Defense Forum Foundation

"The Threat from China"

Speakers:
Ambassador William Middendorf
Chairman,
Defense Forum Foundation

Suzanne Scholte
President,
Defense Forum Foundation

Location:
2168 Rayburn House Office Building,
Washington, D.C.

Time: 12:00 p.m. EST
Date: Friday, February 7, 2014

Transcript by
Federal News Service
Washington, D.C.
WILLIAM MIDDENDORF: Good afternoon. I’m Bill Middendorf, the chairman, Defense Forum Foundation. I think we’re in our 35th or 25th year. (Inaudible) – Suzanne (Scholte) and I have been together all those years meeting with you guys and ladies and having such a wonderful time of it. Our whole goal is to keep America strong and not have a hollowed-out military and look ahead to potential threats and try to outline them as best we can. Today we’ve got a remarkable speaker.

We’re pleased to have a speaker that the Chinese Communist government described as the number one anti-China expert in the world. I would go along with that. But Bill is not anti-China; he’s anti-China Communist and their military threat. We know Bill Gertz to be very much pro-China, he is as a matter of fact very much pro-Chinese people, as the Defense Forum Foundation has been for decades. We have sponsored Forums focused many times on the Chinese human rights advocates, from Harry Wu to Dr. Yang Jianli who – just like the defense forum and Bill Gertz is anti-Communist. And Bill has been breaking stories on what the Chinese Communist government has been up to, from their hypersonic missile test to their increasing cyberwarfare threat to the United States.

In addition to being senior editor of the Washington Free Beacon and national security columnist for The Washington Times, Bill is author of six books; four were national bestsellers. His 2000 book, “The Chinese Threat: How the People’s Republic Targets America,” is used within the government for training now at university. He’s known as a hard-charging reporter by both friends and foes. A spokesman from the Russian foreign intelligence service called him a tool of the CIA, while a senior CIA official once threatened to use a cruise missile against him over a column he wrote that was critical of the CIA’s analysis, one of his analyses of China.

Bill is also known for his breaking stories. Mostly recently he was the first to disclose the near-collision of the USS Cowpens, a guided missile destroyer, and a Chinese warship in the South China Sea. And, of course, we’re hearing an awful lot about the South China Sea in recent years – recent weeks. And he also wrote the story of how China flight tested a new hypersonic strike missile. Just this week he disclosed that a U.S. intelligence agency has warned the Health and Human Services Department that the Affordable Health Care Act software may have been implanted with malicious software from Belarus.

Last night we had a meeting commemorating Ronald Reagan’s birthday at the Heritage Foundation, and Frank Gaffney told me he heard Bill was going to be our speaker today. He said Bill is the number one in the United States right now waking up America, like Paul Revere, on the Chinese military threat and navy threat and most knowledgeable on the subject. Bill and I were just talking about the new 8,000 mile-an-hour hypersonic missile the Chinese have, and the anti-satellite missile that the Chinese have recently exploded and tested successfully while we lay vulnerable with all of our satellite systems and all of our banking, business, military depending on these satellites.

The EMP threat, about which we’ve had four sessions on here at the Defense Forum Foundation, about the potential of such an attack laying waste to our power grid in light of the San Jose recent terrorist attack. The anti-carrier missile, where we’re defenseless, and to a certain degree, of course, the systematic Chinese cyber-attacks are continuing. Andy MacArthur and I at the Navy War College were talking two weeks ago about these threats, and frankly, while we’ve got some good stuff coming, at the rate they’re moving, to quote Zibigniew Brzezinski at his session at the AEI a few months ago, Zig maybe as a throw-off remark said, “You know, we might wake up 10 years from now or 12 years from now and find out that 12 hours before, we lost America.”

So it’s great – it’s a great honor to introduce to my mind one of the great knowledgeable, wonderful, experts in the world on China and their military threat, Bill Gertz. (Applause.)

BILL GERTZ: I’m glad to be here today and grateful for the Defense Forum Foundation. You should know that Ambassador Middendorf was one of the key players in the AEGIS battle management system when it
was first integrated into the Navy. It is right now the center of our modern Navy. So he’s – he was a key player in that.

What I want to talk about today is the China threat. I’ve got a lot of material. I’m not going to go through all of it, but – want to leave time for questions, but I just want to give you a sense of what is going on.

In the military, they have a saying, they call it the bottom line up front, or BLUF. This is one of the new styles where they like to give you what’s the bottom line. And the bottom line for me in this presentation is that the U.S. government writ large has underestimated China’s strategy, intentions and capabilities for two to three decades. And basically, when you combine those, the strategy, intentions and capabilities, you come up with a threat. So that’s why I call this the China threat.

My book was called “The China Threat,” which was a play on what the Chinese call the China threat theory. And we’ll all familiar with the ancient strategist Sun Tzu, who everybody thinks, oh, well, the Chinese follow Sun Tzu, but there are many other more detailed strategies. Sun Tzu is basically on intelligence, and it talks about spies. But there is another famous book in China called “Six Secret Teachings” by Tai Kung. And one of those teachings is how to deceive your enemy into thinking that you’re not a threat. And I think that really is what we’re seeing today in the case of China.

So basically, the reason that we’ve underestimated China is that we have had the wrong input. I’d say it’s a combination of China using its influence to promote this notion that China is not a threat.

I was literally shocked back in the ’90s when I was doing a story on the Chinese military, and I got a briefing from the Defense Intelligence Agency, and the director called me into a conference room and proceeded to tell me that he didn’t think China was a threat. And I asked him why he thought that, and he said basically because of their statements. So I knew that there was something seriously wrong. And I would understand that if policy officials and civilian intelligence officials and especially academics would have that view. But for the top military intelligence person to have that really was a wakeup call for me.

So what is China anyway? The China field, the experts in the China field, have basically misinterpreted China. And there’s a number of reasons for that, but they failed to understand the nature of the Chinese communist regime. I think that is really the fundamental thing. And the reasons for that are very complex, but it has to do with what I describe as anyone who is considered anti-communist is considered anti-progressive or conservative, and they’ve demonized people in that category. So therefore, they have tried to discredit anyone who tries to tell the truth about China. That’s really what we’re facing today.

So China’s number one strategic objective is to nullify the United States’ superpower status. We hear a lot about China’s rise and how China is managing its rise and how it’s rising.

But we hear very little about how China is also working to manage the decline of the U.S. and how are they doing that. Well, we don’t have a real clear picture because no one has really asked that question, whether it’s an academic or intelligence or policy question, but things like supporting rogue regimes like North Korea or Iran with missiles and other things like that. And Iranian weaponry has now shown up in the hands of the Taliban and Hezbollah and other groups, so it’s a concerted effort.

So as far as capabilities, I’m going to go into a little bit about weapons systems, but I want to say a couple of things about Chinese military capabilities. And essentially, what the Chinese are doing is they’re not trying to follow the USSR model, which was to match the United States weapon system for weapon system. They understand that they are going at it a different way. They call it asymmetric warfare, or, in Chinese parlance, they call it assassin’s mace. Again, that goes back to ancient Chinese strategy that talks about how does a weaker power defeat a stronger power. China’s main area for those are about five different weapons systems that I’m going to cover.
The first is anti-carrier warfare. And they’ve devoted a lot of energy to being able to attack our aircraft carriers and Marine amphibious ships, and they’ve developed this unique weapon called the DF-21D. That’s one. Another is anti-satellite weapons. They understand that if they attack our satellites, they can nearly cripple the U.S. military’s ability to do everything, from communicate to mobilize forces to guide weapons to targets. Others: We all are becoming more familiar with Chines cyberwarfare efforts. They have a major strategic program, far more than what the U.S. is doing. We hear complaints about how the NSA is collecting metadata and things like that. The Chinese are way beyond that type of cyberwarfare. They are actually learning how to take down the electrical grid, and that is a real, real threat. Strategic nuclear weapons is another area that I’ll mention too, and also anti-missile defenses.

I mentioned Chinese ideology. I spoke to a group of Marine Corps officers on Wednesday of this week. And one of the problems with Marine Corps, even though it’s one of the most intellectually curious of the military services, and therefore, they’re required to read a lot of books, they’re reading the wrong books. As a result, they have often, when it comes to China and Asia security issues, have a lot of wrong ideas on China. And one of those ideas is that China is no longer really a communist nation. One of the retired Marine officers said, “Well, there’s only two communist nations in the world, North Korea and Cuba.” I think you’d get a different perspective if you ask the Nobel Peace Prize winner Liu Xiao Bo, who’s now in prison, if he thought China wasn’t a communist country. So it’s real important I think to be clear on what China is today: It remains a nuclear-armed communist dictatorship. They have a legacy system that is a Soviet-style system, which is strong internal security, strong military and a centralized party that runs everything. They don’t really have rule of law in China. And a lot of American businesses are complaining about Chinese intellectual property theft and these issues; they don’t understand that it’s not really a legal system in the Western sense. And so it’s really important to understand that. The statement of Deng Xiaoping has been bide our time, build our capabilities. The Chinese, again, have used strategic deception in a number of ways to try and fool the West into thinking that it’s just a normal nation and not this nuclear-armed communist dictatorship.

There’s a picture of Shanghai. It shows the incredible modernization that’s going on there.
This is another picture which shows some of the labor camps in China. Of course, they announced recently that they’re going to diminish some of their political labor camps. We’ll see.

This is some of the summary executions that have taken place.

I mentioned Chinese strategies. Secrecy and deception are central to understanding the nature of China or the China threat. I was told by intelligence officials not too long ago that there was a big debate within the U.S. intelligence community over a big national intelligence estimate on China, and the debate was whether or not China employs strategic deception as a – as a national tool.

One side of the debate included intelligence analysts who said, no, China doesn’t do anything more than the old U.S. Information Agency does. And others said, no, you need to understand how they use deception and influence operations. I mentioned Assassin’s Mace, and then I mentioned managing the decline. They’ve adapted the U.S. military idea of what we call the Revolution in Military Affairs. That really means using high-tech weapons, in a nutshell. They have gone beyond the revolution in military affairs now, and instead of what
they used to know as informationization warfare. That is, basically, using high-tech weapons and intelligence – combining them, and you become a superpower like the U.S.

But they’ve even refined it further in what they call net-centric warfare. In other words, they are going after our command and control systems. They understand if they can get into that, either through electronic warfare or electromagnetic pulse, or more likely, cyber-attacks, which we’ve seen, and they disrupt that command and control system, they can basically defeat the United States.

This is a picture of a Chinese mobile missile. It’s a DF-31.

It’s one of their new missiles that’s coming online. I’d be curious to know – has anybody in the room seen many pictures of Chinese mobile missiles? Most of our media does not present these things. They don’t seem to be interested. Maybe once a year, when the Pentagon releases its annual report, they’ll release this, but I thought it’s instructive to at least show some of the hardware that the Chinese are using.

As I mentioned, they are the Missiles “R” Us of developing powers. They have all different types of missiles, and this is one reason that they really oppose U.S. missile defense programs, because they realize that it’s going to nullify their missile advantage. So they have short-range missiles, and then, this third point here is the brand new WU-14 hypersonic glide vehicle, and I want to – I want to talk just a little bit about that.

On January 9, the Chinese conducted the first flight test of this new, hypersonic glide vehicle, and for the Pentagon, I can tell you, this was a military shock. It wasn’t a surprise, but it was a shock. And the reason it was a shock – because this glide vehicle is kind of a combination of a cruise missile – like a Tomahawk cruise missile and a ballistic missile, if you would think, a Minuteman III missile. It goes up – here’s what it looks like – it’s launched on a ballistic missile; it goes up to near space, which is some 60 miles – just before space – it releases this glide vehicle at an – at an extremely high speed, and it has the capability to maneuver.
According to Chinese military writings, the guidance system is a combination of inertial guidance – that is, onboard guidance, along with celestial guidance and satellite guidance as well.

So this is a precision-guided missile, and it’s traveling at enormously fast speeds. The estimates are it’s between Mach 5 and Mach 10, and that is about 8,000 miles an hour – the upper end of the range. Why this is significant? The U.S. has no defense against it. If they were able to weaponize this – and there was a hearing recently from the U.S.-China Economic and Security Review Commission when this issue came up. An expert from the Air Force National Air and Space Intelligence Center said that it appears that this missile is going to be used as a nuclear delivery vehicle. In other words, for nuclear weapons.

What they were really concerned about is if they would tack this on to their anti-ship ballistic missile, make another advanced tactical missile that could be used to attack carriers. It’s a big threat. It’s really something that we have no defense against now. Could we develop a defense? Yes, and that is directed energy. We had a lot of basic research done on directed energy weapons as part of our missile defenses; most of that has been shelved, and we really need to get that back on track as a result of this new threat.
This is called the KT-2.

This is their anti-satellite missile. And why is this significant? The Pentagon announced something a couple of years ago called the Air-Sea Battle Concept, and it’s basically a way for the Air Force and Navy to coordinate better to stop and defeat China in a future conflict. And the problem is that because of political concerns, the Pentagon had to say that this new concept was not directed at China.

In reality, it was. And how is it directed at China? As I mentioned earlier, one of the problems in misunderstanding China is that the military conducts annual exercises every year. They’re required under law. And every year, we do one against China. And for many years, the people running those exercises skewed the exercises by making up the different forces on each side. And they always made U.S. forces stronger so they would defeat the Chinese.

Well, along came Andy Marshall in the Office of Net Assessment. It’s kind of a Pentagon think tank, and he pressed the military to change the criteria that they used. They said, you have to use China’s experimental and conceptual Assassin’s Mace weapons, and you also have to look at how they conducted warfare in the past, say in Korea or in some of their border skirmishes. That resulted in an exercise about five years ago called Air-Sea Battle 2020. And the exercise opened up with China launching 20 of these and knocking out 20 of our most significant satellites – global positioning system, GPS, navigation satellites, intelligence satellites, communications satellites. And basically, it was pretty much game over, and the Chinese won.

And this was a real wake-up call for the military, and they decided that they had to change the way they were going to approach this. Unfortunately, it became involved in the whole political debate over whether China is a threat or not, and how to deal with that threat.
These are some of the mobile missiles here. This is the DF-21D.

This is the unique carrier-killer missile, against which the U.S. has very little defense. The chief of naval operations, Admiral Jonathan Greenert, has been asked frequently, “How are you going to stop this missile from blowing up our carriers?” And he somewhat confidently said that the way we’re going to do this is to get into the kill chain of this missile.

In other words, when you fire this missile over a distance of 600 to 1,000 miles from China’s coast, you have to be able to guide it and control it to its target. And the plan for the Navy to disrupt this kill chain is to get into the satellite communications and the ground communications, disrupt it, and therefore, it will not have the precision needed to be able to hit a large ship at sea.

This is a DF-41 missile; it’s a brand new ICBM.

The Chinese have three or four new ICBMs either deployed or in development. All of them are mobile, which makes them very difficult to find.
Here, we have a DF-31 launch.
This is a JL-2, or a submarine-launched ballistic missile.

At the recent China Commission hearing, it was announced publicly – it had been said before, but they kind of emphasized it -- that, beginning this year, China will begin conducting submarine patrols with nuclear-armed JL-2 missiles, something they have never done in the past. They’ve had submarines for a long time, but they’ve never been able to actually deploy them in patrols far from Chinese coasts.

This is the strategic nuclear forces portion of the China threat, and it kind of highlights what the Chinese are doing. They’re engaged in a major strategic forces buildup. It’s covert. They will not engage the United States in any kind of talks, and the reason they won’t do that is because they’re afraid that this would make them look like the Soviet Union. The other strategic reason is that they believe that any kind of discussions on their nuclear forces will undermine the deterrent value. Again, it’s this whole ancient strategy that you never let your adversary know what your capabilities are.

The missiles have a range of different warheads. They’re getting ready to put multiple warheads on their missiles. There’s been a big debate that was triggered, interestingly, by a Georgetown University study about two years ago. Phillip Karber, a former arms control official, launched a program where he and a number of students began translating Chinese documents and video. And what they found was that China had an underground network of 3,000 miles of tunnels, all of which are involved in strategic nuclear forces.

These – it became known as the great underground wall. The U.S. intelligence community went crazy over this. They said, our estimates are that China only has 200-300 warheads at most. Karber and others, including a Russian strategic forces commander – retired – Gen. Viktor Yesin – they came out and they looked at all of this, and they said, well, they’ve got fissile material production; they’ve got this number of missiles. They’ve got 3,000 miles of tunnels. They’ve got production facilities. And their estimate was that the number of warheads was far larger – on the magnitude of 600 to 1,000, up to as many as 2,000. And this debate is not over. And again, the Chinese are not helping. They have ultimate secrecy when it comes to their nuclear program.

OK, these are some pictures of the great underground wall that – compliments of the Georgetown program.
It’s quite an amazing thing. I mean, we’re not talking about small tunnels. We’re talking about very large underground infrastructure going 3,000 miles in all of these different places. This gives you some idea of the level. This was a photograph that was posted on the Internet of a Chinese missile intercept test.

This shows that while the Chinese are vehemently opposing U.S. missile defenses and attempting to limit them through talks or the United Nations – they’re working on their own anti-missile system.
OK, let’s see what we’ve got here. Submarines – this is another area where the Chinese are making tremendous progress. Basically, they’re cranking out submarines like sausages – I mean – and they’re not loud, noisy submarines. They’re growing silent. They’re nuclear powered. They have advanced characteristics, and again, this is part of their strategy to defeat the United States. So here’s a submarine photo:

This is the Liaoning, their first aircraft carrier.

This is an attempt to try and match the United States’ carrier. This is their first effort to try and – they’ve deployed this. When the USS Cowpens incident happened in December, the Cowpens was shadowing exercises that involved this, and a Chinese warship dangerously sailed within 100 yards of the Cowpens, forcing it to make a radical turn to avoid a collision. It’s the kind of miscalculation that the U.S. fears could lead to some shooting incident.
Cyber warfare.

We’ve heard quite a bit about this. I won’t go into too much detail, but they’ve invested enormous amounts in cyber warfare, both for intelligence collection and for cyber reconnaissance. What is that? Cyber reconnaissance is basically mapping the battlefield, knowing your enemy, getting inside of his systems, and they’ve been everywhere. If you – you know, I listened to the head of the U.S. cyber command speak not too recently, and he said basically, there are two kinds of people in charge of computers: those that know that they’ve been penetrated by foreign or other hackers and those who don’t yet know.

In other words, the Internet is basically a lawless environment, and it’s very, very difficult to secure things on that. A few cyber warfare points; they’ve made it a priority. They use civilian hackers. We learned from the WikiLeaks documents and a program called Byzantine Hades where they conducted a massive, worldwide operation to get into both governments and corporate computers. They stole secrets from the F-35 – our front-line jet fighter – and they broke into RSA, the company that provides encryption for our defense contractors. And thus, they were able to get into our defense contractors as well.

This is the northern Shanghai suburb where the PLA unit called the 61398 – they like to number their units there – and this is the main cyber warfare unit in China, and that’s where it’s located.
This is their J-20 stealth fighter.

This is coming online. This is another one of their new weapons systems – another picture there. This is – this is the second one. This is actually called the F-60, so this is their second type of new fifth-generation fighter.

Unmanned aircraft – the Chinese have at least six different types of unmanned aircraft, and I have a few pictures of some of these.

The most significant is this advanced unmanned combat vehicle.

I mean, this is basically a jet fighter like our stealth bombers and fighters. This is a CH-4. This is an unmanned combat prototype.
This is their long-ranged UAV, which looks like our Global Hawk.

This is another UAV. And they even have kind of mini-UAVs, things that appear like birds and actually have wings like that.

I’m going to wrap up here and turn it over to questions at this point. I didn’t really get into their territorial disputes, but this is a really important element that we’re seeing play out now. The first thing the Chinese did recently was declare an air defense identification zone over the East China Sea. And this was intended to take control of the disputed Senkaku Islands, which Japan has held since the end of World War II. They’re uninhabited islands. People say, well, what are you fighting over a bunch of rocks out in the middle of the sea? Well, it happens that these are located under very large undersea gas and oil reserves. China wants them. The Japanese want them. They’re both energy-hungry countries. This is just beginning to play out.

The second area is the South China Sea. And also late last year, the Chinese announced new fishing regulations in most of the sea. It was a step short of declaring an air defense identification zone, but it basically said that nobody can fish in this area, which they’ve called the nine-dash line. They can’t fish there unless they get permission from China first. And this is bringing it into conflict with Philippines, Malaysia and Vietnam in particular as well as a number of other countries in the region.

Just this week a U.S. official, Evan Medeiros, came out and said he was very concerned that China was going to impose another air defense identification zone over this area. He said very forcefully that the United States opposes any effort to do that. The Chinese Foreign Ministry was asked about it, and their answer was very oblique. They said, well, right now the security situation doesn’t warrant another ADIZ over that area. So clearly, they didn’t deny that they weren’t planning to do that.

It’s part of what they call China’s lawfare efforts. This is part of their total strategy of using all forms of warfare. There was a book called “Unrestricted Warfare” that said China, in order for a weaker power to win against the hegemon, it has to use all of these various forms of warfare, economic warfare, legal warfare and of course conventional warfare.

I’m going to wrap up with a little comment on the Air-Sea Battle. And the Air-Sea Battle Concept is really an effort to try and deal with this China problem. And I believe it was significant for this reason because as I said, for three decades we’ve underestimated China, and Air-Sea Battle is one of the things that people in the Pentagon were able to get this huge supertanker of Pentagon policy turned in a different direction. It was a successful effort.
Unfortunately, in the bureaucratic politics of it, they made a few mistakes, and one of the first mistakes was to only include the Navy and the Air Force. The problem there is that the current chairman of the Joint Chiefs of Staff is an Army officer. And shortly after Air-Sea Battle was announced and it became a buzz in defense policy circles, the Joint Staff went and put out a new concept, which I viewed as an attempt by the Army to get included in this advanced anti-access/area denial counterstrategy. Unfortunately, they called it the Joint Operating Access Concept, which – whose acronym turns out to be “joke.” So in the Pentagon, the joke is that, oh, the JOAC is a joke.

In any case, Air-Sea Battle, again, was victimized by kind of the pro-China conciliatory policies, and those are the people that want to give China the benefit of the doubt. Their argument has been if we just trade with China, everything will change; it will become a normal nation. It hasn’t worked. In fact, just the opposite is happening. China is becoming less democratic under the new leader, Xi Jinping, and basically more ideological. They’re bringing back elements of Mao. And so this is a real problem for the United States. The debate over China is really imperative. And I didn’t even begin to mention the problems in the U.S. side of things in terms of our policy, in terms of the massive defense cuts, in terms of the need to recapitalize our conventional forces and especially to recapitalize our nuclear forces in order to meet and deter this new challenge.

I’ll stop there, and hopefully I’ve inspired some questions, so please fire away.

Q: I noticed in this discussion, one of the aspects is the industrial capability of Japan to revitalize the naval capability in a pretty short order. Is that part of the factor of how we look at Air-Sea Battle? And what is the political environment in Japan to revitalize the navy (as a counter to China)?

MR. GERTZ: Well, the problem with Japan is basically the Japanese have been awakened to the problem of China. I think the ADIZ has helped wake them up. The problem is they have no military to speak of. They have few forces, naval forces, but they’re heavily reliant on the United States both for strategic extended deterrence as well as conventional force capabilities. And the problem is the Obama administration is not supporting Japan enough. It’s not focusing on China. We have an Asia pivot, but I mean, just this week the Japanese foreign minister is here in town, and he’s concerned that when Obama travels to Asia, he may curtail or shorten his visit to Japan. He’s already not going to another ally, South Korea, which is urgently needed. And yet we’re supposed to be in the process of this major pivot to Asia, and the Japanese are a key feature in that.

Now, the good news is that Japan is waking up to the issue of China. They are also strengthening alliances. Just recently the Japanese reached some agreements with India. But the U.S. really needs to play – it can’t lead from behind on this. And it’s got to help settle the dispute between South Korea and Japan, and it needs to help Japan become the leader in the freedom of navigation issue and also countering China.

Q: Do you have any interest in Lenovo?

MR. GERTZ: Yeah, this is the issue of the tech transfer and the security of what they call the supply chain. It’s a big problem. Lenovo was an IBM computer outlet or subsidiary that was purchased by the Chinese. As a result of that, it was considered a security risk for the Pentagon. They aren’t allowed to use Lenovo computers. And now it appears Lenovo is branching out. This is all part of a high-tech strategy by China.

And I would put it in the context of this. Our intelligence agencies spend a lot of time looking for Chinese spies. Unfortunately, they don’t find a lot of them. And the reason is, is that because of the way that China conducts its technology acquisition and intelligence gathering and economic espionage. A Chinese company in the U.S. may be in charge of getting only 1.5 percent of a certain technology, and another company
would be in charge of finding other elements of that. So it’s broadly diverse, and we don’t have a fully –
understanding of that knowledge.

I would put Lenovo concerns along with Huawei Technologies. Huawei has been trying to enter
the U.S. telecommunications market for a number of years. It’s been blocked repeatedly, and the reason is because
there is a strong belief and evidence within the intelligence community – they haven’t made it public – that as
part of its equipment – and Huawei is the leader in – a world leader in Internet routing equipment – they put
software in there that allows them to access it.

There’s a great book that I would recommend everyone read. It’s called “The Party” by Richard
McGregor. And it talks about how China controls its businesses. It does it with what they call the red phone.
Every major business, state-run or otherwise, has a red phone, and that red phone, if you don’t answer it or if
you don’t do what the political commissars tell you, then you’ll lose your position or you’ll lose your business.

So it’s a major problem of misunderstanding. We’ve mirror-imaged against Chinese businesses. We’ve
tried to pretend that they’re not part of this major Communist Party-controlled economic, political and military
system, and it’s a real problem. I mean, there just isn’t enough education on that score.

Q: Bill, it’s been over 10 years since I worked up here on Capitol Hill, and many of the issues we’ve
talked about today are still issues today. But at that time we had the Rumsfeld Commission and we had the
creation of two China commissions. There seemed to be a lot of focus on getting the story out of the threat.
I’m not aware of what has really happened in the last 10 years, but for the congressional staffers that are here,
what would you recommend in terms of what they should read and that they can discard –

MR. GERTZ: OK.

Q: – what they should focus on, and where they can get the best information on China?

MR. GERTZ: Yeah, it’s very difficult because it’s hard to find – I’m not saying don’t read both sides. I
think debate is good, but right now the debate is extremely one-sided. There’s kind of an intellectual
obscurantism in the China hands community. In other words, if you’re considered anticommunist or
conservative, you’re dismissed or demonized or worse.

And therefore, again, if you only read one side about China – and, like I say, the China hands
community comes down on the side of people who are either pro-business or trade and say that trade trumps all,
or they could be just liberal left in a sense that they see no threat from China at all. They don’t see it as
communist. And as a result that academic position is so strong that it has not only influenced the people who
come from the academy into the policy community, but it’s also influenced the intelligence community as well.

And the best books to read on my list would be the one by Mike Pillsbury is a defense analyst in the
Pentagon. He wrote a book called “China Debates the Future.” Mike will be remembered in history as leading
the path in understanding this. Andy Marshall at the Pentagon sent him to China. He gathered up all of these
Chinese military writings, translated them and then wrote them. And lo and behold, what he found was that
what the Chinese were saying publicly about how they’re peaceful and friendly, they weren’t saying that to
themselves in their military writings. And that was a real wake-up call for the military. Again, he’s been
somewhat demonized as too extreme or too hard-lined.

Another is Edward Luttwak. He has a book called “The Rise of China vs. Strategic Logic” Another is
Steven Mosher, who wrote a book called “China Misperceived.” And I would also add an April 2012
Commentary magazine article by me, which was called “China’s High-Tech Weapons Threat,” which really
traces the history of what happened, at least from the national security side of things, and I would recommend
reading that.
Let’s see if there’s – oh, yeah, and I mentioned “The Party” by Richard McGregor. He’s the Washington correspondent for the Financial Times. And he really captures what – how the party operates in China, and really leaves no doubt that China, for whatever it calls itself – nationalist or otherwise – is still this Communist-driven political system. Yes?

Q: You mentioned briefly that you had some thoughts on the sequestration and on military drawdowns. I just wanted to hear your thoughts on what we should be doing there versus what we are doing.

MR. GERTZ: Yeah, this was the issue of a hearing recently. I think the House Armed Services Committee had a hearing on the Asia pivot, and basically it’s a very hollow pivot. We’ve done a number of things noise-wise publicly, but we haven’t backed it with hardware; we haven’t backed it with budgets. For example, we’re sending littoral combat ships to Singapore – one or two, maybe three. Now, that’s not a message to the Chinese. If we sent six or 10, that would be a message. We’re sending 2,500 Marines to Darwin in Northern Australia. It’s a symbol, you know. I mean, the Chinese are not going to interpret that – if we sent two divisions, 10,000, you know, whatever, that would be a different signal.

So those are the kinds of things – and the problem of course is sequestration. The Obama administration has gutted defense to the point where our national security is in danger as a result of that. And the reason is that first they cut $487 billion which was measured and strategic. Then on top of that the Budget Control Act imposed an additional $500 billion to $600 billion, of which we’ve seen $100 billion more and another $100 billion coming. And that is totally destructive because it’s not measured, it’s not strategic; it’s across the board. And it means that programs can’t be done.

And there are restrictions on the Pentagon. For example, they can’t reduce the number of troops they have. That’s part of the law. So they have to keep the same number of troops and get rid of their advanced R&D. Take the issue of hypersonic weapons. We had a couple of hypersonic weapons programs. We’re spending maybe $36 million. The Chinese have just tested one, which indicates they’ve gone from concept to test in a very, very rapid period of time.

The other problem is that all of our weapons systems were built and designed in the ‘80s. They’re coming to the end of their life and they need to be replaced. They’re becoming obsolete. So we’re not going to have that. And then on top of that, to make it the perfect storm, we have the wars in Iraq and Afghanistan, which have worn down quite a bit of equipment, not as much but when you add all those together we are in a world of hurt from our military and national security. And if you ask anybody in the Pentagon they’ll tell you that.

Q: Is there any – is there any good analysis of the effect of sequestration that I can refer people to, because the mantra coming from, you know, radio shows, tea party groups is, oh, sequestration on defense, it just got rid of waste; it had absolutely no operational effect; we can do it again and again and again. And so the people who most need to get the message that we need to do something are getting the exact opposite message, that it’s OK to cut defense and to keep doing it.

MR. GERTZ: Yeah, that’s a real challenge. I don’t know. I would say that the House Armed Services Committee – I know that Buck McKeon, as the chairman, as made it his number-one priority. I don’t think he talks anywhere without mentioning that we’ve got to fix sequestration. He’s done some things to fix it but – actually, somebody should write a book on it, you know – I mean, like me. (Laughter.) But, you know, I just – I’m just spread too thin with a number of things. But you make a good point. We do need to have that kind of a resource.

Q: You’ve spoken today mostly on China’s hard-power issues. What about soft powers?
MR. GERTZ: Oh, yeah. I mean, they are a juggernaut. Economically, they use their economic power as a club to beat people over the head with it. Their soft power I’d say would be embodied in one person: Henry Kissinger. Henry Kissinger has become the most influential figure on China in the United States. He advises every president. I can’t think of one that he hasn’t advised. I’m not sure of his relationship with Obama. But he has made hundreds of millions of dollars connecting American businesses to China, and the way he has done that is he’s gone to the Chinese leaders and he would say, I would like you to do this, and then they would do this.

And in doing business with China comes extreme restrictions. You can’t criticize the Chinese Communist Party. You can’t criticize the Chinese government. You can’t advocate for human rights in China. And that’s really had an incredible impact on the relations between us. The issue of Chinese debt is another. There are large debt holdings. People have said, well, why would the Chinese do anything because they hold so much of our debt? Basically that’s part of what they’ve invested here to try and basically get control – influence the United States. They’re very, very effective.

And then people don’t understand it. I mean, that’s another book, you know, China’s soft power and how they’re doing it. I mean, they don’t just do it in the United States; they do it to other countries around the world. Right now their key strategy is to try to divide the United States from its allies in Asia, specifically Japan. They are on a tear against Japan. I mean, every day they are attacking Japan, raising the specter of Japan in World War II. And the Japanese have not responded.

Now, the Japanese should immediately come out and say: Look at what we have done since World War II. We’ve made an incredible economy. We’re a free society. We’re a model. And yet they haven’t been able to fight back ideologically against this. And from all outward appearances the Chinese are preparing to go to war against Japan, or at least to bloody its nose in some way in the East China Sea. And I see it as a very dangerous situation.

Q: Did you have an opportunity to interview Prime Minister Abe?

MR. GERTZ: I did not. I did not.

Q: But if that invitation came you’d be open?

MR. GERTZ: Oh, sure. Yeah. Sure. Yeah. No, Abe is – you know, I mean, all – the Chinese have been exploiting the Yasukuni Shrine visit. And again, the Japanese have a tremendous opportunity to trumpet their system by stating, look at – look at us today. Look at where we’ve come, from a militaristic World War II monarchy to a modern, democratic state with a monarchy. I mean, it is an amazing – high technology. You know, it’s just an amazing story.

Q: This may not be a fair question because I would never guess what’s going to happen in a football game, but, you know, if you went out 10 years from now and you look back – and you wrote that book 10 years from now about what you’re talking about between the two nations, what would that book look like, based on the trajectory that you see today?

MR. GERTZ: Well, being the eternal optimist that I am, I’m hoping that things will turn around and that the United States will change its policies, that we can counter some of these things, both from the Chinese side and from our own academic side. I don’t know. I mean, I can’t predict the future. If I could I’d be very rich but, you know, I mean, I think that the situation, from a policy standpoint, could be turned around.

For example, Congress could begin to do things. Congress has done some amazing things in the past. In my more than 30 years in Washington, some of the most significant things have been done by Congress, for example the Taiwan Relations Act. When the U.S. recognized China as its main power, Congress stepped in
and said, we’re not going to abandon Taiwan, and they created the Taiwan Relations Act, which basically says that the United States will defend Taiwan from an armed invasion from Beijing. That’s one example.

Another less successful example is that a number of conservatives a number of years ago felt that the intelligence analysis of China was extremely bad. As I said, they’ve misunderstood it or underestimated it. And they mandated that the National Defense University create a center devoted strictly to the Chinese military. Unfortunately, the people put in charge of that, one of them was – turned out to be a Chinese spy.

Q: You mentioned that obscurity is of Chinese foreign policy, their intentions. They’re not able to cover up their capabilities entirely because we have pretty good intelligence. But as you outlined yourself in your talk today, we know pretty much where they’re going on capabilities, and you’ve always built your weapons systems in this country against capabilities.

Now, intentions can change overnight, as we saw after – (inaudible) – in 1938. It comes now – a few months ago China, rather than being obscure, announced that they could take out 75 million Americans all the way from the west coast to Chicago with a nuclear attack, which they have the capability of doing. How does that jibe with their policy?

MR. GERTZ: Interesting. Yeah, I was going to mention on that slide – and what the ambassador was talking about was a really extraordinary article that appeared in the state-run Global Times. And it was the first time that China highlighted its submarine-launched ballistic missile, that JL-2 that I showed you.

Interestingly, and alarmingly – and it should have angered more than just the readers of my column about it, but the government itself, they showed the effects of nuclear attacks on the Northwest of the United States, specifically Seattle, plus the nuclear plume and the number of millions of Americans that would be killed in the attack. The second graphic showed attacks on downtown Los Angeles by submarine-launched nuclear warheads. It was unprecedented, and it was – it showed that they’re not nourishing obscurity.

I think that they’ve passed the point of biding our time and building our capabilities. Now they are emerging and saying we’re capable and we’re going to do it. And I think that’s kind of where they are.

They’ve kind of gone beyond Deng Xiaoping’s – the reason to hide brightness and nourish obscurity was because they weren’t ready. Now, I think they’re reaching the point where their military forces are ready. In all of those areas that I mentioned, they’re either equal to the U.S. or are quickly getting close to that of the U.S. Yeah?

Q: Did you happen to read the Wall Street Journal article this week about last April’s – the attack on the electric substation in Silicon Valley? And if you read the whole article, it’s stunning –

MR. GERTZ: Yes.

Q: – and chilling, and I was speaking to the senior House Republican staff – (inaudible) – 25 years about that security. And I said who did this? I mean, there’s not many people that kind of can pull this off and would be able to take the risk of pulling it off. He said it’s simple. It’s either China or al-Qaida. What’s your analysis?

MR. GERTZ: Don’t know who did it. I do know this, though. That I have written about, in fact, the – one of the electrical associations did a study on the vulnerabilities of the grid, and they published it. It was online. And I’m thinking to myself, wow, you know. And what they showed was that the power grid is basically in three sectors: eastern, Texas and western. And they looked at all of the various scenarios, from people getting into the software to people attacking stations, and you can literally create what they call a
cascading power failure that would bring down the entire network, or at least a third to two-thirds of the power network. Extremely vulnerable.

You know, things like blowing up transformers, which are hard to replace; lead time could be months on it. This is an area where there definitely needs to be some preparation and security and redundancy. Yes?

Q: It’s my understanding we don’t make transformers in the United States anymore.

MR. GERTZ: I’ve seen a few on some trucks, but I don’t – (laughs) –

Q: Right. They’re all made overseas, so an EMP that burns out the transformers, you’d have to ship things in with ships that don’t work because it was an EMP.

MR. GERTZ: Yeah.

Q: So, you know, we’re basically screwed. I mean, it’s – says that it would take eight months to a year to replace just one of those transformers.

MR. GERTZ: Yeah. And all you’d need to do is go a little bit of time without electricity and you realize how dependent on it we are. Yes?

Q: Bill, to what extent does the triangularization, collaboration with China’s friends in North Korea and what concern that they are friends and allied south of the 38th parallel?

MR. GERTZ: Yeah. North Korea is China’s little brother. It’s very interesting. But if you noticed, every Chinese leader, before they became leader – whether it was Jiang Zemin or Hu Jintao or the current leader Xi Jinping – before they became the top leader, one of their first visits was to Pyongyang, North Korea.

The Chinese are extremely close to them. They have a defense relationship with North Korea. Now they don’t always like the things that North Korea is doing, but clearly, if China wanted to influence the behavior of North Korea, they could do it as easily as cutting off oil shipments to North Korea. They haven’t done it, and they have an ideological bond. It’s a – it’s a huge problem.

They’re a – they’re a rogue in the truest sense of the word. It’s a – it remains to be seen what China will do. Obviously, the Obama administration again, with its lead from behind, has kind of delegated its North Korea policy to China, and as a result, not much is happening on that score.

On the downside, the Chinese are courting Madame Park in South Korea, and that’s a very, very serious problem too as well because, as someone mentioned to me recently, Huawei Technologies is getting ready to do a big contract in South Korea. The U.S. is pressing them not to do it, and they’re asking why. Why shouldn’t – why should they be afraid of the Chinese. And anyway, that’s a – you have to read the Free Beacon for that story. (Laughter.)

Q: Do you think – what concerns China? Is it the political instability domestically for themselves? Is it terrorism from – (inaudible)? Is it the growth of other nations like India or –

MR. GERTZ: Well, China sees itself as the middle kingdom and they also see themselves as being victimized by the West for centuries, and now they’re claiming that this is their century. They want to power – they want to control everyone in Asia and ultimately everyone in the world. I honestly believe that’s their motivation.
They have developed this system of – you know, they’ve watched the Soviet Union collapse, so they’re not going to do the same thing as the Soviet Union, but they understand that there’s a – definitely a fundamental contradiction between this Marxist-Leninist political system and this quasi-socialist-capitalist economic system. These – that’s a fundamental contradiction that they have to bridge.

They’ve actually looked for some type of value system to close the gap because this is why they end up putting, you know, antifreeze in toothpaste that they export and doing – you know, and polluting like they do. It’s just a rampant, you know, unthinking development kind of thing.

So my advocacy is that they – that China needs a program to transition from a Communist dictatorship to a less threatening non-Communist system. And the West can help them. We haven’t done it because they’ve influenced us. They say don’t talk about our system; you’re not allowed to talk about our system. But we need to develop democracy.

One example. The U.S. can set up a government in exile for China. And with – from that government in exile, they could outline all the kind of policies that they would like China to see. That would be a tremendous impact.

The other thing would be to start criticizing China. During the Cold War, we openly attacked the Soviet Union on every ideological front. You don’t hear that today on China, and it needs to be done because, you know, my – the late Constantine Menges, who drew up this idea – he said the most important thing was to tell the truth about China. When we started telling the truth about the Soviet Union, what happened? It collapsed. If we start telling the truth about Communist China, it can change. It can change peacefully too.

Q: For the past 10 years since 9/11, a lot of our defense and foreign policy has been focused on the Middle East, and China’s been kind of growing and developing itself while we’ve been focused on the Middle East. So – and now we’re starting to pivot. And I guess if you – the second part of this is do you think a policy that’s kind of zero sum, would you advocate that we de-emphasize the Middle East in favor of more emphasizing Beijing?

MR. GERTZ: Yeah. No, you’ve got to walk and chew gum at the same time. And the Middle East is not going to go away.

The good news is that with fracking and energy development in the U.S., we’re going to be far less dependent on the Middle East, and perhaps maybe the Europeans and the Asians will take a greater stake in Middle East security. But I think it’s really wishful thinking to think that as we pivot to Asia that we can somehow de-emphasize the Middle East. Those problems are just not going to go away.

MR. MIDDENDORF: I’m going to thank Bill for one of our – after 35 or 40 years, one of our most enlightened talks today. And the questions that he received from you were some of the best I’ve – Suzanne and I and Chad and the rest of our board – Ty and Jeb and Bill Chatfield and others – have heard.

I wanted to just mention for one moment, this is my third iteration of observing potential threats, and when I was young – just before I went into World War II – Sudetenland was a question, again, of intentions. And I remember how happy we all were at Sudetenland how intentions had been developed and we were now going to have peace in our time, 1938. And I remember this like yesterday.

When I worked in the State Department for 12 or 15 years in different ambassador roles, I found there was a tremendous naiveté about intentions, which can change overnight. And almost some – I mean there are extraordinarily knowledgeable, solid minds there, but also some very superficial minds that are taken in by short-term actions involving trade or what have you that changed the idea that capabilities should always be predominant in – when you build your weapons systems. And those of us that have had the responsibility over
the years to protect America – I was Secretary of the Navy for a number of years and served in the war, in World War II – I feel I have a stake in – and we always have a stake in protecting America for all of us. In my 90th year, I even feel strong – more strongly about it, recognizing that I’ll be long dead before this particular new threat is going to affect all of you, you young people.

What I did in 1938 was an intentions misunderstanding. Hitler – we were told just as we were told just now by Bill that there are many in this country that feel as China owns some of our debt and does all the business with Wal-Mart that they can be nothing but peace-loving. And they – after all, they’d lose all the Wal-Mart orders if they attacked us in any way.

And it comes now – that was the story about Hitler. We were told time and again in 1938, ’39 and ’40 that that trade was going to work out, bring democracy to – and peace in our time to Hitler and Germany, and little did I know a year or two later I’d be involved in the Pacific war fighting this evil force.

Came back in 1973 with the Navy Department, and who was there but the Soviet Union. There was still talk there at the time of – through trade and could we change the Soviet Union and have them become peace-loving. And many of us at the time made the decision that we had to build against capabilities, not intentions. And since it’s a 10-year lead time to build weapon systems – any weapon system, whether it’s the Sam Browne belt for the Marine Corps, Bill, or an Aegis missile system or the Trident submarine or the F-18, those are the programs that have to be able to get through Congress in those years. And Bill just mentioned that they are still the front line of our defense, and that’s always, basically.

And 40 years later – and we’ve got to build new weapons systems and – against an entrenched capability, not intentions. Intentions can change overnight, and that’s the one thing the Defense Forum Foundation wants to emphasize to all of you. And I tell you that from my personal experience. This is my third iteration, and it’s not the Soviet Union or not Hitler and Japan, but now it’s suddenly China, and I feel like this is the same scenario, same book. They just changed the characters. And I’ll be – I’m old enough to hope and pray that you, the leaders of this country – the future leaders and some now actual leaders, will be able to save our country as some of us 70 years ago were called on to do the same.

I want to thank you all for coming, but I especially want to thank Bill Gertz who’s so insightful and he’s the best I know. Thanks so much. (Applause.)

(END)