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In a Fortnight

By Peter Mattis

CHINA'S INTERNATIONAL RIGHT TO SPEAK

As Beijing's reach continues to expand, Chinese analysts are increasingly troubled by the country's weak ability to influence how international issues, especially the rise of China, are framed and evaluated—called the “right to speak” or “discourse power” (*huayuquan*). The Western concern about Chinese doping at the Olympics, for example, showcased China's weakness and the strength of Orientalist discourse in the West that discounts China's abilities and accomplishments (*Wen Hui Bao*, August 9; Phoenix TV, August 7; *Global Times*, August 3). Although this idea is not new, a regular discussion has emerged since the summer concerned with the gap between China's power as the world's second largest economy and Beijing's ability to shape international discussions and values (*People's Forum*, October 17; *Red Flag*, October 16). The question facing Chinese analysts is how Beijing corrects this imbalance, because reversing China's weakness is an “urgent strategic need as the competition among nations intensifies” (*Red Flag*, October 11; *People's Daily*, December 9, 2010).

The idea of “right to speak” or “discourse power” is an extension of soft power, relating to influence and attractiveness of a country's ideology and value system. As an important analysis this summer characterized it, “Who has ‘*huayuquan*’ ultimately depends on whose ideology, especially whose value system, best answers contemporary global issues and provides impetus for human progress and

development.” In this respect, Beijing needs to “face the grim reality that the West is strong while China is weak (*xi qiang wo ruan*)” and start learning how to communicate more effectively to foreign audiences (*Red Flag*, October 11; *Caijing*, August 18; *People’s Forum Biweekly Political Commentary*, July 13).

The proof of Beijing’s weakness is evident in how Chinese accomplishments and policies are characterized domestically and internationally. Domestically, people complain China’s foreign policy is too soft; internationally, governments complain China’s diplomacy is too strong. This shows Beijing must make it clear to both domestic and international audiences how China will use its growing power and what kind of world China wants. The key to doing this is strengthening China’s right to speak (*People’s Forum*, October 17). Moreover, despite the accomplishments of China since the beginning of Reform and Opening, some Western elements have used their “discourse power” to promulgate the “China Threat Theory,” demonize China, promote trade protectionism and impede China’s peaceful development (*People’s Forum Biweekly Political Commentary*, July 13).

China’s weakness stems from a couple of different sources. The first is that there is a contradiction in promoting a set of universal values and respecting non-interference in a country’s political affairs. So long as Chinese foreign policy is governed by the latter principle, Beijing will find it difficult to break Western hegemony in *huayuquan* (*People’s Forum*, October 17). The second is that China is not necessarily creating new ideas about how countries should run themselves or find their place in the increasingly integrated world. As a military analyst from the Nanjing Command Academy wrote, if China only translates or adapts Western ideas, then the spread of “Chinese ideas” inadvertently spreads Western values and places China in a passive position (*Red Flag*, October 11; *Caijing*, August 18). The third problem is that promoting the value of each country’s individual development choices according to national circumstances does not offer the kind of guidance that Western ideas provides for rational or ideal political and economic choices. This shallow characterization of China’s development model as a country’s right to choose for itself shortchanges socialism with Chinese characteristics. Therefore, China needs to do a better job of publicizing and explaining the Chinese experience with “seeking truth from facts,”

reform and opening policies, “letting practice be the criterion of truth” and harmonious society (*People’s Forum Biweekly Political Commentary*, July 13; *People’s Daily*, December 9, 2010; *Lianhe Zaobao*, February 6, 2009).

This first step in strengthening China’s discourse power is to develop a more sophisticated understanding of foreign audiences. Because of a lack of in-depth research into foreign attitudes, Chinese propagandists sometimes push messages that may be a positive self-expression of Chinese civilization, but is not received positively by foreign audiences (*Red Flag*, October 11). Beijing’s challenge is how to ensure China’s voice reaches others—something that is not happening now and requires further study, especially on how to improve the international penetration of socialism with Chinese characteristics (*Wen Hui Bao* [Shanghai], August 9; *People’s Forum Biweekly Political Commentary*, July 13).

China can enhance its right to speak with three steps, according to the Wu Ying deputy director of the Shanghai Foreign Studies University’s international public opinion center. First, Beijing needs to be more aggressive about setting international discourse. Second, China needs to be able to break down the Western media’s Orientalism and “responsible power” discourses to free up China’s international discourse space. Finally, China should focus on researching Western media, watching for feedback on Chinese efforts to shape public opinion (*Wen Hui Bao*, August 9). One of the ways in which China can improve its influence is to accelerate the “Going Out” policy for Chinese media organizations, such as the Southern Media Group’s sponsored features on Guangdong overseas. Through this experience, Chinese journalists can learn the laws of cultural transmission (*Caijing*, August 18).

Beijing does have to be careful in promoting its discourse power, because having a greater influence on international narratives is not an unalloyed good. China’s Reform and Opening policies led the West to believe that China was on a convergent road with the Western development model. Pursuing China’s right to speak is the starting point for ending that belief and making it clear that China’s course is different (*People’s Forum*, October 17). Yet, according to Tsinghua media specialist Zhang Zhizhou, China cannot rise without challenging the Western concepts that denigrate China’s accomplishments—e.g. democratic peace theory, great power politics, the end

of history, etc.—and thereby showing China’s divergent development path (Media.tsinghua.edu.cn, August 9).

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18th Party Congress to Showcase Rising Status of Private Business

By Willy Lam

The 18th Chinese Communist Party (CCP) Congress is set to highlight the leadership’s commitment to boosting the role of the private sector. This is despite the fact that the phenomenon called *guojin mintui* (“state-owned enterprises advance while private firms retreat”) seems to remain unchecked. The limelight given to “red capitalists” is evidenced by the fact that a record 24 private-sector (*minying*) businessmen have been chosen as delegates to the Congress. It is true that these tycoons only represent 1.06 percent of the 2,270 deputies. Yet at the 16th CCP Congresses in 2002—when non-state-sector bosses were first allowed to become deputies—only seven made the cut. This number was increased to 17 at the 17th Party Congress five years ago (*Southern Weekend* [Guangzhou], September 6; Xinhuanet.com, September 6).

“That so many *minying* business people have been selected as congress delegates reflects the party leadership’s open and accommodating attitude [toward capitalists],” wrote *China Enterprise News*, which is an official mouthpiece for non-state-sector businesses. “The party leadership wants to encourage new forms of economic organizations.” As media commentator Meng Shuqiang put it, *minying* entrepreneurous joining the ranks of party deputies “can to a certain extent be seen as a sign of the party leadership’s acceptance of non-state-run companies.” Meng added “This will enable private businessmen to more effectively lobby for the interests of their class” (*China Enterprise News* [Beijing], August 24; Sina.com [Beijing], July 4).

China boasts more than 70 million *minying* enterprises, which have a total registered capital of 28 trillion yuan

(\$4.5 trillion). It is estimated these non-state-sector firms are capable of making investments worth at least 60 trillion yuan (\$9.6 trillion). Despite the non-state sector’s pivotal contribution to the “Chinese economic miracle,” *minying* companies face systematic discrimination. For example, many lucrative sectors ranging from banking and finance to petroleum and telecommunications have remained the preserves of 120-odd *yangqi*, or centrally held state-owned enterprises (SOEs). Moreover, *minying* units face much higher hurdles compared to SOEs when trying to secure loans from banks. At a time when the rate of GDP expansion is set to decline owing to factors such as the shrinkage of China’s traditional export markets, Beijing is hoping private-sector firms will do more in boosting growth and creating jobs (*China Business Journal* [Beijing], September 29; *Zhubai Special Zone Daily*, September 7).

In May, the central government promulgated a document called “Certain Opinions on the Encouragement and Guidance of Private Investments toward Healthy Development.” Among other things, this directive asked government departments in areas including civil aviation, medical care, housing and construction as well as strategic new industries to award more contracts to *minying* firms. At the same time, 17 provinces have come up with a variety of dispensations for privately-run concerns. For example, provincial and municipal administrations have helped promising private enterprises apply for loans from state banks (*New Evening Post* [Beijing] May 23; *Economic Reference News* [Beijing] May 23). No less an authority than Premier Wen Jiabao has called on local governments and relevant departments to “liberate their thoughts and make bold experiments” by encouraging private-sector participation in areas such as railways, municipal infrastructure, energy, telecommunications, education and medicine. “A new atmosphere of ‘smashing the glass door’ must be created [for *minying* firms],” Wen said during an inspection tour of Sichuan Province last July (CNTV.com, July 16; Xinhua, July 16).

Also significant is the fact that Vice President Xi Jinping, who is due to become party General Secretary at the 18th Party Congress, is a keen supporter of the *minying* sector. Fostering the growth of private businesses is integral to the so-called Zhejiang Model of Development that Xi helped nurture when he was Party Secretary of the coastal province from 2003 to 2007. Xi used to call

minying entrepreneurs “a great treasure of the Zhejiang economy.” At the National People’s Congress in March, Xi told Zhejiang parliamentarians that the province “should continue to push forward the simultaneous development of different types of ownership systems.” “We should help *minying* firms to go up market so that they can attain breakthroughs in innovation and in restructuring,” he said (China News Service, March 7; Xinhua, December 3, 2003).

Encouraging words of the likes of Wen and Xi notwithstanding, there are no indications that the *guojin mintui* trend may be reversed any time soon. In a recent report on the *yangqi*, Beijing-based Unirule Research Institute, a respected private think tank, urged the CCP leadership to curtail special privileges given to SOE conglomerates through “breaking up the administrative monopoly of state-owned enterprises and ending their rights of enjoying free or inexpensive use of state resources.” Unirule also argued that had it not been for their access to free resources, including land, the immensely lucrative *yangqi* would have made a loss (Unirule.org, October 9; “Chinese SOEs a Target of Hu-Wen’s ‘Inclusive Growth’,” *China Brief*, January 14, 2011).

Moreover, it is not certain whether the token presence of 24 private businessmen as Congress delegates portends a real difference. To be effective lobbyists, these “red bosses” must become at least Central Committee members. At the 17th Party Congress, several big-name CEOs of SOE conglomerates became full or alternate (meaning second-tier or non-voting) Central Committee members. They included such luminaries as Guo Shuqing, Jiang Jianqing, Jiang Jiemin, Wang Xiaochu and Lou Jiwei, who were the chief executives of respectively China Construction Bank, Industrial and Commercial Bank of China, China National Petroleum Corporation, China Telecom, and China Investment Corp. Only one CEO of a non-state enterprise, Jiang Ruimin of Hai’er Corporation—the famous maker of household appliances—was chosen as an alternate member of the Central Committee. This year, at least one more private-sector tycoon, Liang Wen’gen, who is the boss of heavy machinery manufacturer Sany Group, is expected to make it into the Central Committee (Sina.com [Beijing], September 30; Ifeng.com, April 16). Yet Beijing needs to induct a significantly larger number of *minying* businessmen into high-level party organs before the latter can have a substantial input in industrial

and related policies.

Seen from another perspective, the newfound prominence of *minying* bosses also reflects the CCP leadership’s desire to boost the party’s control over private-sector enterprises as well as their employees. A key criterion for tycoons being selected as deputies to Party Congresses is the level of “party construction” in their firms. High-profile companies whose heads have become Party Congress delegates—the Hongdou Group, Suning Electric, Yurun Group, Huaxi Village Group and Yuandong Group—all have been praised by the official media for their huge and well-run party organizations. As Hongdou’s Zhou Haijiang pointed out, “*minying* enterprises must implement the goals of the party and remain in unison with the party on political issues” (Sohu.com [Beijing], September 24; Hongdou.com [Jiangsu], August 2). With 5,400 CCP members among its staff, the Sany Group has won recognition as having the most extensive and best-run party cells among non-state enterprises in Hunan Province. Party cells also have been established within Sany’s overseas offices. Moreover, seven of the 11 members of the Sany board of directors are party members. While the great majority of private entrepreneurs do not pay much attention to whether their employees are party affiliates, Liang has stipulated that only CCP members can be promoted to senior slots in Sany (*Dongfang Daily* [Shanghai] June 29; Rednet.com [Beijing], September 24).

That the leadership wants to tighten control over major private firms also is evidenced by the fact that party organizations in several provinces and cities have run special classes for the sons and daughters of red bosses. Two years ago, the Organization Department of Jiangsu Province set up the nation’s first courses for the so-called “rich offspring of business tycoons.” The municipal Party schools of a number of cities in Guangdong are also in the process of tailoring study sessions for young private businessmen. While these classes seem to be concerned mostly with business operations and ethics, they also are geared toward ensuring that, after they have taken over their family businesses, second-generation red capitalists will toe the party line on economic as well as political matters (*Xinmin Evening Post* [Shanghai], July 12; *Yangcheng Evening Post* [Guangzhou], January 17).

While *minying* entrepreneurs and their workers may

welcome their enhanced representation in high-level party organs, the ideal of a level playing ground for all important socio-economic sectors in the country is far from being achieved. For example, party and government officials as well as officers from the People's Liberation Army (PLA) and the People's Armed Police (PAP) enjoy a lopsidedly large share of the number of congress deputies as well as seats on the Central Committee. For example, fully 13.21 per cent of congress delegates this year hail from the PLA and the PAP. It has been a long-standing tradition that about 20 per cent of the seats of the Central Committee are reserved for PLA and PAP representatives (*People's Daily*, August 9; *PLA Daily*, August 9). Only when private businessmen have attained a political clout that is commensurate with their contributions to economy can the goal of "building a harmonious society," which is one of the major slogans of the outgoing Hu Jintao administration, be realized.

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China and Qatar Forge a New Era of Relations around High Finance

By Chris Zambelis

The impetus underlying China's manifold interests in the Middle East remains a topic of close scrutiny. The dramatic social and political changes that are taking root in the region portend a vastly different geopolitical cartography in contrast with previous arrangements. These circumstances yield important implications for the people of the Middle East and foreign powers, such as the United States with longstanding strategic interests in the region. Owing to its notable inroads into the Middle East in recent years, China also is watching regional

events unfold with great interest. Due to its increasing demand for Middle Eastern oil and natural gas and growing diplomatic and economic profile on the world stage, Beijing is consumed justifiably with the potential repercussions of prolonged regional instability on its position.

A series of quiet yet important developments emanating from China's relationship with Qatar—one of the region's smallest countries in both population and area—is emblematic of the growing complexity of China's role in the Middle East. In early October, the China Securities Regulatory Commission (CSRC) and State Administration of Foreign Exchanges (SAFE) announced they had approved Qatar's request to attain Qualified Foreign Institutional Investor (QFII) status to operate in China (*China Securities Journal* [Beijing], October 11). Under the auspices of Qatar Holding (QH), the overseas investment arm of its sovereign wealth fund (SWF) the Qatar Investment Authority (QIA), Qatar formally submitted a request to Beijing in June to invest up to \$5 billion in Chinese stocks, bonds and other securities. Being afforded QFII status will make Qatar the largest foreign investor in Chinese capital markets (*Financial Times*, June 25) [1]. The QFII program was launched in 2002 to govern foreign investor access to yuan-denominated stocks and other assets. China has decided to implement a plan it devised earlier this year to increase the current investment quota allocated to foreign investors to invest in its capital markets from \$30 billion to \$80 billion; the current quota for individual investors is \$1 billion (MarketWatch, October 7; *Caijing Magazine*, June 25; Xinhua, June 24). China's decision to relax its restrictions over investment quotas on its capital markets and the flow of foreign exchange into and out of the country is designed to encourage more investment in China (*China Securities Journal*, October 11). China has granted 188 foreign entities QFII licenses. These licensed-entities then are able to apply for an individual investment quota set by Chinese regulators (Reuters, October 16). Taken into the context of the peculiarities of Qatar, a financial powerhouse that is exerting disproportionate influence well beyond its size in world affairs, this latest chapter of Sino-Qatari relations warrants further examination.

Natural Gas

When judged against its ties with major players in the Middle East such as Saudi Arabia or Iran, China's relationship with the tiny Persian Gulf emirate of Qatar tends to be overshadowed. China's pursuit of energy resources, particularly natural gas, underpins Sino-Qatari relations. Qatar is the world's largest producer and exporter of Liquefied Natural Gas (LNG) and third largest holder of natural gas reserves. Qatar is also a major producer and exporter of crude oil (U.S. Energy Information Administration, Qatar Country Data, January 2011). Qatar is an important source of China's LNG needs, satisfying around 20 percent of Chinese demand for LNG. Chinese imports of Qatari crude, in comparison, are negligible (U.S. Energy Information Administration, China Country Data, September 4, 2012).

Qatargas and the China Natural Offshore Oil Corporation (CNOOC) signed a sales and purchase agreement in 2008 for Qatar to supply China with 2 million metric tons (m/t) of LNG annually over a twenty-five year period. The first shipment of Qatari LNG was delivered to China in October 2009. In September, a Q-Max LNG vessel, the world's largest class of LNG carriers, delivered a shipment of Qatari LNG to China's LNG Terminal in the port of Ningbo in the eastern Zhejiang province. China and Qatar marked this milestone as an important breakthrough in Sino-Qatari energy and trade relations (Platts, September 24). Chinese energy majors also have forged a number of collaborative ventures with their Qatari counterparts. In July, PetroChina, the largest energy company in Asia and, according to some estimates, the largest oil producer in the world, inked an agreement with Qatar Petroleum (QP) authorizing it to obtain a 40 percent stake in exploration and production rights for natural gas from GDF Suez, a French concern. The agreement is governed under Qatar's exploration and production sharing agreement (EPSA) for Block 4, an offshore bloc located north of the emirate. The deal was concluded after PetroChina joined QP and Royal Dutch Shell in another EPSA in May for natural gas in Block D, China's first investment in Qatar's energy sector (*China Daily*, July 27; Reuters, July 25; *Forbes*, March 29). Qatargas also engaged Sinopec in talks to supply it with deliveries of LNG (*Wall Street Journal*, January 11, 2011). The extent of Sino-Qatari cooperation in the energy sector extends beyond Chinese imports of Qatari LNG

and joint upstream development projects in Qatar. In October 2011, QP, Royal Dutch Shell and PetroChina agreed to build a petrochemicals and refining complex in Zhejiang province with an initial investment of \$12.5 billion (Xinhua, January 19; December 10, 2011; Bloomberg News, October 13, 2011).

As Qatar places a heavy premium on satisfying the rapidly growing demand for LNG across Asia, Doha and Beijing continue to look for ways to further develop energy ties. This is the case even as questions surround future LNG demand in China due to a growing reliance on natural gas supplies delivered by pipeline and heightened interest in developing domestic shale gas reserves (Platts, September 26; *Financial Times*, September 10). Qatar serves as a major source of LNG and crude oil for Japan, South Korea, Taiwan, India and other consumers in Asia.

The centrality of energy to Sino-Qatari relations was not lost during Chinese Premier Wen Jiabao's official two-day state visit to Doha in January 18–19. During a press conference, Wen stressed the strategic significance of Qatar to China's energy security paradigm: "Establishing a long-term, stable and comprehensive cooperative partnership with Qatar on natural gas is an important topic between us" (Fmprc.gov.cn, January 19; Xinhua, January 19). Wen's meetings with Qatari Emir Sheikh Hamad bin Khalifa al-Thani and other political, diplomatic and business leaders also touched on other economic matters, including a proposal by China to manufacture downstream oil products in Qatar. Significantly, the two sides also appeared to lay the foundation for China's decision to grant QFII status to the QIA during their exchanges. According to Wen, "I do want to add one more important point. In order to address investment issues, we need financial support. Therefore, we reached another agreement, a cooperation agreement linking finance with investment. Qatar also proposed the use of local currency in trade settlement and even a specific ratio. I think this proposal can be studied" (Fmprc.gov.cn, January 19). Wen's visit to Doha also resulted in a series of agreements governing formal cooperation between the People's Bank of China and the Qatar Central Bank as well as between the China Banking Regulatory Commission and the Qatar Financial Center (*Gulf Times* [Doha], July 19). Both sides also signed agreements outlining future cooperation in science and technology, environmental matters, and fostering closer

cultural exchanges.

Geopolitics of Qatar

Qatar's geopolitical influence far exceeds its diminutive stature, a reality that poses an interesting set of dynamics for Chinese foreign policy. Qatar's ascent to the world stage in recent years represents one of the most important trends in Middle East affairs. On the surface, the tiny emirate's rise to international prominence occurred as a result of its energy prowess and strategic alliance with the United States and other critical U.S. allies in the Middle East. This assessment is incomplete. Indeed, Qatar is a member of the Organization of the Petroleum Exporting Countries. Qatar is also a member of the Gulf Cooperation Council (GCC), the association of pro-U.S. Arab monarchies that includes Saudi Arabia, and the Arab League. Like its GCC partners, Qatar plays a critical role toward advancing U.S. strategic military objectives in the Middle East. Qatar is host to the forward headquarters for U.S. Central Command (USCENTCOM), including key military installations such as Camp al-Sayliyah and al-Udeid Air Base. Qatari soil serves as the largest prepositioning base for U.S. forces outside of the United States. Qatar's role as a base for U.S. military forces has proved indispensable toward executing and sustaining the U.S.-led wars in Iraq and Afghanistan and other military operations in the region. Qatar would be instrumental to any potential U.S. attack against China's ally Iran.

Qatar has leveraged the massive revenues it derived from its energy exports to branch out into other fields, including media, culture, business and global finance. With only about 300,000 Qatari citizens, a large majority of Qatar's 1,800,000 inhabitants are foreign nationals who comprise its labor force. On account of its energy riches and small population, Qatar boasts the world's highest per capita gross domestic product. When adjusted for purchasing power parity, Qatar's per capita income exceeds \$88,000, making it the richest country in the world (*Forbes*, February 22). The Qatari royal family owns and operates the al-Jazeera satellite television network, an enterprise that has revolutionized media in the Middle East and pushed the boundaries of political discourse in the Arabic-speaking world. Similarly, through its English-language programming, al-Jazeera has succeeded in capturing a global audience. Qatar also fashions itself as a global business and investment hub.

Just as important, Qatar also has channeled its economic influence effectively through the QIA and other state-led investment mechanisms. The QIA purports to hold over \$100 billion in assets, including interests in China (*Financial Times*, June 25). In August, QH purchased a 22 percent stake in Citic Capital Holdings, a Chinese private equity firm, for an undisclosed figure (Bloomberg, August 22). The QIA owns \$2.7 billion in shares of the Agricultural Bank of China, the third largest Chinese bank (Reuters, August 22). Through initiatives such as its Qatar Foundation (QF), the emirate also has set out to fashion itself as an advocate for technological and scientific innovation, social and economic development, political liberalization, philanthropy, cross-cultural dialogue, women's rights and other worthwhile goals in the Middle East and around the globe [2]. The popular Doha Debates and Education City are among the QF's most widely cited success stories. The QF also has helped build bridges between Qatar and China through cultural and educational exchanges. For example, a delegation of Chinese Muslims attended the QF's Faculty of Islamic Studies conference on Islamic Economics and Finance last December (al-Jazeera, October 12).

Despite its formidable economic influence and effective application of soft power, it is Qatar's foray into regional geopolitics that has perplexed Middle East analysts. The Qatar that bestows a contemporary and cosmopolitan image is replete with contradictions. Qatar is a leading proponent of the militant Salafist and Wahhabi ideologies that have helped guide al-Qaeda-style radical Islamists. A onetime vocal proponent of the Palestinian cause, Qatar also hosted an Israeli trade office before shutting it down in response to Israel's invasion of Gaza in 2008. It also was widely criticized for its alleged exploitation of al-Jazeera to advance its foreign policy goals. Despite Qatar's alliance with the United States, al-Jazeera provided a platform for dissenting positions on U.S. foreign policy and authoritarian regimes to be aired across the Middle East—actions that led to numerous closures of its offices by angry governments. China already has confronted al-Jazeera over its coverage of Chinese affairs. A documentary titled “Slavery: A 21st Century Evil” produced by al-Jazeera English that aired in May examined the issue of forced labor around the world and devoted a segment to Chinese prison labor. In response, China refused to renew the visa of al-Jazeera English's only correspondent in the country, prompting

the station to shut its office. Al-Jazeera's Arabic bureau in China, however, was not affected by the decision (al-Jazeera, May 9). Qatar has interjected itself into the diplomacy between the United States and the Taliban by allowing the Taliban to open a diplomatic mission in Doha—possibly giving Beijing an alternative to working through Pakistan to deal with the Taliban (“Negotiating an Endgame in Afghanistan: Qatar Hosts the Taliban,” *Terrorism Monitor*, Vol. 10, Issue 4, February 23, 2012).

Qatar has traversed a fine line that divides the United States and its Arab allies, especially the GCC, on one side and their rival Iran on the other. In a general sense, Qatar's stance toward Iran benefits China. Beijing depends heavily on imports of Iranian oil and is exploring ways to exploit Iran's natural gas reserves. As a result, China is loath to see the United States (or Israel) attack Iran (“China's Persian Gulf Diplomacy Reflects Delicate Balancing Act,” *China Brief*, Vol. 12, Issue 4, February 21, 2012). In contrast to Saudi Arabia, for example, Qatar has taken a much softer line toward Iran overall—a position reflected in al-Jazeera's coverage of Iran's nuclear program. With the onset of popular unrest in the Arab world, al-Jazeera's editorial line is widely seen as having shifted in tone to accommodate Doha's interests, damaging the network's credibility for many. Qatar has been on the forefront among its fellow Arab League members, namely Saudi Arabia, in lending financial and military support to the political and violent strains of the Syrian opposition. It even has called for military intervention in Syria (al-Jazeera, September 26). A contingent of Qatar's tiny army and air force fought alongside the insurgency and North Atlantic Treaty Organization (NATO) forces that eventually toppled Libyan Colonel Muammar al-Qaddafi. Despite official denials, Qatar is also believed to have doled out millions of dollars to the numerous Islamist political parties and movements that have contested elections in countries such as Libya, Tunisia, and Egypt, particularly entities competing with foreign-supported factions (al-Monitor [Washington], October 8). Qatar also has exploited the regional tumult to further enhance its image as a bastion of political and economic stability for foreign investors and members of the international community wary of the ongoing instability in the Middle East.

Conclusion

The dynamics behind Sino-Qatari ties in the energy and financial sectors suggest both countries stand to gain a great deal by further cooperation. At the same time, their respective positions on key issues diverge, including on the uprisings in the Middle East and the crisis in Syria. China's principled advocacy of non-intervention in the affairs of other nations clashes with Qatar's activist foreign policy and call for armed military intervention to oust the Syrian regime. Sheikh Yusuf al-Qaradawi, an Egyptian Islamic cleric based in Doha who is best known for his weekly television program on al-Jazeera, called on Muslims to boycott Chinese products to protest their continued support for the Ba'athist regime at the United Nations (*The Peninsula* [Doha], February 10). China and Qatar were also on opposing sides during the conflict in Libya. Qatar does not shy away from exercising its clout by defying more powerful actors and recalibrating its foreign policy to further its own objectives. These aspects of Qatar's behavior in recent years will present China with an interesting set of dilemmas should their mutual interests deteriorate down the line.

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Notes:

1. For more background on Qatar Holding (QH), see its official website, <http://www.qatarholding.qa>. For information about the Qatar Investment Authority (QIA), see its official website, <http://www.qia.qa/>.
2. For more background on the Qatar Foundation (QF), see its official website, <http://www.qf.org.qa/>.

Beijing Building Influence, Shelving Competition in the South Pacific

By Eric Y. Shibuya

The announcement in late August 2012 that U.S. Secretary of State Hillary Clinton's tour through Asia would begin with a stop in the Cook Islands and coincide with the annual Pacific Islands Forum Leaders' Meeting was certainly no small news [1]. While the United States has long held observer status at the Forum, Clinton's presence was the highest U.S. representation ever at the meeting, trumping the Chinese representation by Vice Foreign Minister Cui Tiankai (Xinhua, September 1) [2]. The visit in itself was generally consistent with the Obama Administration's "rebalancing" toward the Asia-Pacific—and, generally consistent with Beijing's reaction to the "rebalancing," provoked Chinese concern (*China Daily*, August 29). While Clinton's participation in the Post Forum Dialogue was a first, Cui was attending his second such event following up on Politburo Standing Committee member Jia Qinglin's visit earlier this year (Xinhua, May 25). Last month, another Standing Committee member, Wu Bangguo, also traveled to Fiji—exiled from the Pacific Islands Forum since 2009 for its military government—to sign several small loan agreements, boost economic cooperation and thank Fiji for standing by the "One-China Principle" (Xinhua, September 21). These Chinese visits suggest a more deliberate policy to build Chinese influence in the South Pacific—irrespective of other players—to overcome Beijing's previously haphazard investment in infrastructure there and the fluctuations attendant in countering Taiwan's checkbook diplomacy prior to 2009.

American Lake, China's Challenge

Certainly, the announcement got the attention of officials in Beijing, with the official press expressing concerns that the visit could increase great power tensions in the region (Xinhua, September 1; *China Daily*, August 29). Since the end of World War II, the Pacific Ocean area has been an area of clear U.S. dominance. Attempts by opposing powers to gain a foothold in the region, whether by the Soviet Union during the Cold War or by China today are usually met with great energy by the United States.

However, great energy is not always accompanied with great finesse, as the U.S. predilection toward equating the Soviet Cold War threat to China's presence today obscures a great deal of nuance between the situations.

China's interest in the Pacific Island countries is not new and Beijing has participated in these dialogues since 1989 (Xinhua, August 28). Its increased engagement in the region can be traced at least as far back to the immediate post-Cold War period and corresponds to a decrease in U.S. engagement in the region. Beijing's major foreign policy goals in the region also are not particularly confusing. Mainly, China hopes to deny political recognition to Taiwan and develop economic ties (both access to raw materials and trade markets) within the region [3]. Isolating Taiwan in the international community was a significant issue for Beijing, and the region previously had been the location of a political tug-of-war with Taipei. Some island governments tried to take advantage of this fact, playing one side off of the other for financial gain, but, despite the rhetoric, most relations have been remarkably stable. The most significant shift may have been 2003 when Kiribati shifted recognition to Taiwan. Formal relations between Kiribati and China had been in place since 1980, and the Chinese built a satellite tracking station on Kiribati's main island of Tarawa in 1997. It was the first space station built outside of China and was said to be playing a major role in the development of China's space program. More suspicious analysts noted the station was also very close to Kwajalein Atoll in the Marshall Islands, home to the Ronald Reagan Ballistic Missile Defense Test Site. With the election of Anote Tong to the Presidency, the new administration announced it would be establishing diplomatic relations with Taiwan, causing a furor. President-elect Tong did not suggest China should leave; indeed, he may have been gambling that the satellite station was too important for China to give up. If so, this was a miscalculation, as China closed down the station and withdrew in a matter of weeks.

China's exit from Kiribati suggests three things. First, it is doubtful that the station, if it was gathering intelligence on the U.S. missile defense program, was getting anything of significant value. Second, the closure suggests the base's importance as a part of the Chinese space program, and as a potential future docking point for Chinese ships, had been overestimated. Third and most importantly, the

withdrawal suggests, whatever the value of the station, it did not outweigh the importance of the Taiwan issue for Beijing.

In 2009, Beijing and Taipei announced a “truce” between them, ending (at least for now) the previous “checkbook diplomacy” in the region and was tied warming of cross-strait relations under Taiwan’s President Ma Ying-jeou (*Taipei Times*, April 14). In terms of raw materials, China receives significant amounts of, among other things, timber and tuna. While it is large, this trade, like tourism, is at the moment more important for the island states than for China. China’s interests, however, extend for the much longer term as the possibilities for accessing seabed minerals and other underwater resources becomes technologically and economically feasible.

Looking Ahead

A larger international profile by China today is practically inevitable considering its economic growth over the last two decades, and there are many areas of mutual interest for China, the United States, and the rest of the world, such as increasing economic development and trade. While much of China’s economic interests (e.g. freedom of navigation and lower barriers to trade) coincide with the United States, the manner in which these interests are secured may come in conflict. For example, the Chinese may consider freedom of navigation best secured by its own growing maritime assets rather than depending upon the United States, and, with concerns already over the development of Air-Sea Battle Doctrine, Beijing’s unease is understandable (*Global Times* August 6; “China Assesses President Obama’s Asia-Pacific November 2011 Trip,” *China Brief*, December 20, 2011). On the U.S. side, concerns over China’s naval assets are obvious, and it is telling that the 2012 iteration of the RIMPAC naval exercises held in Hawaii included first time attendees Russia and India.

In the past, China has received a public relations “lift” in Oceania not just because of what it does, but how it does it. China fetes the island leaders with great fanfare, and Chinese officials are quick to avoid any discussion over the internal affairs of the island states. This gives China an edge over the United States, Australia and New Zealand for the latter nations’ perceived arrogance and intrusiveness in dealings in the region. Henderson and

Reilly argue that the Kingdom of Tonga’s 1998 switch to recognizing Beijing—after a 26 year relationship with Taiwan—was due in part to concerns that democratizing influences in Taiwan would add to the pressure coming from the United States, Japan and especially Australia for the Kingdom to include greater input from the people in its government [4]. Increasing conditions for some reform in return for aid from the latter countries made recognition and subsequent assistance from Beijing more palatable to Tonga. At the 2011 Forum, China’s Vice Foreign Minister Cui called Chinese assistance to the islands “South-South” aid, and would continue to work bilaterally with the island governments rather than coordinate with other donors (*Beijing Review*, September 26, 2011).

It is no longer the case, however, that China’s growing presence in the region is completely welcome—it now has a record in the region that it must run against. China’s assistance has been biased toward grand infrastructure projects (e.g. stadiums, government buildings, etc.) but with little thought for continuing upkeep and maintenance. Over time, this may prove to be the deciding factor between closer relationships between island governments and Beijing or a resurgence of relationships with more traditional partners. This may explain why Cui at this last Forum stated Beijing would support ongoing fisheries management, increase technical assistance and training, add to the number of scholarships for study in China and support energy-saving infrastructure upgrades (Fmprc.gov.cn, August 31). Beijing also invested in a Confucius Institute at University of the South Pacific, a Xinhua branch in 2010 and local community colleges, so a steadier Chinese presence is developing (*Xinhua*, September 1; *Beijing Review*, September 26, 2011). While China seeks to expand its role in Oceania and the United States and its regional allies hope to manage such an expansion, the island governments themselves are attempting to balance between the two, hoping to maximize benefits in assistance and trade. Like others in the Asia-Pacific region, the island nations do not want to be in a position where they would have to “choose” between a relationship with Beijing or Washington.

Perhaps the biggest question, then, is whether China’s increased activity in Oceania constitutes a zero-sum game for the island nations as well as the United States, Australia, Japan, New Zealand and others. Oceania

experts Edgar Porter and Terence Wesley-Smith note, “China’s growing regional presence allows Pacific leaders to contemplate alternatives to established networks of power and influence and entrenched models of economic and political development” [5]. This fact causes understandable consternation for the traditional powers of the region, but perhaps more importantly highlights the fact that the Pacific Island leaders are not inanimate pawns in some “Great Oceania Game,” but independent agents in their own right. Moreover, China is not the only “new” player in the game in Oceania. The United Arab Emirates has created a \$50 million program on renewable energy with the Pacific Islands, and during the 2012 Forum, Fiji’s Foreign Minister was attending the Non-Aligned Movement meeting in Tehran and formalizing relations with Iran (*Island Business* September 4). If it is to weather the “China Challenge,” the United States must show resilience and a commitment to engagement in the long term, not simply “one-off” high-profile events. Long-term commitment is not usually a strong suit in U.S. foreign policy, and the United States must be careful not to disappoint the region with exaggerated promises as Beijing steadies Chinese engagement.

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Notes:

1. Originally called the South Pacific Forum, it changed its name in 1999 to better note the membership of island countries (Federated States of Micronesia, Kiribati, Marshall Islands, and Palau) north of the equator.
2. The highest previous representation was 2011 in Wellington—the Forum’s 40th Anniversary—by Deputy Secretary of State Thomas Nides and Assistant Secretary of State for East Asian and Pacific Affairs Kurt Campbell.
3. Currently, Taiwan has diplomatic relations with Palau, the Republic of the Marshall Islands, Kiribati, the Solomon Islands, Nauru and Tuvalu.
4. Benjamin Reilly and John Henderson, “Dragon

in Paradise: China’s Rising Star in Oceania,” *The National Interest*, No. 72, Summer 2003, pp. 94–104.

5. Edgar A. Porter and Terence Wesley-Smith, “Introduction: Oceania Matters,” in Terence Wesley-Smith and Edgar A. Porter, eds., *China in Oceania: Reshaping the Pacific?*, New York: Bergham Books, 2010, p. 3.

China Steps Up Rhetoric against U.S. Missile Defense

By Richard Weitz

Chinese officials are becoming increasingly vocal about U.S. ballistic missile defense (BMD) developments in the Asia-Pacific region as well as the newly elevated U.S. security profile in their region resulting from the U.S. “rebalancing” toward the Asia-Pacific region (“Pivot and Parry: China’s Response to America’s New Defense Strategy,” *China Brief*, March 15). During his visit to Japan last month, U.S. Defense Secretary Leon Panetta announced the U.S. and Japanese governments had agreed to construct a second advanced BMD radar, in southern Japan. The new X-band radar would join an existing AN/TPY-2 radar in Japan’s northern Aomori Prefecture in 2006. The U.S. Missile Defense Agency and the Pacific Command are considering constructing a third such radar in Southeast Asia, such as in the Philippines (*Wall Street Journal*, August 23). Panetta emphasized the U.S. BMD system is not designed against China. When Panetta met his Chinese counterpart, however, Defense Minister Liang Guanglie bluntly responded to Panetta’s assertion that the new BMD radar was to “cope with North Korean ballistic missiles which threaten the U.S. homeland” by asking “Isn’t the base in Aomori prefecture...enough?” (*Choongang Daily*, September 19).

The United States will need to make a greater effort to address these concerns as well as China’s growing offensive strategic forces, which are complicating U.S. relations with Russia and other countries. While Chinese analysts share Russian anxieties about U.S. strategic defenses, concerns about China are one reason why

Russian policymakers resist making further reductions in their nuclear weapons. Meanwhile, members of Congress also point to China's growing nuclear weapons potential as a reason why Washington cannot cut its nuclear forces further. Other Asian countries are responding to China's military buildup, which is partly a reaction to the rebalancing of U.S. military forces toward Asia, by increasing their own military spending [1].

Chinese Complaints

For at least the past decade, the Chinese national security community—which encompasses its government departments and agencies as well as influential researchers and academics—has raised complaints regarding U.S. ballistic missile defense programs.

A common Chinese objection is that U.S. BMD initiatives in East Asia are worsening the global and regional security environment, especially military and nonproliferation processes, to the detriment of Beijing. In August 2012, the Ministry of National Defense stated "China has always believed that antimissile issues should be handled with great discretion, from the perspective of protecting global strategic stability" (Xinhua, August 24). Unofficial publications have been even blunter. This spring the *Global Times* expressed alarm that "If Japan, South Korea and Australia join the system, a vicious arms race in Asia may follow" (*Global Times*, March 29). Major General Chen Zhou, Director of the Center for National Defense Policy at the Academy of Military Science, warned that U.S. BMD systems will "break global strategic balance and stability, will obstruct the process of nuclear disarmament and non-proliferation, and may even trigger a new round of arms races" (*China-U.S. Focus*, August 24).

A more specific Chinese concern is that U.S. BMD systems threaten to weaken a core component of the China's defense capacity. Over the past decade, Beijing has increased its defense spending dramatically to build a technically sophisticated missile arsenal. These systems include short-range missiles to prevent Taiwan's independence and threaten U.S. and other adversary militaries near China; medium-range missiles to consolidate China's influence in East Asia; and long-range missiles to deter the United States from interfering in Chinese efforts to achieve these first two objectives. In addition, China continues to export missile technology

to Pakistan, Iran, North Korea and other states to gain money and diplomatic influence.

Some Chinese worry, despite U.S. declarations, that the United States will develop missile defenses capable of negating China's strategic nuclear deterrent. The 2010 U.S. Ballistic Missile Defense Review points out, "China is one of the countries most vocal about U.S. ballistic missile defenses and their strategic implications." Chinese analysts, however, do not consider this threat imminent, despite their noise (*China Youth Daily*, September 14). Not only is the technology to intercept intercontinental-range ballistic missiles (ICBMs) at an early stage of development, but the prospects of a near-term war between China and the United States is low. Even so, Chinese analysts might reasonably worry that U.S. BMD capabilities will improve gradually or achieve a sudden technological breakthrough. Tang Xiaosong, director of the Center of International Security and Strategy Studies at the Guangdong University of Foreign Studies, observed the United States could increase the number of BMD systems near China rapidly or otherwise suddenly increase the threat confronting Beijing (*China Daily*, February 22, 2010). Furthermore, He Yun, a research fellow at Tsinghua University's arms control program, noted "Although the U.S. missile defense system is not mature, China cannot ignore its continuing development. China's concern about U.S. ballistic missile defense has nothing to do with deployment per se. Rather, it seeks to mitigate the technological, not military, effects of missile defense" (*CSIS PacNet*, No. 50, September 6, 2011).

Even if the United States attained the theoretical capacity to destroy China's strategic nuclear forces preemptively, Chinese analysts still might not anticipate a nuclear war with the United States. They reasonably could worry, however, that U.S. policymakers might presume that, with an effective missile shield, they could then intervene militarily in other countries without having to heed Chinese objections.

The Chinese also fear Washington will use missile defense diplomacy as a means to promote containment of China. In February, Air Force Colonel Dai Xu published an article asserting "China is in a crescent-shaped ring of encirclement. The ring begins in Japan, stretches through nations in the South China Sea to India, and ends in Afghanistan. Washington's deployment of anti-missile

systems around China's periphery forms a crescent-shaped encirclement" (*China Daily*, February 22, 2010; *Guangzhou Daily*, February 13, 2010).

Beijing also fears Washington and Tokyo might at some point seek to extend a missile shield to Taiwan. Even before the announcement about the deployment of another U.S. BMD system in Japan, Chinese analysts attacked Washington for seeking to incorporate Taiwan into their evolving regional BMD architecture (*China Daily*, February 22, 2010). They worry the Taiwanese will feel less restrained about asserting their autonomy from the mainland if the U.S. missile shield serves to blunt the threat of China's missiles (*China-U.S. Focus*, August 24). Yin Zhuo, a Beijing-based military expert, also said "to 'protect' Taiwan is just a move for the U.S. to deal with China, not an ultimate goal" (*China Daily*, August 25).

Another Chinese complaint is that U.S. offers to defend Asian countries with missile defense and other means are emboldening them to take a harder stance with China in their bilateral territorial disputes. In the view of Shi Yinhong, a reputable Chinese scholar, "the joint missile defense system objectively encourages Japan to keep an aggressive position in the Diaoyu Islands dispute." Tao Wenzhao of the Chinese Academy of Social Sciences complained, "It is highly inappropriate and counter-constructive for the [United States] to make such a move at this highly sensitive time" (*Global Times*, September 18; *New York Times*, September 17).

In airing these objections, many Chinese analysts dismiss counterarguments that U.S. missile defenses are designed to protect the United States and its allies from missile threats from North Korea, Iran or other countries rather than from China and Russia (*Chosun Ilbo*, March 30; *Global Times*, March 29). Li Qinggong, deputy secretary of the China Council for National Security Policy Studies, said "It will be like killing a fly with a bazooka if it is used to contain Pyongyang. I believe it is mainly aimed at detecting China's missiles" (*China Daily*, August 25). Other Chinese analysts have echoed such sentiments, illustrating Beijing's deep distrust of U.S. intentions (*China-U.S. Focus*, August 24; *New York Times*, August 24; *China Daily*, April 13).

China's Response

The main Chinese response to these U.S.-led BMD initiatives in Asia has been to publicly and privately express concern that BMD deployments could affect regional security conditions adversely and urge that governments take into consideration the interests of all countries when making such decisions.

Following Panetta's announcement in Japan, a Chinese Foreign Ministry spokesperson commented "The anti-ballistic missile problem is closely intertwined with global and regional strategic balance and mutual trust. Measures taken by any country in search for their own security must not be built on the basis of doing harm to other countries. I hope the US starts from the point of defending global and regional strategic balance and stability and of promoting strategic mutual trust and deals with this problem in a discreet way" (Fmprc.gov.cn, September 18). Earlier, the defense ministry issued a statement saying that "China has always believed that anti-missile issues should be handled with great discretion, from the perspective of protecting global strategic stability and promoting strategic mutual trust among all countries" (*Wall Street Journal*, August 23). In addition to such unilateral declarations and warnings, Chinese leaders have signed on to joint summit statements with Russia and with the heads of state of the Shanghai Cooperation Organization that have included clauses warning of the destabilizing effects on missile defenses.

Besides statements, China can respond by strengthening its offensive potential, either directly to overcome any missile defenses or indirectly to guarantee some form of asymmetric response. In a March 2012 interview, arms control expert Xia Liping said China should increase the size and capability of its missiles to overcome U.S. missile defenses. He also said China must attack U.S. communications satellites to disable U.S. BMD systems should the need arise (Phoenix TV, March 29). A *Global Times* editorial published that same month argued "China can improve its nuclear weapons in both quantity and quality as well as develop offensive nuclear-powered submarines. China's ballistic missiles should be able to break the interception capability of the U.S. system"—a point echoed later by Zhu Chenghu of China's National Defense University (Reuters, July 18; *Global Times*, March 29).

In what Andrew Erickson and Gabe Collins term “selective transparency,” the Chinese have been highlighting their new nuclear and conventional capabilities to bolster domestic and foreign confidence in the Chinese military deterrent (*Wall Street Journal*, August 24). On July 24, the People’s Liberation Army may have tested an ICBM known as the DF-41, which has the range to strike any city in the United States. The DF-41 missile can carry ten separate nuclear warheads, each of which can be programmed to strike at a different target (*China Times*, August 22). As Tsinghua professor Sun Zhe summed up Beijing’s exposure of some capabilities to Western media, “We need to be able to defend ourselves, and our main threat, I’m afraid, comes from the United States” (*New York Times*, August 24).

Although China’s small nuclear arsenal could more easily be neutralized by emerging U.S. missile defense systems than Russia’s larger fleet of nuclear-armed ballistic missiles, Beijing has resisted Russian overtures about greater cooperation in this area. More extensive Sino-Russian BMD collaboration could range from simply exchanging intelligence assessments to undertaking joint research and development programs for shared anti-BMD technologies. For example, they could pool their resources or expertise to overcome U.S. BMD systems stationed on their peripheries. They also could coordinate pressure against other countries in Europe or Asia to abstain from deploying U.S. BMD assets.

Whether in collaboration with Russia or alone, however, China probably will seek its own BMD capabilities. Beijing followed Washington and Moscow in developing its own nuclear weapons in the 1960s, an anti-satellite weapon in the past decade, and, most recently, tested its own incipient BMD system in 2010. Chinese experts have confirmed they are debating whether to develop BMD systems as well. Analysis of Chinese technical writings show extensive interest in developing passive and active countermeasures to BMD as well as more recently China’s own anti-satellite and BMD capabilities (*New York Times*, August 24; *CEIP Proliferation Analysis*, August 23; *Science Times*, January 26, 2010).

Positive BMD collaboration between China and the United States (and Russia) is also possible. Chinese analysts should recognize China’s expanding offensive nuclear capabilities are making it more difficult for

Moscow and Washington to agree to further reduce their own strategic forces, which can damage China’s security far more than any U.S. missile defense system. Like their Russian counterparts, Chinese leaders can easily overcome any domestic objections to making major concessions on the missile defense issue in return for U.S. guarantees and other compensation. In return, the United States would expect Russia to reduce its non-strategic nuclear weapons and China to agree to constraints on its own offensive nuclear forces. If Beijing and Washington both accept the legitimacy of missile defenses, then a bilateral agreement is possible between them.

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Notes:

1. David J. Berteau, Guy Ben-Ari, Joachim Hofbauer, Priscilla Hermann and Sneha Raghavan, *Asian Defense Spending, 2000–2011*, Washington, D.C.: Center for Strategic and International Studies, 2012.
