is also a testament to the bloc's significance in Chinese strategic thinking about the Middle East and energy security. At the same time, the GCC countries will continue to look to the United States as the guarantor of their sovereignty

and security. Yet the perceptions of an America in decline coupled with the promise of profiting from China's booming economy will encourage the GCC to continue to look to Beijing, paving the way for even closer Sino-GCC cooperation in the years ahead.

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NOTES

1. Kuwait presently holds the GCC rotating presidency, with the UAE slated to assume the presidency next.
2. Yemen is also an aspiring GCC member and a recipient of economic support from the group. Yemen's repeated requests for full membership in the GCC are regularly denied. Instead of full membership in the group, the GCC has granted Yemen membership in GCC committees related to social, educational, sports, and cultural issues.
3. Saudi Arabia, the UAE, Kuwait and Qatar are OPEC members.
4. While Bahrain was the first state in the Persian Gulf region to discover oil, its modest oil reserves are expected to run out sometime over the next two decades. Revenue earned from oil, especially oil refining, continues to represent a key aspect of the Bahraini economy. Most of the oil refined in Bahrain, however, is provided by Saudi Arabia through a pipeline. In an effort to diversify its economy, Bahrain has developed a robust financial services industry.
5. The GCC has engaged a number of countries and multilateral bodies over the years in various FTAs and related talks, including the EU, ASEAN, Singapore, Japan, South Korea, Pakistan, Australia, New Zealand, Turkey and Iran.
