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In a Fortnight

MILITARY DELEGATES CALL FOR NATIONAL MARITIME STRATEGY TO PROTECT EXPANDING INTERESTS

By L.C. Russell Hsiao

The Chinese People’s Political Consultative Conference (CPPCC) National Committee, which serves as the country’s top political advisory body, is meeting in Beijing at the Great Hall of the People. The annual conclave, which is held in conjunction with the National People’s Congress (NPC), has no legal authority but is seen as a gauge of Chinese public opinion on a wide range of national issues. The meetings began on March 3, and while much has been said in the Western media about the country’s 12th Five-Year Plan and 2011 defense budget, little has been reported about the country’s expanding maritime interests on the nation’s political platform.

According to the Hong Kong-based daily *Ta Kung Pao*, safeguarding the country’s maritime interests has become a “hot topic” at the annual meeting. Against the backdrop of the Chinese Navy’s unprecedented military operations to evacuate its citizens from Libya and renewed tensions over recent confrontations along peripheral waters, military delegates attending this year’s meeting have called on China’s top policy planners to defend the country’s territorial integrity and expanding maritime interests by developing a national maritime strategy, and possibly stationing troops or constructing military installations on disputed islets (*Ta Kung Pao* [Hong Kong], March 4; *Ming Pao* [Hong Kong], March 4).

On the sidelines of the CPPCC, Rear Admiral Yin Zhou, a senior officer at the Chinese Navy’s Equipment Research Center and chairman of the Navy Informatization Experts Advisory Committee, stated that a maritime development strategy is currently in the works, and a maritime security strategy is under study. During last year’s meeting, Yin proposed the establishment of a national maritime strategy, which includes three components: formulating a maritime development strategy, maritime

security strategy and dealing with peripheral territorial disputes. According to Ying, the “core interest” of maritime security is still Taiwan. The rear admiral argued that China lacks a clear maritime strategy and its approach was over compartmentalized (Xinhua News Agency, January 3; *Ta Kung Pao*, March 4).

When asked by the media whether the development of the J-20 stealth aircraft, which was unveiled during Defense Secretary Robert Gates visit to China in January, runs counter to China’s “active defense” strategy, Yin said that the J-20 is a coastal-based aircraft and is intended to seize air superiority in peripheral air space and for the purpose of air defense. Although it is a stealth aircraft, there is no change in the nature of the warfare (*Ta Kung Pao*, March 4).

According to another prominent military delegate attending the CPPCC, China should establish military installations to safeguard China’s expanding maritime interests. Major General Luo Yuan, a researcher with the PLA Academy of Military Science, highlighted “five presences” (*wu ge cunzei*) needed to safeguard China’s maritime rights: administrative, legal, defense, public opinion, and economic. Luo explained that “defense presence” entails strengthening China’s jurisdiction and protection of reefs on its territorial waters by stationing troops, if feasible. If the conditions do not allow for this, it should build military facilities, and if that is not possible, Chinese leaders should at least assert sovereignty by planting a national flag (*Ming Pao*, March 4).

Following protests from the Philippines and Vietnam over two separate incidents along disputed waters in recent weeks, China again reasserted its sovereignty over the South China Sea. The Chinese Navy reportedly carried out a series of military exercises near the Spratly Islands, while fresh tensions between Manila and China erupted over allegations that Beijing’s patrol vessels harassed a Philippine oil exploration boat in the South China Sea. Chinese fishery vessels and aircrafts were also reportedly spotted patrolling the hotly-disputed Senkaku/Diayu Islands, which have reignited tension between China and Japan in the East China Sea (Voice of America, March 5; Bloomberg, March 8; *China Times* [Taiwan], March 9).

In light of the recent up-tick in Chinese naval exercises and public statements from leading military advisors regarding China’s expanding maritime interests, calls for a comprehensive national maritime strategy may be seen as an effort to “test the waters” of international opinion. Calls for increased Chinese military presence abroad appear to be on the rise as the country’s maritime interests expand. Indeed, Major General Luo argues that the non-combatant evacuation operation in Libya demonstrates the growing capabilities of the Chinese military to deal with non-traditional threats, and that, “Wherever our national interests extend to, our military will have to protect to that point” (*Ming Pao*, March 4). This trend suggests that there is growing momentum behind the debate for China to establish “bases” or “places,” and that 2011 may prove to be another important milestone in the Chinese Navy’s rise on the international stage.

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Beijing’s “Wei-Wen” Imperative Steals the Thunder at NPC

By Willy Lam

Beijing’s efforts to uphold socio-political stability—and to crush a potential Chinese-style “Jasmine Revolution”—have dominated this year’s plenary session of the National People’s Congress (NPC). The Chinese parliament has approved a budget for *wei-wen*, an omnibus term that encompasses maintaining law and order, squashing dissent and keeping surveillance on the populace, which surpasses for the first time the expenditures of the People’s Liberation Army (PLA). Much of the initiatives for this year as well as for the 12th Five-Year Plan (12FYP) period of 2011 to 2015 have to do with pacifying disadvantaged social groupings through boosting their welfare entitlements and restructuring the economy. Remarkably absent are reforms in the political arena.

While it is well-known that China’s public-security apparatus has expanded vastly since 2008, the “Year of the Olympics,” observers were astounded by the 624.4 billion yuan (\$95.0 billion) *wei-wen* budget for this year. The increase represented a jump of 13.8 percent over that of 2010. In comparison, the PLA budget stood at 601.1 billion yuan (\$91.5 billion), a year-on-year rise of 12.7 percent (Reuters, March 5; *Ming Pao* [Hong Kong] March 6). In his *Government Work Report* (hereafter Report) delivered on March 5, Premier Wen Jiabao asked government departments to “strengthen and perfect the public security system” and to “raise our ability in crisis management and withstanding [political] risks.” He also underscored the imperative of tightening control over the Internet and modernizing the People’s Armed Police (PAP), one of whose duties is tackling riots and disturbances. “We must bolster our ability in tackling emergency incidents, countering terrorism and upholding stability,” Wen told the close to 3,000 deputies at the Great Hall of the People (Xinhua News Agency, March 5; China News Service, March 5).

Wen’s proverbial “brandishing of the sword” is similar in nature to a series of *wei-wen* addresses given by President Hu Jintao and other Chinese Communist Party (CCP) Politburo Standing Committee (PBSC) members since a series of “color revolutions” began sweeping Tunisia, Egypt, and Libya in mid-January. For example, PBSC member Zhou Yongkang, whose portfolio is law and order, pointed out in a national conference on “social management” that security forces must “put together a comprehensive and viable system to prevent [disturbances] and control social order, so that contradictions and disputes can be resolved at the embryonic stage” (Xinhua News Agency, February 20; *People’s Daily*, February 21). Zhou’s call to arms, made on February 20, coincided with the first “Jasmine Revolution” demonstration to hit China. Responding to anonymous messages on the Internet, several hundred mostly youthful protestors congregated on that day in 13 designated spots in as many cities that included Beijing, Shanghai, and Guangzhou. Since then, similar appeals for demonstrations were made on the Net for the following two Sundays. Owing to the massive deployment of police, however, the numbers of protestors dwindled markedly (*New York Times*, February 20; *The Guardian*, February 27; *Ming Pao*, March 7).

That the Hu Jintao leadership regards fighting the so-called Jasmine Revolution and allied attempts at undermining the CCP's authority as a long-term struggle, however, is evidenced by a series of commentaries published by the conservative *Beijing Daily* and the *Liberation Daily* at the opening of the NPC. In a signed commentary, the *Beijing Daily* warned last Saturday against "people with ulterior motives in and out of China who want to bring chaos [associated with color revolutions] into China" through acts such as "holding illegal gatherings and attempting to fabricate incidents." Similarly, the Shanghai-based *Liberation Daily* fingered anti-Chinese elements who were allegedly "confusing and poisoning people's minds in an effort to stir up 'street politics' and plunging China into chaos" (*Beijing Daily*, March 5; *Liberation Daily*, March 6; China News Service, March 6).

The corollary of the CCP's apparent decision to re-introduce strong-armed, quasi-Maoist tactics to suppress dissent is that political liberalization has been firmly put on hold. Last year, Premier Wen surprised observers by repeatedly hoisting the flag of political reform. In a memorable trip to the Shenzhen special economic zone last September, Wen argued that "not only do we need to push forward reform of the economic structure, we must also push forward reform of the political structure." The premier even repeated late patriarch Deng Xiaoping's well-known warning against the enemies of liberalization: "Without reform, there is only the road to perdition" (See "Premier Wen's 'Southern Tour': Ideological Rifts in the CCP?" *China Brief*, September 10, 2010). While Wen made a seemingly *pro forma* mention of "the reform of the political structure" in this year's Report, he dwelled mostly on the non-controversial agenda of "implementing scientific, democratic decision-making." By contrast, in his 2010 Government Work Report, Wen waxed eloquent about "earnestly safeguarding the people's democratic rights, particularly their electoral rights, the right to know, the right to participate [in politics], the right to expression, and the right to supervise [the government]" (*People's Daily*, March 6; *Apple Daily* [Hong Kong], March 6).

While refusing to share power with the people, the CCP administration seems ready to significantly raise the level of social-welfare benefits. Highlights of the 12th FYP, which have been released so far include more generous public spending in areas ranging from housing to medical insurance. For example, 36 million government-built subsidized apartments will be constructed in the coming five years. The central government's annual contribution to medical insurance in urban and rural areas will be increased from 120 yuan (\$18.38) per person to 200 yuan (\$30.46) per person. Spending on education will reach 4 percent of the GDP from this year onwards. The minimum wage, which shot up by 20.8 percent last year, will rise by at least 80 percent by 2015. Most significantly, Wen's cabinet has promised that the income of urbanites and peasants alike will increase by a yearly rate of not less than 7 percent, which is the projected GDP growth rate during the entire FYP period (Xinhua News Agency, February 27; Sina.com, March 6; *Ming Pao*, March 7).

The trickle-down dispensations by the central government, however, are unlikely to narrow the rich-poor gap, which is a major reason underpinning public discontent. The Gini Coefficient—a measurement of income inequality—hovers close to 0.5, which is a level deemed to be conducive to social disturbances (Huanqiu.com, February 17; Xinhua

News Agency, February 25). According to the latest edition of the respected *Hurun Report*, the richest 70 of China's parliamentarians boast a combined wealth of 493.1 billion yuan (\$75.1 billion). By contrast, the assets of the 70 most well-heeled members of the U.S. Congress add up to no more than \$4.8 billion (Bloomberg, March 4; Chinareviewnews.com, March 5).

More significantly, Wen and his colleagues have yet to come up with institutional measures to diffuse the masses' malcontents. Take the *hukou* or residence permit system, which is responsible for the strict segregation of urban and rural residents since the mid-1950s. Despite the fact that some 200 million migrant workers have for the past two decades made invaluable contributions to China's "world factory," they are still denied permanent residence status in the cities. Just prior to last year's NPC session, 15 regional newspapers made international news by running a joint editorial calling upon Beijing to immediately scrap the unconstitutional *hukou* system. This unusual appeal was ignored by the authorities (*Wall Street Journal*, March 3, 2010; *The Economist*, May 6, 2010). In his Report last weekend, Wen made vague pledges that migrant workers would gradually be entitled to more welfare benefits hitherto reserved for urbanites. Yet no timetable has been set for the abolition of institutional discrimination against China's farmers (China News Service, March 5; *New Beijing Post*, February 23).

Similarly, the CCP administration has failed to grasp the nettle regarding the perennial battle against corruption, which is deemed a prime factor behind social unrest. In his pre-NPC discussion with Chinese Netizens, Wen admitted that "inflation coupled with corruption is enough to arouse people's discontent—and this could even create severe social problems" (*People's Daily*, February 28; China News Service, February 28). "Strengthening the construction of a clean government and fighting graft," however, was listed in the Report as the last of the ten major tasks for this year. "We must earnestly boost [cadres'] self-discipline in clean governance," Wen said. The premier urged officials to "self-consciously accept supervision" by certain means including submitting regular reports to anti-graft agencies concerning their incomes, real-estate holdings, investments, as well as changes in the nationalities of their close kin. It is true that senior cadres had last year begun to file such reports to the CCP Central Commission for Disciplinary Commission. Yet despite calls for more transparency, data such as the personal assets of top officials are neither publicized nor subject to independent auditing (Xinhua News Agency, March 2; *China Youth Daily*, February 27).

The conservative turn in Chinese politics is also poised to affect the nature of economic reform in the coming five years. This is despite the fact that, at least in theory, economic restructuring as envisaged in the outlines of the 12th FYP contains a host of reformist objectives. Thus, the target for GDP growth from 2011 to 2015 has been lowered to 7 percent so as to facilitate "qualitative," not quantitative, economic expansion. More efforts will be made to replace exports with domestic consumption as a key locomotive of growth. Above all, the World Factory is set to morph into the Global Hub of Innovation. Yet much of Beijing's game plan for moving up the value and technological chain depends on governmental policies and outlays—not the endeavors of the private sector. For instance, government departments and state-held conglomerates are set to invest \$1.5 trillion in seven key industrial

areas: green technology; biotechnology; alternative energy; high-end equipment manufacturing; IT; advanced materials; and alternative-fuel vehicles. There will also be closer integration between civilian and military research and development (Xinhua News Agency [English], March 5; Reuters, February 1; BBC News, March 3). Just as in the socio-political arena, Beijing's industrial and technology strategies seem geared toward boosting the powers of the party-and-state apparatus rather than encouraging the creativity and initiative of individual citizens. As in other aspects of national life, economic pursuits must serve the overarching *wei-wen* imperative.

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An Analysis of China's 2011 Defense Budget and Total Military Spending — The Great Unknown

By Dennis J. Blasko*

On March 4, Li Zhaoxing, spokesman for the National People's Congress of the People's Republic of China (PRC), announced a 601 billion yuan (~ \$91.5 billion) defense budget, a 12.7 percent increase over the 533 billion yuan (~ \$81.3 billion) authorized in 2010 (English.gov.cn, March 4). In comparison, the country's Gross Domestic Product (GDP) grew at about 10.3 percent in 2010, with an inflation rate estimated between three and five percent [1]. As such, the growth of the defense budget appears to be coordinated with the growth of the Chinese economy and not increasing at a rate that would interfere with expansion of the civilian sector.

The increase in the size of the announced defense budget is a prime example of the People's Liberation Army's loyalty to Chinese Communist Party (CCP) rule. While there have been calls for defense spending to increase at an even faster pace than has been seen over the past decade, the official government emphasis has been on the *coordination* of military modernization with national economic development. All the Chinese White Papers on National Defense have emphasized this principle. The 2008 White Paper states: "In the past three decades of reform and opening up, China has insisted that defense development should be both subordinated to and in the service of the country's overall economic development, and that the former should be coordinated with the latter" (Eng.mod.gov.cn/).

Nonetheless, nearly all foreign analysts believe that the announced defense budget does not represent the totality of Chinese defense-related spending. Some Chinese sources suggest that a variety of

line items augment the announced defense budget, but the specific amounts generally are not quantified. Accordingly, many governments, think-tanks, and individual analysts attempt to estimate China's actual defense spending; however, each of these estimates includes a different mix of extra-budgetary sources of income, if they are enumerated at all. As a result, large discrepancies exist between the officially announced defense budget and most foreign estimates. In reality, though, the true size of Chinese defense expenditures is unknown (perhaps even to the Chinese government) and foreign various attempts to estimate total defense-related spending do not use a consistent analytical methodology. Most foreign media attention focuses almost exclusively on high-side estimates as a measure of the pace of Chinese military modernization without mentioning the imprecise process by which such estimates are made. Such "fact-free" analysis adds little to the understanding of the Chinese defense budget, whatever its size, and its implications.

AN INTRODUCTION TO THE CHINESE DEFENSE BUDGET

During the 1980s as the civilian economy grew rapidly, the official defense budget was relatively stagnant. At the same time, the government encouraged the PLA to find extra-budgetary means to augment official funds available. From this low base, the rate of growth increased significantly in the 1990s averaging over ten percent annual growth (not considering inflation) for most of the next two decades.

Since 1998, the White Papers have offered a number of reasons for these increases. The most common factor has been increases in personnel pay and subsidies as well as improvements in living conditions, such as better food, barracks, and communications. In reality, this explanation is accurate. Large pay raises were authorized in 2006, 2008, and 2011. In 2011, non-commissioned officer salary and benefits will be increased up to 40 percent. Moreover, the amount of money granted to the large number of ground force personnel will not be as large as for the smaller numbers of personnel in the other services (*Huanqiu*, March 3). The improvements to the barracks and living facilities for PLA personnel in all parts of the country, especially in remote border areas, are readily apparent to anyone who has visited China over the past two decades or who reads military newspapers or watches Chinese television. The continuous enhancement of the military's standard of living is essential if the PLA is to maintain the morale of the troops as the domestic economy booms.

Other reasons cited by Chinese officials for budget increases include new equipment costs; higher training, operations, and maintenance costs; compensation for higher prices of food and oil; improvements in the social security system; compensation for funds lost as a result of the PLA's divestiture of commercial enterprises; and increased expenses for international cooperation [2]. Unfortunately, the Chinese government has not provided specific details as to how much money has been allotted for any of these factors.

The White Papers generalize that about one-third of the announced budget goes to each of the three main categories of 1) personnel, 2) training and maintenance, and 3) equipment. Analysis of data provided for these categories for most of the years since 1994 shows that such a breakdown is roughly accurate with percentages in each category

varying from year to year between approximately 31 and 36 percent [3].

The Chinese government, however, has not disclosed how funds are spent within each budgetary category or how much money is allocated to the individual services.

SOURCES OF EXTRA-BUDGETARY FUNDING

Chinese spokesmen usually do not acknowledge any sources of extra-budgetary income that add to the amount of money available to the PLA. Yet, additional funds to support the military may come from other central government ministries, local governments, or from legitimate, sanctioned functions performed by PLA units, such as selling off land or providing personnel as extras for motion pictures made in China [4].

The number and amounts of extra-budgetary sources of income vary from year to year while sufficient data is not available to evaluate the full scope of extra-budgetary funding that may augment the announced budget. In order to make an accurate estimate of actual Chinese defense expenditures each separate source of extra-budgetary income must be evaluated for each specific year. Yet sufficient data are not available for most sources extra-budgetary income to make such an estimate.

Perhaps the best illustration of this dilemma is demonstrated by the value of Chinese arms purchases from Russia, commonly cited as one of the largest sources of extra-budgetary funding available to the PLA. Unfortunately, little clarity results from digging deeper into the numbers. For example, the Stockholm International Peace Research Institute database shows a “Trend Indicator Value” total of \$21.9 billion in arms sales from Russia to China from 2000 to 2009, averaging about \$2.2 billion per year. Yet yearly amounts varied from a high in 2005 of \$3.224 billion to a low of \$401 million in 2009. From 1992 (when the first major shipments of arms imports arrived) to 1999, that total number was only \$6.2 billion or an average of about \$776 million per year [5]. Over all 18 years, the average was about \$1.6 billion. Which yearly average best represents the trend over the past two decades and should be applied to today’s defense budget?

Other sources of extra-budgetary income include funds from the central government and local governments for defense mobilization preparations, conscription, and demobilization. The PLA budget includes some funding for research and development, but most observers assess that the civilian-run defense industrial sector also receives additional funding to conduct military-related research and development. The central government provides funding for college students who enter the PLA (Xinhua News Agency, April 9, 2010). People’s Armed Forces Departments (PAFD) cadre at township or sub-district levels (grassroots level) are non-active-duty, government organizations manned by local civilians. These PAFD personnel, whose total numbers are not known, are responsible for conscription and demobilization in support of the PLA as well as commanding local militia units. While these PAFD personnel clearly support national defense efforts, they are paid by local governments. About three percent of the defense budget is used to fund reserve and militia personnel, training, and equipment, but these funds undoubtedly are augmented by local governments. The value of food produced and consumed by

PLA units is not included in the defense budget. Units may also sell excess produce on the market and keep the profits for use by the unit. Though not part of the PLA and with a primary mission of internal security, some analysts include the budget for the paramilitary People’s Armed Police, which come mainly from the Ministry of Public Security, as part of overall defense spending. Nor is the impact of “relative buying power” (purchase power parity) of less expensive Chinese produced goods and exchange rates factored into Chinese government figures.

Therefore, foreign analysts often propose applying a multiplication factor to the announced defense budget to estimate the size of actual Chinese defense expenditures. Yet, despite the perceived need to do so, no arbitrary multiplication factor can be applied to the announced budget. Unless one can enumerate and quantify each of the potential sources of extra-budgetary income as they vary from year to year, any estimate of total defense-related spending is merely a guess—some guesses are more well-informed than others, but all are lacking the comprehensive database necessary to perform such a calculation. The true amount of actual defense-related spending remains a great unknown.

EXTERNAL ESTIMATES OF CHINESE MILITARY SPENDING

In recent years most reputable outside estimates of total Chinese defense-related spending have ranged from less than two to around four times the announced defense budget [6]. Both the Stockholm International Peace Research Institute and the International Institute for Strategic Studies in London provide estimates and justify their figures with data, limited as it may be. Figures from the U.S. Defense Department’s annual report to Congress on the Chinese military, however, usually attract the most attention.

In 2002, the Pentagon report stated, “China’s defense spending may be some four times larger than its public announcement in March 2002 of a defense budget of about \$20 billion.” In 2010, the Department estimated, “China’s total military-related spending for 2009 to be over \$150 billion,” but did not provide an explanation as to how it made this judgment. The officially announced 2009 Chinese defense budget was 480.686 billion yuan or about \$70 billion (Xinhua News Agency, March 4, 2009). Accordingly, the Pentagon’s multiplication factor was about 2.14 times the announced budget, slightly over half of the factor estimated earlier in the decade. No explanation was given for why the multiplication factor in 2010 differed from that of 2002.

The gradual downward trend in budget multiplication factors suggests that the officially announced Chinese defense budget now includes funds that previously were off-budget. In effect, as time has progressed, the announced Chinese defense budget actually better represents total military spending than official numbers from a decade ago.

DEFENSE SPENDING AS PERCENTAGE OF GDP

Instead of dollar or yuan amounts, perhaps a better indicator of a nation’s economic commitment to national defense is the percentage of GDP it spends on defense. Over the first decade of the century, according to the 2008 White Paper, that figure for China officially has varied from 1.22 to 1.42 percent. NATO (North Atlantic Treaty

Organization) recommends its members spend at least two percent of GDP on defense [7]. For 2010 and 2011, U.S. defense spending was characterized as “remain[ing] flat at 4.7 percent [8].” The PLA does not operate within a web of military alliances as do the United States and NATO countries, and even with some multiplication factor applied to approximately 1.4 percent of GDP, Chinese defense spending does not appear to be interfering with the country’s economic growth.

Given its current fiscal status, if Beijing perceives it necessary to increase the PLA’s share of GDP, such an influx probably would be feasible without seriously undercutting economic development. This calculation could change, however, if any of a number of domestic social, political, economic, environmental, or international factors deteriorates and the Chinese economy slows down significantly.

CONCLUSION

Whatever the true numbers may be, the Chinese military has much more money to spend on fewer troops than it did 15 years ago. At the same time, personnel, equipment, and training costs for a more modern, technologically-advanced military are significantly higher than in previous decades. These costs will only increase as more advanced equipment enters the force. Compared to other militaries and particularly because of its size, the PLA is still relatively constrained in what it can do with the funds available. Consequently, a common theme for Chinese military leaders is saving money and finding innovative ways to conserve or better spend what they consider to be limited funds and resources [9].

Despite the double-digit increases over most of the last 20 years, the growth of the defense budget in fact appears to be coordinated with the growth of the Chinese economy—just as the Chinese White Papers have said. Defense spending is not increasing at a rate that interferes with China’s primary objective of national economic development. If need be, the government could increase spending even faster. Yet, the Chinese military leadership apparently fully understands that mere money and new equipment will not by themselves modernize the PLA.

Equally or more important is attracting, training, and retaining qualified personnel to operate, maintain, and plan for the employment of the new weapons entering the PLA. The process of training personnel and building a smaller, more technically competent force is the long-term goal of PLA modernization. Even with a resumption of defense budget increases over 10 percent, the PLA leadership has not changed the mid-century timeframe of achieving that goal. As such, the PLA sees itself as halfway down the path of its multi-decade, multi-faceted military modernization program.

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NOTES:

* This essay draws on research the author is conducting for the second edition of *The Chinese Army Today*.

1. U.S. Central Intelligence Agency, *The World Factbook*, at

<https://www.cia.gov/library/publications/the-world-factbook/geos/ch.html> (accessed March 4, 2011). The *Factbook* estimated the inflation rate at five percent. At the 2011 defense budget announcement, the Chinese spokesman said “Beijing has targeted at 4 percent inflation rate for 2011, as compared to last year’s target of 3 percent.”

2. This list is compiled from all Defense White Papers from 1998 to the present.

3. Dennis Blasko, Chas Freeman, Jr., Stanley Horowitz, Evan Medeiros, and James Mulvenon, “Defense-Related Spending in China: A Preliminary Analysis and Comparison with American Equivalents,” (United States - China Policy Foundation, May 2007):19, at <http://www.uscpf.org/v2/pdf/defensereport.pdf> (accessed February 5, 2011).

4. For example, the credits to John Woo’s 2008 movie *Red Cliff* ends with thanks expressed to the “PLA 66336 unit.”

5. Trend Indicator Values for arms sales can be generated by the SIPRI website at <http://armstrade.sipri.org/armstrade/page/values.php> (accessed February 5, 2011). Trend Indicator Values are not exact amounts for arms transfers, but rather serve as an “indicator of the volume of military equipment transferred.”

6. See Kim Nodskov, *The Long March to Power The New Historic Mission of the People’s Liberation Army*, (Copenhagen: Royal Danish Defence College, 2010): 56-65 for a discussion of the various estimates of Chinese defense spending.

7. Joris Lok, “NATO: Only Six out of 26 Nations Meet Defense Spending Target,” January 10, 2008, at <http://www.aviationweek.com/aw/blogs/defense/index.jsp?plckController=Blog&plckScript=blogsript&plckElementId=blogDest&plckBlogPage=BlogViewPost&plckPostId=Blog%3A27ec4a53-dcc8-42d0-bd3a-01329aef-79a7Post%3A3746e462-d9f3-43bd-90d2-769ec8209630> (accessed February 5, 2011).

8. William Lynn, III, “Submitted Statement on the Budget Before the House Budget Committee,” March 4, 2010, at <http://www.defense.gov/speeches/speech.aspx?speechid=1429> (accessed February 5, 2011).

9. The 2008 White Paper states, “China persists in building the armed forces through diligence and thrift, attaching importance to scientific management, in order to make the fullest use of its limited defense resources.”

Is Russia Helping Taiwan Build Submarines?

By Jyh-Perng Wang

On January 27, a Taiwanese weekly, *Next Magazine*, reported that the Republic of China (Taiwan) Navy had plans to introduce Russian Kilo-class submarine technology. According to the report, a task force was organized by Taiwan’s National Security Council (NSC) and the Taiwan Navy, which contacted Russian government authorities back in October 2010 and reached a consensus on technical cooperation to construct pressure hulls for submarines. Russia reportedly will send a technical team to Taiwan for evaluation before signing a memorandum of cooperation (*Next Magazine* [Taiwan], January 27). The Taiwan Navy denied the report and stated that, “The [Taiwan] navy has no

plans to acquire submarines from sources other than the United States,” and that, “there has been no change of such policy and position” (*Taipei Times*, December 9, 2010; Taiwan’s MND, January 26).

The Taiwan Navy appears to be approaching a crossroads in its 40-year quest for a fleet of modern diesel electric submarines. As the Obama administration evaluates the former George W. Bush administration’s approval of eight diesel-electric submarines for Taiwan in April 2001, senior ROC political and military leaders are weighing three options: First, continue to lobby the Obama administration to notify Congress of its intent to implement the program as authorized by the former Bush administration; second, give up the 40 year quest for conventional submarines that former defense minister and president, Chiang Ching-kuo, began in 1969; or direct the ROC’s domestic industry to take the lead, with United States and other foreign assistance, in designing, developing and manufacturing diesel electric submarines (The Taiwan Link, October 30, 2008). Since President Barack Obama has not yet agreed to sell submarines to Taiwan, such reports suggest that the Ma administration may be leaning toward option 3.

BACKGROUND

Against the backdrop of China’s growing naval power, one of the most effective assets for deterrence available to the Taiwan Navy is arguably the submarine. Many defense planners in Taiwan believe that additional submarines are essential for preventing an occupation of Taiwan proper, since the People’s Liberation Army Navy (PLAN) does not currently have sufficient amphibious landing capability. Yet, since former U.S. President George W. Bush authorized the release of eight diesel-electric submarines to Taiwan in April 2001, this military sale has not yet materialized.

During the Democratic Progressive Party (DPP) administration under Chen Shui-bian from 2000 to 2008, the Kuomintang (KMT), which had a majority in Taiwan’s Legislative Yuan, blocked the procurement of submarines on grounds that the acquisition was too expensive. After President Ma Ying-jeou took office on May 20, 2008, however, the NSC, formerly headed by Secretary General Su Chi, revealed that since August 2008 a series of closed-door meetings were held on submarine procurement. No conclusions from those meetings have been released to the public in the past two years.

In February 2010, after Su Chi resigned from his post as secretary general of the NSC, he indicated that, “[He] had learned on private occasions that both civilian and military U.S. officials hold reservations on the sale of submarines to Taiwan, including former director of national intelligence and former commander of the Pacific Command, Admiral Dennis Blair. According to Su, there appear to be two major reasons against the sale. First, at least four deep-water harbors would be required, and the fact that the expansion projects of Kaohsiung and Tsoying sea ports are still not completed indicate that Taiwan does not have enough harbors for additional submarines. Second, Taiwan does not have the ability to maintain submarines. The United States believes that Taiwan has no logistic capability even once submarines are acquired (*China Times* [Taiwan], February 12, 2010). While the validity of such arguments is debatable, the current administration in Taipei may be shifting its position on submarines.

RUSSIAN COOPERATION?

In another article published on December 8, 2010, *Next Magazine* reported that the Taiwan Navy organized a delegation visit with Taiwan Shipbuilding Corporation (CSBC) to Russia from October 10-18, 2010, to seek Moscow’s cooperation in developing submarines (*Next Magazine*, December 9, 2010). Taiwan’s Navy Command Headquarters held a press conference to respond to that report and stated, “the procurement of diesel-electric submarine procurement in process through the source of U.S. arms sale. There has been no change of such policy and position, nor has the Navy sent any personnel to Russia” (Taiwan’s MND, December 8, 2010). Assistant Manager Yin Tzu-hsiang of CSBS explained that he led colleagues from the company’s Design Department and Business Department to Russia for business purposes. The visit was to explore business opportunities, find new customers, buy cheaper raw materials and cooperate with Russians in building icebreakers and fishing vessels. Yin specifically pointed out that there were no Navy personnel whom accompanied his team (Taiwan’s Navy, December 9, 2010).

It is interesting to note that in the same month, KMT Legislator Shuai Hua-ming responded to a media interview about Mr. William Stanton, director of the Taipei Office, American Institute in Taiwan, stating that there have been hidden changes in U.S. arms sales to Taiwan, and that Taiwan’s national defense needs deliberate thinking and self-reflection, and that it can not always rely on the United States (*China Times*, October 29, 2010). This statement from a senior lawmaker from the ruling party suggests that Taiwan needs to shore up its own indigenous capabilities and may need to look elsewhere for assistance for its defense needs.

Furthermore, when President Ma met the Chairman of American Institute in Taiwan, Mr. Raymond Burghardt, on January 25, Ma stated that, “With the growing cross-strait military imbalance, it is expected the United States could agree to sell F-16C/D jet fighters and diesel-electric submarines as soon as possible. It is emphasized that cross-strait military imbalance is not considered a positive factor of the development of cross-strait relations and regional stability. Taiwan does not intend to expand its military capability but only hope to replace outdated equipment. The new asset will be used for defensive purposes” (Office of the President, Republic of China [Taiwan], January 25). This is President Ma Ying-jeou’s first public pronouncement to the United States that Taiwan needs submarines.

Coincidentally, during his recent visit to the United States, Taiwan’s Legislative Yuan Speaker Wang Jin-Pyng told the House of Representatives Speaker John Boehner on January 26 that Taiwan need not only F-16C/D fighters but also 8 to 12 new diesel-electric submarines. According to Wang: In light of the growing military imbalance, cross-strait political negotiations would not be on equal footing, which would be detrimental to both Taiwan and the United States (*Liberty Times*, January 28).

CONCLUSION

Whether the reports from *Next Magazine* are true remains to be seen. It should be noted, however, that the Taiwan Navy denied these

reports, which is also consistent with the Ma administration's policy in recent years. Nevertheless, Ma's calls upon the Obama administration to release the submarines seem to indicate that the administration has shifted its defense policy in favor of submarines.

If the Taiwan Navy had indeed secretly sent personnel to Russia with President Ma's approval, then the underlying meaning and implications are manifold. First, it would mark a reversal in the current administration's position that submarines are offensive weapons. Second, the report that Taiwan and Russia will cooperate in reverse engineering technology to solve the hull problem of two 70 year-old Guppy II-class submarines was false. The true intention appears to be to acquire new submarine hull from Russia or the ability to build submarines in Taiwan. Third, under the circumstances that the United States cannot obtain a submarine hull blue print from a third country or is not willing to allow Taiwan's acquisition of submarines, with or without Russia's assistance—Taiwan is demonstrating its determination of self-resilience defense policy to the United States. Fourth, both *Next Magazine's* reports and President Ma's emphasis on replacing outdated submarines could help in reducing the possibility of retaliation from the PRC through taking an indirect route. Finally, if a submarine production line could be established in Taiwan, in addition to upgrading Taiwan's technological capability and increasing employment opportunity in southern Taiwan, it could help Ma win support from the people. Whether the Taiwan Navy is willing to stand behind this "development" remains to be further observed.

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Implications of China's Military Evacuation of Citizens from Libya

By Gabe Collins and Andrew S. Erickson

The People's Liberation Army Navy (PLAN) made history with the news on February 25 that the frigate *Xuzhou*, one of the navy's most modern warships, had been dispatched to waters near Libya to support and protect the evacuation of Chinese citizens. The Libya operation is the Chinese military's first operational deployment to Africa and the Mediterranean, as well as its largest noncombatant evacuation operation (NEO) to date, with virtually all 35,000 PRC citizens in the country evacuated as of March 3. The bulk of Chinese nationals in Libya were evacuated by sea on chartered merchant vessels (primarily from Benghazi), in addition to chartered aircraft (primarily from Tripoli), military aircraft (Sabha to Khartoum, Sudan), and overland (buses to Tunisia and Egypt). A significant number of individuals are still traveling back to China via international transit hubs, but none are vulnerable to the growing violence in Libya. The deployment of *Xuzhou* sets a major precedent because it marked the first time China has sent military assets to a distant part of the world to protect its citizens there. This is an historical first for China, and represents Beijing's growing capability to conduct long-range operations that it was both incapable

of doing, and unwilling to do, only a decade ago.

COORDINATED MULTISERVICE OPERATIONS

The NEO operation involved an intricate level of interagency coordination, with the Ministries of Commerce, Foreign Affairs, and Public Security working closely with the Civil Aviation Administration of China and consular officials. In addition, Chinese companies operating in Libya, including the China National Petroleum Corporation (CNPC) and China Rail Construction and shippers like COSCO who helped evacuate Chinese citizens from Libya, coordinated closely with the government agencies listed above (Xinhua News Agency, February 24).

Major General Ji Mingkui of the PLA's National Defense University (NDU) supported the idea that improved coordination and communication within and beyond the services has bolstered China's ability to perform non-traditional security missions, noting that "in previous evacuation missions, the PLA Navy would not have performed well because tasking areas suffered from siloing" (*Sina.com*, February 26).

China's intensive Libya rescue mission also marks the first use of long-range military transport aircraft to rescue Chinese citizens from a foreign conflict zone. On February 28, four IL-76 transport aircraft were dispatched to Libya via Khartoum with Central Military Commission (CMC) approval. As of the evening of March 2, the IL-76s had moved 1,700 Chinese from Libya to Khartoum, Sudan.

During the Libya operation, the four PLAAF IL-76s used Khartoum as a stopover on both the inbound and outbound legs of the trip (Xinhua News Agency, March 4). Khartoum's use as a waypoint reflects Sudan's strategic importance to China. Indeed, as Chinese economic and human presence in Africa continues to rise, the fact that military aircraft were allowed to land and refuel there also suggest that the Sudanese government may be comfortable with the idea of fitting into a Chinese "places, not bases" strategy whereby the PRC ensures that it has access to various airfields to support future evacuation operations and other missions in Africa. Furthermore, China Communications Construction Company's recent announcement that it has entered into a \$1.2 billion contract to build a new airport in Khartoum capable of handling aircraft as large as the Airbus A380 will offer incentives and ensure that local infrastructure is up to the task (*BBC*, February 15).

EXTERNAL STRATEGIC IMPLICATIONS

The deployments send a clear diplomatic message: Beijing is unwilling to tolerate Chinese citizens being harmed by large-scale political violence overseas. They also signal that as the Chinese military becomes more proficient in long-range operations, it will increasingly be able to scale-up deployments if necessary.

China's strong participation in UN peacekeeping operations in Africa and other areas has created a core group of personnel with operational experience in key parts of the world. China had nearly 1,900 troops detailed to UN peacekeeping missions as of January 31, 2011 [1]. Transport logistics and the political will to send forces overseas have

been missing links to date with respect to creating a large expeditionary capability within the PLA, and the Libya deployments mark a first step to addressing both issues. Also, like the ongoing Gulf of Aden counter-piracy task forces, this offers PLAN forces a valuable training opportunity, so that they will be even more experienced and capable in the future.

The Libya mission builds on the PLAN's Gulf of Aden deployments, and showcases potential military missions "beyond Taiwan" in which the PLA can become involved. China's decision and ability to send a modern warship and long-range military transport aircraft to a violence-racked country halfway across the globe will have strategic repercussions that will reverberate for some time, particularly in East and Southeast Asia, the Indian Ocean region, and Africa.

On the other hand, *Xuzhou's* mission may actually incentivize Chinese cooperation against non-traditional security threats because, along with the Gulf of Aden counter-piracy mission, it is a concrete demonstration of capabilities that will likely make it harder for China to free ride during future crises that require multilateral responses. Prominent Chinese strategists are supporting a move away from China's traditional mantra of non-interference in other countries' internal politics. For example, Zhao Kejin of Tsinghua University argues that China can no longer afford to "use a mechanical interpretation of the non-interference policy" and needs to adopt a more flexible way of thinking that takes each situation and its characteristics into account (*Global Times*, February 24).

DOMESTIC STRATEGIC IMPLICATIONS

The successful—and unprecedented—PLAN and PLAAF participation in the Libya NEO operation has significant ramifications for defense procurement and security policy discussions within China. These include accelerated procurement of certain key naval assets such as carriers, the wisdom of forward-deployed forces, how to manage the growing Chinese expatriate presence in Africa and other volatile regions where security problems are almost certain to arise, and how to handle popular nationalist pressures for intervening when Chinese citizens abroad are threatened.

Successfully protecting Chinese merchant ships from pirates and evacuating Chinese citizens from violent areas are great cards for PLA senior naval officers and civilian supporters of a strong navy to play during internal procurement debates. Having the PLAN consistently answer the call when China's overseas comrades and commercial interests need protection clearly explains the force's value and will smooth the way for advocates of the carrier program, as well as those who seek a more robust long-range naval capability in general.

By highlighting the diplomatic value of a powerful and clearly visible surface ship, the *Xuzhou* mission may also spark important debates between proponents of the surface warfare and submarine communities within the PLA and civilian leadership. The surface warfare faction can argue that it is the most useful in handling the increasingly frequent non-traditional security missions involving Chinese interests and that naval spending should therefore favor carriers and other visible platforms. In a recent analysis of the Libya evacuation, *Global Times*

reflected pro-surface ship sentiments, stating "China must speed up building its ocean cruising fleet, including aircraft carriers. An ocean cruising navy will enhance China's ability to execute its global strategy not only as a deterrent against military provocations, but also as overall protection for China's national interests" (*Global Times*, February 28). The military will have the funds to further develop expeditionary capabilities, as China plans to increase military spending by 12.7 percent in 2011, to \$91.5 billion [2].

Chinese policymakers will also likely place more consideration on maintaining a sustained naval presence in the Indian Ocean region than they did prior to the Libya crisis. The main reason *Xuzhou* was a useful asset in the Libya contingency was because it was already forward deployed as part of China's anti-piracy mission in the Gulf of Aden. Senior PLAN and civilian leaders are receiving a firsthand lesson in how useful forward deployed military assets are for a country like China that has increasingly global interests. The anti-piracy missions cracked open the door, but we believe that from this point forward, there is a strong likelihood that the PLAN will seek to assume a more sustained presence in the Indian Ocean region, perhaps extending toward the Persian Gulf as well.

CONCLUSION

China's Foreign, Defense, and Commerce Ministries will increasingly have to grapple with a Chinese expatriate presence in volatile areas that is both growing and becoming more diffuse. The basic economics of working overseas are very appealing to many Chinese workers due to the higher pay they receive. In turn, as the number of PRC expatriates working for larger companies like CNPC or China Rail Construction in places like Libya, Angola, Congo, or Sudan increases, business opportunities arise for independent entrepreneurs who follow and establish Chinese restaurants and other amenities for the large company workers. As small merchants, traders, and others join, the large company investments become an anchor for a larger and more diffuse Chinese community in that country.

Beijing will likely struggle to balance the national pride many Chinese feel about the rescue operation with the fact that the precedent set will substantially increase popular pressure for intervention in future crises. The issue is an emotional one for those involved in the rescue and likely their families as well. An article describing the March 1 rendezvous between *Venizelos*, a cruise ship carrying more than 2,000 Chinese evacuees, and *Xuzhou* says many on deck burst into tears of joy when they sighted the warship (*International Online*, March 4). Two bits of anecdotal evidence support the assertion that the government is assiduously managing reporting of the military aspects of the mission. Contacts in China tell us television coverage of the military's participation in the Libya evacuation mission by Mainland stations has been more subdued than they would have expected. On the Internet, entering the Chinese-character search terms for "Libya Xuzhou Navy" into Google, which does not submit to PRC government censorship, yields roughly 1.2 million search results. Plugging the same terms into Baidu, which complies, yields only 98,800 results, as of March 4.

This dynamic has real strategic implications for two major reasons. First, in the event of major political violence, natural disasters, or other

dangerous situations, workers who live in the compounds of major Chinese companies can be located relatively easily and their evacuation arranged accordingly. The predominance of large firm workers and their concentrated locations in Libya facilitated the evacuation process. Independent businessmen and traders, on the other hand, will likely be much harder for the PRC Embassy to locate and communicate with in a time of turmoil. Second, independent entrepreneurs who may have much of their wealth tied up in a shop or place of business are more likely to use violence to defend their assets against looters or marauders. Use of force to defend property, while entirely understandable, would exacerbate street violence and raises the risk that unrest combined with latent anti-Chinese sentiments among the working population in some countries could catalyze more explicitly anti-Chinese violence and put additional pressure on Beijing to intervene.

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NOTES:

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2. "Report on the Implementation of the Central and Local Budgets in 2010 and the Draft Estimates of the 2011 Central and Local Budgets," Ministry of Finance, March 5, 2011, <http://online.wsj.com/public/resources/documents/2011NPCBudgetReportZhFull.pdf>.
