

# OPRF MARINT Monthly Report

## January 2006



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## **Retrospect: The Second Half of 2005**

“MARINT Monthly Report” has been issued since June 2005. The report is what has been compiled based on the published news sources of both domestic and international media: The information as an “Intelligence Bulletin” is categorized into four areas, “Law and order,” “Military security,” “Diplomacy and International Relations,” and “Resources and Environment.” Noticeable topics of the month are added to each volume as an “Intelligence Assessment.” Upon issuing the first edition of the second volume in January 2006, major topics during the second half of 2005 are reviewed in retrospect.

### **1.1 Law and order**

Particularly notable were recent developments over the safety of the Malacca Straits. Ensuring safety in the waters has become anew the pressing issue since designated as a war-risk area by the Lloyd’s and London insurance market Joint War Committee at the end of July. While three littoral states (Malaysia, Singapore and Indonesia) have called for financial and technical supports to foreign nations, they have been opposed to the direct involvement by the countries outside regions. Three littoral states together with Thailand started air patrols to combat pirate attacks in the Malacca Straits on September 13. Malaysia set up the Malaysia Maritime Enforcement Agency (MMEA) and launched limited patrols in only certain stretches of the Straits from November 30, involving 500 staff members and 72 vessels. Furthermore, the three littoral states and Thailand are considering signing a series of standard operating procedure

(SOP) to carry out their coordinated patrols in the waters.

As to piracy, Somalia coast drew a lot of attention in November due to a spate of piracy attacks. A Seaborne Cruises luxury liner, run by American shipping firm, traveling off the coast was attacked by piracy on November 5. The details of Somalia waters were included in the November issue of the monthly report with an outline of the attack of the Seaborne and the background of the frequent occurrence of piracy in the waters.

### **1.2 Military security**

East and South Asian countries have increased their naval power. Particularly noticeable was activities by the Indian Navy including its buildup. The Indian Navy intends to increase its influence in the Andaman Sea, in which holds the mouth of the Malacca Straits.

Meanwhile, amidst the growing concerns over China’s military buildup, the US Defense Department released the “Annual Report to Congress: The Military Power of the People’s Republic of China 2005” in July. In addition to cross-strait issues, the US expressed concerns in the report that China’s ongoing efforts on ensuring resources and energy transport routes could have a substantial impact on the security environment not only within the region but on a global scale. China’s efforts to secure bases for its transport routes along the sea lanes stretching from Middle East to China, called a “string of pearls” strategy, will have to be closely watched along with the Indian Navy’s movements from the viewpoint of security in the Indian Ocean, particularly around the Andaman Sea areas.

China also conducted grand-scale joint military exercise with Russia, named "Peace Mission 2005" around the Russian port of Vladivostok and the Chinese coastal province of Shandong from August 18 to 25. The exercise caused a lot of controversy over its aim and the influence that would be affected by the close ties between the two militaries. In the August edition of the monthly report, we examined the strategic significance of the exercise and the impact that would be affected by the increasing closeness of the two countries.

In the vast area of the southern fringe of the Eurasian continent, so-called "arc of instability" where is from Middle East via Central Asia to Southwest and Northeast Asia, strategic power games have been developed by the US, China and Russia to work for strengthening bilateral relations with India. We have examined such developments in those areas from the perspective of the 21<sup>st</sup> century's "Great Game". It goes without saying that we have to keep observing the areas as one of the major concerns in maritime security.

### **1.3 Diplomacy and International Relations**

What brought to attention in this area were the developments of Sino-US and India-US relations. The US's prime interest in Sino-US relationship is to promote democracy and liberty within China along with increase transparency of Chinese military. In October, US Secretary of Defense Donald Rumsfeld asked China for enhancing transparency during his visit to Beijing. In November, President George W. Bush traveled to Japan, South Korea, China and Mongolia. In Japan, the President made a speech on Asia's freedom and democracy. After that, he

attended the APEC meeting in South Korea on November 17. Bush expressed Sino-US relationship, which includes both amicable and antagonistic aspects, as "We have a complex relationship and it's a really important relationship." During the US-China summit, both leaders discussed mainly focusing on their relationship. We examined the significance of the US-China talks in the November edition of the monthly report.

On the other hand, the US and India made headway in their relationship. At a summit held in July, the both countries issued a joint statement on reinforcing their strategic partnership. It was worth noting that the US showed intention to provide civilian nuclear technology to India. Such cooperation to India - a virtual nuclear power - has caused controversy within the US. Before this, the US and India had signed an agreement "New Framework for the US-India Defense Relationship" in June to strengthen their military cooperation like joint production of weapon system and military technology. In the 21<sup>st</sup> "Grate Game", India's presence was highlighted by such US-India relationship development along with the subsequent activities by the US, China and Russia to seek closer links with India.

### **1.4 Resources and Environment**

China's energy strategy has been a focus of attention in this area. China has engaged in vigorous diplomacy with foreign countries - particularly with African nations - in an effort to secure energy resources overseas as well as oil and gas exploration offshore areas of China. Africa is the most volatile area in US-China

conflict over energy resources. Such conflict might further aggravate Sino-US relationship which is already shaky. From a perspective of the 21<sup>st</sup> century's "Grate Game", we should keep an eye on China's diplomacy on energy resources coupled with the "string of pearls" strategy which is to secure its transport.

Southern fringe of Eurasian continent are especially vital waters for Japan's energy security, which is inseparably-linked to ensure resources safely and bring them back home. Accordingly, this issue is not without implications for Japan, depending heavily on Middle East for oil resources.

## Introduction

As one of the notable events occurring in this month (January, 2006), the Ministerial Conference on International Transport Security was convened from January 12 to 13 in Tokyo. Ministerial Declaration along with the following Statements were adopted at the Conference: Ministerial Statement on Security in International Maritime Transport Sector, Ministerial Statement on Aviation Security, Ministerial Statement on Land Transport Security and Ministerial Statement on Transport and Influenza. On January 31, the Piracy's Reporting Center, International Maritime Bureau, released the 2005 annual report on Piracy and Armed Robbery against Ships. The details of the topic are included in the Chapter 2, "Intelligence Assessment".

On the military front, Korean Defense Ministry announced on January 5 the navy considers deploying three 3,500-ton class next-generation submarines by 2020 as part of efforts to achieve a self-reliant defense posture.

Taiwan's Deputy Minister of National Defense on January 24 released pictures indicating the Chinese navy is repairing an ex-Soviet-made aircraft carrier, VARYAG at Dalian military shipyards. This topic together with some photos is featured in the Chapter 3, "Feature".

Indian navy conducted its first multinational naval joint exercise in Andaman coast from January 9 to 14. Naval forces from nine Asia-Pacific countries involved in the exercise. At first, the exercise had been scheduled for January 2005, however, it was forced to put off due to the tsunami disaster hit in December 2004.

On the diplomatic front, US Deputy Secretary of State Robert Zoellick visited Tokyo on January 23 and Beijing on 24. In a press briefing after a meeting with Chinese President Hu Jintao, he expressed his welcome for the concept of China as an international "stakeholder" raising debate within China. The concept had been posed by him in September 2004. On the other hand, during his visit to Japan, Zoellick and Japan's Foreign Minister Taro Aso signed the agreement of two-year host nation support (HNS) for US base in Japan. While the US President George W. Bush delivered his State of the Union address to a Joint Session of Congress on January 31. His remark on positioning China and India as "new competitors" in a dynamic world economy is worthy of attention.

In the resources and environment fields, there were some noticeable topics about Chinese energy strategies in this month. China signed energy cooperation agreements with India on January 12 and with Saudi Arabia on January 23 each. On January 23, CNOOC Limited announced its business strategy and development plan for 2006, estimating yearly oil production will be about nine percent increase from the previous year.

On January 26, The Philippines' Department of Energy concluded a seven-year contract with an international consortium led by Shell Philippines Exploration B.V. (SPEX) and Kuwait Foreign Petroleum Exploration Company (KUFPEC) Philippines (Onshore) B.V. This is aimed at developing oil and gas off northeast Palawan, one of the most promising waters for petroleum exploration.

# 1. Intelligence Bulletin

## 1.1 Law and order

### **January 2 "TNI soldiers are arrested for piracy in the Malacca Strait" (The Jakarta Post, January 4, 2006)**

Two soldiers of the Indonesian Military (TNI) were arrested for piracy act in the Malacca Straits, off Aceh province on January 2. The suspects had kidnapped crew members of two commercial ships 10 days ago and had demanded a ransom. The arrested soldiers are with a battalion stationed in Aceh. One pistol and 17 bullets were confiscated. The hostages were released unharmed. The chief of the Belawan Naval Base in Medan said "They (the pirates) are old players. They have been operating around Aceh Tamiang and in the Strait of Malacca for a few years, extorting fishermen and kidnapping crew members from ships for ransom," In the Malacca Straits, 10 pirate attacks were reported from January to September of 2005. On the other hand, the number of such attacks was 25 during the same period in 2004. The Lloyd's Market Association's Joint War Committee added the Straits to a list of war risk zones at the end of July, 2005.

### **January 7 "LITE carries out suicide attack on Sri Lankan Navy" (CNN, January 7, 2006)**

A suicide bomb attack took place off the northeastern port city of Trincomalee on January 7, killed 13 out of 15 crew members. Sri Lankan rebel, Tamil Tiger (LITE) was responsible for the attack. This incident jeopardizes a cease-fire deal between the Sri Lankan government and the LITE, which has continued nearly four years. This time's suicide bombing was the second attack in the past one month following a bomb attack in the western seaboard town of Mannar in December 13, 2005. Violence in Sri Lanka has intensified since Mahinda Rajapakse's presidential election victory in November. He had campaigned on a promise to take a tough line in negotiations with the LITE. The cease-fire deal agreed in 2002 halted two-decade of a civil war which has killed more than 65,000 people.

### **January 12-13 "Ministerial Conference on International Transport Security held in Tokyo" (Ministry of Land, Infrastructure and Transport)**

The Ministerial Conference on International Transport Security was convened from January 12 to 13 in Tokyo. Participating countries and organizations are Australia, Canada, China, France, Germany, Indonesia, Italy, Japan, South Korea, Malaysia, Russia, Singapore, the UK, the US, the European Commission (EC), the International Civil Aviation Organization (ICAO), the International Maritime Organization (IMO), and the World Customs Organization (WCO). Ministerial Declaration together with the following Statements were adopted at the Conference:

Ministerial Statement on Security in International Maritime Transport Sector, Ministerial Statement on Aviation Security, Ministerial Statement on Land Transport Security and Ministerial Statement on Transport and Influenza. The full excerpts from the Ministerial Statement on Security in International Maritime Transport Sector is listed at the end of this section.

#### **The outline of the Ministerial Declaration**

- (1) Taking every practicable measure to prevent terrorist acts against transport systems
- (2) Valuing very highly the significant efforts of international organizations such as International Maritime Organization (IMO), International Civil Aviation Organization (ICAO) and World Customs Organization (WCO)
- (3) Giving high priority to addressing remaining vulnerabilities to terrorist acts
- (4) Paying special attention to capacity building assistance to those states that have not yet fully addressed the security threats to transport
- (5) Affirming that security measures must be compatible with facilitating the legitimate flow of people and goods
- (6) Encouraging all States to join us in taking steps to enhance transport security worldwide, recognizing the importance of more active and wide-ranging international and domestic cooperation

#### **January 15 "Indonesian President calls on counterterrorism cooperation" (Channel News Asia, January 16, 2005)**

In a speech to lawmakers from the Asia-Pacific region on January 15, the Indonesian President Susilo Bambang Yudhoyono called for strengthening cooperation in the Southeast Asian region, warning terrorists in the region have regrouped and enlisted a recruit. The President also said the fighting with terrorists would last long, along with stressing the importance of combating them on political, economical, legal, social and spiritual fronts. Recently he ordered the Indonesian military to play a bigger role in the fight against terrorism in the country, and appointed Air Marshall Djoko Suyanto, 56, Yudhoyono's contemporary at the military academy, as a new military chief. This appointment will win parliamentary approval soon.

#### **January 17, 2006 "Myanmar, Thailand sign treaty to tackle terror" (Hindustan Times, January 17, 2006)**

Myanmar and Thailand signed a regional treaty on combating terrorism and promoting cooperation among ASEAN member countries. The other eight nations had already signed the treaty in late 2004 except for Myanmar and Thailand. This treaty will enable them to extradite alleged terrorists, exchange information and cooperate in terror investigations.



**January 21, 2006 "US Navy seizes pirate vessel off Somali coast" (American Forces Press Service, Jan. 24, 2006)**

The USS Winston Churchill, a US Navy's guided missile destroyer attached to the US 5th Fleet, captured a suspected vessel in the Indian Ocean about 54 miles off the Somali coast on January 21. According to the US Naval Forces Central Command, the vessel was an Indian-flagged bulk carrier. The Churchill had chased the vessel after receiving a piracy report off the Somali coast from the International Maritime Bureau (IMB) in Kuala Lumpur the day before. As the vessel refused to stop, the Churchill fired warning shots to stop it, and then got the crew members aboard it where they found firearms. Ten suspects were detained from the vessel. The Churchill has been engaged in a multinational task force patrolling activities in the western Indian Ocean and Horn of Africa region.



The U.S. Navy's Arleigh Burke-class guided missile destroyer USS Winston S. Churchill follows a suspected pirate vessel in the Indian Ocean Jan. 21.

(Source: US Department of Defense HP)

([http://www.defenselink.mil/news/Jan2006/20060124\\_3996.html](http://www.defenselink.mil/news/Jan2006/20060124_3996.html))

**January 25 "India, Saudi Arabia sign pact on antiterrorism cooperation" (The Dawn, January 25, 2006)**

On January 25, Indian Prime Minister Manmohan Singh and his Saudi Arabia's counterpart, King Abdullah who had been visited India, signed an agreement on promoting counterterrorism cooperation between the two countries.

**January 25 "Coastguard exercise by India, Bangladesh ends" (Web India 123, 25 January 2006)**

Indian and Bangladeshi coastguard conducted a joint exercise in the bay of Bengal from January 22 to 25. This is aimed at building mutual trust as well as establishing standard operating procedures (SOP) between the two countries to fight crimes such as smuggling, piracy, poaching and maritime terrorism in the high seas. Two hovercraft, a dornier aircraft, one helicopter, three coastguard ships including two warships from the Indian side, and two coastguard ships from the Bangladeshi side took part in the exercise.

### Ministerial Statement on Security in International Maritime Transport Sector

1. We met in January 2006 in Tokyo, Japan, to participate in the Ministerial Conference on International Transport Security and considered directions for further enhancement of the security in international maritime transport sector.
2. We recognize that acts of terrorism pose a serious threat to international maritime transport and that acts of piracy and armed robbery against ships recur with alarming consequences. We, therefore, believe that it is essential to reduce the vulnerability of international maritime transport to such unlawful acts.
3. To this end, we welcome and support the vigorous activities undertaken by relevant international organizations, particularly, the International Maritime Organization (IMO) and the World Customs Organization (WCO).
4. In particular, we firmly believe that the provisions of chapter XI-2 of the International Convention for the Safety of Life at Sea, 1974, as amended (1974 SOLAS Convention) and the International Ship and Port Facility Security Code (ISPS Code), which were adopted under the auspices of IMO in December 2002 and entered into force in July 2004, and the exercise of control and compliance measures, have greatly contributed to enhancing international maritime security, and we stress the importance of ensuring continued compliance with these requirements.
5. We also believe that the Framework of Standards to Secure and Facilitate Global Trade, adopted in June 2005 by WCO, represents a new approach to working methods and partnership for both customs and business.
6. Furthermore, we welcome the adoption, under the auspices of IMO in October 2005, of the Protocol of 2005 to the Convention for the Suppression of Unlawful Acts Against the Safety of Maritime Navigation, 1988 and the Protocol of 2005 to the Protocol for the Suppression of Unlawful Acts Against the Safety of Fixed Platforms Located on the Continental Shelf, 1988.
7. We note the decision of IMO to continue its work in relation to the protection of shipping lanes of strategic importance and significance, especially the follow-up of the Jakarta Statement referred in paragraph 10-3.
8. While commending the efforts of these organizations as well as the efforts of individual States, we believe that a continuing high priority must be given to addressing vulnerabilities in international maritime transport by promoting further enhancement of international maritime security, bearing in mind the significance of ensuring the efficient and legitimate flow of people and goods.
9. Recognizing that the effectiveness of security measures for international maritime transport will be enhanced if they are considered and adopted by all States concerned, we reaffirm our commitment to co-operate to enhance the security of international maritime transport.

## 10. We hereby:

- 1) invite IMO to consider, in cooperation with WCO, the development and adoption, as necessary, of appropriate measures to enhance the security of the maritime transport of containers in the international supply chain, while respecting efficiency and international harmonization;
- 2) invite IMO to undertake a study and make, as necessary, recommendations to enhance the security of ships other than those already covered by SOLAS chapter XI-2 and the ISPS Code, in an effort to protect them from becoming targets of acts of terrorism, piracy, or armed robbery and to prevent them from being exploited or used as means for committing such acts;
- 3) note with satisfaction the adoption in September 2005 of the Jakarta Statement on Enhancement of Safety, Security and Environmental Protection in the Straits of Malacca and Singapore (the Jakarta Statement), and in particular the agreement that a mechanism be established by the three littoral States to meet on a regular basis with user States, the shipping industry and others with an interest in the safe navigation through the Straits of Malacca and Singapore;
- 4) resolve to take necessary actions, as appropriate, in response to the Jakarta Statement while respecting fully the sovereignty of the littoral States, and note with appreciation the offer by Malaysia to host a follow-up meeting;
- 5) urge all Contracting Governments to the 1974 SOLAS Convention to ensure the continued compliance of port facilities located within their territory with the requirements of SOLAS chapter XI-2 and the ISPS Code by appropriate measures which may include conducting inspections or audits of the port facilities located within their territory;
- 6) resolve to share, to the extent possible, in an effort to promote effective implementation, best practices on the implementation of SOLAS chapter XI-2 and the ISPS Code in relation to security in port facilities;
- 7) resolve to continue, in cooperation with IMO and other appropriate organizations, to provide necessary assistance and support to Contracting Governments to the 1974 SOLAS Convention in enhancing their ability and capacity to implement appropriate security measures at their port facilities through further international and regional efforts; and
- 8) further promote international co-operation in the education and training of Port State Control (PSC) officers, through relevant regional Memoranda of Understandings for PSC, and other officers specifically designated to exercise control and compliance measures, in order to promote effective implementation of SOLAS chapter XI-2 and the ISPS Code.

(Source: Ministry of Land, Infrastructure and Transport HP)

([http://www.mlit.go.jp/sogoseisaku/kokusai\\_e/minister\\_e.html](http://www.mlit.go.jp/sogoseisaku/kokusai_e/minister_e.html))

## **1.2 Military security**

### **January 2 "India to train Uzbek military men" (People's Daily Online, January 3, 2006)**

Indian Ministry of Defense announced on January 2 that about 30 Uzbekistan military men arrived at east India's Counter Insurgency and Jungle School (CIJW), to undergo training, scheduled to begin from January 14. Israel and the British army's delegations are expected to monitor the training. They will also monitor the training facilities, training infrastructure and the training methodology of CIJW School. The CIJW School was established in 1970 to train soldiers engaged in operations against rebels. The school is now considered to be one of the finest Counter Terrorist institutions in the world.

### **January 2 "Pakistan Navy decommissioned four French-made submarines" (Pak Tribune, January 03, 2006)**

Pakistan navy decommissioned four of its Daphne-class submarines on January 2. The French-origin Daphne's were first deployed in the late 1960s. The navy has commissioned France-made Agosta class submarines since 1994. The first one went into service in 2000.

### **January 3 "Singapore and India launch second joint air exercise" (Channel News Asia, January 3, 2006)**

The Indian and Singaporean air forces began their second joint exercise "SINDEX" on January 3 at the Indian air base in Kalaikunda. The exercise lasted until January 20. From Singaporean side, eight RSAF F-16 aircraft together with one RSAF KC-135 tanker were involved in the exercise. The KC-135 conducted air refueling to the eight F-16 on the way to India.

### **January 5 "S. Korea to build next-generation 3,500-ton class submarines" (Korea Times, January 5, 2006)**

Korean Defense Ministry on January 5 said the navy considers deploying three 3,500-ton class next-generation submarines by 2020 as part of efforts to achieve a self-reliant defense posture. The submarines are indigenous and conventional ones scheduled to be built under a KSS-III project. Besides that, six 1,800-ton level Type 214 submarines are expected to be built from 2012 to 2020 under an ongoing KSS-II project.

### **January 5 "Indonesia to buy warships from Russia, Germany" (Jakarta Post, January 5, 2006)**

The Indonesian government considers purchasing three new warships from Russia for US\$335 million and likely two out of three Kilo-class submarines from Germany respectively. The Jakarta Post said the Indonesian government shows interest in acquiring a corvette, destroyer and frigate from Russia. The Indonesian officials are currently under negotiations with Russia about

purchasing them and hope to reach an agreement by the end of March.

### **January 5 "MND refers to strategic value of Spratly airstrip" (Taipei Times, January 6, 2006)**

Giving the fact that it would take only five to 10 minutes for Chinese missiles or military aircraft to reach Taiwan crossing the 200 km Taiwan Strait, in cases when Taiwan expand its strategic depth and improve its early warning capability by establishing a base in the South China Sea, it would be advantageous, Taiwan's Deputy Minister of National Defense Tsai Ming-hsien said on January 5 during a meeting of the Legislative Yuan's National Defense Committee. He also admitted there are strategic considerations behind the government's plans for building an airstrip on one of the biggest islets in the Spratly Islands in the South China Sea. Taiwan, China, Vietnam, Malaysia, and the Philippines have claimed the Spratly Islands, consisting of more than 100 small islands or reefs, either partly or entirely. Taipei Times says currently Taiwan occupies Taiping Island. As well, China, Malaysia, the Philippines and Vietnam station a small number of troops on some of the islets. Taiwan's Ministry of National Defense (MND) has stressed that Taiping Island's airstrip was not for military purposes but for humanitarian purposes, such as search and rescue activities. Taipei Times also says Vietnam's demand that it should stop building airstrips on the Spratly Island was turned down by the Ministry of Foreign Affairs (MOFA). According to the MOFA officials, the Spratly Island is part of Taiwan and the construction of the airstrips is in line with its sovereignty, thus it is necessary for coastal security and territory safeguarding reasons. The MND also dismissed a media report that Taiwan plans to establish two submarines ambush areas in the South China Sea, saying it was mere speculation. However, Liang Kung-kai, head of the MND's Department of Strategic Planning, stated in the case of the outbreak of Sino-Taiwan war, Taiwan's submarines would be capable of making ambush attacks against Chinese oil tankers in the South China Sea.

### **January 6 "Indian Navy introduces UAV" (Chennai Online News, January 6, 2006)**

Indian Navy's Chief Admiral, Arun Prakash said on January 6 that the introduction of the Unmanned Aerial Vehicle (UAV) to the navy will be of a great help for strengthening the navy's surveillance ability. He also pointed out as follows: (1) Threats at sea could happen in every ways such as piracy, arms and drug smuggling, maritime terrorism or maritime pollution by accidents. (2) It is necessary for them to clearly and continuously grasp at any time what is going on around the waters. (3) Therefore, maritime reconnaissance capability is crucial in peacetime. And the Indian navy has become amongst the fewest navies in the world that had inducted UAV.

### **January 9 "Indian Navy hosts multi-nation naval exercise in Port Blair" (New Kerala.com, January 9, 2006)**

Indian Navy is expect to hold its first multinational naval joint exercise titled "Milan" (a word meaning "meeting" in Hindi) in Andaman coast from January 9 to 14. Naval forces from nine Asia-Pacific countries will join the exercise. At first, the exercise was scheduled for January 2005,

however, it was forced to put off due to the tsunami disaster hit in December 2004. The Indian navy will bring two guided missile corvettes and assault ships into the naval exercise. The other participants, Indonesia, Malaysia, Myanmar, Thailand, Singapore, Bangladesh and Sri Lanka will also send ships to the exercise. The Australian Navy, which had declined to join such exercises in the past, will also join the exercise for the first time. The Indian navy's official said it would be the biggest ever-naval exercise in the region planned by India. In the past, such naval exercise was held in 2003, involving navies from seven countries. The exercise will also include limited war games by ships from participating countries, discussions by experts on subjects like the marine environment, disaster response and security sea-lane communication, and several festivals. A series of the naval exercises have been conducted twice a year since its launch in 1995 at Port Blair, the capital of the Andaman and Nicobar Islands.

### **January 9 "Army troops in PLA is reduced by 200,000 in 2005" (People's Daily Online, January 9, 2006)**

China reduced the number of its army troops over the last year (2005) by 200,000. This is in line with a reform plan announced in 2003. According to Chinese report, due to this reduction, the total number of troops in the People's Liberation Army (PLA) became 2.3 million. This is aimed at further professionalizing the PLA.

### **January 19 "Russian arms export rises sharply in 2005" (People's Daily Online, January 19, 2006)**

Russian Defense Minister said on January 19 that the total amount of the country's arms exports reached approximately US\$6 billion in 2005, about US\$500 million increase from 2004. Furthermore, Russia exported military technology to largest-ever 82 countries in 2005, and concluded deals of arms exports for US\$22 billion in the next few years. India was the largest purchaser, accounting for 40 percent of Russian total exports.

### **January 23 "Police raid Yamaha Motor over unmanned helicopter export to China" (Sankei Web, January 24, 2006)**

Police on January 23 launched raids on Yamaha Motor Co's head office in Iwata, Shizuoka Prefecture, Japan, to search for evidence on suspicion that the company illegally exported an unmanned helicopter to China. The Foreign Exchange and Foreign Trade Control Law stipulates that exports of unmanned helicopters are subject to approval by the Economy, Trade and Industry Ministry when they are equipped with spray system and are capable of loading with over 20 liters liquid and conducting automated flight. Yamaha is alleged to attempt to export the RMAX L181 to China. The company insisted it did not violate the law, saying the RMAX L181 –improved version of RAMX Type 2G– could not fly by itself and it did not have the lading capacity over 20 liters liquid. However, a police official sees there could be the possibility that the RMAX L181 was equipped with automatic flight control system because the RMAX Type 2G, capable of flying at a constant speed by itself, is the upgraded version of the basic model “Type 2” with adding global

positioning system (GPS).

It revealed that Yamaha had exported a high-performance unmanned helicopter to Poly Technologies Inc., a Chinese state company under the supervision of the People's Liberation Army. The helicopter in question was the remote-controlled RMAX loading with GPS and was sent to Poly Technologies in November 2005. The RMAX is equipped with automatic flight control system that has capability of flying based on the pre-installed program even in invisible conditions. Although exports of unmanned helicopters need permission from the Economy, trade and Industry Ministry, the company failed to comply.



RMAX Type 2G, RMAX Type 2 (Source: YAMAHA HP)

(<http://www.yamaha-motor.co.jp/global/business/sky/lineup/rmax/index.html>)

### **January 25 "S. Korea Defense Minister vows to swift transfer of gunboats to the Philippines" (ABS-CBN News, January 26, 2006)**

South Korean Defense Minister Yoon Kwang-Ung declared on January 25, during his visit to the Philippines, that Seoul promised to Manila to transfer two second-hand patrol boats. This is as part of Korea's security assistance package pledged in 2003. He said the country would deliver two of the Patrol Killer Medium (PKM) gunboats by the middle of 2006. The Philippines will deploy the vessels in order to guard its gas fields in the western Palawan area. The country will also use the vessels to help crack down on the terrorists, smugglers, and drug and gun traffickers in the vast maritime borders in the southern Philippines. South Korea is one of the closest Philippine allies in the Asia-Pacific region and has offered nearly 20 high-speed coastal surveillance patrol boats and six war-vintage fighter planes since the signing of a defense cooperation pact in 1994. South Korean defense industries have been trying to sign contracts for improving or upgrading US-made equipment, such as armored vehicles, aircraft and patrol ships.

### **January 26 "Thailand plans to spend billions in arms" (Bangkok Post, January 26, 2006)**

On January 26, Thailand's Defense Ministry announced a plan to purchase military equipment in the total amount of US\$ 15 billion over the next nine years. The amount will include US\$5 billion for the army. This plan needs to be approved by Cabinet. 115 of foreign military industries have shown interests in the Defense Ministry's plan so far. Details are yet disclosed.

### **1.3 Diplomacy, International Relations and Security Cooperation**

#### **January 20 "Rice to promote innovation of diplomacy" (The International Herald Tribune, January 20, 2006)**

On January 18, in a speech at Washington, US Secretary of State Condoleezza Rice expressed her intention to restructure the country's diplomatic presence around the world from the outdated vestiges of the Cola War, with promoting a transformational diplomacy in accordance with the new era. The US plans to redeploy hundreds of diplomats from Europe, Washington for developing nations including China, India, Lebanon and Nigeria over the next five years.

(Rice's speech from US Department of Defense HP)

<http://www.state.gov/secretary/rm/2006/59306.htm>

(Fact Sheet from US Department of Defense HP)

<http://www.state.gov/r/pa/prs/ps/2006/59339.htm>

#### **January 24 "US Deputy Secretary Zoellick visits China" (Washington File, 24 Jan 2006 and International Herald Tribune, January 24, 2006)**

US Deputy Secretary of State Robert Zoellick visited Beijing on January 24 to have talks with his counterparts, President Hu Jintao, Foreign Minister Li Zhaoxing and Vice Foreign Minister Dai Bingguo. In a September speech last year (2005), Zoellick had emphasized that China was increasing obligations as a major beneficiary of international institutions and agreements. "I wanted to come to China to discuss how I would suggest that China could play a very positive role in the international system, from issues dealing with nonproliferation to energy security to counterterrorism, avian influenza, the Asia-Pacific partnership and climate change initiative," He said. He also welcomed the fact that the concept of China posed by him as an international "stakeholder" had raised debate in China. On the other hand, during his visit to Japan, Zoellick and Japan's Foreign Minister Taro Aso signed the agreement of two-year host nation support (HNS) for US base in Japan.

(Zoellick's speech on September 21, 2005 from US Department of Defense HP)

<http://www.state.gov/s/d/rem/53682.htm>

#### **January 25 " Indonesia, Singapore agree to set up working group on maritime boundaries" (Channel News Asia, 25 January 2006)**

After a two-day meeting in Jakarta, Indonesia and Singapore agreed on January 25 to establish a Joint Technical Working Group to settle maritime-border demarcation issues. The group is made up of officials from the Indonesian Navy and foreign ministries of the two countries. The new technical working group is expected to hold meetings before the third round of discussions between the two countries.



**January 25 "Taiwan: New Cabinet is inaugurated" (Taipei Times, January 26, 2006)**

Su Tseng-chang's new Cabinet was inaugurated in Taiwan this month. Current President Chen Shui-bian chaired the inauguration ceremony convened on January 25. Su and other members swore their oaths of office.

**January 25 "Australia, New Zealand set a boundary line" (Stuff.com.nz, January 26, 2006)**

The border line between Australia and New Zealand was defined on January 25. Although the boundary line in the Tasman Sea had been agreed by treaty in July 2004 after six-year negotiation, it did not enter into force until now because it had been scrutinized under New Zealand's deliberation. Small parts of the Exclusive Economic Zone (EEZ) between the two countries had overlapped: Norfolk Island (Australia) and Three Kings Islands (New Zealand) in the northern area, and Macquarie Island (Australia) and Auckland and Campbell Islands (New Zealand) in the southern area. The boundary line under the new treaty becomes closer to Australia territory as a whole. New Zealand gets legal rights to develop over the undersea resources of its continental shelf, which in some areas extends its 200 nautical mile EEZ. Both countries have reached agreement on all the boundary lines except for off their Antarctic territories. "In the spirit of true trans-Tasman co-operation, this boundary represents a fair and equitable outcome for both of us," New Zealand Foreign Minister Winston Peters said.

**January 31 "President Bush delivers State of the Union Address" (The White House Press Release, January 31, 2006)**

The US President George W. Bush delivered his State of the Union address to a Joint Session of Congress on January 31. He said "The American economy is preeminent, but we cannot afford to be complacent. In a dynamic world economy, we are seeing new competitors, like China and India, and this creates uncertainty, which makes it easier to feed people's fears." In the State of the Union address, He barely referred to diplomacy like policies related to Asia.

(President Bush's State of the Union Address: from the White House HP)

(<http://www.whitehouse.gov/news/releases/2006/01/print/20060131-10.html>)

## **Commentary**

### Cabinet Reshuffle in Taiwan and Its Features

#### 1. Personnel of the New Cabinet

Undergoing a complete change of the members of the Yuan (equivalent to the Cabinet) of the Taiwan government, President Chen Shui-bian designated Su Tseng-chang, 58, as the Premier of the Executive Council on January 25. Premier Su has not spoken much hitherto about the China-Taiwan relations, which are pursued as a political doctrine. At the first cabinet meeting, Premier Su stated that the Executive aims at being above reproach and having the ability to act. He took the stance that he will put forth his best efforts to regain public trust by taking into account the severe prevailing opinion against the corruption cases by the administration of the Democratic Progressive Party (DPP).

Ms. Tsai Ing-wen, 49, who holds a doctorate in economics, was appointed Vice Premier. Until May 2005 in the administration of President Chen, Tsai headed the cabinet-level Mainland Affairs Council (MAC) responsible for relations with the Mainland China. Furthermore, she is said to have been the strategist for former Taiwan President Lee Teng-hui, who advocated the so-called "Two-State Theory" between China and Taiwan which he expressed as "the Special State-to-State Relationship." She is a person whom China is watching carefully as "a member of Taiwan Independence Group."

Other principal cabinet members include Huang Chih-fang, 47, as the Minister of Foreign Affairs, who was the previous Deputy Secretary-General in the Office of the President and is a retired diplomat well acquainted with the United States; Lee Jye, 65, as the Minister of

Defense, remaining in office; Huang Ing-san, 64, as the Minister of Economy, who was the Chairman of the Taiwan Power Company, a pro-Taiwan Group member; and Wu Jau-shieh, 51, close to President Chen, reappointed as the Chairman of MAC.

In addition, Yu Shyi-kunn, 57, became Chairman of Democratic Progressive Party and Chen Tan-sun, 70, knowledgeable about Japan and previously the Minister of Foreign Affairs, the Presidential Office Secretary-General.

#### 2. The New Cabinet and Relations with China

In the Lunar New Year address on January 29, President Chen declared that it was the proper time now to consider seriously the abolition of "the Guidelines for National Unification," formulated in 1991 as the basic policy for unification of China and Taiwan, perceiving that the assumption of the continuation and existence of the Guideline had been negated by Chinese military buildup. He also suggested that Taiwan might apply this year to the United Nations for a seat as Taiwan. As far as the China-Taiwan relationship is concerned, he proposed a policy to move Taiwan one step closer to independence. In his New Year message prior to the Lunar New Year address, too, President Chen repeatedly used the term "Taiwan consciousness" and stressed that "with no clear national identity, our national security cannot be safeguarded." Premier Su mentioned that he followed the President's China policy. No one was appointed the post of Taiwan's provincial chief governor. Accordingly, this post became vacant. However, a constitutional amendment will be needed to dismiss the Taiwan Provincial Government, according to Minister of Interior Lee Yi-yang.

On January 6, the Chinese government decided a pair of pandas to be offered to Taiwan. The Taiwan government is wary of even this gift. On February 7, Vice President Lu Hsiu-lien urged the government to reject the bears, seeing them as part of a ploy to encourage Taiwan to unify with the communist nation, saying “the pandas are the modern version of Wang Chao-chun, the beauty who was offered as a concubine to the king of the Huns by Emperor Yuan in China’s Han dynasty about 100 A.D.”

Chinese Nationalist Party (KMT), the opposition party, disparages such a governmental stance toward China. Criticizing the President’s policy direction stated in his New Year message, KMT Chairman Ma Ying-jeou emphasized that Taiwan needs to take a middle-of-the-road approach.

A majority of the Taiwan people aspire to the status quo of the China-Taiwan relationship. There is a firmly rooted voice in Taiwan’s business community that wishes to improve China-Taiwan relations within the frame of the status quo. In such circumstances, Premier Su’s political ability, under the President’s China policy, will be questioned insofar as how to guarantee the Taiwan identity and administer the China policy while maintaining the benefits and security of Taiwan.

## **1.4 Resources and Environment**

### **January 4 "Pakistan to buy 8 nuclear reactors from China" (Reuters, January 4, 2006)**

Pakistan is pursuing negotiations on purchasing eight nuclear power reactors from China for between US\$7 billion and \$10 billion, Financial Times reported on January 3. Pakistan officials said the plants construction would start in 2015 and would complete in 10 years. The new power stations will have 3,600–4,800 megawatts of generation capacity with using 600 megawatt reactors.

### **January 11 "Oil supplies from Russia to China rise 30% in 2005" (RIA Novosti, January 11, 2006)**

Russian Railways announced on January 3 the country increased its oil delivery to China by more than 30 percent in 2005, to more than 7.6 million metric tons (150,000 bbl/d). This amount exceeded its target by almost 80,000 metric tons, according to Russian Railways' East-Siberian branch. The volume of the oil delivery to China via the Trans-Siberian Railway is expected to further increase in 2006. About 790,000 metric tons will be scheduled for delivery in January. Russian Railways now pursues a construction plan to strengthen its ability as well as modernize infrastructure at railway stations.

### **January 12 "India, China agree on energy cooperation" (The Times of India, January 13, 2006)**

China and India on January 12 signed five agreements including a joint planning on oil-field development in third countries by national oil firms of the two countries. This was realized by the Indian petroleum minister Mani Shankar Aiyar who was on a visit to China, and his Chinese counterpart Ma Kai, chairman of the National Development and Reforms Commission (NDRC).

### **January 23 "China and Saudi Arabia sign bilateral energy pact" (China Daily, January 23, 2006)**

After a meeting between Saudi Arabian King Abdullah and Chinese President Hu Jintao, the two countries signed a cooperation agreement regarding oil, natural gas and mineral resources on January 23. Although the details of the agreement is yet announced, it will enable the two countries to promote specific joint projects in the future, Saudi Foreign Minister Prince Saud al-Faisal said. Saudi Arabia is the largest oil exporting country in the world and China is the second largest oil consuming country. China imported more than 20 million tons of oil from Saudi Arabia in 2005, which accounts for about 14 percent of its total oil imports.

**January 23 "CNOOC Limited releases production planning in 2006" (PR Newswire, January 23, 2006)**

On January 23, CNOOC Limited announced its business strategy and development plan for 2006. Yearly oil production is estimated at about 168 to 170 million barrels, which will be about nine percent increase over the estimated 153 to 157 million barrels in 2005. CNOOC expects to increase its overseas production enhanced by the North West Shelf Project in Australia, which will supply gas to Guangdong LNG terminal in the first half of 2006. With this project, CNOOC's overseas production is estimated to reach 20 to 21 million barrels. Ten projects offshore China are also expected to begin in 2006, two of which are ready for production. In total, 16 projects are scheduled to be completed during 2006–2007. The company plans to exploit oil and gas by conducting drilling, seismic acquisition activities offshore China, especially in Bo Hai Bay and the South China Sea. Overseas exploration activities will be further enhanced.

**January 26 "The Philippines, International Consortium conclude contract on joint oil search" (Manila Standard Today, January 28-29, 2006)**

On January 26, The Philippines' Department of Energy concluded a seven-year contract with an international consortium led by Shell Philippines Exploration B.V. (SPEX) and Kuwait Foreign Petroleum Exploration Company (KUFPEC) Philippines (Onshore) B.V. This is to develop oil and gas off northeast Palawan, one of the most promising places for petroleum exploration. The international consortium will invest US\$24 million for exploration activities by conducting seismic surveys ranging 1.01 million hectares offshore northeast Palawan. Energy Secretary Raphael Lotilla said this agreement would help increase foreign investments in the Philippines' energy sector. He also said "It is our hope that this new investment will result in a successful petroleum find and help push forward the country's drive for energy independence in the midst of surging oil prices," This is the 14<sup>th</sup> contract signed by the government since December 2004. These service contracts involve a total of US\$193 million in financial investments committed to work programs for the oil and gas exploration.

## 2. Intelligence Assessment

On January 31, 2006, the IMB Piracy Reporting Centre in Kuala Lumpur released its 2005 annual report on “Piracy and Armed Robbery against Ships” during January 1- December 31, 2005. The ICC IMB defines “Piracy and Armed Robbery against Ships” as “An act of boarding or attempting to board any ship with the apparent intent to commit theft or any other crime and with the apparent intent or capability to use force in the furtherance of that act”. The following are the figures of piracy and armed robbery in 2005:

### Figures of Piracy and Armed Robbery in 2005

(With reference to the Annual Report “PIRACY AND ARMED ROBBERY AGAINST SHIPS” by the ICC International Maritime Bureau)

#### 1. Locations of ACTUAL and ATTEMPTED attacks

The number of actual and attempted piracy or armed robbery attacks reported in 2005 totaled 276. Of 205 actual cases, 23 were cases of hijacking and 182 of boarding ships. On the other hand, there were a total of 71 attempted attacks; 19 were cases using guns and 52 were attempts to board ships. The sum of cases in 2005 decreased from the 329 in 2004. There was also in 2005 considerable decline from 469 in 2000 and 445 in 2003, the former being the highest number of attacks in the past 10 years. The annual report comments that global awareness of piracy and armed robbery against ships as well as international pressure on some governments helped force down the total number of worldwide reported attacks. Moreover, more-enhanced surveillance systems over the ships sailing in dangerous waters contributed to reducing these attacks.

Regarding location, 208 out of the total 276 cases occurred in nine waters. In Indonesian waters the record shows 79 cases, the highest number of attacks. In declining order of frequency, there were 35 cases in Somalia, 21 in Bangladesh, 16 in Nigeria, 15 cases in the Indian Ocean, 12 in the Malacca Straits, and 10 cases in Vietnam, Gulf of Aden, Red Sea and Iraqi waters.

These figures show that occurrences in Indonesia account for almost 30 % of the worldwide piracy or armed robbery incidents. The statistics show that this trend has remained steady for 10 years. The Indonesian archipelago waters are still regarded as the most dangerous in the world. The number of attacks in total in that region, however, tended to decline from 115 in 1999, 119 in 2000, 103 in 2002, 121 in 2003 and 94 in 2004.

Meantime, the 12 reported attacks in the Malacca Straits in 2005 is a significant decrease from 38 of the previous year. The highest number of attacks in the past 10 years was 75 cases in 2000, followed in frequency by 2004.

Past editions of the monthly report illustrated several safety activities carried out by regional countries in the Malacca Straits and Indonesian waters. In December 2005, Brunei, Indonesia, Malaysia and the Philippines agreed to launch joint sea patrols around the southern Philippines to deal with cross-border crimes and to beef up regional security. In the meantime, patrol activities in the Malacca Straits were led by the littoral states of Malaysia, Singapore and Indonesia. Although the three states have called on foreign countries for financial and technical help, they did not wish the direct involvement of foreigners in such a manner as deployment of vessels in the waters. The three littoral countries plus Thailand launched joint air patrols over the Straits from September 2005. Malaysia established the “Malaysian Maritime Enforcement Agency (MMEA)” in October to strengthen maritime security in the Straits. Some countries outside the region including Australia have shown support of these regional security enhancements.

On the other hand, the 35 attacks in 2005 in Somalia focused attention there, when a two-digit number of attacks were reported. This shows a significant increase from 1995. In both 1995 and 1999, 14 attacks were reported. There were 10 cases around the Red Sea/ Gulf of Aden in 2005, an increase by 2 cases from the previous year. In these waters a two-digit number of attacks was recorded in each year from 2000 to 2003. These figures show that the “Horn of Africa” waters and beyond have become dangerous. The November edition featured a view on the plight of piracy-infested waters off Somalia.

Similarly, it is reported that a two-digit number of attacks occurred off the coast of Bangladesh and the India Ocean since 1999. 2003 marked the highest occurrence with 58 cases. Twenty-one piracy and armed robbery attacks occurred in 2005, an increase of five over the previous year. On the other hand, the number of attacks has dropped in the Indian Ocean from 27 in 2003 to 15 attacks in 2004 and in 2005.

Coastal areas of Myanmar and Bangladesh have become arms smuggling routes. Due to the lack of adequate security monitoring systems, these coastlines have become sanctuaries for smugglers. The October edition of the monthly report summarized the Indian Navy’s activities to command the Bay of Bengal and the Andaman Sea.

Off Vietnam there were 10 recorded attacks in 2005, decreased from 12 in 2002 and 15 in 2003. Given the four attacks in 2004, a substantial increase can be seen in attacks in those waters in 2005.

Locations of actual and attempted attacks, January-December from 2000 to 2005

Area	Locations	2000	2001	2002	2003	2004	2005
SE ASIA	Indonesia	119	91	103	121	94	79
	Malacca Strait	75	17	16	28	38	12
	Vietnam	6	8	12	15	4	10
INDIAN	Bangladesh	55	25	32	58	17	21
	India	35	27	18	27	15	15
AFRICA	Red Sea/Gulf of Aden	13	11	11	18	8	10
	Somalia	9	8	6	3	2	35

(Note: The above table is depicted from Table 1, p.5 from the Annual Report "PIRACY AND ARMED ROBBERY AGAINST SHIPS" by ICC International Maritime Bureau)

## 2. Characteristics

According to the "Annual Report," out of 276 total cases in 2005, attacks on ships raided while berthed or at anchor numbered 159 (including 14 attempted attacks). Of these 159 stationary attacks, 117 cases were reported in ports and anchorages that had three or more attacks within the past four years. This shows, however, a declining trend compared to 166 in 2002, 180 in 2003 and 130 in 2004. Chittagong, Bangladesh, ranks as the most dangerous port in 2005 with 19 attacks, an increase from nine cases in 2004, but less than 25 cases in 2002. The second most dangerous port is Jakarta-Tg. Priok, Indonesia, with 15 attacks, less than 18 cases in 2004 but more than 11 in 2002 and five in 2003. Balikpapan, situated on the east coast of Kalimantan, Indonesia (Borneo island), recorded 10 attacks. This is the largest figure next to Lagos, Nigeria, which is ranked the third most dangerous port with 11 attacks. Balikpapan recorded 21 attacks in 2002, seven in 2003 and 13 in 2004. On the same east coast, Bontang reported four attacks. Adan Bay and Irian Jaya each sustained three attacks. These figures reflect the danger of the Indonesian archipelago waters. Another notably dangerous area in Indonesia is Belawan facing the Malacca Straits with four cases.

Although a total number of annual attacks has been on the decrease, cases of hijacking more than doubled from 11 in 2004 to 23 in 2005, almost equivalent to 25 in 2002. About the types of violence against crew and passengers, 440 people in total were taken in hostage in 2005. This is a sharp rise from the previous year's 148 people, and marks the highest hostage rate of the past 10 years. However, only in 24 cases were people injured, a decrease from 59 in 2004. In addition, none of the hostages were killed in 2005, the first non-fatal year for hostages in the past 10 years. On the other hand, the annual report points out that new areas of concern are Iraqi waters with areas around the Basrah oil terminal and Umm Qasr cited for violent, heavily-armed piracy. Ten attacks were reported in these areas in 2005 compared to one in 2004 and two in 2001. The table below illustrates the breakdown of the types of arms used during attacks from 2000 through 2005.



## Types of arms used during attacks, January-December from 2000 to 2005

Types	2000	2001	2002	2003	2004	2005
Guns	51	73	68	100	89	80
Knives	132	105	136	143	95	80
Other weapons	40	39	49	34	15	13
Not stated	246	118	117	168	130	103
Total for the year	469	335	370	445	329	276

(Note: Depicted from Table 6, p.9 of the Annual Report "PIRACY AND ARMED ROBBERY AGAINST SHIPS" by ICC International Maritime Bureau)

### 3. Feature: When will China acquire aircraft carrier? – From the latest articles and photos of ex-Soviet aircraft carrier “VARYAG”



“Varyag” crossing the Bosphorus Strait, Turkey, around the end of 2001

Note: All pictures in this chapter are from <http://www.varyagworld.com/>

On January 19, Taiwan’s Ministry of National Defense (MND) released 20 pictures of Chinese military establishments and a Soviet-made aircraft carrier, VARYAG, in a Dalian military shipyard. “Although China claimed that the Varyag would be used as a tourist attraction, the aircraft carrier would actually be used as a training ship in preparation for building up an aircraft carrier battle group,” said the MND spokesman. He added that the completion of the aircraft carrier battle group would enable China to launch an offshore attack on the eastern part of Taiwan. Chinese officials dismissed this view from Taiwan.

“When will China acquire its own aircraft carrier?” is a major question not only for Taiwan but also for the US as well as Asian countries. Information of China’s aircraft carrier possession is cited from some recent articles.

#### 1. Recent story regarding the Varyag

Although the second of the 67,500-ton Kuznetsov class aircraft carrier, Varyag is not equipped with a steam-catapult that the US navy aircraft carriers are, it is capable of accommodating fixed-wing aircraft. The Varyag is equipped with a deck-mounted ski jump instead of a steam catapult. (According to the Military Balance 2005-2006, Kuznetsov-class aircraft carriers have the capacity to support 20-36 Su-33 Flanker-D fighter aircrafts.) In 1991 during the collapse of the Soviet Union, the Varyag was under construction at a Nikolayev shipyard in the Black Sea. Seventy percent of the vessel construction was complete, but it was without engines, rudders or armament. After Nikolayev came under Ukraine’s rule, Russia refused to pay Ukraine to complete construction of the ship. Then Ukraine offered the ship to India for US\$1.6 billion. Although India rejected this offer on the grounds that the ship was in disrepair, the country afterward purchased Kiev-class 44,750-ton aircraft carrier Admiral Gorshkov for US\$1 billion.\*

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\* As already reported in the December issue of the monthly report (December 1 “India’s second aircraft carrier, “Admiral Gorshkov,” to arrive in Mumbai in 2008”), it is to arrive at Mumbai, India, around the first half of 2008. At the moment, it is partly under modifications and is expected to undergo an official trial in Russia for one year before sailing for India. Other such case in Asia is of Thailand’s purchase of 11,500-ton aircraft carrier from Spain.

In 1992, China expressed an interest in purchasing the Varyag, which did not come to realization at that time. A Hong Kong company purchased it for US\$20 million in March 1998. The company announced a plan to turn the ship into a floating casino and entertainment complex. However, the plan had two unusual aspects. Firstly, the Macau waters are too shallow to accommodate such a large ship. Secondly, the company's major shareholder was a Chinese state enterprise. The Varyag at last arrived in the Dalian shipyard in March 2002. In September 2001, the Chinese deputy foreign minister had visited Turkey to get permission to tow the Varyag through the Bosphorus Straits, offering economic aid to get clearance. After finally being allowed by Turkey to go through the Straits, the ship sailed into Dalian via the Cape of Good Hope.

The Varyag is the third aircraft carrier brought into China, after the Minsk and the Novorossiysk. The former-Soviet Union had built three Kiev-class and two Kuznetsov-class aircraft carriers. The Kiev-class Minsk and Novorossiysk were purchased by South Korea for scrap in 1995. Then the Minsk was purchased by a Chinese company for US\$5 million in June 1998 and currently is the main attraction at a theme park in Shenzhen, near Hong Kong. The Kiev was also sold for scrap to a Tianjin-based company for US\$8.4 million in May 2005 and is expected to be turned into a tourist attraction. (<http://www.varyagworld.com/>)

(The recent story of the Varyag was based on Ian Storey and You Ji's "CHINA'S AIRCRAFT CARRIER AMBITIONS: Seeking Truth from Rumors," Naval War College Review, Winter 2004, Vol. L VII, No. 1, pp.77-93. <henceforth S&J's article> This report explains the historical background of China's aircraft carrier aspirations.)

## **2. Expert's view on Varyag in the Dalian shipyard**

China purchased aircraft carrier HMAS Melbourne from Australia in 1985 for scrap. Chinese naval engineers were able to see its internal structure in the process of dismantling. The flight deck of the Melbourne was left intact and used for pilot training of takeoff and landing (S&J's article, p.79). In this way, China got the opportunity to study the structure of four aircraft carriers even though all of them were obsolete models.

On the other hand, it's been nearly four years since the Varyag was brought to the Dalian port. What has been taken place regarding the vessel during this period? The August edition of the OPRF monthly report introduced an article from Jane's Defence Weekly on August 12, 2005 that stated: "Experts see this as China's intention to use the platform not for a floating casino, but for the preparation of constructing a true blue water navy. It is likely that Chinese engineers are studying the design of the carrier."

Judging from some recent photos of the Varyag fresh from dry dock painted like a Chinese naval vessel, experts speculate the vessel will be used for training or modification and that it can be fully operational, reported the International Herald Tribune (IHT) on January 30, 2006. Rick Fisher, vice president of the International Assessment and Strategy Center, a Washington-based

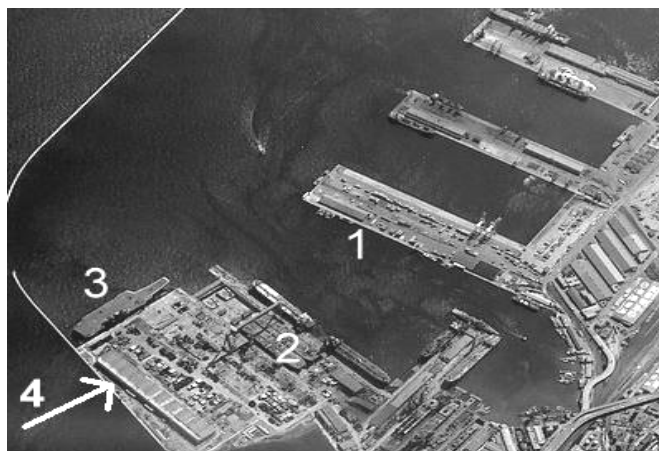
think tank, keeps an eye on China's movement in the Dalian shipyard, saying that he was sure China launched preparation for building its first domestic aircraft carrier by the end of 2010. Considering China's strategic ambitions, it is logical that China moves to acquire aircraft carriers, said Sam Bateman, an expert from Singapore's Institute of Defense and Strategic Studies. Bateman also said the US as well as India and Japan - China's two neighbors - would worry about the possibility that China acquire carriers. The Dalian shipyard is now under tight security, but the work on the Varyag is fairly visible from close-by highways. (David Lague, "An aircraft carrier for China?" IHT, January 30, 2006)

Meanwhile, as mentioned earlier, the S&J's article points out China has lost the urgent need to acquire carriers due to the fact that China's strategic concerns have shifted from the South China Sea to the Taiwan front since the late 1990's. Furthermore, believers of a "revolution in military affairs" (RMA) insist that China should exploit technological advances to counter the potent US navy in any cross-strait conflict, claiming aircraft carriers are vulnerable to submarines, mines and precision-guided missiles. China's acquisition of Kilo-class submarines and Sovremenny-class destroyers from Russia appears to be part of such strategy (S&J's article, p.87-88).

In the 2003 edition of annual report, "The Military Power of the People's Republic of China", the US Defense Department stated, "While continuing to research and discuss possibilities, China appears to have set aside indefinitely plans to acquire an aircraft carrier." The Defense Department also pointed out in the 2005 edition of the annual report that it did not seem China had broadened its concept of operations for anti-access and sea denial to encompass sea control in waters beyond Taiwan and its periphery. And if China had shifted to a broader "sea control" strategy, clear signs such as the development of aircraft carriers would have been apparent. Seen in this light, the future developments of the Varyag in the Dalian are the key to forecast the direction of Chinese naval force.

The topic of China's "string of pearls" strategy has been discussed in the report several times. It is relevant to note that the Chinese navy so far does not appear to have the capability to keep its presence in sea-lanes from the Middle East to China by using the "string of pearls" strategy. Any aircraft carrier China acquires is likely to be a significant platform in the "string of pearls" strategy. However, retaining aircraft carriers would involve enormous cost. The previous IHT article says currently Britain's Royal Navy is building two 50,000-metric-ton conventionally powered carriers that are expected to cost minimum US\$2.5 billion each. Beyond that amount, an equivalent sum must be estimated in the operation phase. And what is more, aircraft carriers do not operate alone: for support and protection, they need a battle group with combat vessels, submarines and supply vessels. For these reasons, China's acquisition and operation of aircraft carriers will require a substantially long time frame.

### Ex-Soviet aircraft carrier Varyag in Dalian



(Note: On the website, there are no explanation about the pictures, but it is clearly visible that the ship is fresh from the dock. Although there is no official account from the Taiwan's MND about the pictures, the numbers (1-4) shown on the last photo appear to be the indication of how it moved. The arrow next to the number 4 might be the indicator that the ship would move toward the outside berth.)

## Links

ABC-CBN News	<a href="http://www.abs-cbnnews.com/">http://www.abs-cbnnews.com/</a>
American Forces Press Service (US Dept of Defense)	<a href="http://www.defenselink.mil/news/articles.html">http://www.defenselink.mil/news/articles.html</a>
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RIA Novosti	<a href="http://en.rian.ru/">http://en.rian.ru/</a>
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