

Section
3

China

1 General Situation

China has the world's largest population with its vast landmass surrounded by 14 countries. It has long borderlines and a long coastline. China is also a nation with various races, religions, and languages. Most of its ethnic minorities¹ populate the borderlands often with the same ethnic groups living across the borders. China, with a long history, has been shaping and maintaining a distinct culture and civilization. China's pride in its unique history and semi-colonial experience in and after the 19th century is driving its desire for a strong nation and fueling its nationalism. Furthermore, China, a state with a socialist regime, aims at building a modern socialist state under the leadership of the Chinese Communist Party (CCP)².

In recent years, China has significantly increased its international trade and attracted considerable foreign investment. The economy has dramatically grown, especially in the coastal and urban areas. It has still maintained its high economic growth³ despite the impact from the worldwide financial crisis and the government debt crisis in Europe. A great deal of attention has been paid to its movements at various international conferences, which shows China's increased presence in the international community⁴. Moreover, China has been playing a certain role in non-traditional security areas. It actively sends personnel to the U.N. Peacekeeping Operations (PKO) and has been sending its ships to the anti-piracy activities off the coast of Somalia/Gulf of Aden, which have been highly appreciated by the international community.

The international community, including Japan, welcomes the fact that China, which is growing into a big power, has started playing a major role in the world and the region in both name and reality. On the other hand, there have been disputes with other countries on issues relating to trade imbalance, currency

rate, and human rights. In addition, China's response has been criticized as assertive in regards to the issues on conflicting interests with its surrounding countries, including Japan. Thus, there is a concern over its future direction. China is expected to recognize its responsibility as a big power, accept the international norms, and play a more active and cooperative role in regional and global issues.

China has various domestic problems. Corruption within central and local communist party leaderships is becoming a great political problem. As a result of its rapid economic growth, there are emerging problems such as regional disparities between urban-rural and coastal-inland regions, wealth gaps among urban residents, inflation, environmental pollution, and lack of agricultural/industrial water. Moreover, issues associated with the rapid aging of the population are forecasted to arise in the future. Because these factors, that could destabilize the government administration, are getting larger and diversifying, it is expected that China will continue to tighten its control on the society. However, it has been pointed out that there are unstable aspects in controlling public activities, partly due to the spread of the internet. Moreover, China also has domestic ethnic minority issues, such as protest activities by ethnic minorities in areas such as the Tibet Autonomous Region and the Xinjiang Uyghur Autonomous Region. It has been reported that some ethnic minorities are undertaking campaigns seeking separation and independence. Under the guiding principle of the "Scientific Outlook on Development," the Hu Jintao administration aims to build a "Harmonious Society" as its fundamental policy and is committed to giving priority to solution of the aforementioned domestic problems⁵. While a substantial reshuffle in the CCP leadership is expected after the autumn of 2012, environment

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- 1 It is reported that there are 55 ethnic minorities living in China, besides the Han Chinese ethnic group.
 - 2 In July 2011, the CCP stressed its role in building "socialism with Chinese characteristics" in this occasion again at a meeting commemorating the 90th anniversary of the founding of the CCP. The Sixth Plenary Session of the 17th Central Committee of the CCP in October of the same year stressed the value of socialism and approved a decision to enhance China's international influence through deepening its cultural system reform.
 - 3 China exceeded Japan in nominal Gross Domestic Product (GDP) in US dollars in 2010 and established itself as the second largest economy in the world next to the United States. On the other hand, some point out that it is not easy for China to sustain its high economic growth rate given such indices as its falling real estate price and lower export growth rate in 2011.
 - 4 In recent years, a great deal of attention has been paid to China's movements at international conferences, such as the Group of Twenty (G20) Summit on the Financial Market and the World Economy and the Conference of the Parties under the United Nations Framework Convention on Climate Change (COP) as well as in the establishment of new multilateral frameworks such as the BRICS summit.
 - 5 "Scientific Development Concept" chiefly consists of "adhering to standardized plans and consideration for all perspectives, maintaining a people-oriented position of establishing comprehensive, balanced and sustainable development concept and the need to promote complete economic, social, and human development." (As commented by President Hu Jintao at the Third Plenary Session of the 16th Central Committee of the CCP in October 2003). The construction of a "Harmonious Society" is defined as a process to continue dissolving social inconsistencies. The "Resolution on Major Issues Regarding the Building of a Harmonious Socialist Society" (adopted at the Sixth Plenary Session of the 16th Central Committee of the CCP in October 2006).

surrounding the next government would not be rosy. How the next administration will handle various challenges attracts attention.

On the diplomatic field, it is believed that, in order to maintain national stability, China is aiming to maintain stability in the strategic international environment by sustaining good relations with major powers such as the United States and Russia, to maintain good relations with neighboring countries and stable situations in those countries, to promote multipolarization of the world, and to secure interests necessary for economic development such as natural resources and energy supply.

On the military front, China has been modernizing its military forces, backed by the high and constant increase in its defense budget. China appears to give particular priority to the Taiwan issue as a core issue of national sovereignty. For the time being, it will probably aim to improve its military capabilities to prevent Taiwan's independence in its military modernization. In recent years, China has also been trying to acquire capabilities

for missions other than the Taiwan issue. Because China has been steadily growing as a major political and economic power, its military trends draw attention from other countries.

2 Military Affairs

1 Defense Policies

China positions the buildup of strong defense capabilities and powerful military forces that match national security and interests of development as the strategic mission to modernize the state, while it considers the main goal and mission of national defense policies to be to defend sovereignty, security, and interests of development of the state, to protect the harmony and stability of the society, to promote modernization of national defense and military forces, and to protect the stability and peace of the world¹.

China has a policy of active promotion of the "Revolution in Military Affairs with Chinese Characteristics," which mainly

consists of the mechanization and informatization of its military power, based on its military strategy² to win a local war under informationized conditions, in response to global trends in military developments observed in the Gulf War, the Kosovo War, the Iraq War and others. China appears to emphasize not only physical means but also non-physical means with respect to military affairs and warfare, incorporated the concept of "Three Warfares"—"Psychological Warfare," "Media Warfare," and "Legal Warfare"—into the tasks of the political work by military³, and declared a policy of "close coordination between military struggle and political, diplomatic, economic, cultural, and legal endeavors⁴."

In China's military modernization, backed by its stable

¹ -1 China's National Defense in 2010. In a white paper on China's peaceful development published in September 2011, while China made clear that it pursues "peaceful development" but "never seeks hegemony", it also stated that it is firm in upholding its "core interests" which include the followings: "state sovereignty," "national security," "territorial integrity," "national reunification," "China's political system established by the Constitution and overall social stability," and "the basic safeguards for ensuring sustainable economic and social development."

² China traditionally adopted the strategy of a "People's War" based on the recognition that a world-scale war was possible. Under that strategy, the country attributed importance to guerrilla warfare using its vast territory and enormous population. This posture, however, led to harmful effects such as excessively enlarged and inefficient military forces. Under these circumstances, China has come to place importance on local wars such as conflicts that occur over its territorial land and waters since the first half of the 1980s based on a new recognition that a world-scale war will not take place on a long-term basis. After the end of the Gulf War in 1991, the country started implementing measures to improve its military operation abilities in order to win a local war under highly technological conditions. Recently, it has been stated that the core of military modernization is to strengthen capabilities to win a local war under informationized conditions.

³ China amended Regulations on the Political Work of the People's Liberation Army (PLA) in 2003 to add the practices of Media, Psychological, and Legal Warfare to its political work. The Annual Report to Congress: Military and Security Developments Involving the People's Republic of China (August 2011) of the U.S. Department of Defense explains Media, Psychological, and Legal Warfare as follows:

-Media Warfare is aimed at influencing domestic and international public opinion to build public and international support for China's military actions and to dissuade an adversary from pursuing policies perceived to be adverse to China's interests.

-Psychological Warfare seeks to undermine an enemy's ability to conduct combat operations through psychological operations aimed at deterring, shocking, and demoralizing enemy military personnel and supporting civilian populations.

-Legal Warfare uses international and domestic laws to gain international support and manage possible political repercussions of China's military actions.

In October 2011, China National Defense, a Chinese military official publication, pointed out that "with media antagonism, psychological competition and legal contest gradually becoming normal operational means and styles in recent years, operational domain is also expanding and developing beyond physical and informational ones in a traditional sense into cognitive one." In February 2012, Jiefangjun Bao (PLA Daily), another official publication by the PLA, pointed out that "military operational domain has expanded from three dimensions of land, sea and air into multi-dimensions of land, sea, air, space and electromagnetic domain" and that "building and development of operational capabilities reach air, sea, and informational and psychological domains in addition to accuracy, sophistication and strength."

⁴ China's National Defense in 2008.

relations with Russia and other neighboring states that share land borders with China, it is believed that China is giving the top priority to handling of the Taiwan issue, more specifically, to improvement of its capabilities to hinder the independence of Taiwan and foreign military support for Taiwan. Furthermore, in recent years, China is trying to acquire capabilities for missions other than the Taiwan issue. Especially, it stresses the use of military in non-traditional security areas⁵. As regards a long-term plan for China's military modernization, China proclaims that it will "realize the basic mechanization and achieve a major progress in construction of informatization by 2020" and "by focusing on the capability to win a local war under informationized conditions, it will improve the abilities to accomplish diversified military missions and thoroughly complete the historical military missions in a new phase of the new century⁶." China appears to be aiming to develop its military forces according to the development of its national strength.

China has been increasing its defense spending, broadly and rapidly modernizing its military forces, mainly its nuclear and



A Chinese Yuan-class submarine sailing on the surface in waters in the middle of the East China Sea (August 2011)

missile force as well as its Navy and Air Force, and strengthening its capability for extended-range power projection. In addition, China is working to improve joint operational capabilities among services and branches, to conduct practical exercises, to cultivate and acquire highly-capable human resources for administering operations of informationized forces, and to improve the foundation of its domestic defense industry⁷.

Furthermore, China has been expanding and intensifying its activities in its surrounding waters. These moves, together with the lack of transparency in its military affairs and security issues, are a matter of concern⁸ for the region and the international community, including Japan, which should require prudent analysis.

2 Military Transparency

China has not disclosed specific information on possession of weapons, procurement goals and past procurements, organization and locations of major units, records of main military operations and exercises, and a detailed breakdown of national defense budget. Moreover, China does not clarify specific future vision of its military modernization and the transparency of its decision making process in military and security affairs is not enough either.

China has released defense white papers titled China's National Defense every two years since 1998, and it also conducts a lot of dialogue with national defense authorities of other countries⁹. Furthermore, in August 2007, China expressed its will to return to the United Nations Register of Conventional Arms and to participate in the United Nations Instrument for

- 5 China's National Defense in 2008 explains that "With the focus of attention on performing the historical missions of the armed forces for the new stage in the new century and with raising the capability to win local wars in conditions of informationization at the core, it works to increase the country's capabilities to maintain maritime, space and electromagnetic space security and to carry out the tasks of counter-terrorism, stability maintenance, emergency rescue and international peacekeeping." In addition, China's National Defense in 2010 describes the diversified military missions by the following seven topics: "Safeguarding Border, Coastal and Territorial Air Security," "Maintaining Social Stability," "Participating in National Construction, Emergency Rescue and Disaster Relief," "Participating in UN Peacekeeping Operations," "Conducting Escort Operations off the coast of Somalia/Gulf of Aden," "Holding Joint Military Exercises and Training with Other Countries," and "Participating in International Disaster Relief Operations."
- 6 China's National Defense in 2010. China's National Defense in 2008 also mentions a target to "by and large reach the goal of modernization of national defense and armed forces by the mid-21st century."
- 7 It is pointed out that the PLA is advancing reorganization, including establishment of Strategy Planning Division in the General Staff Department, which are aimed at study and further integration of military strategy.
- 8 The U.S. National Military Strategy (NMS) (February 2011), after pointing out that the United States "remain concerned about the extent and strategic intent of China's military modernization, and its assertiveness in space, cyberspace, in the Yellow Sea, East China Sea and South China Sea," states that the United States will be prepared to oppose any nations that jeopardize access to and use of the global commons and cyberspace, or that threaten the security of its allies. The Defense Strategic Guidance released by the United States in January 2012, after pointing out that "States such as China and Iran will continue to pursue asymmetric means to counter our power projection capabilities," identified power projection capabilities in anti-access/area denial (A2/AD) environments as one of the primary missions for the U.S. Armed Forces. Furthermore, Annual Report to Congress of the U.S. -China Economic and Security Review Commission, bipartisan consultative body of the U.S. Congress, describes the PLA's military strategy as "Area Control Military Strategy."
- 9 China's National Defense in 2010 states that "in the last two years, senior PLA delegations have visited more than 40 countries, and defense ministers and chiefs of general staff from more than 60 countries have visited China."

Reporting Military Expenditures, and has submitted annual reports based on each framework. The Chinese Ministry of National Defense has been giving monthly press conference by a spokesperson since April 2011.

In this manner, China has regularly published compiled documents on its national security while reintegrating itself into and commencing participation in U.N. frameworks regarding armaments and military expenditures¹⁰. These efforts can be appreciated, because they are contributing to improvement of the transparency of its military capabilities.

However, China has not yet achieved the levels of transparency expected of a responsible major power in the international society. For example, as for a detailed breakdown of national defense spending, China basically announced only the total amount and general purposes for the following three categories: personnel, training and maintenance, and equipment. Slight progress was seen in China's National Defense in 2008 in terms of information disclosure¹¹, but it does not provide a basic breakdown such as procurement costs for major weapons. Moreover, the report for the United Nations Instrument for Reporting Military Expenditures submitted by China in 2009 was not filled out in accordance with the standard format used by many other nations, including Japan, which requires a detailed breakdown of military expenditure. The information disclosed in the report submitted by China was almost as simple as that provided in China's defense white papers.

There are incidents that incite concerns over China's military decision-making and actions. For example, details have yet to be disclosed regarding causes of the Chinese nuclear-powered submarine's submerged navigation in Japanese territorial waters in November 2004, although it constitutes the breach

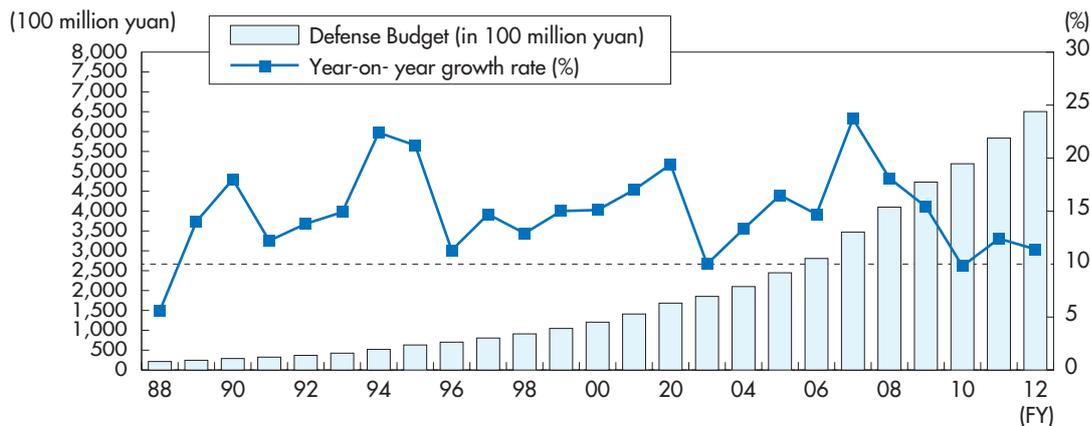
of international law. Concerning the details and its intention of the anti-satellite weapons test in January 2007, the Chinese government did not give an explanation which is sufficient to allay Japan's concerns even though the test caused new concerns about the future of space development¹². In recent years, when environment surrounding military has greatly been changing including advancement in military specialization and diversification of missions according to the modernization of military, some see that relations between the CCP leadership and the People's Liberation Army (PLA) has been getting complex and others see that the degree of military influence on foreign policy decisions has been changing¹³. The situation attracts attention as a risk management issue too.

China is steadily growing as a major political and economic power, and its military power also attracts attention from other countries. In order to allay other countries' concerns over China, it is becoming more and more important for China itself to improve transparency of its national defense policy and military capabilities. It is hoped that China will increase transparency concerning its military affairs by such efforts as disclosing specific information pertaining to its defense policies and military capabilities.

3 National Defense Budget

China announced¹⁴ a national defense budget for FY2012 of approximately 650.3 billion yuan¹⁵. The initial budget amount announced represented a growth of approximately 11.4% (approximately 66.7 billion Yuan)¹⁶ compared to the initial budget amount for the previous fiscal year. This shows that

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- 10 China disclosed some fighter aircraft and submarines which had previously been generally undisclosed to foreign delegates, including delegates from Japan, at the 60th anniversary of the foundation of the Navy (in April 2009) and of its Air Force (in November 2009). This is thought to be a sign of its posture of working to improve transparency with regard to the military.
 - 11 China's National Defense in 2008 provides details of personnel expenses, operation maintenance costs, and equipment costs only for the defense budget for FY2007 each by active force, reserve force, and militia.
 - 12 Other examples are: China sent notification indicating a refusal for U.S. naval vessels including U.S. aircraft carrier Kitty Hawk to pull into Hong Kong on the expected day of arrival and the U.S. naval vessels abandoned their port (November 2007) and; since China sent notification to the Maritime SDF training squadron of its request to postpone their port call to Qingdao just before the expected day of arrival, the squadron had to cancel their visit (October 2010).
 - 13 For example, some point out that there are increasing number of cases in which the PLA expresses its position on security issues concerning national sovereignty or maritime interests. On the other hand, others point out that the extent of military's involvement in the party's decision-making process is limited because the number of PLA representatives to key decision-making bodies of the CCP is fewer than the past. Meanwhile, the PLA has repeatedly stressed "absolute instruction of the forces by the party."
 - 14 National defense budget within central fiscal expenditures. The national defense budget amount for FY2012 within nationwide fiscal expenditures is said to be approximately 670.3 billion yuan. This budget amount represents growth of approximately 11.5% (approximately 69.1 billion yuan) compared to the national defense budget (initial budget) within the nationwide fiscal expenditures for the previous fiscal year.
 - 15 Converting national defense budgets of foreign countries into another currency simply by applying currency exchange rates cannot necessarily reflect the accurate value due to difference in price level. But hypothetically speaking, if China's national defense budget for FY2012 were converted at a rate of 12 yen per yuan (FY2012 disbursing official rate), this would result in approximately 7,803.7 billion yen. The 2011 Yearbook of the Stockholm International Peace Research Institute (SIPRI) estimates that China's military expenditures for 2010 were approximately \$119.0 billion, ranking it second place in the world behind the United States.
 - 16 China announced that the rate of growth for its FY2012 national defense budget is "an increase of approximately 11.2% (approximately 67.6 billion yuan) compared to the previous year," but this is the growth rate calculated by comparing the spending of FY2011 with the initial budget of FY2012.

Fig. I-1-3-1 Change in China's Official Defense Budget

Notes: The total defense budgets for FY2002 and FY2004 were not disclosed, and only the growth rates and the amount of increase for the two fiscal years were disclosed. Though we tried to calculate the total defense budgets for the two fiscal years based on the growth rates and the amount of increase in combination with the initial defense budgets of the previous years, we found the numbers we got as a result of the calculation inconsistent with the numbers China disclosed next year. Therefore, this graph uses 168.4 billion yuan and 210 billion yuan for FY2002 and FY2004, respectively. These are calculated on the assumption that the disclosed growth rates and the amount of increase are based on the actual defense expenditures for FY2001 and FY2003.

Chinese national defense budget continues to increase at a rapid pace¹⁷. The nominal size of China's announced national defense budget has more than doubled in size over the past five years, and has grown approximately 30-fold over the past 24 years. As regards the relationship between defense and economy, China positions the buildup of defense capabilities as important a task as economic development, explaining that it "adheres to the principle of coordinated development of national defense and economy" in China's National Defense in 2010. Accordingly, it is believed that China will continue to invest resources in improvement of its defense capabilities to the degree that does not hamper its economic development.

In addition, it must be noted that the amount of the defense budget announced by China is considered to be only a part of its actual military expenditures¹⁸. For example, it is believed that the announced defense budget does not include all the equipment procurement costs and research and development expenses.

(See Fig. I-1-3-1)

4 Military Posture

China's military forces are composed of the PLA, the People's Armed Police Force (PAP)¹⁹, and the militia²⁰. It is provided that these bodies be instructed and commanded by the Central Military Commission²¹. The PLA is defined as a people's army created and led by the CCP, comprising the Army, the Navy, the Air Force, and the Second Artillery Corps (strategic missile force).

(See Fig. I-1-3-2)

(1) Nuclear and Missile Forces

China has made independent efforts to develop nuclear capabilities and ballistic missile forces since the middle of the 1950s, seemingly with a view to ensuring deterrence, supplementing its conventional forces, and maintaining its voice in the international community. With regard to the nuclear strategy, it is recognized that China employs a strategy where it can deter a nuclear attack on its land by maintaining nuclear force structure able to conduct retaliatory nuclear attacks to a

¹⁷ China's announced national defense budget within central fiscal expenditures achieved double-digit-percent growth on the initial-budget basis for 21 successive years up through FY2009, and the growth in FY2010 was approximately 9.8%.

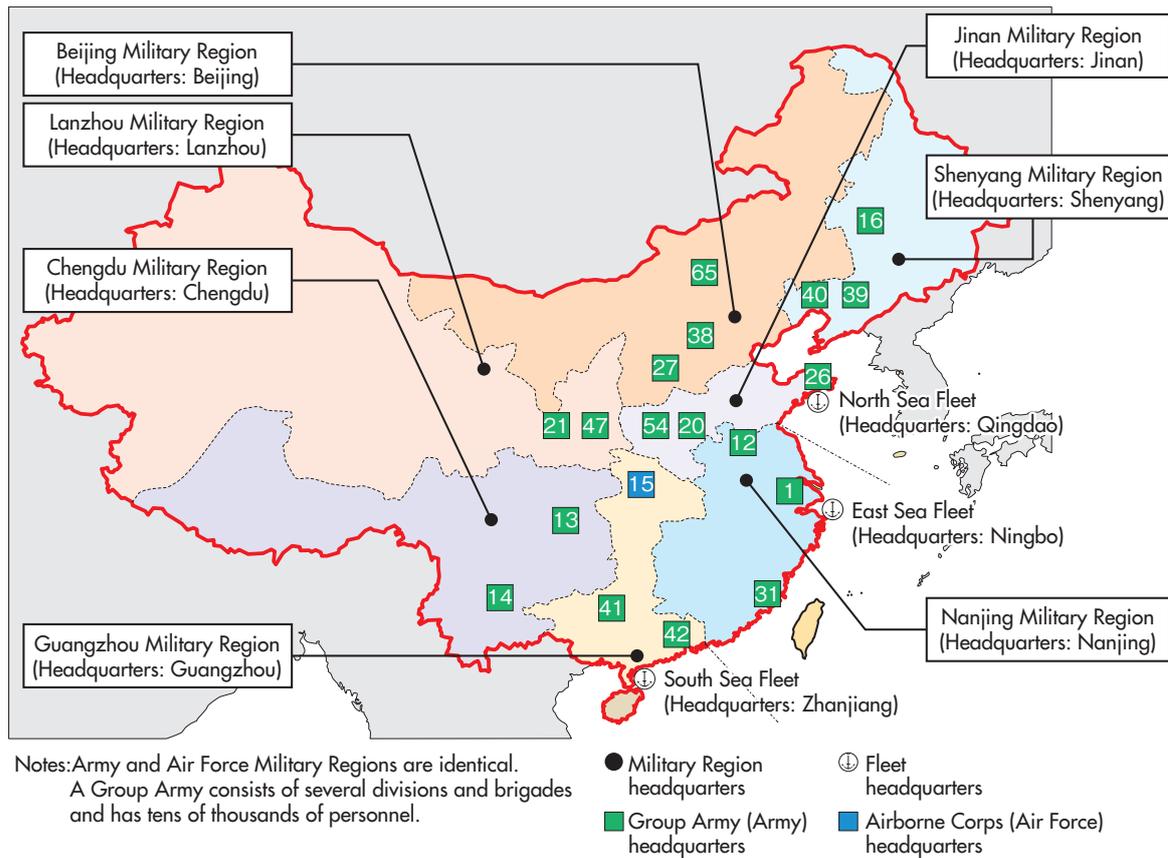
¹⁸ U.S. Defense Department's Annual Report to Congress: Military and Security Developments Involving the People's Republic of China (May 2012) estimates China's defense spending on military-related expenditures as from \$120 billion to \$180 billion dollars in FY2011. The same report indicates that China's official defense budget does not include major categories of expenditure such as foreign procurement.

¹⁹ Missions of the PAP include security of party and government, border security, social projects, and firefighting activities. According to China's National Defense in 2002, it is to maintain state security and social stability, and assist the PLA in wartime in defense operations.

²⁰ The militia engages in economic development in peacetime and other activities and has a duty to provide logistical support for combat operations in wartime. China's National Defense in 2002 explains, "Under the command of military organs, the militia in wartime helps the standing army in its military operations, conducts independent operations and provides combat support and manpower replenishment for the standing army. In peacetime, it undertakes the tasks of performing combat readiness support, taking part in disaster relief efforts, and maintaining social order." According to China's National Defense in 2010, "China now has 8 million primary militia members."

²¹ Formally, there are two Central Military Commissions—one for the CCP and another for the state. However, both commissions basically consist of the same membership, and both are essentially regarded as institutions for the CCP to command the military forces.

Fig. I-1-3-2 Deployment and Strength of PLA



		China	Taiwan (Reference)
Total military forces		Approx. 2.3 million troops	Approx. 290,000 troops
Ground forces	Group troops	Approx. 1.6 million troops	Approx. 200,000 troops
	Tanks	Type-98A/99, Type-96/A, Type-88A/B and others Approx. 8,200 vehicles	M-60, M-48A/H and others Approx. 1,830 vehicles
Maritime forces	Warships	Approx. 1,090 vessels/1.352 million tons	Approx. 340 vessels/ 208,000 tons
	Destroyers & frigates	Approx. 80 vessels	Approx. 30 vessels
	Submarines	Approx. 60 vessels	4 vessels
	Marines	Approx. 10,000 troops	Approx. 15,000 troops
Air forces	Combat aircraft	Approx. 2,070 aircraft	Approx. 520 aircraft
	Modern fighters aircraft	J-10x224 Su-27/J-11x244 Su-30x97 (Fourth-generation fightersx565)	Mirage 2000x57 F-16x146 F-CK-1 (IDF) x128 (Fourth-generation fightersx331)
Reference	Population	Approx. 1.337 billion	Approx. 23 million
	Term of service	2 years	1 year

Source: The Military Balance 2012 and others.

small number of targets such as cities in the enemy country²².

China possesses various types and ranges of ballistic missiles: intercontinental ballistic missiles (ICBM), submarine-launched ballistic missiles (SLBM), intermediate-range ballistic missiles/medium-range ballistic missiles (IRBM/MRBM), and short-range ballistic missiles (SRBM). Update of China's ballistic missile forces from a liquid propellant system to a solid propellant one is improving their survivability and readiness. Moreover, it is also believed that China is working to increase performance by extending ranges, improving accuracy, introducing MIRV, and other means²³.

China has developed the DF-31, which is a new mobile-type ICBM with a solid propellant system mounted onto a Transporter Erector Launcher (TEL), and the DF-31A, a model of the DF-31 with extended range. China appears to have already begun their deployment²⁴. Regarding SLBMs, China currently appears to be developing the JL-2, a new SLBM whose range is believed to be approximately 8,000 km and constructing Jin-class nuclear-powered ballistic missile submarines (SSBN) to carry the missiles. Given that the DF-31 and the DF-31A have been deployed, once the JL-2 reaches a level of practical use, it is believed that China's strategic nuclear capabilities will improve by a great margin.

As for the IRBM/MRBM covering the Asia-Pacific region including Japan, China has deployed the solid-propellant DF-21, which can be transported and operated on a TEL, in addition to the liquid-propellant DF-3 and DF-4 missiles. These missiles are capable of carrying nuclear warheads. It is believed that China possesses conventional ballistic missiles with high targeting accuracy based on the DF-21, and is developing conventional anti-ship ballistic missiles (ASBM), which could be used to attack ships at sea including aircraft carriers²⁵. In addition to IRBM/MRBM, China also possesses the DH-10, a cruise missile with a range of 1,500 km or longer, as well as

the H-6 (Tu-16), medium-range bombers that are capable of carrying nuclear warheads and cruise missiles. These missiles might complement ballistic missile forces, covering the Asia-Pacific region including Japan²⁶. Concerning SRBM, China possesses a large number of solid-propellant DF-15 and DF-11, and they are believed to be deployed against Taiwan²⁷.

China announced that it had conducted tests on midcourse missile interception technology in January 2010. Attention will be paid to China's future trends in ballistic missile defense²⁸. (See Fig. I-1-3-3)

(2) Ground Forces

The size of the Chinese ground forces is the largest in the world with approximately 1.6 million personnel. Since 1985, China has continuously sought to modernize its armed forces by curtailing the number of personnel and streamlining organizations and systems in order to improve efficiency. China aims to develop highly capable military forces, while reducing units inferior in equipment and technologies. Specifically, it is improving mobility by such measures as switching from the past regional-defense model to a nationwide-mobile model, working to motorize and mechanize its infantry. In addition, China is believed to be strengthening its airborne troops (belonging to the Air Force) and special operations forces. It is continuing its efforts to make its military units multi-functional, to build a command system for improvement of its integrated strategic abilities and efficient operations, and also to work on reforms to improve its logistical support capabilities²⁹. In 2009, China carried out "Stride 2009" exercises which traversed across military regions and were deemed its largest ever exercises of this type, and it also carried out similar "Mission Action 2010" exercises in 2010. These exercises are believed to have been designed to verify and improve capabilities necessary for deployment of army units to distant areas, such as army's

22 China's National Defense in 2010 states that "China consistently upholds the policy of no first use of nuclear weapons, adheres to a self-defensive nuclear strategy, and will never enter into a nuclear arms race with any other country." On the other hand, the "Annual Report to Congress: Military and Security Developments Involving the People's Republic of China" (May 2012) of the U.S. Department of Defense points out that there is some ambiguity over the conditions under which China's "no first use" policy would or would not apply.

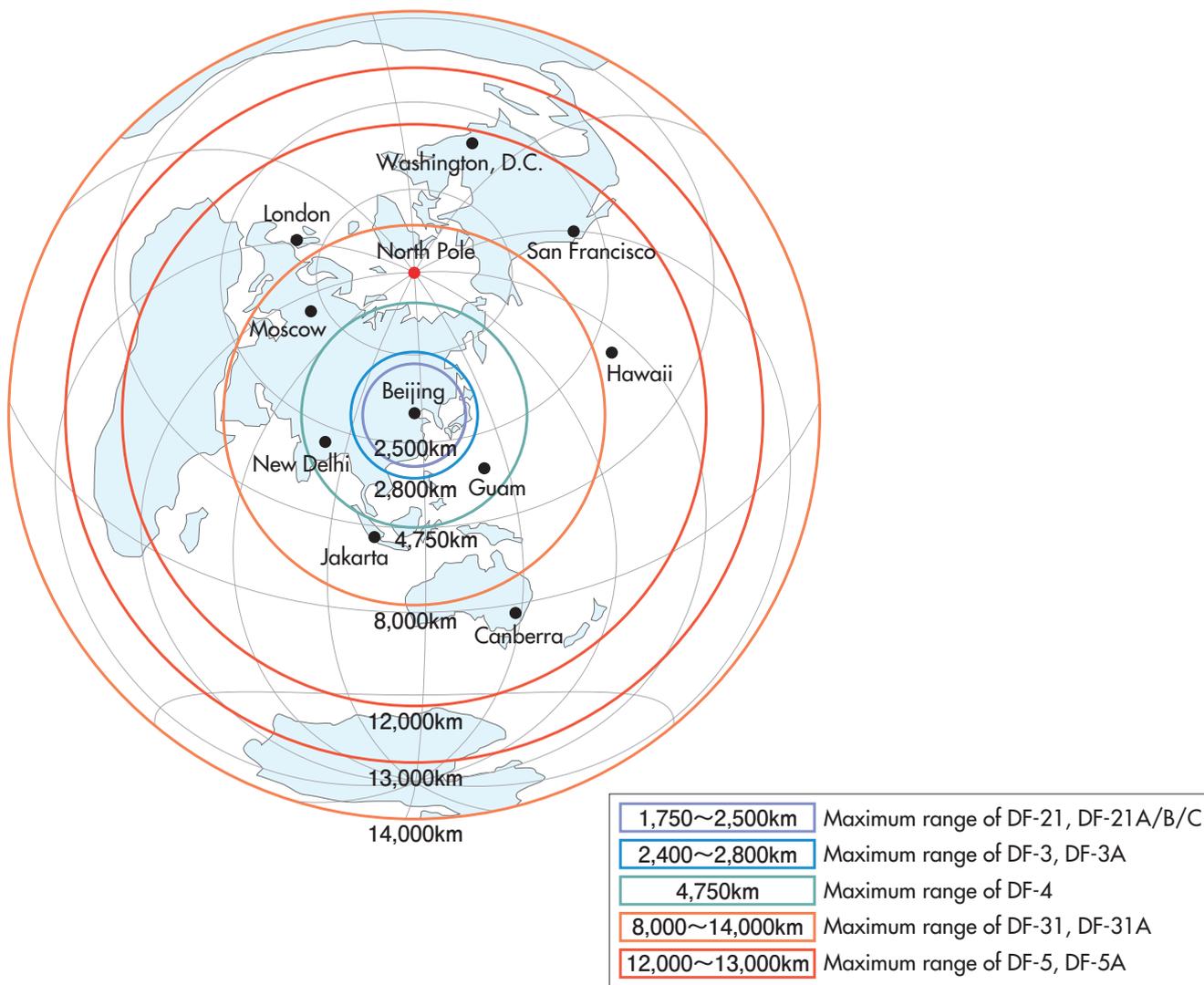
23 For difference between liquid-propellant system and solid-propellant system, see footnotes 1-5 of Section 2.

24 The Annual Report to Congress: Military and Security Developments Involving the People's Republic of China (August 2011) of the U.S. Department of Defense indicates that China may also be developing a new road mobile ICBM, possibly capable of carrying a multiple independently targeted re-entry vehicles (MIRV).

25 The Annual Threat Assessment of the Intelligence Community of the United States published in February 2009 states that China is developing conventionally armed short- and medium-range ballistic missiles with maneuverable re-entry vehicles (MaRV) that could be used to attack U.S. naval forces and airbases. Moreover, in January 2011, then Secretary of Defense Robert Gates expressed concerns about the development of the anti-ship cruise and ballistic missiles ever since he took his job, and stated that the development has proceeded fairly. In addition, in June 2011, it was reported that Chen Bingde, the PLA's Chief of the General Staff, announced that China was currently conducting research and development of the DF-21D that was believed to be an anti-ship ballistic missile.

26 In its Annual Report of November 2010, the U.S.-China Economic Security Review Committee pointed out that China could attack five out of the six main U.S. Air Force bases in East Asia with its normal missiles (ballistic missiles and ground-launched cruise missiles), and also have the ability to target air bases in Guam by enhancing the capability of its bombers.

27 U.S. Defense Department's Annual Report to Congress: Military and Security Developments Involving the People's Republic of China (May 2012) states that by October 2011 China had deployed 1,000 to 1,200 SRBM on the shore opposing Taiwan, and that it is engaged in the deployment of new missile brigades and efforts to increase offensive capabilities, including the introduction of variants with improved ranges, accuracies and payloads. Besides this, in March 2011, Taiwan's National Security Bureau Director Tsai Der-sheng said that China has developed and deployed new "DF-16" missiles and that these are highly destructive long-range missiles, which will mainly be used against Taiwan and in order to prevent U.S. intervention.



long-range maneuvering capabilities and logistical support capabilities, including mobilization of militia and public transportation³⁰.

(3) Naval Forces

The naval forces consist of three fleets—the North Sea, East

Sea, and South Sea Fleets. The Chinese Navy has approximately 1,090 ships (including approximately 60 submarines), with a total displacement of approximately 1.35 million tons. The Navy is in charge of maritime national defense and protection of the sovereignty of territorial waters and maritime rights and interests. The Chinese Navy introduced modern Kilo-

28 At the press conference on the day after it was announced that the test had been carried out, a spokesperson from China’s Ministry of Foreign Affairs said, “The test would neither produce space debris in orbit nor pose a threat to the safety of orbiting spacecraft. The test was defensive in nature and targeted at no country. It is consistent with the defensive national defense policies that China has consistently pursued.” On the other hand, China’s National Defense in 2010 explains that “China maintains that the global missile defense program will be detrimental to international strategic balance and stability, will undermine international and regional security, and will have a negative impact on the process of nuclear disarmament. China holds that no state should deploy overseas missile defense systems that have strategic missile defense capabilities or potential, or engage in any such international collaboration.”

29 China’s National Defense in 2010, etc.

30 In the “Stride 2009” exercises, it was reported that the four individual army divisions, belonging to each of the military regions of Shenyang, Lanzhou, Jinan, and Guangzhou, traveled long distances from their own military region to a different one, after which they engaged in exercises with simulated enemy forces. In order to transport personnel and equipment, they are reported to have used civilian cargo aircraft, passenger airplanes, and the “Hexie” high-speed train, as well as Air Force cargo aircraft and freight trains. In the “Mission Action 2010” exercises, it was reported that a total of 30,000 forces from individual army divisions belonging to Beijing, Lanzhou, and Chengdu as well as from the Air Force and the Second Artillery Corps participated with the aim of improving the long-range maneuvering capabilities and integrated operation abilities.

class submarines from Russia and is actively constructing new types of domestic submarines in order to enhance³¹ its submarine force. Additionally, the Navy is increasing surface combatant ships with improved air defense and anti-ship attack capabilities, landing ship³², and supply ships. Also, it commissioned a large hospital ship in October 2008³³.

With regard to possession of aircraft carriers, a number of senior military officials have made positive remarks³⁴. China has renovated the Varyag, an incomplete Kuznetsov-class

aircraft carrier purchased from Ukraine, and carried out the first trial navigation³⁵ in August 2011. China seems to be advancing training of carrier-based aircraft pilots and development of the J-15, a carrier-based fighter. In addition, it has constructed a structure on land which replicates an aircraft carrier and is developing an airfield for take-off and landing training. Based on these facts, it is believed that China is now earnestly advancing research and development on technologies necessary for possession of aircraft carriers³⁶.

In view of these developments in the modernization of the Chinese Navy, it is believed that China is trying to build capabilities to conduct operations in more distant areas.

(4) Air Forces

The Chinese Air Force and Navy have approximately 2,070 combat aircraft in total. The number of fourth generation modern fighters is rising steadily. China is domestically

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- 31 In recent years, in particular, China is believed to be substantially increasing the number of state-of-the-art Yuan class submarines, which are domestically produced. These submarines are believed to be superior in quietness and to be equipped with air independent propulsion (AIP) system.
- 32 Recently, China appears to be increasing the number of Yuzhao-class large landing ships, the load displacement of which is said to exceed 20,000 tons.
- 33 This hospital ship, "Daishandao" (commonly known as the "Peace Ark"), is reported to have toured around the coast of the Chinese continent and the islands and reefs of the Spratly and Parcel Islands for the span of roughly a month beginning in October 2009, delivering medical services to the stationed military personnel and inhabitants there. Moreover, this ship was also commissioned for medical services duty "Mission Harmony-2010" from August to November in 2010, followed by another medical services duty "Mission Harmony-2011" from September to December in 2011. In this mission, the ship was believed to visit four countries—Cuba, Jamaica, Trinidad and Tobago and Costa Rica for providing medical services.
- 34 Chinese Defense Minister Liang Guanglie remarked during the Sino-Japanese Defense Dialogues held in March and November 2009 that China cannot remain "without an aircraft carrier indefinitely," and that "the possession of aircraft carriers should be determined in comprehensive consideration of various factors including economic development, the level of shipbuilding, and security factors." Furthermore, in June 2011, it was reported that Chief of the General Staff Chen Bingde announced that China was currently building aircraft carriers.
- 35 It is believed that China is repeating trial navigation of Varyag. Concerning its current situation, a spokesperson of the Ministry of National Defense of China explained that "related works are progressing smoothly based on the plan." Meanwhile, the Annual Report to Congress: Military and Security Developments Involving the People's Republic of China (May 2012) of the U.S. Department of Defense shows its view that Varyag will likely commission in 2012, which will serve as a training platform for fixed-wing aircraft. It also points out that "it will still take several additional years for China to achieve a minimal level of combat capability for its aircraft carrier."
- 36 Additionally, in 2006, it was reported that China was negotiating the purchase of Russian made the Su-33 carrier-based fighter aircraft, which can be operated with a Kuznetsov-class carrier. It was also reported in 2007 that China had plans to purchase arresting wires that are used on aircraft carriers from Russia. In September 2008, it was reported that China was planning cooperation with Ukraine, which has a simulation training facility for carrier-based aircraft, with respect to education and training of Navy pilots. The U.S. Defense Department's Annual Report to Congress: Military and Security Developments Involving the People's Republic of China (May 2012) points out that "Some components of China's first indigenously-produced carrier may already be under construction; that carrier could achieve operational capability after 2015. China likely will build multiple aircraft carriers and associated support ships over the next decade."

mass-producing the J-10 fighters, imported from Russia and produced under license the Su-27 fighters, and imported from Russia the Su-30 fighters equipped with anti-surface and anti-ship attack capabilities. Moreover, it is believed that China has been developing a next generation fighter domestically³⁷. China is importing highly sophisticated long-range surface-to-air missiles in order to improve air defense capabilities. It is making continuous efforts to improve in-flight refueling capabilities and early warning and control system, which are essential for operations of modern air forces. Furthermore, it is reported that China has a plan to import large cargo aircraft from Russia and is developing new cargo aircraft in order to improve its transportation capability.

China has begun to enhance electronic warfare and intelligence gathering capabilities of aircraft and has also increased efforts in actual reconnaissance flights against its



A Chinese Y-8 intelligence gathering aircraft in flight over the East China Sea (July 2011)

but also aiming to build up capabilities for air superiority and anti-surface and anti-ship attacks in areas which are as distant from China as possible, and improving long-range transportation capabilities³⁹. Further attention needs to be paid to these activities conducted by Chinese air forces.

surrounding countries. In recent years, in particular, Chinese air activities that appear to be some form of information gathering against Japan have been observed frequently³⁸. Also, in September 2007, multiple H-6 medium-range bombers flew into the Japanese air defense identification zone over the East China Sea and advanced near to the Japan–China median line. Similarly, in March 2010 a Y-8 early warning aircraft advanced near to the Japan–China median line. In March 2011, a Y-8 patrol aircraft and Y-8 intelligence gathering aircraft crossed the Japan–China median line and approached within approximately 50 km of Japan’s airspace near the Senkaku Island. These incidents indicate that Chinese aircraft are diversifying their flight patterns.

Judging from the modernization of air forces and the activities by aircraft, it is believed that China is not only improving its air defense capabilities for its national territory,

(5) Military Use of Space and Cyber Warfare Capabilities

China continues to put forth efforts for space developments. It has launched various satellites into space by its indigenously produced rockets, conducted manned space flights, and launched a lunar orbiter⁴⁰. While there is one view that China’s space development programs have been aiming at boosting

³⁷ In the U.S. Senate Armed Services Committee in February 2011, then Secretary of Defense Robert Gates stated his view that China had the potential to deploy 50 next generation fighters equipped with stealth capability by 2020 and 200 fighters by 2025. It was reported that China had succeeded in conducting the first flight test of its stealth fighters “J-20” in January 2011 and that the country is continuing the tests.

³⁸ The number of scrambles by the Japan Air Self Defense Force against Chinese aircraft is also on the increase. See Part III, Chapter 1, Section 2-1.

³⁹ China’s National Defense in 2008 explains that China’s Air force is “working to accelerate its transition from territorial air defense to both offensive and defensive operations, and increase its capabilities for carrying out reconnaissance and early warning, air strikes, air and missile defense, and strategic projection, in an effort to build itself into a modernized strategic Air Force.” The Annual Report to Congress: Military and Security Developments Involving the People’s Republic of China (August 2010) of the U.S. Department of Defense explains that China’s Air Force has continued its conversion from a force for limited territorial defense to a more flexible and agile force able to operate off-shore in both offensive and defensive roles, using the U.S. and Russian Air Forces as models. In the joint military exercise “Peace Mission 2010” (October 2010) that China and Russia participated in, among other countries, it is reported that China’s battle group comprising two H-6 bombers and two J-10 fighters, supported by an early warning aircraft and air refueling tankers, made a round-trip flight of a route that spanned 1,000 km each way without landing, and conducted air-to-ground exercises.

⁴⁰ “China’s Space Activities in 2011” released by China in December 2011, after stating that “Since 2006, China has made rapid progress in its space industry,” mentions its development of next-generation carrier rockets, its success in launches of satellites, including earth observation satellites and navigation satellites, and others as “innovative achievements.” For example, in recent years, China launched the manned spacecraft “Shenzhou-7” and its astronauts succeeded in carrying out extra-vehicular activities for the first time in September 2008. China also launched the lunar orbiting satellite “Chang’e-2” in October 2010. In addition, China launched the space laboratory “Tiangong 1” in September 2011, and succeeded in its docking with the unmanned spacecraft “Shenzhou-8” in November 2010 and the manned spacecraft “Shenzhou-9” in June 2012. These show that China is promoting its plan with construction of space stations in mind.

national prestige and developing space resources. Given that military and non-military sectors in China's space development sectors seem related⁴¹, there is the possibility that China utilizes space for such military purposes as information gathering, communications, and navigation. Recently, several high ranking officials in China's Air Force expressed its policy to actively work on utilization of space⁴².

China is also developing anti-satellite weapons, and it conducted a test in which China destructed its own satellite by applying ballistic missile technology in January 2007. It is also pointed out that China is developing a system that uses laser beams to hamper satellite functions.

China is thought to have a strong interest in cyber space. They are believed to have organized and be currently training a cyber warfare-specialized unit⁴³. In recent years, a series of cyber attacks to governments of many countries have been identified and some point out that the PLA is relevant to these attacks⁴⁴.

China's interest in anti-satellite weapons and cyber space can be attributed to the fact that information gathering and command and communication in the military sector, which are vital for swift and efficient exercise of military strength, increase its reliance on satellites and computer networks⁴⁵.

5 Activities in the Ocean

(1) Situation of Activities in Waters Near Japan

China has been expanding and intensifying its maritime activities in recent years. With regard to its activity in waters near Japan, Chinese naval vessels have been observed conducting what appeared to be training exercises or information gathering activities. Chinese government ships have also been observed, which were engaged in monitoring activities for protection of its maritime rights and interests⁴⁶. Moreover, advancements to the Pacific Ocean by Chinese naval surface vessels are being routinely conducted. For example, a fleet of the record number of 11 Chinese naval vessels passed between the main island of Okinawa and the Miyako Island, headed to the Pacific Ocean in June 2011, and conducted what appeared to be training exercises including an unmanned aerial vehicle's flight. It seems that they are trying to improve their deployment capabilities in the open ocean⁴⁷.

In addition to these military activities⁴⁸, it has been confirmed that China's law enforcement agencies have intensified their monitoring activities in waters near Japan in recent years.

In December 2008, the "Haijian 46" and the "Haijian 51", which belong to the State Oceanic Administration (SOA) of China, conducted navigation operations which foreign ships

41 "China's Space Activities in 2011" stresses that China has consistently adhered to the principle of peaceful utilization of outer space. On the other hand, for example, China's National Defense in 2006 notes that, regarding science, technology and industry for national defense, "Major scientific and technological projects such as manned space flights and the Lunar Probe Project, are being carried out to spur the leapfrogging development of high-tech enterprises" and "to bring about overall improvements in defense-related science and technology." Also, the entire manned space project is said to be commanded by the Director of the PLA's General Armament Department.

42 For example, Air Force Commander Xu Qiliang is reported to have said, "China's Air Force has established a strategy of having both offensive and defensive unified aerospace capabilities."

43 U.S. Department of Defense's Annual Report to Congress: Military and Security Developments Involving the People's Republic of China (August 2011) points out that, "The PLA has established information warfare units to develop viruses to attack enemy computer systems and networks, as well as tactics and measures to protect friendly computer systems and networks. These units include elements of the militia, creating a linkage between PLA network operators and China's civilian information technology professionals."

44 Annual Report to Congress of the U.S.-China Economic and Security Review Commission (November 2011) points out that China's government or military appeared to sponsor numerous computer network intrusions and that the military is thought to engage in computer network attacks. The Worldwide Threat Assessment of the U.S. Intelligence Community (January 2012) points out that "China and Russia are of particular concern" concerning cyber threats to the United States. Moreover, the Annual Report to Congress: Military and Security Developments Involving the People's Republic of China (January 2012) of the U.S. Department of Defense points out that "In 2011, computer networks and systems around the world continued to be targets of intrusions and data theft, many of which originated within China."

45 China's National Defense in 2010 states "maintaining its security interests in space, electromagnetic space and cyberspace" as one of the main targets/tasks in its national defense policy for the new stage.

46 Concerning the PLA, there is a view that believes that by turning exception into normality through uniform peacetime and wartime force deployment and exceeding traditional activity spaces, they intend to desensitize the alertness of others and make the international society tolerate and accept changes in the situation. (Taiwan's 2009 National Defense Report).

47 China's National Defense in 2006 states "The Navy aims at gradual extension of the strategic depth for offshore defensive operations." Later, there was a report that Chinese Navy Commander Wu Shengli stated in April 2009 that Navy's "open sea training has been normalized." Furthermore, China's National Defense in 2010 states that, in line with the requirements of offshore defense strategy, the PLA Navy, "By organizing naval vessels for drills in distant waters, develops training models for MOOTW (military operations other than war) missions." Moreover, recently, the Ministry of National Defense and the Ministry of Foreign Affairs of China, after acknowledging implementation of exercises by Chinese naval vessels in the western Pacific, made statements to the effect that these are planned regular exercises, do not target any specific state, and are consistent with relevant international laws and practices. Thus, China is trying to wipe out concerns in the international community while stressing the legitimacy of its trainings.

48 Other examples of military activities are: a submerged Chinese nuclear-powered submarine navigated in Japanese territorial waters, breaching international law in November 2004; it was confirmed that a total of five Chinese naval vessels, including one Sovremenny-class destroyer, were sailing near the Kashi gas field (Tianwaitian in Chinese) in the East China Sea and some of them circled around the said gas field in September 2005; a Chinese Song-class submarine surfaced in the vicinity of the U.S. aircraft carrier Kitty Hawk in international waters reportedly near Okinawa in October 2006. The foreign submarine's approach to a U.S. aircraft carrier is a noteworthy military incident.

are not permitted under international laws such as hovering and cruising within Japan's territorial waters near the Senkaku Islands. In March and April 2011 and in April 2012, there have been instances of Chinese helicopters, that appeared to belong to the SOA, flying close to Japanese destroyers which were being engaged in vigilance monitoring in the East China Sea⁴⁹. After the incidence in which a Chinese fishing trawler collided with patrol vessels of the Japan Coast Guard off the coast of the Senkaku Islands in September 2010, the "Yuzheng 201", a fisheries surveillance ship belonging to the Bureau of Fisheries at the Ministry of Agriculture of China, entered the waters near the Senkaku Islands on several occasions. Furthermore, in August 2011, the "Yuzheng 201" and the "Yuzheng 31001" temporarily intruded into Japan's territorial water near the Senkaku Islands⁵⁰. In February 2012, a survey vessel of Japan Coast Guard conducting a marine survey in Japan's exclusive economic zone was demanded to stop the activity by the "Haijian 46" and the "Haijian 66" that belong to the SOA. In addition, in March 2012, the "Haijian 50" and the "Haijian 66" navigated Japan's contiguous water area near the Senkaku Islands and the "Haijian 50" temporarily intruded into Japan's territorial water⁵¹. Later, Yuzheng ships navigated Japan's contiguous water area near the Senkaku Islands on multiple times.

In other areas than waters near Japan as well, China is intensifying its activities in the South China Sea, including the Spratly Islands and Parcel Islands, over which it is engaged in territorial disputes with neighbors, including some ASEAN (Association of Southeast Asian Nations) countries. In March 2009, Chinese ships, including a naval vessel, a maritime research ship of the SOA, a Bureau of Maritime Fisheries patrol ship, and trawlers, approached a U.S. Navy acoustic research ship operating in the South China Sea to obstruct its operations⁵². From March to April 2010, it is believed that China conducted exercises for three weeks in which six vessels were deployed to the South China Sea, and, in July the same year, it was reported that surface vessels and naval air forces conducted

a large-scale, multi-branch joint live-ammunition exercise. In July 2011, it is reported that Chinese Navy conducted a joint exercise with Haijian ships, which belong to the SOA, and other ships in the ocean area surrounding the Hainan Island in the South China Sea. Furthermore, in recent years, there has been growing friction between China and its neighboring countries over the South China Sea, as illustrated by protests by Vietnam and the Philippines against China's activities in these waters.

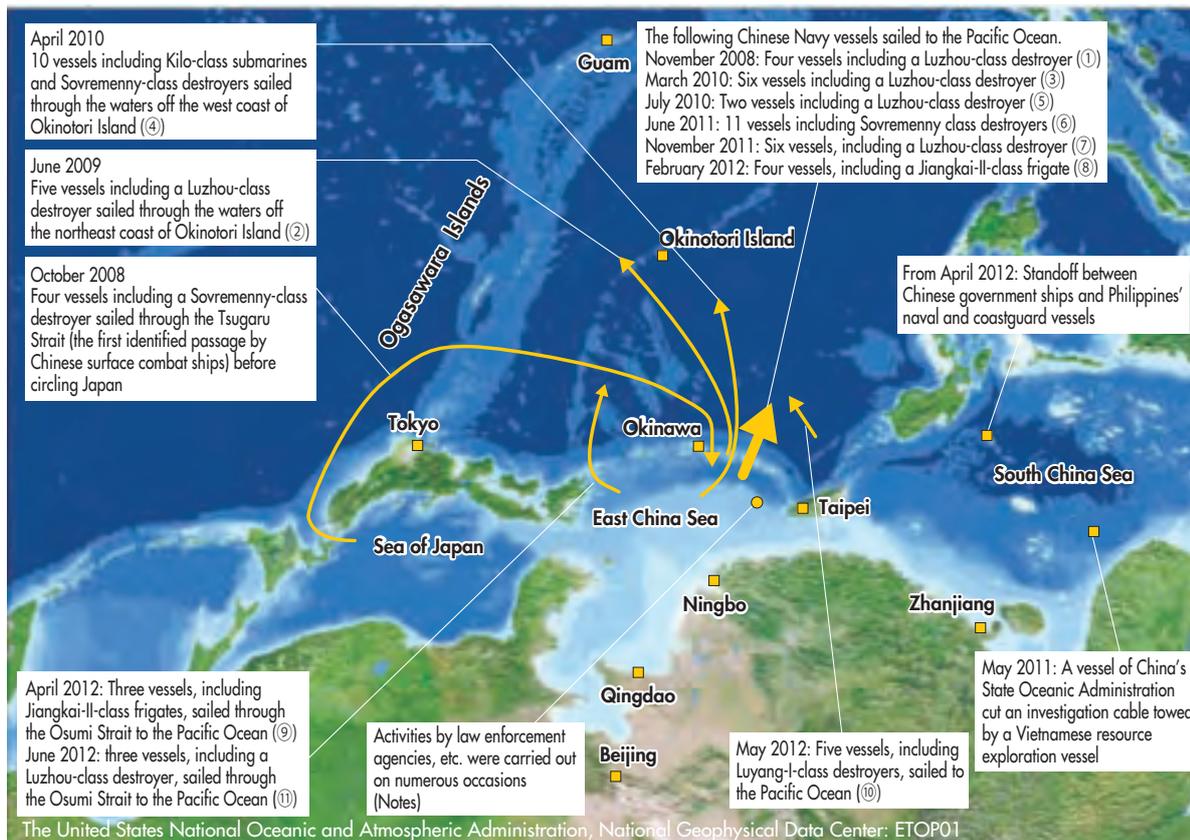
See Section 5



A Chinese Yuzhao-class landing ship heading southeast toward the Pacific Ocean in waters approximately 650km southwest of the main island of Okinawa (May 2012)

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- ⁴⁹ On March 7, 2011, a Chinese Z-9 helicopter believed to belong to the SOA flew as close as approximately 70 m and as low as approximately 40 m above the water around the Japanese destroyer Samidare, which was patrolling the waters in the central area of the East China Sea. On March 26, a Z-9 helicopter flew again as close as approximately 90 m and as low as approximately 60 m above the water around the destroyer Isoyuki. On April 1, a Y-12 aircraft which was believed to belong to the SOA flew as close as approximately 90 m and as low as approximately 60 m above the water around Isoyuki. The official website of the SOA East Sea Branch published an article titled "Marine surveillance helicopter accomplish first successful refueling operation on offshore platform during mission." Judging from a photograph accompanying the article, it is clear that the marine surveillance helicopter belonging to the SOA is based at the Pinghu Gas Field located in the East China Sea. Furthermore, the article states that China will continue to track and monitor vessels that encroach on national interests in China's territorial waters in the East China Sea.
- ⁵⁰ In addition, it was reported in October 2010 that China had formulated plans to build 30 law enforcement ships within the next five years in order to improve its law enforcement capacity to protect Chinese maritime interests, and that the SOA deployed the "Haijian75", which engages in marine monitoring activities, to water area near the Spratly Islands in the South China Sea. It is also reported that the Maritime Safety Administration of the Ministry of Transport which operates "Haixun" ships is showing a stance to strengthen its patrolling activities with its aircraft in water area including "disputed areas" in the East China Sea. Concerning the act of giving names to remote islands by Japan, including the chain that makes up the Senkaku Islands, that did not have names despite the fact that they are base-points for Japan's exclusive economic zone, the People's Daily, an official newspaper of the CCP, reported that "this is an action that publicly harms China's core interests."
- ⁵¹ Similar incidences occurred in May and September 2010.
- ⁵² Then Director of National Intelligence Dennis Blair testified before the U.S. Senate Armed Services Committee on March 10, 2009, that "in the past several years, they [Chinese] have become more aggressive in asserting claims for the EEZ."

Fig. I-1-3-4 Recent Chinese Activities in Waters near Japan



Advancements to the Pacific Ocean by Chinese naval vessels have been confirmed every year since 2008. Figures above in parentheses show chronological order of incidents. Each incident's main characteristics is as follows.

- ① A state-of-the-art Luzhou-class destroyer was confirmed for the first time.
- ② A ship-based helicopter flight was confirmed in waters approximately 260km northeast of Okinotorishima.
- ③ It is reported that, after the naval unit advanced into the Pacific Ocean, it passed through the Bashi Channel into the South China Sea, sailed around the Spratly islands, and conducted a military exercise in waters near the Parcel Islands.
- ④ A part of the naval unit conducted an exercise in waters in the middle of the East China Sea before advancing into the Pacific Ocean. At that time, a ship-based helicopter flew close to Japan's destroyer Suzunami, which was conducting surveillance activities. At its closest, the helicopter was about 90m away horizontally and about 30m above the ship. Because this was very dangerous from the perspective of the safe navigation of the ship, Japan approached the Chinese Government through a diplomatic channel with a request to ascertain the facts of the matter. Subsequently, a ship-based helicopter approached and flew around Japan's destroyer Asayuki, which was conducting surveillance in regard to these vessels in the Pacific Ocean. At its closest, the helicopter was about 90m away horizontally and about 50m above the ship. Because this kind of incident occurred again, which was dangerous from the perspective of the safe navigation of the ship, Japan made a protest to the Chinese Government through a diplomatic channel.
- ⑤ This was the third advancement into the Pacific Ocean in a year, which hit an all-time high.
- ⑥ A reconnaissance ship was confirmed to be accompanying a naval unit for the first time. As well as conducting a target exercise in waters approximately 450km southwest of Okinotorishima, the naval unit conducted drills involving unmanned aerial vehicle (UAV) and ship-based helicopter flights. Drills involving UAV takeoff from and landing on a frigate, helicopter takeoff from and landing on a vessel, and night-time training at sea were confirmed for the first time.
- ⑦ Five naval vessels in the naval unit conducted drills involving ship-based helicopter flights and mid-ocean refueling in waters approximately 800km southwest of Okinotorishima.
- ⑧ The naval unit conducted drills involving ship-based helicopter flights and mid-ocean refueling in waters approximately 900km southwest of Okinotorishima.
- ⑨ Chinese naval vessels had been confirmed to have passed through the Osumi Strait for the first time since a Ming-class submarine sailed west through the strait in November 2003. These vessels conducted UAV flight drills in waters approximately 700km east of Okinotorishima.
- ⑩ A Luyang-I-class destroyer and a Yuzhao-class landing ship were confirmed for the first time. The naval unit conducted drills involving ship-based helicopter flights and formation movements in waters southwest of the main island of Okinawa.
- ⑪ The naval unit conducted drills involving ship-based helicopter flights in waters approximately 900km north of Okinotorishima and mid-ocean refueling in waters approximately 600km southwest of Okinotorishima.

(Notes)

- In December 2008, two "Haijian" ships entered Japan's territorial water near the Senkaku islands, loitering for a while and then sailing around.
- In September 2010, a Chinese fishing trawler collided with patrol vessels of the Japan Coast Guard in Japan's territorial water near the Senkaku islands. Subsequently, "Yuzheng" navigated Japan's contiguous water area near the Senkaku islands on multiple times.
- In August 2011, two "Yuzheng" ships entered Japan's territorial water near the Senkaku islands.
- In March 2012, a "Haijian" ship entered Japan's territorial water near the Senkaku islands.

(2) Objectives of Activities in Waters Near Japan

Taking into general consideration such factors as China's geographical location and economic globalization as well as the fact that China explicitly states in its laws and other documents that its Navy assumes the role of safeguarding maritime rights and interests and protecting maritime safety⁵³, the Chinese Navy and other organizations are considered to have the following objectives in their maritime activities.

The first one is to intercept naval operations by enemies in waters as far as possible from China in order to defend its territory and territorial waters. Behind this objective is an increase in effectiveness of long-range attacks due to recent progress in science and technology.

The second one is to develop military capabilities to deter and prevent Taiwan's independence. For example, China maintains that it will not allow any foreign intervention in solving the Taiwan issue and realizing the unification of China. In order for China to try to prevent by force foreign intervention into Taiwan, which is surrounded by the sea, it needs to enhance its military operational capabilities at sea.

The third one is to acquire, maintain, and protect its maritime rights and interests. China is engaged in oil and gas drilling as well as building facilities and surveying for the drilling in the East China Sea and South China Sea⁵⁴. It is believed that its naval vessels operated near the drilling facilities of the Kashi oil and gas fields in September 2005, partly because China tried to demonstrate their naval capabilities of acquiring, maintaining, and protecting its maritime rights and interests.

The fourth one is to defend its sea lanes of communications. In this background is the fact that its sea lanes of communications, including its crude oil transportation routes from the Middle East, are extremely important for the globalizing Chinese economy. What part of its sea lanes of communication the Chinese Navy thinks it should defend

depends on such factors as international situations, but given the recent modernization of the Chinese Navy and Air Force, the areas which they can defend is believed to get larger beyond waters near China.

Given these objectives and recent trends in China's maritime activities, it is believed that China plans to expand sphere of its maritime activities, and carry out its operations as an ordinary routine practice in waters surrounding Japan, including the East China Sea and the Pacific Ocean as well as the South China Sea. Therefore, attention needs to be paid to such activities as operations of naval vessels and various surveillance operations near Japan, developments of facilities that serve as bases for these activities⁵⁵, and developments of its own interpretations regarding the legal status of coastal areas in China's exclusive economic zones⁵⁶.

6 International Military Activities

In recent years, the PLA has begun emphasizing nontraditional security missions such as peacekeeping, humanitarian assistance and disaster relief, and anti-piracy. In order to carry out these missions, it is becoming active in dispatching its units

⁵³ For instance, China's National Defense in 2010 defines safeguarding of national maritime rights and interests as one of the major goals and tasks of China's national defense policy, and notes that China practices an administration system of sharing responsibilities between the military and the local authorities, including organs of maritime surveillance, fisheries administration, etc., in border and coastal defense.

⁵⁴ In September 2010, China unilaterally announced postponement of the negotiation to conclude an international agreement with Japan on resource development in the East China Sea. While the negotiation has not been resumed yet, it is pointed out the possibility that China has started developing the Shirakaba oil-gas field (Chunxiao in Chinese), and that it also has started production in the Kashi gas field (Tianwaitian in Chinese). In addition, it is reported that China plans to operate the "Jiaolong" to search for seabed resources in deep waters and the "Haiyangshiyou 981", an oil-drilling rig, in the South China Sea.

⁵⁵ It is reported that China is constructing a large-scale naval base that has underground tunnels for nuclear-powered submarines in the city of Sanya located in the southern tip of Hainan island. Experts point out that the base is in a strategically important location that secures access to the South China Sea, as well as the western Pacific, and that China is advancing construction work in order the base to play a role as a major hub of the South Sea Fleet, where aircraft carriers will be deployed.

⁵⁶ It is pointed out that, in recent years, China aims to limit military activities of other countries in coastal areas of China's exclusive economic zones by employing its own interpretations of the United Nations Convention on the Law of the Sea (UNCLOS). For instance, the Chinese Government announced in a statement by the Ministry of Foreign Affairs on November 26, 2010, that it is opposed to unsanctioned military activities by any country in coastal areas of China's exclusive economic zones. Also in November, China National Defense, a Chinese military official publication, after pointing out that coastal areas in the exclusive economic zones of the country were an essential part of the national sea territory under China's jurisdiction, stated that the air above such areas has a different status from the air above international waters, and, therefore, passage of aircraft of other countries over these areas should be restricted. The publication also criticized the activities of U.S. military vessels and aircraft in coastal areas of China's exclusive economic zones. It is pointed out that, behind these claims by China, there is an intention to expand "legal warfare" (see footnotes 2, 3).

overseas as well⁵⁷. It is believed that in the background of the PLA's stance on international military activities is the fact that China's national interests have expanded beyond its national borders, thereby increasing its need to protect and promote its national interests overseas, and its intent to strengthen its stature by demonstrating its will as a great power to fulfill its responsibilities to the international community.

China states that it consistently supports and actively participates in the U.N. PKO. According to China's National Defense in 2010, it has sent a total of 17,390 military personnel to the U.N. PKO. According to the United Nations, as of the end of May 2012, China had deployed a total of 1,930 personnel, police officers, and military observers to 12 U.N. PKO, including the United Nations Mission in South Sudan (UNMISS). Thus China shows a certain presence in the U.N. PKO. In the background of China's aim in its proactive attitude to the U.N. PKO is its intent to strengthen its relations with the regions where the peacekeeping operations are conducted, particularly with African nations.

Furthermore, China has also been taking part in international initiatives to deal with piracy off the coast of Somalia/Gulf of Aden. As its first mission in distant waters, the Chinese Navy has dispatched vessels to these waters since December 2008 in order to make them escort Chinese and other ships. This demonstrates that the Chinese Navy is improving its capacity to execute naval operations in more distant waters. This is also thought to be a proof that China is placing a greater emphasis on protecting its sea lanes of communication⁵⁸.

In view of the deteriorating situation in Libya, China has carried out an evacuation operation of Chinese nationals from the country from February through March 2011. In this operation, China dispatched a naval frigate and transportation aircraft of the Air Force to Libya in addition to private chartered aircraft. This is the first participation of the military in an evacuation operation of Chinese nationals living abroad, and it has been pointed out that through such activities China is trying to build a pacifist and humanitarian image of its military forces and to demonstrate, both domestically and internationally, its intent to place priority on military operations other than war, as well as its desire to prove the ability to project its military power to distant locations.

7 Education and Training

In recent years, the PLA has been conducting practical exercises including such large-scale exercises as cooperative exercises of the Army, Navy, and Air Force and landing exercises in order to modernize its operational capabilities. The whole PLA military training conference in 2006 emphasized promotion of a shift from military training under the conditions of mechanization to military training under the conditions of informatization. The new Outline of Military Training and Evaluation, in effect since 2009, highlights training for military operations other than war (MOOTW), education in knowledge and expertise required for informatization, simulated training of high-tech weapons and equipment, network training, and training in complex electromagnetic environments where electronic interference occurs, in addition to joint exercises by different services.

In the education spectrum, the PLA aims to develop military personnel versed in science and technology. In 2003, it launched a human resource strategy project to develop human resources capable of directing joint operations/informatized operations and of building informatized armed forces. The project has a goal of achieving a big leap in the development of military personnel to 2020. In recent years, the PLA appears to be increasing its wage standards. It is believed that the objective of this is to secure highly capable human resources. Moreover, in 2000, in order to recruit highly capable and highly educated people, the military started a system where it provides scholarships for civilian college students and then allows them to enter the military as commissioned officers after graduation. On the other hand, in recent years, it is pointed out that there is an issue concerning treatment of veterans.

China has been developing a mobilization system with a view to effective use of civilian resources in the case of war and other emergencies. In February 2010, China enacted the National Defense Mobilization Law, which is the basic law for wartime mobilization, and in July the same year, put the law into effect⁵⁹.

⁵⁷ China actively participates in international disaster relief activities. China's National Defense in 2010 states that the PLA has carried out 28 international humanitarian aid missions, and provided 22 disaster-stricken countries with relief materials with a total value exceeding 950 million yuan. When Haiti was struck by a major earthquake in January 2010, the China International Search and Rescue Team (CISAR), which includes military personnel such as engineers, departed for the scene on the day the earthquake struck (Beijing time). When flooding occurred in Pakistan in August the same year, China dispatched military transportation helicopters for the first time in an overseas mission.

⁵⁸ China's National Defense in 2010 notes that the Chinese Navy has developed its capabilities of conducting operations in distant waters and in countering nontraditional security threats. Chinese Navy Admiral Wu Shengli stated the following with regard to "Mission Harmony-2010," a medical service operation by the "Daishandao" hospital ship (commonly known as the "Peace Ark") of the PLA Navy from August to November in 2010: "The mission embodies the Chinese Navy's capacity to accomplish diversified military missions, and thus improves our comprehensive support abilities. At the same time, it showcases our image as a responsible major power that proactively pursues its international obligations."

⁵⁹ China's National Defense in 2010 states the following: "China pursues the principles of combining peacetime needs with wartime needs, integrating military with civilian purposes and combining military efforts with civilian support. It strengthens national defense mobilization and reserve force building, enhances national defense mobilization capabilities, and reinforces its defense strength." For example, in recent years, it took measures to position a cargo-passenger ship as means to improving transportation capacity at the time of national defense mobilization because the ship "actively represents the idea of making and developing military-civilian integration."

8 National Defense Industry Sector

While China imports highly sophisticated military equipment and parts that it cannot produce domestically from other countries such as Russia, China is believed to place emphasis on indigenous production of them. The country manufactures much of its military equipment domestically and is now actively making research and development efforts on new ones. China's national defense industry sector appears to be developing due to improvement of private industry infrastructures accompanying economic growth, use of dual technologies, and the absorption of foreign technologies, as well as its own efforts. The sector is working as a basis of the modernization of its military⁶⁰.

Growth in the Chinese defense industry was once hindered

by inefficiency caused by excessive secrecy and other factors. However, in recent years, reform of the defense industry has progressed. In particular, emphasis has been placed on two-way technological exchanges where military technologies are utilized for building national economy, and, in turn, civilian technologies are absorbed for a buildup of national defense. Specifically, the technologies of the defense industry have contributed to development of civilian space exploration, aviation industry, and shipbuilding industry.

Furthermore, China encourages and supports international cooperation and competition in dual-use industries, thus appearing to have an interest in absorbing foreign technologies through dual-use industries.

3 Relations with Other Countries

1 General Situation

In its relationships with other countries, China proactively develops military exchanges including reciprocal visits by senior military officials and joint military exercises. In recent years, China has been engaged in vigorous military exchanges not only with major powers such as the United States and Russia and with its neighboring countries including Southeast Asian countries, but also with countries in Africa and Latin American. China is believed to regard military exchanges as a strategic means to safeguard its national interests, and as such to position military exchanges as an element in China's overall diplomatic strategy¹. The objectives of China's promotion of military exchanges include alleviating concerns regarding China by strengthening its relations with other countries, creating a favorable security environment, enhancing China's influence in the international community, securing natural resources and energy, and building foreign bases.

2 Relations with Taiwan

China holds the principle that Taiwan is a part of China, and that the Taiwan issue is therefore a domestic issue. The country

maintains that the "one-China" principle is the underlying premise and foundation for discussions between China and Taiwan. China also claims that it would never abandon its efforts for peaceful unification, and expresses that it will take policies and measures to solve issues of Taiwanese people's interest and to protect their due authority, while it has repeatedly stated that it has not renounced the use of force from the standpoint of strong opposition to any intervention in the unification of China by foreign powers as well as any move toward independence of Taiwan. The Anti-Secession Law, enacted in March 2005, stipulates that China will be able to protect its national sovereignty and territories through non-peaceful means and other necessary measures in the event that Taiwanese separatist forces bring about Taiwan's separation from China under any pretext or through any means, resulting in the serious situation which may lead to Taiwan's separation from China, or which may bring about a complete elimination of the possibility of peaceful reunification (Article 8), and clearly lays out the non-renunciation of the use of military force by China.

Ma Ying-jeou, who was re-elected in the presidential election in January 2012, continues to advocate a policy of pursuing Taiwanese economic development through expanding economic exchanges with China and the status quo rather than

²-60 The U.S. Defense Department's Annual Report to Congress: Military and Security Developments Involving the People's Republic of China released in August 2011 notes about China's defense industry that the shipbuilding and defense electronics sectors have witnessed the greatest progress, coupled with technological development in the sectors of missile and space systems. In contrast, the sectors of guidance and control systems and engines and advanced applications and software have experienced slower progress, and China still heavily depends on foreign enterprises for technologies in these sectors.

³-1 China's National Defense in 2010 states that "China develops its military relations with foreign countries in a comprehensive manner, continues to strengthen its practical exchanges and cooperation with the armed forces of other countries, and strives to foster a military security environment featuring mutual trust and benefit." Major General Qian Lihua, director of the Defense Ministry's Foreign Affairs Office, stated that military diplomacy, including various forms of exchange with foreign countries, serves as a strategic means to safeguarding state sovereignty, security, and interests of development, and also performs a specific role in the fostering of a positive external environment for the development of China.

independence² in his second term. As exemplified by coming into force of the Economic Cooperation Framework Agreement (ECFA), relations between the two sides are moving forward mainly around the realm of economy³. On the security front, while President Hu Jintao made appeals for China and Taiwan to make contact and hold exchanges over military issues at an appropriate time in order to explore creation of mechanisms for building mutual trust over military security⁴, President Ma Ying-jeou has demanded withdrawal of the PLA missiles which are pointed at Taiwan. Attention will be paid to trends in the future relations between China and Taiwan including trends of political dialogues including military affairs.

3 Relations with the United States

There are various outstanding issues between the United States and China, such as human rights in China, the Taiwan issue, and trade issues. However, since a stable U.S.–China relationship is essential for China in developing its economy, it is believed that China will continue to desire to maintain its stable relation with the United States.

The United States expresses that it welcomes a China that takes on a responsible leadership role with the international community in such issues as recovery of the world economy, climate change, and proliferation of WMDs. The United States proclaims that it will monitor the Chinese military's modernization, recognizes that the two nations do not agree on every single issue, and makes it clear that the United States will be candid on human rights and other issues. It also states that disagreement between the two should not prevent cooperation on issues of mutual interest⁵.

On the Chinese side, President Hu Jintao stated that China and the United States would work together to build a positive, cooperative, and comprehensive relationship in the twenty-first century. Thus, China shows its stance of emphasizing stable development of U.S.–China relations through pragmatic

cooperation over an extensive array of fields.

Military exchanges have also developed between China and the United States. They have been conducting various policy dialogues. China has dispatched observers to U.S. military exercises, and joint drills have been conducted between the Chinese and U.S. navies on mutual port visits. A military hotline between the defense departments of the two countries was set up in April 2008. But while China wants to develop relations between the Chinese and U.S. militaries, it asserts that there are a number of issues that must be resolved in order to realize sound development in the relations. The issues include U.S. arms sales to Taiwan, activities of U.S. military vessels and aircraft within China's exclusive economic zones, legal hurdles in mutual military exchanges, and a lack of strategic trust in China on the part of the United States⁶. Some unstable facets have been observed in military exchanges of the two countries. For example, China notified suspensions of the major military exchanges with the United States when the U.S. Department of Defense notified Congress of possible arms sales to Taiwan in October 2008 and January 2010⁷. On the other hand, the United States maintains that China's military development, lack of transparency, and other issues raise questions about its future conduct and intentions. It asserts that U.S.–China relations

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- 2 Taiwan's presidential election in January 2012 was virtually a two-man race between the incumbent President Ma Ying-jeou and Tsai Ing-wen, Chairwoman of the Democratic Progressive Party (DPP), and Ma Ying-jeou was re-elected as President with 51.6% of total votes. In the legislative election on the same day, the Chinese Nationalist Party (CNP) lost seats but secured majority. Some polls concerning the election results indicate that the major reason for the President Ma's victory was people's support for his policy toward China and people's hope that he would hold stable China-Taiwan relationship, especially on the economic front. Chinese side has shown a stance to appreciate the election result as it justifies the current peaceful development policy.
 - 3 Recently, leaders of the organizations authorized to deal with cross-strait talks (the Association for Relations Across the Taiwan Straits (ARATS) on the Chinese side and the Straits Exchange Foundation (SEF) on the Taiwanese side) met for the first time in 10 years in June 2008. Direct chartered passenger weekday flights, direct maritime links, and direct mail services between China and Taiwan began in December 2008. In June 2010, the Economic Cooperation Framework Agreement (ECFA), which would be equivalent to the Free Trade Agreement (FTA) between the two sides, was concluded. It is said that Taiwan's investment in and export to China are increasing.
 - 4 Discourse at the discussion on December 31, 2008, commemorating the 30th anniversary of the announcement of Message to Compatriots in Taiwan. China's National Defense in 2010 stresses that the two sides "can hold contacts and exchanges on military issues at an appropriate time and talk about a military security mechanism of mutual trust."
 - 5 The U.S. National Security Strategy (May 2010). In addition, the Defense Strategic Guidance of January 2012 states "China's emergence as a regional power will have the potential to affect the U.S. economy and our security in a variety of ways" and "two countries have a strong stake in peace and stability in East Asia and an interest in building a cooperative bilateral relationship."

must be undergirded by a process of enhancing confidence and reducing mistrust⁶. For this reason, with regard to military exchanges, it is believed that the aim of the United States is to improve the current situation, wherein such exchanges are frequently suspended once problems arise, and to build relations that are capable of maintaining more stable channels for mutual understanding. In recent years, for instance, Strategic Security Dialogues have been established (May 2011) in U.S.–China Strategic and Economic Dialogues.

4 Relations with Russia

Since the China–Soviet confrontation ended in 1989, both countries have placed importance on their bilateral relationship. The deepening of the “strategic partnership” between China and Russia, which was established in the mid-1990s, has been emphasized. In 2001, the China–Russia Treaty of Good-Neighborliness and Friendly Cooperation⁹ were concluded. Subsequently, in 2004, the long-standing issue of border demarcation between the two countries came to a settlement. The two countries share an idea that they will promote multipolarization of the world and establishment of a new international order. In addition, economic motives including natural resource/energy supply have been driving the good relationship between them in recent years.

On the military front, since the 1990s, China has purchased modern weapons from Russia, including the Su-27 and the Su-30 fighter aircraft, Sovremenny-class destroyers, and Kilo-class submarines. Russia is currently the largest supplier of weapons

to China. However, some point out that their trade amounts have been on the decline in recent years due to the advancement of indigenous weapon production in China. It is also pointed out that Russia, which shares a land border with China, has a policy of not supplying sophisticated weapons to China that would cause a threat to Russia and that Russia has a concern about competition with China in arms exports.

China–Russia military exchanges include regular visits by high-ranking army officials and joint military exercises¹⁰. It is believed that through these exchanges the two countries can deepen mutual understanding and build confidence between their military forces and show their presence as a pole in the multipolarizing world, and China can learn operational methods of Russian weapons and military operational doctrines.

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- 6 Remarks by Vice Chairman of the Central Military Commission (CMC) Xu Caihou in a conference with then Secretary of Defense Robert Gates (October 2009). Deputy Chief of the PLA General Staff Department Ma Xiaotian stated at the 11th round of the U.S.–China Defense Consultative Talks held in December 2010 that U.S. arms sales to Taiwan, U.S. laws that impose restrictions on contacts between the military forces of the two countries, and the frequent military reconnaissance operations conducted by U.S. naval vessels and aircraft in coastal areas of China’s exclusive economic zones constituted key obstacles to developing stable military-to-military ties.
 - 7 In January 2011, then U.S. Secretary of Defense Robert Gates paid his second visit to China since November 2007 and held a talk with Chinese Defense Minister Liang Guanglie. They reached a consensus on full-fledged resumption of military exchanges between the United States and China, including reciprocal visits by high-level officials, which had been put on hold since January 2010. In May 2011, Chief of the General Staff Chen Bingde officially visited the United States. In July of the same year, then Chairman of the Joint Chiefs of Staff Mullen visited China. He met with Chief of the General Staff Chen Bingde and they confirmed that they would promote pragmatic cooperation including a joint exercise off the coast of Somalia/Gulf of Aden. China accepted the visit by U.S. Vice President Biden and a U.S. aircraft carrier paid a port call to Hong Kong in August of the same year. When U.S. Department of Defense notified Congress of possible arms sales to Taiwan in September of the same year, China strongly criticized the stance of the United States and postponed the joint exercise off the coast of Somalia/Gulf of Aden and others. However, China has still made its efforts to stabilize the China–U.S. relationship. The Importance of the relationship between the two countries including their military exchanges has been confirmed on such occasions as Chinese Vice President Xi Jinping’s visit to the U.S. and his meeting with President Obama in February 2012 and Chinese Defense Minister General Liang Guanglie’s visit to the U.S. and his meeting with Secretary of Defense Panetta in May of the same year.
 - 8 The U.S. Quadrennial Defense Review (QDR; February 2010). In addition, the Defense Strategic Guidance of January 2012 points out “the growth of China’s military power must be accompanied by greater clarity of its strategic intentions in order to avoid causing friction in the region.”
 - 9 Regarding the military field, this treaty mentions military confidence building or strengthening of mutual troop reductions in border areas, military cooperation such as military technical cooperation, and holding discussions in the event that there is awareness of any threat to peace.
 - 10 China and Russia conducted their first large-scale joint exercise in the Shandong Peninsula and other areas in China in August 2005. In August 2007, July 2009, September 2010, and June 2012, member states of the SCO conducted joint anti-terrorism exercises. In addition, Russia and China held “Naval Interaction 2012,” a large-scale joint Navy exercise, in the Yellow Sea in April 2012. The SCO aims at cooperation in such areas where the member states share their interests as maintenance of peace and stability in the region, joint actions against terrorism, politics, trade, and economy. In addition to the anti-terrorism exercise “Peace Mission,” the SCO is making efforts for stabilization of the Central Asia including Afghanistan through such decisions as approving Afghanistan to be a SCO observer country at the SCO summit meeting held in June 2012.

5 Relations with North Korea

North Korea and China have a “traditional friendship,” and North Korea seems to rely heavily on China for a great portion of food assistance and energy supply. Accordingly, China is believed to have a stronger influence on North Korea than other countries¹¹ and the international community expects that China will play an active role in resolving the nuclear issue. On the other hand, China was cautious in adopting a tougher stance against North Korea regarding the sinking of the Cheonan in March 2010 and the artillery firing at Yeonpyeong Island in November 2010. In addition, when the Chairman of the National Defense Commission Kim Jong Il died in December 2011, China expressed its deepest sympathies to North Korea while promptly declaring its support for the new regime led by Kim Jong-un. It is pointed out that such an attitude stems from its increasing concerns for possible destabilization on the Korean Peninsula, but, at the same time, is intended to secure China’s influence on the new regime.

6 Relations with the Other Countries

(1) Relations with Southeast Asian Countries

As for its relations with countries in Southeast Asia, China has been continuously developing bilateral relations with all the countries in the region through active mutual top-level visits and other means. In particular, China has had good relations with Myanmar and has assisted in developing Myanmar’s infrastructure such as pipelines for petroleum or natural gas, ports, and railroads. It also has supplied key military equipment. Some pundits point out that this close relationship is associated with Myanmar’s location which provides China the shortest access to the Indian Ocean¹².

China is also actively involved in multilateral frameworks such as ASEAN Plus One (China), ASEAN Plus Three, and the ASEAN Regional Forum (ARF)¹³. While China has been deepening its economic and cultural cooperation with ASEAN countries through diplomatic forums, more recently, it has

been proactively advancing cooperation in the area of national security¹⁴ by enhancing exchanges of military personnel such as mutual visits of their high-ranking military officers and exchanges and cooperation between military departments.

(2) Relations with Central Asian Countries

The Xinjiang Uyghur Autonomous Region, located in the western part of China, is situated next to Central Asia. It shares borders with the three countries of Kazakhstan, Kyrgyzstan, and Tajikistan, and has ethnic minorities settled in the areas straddling borders. Naturally, the region hosts lively exchanges between the people of those countries. Therefore, China is greatly concerned about the political stability and security situations in Central Asian states such as terrorism by Islamic extremists. Chinese engagement in the Shanghai Cooperation Organization (SCO), which was established in June 2001, is viewed as an indication of China’s concerns in such areas. Moreover, China is also strongly interested in the energy and natural resources of Central Asia with a view to diversification of its supply source and procurement methods of these resources and is promoting cooperation in the energy field with Central

11 In addition to chairing the Six-Party Talks that have been held in Beijing since 2003, China agreed to U.N. Security Council Resolution (UNSCR) 1718, which imposed sanctions on North Korea when North Korea announced the nuclear tests in 2006, UNSCR 1874, which settled additional measures against North Korea in response to the country’s second nuclear test announcement in May 2009, and other resolutions. On the other hand, North Korea seems to emphasize negotiations with the United States over the nuclear issue, and it is believed that China, which is apprehensive that destabilization of situations in its surrounding countries would lead to repercussions within China, hesitates to employ firm measures. Therefore, there is a view that China’s influence on North Korea is limited.

12 Some see that Myanmar is breaking dependence on China in its diplomacy.

13 China held the ASEAN-China Summit for the first time in 1997.

14 Recent military exchanges between China and Southeast Asian countries include the China-Singapore joint army counter-terrorism exercises in June 2009 and November 2010, the China-Thailand joint army counter-terrorism exercises in July 2007, September 2008, and October 2010, China-Vietnam naval joint patrols in the Gulf of Tonkin held every year since 2006, and “Blue Assault 2010”, a joint exercise conducted by Chinese Marine Corps and Thai Navy’s special forces from October to November of 2010. In 2007, China provided Cambodia with patrol ships and other equipment as an assistance package. It is also reported that China signed a purchase agreement with Timor-Leste in 2008 to sell two patrol ships. With regard to relations with Indonesia, Ma Xiaotian, Deputy Head of the PLA General Staff Department, visited the country in March 2011 in order to meet Defense Minister Purnomo and signed a memorandum of understanding on military technology cooperation including the joint production of Chinese anti-ship missiles. In June the same year, the two armies conducted their first joint counter-terrorism exercise “Sharp Knife 2011.” In addition, Thai military delegation led by its Defense Minister visited China in April 2012 and agreed on joint development of a new multiple rocket system.

Asian countries, such as the construction of oil and natural gas pipelines between China and Central Asian nations.

(3) Relations with South Asian Countries

While China has been at odds with India due to such issues as border conflicts, it has traditionally maintained an extremely close relationship with Pakistan, which has been at odds with India as well. It is believed that, as illustrated by the joint development of the JF-17 fighter, their cooperation in the military sector including exporting weapons¹⁵ and military technology transfer is also advancing. On the other hand, in recent years, China has been committed to improving its relationship with India while also paying consideration to maintaining balance with Pakistan. Actively conducting mutual visits by top leaders with India, China states that its relations with India are strategic and that the issue of border demarcation between the two countries, which once culminated in military clashes, is progressing. It is believed that the development of relations with India can be attributed to their intent to place importance on economic growth as well as their responses to progressing U.S.–India relations.

Regarding military exchanges, China has conducted a variety of joint exercises with Pakistan and India since 2003 including joint naval search and rescue exercises¹⁶.

(4) Relations with EU Countries

Trade between China and European Union (EU) countries has grown remarkably in recent years. For China, the EU is now as important a partner as Japan and the United States, especially in the economic field. China, at diplomatic opportunities, strongly requests EU countries to lift their arms embargoes against China which have been imposed since the Tiananmen Square incident in 1989¹⁷.

Regarding information technology, avionics, and air-independent propulsion systems for submarines and other areas, EU member countries possess more advanced technologies than those of China or Russia, which exports weapons to China. Therefore, if the EU arms embargo on China were lifted, it is possible that the weapons and military technologies

of EU countries would transfer to China, and that they would be utilized as a bargaining chip to gain the edge in weapons transactions with Russia. For this reason, Japan has expressed to the EU its objection to lift of the arms embargo on China. However, because the EU is asking China for financial support to handle government debt crisis in Europe, some see that China may accelerate its move to call for lift of the arms embargo on this occasion. It is necessary to pay continuous attention to future discussions within the EU.

(5) Relations with Middle Eastern Countries, African Countries, Pacific Islands, and Central and South American Countries

China has been enhancing its relations with Middle-Eastern and African nations with a focus on its economic relations by actively assisting in their infrastructure development and investing in their resource and energy development and has been further expanding its influence in the region. In recent years, not only interactions among top levels of states and high-ranking military officials but also arms exports and exchanges between military forces¹⁸ are actively conducted. Behind these moves, some see China's intention to ensure stable supply of energy and natural resource and also to secure its overseas bases in the future.

China's relations with the Pacific islands are also on the rise. It has been implementing the development of oil, natural gas, and cobalt mines in Papua New Guinea and has signed an agreement on military cooperation with the country. Vigorous and continual economic assistance has also been implemented towards other islands. Furthermore, China tries to engage in military exchanges with Fiji and Tonga.

Chinese military officials visit countries including Argentina and Brazil on a regular basis to enhance its relations with Central and South American countries. China has reportedly been working on improvement of its relations with these countries through such events as the medical services missions¹⁹ by a hospital ship of the Chinese Navy.

15 "Yearbook 2011" of the Stockholm International Peace Research Institute (SIPRI) points out that Pakistan accounts for about 53% of the total Chinese export value of weapons from 2006 to 2010, becoming the largest importer of Chinese weapons.

16 In December 2007, China and India conducted a joint anti-terrorism exercise "Hand-in-Hand 2007" for the first time since their border conflict in 1962. In September 2011, they held the first cabinet-level strategic dialogue. Meanwhile, in March 2011, the Air Forces of China and Pakistan conducted a joint exercise "Shaheen-1." In November of the same year, special operation forces of the two countries participated in "Friendship 2011," an anti-terrorism joint exercise. Furthermore, it was reported that Pakistan's Defense Minister Mukhtar asked China for construction of a naval base at the Gwardar port in Pakistan in May of the same year.

17 For example, in November 2010 Chinese President Hu Jintao visited France, where China and France announced a joint statement including the support for lift of the arms embargoes against China. Several EU countries appear to be positive about it.

18 For example, China conducted its first joint air drills with Turkey from September to October in 2010. As to its relationships with African countries, a hospital ship of Chinese Navy reportedly visited Djibouti, Seychelles and other places to provide medical services in 2010. Defense Minister Liang Guanglie visited Seychelles in 2011. It appears that they will cooperate in Seychelles' replenishment to Chinese naval vessels and its use of ports.

19 For activities of the hospital ship of Chinese Navy, see footnotes 2-33 and 2-58. In addition, China conducted "Peace Angel 2010", the first joint medical rescue exercise with Peru in November 2010.

7 International Transfer of Weapons

China has provided developing countries in Asia, Africa, and other areas with weapons such as small arms, tanks, and aircraft. It is reported that the main recipients are Pakistan, Iran, and Bangladesh, while weapons are also being exported to African countries such as Namibia, Egypt, Algeria, and Sudan as well as Central and South American countries including Venezuela and Peru. Some experts claim that China transfers weapons in order

to strengthen its strategic relationships with the allies, enhance its influence in the international community, and secure energy and natural resources. It is pointed out that China is supplying weapons to countries that have problems in terms of democracy and human rights, and attention is paid as to whether China will improve transparency of international weapons transfer in response to the concerns of the international community.

4 Military Capabilities of Taiwan

Taiwan, under the guidance of building the “hard rock” defense advocated by President Ma Jeou Ying, identifies prevention of war, homeland defense, response to contingencies, deterrence of conflict, and regional stability as the strategic objectives, and takes the military strategy of “resolute defense and credible deterrence.”

Taiwan, for improved expertise of its military personnel and other purposes, aims to transform its armed forces currently consisting of drafted personnel and volunteers into all-volunteer forces, while reducing the total forces from 275,000 to 215,000 personnel by the end of 2014. At the same time, the Taiwanese armed forces attribute importance to introduction of advanced technologies and improvement of joint operational capabilities. Additionally, in light of the serious damage that occurred from the typhoon in August 2009, the Taiwanese armed forces identified disaster prevention and relief as one of their major missions¹.

Taiwan sets out the policy that the defense budget will not go below 3% of its GDP in principle².

With regard to Taiwan’s military power at present, ground forces include 41 Army brigades and three Navy Marine Corps brigades with a total of approximately 215,000 personnel. In addition, it is believed that the total of approximately 1.65 million reserve personnel of air, naval, and ground forces would be available in case of war. Regarding naval capabilities, in addition to Kidd-class destroyers which were imported from the United States, Taiwan possesses relatively modern frigates and other vessels. Regarding air capabilities, Taiwan possesses F-16 A/B fighters, Mirage 2000 fighters, Jing Guo fighters, etc.

In view of the fact that the PLA is enhancing its missile, naval, and air forces, the Taiwanese military believes it still needs to modernize its equipment. The U.S. Department of

Defense has notified Congress of possible arms sales to Taiwan based on the Taiwan Relations Act³, but Taiwan also wishes to purchase the F-16C/D fighter aircraft and other arms from the United States. The issue is to be observed.

Taiwan is also promoting the independent development of military equipment. The Tien Kung II surface-to-air missiles and Hsiung Feng II anti-ship missiles are deployed and it is believed that the Hsiung Feng IIE cruise missiles are being developed in order to acquire long-range attack capabilities, while the Tien Kung III surface-to-air missiles are being developed in order to ensure the capabilities to deal with ballistic missiles.

The military capabilities of China and Taiwan are generally characterized as follows:

- 1) Regarding ground forces, China possesses an overwhelming number of troops; however, their capability of landing on and invading the island of Taiwan is limited. Nevertheless, China is making efforts to improve its landing and invasion capabilities in recent years, such as building large landing ships.
- 2) Regarding naval and air forces, China, which overwhelms Taiwan in terms of quantity, has also been steadily modernizing its naval and air forces in recent years in terms of quality, where Taiwan had superiority over China.
- 3) Regarding missile attack capabilities, China possesses numerous short-range ballistic missiles with a range that covers Taiwan, and Taiwan seems to have few effective countermeasures.

In addition to sizes of forces and performance and quantity of military equipment, a comparison of military capabilities should take into account various factors such as objectives and characteristics of envisioned military operations, operational posture, proficiency in military personnel, and logistics.

¹ Taiwanese National Defense Report 2011(July 2011).

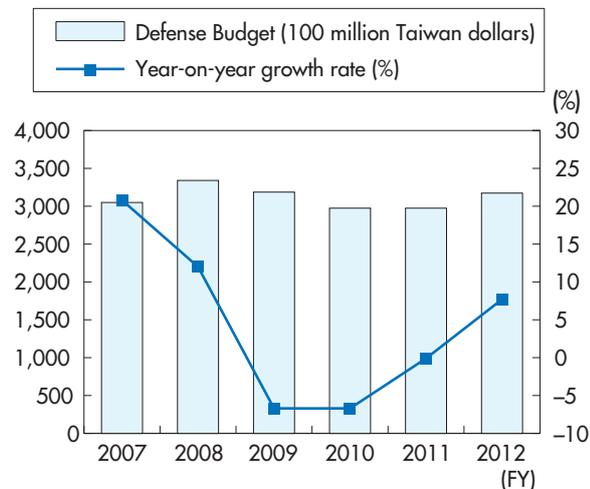
² According to Taiwanese National Defense Report 2008 (May 2008), the ratio of the defense budget to its GDP reached 3% in FY2008, but whether the ratio has remained since 2009 is not clear.

³ Recently, the Department of Defense notified Congress of the possible sales of Patriot PAC-3 surface-to-air missiles and AH-64D attack helicopters in October 2008, possible sales of PAC-3 missiles, UH-60 helicopters, Osprey-class mine hunters, and others in January 2010, and possible arms sales including equipment necessary to upgrade F-16A/B fighter aircraft in September 2011.

Nevertheless, as China is rapidly modernizing its military power, the overall military balance between China and Taiwan is shifting in favor of China⁴. Attention should be paid to the modernization of both the Chinese and Taiwanese military capabilities and U.S. weapon sales to Taiwan.

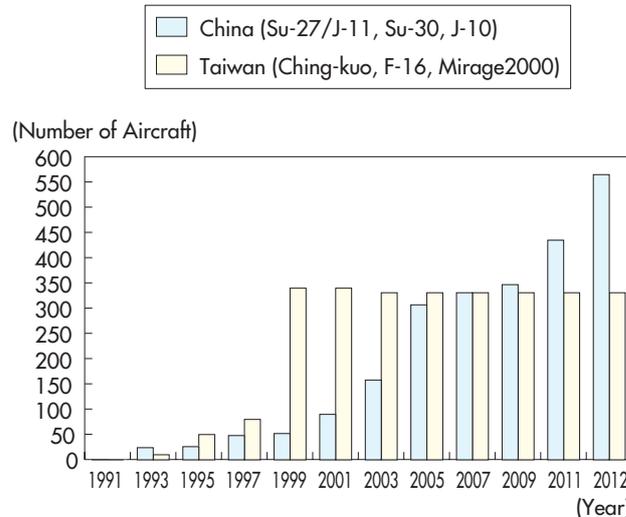
(See Figs. I-1-3-5, 6)

Fig. I-1-3-5 Changes in Taiwan's Defense Budget



Source: National Defense Reports of the Ministry of Defense of Taiwan, etc.

Fig. I-1-3-6 Changes in Modern Fighter Aircraft of China and Taiwan



Source: Military Balance (of respective year).

⁴ Taiwanese National Defense Report 2011, after recognizing that the possibility of military conflict between China and Taiwan has decreased after cross-strait relations relaxed, makes an assessment on cross-strait military situations in the following ways: "The PRC's objective to unify Taiwan has not changed. As the military strength of the two sides of the Taiwan Strait becomes even more imbalanced, we are bound face growingly severe military threats."