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PRESENT MEETS FUTURE: EVOLVING DEFENSE PARADIGMS

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PARTICIPANTS:

PANEL 2: PUSHING BOUNDARIES -- ENGAGING CHINA OUTSIDE OF ASIA:

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**Panelists:**

LIEUTENANT COMMANDER AUDRY OXLEY (USN)  
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"Dragon Training: Collaboration Between the USN  
and PLA(N) in the Western Hemisphere"

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PROCEEDINGS

MR. LIEBERTHAL: Can we begin please? One of the major developments in the international system, especially over the past decade, and especially since the global financial crisis unfolded in late 2008, is the movement of China to top table in the global economy. Now the second ranked GDP in the world with investments and trade around the world.

We are seeing now the manifestations of China's decision in the 1990's to engage in annual double digit increases in its real defense expenditures. And its diplomacy has also become not only regional, but global. So the issue of how to both adapt to and shape China's initiatives around the world is now front and center for the United States as we move forward in the defense arena in our financial and economic policies and in our diplomacy.

I'm delighted today to have a panel that really focuses on the security side of this very large issue. And we're going to focus on the security side, not in Asia, but rather in the Middle East and Latin America, recognizing that China's reach is substantial and that we need to think in broader terms about the overall mix of initiatives we'll take to shape the future here.

We have two terrific fellows to speak to this issue. First, I want to introduce them in order of rank, but then they will speak in order of gender. I am from the older generation that says ladies first, so we'll proceed that way. But first by way of introduction, Lieutenant Colonel Eduardo Abisellan who is with the U.S. Marine Corps.

He graduated from The Military College of South Carolina, The Citadel in 1990 with a Bachelor of Arts degree in Political Science which was what my own degree was in. So I think he's a terrific guy. He's also a graduate of the U.S. Army Field Artillery Officer basic and advanced courses, which I did not graduate from, The Naval Command and Staff College in Newport and the Joint Forces Staff College in Norfolk.

He has a Master's degree in National Security and Strategic Studies also from the Naval War College. He served in the Marine Corps for over 20 years now as an artillery officer, has a vast array of operational experience from the Pacific region to the Arabian Peninsula and Afghanistan. I won't go through his various assignments, but that is the broad background he brings to this discussion, and he'll be talking about a Middle East dimension to dealing with China.

And then Lieutenant Commander Audry Oxley, U.S. Navy. She attended Tulane

University where she completed also, a Master of Arts and Political Science, and with a concentration in International Relations. She also holds a Master's degree from Louisiana State University in Public Administration.

In March of '02 she reported to the Aegis cruiser USS Yorktown as a first lieutenant. She's been assigned to command the Destroyer Squadron Six in October 2003 where she served as training officer and future operations officer. I mention that because while there and very pertinent to our presentation today, she participated in the planning of Panamax.

Panamax is a layered defense exercise, multilateral design to increase multinational operability and protection of the Panama Canal, and several other joint exercises. By the way, I should have mentioned for those who don't know, I'm Kenneth Lieberthal. I'm director of the John L. Thornton China Center at the Brookings Institution, which is why I do not have a background in the Marine Corps and artillery.

Having introduced our two speakers, let me ask Audry Oxley to begin, and then directly afterward Eduardo will pick up and then we'll open this for discussion. Audry, please?

LIEUTENANT COMMANDER OXLEY: Good morning. Thanks to all of you for coming out to spend a few moments of your day listening to the research military and federal fellows have been conducting at Brookings this past fall and spring. During my fellowship at Brookings, I've chosen to research the topic of peaceful military engagement with China. Specifically the Chinese Navy, the PLAN. Today I'd like to explore an initiative to begin that collaboration not in the Eastern Pacific where tensions are high and rising, but here in the Western Hemisphere.

In the Americas, there are also stresses and imbalances that could be addressed by interaction between the military services of Latin America, the United States, and China. Any effort that leads to greater predictability, transparency, and even reciprocity between services would mitigate the dangers inherent in miscalculation or miscommunication.

Successful cooperative efforts with the PLAN in the Americas could lead to other avenues for greater regional and global security and save the Gulf of Aden or off the Horn of Africa. At a meeting between U.S. Ambassador to China, Gary Locke and Chinese Defense Minister, Liang Guanglie in February of this year, Liang indicated that China is ready to renew its efforts to advance bilateral military to military ties which are currently under suspension with the U.S.

He said that the development of smooth military ties between China and the U.S. is of great significance to improve strategic mutual trust, safeguard shared security interests, manage and control crisis, and prevent risks between the two countries. Ambassador Locke responded that the world has come to rely on the leadership of both China and the U.S. to respond to natural disasters, terrorist activities, piracy, and other matters.

He added that improved communications and exchanges between the two nations would help to avoid misunderstandings and miscalculations. Clearly at the highest political levels of both countries, there is both a recognition of the benefits of military cooperation and a desire to pursue such an engagement. I realize that's a lot of ground to cover in just a few minutes, so I'm going to very briefly address a few areas of my research.

The rise of China globally and its influence in Latin America, the rise of anti-American populism in Latin America, and risks it poses to traditional U.S. military engagement within the hemisphere, how an invitation to China to engage in the maritime exercise Panamax could offer policy makers both diplomatic and military options that would lead to the kind of trust and transparency that are the components of durable relationships.

And finally, I will briefly touch on implementation and phasing of this plan, the rise of China globally, and its influence in Latin America. Over the past two decades, the industrialization of China has reordered the allocation of capital and resources across the globe. Factor in an urbanization rate that this year only passed 50 percent, a burgeoning middle class, and China's requirement for resources becomes obvious.

To fully grasp the magnitude of China's global economic expansion, we need only consider the South African futurist Clem Sunter's comparison. In the 19th century, England put its population of 30 million through an industrial revolution by drawing resources from its global network of colonies.

In the 20th century, the U.S. put 130 million people through an industrial revolution by utilizing its own natural resources. Today, China's putting 1.3 billion people through an industrial revolution and it has neither colonies nor natural resources other than coal. It's almost impossible to overstate the rise of Chinese economic power and influence in Latin America.

Travelers to any country in Latin America see the hand of China wherever they look.

Computer manufacturing in Mexico, mining interests throughout the Andes from Columbia to Chile, petroleum exploration and production from Argentina to the Caribbean, Chinese internet backbone, cell phone, and satellite systems everywhere.

As China became the world's number one exporter, Chinese vehicles, clothing, and electronics became ubiquitous in marketplaces throughout Latin America. Economists predict that by 2015, China will replace the European Union as Latin America's number two trading partner. China has also begun to merge militarily in the region obviate slowly and cautiously.

In terms of arms sales, China has sold hardware or donated non-lethal equipment to Argentina, Bolivia, Ecuador, Venezuela, Columbia, Paraguay, and Peru. In 2010, Peru and China conducted a bilateral humanitarian exercise, the first such bilateral exercise conducted between China and a Latin America country. It included the gift of a \$300 million field hospital.

And in November of 2011, the Peruvian and Chinese government signed formal accords for arms and training, while Brazil and China have also signed agreements vowing to strengthen and deepen military ties. The Peace Ark, China's hospital ship, made its first humanitarian voyage into the Caribbean last year. Perhaps a strategic decision, perhaps not.

Nonetheless, the Chinese have yet again proven a logistically capable of expanding beyond the Pacific and Indian Ocean. Even the most moderate Latin countries, Columbia, Chile, Peru, and Uruguay have sent students to China's defense studies institutes, the Army Command College, the Navy Command School, the Naval Research Institute.

Although it should be noted that these numbers are significantly smaller than the over 5,000 Latin Americans that participate in American defense colleges, it becomes clear that Latin America is open to alternatives to traditional Pan-American solidarity in the hemisphere. Meanwhile, a new leftist populous coalition has emerged under the leadership of Venezuela's Hugo Chavez, that seeks to undermine every effort of the U.S. in the region.

Chavez and his allies in Ecuador, Bolivia, Nicaragua, and Cuba continue their efforts to put Latin America onto a different path through the creation of CELAC, The Community of Latin American and Caribbean States, just last December. Among these new leftists, reconciliation of differences with the U.S. through greater regional integration and political cooperation is no longer the preferred course of action.

Compound this with China's economic and albeit limited military expansion into the region, and we must find a new way for the U.S. to remain relevant. On the other side of the globe in the Eastern Pacific, similar stresses and imbalances are building. China's claim to the natural resources of the South China Sea and the reaction of other nations of the region, almost certainly played a role in America's realignment of forces into the region known as The Strategic Pivot.

Incidents involving Japanese and even Vietnamese vessels have created a caldron in which any miscalculation could result in conflict in the region. The question the policy makers must ask themselves is whether exploratory U.S. signs of collaboration in the Americas could produce, if not a relationship, then at least a dialog that would open windows that would illuminate the path to regional and global security.

How an invitation to China to engage in this hemisphere could offer policy makers both diplomatic and military options that would lead to the kind of trust and transparency that are components of a durable relationship. Together, the U.S. Southern Command and the U.S. Navy have the ability to offer policy makers a unique opportunity to address both challenges.

I'm proposing a China-U.S. mil to mil engagement in the Western Hemisphere at the maritime exercise Panamax. For those of you unfamiliar with Panamax, it's a multinational exercise designed to protect the approaches to the Panama Canal. Approximately 17 nations and 3,500 personnel participate in this exercise.

The following considerations must be evaluated in order to begin planning for eventual cooperation with the PLAN. Current statutory and regulatory prohibitions on the military engagement between the U.S. and China must be followed, the expectations of all parties and goals and benefits of contact and collaboration identified. The purpose of engagement is to meet head on the future challenge of China's growing presence in this hemisphere.

Clearly, both economic and military ties between China and Latin America will continue to develop. Bilateral memorandums of understanding will continue to be signed between China and Latin American nations. Arms deals will be made, followed by training missions. Will the U.S. be a spectator to these developments, or a participant?

And what happens if things go wrong? Say China feels the need to introduce military forces in to protect an asset, or rescue a group of its own citizens as happened recently in Libya. Isn't it

better to begin that dialog now, to establish operating norms in an environment that promotes a global good such as the defense of the canal, than wake up in 10 years and realize that military to military relationships between the Chinese and Latin American nations have been built without us?

I don't believe the Pacific is the appropriate venue to re-establish maritime engagement. The area is simply too tense and unforgiving to missteps and miscommunications, nor has it been particularly fruitful in fostering reciprocity in the past. I'm sure at this point most of you are asking yourself, what in the world is there to gain by this type of engagement?

Well for starters, the waters off of the Panama Canal offer a softer environment for establishing rules and norms of engagement. This environment might allow the U.S. and China to engage in a way that would build transferable skills, trust, and transparency across component commands.

The military to military relationship between China and the U.S. lags far behind economic and diplomatic dialogue. The skills developed through interaction here would certainly be transferable to the Pacific where tensions and flashpoints are the greatest.

During my investigation into this proposal with Latin American military personnel, the majority were supportive of this approach. Latins feel that their involvement in advance at this level elevates their contribution to the global affairs.

It offers the place at the table they have long felt was denied to them. How better for the U.S. to address their longstanding feelings of American hegemony over Latin America? It supports our current foreign and economic policy towards Latin America, which encourages open global trade.

A willingness of the U.S. to engage with China in this hemisphere would also seem to allocate the U.S. a few bargaining chips in Asia where the Chinese complain bitterly about U.S. hegemony and encirclement, two allegations China has recently levied against the strategic guidance issued in January. The planning and phasing of this operation would start with the phase zero, which requires diplomatic buy-in. China's obstacles to resuming full military to military engagements which are continued U.S. arms sales to Taiwan, reconnaissance of the Chinese mainland, received U.S. interference in territorial sovereignty issues, and military reporting requirements that are levied only at the Chinese must be addressed.

Phase one would include observer status, which would allow time to address practical

problems such as language, enforce the acceptance of international norms, rules, exercise safety procedures, and address issues such as access to publications and other materials, just to name a few.

Phase two would be the final phase. It would require full participation, planning, staffing, logistics, the whole kitten caboodle required for execution of an exercise. In closing I'd like to acknowledge that this process will take time. Years in fact. And I have no grand illusions that it will be accepted overnight, nor implemented quickly, if at all.

MR. LIEBERTHAL: Thank you very much. Colonel?

LIEUTENANT COLONEL ABISELLAN: Good morning. Thank you, Ken, for the introduction and for Brookings for establishing this venue for military fellows. I have to say that at this hour, I'm the only thing keeping you from a delicious box lunch. So I'll be brief. I may not be brilliant, but I'll certainly be gone. My area of research originally started with exploring the recent pivot of U.S. policy and strategy towards Asia-Pacific and what that could mean for U.S. military.

However, the more I explored the possible reactions to the pivot, my research and intuition led me back -- actually, pulled me back to the Middle East. The region's vast energy wealth is both a global center of gravity, and a critical vulnerability of Asia-Pacific to include China's. As the U.S. pivots to Asia-Pacific, it will find that the Gulf States and China have already pivoted towards each other.

Moreover in the Middle East, China through its energy strategy, one that is heavily based on trade and infrastructure investment has already achieved influence parity with the U.S. and has become the best next alternative to the U.S. in the region.

In the Middle East, China could further leverage its influence into an effective anti-access and area denial strategy through other means, and from this point forward, I'll just say A2AD. Those means are soft power investment, String of Pearl Strategy, and by leveraging rogue states. I'll cover these three points briefly and then wrap up with a recommended way ahead.

Point number one, soft power investment. China energy needs engender relations with the Gulf States. In the Middle East, China might be able to achieve its goals more subtly through the indirect approach, than in Asia Pacific. And in military terms, it's to attack when an attack is not expected. A flank instead of an opponent's main lines or at the operational and strategic level, a different theater of war.

The attack, metaphorically speaking, is to erode U.S. influence through soft power in



order to offset a lack of hard power capability to achieve the same objective. The U.S. Energy Information Administration expects China to import about 72 percent of its crude oil by 2035. China out of necessity has developed closer ties with the Persian Gulf states in order to satisfy its voracious energy appetite.

In 2010, China imported nearly 4.8 million barrels per day of crude oil of which over 2.2 million, 47 percent came from the Middle East. China purchases oil from all parties regardless of political affiliation. Its primary concern has been and remains to fuel its growing economy, and ensure sufficient markets are available to sustain future energy demands, and economic growth.

The Chinese do not challenge the ruined status quo on issues such as democracy or human rights. It is both a friend and an ally to competing nations in the region. The Gulf monarchs on one side of the Gulf, and Iran on the other. China is in essence playing both sides of the field in order to maximize and diversify its energy security position. As a result, it is becoming more and more embroiled in the regions politics.

The Chinese through trade, investment, and non-intrusive policies stand to be a better friend, ally, and benefactor than the U.S., at least under the current governmental structures in the region. However, if an Arab spring-like movement should take root within the Gulf States, Chinese support of authority and regimes and monarchies could become a serious liability.

Both the U.S. and China walk a fine line between friendship with the established ruling class, and the population represented by its authoritarian rulers. China leans towards authoritarian regimes without upsetting the status quo. The U.S. engages non-democratic regimes with an eye towards reform and promoting democracy.

The challenge herein is in maintaining equilibrium between U.S. interests and democratic ideology with that of the less intrusive Chinese view of the world. As China strengthens its economic ties to the region in order to safeguard its oil supplies, it must also concurrently build military capacity to do the same.

Possessing a strong military capability is important, but it does not guarantee success in achieving one's goals. National interests are often best served by complementary multidimensional strategies that incorporate all elements of national power. And this leads me to my second point, China's use of regional allies in the String of Pearls. As China strengthens its economic ties to the

region in order to safeguard its oil supplies, they must also concurrently build military capacity to do the same. The U.S. Department of Defense and other observers believe that the near-term focus of China's military modernization effort -- including its naval modernization effort -- has been to develop military options for addressing the situation with Taiwan.

Other goals are asserting or defending territorial claims in the South China Sea, enforcing China's view that it has legal right to regulate foreign military activities in its 200 mile maritime exclusive economic zone, protecting China sea lines of communications including those running through the Indian ocean to the Persian Gulf, displacing U.S. influence in the Pacific, and lastly, asserting China's status as a major world power.

The logical progression of a continental power rising is contingent on its ability to project military power beyond its shores. China's naval buildup thus far, has been primarily focused on its ability to project power in the near seas and support a conflict over Taiwan. However, it will take decades more for China to build a Blue-water naval capability that can sortie and sustain itself beyond the near seas, and enforce the Chinese communists' party's will.

In the interim, China can through carefully crafted alliances, achieve a measure of localized maritime superiority by establishing land bases along the littoral and in close proximity to its sea lines of communications. It can then employ its state of the art A2AD battle network to constrain the U.S. military's ability to maneuver in the air, sea, undersea, space, and cyber space operating domains.

Advanced A2AD capabilities may enable China to achieve dominance in the straits of Taiwan, pursue and gain localized superiority in the South China Sea, Indian Ocean, and eventually project power by allegedly following the so called String of Pearl Strategy. Building close ties along the sea lanes from the Middle East to the South China Sea in order to protect China's energy interest and sea lanes.

In the near-term, China could exploit the deteriorating diplomatic relationship between the U.S. and Pakistan to strengthen its position and possibly set the conditions for its first Ford Garrison in the so called String of Pearls. The Chinese have invested heavily in the Pakistani port of Gwadar, a Blue-water port on the Pakistani-Balochistan province with access to the Arabian Sea and Indian Ocean.

And within close proximity to the strategic choke point of the Straits of Hormuz. The port of Gwadar could easily serve as a Ford Naval base in which to station ships, submarines, maritime

interdiction and surveillance aircraft, anti-ship ballistic missiles, and a host of other military capabilities.

This would give the Chinese a strategic location from which to eventually sortie naval assets from with the support of land-based aircraft. The military applications of the Port of Gwadar can serve multiple strategic roles. For Pakistan, it can provide a means to strengthen its position against India, alleviating the potential for disruption of commerce and or naval activity from the Port of Karachi in the event of conflict.

China on the other hand, would have a means to monitor and track Gulf shipping if it doesn't already, and theoretically, allow it to link its A2AD capability to that of Iran's already formidable Chinese based A2AD defenses. This could in theory, geographically extend China's A2AD network and alleviate Chinese concerns over a critical portion of its sea lines of communications from the Middle East.

Iran's continued pursuit of nuclear weapons and strong anti-access air denial capabilities present China the fulcrum from which to further leverage U.S. concessions in the Middle East albeit and directly.

And this leads me to my final point, leveraging rogue states. Chinese mistrust of U.S. intentions in the Middle East and the broader Asia-Pacific region may lead it to continue to deal with rogue states as a means to counter U.S. influence and regional hegemony. China's continued support of Iran is already counter to U.S. and regional interest, yet it affords China significant leverage in negotiating with the U.S.

In conjunction with China's strong economic efforts in Iran, Chinese military ties and weapons sales may also serve a means to geographically extend China's A2AD battle network in the region by proxy. Iran's anti-ship cruise missiles arsenal consists of a wide array of missiles, many of which were imported from China or derived from Chinese missiles.

China, in a time of conflict over Taiwan, could leverage Iran's A2AD capabilities to mitigate U.S. Naval supremacy and ability to deny China any or all sea-borne imports. Oil would probably be a prime U.S. target. Therefore, China's ability to extend its A2AD network by proxy could help it to mitigate a critical vulnerability. It's ability to protect its sea lines of communications and oil supplies from the Middle East.

In this manner, China may be able to effectively protect the segment from the Gulf through the Straits of Hormuz and Arabian Sea, to the Port of Gwadar in Pakistan. From Pakistan,

overland routes could be secured to enable the flow of oil for military and economic necessities.

In conclusion, as China's military modernization efforts continue, it must in the interim and out of self-reliance, find ways to offset its lack of force projection capabilities to protect its energy sources and sea lines of communications.

As illustrated through soft power, the use of regional partners such as Pakistan and rogue states, Iran, China could limit U.S. influence, gain concessions, and achieve future positional advantage in the region. If not careful, the U.S. might find itself increasingly hindered from within the Gulf.

Therefore, the U.S. should maintain a military advantage and position of strength in the Persian Gulf region despite 10 years of conflict and war. Moreover, the U.S. should develop, test, and implement operational concepts to confront the grown A2AD threat and thus mitigate the potential for China to extend its anti-access network by proxy in the Middle East.

As the U.S. shifts to the Asia-Pacific region, it should do so from a position of strength and that strength is already resident in the Persian Gulf region. Thank you for your time and for your attention.

MR. LIEBERTHAL: Thank you very much for two very interesting presentations. Let me make, if I can, a broad comment, invite either or both of our speakers to respond to that if they wish, and then open it up for a Q & A from the audience. The broad comment is as follows: as you look at U.S.-China relations, two things are quite clear I believe.

One is that our relationship is wide range and mature and quite capable of dealing with the problems that we encounter day to day, month to month, and even year to year. We have a lot of experience in dealing with Taiwan, with North Korea, with you name it.

And our folks on both sides of the table know each other, we know the issues, we know the red lines, and we are quite effective at preventing tensions in any one area from lapping over to the rest of the relationship and making the entire relationship too difficult to manage. So in the short-term, if you will, we're pretty good.

At the same time, as we have flushed out this capability on both sides, distrust about long-term intentions toward each other has grown, and that distrust is very corrosive. The Chinese on the whole are quite convinced as a first principle that the U.S. is number one, who will do everything it can to

slow down or disrupt China's rise so that China will not displace us as -- so number two will not become number one. All right.

And once they apply that framework -- that analytical framework, almost anything we do can be interpreted as contributing to that pernicious goal. Even things that you can point to that seem to be obviously designed to enhance China's role in the international arena in a constructive fashion, you know.

And they're interpreted as, well, that just shows how tricky the U.S. is in concealing its ultimate objective which -- once you get into a conspiracy theory like that it's very hard to find any evidence that can't be explained away. And that of course produces Chinese thinking that is quite defensive. How do we prevent the U.S. from doing us the kind of harm that we know they seek to do over the long run? All right.

And the U.S. seeing that kind of thinking on the Chinese side has a tendency to say, well gee, if they're making that assumption about us, they must be planning to reduce our capabilities. That's the logical consequence, and therefore we better toughen our stance toward them, right? And you get into a self-fulfilling prophecy that's very difficult to break out of.

I raise that because we've got two very different approaches represented in the two panelists that I think reflect differences in the broad strategic immunity in the United States. On the one hand, Commander Oxley premised her approach on, how do we begin to build greater strategic trust between the U.S. and China? In other words, to her, I hope I'm not misinterpreting you, the future is contingent. It can be changed, it can be shaped.

And there is an opportunity here if we do it right, and she has a very creative approach to doing that, but if we do it right, to end up with a normal, big power relationship between the U.S. and China. We're never going to love each other, especially as long as they have the kind of authoritarian political system they have.

But we can get along together, cooperate where we can, try to limit conflict where we can't cooperate, and avoid major cost to both sides as we move forward. I think Colonel Abisellan's presentation makes a different assumption. The assumption is the Chinese are out to get us wherever they can. It is driven by the logic of their dependence on resources to continue their development, and to maintain their security.

That dependence inevitably will produce political and military consequences that inevitably are highly adverse to U.S. interest and so we better get in now or since we're already there, we better take measures anticipating that inevitable Chinese future so that we can stop them.

And of course the result of that will be quite legitimate confirmation of the distrust that each side has towards the other, right? I mean the distrust is warranted. It will produce a very costly future for each side. But if the assumption is correct, those costs are necessary and appropriate, right?

So that to me is the underlying issue I'd say. I mean your two presentations as I heard them really, maybe even inadvertently highlighted beautifully the, probably biggest single strategic issue the United States faces in trying to figure out how we deal with China going forward. Let me stop there. Do either of you want to comment on that, or do you want to -- please?

LIEUTENANT COMMANDER OXLEY: I'd just like to say, I think you're absolutely right, Ken.

MR. LIEBERTHAL: Okay, you can stop right there. Thank you very much.

LIEUTENANT COMMANDER OXLEY: That's -- you know what? The difference between the presentation that Ed and I just gave really, I think, comes down to a lack of transparency that we just don't know what the future with China holds. A public statement given by them versus a military action given in the South China Sea don't necessarily -- one doesn't necessarily lead to an expectation of what you said isn't what you did.

So you're right, I'm the eternal optimist. I think that this really -- we can shape the future. I think attacking mistrust, miscommunication through engagement, bringing a human element into it shapes that relationship to go forward. So I'll just -- I'll leave it at that.

MR. LIEBERTHAL: Good, thank you. Ed, do you want to --

LIEUTENANT COLONEL ABISELLAN: Thanks, Ken. It is two very different approaches and I do believe that due to China's lack of transparency, that we have a concern and it's an unsettling concern. However, I also don't think that cooperation is something that on the mil to mil side is something that China wants to do.

When we -- when the U.S. sells weapons to Taiwan, that's a big thorn in the side of the Chinese. So I believe that it's better to be able to bargain from a position of strength. You know that you've got the capability. You know that you can mitigate potentially, the threats that they are developing.

If you look at Taiwan itself, our big concern now within the DOD is anti-access air denial.

We're thinking, you know, and I believe it was in 1996 when the last conflict or tensions arose between China and Taiwan, when the U.S. sent two carriers to the region, that's when the Chinese learned, oh we can't do anything about that, so what do we do? And then from that point on, they've been working on anti-access air denial to push the capability of the U.S. to project power further away.

The strength of the U.S. has been to project power, and through carriers it's been naval aircraft that can close the distance and attack targets inland. So I think it's best to be able to position yourself from a position of strength so that you can hopefully down the road, leverage that into military to military cooperation or open other channels to build that strategic trust.

MR. LIEBERTHAL: Thank you very much. One comment I would make and then open it up, is that we always talk about transparency in China. My experience over many years is that transparency is helpful, but by no means resolves the issues. I think the U.S. government overall is about as transparent as anyone out there when you take into account, you know, congressional testimony and a whole array of sources of information about what we're doing in the security sphere.

And yet countries around the world debate like crazy what our real intentions are and what we're going to do. So, you know, the world is complicated and the assumptions you bring to the table tend to structure it the way you make sense out of a complicated reality. So transparency is better than no transparency, but I suspect a highly transparent PLA would still have us having this conversation up here.

With that, let me open the floor. Please -- we have roving mics, yes? So when you're recognized, please wait for a mic and identify yourself by name and affiliation and then feel free to direct a question to an individual panelist or to the panel as a whole, okay? First question, back there. Yes?

MR. WENDERS: Steve Wenders, local researcher. I'd like to focus on this question of The String of Pearls and that particular base, Gwadar. According to what I've read, there's no evidence that Gwadar is being fitted out as a military base that would be -- where you could actually use it as a naval base.

It doesn't have the right depths of the water and so forth and so on. So I would assume that any suggestions along those lines are very much a projection into the future. I spent a lot of time at the U.S. base at Subic, so I think I have a good idea of what a really excellent base would be from a

military standpoint, and too bad we lost it.

But anyway, so -- and also there's a lot of question of whether the whole concept of The String of Pearls is even coming from China at all, or whether that's an interpretation of Chinese intentions for people outside of China. So I just wondered if you could comment on that.

LIEUTENANT COLONEL ABISELLAN: Sure. And this is all -- this is not what the outcome is or could be, but this is more an exploration of what the art of the possible is. That's why I'm here in a think tank exploring the options. And you're right, the Chinese by default could see the handwriting on the wall and turn it by -- be co-opted themselves and to further take in that String of Pearls strategy which by the way, was a report that was done I believe in 2005 by Booz Allen Hamilton to the Department of Defense and take and run with it.

But it is a means and a way where China in conjunction with the other three things that I've talked about, soft power, allies, and leveraging rogue states, could leverage it to extend geographically its anti-access air denial capability, and that's the only point I was trying to make. Thanks.

MR. LIEBERTHAL: Yes, sir? Could we get a mic up here, please? Thank you.

MR. SLOAN: Stuart Sloan, American-Jewish International Relations Institute. I was struck by your comment that the Lieutenant Commander made about -- Lieutenant Colonel, excuse me, that 72 percent of China's petroleum is imported. Contrast that with the growing independence of the United States in reducing its imports of foreign oil.

And I was wondering whether or not there is an analogy that can be made between China today, and its reliance upon overseas natural resources, and Japan pre World War Two, and are there any lessons that can be drawn from that? It seems to me that what you're describing is a China that is extremely vulnerable and doing things to try to reduce its vulnerability at the same time we are becoming less vulnerable.

LIEUTENANT COLONEL ABISELLAN: That's a great point. The projection that the -- the 72 percent projection was out to 2035, so that's what the U.S. Energy Information Agency projects. The point that I was trying to make is that there are many centers of gravity and energy is one center of gravity. I mean you can peel this back along governmental economic military.

And specifically, the Middle East is one center of gravity for China with regards to its energy policy. It's got others: Africa, Latin America, so I was trying to keep it focused on a global center



of gravity. The Middle East supports not only China, but Asia-Pacific. Treaty allies like South Korea, Japan, the Philippines, are heavily dependent on Middle Eastern oil.

So the impact is -- it's a competition for resources within Asia-Pacific, and by us maintaining -- the U.S. maintaining a position of strength, not only are you safeguarding that, but you're also assisting treaty allies down the road. Even if we're not depending on the oil, there is still a strategic necessity for us to do so.

MR. LIEBERTHAL: Yes? Over here. You're going to have to wait to get the mic up here. Let me recognize someone else and then we'll come back to you, Jonathan. Just for travel time for microphones. Yes, sir?

MR. Marquez: Good day. Ricardo Marquez, GAO. Regarding the issue of transparency and the divergence between rhetoric and action, did your research uncover any issues regarding civilian control of the military in China giving the issues of trying to discern what their intentions are? That's come up every now and then, but what did you discover in terms of your research? To both participants.

LIEUTENANT COMMANDER OXLEY: I attended a briefing that Chris Young, who's at National Defense University did over at Johns Hopkins talking about the PLAN and their influence on the CPC, and his thought was that, yes there is an influence, but that civil military relationship is still developing today.

So while there may be some PLAN inputs in buying assets or where to spend money from the larger government budget, it's a -- I just think -- there's just not a lot of information known about it. But the Navy certainly has an ability to influence where those decisions are made.

MR. LIEBERTHAL: Let me elaborate on that just a bit if I could, because I've spent my life studying how China's governed. So there is civilian leadership of the military that is effective. It's party leadership, not government. The government has no control over the military in China. The party controls both the government and the military.

The problem with the party -- party leadership means basically, if the top of the party, Standing Committee of the Politburo, through the party's military commission, tells the military to do something, it will do it. So you don't have a rogue military kind of problem as Japan had, you know, before World War Two.

But the supervision of the military by civilians is very, very thin. So in China compared to

us, Hu Jintao, the president and the head of the party is also the head of the military, The National Command Authority, in our terminology, right? But he doesn't have a national security council to integrate military and other issues, and he doesn't have an OSD.

He and one other person are the only two civilians on the military commission of the party, which is effectively the joint chief's command center in China, and everyone else is uniforms, okay? So it is very difficult to exercise to the level of civilian supervision and comprehensiveness of it that we have in our military. Okay. Jonathan?

MR. POLLACK: Thank you. Jonathan Pollack from the John L. Thornton Center here at Brookings. I want to compliment both speakers for the clarity with which they presented their views, but I want to push them both a bit, and I'll start with Ed. You seem to -- I mean in a perfect world we'll always be in a position of strength.

This afternoon we're going to have a discussion here at this meeting about how the United States weighs its options under more constrained budgetary circumstances. So if I could put it very boldly, you give great emphasis to the question about the possibility of a conflict over Taiwan as the basis for China's military modernization or much of it.

From your point of view as an officer, how much of your wager about the future are you prepared to put against that specific contingency relative to what we do globally? So that's my modest question to you.

For Audry, you present the possibility, an intriguing one, of a much more inclusive strategy and I think the point I would highlight, whether you look to what China does in Latin America, or for that matter what China does in a lot of other regions, there's a lot of overlap here between states that China cooperates with and states that the United States cooperates with.

So in a funny kind of way, you're sort of leaping over the argument, whatever the intrinsic liabilities and potential limitations because we are in a world where China has, if you will, gone global. So do you think an inclusive strategy really is the way we can go ahead, as opposed to having something that is a very autonomous strategy, which maybe I -- historically we'd like to have but even as we have lots of allies too? So in any event, my compliments to both of you and I appreciate your answers.

LIEUTENANT COLONEL ABISELLAN: Thank you. With regard to Taiwan, I got that statement as a Department of Defense piece on what is likely the rationale for China's current

modernization. But do I think that that is from a global perspective the most likely thing to happen?

Absolutely not.

I think it's the least likely, and that's why I focused on what China's most likely actions are and where they can gain, and where they could gain would be to -- enforcing or protecting sea lines of communications, displacing U.S. influence, and asserting itself as a major world power.

I think it could do that without having to confront the U.S. and the Middle East through soft power, through its String of Pearls strategy, and by leveraging rogue states. So it can do that by proxy in the Middle East and set itself up down the road in the eventuality -- unlikely eventuality that there will be a conflict over Taiwan.

LIEUTENANT COMMANDER OXLEY: Thank you, Jonathan. I want to bring back a point that Scott mentioned earlier, that the Coast Guard and the Navy, our capacity for assets in Central and South America are declining. As capital assets get older, we will retire the Perry class frigates and as the age of the Coast Guard cutter continues to diminish, our presence in the Western Hemisphere from a maritime perspective is going to get smaller.

We just don't have the number of assets and we're not building ships as fast. And the pivot is pushing us away from this hemisphere. So my worry is that the traditional maritime role that we have had in this hemisphere, the Latin-Americans are going to look elsewhere.

They are going to want to practice their warrior skills. They want to go to sea. They want to have the ability to flex their muscle, and if we're not there, somebody else is going to come in and fill that void that -- where we're at. So what I would really like to do is say, the Navy can remain relevant in the Western Hemisphere by inviting the Chinese to do this.

That having a capacity to work globally and a -- for the defense of something that nobody really, I think, perceives as a bad thing. Everybody wants the Panama Canal to stay open. Everybody wants commerce to continue to flow. And China has invested interest in that as well. They are the number two user of the Panama Canal.

The locks will be widened by 2014 and commerce will continue to grow whether or not it's -- that commerce is coming to the U.S. or it's traveling from -- more soy from Argentina going to China, or more copper from Chile, you know, going to another part of the world that militarily the U.S. -- we can't forget to look within our own hemisphere.

That from a foreign policy standpoint, we've really had this -- our view of the world has been in the Middle East and now it's going to Asia. My worry that in 10 years, the Latin-Americans will have found another partner, and hemispherically there's a security problem that we may not be addressing and may not wake up to that until it's too late.

MR. LIEBERTHAL: Yes, sir? Well, here you are. No, you got a mic.

SPEAKER: Anyway, as most you probably remember from the previous discussion. And mine is kind of -- I like this. We've got the indirect approach and the direct approach. Navy, Marine Corps, that's kind of neat. Just had to get that out there because I'm from the, you know, Curt LeMay School of Diplomacy. Anyway --

MR. LIEBERTHAL: The Game Over School of Diplomacy.

SPEAKER: Anyway, you mentioned that, you know, obviously going forward, 74 percent or something like, you know, of their energy is going to come from the area. What I kind of want to ask and that's just an opinion obviously, is you said as they develop this reinforcing rogue nations, String of Pearls strategy, any and all of the above, I'm going to come back to the Middle East still being a provider of a majority of their oil, true statement.

And if you're going to play Iran against the rest of the region, primarily if you're looking at Shia versus Sunni lines, does not China possibly affect their own security in terms of economic growth when it comes to, you know, any type of a hiccup in the region and oil prices spike? Their economy as I understand it, again I'm not an expert on that, looks like it's kind of in that area that we're living in right now.

Where very little perturbation can cause a lot of pain. So do they not in themselves risk possibly driving -- you know, especially if they enable a nuclear Iran to spike an arms race which does threaten the Straits of Hormuz, which does drive the price of oil up, which will hurt them as well? I just look for your insight on that. Thank you.

LIEUTENANT COLONEL ABISELLAN: I guess that's my lane. Hey, just let me clarify the quote. It's the EIA expects China to import about 72 percent of its crude oil by 2035. That doesn't mean it's all going to come from the Middle East. The preponderance of it is going to come from the Middle East.

Right now they import 47 percent from the Middle East, the Persian Gulf area and the

rest from other regions. As I stated earlier, China walks a fine line between being a friend to the Gulf States and courting Iran, and I think the number is something like 21 point something billion worth of investment and heavily energy infrastructure investments with Iran.

So they're in -- they've got a reason not to let this thing go south. But at the same time, it's leveraging power against the U.S. Its potential concessions against not selling weapons to Taiwan, for example. So they're going to walk that line for as long as they can to limit U.S. influence and hegemony in the region and hopefully get something out of it. And that's the approach that I was taking.

MR. LIEBERTHAL: China has a problem in the Middle East in, let me just take the simplest version of it, the Saudis hate the Iranians and vice versa. And those are the two largest sources of Chinese oil out of the Middle East. They've been largely embarrassed by what's happened during the course of the Arab Spring, and then in Syria they've been very uncertain on how to deal with Iran.

They want to be on the side of anti-nuclear but don't want to walk away from their \$21 billion worth of investment and so forth. It sounds to me like you on balance are reasonably optimistic -- and let me add finally that the Chinese do not have a good record of dealing with their own Muslim population in their own northwest, and that's been noticed in the areas we're talking about.

It sounds like you on balance are fairly optimistic about their political capacity to handle these contradictions effectively and I'm not clear why.

LIEUTENANT COLONEL ABISELLAN: I would also add that, you know, it could lead to even greater tensions in the region because I think the Chinese have offered Saudi Arabia nuclear technology down the road. And that could lead to, obviously, you know, an instate that we don't want for the region.

MR. LIEBERTHAL: All right. In back there, please?

MS. WIN: Thank you. I'm Jeanie Win with Voice of Vietnamese Americans. Thank you for the presentation. I would like to ask Director Lieberthal and both of the panelists your ideas about if the U.S. should ratify the UNCLOS? Why and why it hasn't been ratified. I understand that it's been on the table for a long, long time and it's been back on the table of Congress and the Senate, and it hasn't been discussed. Thank you.

MR. LIEBERTHAL: I'm sorry, I missed -- if the U.S. should what?

MS. WIN: Should or should not ratify the UNCLOS. The United Nations Conventions on

the Law of the Sea.

MR. LIEBERTHAL: Oh, should we ratify UNCLOS?

MS. WIN: Should or we should not. Yeah.

MR. LIEBERTHAL: Okay.

MS. WIN: Thank you.

MR. LIBERTHAL: Thank you. Any thoughts?

LIEUTENANT COLONEL ABISELLAN: I will defer to my Navy counterpart. (Laughter)

Navy?

LIEUTENANT COMMANDER OXLEY: And the Navy counterpart will decline to answer.

MR. LIEBERTHAL: You know I'm not in the military chain of command. I can take a shot at this. The big -- you know, we've signed UNCLOS and by signing it effectively what we have done as a country is commit to follow it even though we haven't ratified it. The problem with ratifying it is it won't get two votes on Capitol Hill.

So it's just objectively not politically doable. Would it be better if we did it? I think it would be because we find ourselves in the somewhat peculiar position, especially in the South China Sea, at being a champion of UNCLOS and the only country involved in the disputes there that has not ratified UNCLOS.

So it just, kind of doesn't serve us well to be in that anomalous position, but I think the reality is, politically on Capitol Hill there is not a prayer that you could muster the necessary votes to get it through the senate. Other questions? Yes, sir.

MR. On: Thank you. Mike On, Army fellow from Army Environmental Policy Institute. Question for you, Eduardo. When you're discussing policies and particularly oil for transportation, and our policies toward the Middle East, had you given some thought to perhaps we should emphasize more renewable and alternative energy research rather than trying to say what we need to do in the Middle East?

Because I know China itself in 2010 announced that they're going to go spend \$738 billion in research in renewable energy. So it seems like they're looking at alternatives rather than the Middle East. And I just -- your thoughts about what we should be doing.

LIEUTENANT COLONEL ABISELLAN: Right, that's a great point. And to be honest with

you, it's not just China. It's also Saudi Arabia. Saudi Arabia consumes more energy itself than most countries in the area. Concerning renewable resources, the data and what I'm referring to is like the World Energy Outlook report and U.S. Energy Information Administration.

The projection is that China's going to continue to need crude oil and import crude oil. Most of its going to be from imports either from the Middle East, Latin-America, or Africa. That's a great statement on renewable resources, but getting from here to where they want to be and weaning themselves off of the amounts that they are projected to need, is a different story.

I mean, we haven't done it and we're at the cusp of an alternative energy revolution with, you know -- alternative energy plays here in the United States, but we're not there yet. And the projection is with the United States that within the next 10 years, we could be certainly on the natural gas side of the house, self sufficient.

So I just don't see China -- based on the information and data that's out there, getting to where they need to be and not having to rely on imports from those three critical regions, the Middle East, Latin America, and Africa of which Middle East is the greatest volume that's providing their crude oil.

MR. LIEBERTHAL: Thank you. Back here?

MR. Ballard: Mike Ballard the Air Force fellow from the Atlantic Council. We highlighted sort of, your two opposing approaches to dealing with China. I'm curious, your thoughts: are they mutually exclusive or is there a danger in trying to pursue both those lines at the same time?

Can we hedge our bets by bolstering our position, our influence in the Middle East, while at the same time trying to engage China and shape that future, or do we sort of undermine both those strategies by trying to do both at once?

MR. LIEBERTHAL: Let me just gloss that slightly. We obviously are going to pursue both. So your question really is: can you pursue both without one simply undermining the other? Is there a way to square the circle?

LIEUTENANT COMMANDER OXLEY: Yeah, I think there are opportunities and avenues for that to happen. I can't give you five of them off the top of my head, but I'm optimistic and I'm hopeful that we have bold leadership and we are willing to maintain a position of trying new things and seeking new alternatives for perhaps lessons that we've learned that haven't worked so well.

I think there's a lot of diplomatic legwork to be done by pursuing them together. I think --

and a lot of my research that I've found -- the largest objection to stopping the mil to mil engagement was our sale of weapons to Taiwan, and primarily because the Chinese felt, wow you -- it's the manner in which we told them and there really wasn't a clear idea of why we would continue to arm Taiwan.

So I think we would have to be very careful in the way that we spun in and the way that we try to pursue those goals together. But yeah, I'm optimistic that you could do it.

LIEUTENANT COLONEL ABISELLAN: And just to add on, I think that a strong position in the Middle East transcends the region and has the ability to compliment our efforts in Asia-Pacific, because oil is Asia-Pacific's critical vulnerability. It's not only China that's dependent on it. It's India, it's South Korea, it's Japan, Malaysia, Australia, et cetera. So it's got the ability to impact significantly into Asia-Pacific.

MR. LIEBERTHAL: Thank you. This will have to be the last question because of time constraints. Back here. Yes?

SPEAKER: Thank you. I'm Leon from Winthrop University, Wisconsin. I'd like to ask a question of Commander Oxley. It seems to me your discussion would center on either the U.S. or the People's Republic of China being a regional hegemony in the area.

I'm wondering if there was a possibility of the U.S. supporting buildups by some of the regional leaders like Brazil or Columbia or Chile, perhaps obviating the need for looking outside the region for another supporter.

LIEUTENANT COMMANDER OXLEY: Yeah, those are actually underway right now. We would -- the Navy is pushing Brazil to take a larger role in the region. I don't know -- I think the problem that you have is that Latin America is never going to act regionally. There are too many problems individually with the countries working together from a political standpoint.

I don't think most of the other Latin America countries will allow Brazil to become the overall global leader there. So I think it would be great -- I think it all comes down to a matter of assets and defense budgets as well too. What sort of assets do those Latin-American countries want and need, and what are they capable of buying?

And then where do they go to increase their training? They've always come to us, to the U.S. My fear is that eventually they are going to look elsewhere, and we just don't have the ability to influence that relationship anymore.



MR. LIEBERTHAL: I'm afraid our time is now up. One logistical announcement first, which is that lunch awaits you outside the side doors in the hallway out there. You can get your lunch, bring it back in here. We reconvene at 12:45 for the next panel.

I want to thank both of our speakers for really doing a remarkable job of teeing up just a fascinating discussion. So thank you very much.

(Applause)

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I, Carleton J. Anderson, III do hereby certify that the forgoing electronic file when originally transmitted was reduced to text at my direction; that said transcript is a true record of the proceedings therein referenced; that I am neither counsel for, related to, nor employed by any of the parties to the action in which these proceedings were taken; and, furthermore, that I am neither a relative or employee of any attorney or counsel employed by the parties hereto, nor financially or otherwise interested in the outcome of this action.

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