The Rise of China’s Navy: A Discussion with Capt. James Fanell

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1201 Pennsylvania Avenue, N.W., Suite 400
Washington, DC 20004
May 14, 2019

TRANSCRIPT

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SETH CROPSEY: Thank you, everybody, for coming out today. I'm Seth Cropsey. I'm a senior fellow here at Hudson and director of Hudson Center for American Seapower. I have some association with the Navy, but that's not the subject of our discussion today. Captain Jim Fanell, retired, served in a long, distinguished career as an intelligence officer in the Navy and with particular distinction as head of intelligence for the Pacific Fleet. And I don't think that any further remarks from me are really warranted. I'd rather listen to what Jim has to say, so the floor is yours.

JAMES FANELL: Thank you, Seth. Well, good afternoon, everybody. It's an honor and a privilege to be here at the Hudson. Seth, really appreciate you arranging this. If we could call up the slides, I'll get started. This is a copy of a presentation I just gave last week up at the Navy War College for the China Maritime Studies Institute. And I think it's an - a topic that will be of interest to many here. The biggest challenge for U.S. national security leaders over the next 30 years is the speed and sustainability of the PRC's national effort to deploy a global navy. In June 2018, I stood aboard the fantail of the PLA Navy guided-missile frigate Binzhou in Kiel, Germany. It was never clear to me then at that moment that Beijing has the national will to dominate the seas. Binzhou had been at sea for 2 1/2 months, patrolling the waters off of the Gulf of Aden as part of China's anti-piracy naval task force. Moored among German, British, United States warship, Binzhou stood out with its immaculate appearance. Ship staff, officers and crew exuded confidence and preparedness to get underway, back to sea, where they looked like they belonged. This contrasted sharply with my recollections from a 2004 visit aboard the destroyer Luhu in Port Qingdao as well as many subsequent visits aboard Chinese warships over the next 15 years.

FANELL: The visit to Binzhou in that foreign port halfway around the world from China crystallized for me that in the short space of a decade and a half, I had witnessed the transformation of the PLA Navy from a timid, near-seas assembly of ships into a global naval force where their ships and crews were as comfortable, competent and capable mariners as were their German, British and American counterparts. A decade and a decade ago, the conventional wisdom at gatherings like this held that the PRC's leaders were focused on domestic concerns of regime survival. We were wrong. In hindsight, it's clear that the PRC was building a naval force intended to sail and eventually dominate the seven seas. After 20 years of transformation, the PLA Navy operates around the world, from the Baltic to the South Pacific and from the Arctic to the Antarctic. China's naval ship building continues unabated in order to support the PLA Navy's expanding set of missions to fulfill the China dream of national rejuvenation and restoration. In 2015, Scott Cheney-Peters and I assessed that there would be a massive expansion in the size of the PLA Navy for the period of 2015 to 2030. While that assessment essentially remains on track, there is one impediment to the strategic environment that could stymie the PRC's maritime strategy, and that's this current U.S. administration.

FANELL: This administration's definitive decision to treat the PRC as a competitor may be the only chance to stop the PRC from becoming the dominant global naval power over the course of the next three decades. While official and unofficial statements assert the PRC's global aspirations, when it comes to the issue of maritime power, their validity is best assessed by an examination of what the PLA Navy is actually doing at sea. The first and most obvious place to start is an examination of the past decade's worth of escort task force operations in the Gulf of Aden. As noted by Erickson and Strange, these escort task force deployments, while initially intended to safeguard China's economic interests, have, over time, provided the PLA Navy with
irreplaceable naval training and catalyzed the development of naval skill sets often taken for granted but which are absolutely critical for long-distance operations. Since 2008, the PLA Navy has dispatched 32 escort task forces to the Gulf of Aden. Each task force has been comprised of a three-ship configuration of two warships and one underway replenishment ship. On the occasion of the 10th anniversary of these deployments last summer, the PLA Daily announced that the Chinese navy is no longer worried about warship shortages. Not only were more warships built, but the qualities have also been improved, transforming the Chinese navy from a green-water navy into a robust blue-water navy. In the span of a decade, the PLA Navy went from being largely confined to operations in the first island chain to a global presence where its escort task force ships visited over 60 nations.

**FANELL:** What these examples of expanded geographic operations in the far seas demonstrate is the ageless lesson all seafaring nations understand about the capabilities and confidence navies gain from being at sea. This data represents a trend that foreshadows an expanding PLA navy global presence, one that will continue to improve its combat readiness as each new area of maritime commons is opened up to the PRC. Given PRC leadership comments regarding its global agenda, it seems likely there will be an increase in the number of task force deployments as the size of the PLA navy expands over the next 20 to 30 years. They aren't building those ships to stay in port or even to stay in East Asia. The PLA navy's development of a robust underway replenishment capability has been critical to its 10 years of successful and expansive escort task force operations. After just three - using just three oilers in the first 4 1/2 years, the PLA navy built many more Type 903 Alpha resupply ships that have been able to support two task forces simultaneously. The increase in the number of replenishment ships has expanded the PLA navy's knowledge and training surrounding this very important capability that serves as the backbone for all naval forces aspiring to global naval operations.

**FANELL:** And while the Type 903 series has greatly enhanced the PLA navy's far seas operations, they are not the most advanced supply ships anymore, as the new Type 901 Fuyu-class large-scale resupply ships are coming online and are expected to operate alongside future PLA navy aircraft carrier strike groups in the next year or two. Perhaps no platform has received more attention than the PLA navy's aircraft carrier program. Interestingly, Chinese commentators highlighted the problem of a relatively small aggregate tonnage of naval vessels must be resolved in order to increase the navy's capability to confront naval hegemonies around the world. Naval hegemonies - I wonder who they were talking about. Just how many aircraft carriers the PRC will build is a topic of great discussion in the PRC press, as well as in America. And given the PRC pension's for being the biggest or No. 1, I believe the PRC is determined to build more carriers than the U.S., despite assertions of just needing six. As such, I expect at least 10 by 2049. The expansion of the PLA navy submarine operations into the far seas is assessed to have begun in October 2006, when a song-class diesel submarine was sighted within four nautical miles of the USS Kitty Hawk.

**FANELL:** However - or - between 2006 and 2013, the PLA navy submarine operations expanded into the South China and Philippine Seas and became a normalized pattern of activity. And since 2014, PLA navy submarines have conducted regular deployments into the Indian Ocean, although there was a recent report suggesting that there may be a gap right now over the course of the last six to eight months. The obvious question is, where will they next operate? That question can be best answered by paying attention to PRC oceanographic research operations. As noted by Dutton - Martinson and Dutton, one of the main drivers for this
data collection program is to support the development of China's blue-water naval capabilities and is especially important for undersea warfare. More importantly, wherever this ocean floor mapping by the PRC has occurred, PLA navy submarine operations have followed. As such, we should prepare for Chinese submarine operations in the Atlantic over the course of the next decade, as evidenced by the numerous reports of PRC oceanographic research ships operating in the Atlantic. As depicted in this slide, the Dayang Yihao was observed operating in the South Atlantic in February of this year. At least, that's where she was until she turned off her AIS - automatic identification system. As for the number of PLA navy submarines that can be expected in the future, in 2015, we estimated that by 2030, the PLA navy would have 12 SSNs - fast attack submarines - and 12 SSBNs - ballistic missile submarines.

FANELL: However, given the recent developments regarding a potentially new nuclear submarine facility pictured here at Huludao, the number of PRC SSNs and SSBNs may be greater than originally estimated. While analysis of commercial imagery has prompted some Chinese military enthusiasts to compare it with interiors of other nuclear production halls around the world, I recognize not everyone remains convinced. And while I don't have time to go into the details of the arguments, let me simply state that, given the existence of this new submarine production facility - potential facility, the PRC may be able to launch two SNNs and one SSBN annually, meaning the PLA navy could have as many as 24 SSNs and 14 SSBNs by 2030. And while some may scoff at this estimate, recall as late as a decade ago, similar doubts existed for Chinese destroyer production. One obvious indicator of future PLA navy operations is directly linked to the Belt and Road Initiative. As noted by Thorne and Spevack, the BRI provides Beijing access to vital sea lines of communication, with port investments being used as vehicles whereby the PRC can build dual-use infrastructure to facilitate Beijing's long-range naval operations. Additionally, a January 2019 Center for Naval Analysis study noted the mission of defending Chinese people and assets abroad is one of the new historic missions driving the PLA navy's expansion throughout the Middle East and Western Indian Ocean.

FANELL: There are other indicators on the horizon where conflicts involving the safety of Chinese nationals could bring the PLA navy into action as - even as far as the Americas, which I explore in a paper I've submitted to the China Maritime Studies Institute at the Navy War College. For much of the past decade, China's launched more naval ships than any other country. As shown in this slide, over the past four years, the PRC has out-built the U.S. by a rate of 4 to 1. Given the past 20-year trajectory of PRC naval ship construction, the PRC's expressed desire and ability to continue to increase its spending on naval shipbuilding, the cost advantages its shipbuilding industry enjoy compared to foreign naval shipyards and Chinese shipbuilders' continued trend of indigenous technical mastery of complex designs and systems integration, I expect the PLA navy will continue to surpass the U.S. Navy in the number of warships built for the foreseeable future. And in this recently published slide from Reuters, the PLA navy's growth is not just in the number of halls, but is now surpassing the U.S. in terms of tonnage. And I have not even mentioned the all-important metric of anti-ship cruise missiles like we are now seeing produced on the likes of the Type 0555 Renhai-class cruiser and their 112 vertical launch cells.

FANELL: But before you accuse me of inflated estimates, allow me - and you may not accuse me, but I throw that in there - allow me to apologize for a low-ball estimate I gave four years ago to the China Maritime Studies Institute regarding the size of the PLA navy in 2030. Based on the past four years of actual construction, even our maximal scenario underestimated the growth of
the PLA navy. Despite rumors to the contrary, I have persistently underestimated the growth in the PLA navy’s shipbuilding because my estimates have always been based on observables. But we know that the Chinese hide so much from us. This slide represents a course correction assessment that the PLA navy by 2030 will consist of a surface force of over 450 surface ships and a submarine force approaching 110. That’s almost a 10% increase from my 2015 estimate, and it may still be low, which brings me to my final two slides. As U.S. policymakers assess the speed and sustainability of China’s navy expansion into the future, it’s useful to look back on previous assessments of Chinese sea power. We should expect to find errors and misjudgments when we look back. Assessments of the future are hard. But the most notable feature of our China assessments is that all of our misjudgments have been in the same direction - perfectly fitting the definition of systemic error. One of the most important lessons to be learned is that the most accurate predictions of the PLA navy are derived not just from what the PRC says or what a select few scholarly China hands interpret, but are instead created from an in-depth and consistent observation of what the PLA navy is actually building and where their ships and submarines are operating on a continuous basis.

FANELL: It is only by watching what the Chinese navy does with its navy every day, observing and recording their movements, that accurate and timely projections can be made. As Aiyar notes, the record is clear. In each case of strategic military surprise, it can be demonstrated that when new information was presented, regardless of its pedigree or importance, it was found - if it was found to disagree with a specific set of closely held assumptions that informed the thinking of those nations’ civil and military leaders, it was rejected. As such, assumptions must be rigorously tested. And when new or inconvenient data does not fit into the existing conventional wisdom of what prestigious celebrity China hands think they know about how the Chinese think, decision-makers must step in and demand the assumptions be challenged and thrown out if found to be wrong. The risk of surprise will be minimized with correct assessments. And to date, our community of top China hands has failed to predict China’s rise in military aggressiveness or to assess effective policies to diminish or contain it. Bad assessments have made us less secure, less prosperous, less influential.

FANELL: This is especially important when assessing catastrophic risks, such as the balance of military power in the Indo-Pacific. And while many China hands proclaim the objectivity of their analysis and assessments, the proof of such claims must be tested by their track record. This is where policymakers must become more discerning and ruthless in their decision-making. So then, what does the future hold for the PLA navy in the far seas? China reassuringly asserts its global military presence is not an attempt to gain a sphere of influence, to interfere with internal affairs of other countries, to invade foreign territories or to disrupt the regional order. However, there are indicators that this global naval presence will result in exactly what the world has witnessed in the South and East China seas over the past decade where PLA navy forces are used to bully and intimidate smaller and weaker nations to comply with Beijing's dictates. A global PLA navy will increasingly threaten U.S. and allied interests abroad, increasing, not decreasing, the risk of major-power war. Given the PLA navy's operational naval construction trajectory, the PRC's overall economic strength, the PLA navy's decade-long experience operating in the far seas and its established track record of intimidating neighbors to forfeit their coastal state's rights to China, we can assess that the PRC is on track to be able to achieve sea control in the global maritime commons by 2030 and potentially even sea superiority by 2049, and that it will use its power for the expansion of China's interests at the expense of others.
FANELL: It's popular to say that conflict with China is not inevitable. Of course it's not. However, the likelihood of conflict will not be wished away by platitudes and more unconstrained engagement. The best option to avert future conflict is for the U.S. to continue its whole-of-government approach to significantly strengthen the U.S. military and to confront the PRC’s bad behavior at sea. We must join the economic battle that Beijing has long been fighting against us and economically contain China until it stops their dangerous naval arms race. Current administration has challenged 40 years’ worth of assumptions about how to deal with the PRC and is now leading this whole-of-government challenge. Eating the PLA navy at sea or forcing it to permanently stand down requires these efforts and much more. Let's just hope it's not too little and too late. Thank you.

(APPLAUSE)

CROPSEY: Have a seat. We're going to talk a little bit, and then we'll open up the floor here. I'd just like to offer an observation of mine that - consistent with yours. If you had asked a senior U.S. Navy flag officer 20 years ago or you had said that the PLAN would have the ability to target American aircraft carriers at a thousand miles' distance while they were underway at sea, what do you think their reaction would have been?

FANELL: That they wouldn't have believed it.

CROPSEY: Yeah. I would go a step further. I think they would say, what have you been smoking recently?

FANELL: Well, I will relay a story. I was the intelligence officer for the Kitty Hawk Strike Group from 2003 to 2005. And it's the only aircraft carrier the U.S. has that's four-deployed. It's now the Ronald Reagan. But we rotate a carrier that's permanently deployed in the Far East in - out of Japan - Yokosuka, Japan. And all our other carriers operate out of the East and West Coast, and they do deployments out of there. And the pattern in the Navy is once these CONUS-based - continental U.S.-based - carriers finish their six-, nine-month deployments, they come back, and their admirals will brief their post-deployment debrief up the chain of command. But the carriers in Japan never really get that opportunity 'cause we never come home. And when I finished my tour, the Pac Fleet - the director of intelligence for the Pacific Fleet said, why don't you go back and brief the director of Naval Intelligence on your observations of what China's doing and your experience out there? So I went - I came here, and I briefed that. And I got that question. What are you doing out there? What are you smoking? How can you say this - say these things? That was 15 years ago - about 15 years ago. And here we are.

CROPSEY: Well, that leads me to the real question that I wanted to ask you.

FANELL: (Laughing).

CROPSEY: I didn't form a question. I think you correctly noted that this administration - the Trump administration - has turned around the way that the United - American policy toward China from what it had been for the preceding 30 to 40 years, which was the attempt to encourage China to become a stakeholder in the liberal international order, to recognizing that China is a strategic competitor of the United States. So given that, what's your assessment of how that's - how's the Navy doing in responding to that? I mean, you mentioned that the PLAN is out-building our Navy and so on and so forth. But what's the large picture, strategy-wise, design-wise, of the fleet building - future building? Give us a report card.
FANELL: I think, at least in terms of - we'll start at the strategic level inside the Navy - at least, my observations are is that it's OK now to be able to say that China's a pure competitor and a threat. I mean, we hadn't been able to say that. Up until through I - when I retired in 2015, it was not allowed to be said. So I think now you're allowed to say these things. You know, I mean, and you can follow the various quotes of the different Pacific Fleet commanders before 2015 and after 2015. So things changed in that way. So the - you know, like they say, the first thing you have to do when you have a problem is you have to acknowledge that you have the problem. So we weren't willing to acknowledge that there was an issue there. That was our national policy. That was the - and the Navy followed that.

FANELL: So now it's only been a couple of years that we're starting to recognize that this is an issue. And so we're trying to turn the ship of the U.S. Navy to address that. We - literally since Desert Storm until now, we've had a Navy that was built and designed to operate overland in the Middle East. And we forgot - we didn't forget. That's a harsh thing - we just kind of deemphasized war at sea. When you and I joined the Navy, war at sea was our No. 1 task. That's what - I remember when I joined, we just - all we did was train to sink other fleets - the Soviet navy. That was why we were designed and built. But over the course of the last, you know, 25-plus years, that really hasn't been a primary focus of the Navy. That's changing. It's been changing over the last couple of years. But that's going to take some more time to kick in in terms of the systems that go in to support that, which was your question of, what are we building? Are we building the right things? Do we have the right platforms? And we haven't fully got there yet.

FANELL: For instance, most of the U.S. surface fleet doesn't have the kinds of anti-ship cruise-missile capability that PLA Navy fleet does. And I know that the former assistant secretary of defense work - talk about these battle force missiles and battle force capabilities, where we measure not just tonnage, not just numbers of hulls of ships but the actual ability to strike each other. And I've looked at some of that analysis, and I think it still measures things in a kind of an apples versus orange way instead of an apples to apples and oranges to oranges. And when it comes to anti-ship cruise missiles, they simply dominate us, both with numbers - and I'm talking, like, thousands and thousands more than we have - and range - their missiles have ranges of 200 nautical miles or more - and in speed - all supersonic. And our harpoon anti-ship cruise missile is short range - less than a hundred miles - subsonic and is old technology. And we're developing some new things. I know that, but they're still not fully fielded. And they really weren't built from the ground up. I don't know if that answers it.

CROPSEY: Let me just get to another question, which is one that I'm asked fairly often, so I'll repeat it here. What's the military significance of the islands in the South China Sea that are being built and armed, both in peacetime and if hostilities were to take place?

FANELL: Well, if - the islands are absolutely islands now that the Chinese have built them. And I've heard the saying that, who cares? They're just a bunch of little rocks. And you should know that what China built between - late 2011 and through 2015 were seven artificial islands in the South China Sea. And three of those islands are the same size and dimensions, in terms of geography, as Pearl Harbor. One of them is the same dimension as the beltway that goes around Washington, D.C. So you never really hear in the press or talked about that China built three Pearl Harbors in the South China Sea, but that's the way I characterize it. Not only did they build three islands with 10,000-meter runways - or 3,000-meter runways, 10,000 feet - they also - these port - or these facilities have major naval base so that you can pull in aircraft
carriers and submarines and warships, which they've been doing. That's another part of the militarization that rarely gets discussed.

FANELL: So why did they do it? Well, there's a lot of theories out there. A lot of people like to speculate that it's all for resources - fish or gas and oil. But I'm pretty convinced that the fish isn't really the driver. And fishing is important to China, but that's not the driver for this. And the gas and oil projection - we've had over 70 years of analysis and exploration down there, and that area of the southern South China Sea and the Spratlys has not really produced the levels of oil that you would expect for something of that - of this size. So it leaves the obvious question. It has a military application. And if you think that China's No. 1 priority in terms of being able to achieve its goal of being restored in their great rejuvenation of the China dream is to take back Taiwan - let me rephrase that - to take Taiwan. They can't take back something they never had. So to take Taiwan - in order to do that, you have to have the ability to operate with impunity in the South China Sea.

FANELL: And if the Chinese didn't have the ability to keep the United States out of the South China Sea and to keep the United States from operating from bases in the Philippines or to put U.S. platforms and military assets that are in the Philippines on a rotational basis at risk, it's very hard to do that from mainland China or from Hainan Island. But now that you've got three major naval facilities down there, you’re able to essentially close down the South China Sea. And I think we will see, probably, in the next several years - depending on how things go in the elections in the Philippines, it's quite possible that you could see the same thing happen at Scarborough Shoal, which would give them another way to block that off - the entrance through the Bashi Channel - which allows for the Chinese navy and operational forces to operate in a sanctuary, if you will, to use a phrase from an older generation - and operate up in and provide a vector of attack into Taiwan from the south.

CROPSEY: But if we don't have anti-ship missiles - anti-ship cruise missiles, we still have Tomahawks. We have TLAMs with considerable range. Wouldn't those islands be vulnerable to TLAM strikes that are conducted from a distance?

FANELL: They could be. I mean, TLAM though, again, is subsonic. So, you know, China develops and builds the advanced surface-to-air missiles, you know, equivalent to this S400 and whatnot. So it becomes a numbers game, an attrition game. Plus, you're going to have other assets there that maybe will put our surface fleet at risk even farther out, like the DF-26. So it's a game in terms of the reach...

CROPSEY: DF-26 is a...

FANELL: Medium-range ballistic missile that's about 2,000-mile range. It essentially covers from mainland China out to Guam, which would certainly cover all of the South China Sea. And the DF-21, the precursor to that, is about a 1,000-mile range, 900-mile range. And it covers most of the South China Sea. So you know, for us to be able to launch TLEM, we're going to have to be east of, you know, Luzon and launch it over the Philippines. And that can be done. And it's not to say that that isn't a viable option. But we need things that are faster because when you're flying subsonic, you're inherently at risk from close-in weapons systems and other advanced surface-to-air systems.

CROPSEY: Let me - let's get some questions from the floor here, if we have any. Otherwise, I'll keep talking. Both of us will keep talking. But let's start with the front row and go from there.
RUSSELL KING: Yes. China has a lot of military theory. I'm sure you've heard of "The Art Of War" by Sun Tzu. And one sentence in that that seems applicable is when we're weak, pretend that we're strong. When we're strong, pretend you're weak. And that would cause us to make errors in judging their capabilities. But also, there's the seven military classics of ancient China and 36 strategies of China - many of them political, mostly applied to land - and also the Game of Go, or Weiqi, where the Chinese are trying to encircle their enemy, prevent their enemy from encircling them. Can you tell me how much you know about these doctrines and how much applies specifically to naval warfare?

CROPSEY: And one other point before you begin - and that is I neglected to say, when you are called on and receive the mic, would you please identify yourself and tell us what your affiliation is? And no, it's my fault. I didn't...

KING: No, it's my fault. I'm Russell King. I was formerly on the USS Midway (unintelligible).

FANELL: Good to meet you, shipmate. Yes, we're aware of these doctrines and how that - they've adopted this kind of frame of reference to deceive or manipulate their adversaries through the use of feints and, you know, deception. I would say that what seems clear over the last - since Xi Jinping's come into power is that this hide and bide kind of a strategy, they've walked away from in some ways. I would also say it's very important for me to - backtrack one step. I think that China wants to be able to have - I don't think - I know that they want to be able to take possession of everything that they think is theirs. They've told us that unambiguously. There's no deception there. It's in everything that they say and do. But they really want to do it without using kinetic force if they can get away with it. That's their desire. So if you go back to 2012 at Scarborough Shoal, which is a shoal about 140 miles northwest of Manila - well within the Philippines exclusive economic zone - China was able to, between April and June of 2012, acquire Scarborough Shoal from the Philippines without firing a shot. And since June 16, 2012, the People's Republic of China has maintained sovereign control over that shoal. That's how they would prefer to do it.

FANELL: The question is, what about Taiwan? What about the Senkakus and the lower Ryukyus that Japan has? Are those nations going to comply? And so China will increase this pressure over the coming decade to try to get these nations to capitulate and to turn over these territories in some form or fashion. We know that Hu Jintao and Xi Jinping have ordered the PLA to be ready to have the capability - not to be ready, to have the capability to take Taiwan next year. Hu Jintao ordered that over a - almost two decades ago, OK? And Xi Jinping has reinforced it. And they have been building this - you've seen it just on the Navy portion, but they've been building and creating the platforms to be able to do just that. So the question becomes - what happens if Taiwan doesn't capitulate. And the people of Taiwan say, no, we don't want to be under the oppressive thumb of Beijing, and we want to stay, you know, who we are, a separate nation? What happens if the people of Japan say, no, we're not going to give back the Senkakus? It's - there's no dispute there. It's Japanese territory, they say. Or what happens if there's something else? I mean, we're still not completely sure about China's designs on the lower Ryukyus, lower Ryukyu Islands south of Okinawa along there.

FANELL: So what happens if those nations don't capitulate through economic pressure, diplomatic pressure, information pressure? Well, there's going to be growing voices inside Beijing, especially from the PLA, that says, hey, I've got a hammer; there's a nail. Let's start hammering. And that's the real concern is, when would they pull that trigger? And my
assessment is - it's what I've called the decade of concern. Between 2020 and 2030 is the most likely time that China will use force and then be able to then invite the rest of the world back to Beijing in 2049 to commemorate and celebrate the 100th anniversary of the People's Republic of China on October 1, 2049.

CROPSEY: All right. We'll move back row by row.

JULIAN KYLE LEWIS: Good afternoon, sir.

FANELL: Hi.

JULIAN KYLE LEWIS: I'm Julian Kyle Lewis from the American University here in Washington. And my question for you is, not everybody gets to rise to the highest levels of intelligence in the United States government. So you just have an immense amount of respect from so many people and - just from a student perspective. Can you speak on how you deal with that kind of pressure - knowing that the decisions that you're making and the intelligence that you're gathering, you know, has such serious implications, whether you're right, whether you're wrong? Like, how do you deal with maintaining your poise and maintaining, you know, a balanced diet and thinking clearly and just living a balanced life to be able to maintain yourself so you can think clearly and do your job and to keep us safe? Like, how do you personally deal with those kinds of pressures? Thank you.

FANELL: That's an interesting question. I don't think I did it very well towards the end of my career because the more senior you get, the longer you're - the more you're on call, if you will. So I think having a good work-life balance, we - everybody says that, but actually watching people implement it is a little bit different. I think it depends on your personality and who you are. But you know, this idea of speaking truth to power - you hear that said. But the reality is, you have to have facts. You have to have sober, objective facts. And everyone's got a little bit of bias. There's no way to get around it. But in general, I worked for Pacific Fleet Commander Admiral Cecil Haney - went on to be strategic command commander. And he always said the most successful folks that he had experienced in his career were people that stayed calm and objective and came to meetings and came to decision points with as many facts as possible.

FANELL: So part of the job or part of the process that sometimes gets more difficult the more senior you get is you tend to get away from the facts because you have staffs and watches and things that - watch, a group of people that are working around the clock watching a certain problem. Those people will do the work for you. And then you take, you know, second or third or fourth iterations of the original source material to form your own opinion. And you never - my experience is you never need - you should always stay close to the original source material. You need to know the original source material. And that's a - it becomes harder and harder the more senior you get and the more responsibilities and meetings and people that you have to support with information. I make the analogy - I grew up - my first 20 years in the Navy, when I was at sea, I was on aircraft carriers. And I worked around aviators. I was an intelligence officer, a squadron and then an air wing and then a carrier strike group. And the aviators that I always enjoyed the most were the guys that didn't really aspire to be admirals and didn't aspire to, you know, command shore installations but were guys that wanted to be - and gals - that wanted to be at sea and wanted to fly.

FANELL: And so they always had a passion for flying. And I always had a passion for, what's the raw information? And for me - and I was kind of unique. In my career, or the last 15 years of
my career, I was always in the Pacific, and I was at carrier strike group level, a numbered fleet and then the Pacific Fleet. And all those jobs, my job was - where are big hunks of metal on the sea, under the sea and above the sea in the Pacific? That was my job - find those big hunks of metal - ships, submarines and aircraft. And I loved that. And you know, you have to find what you love when you're in the intelligence community and follow that.

CROPSEY: Let's go to the side here. Sir?

MORGAN WILSON: My name's Morgan Wilson. I work with Booz Allen and work on some Navy contracts, as well. My question is specifically regarding the pace of China's ship development. Particularly, you mentioned their advantages in producing carriers - the speed and the cost with which they can do that compared to us. I know we've released our own sort of ship plans, certainly through 2020, for the development but then also moving past that. And I understand, also, even from the late Senator McCain, there's certain controversy over the types of ships that we're rolling out and where those investments are. And so what would you see, I guess based on what we are putting out, do you think that's in line to combat what - the development we see with China? And if not, you know, how would that best be matched by us?

FANELL: Yeah. I'm not a shipbuilding expert by any stretch. But I have been on the record and published to say, both public speaking and on writing, that I think the 350-ship Navy is not enough. So - and I'm told by everyone in the U.S. Navy, you know, you're on - you're smoking dope there, Fanell, because there's no way we can even get the 350. It's going to be very difficult. But my point is, you just saw the numbers and the estimates. China already has more ships than we do today. And to do what they need to do, they need to stay regionally focused, where we're - you know, we're just sending the carrier to the Gulf right now, right? Everybody knows what's going on in the Gulf with Iran. We have global commitments, global responsibilities. And so that stretches our fleet out that's even smaller than the Chinese. So even if I'm wrong by half of what I predict - which I don't think I am, but let's say I am - they're still going to have a very formidable navy that we're just not matched up to be able to deter at all, let alone fight and defeat in a war at sea to achieve our end state.

FANELL: And I'll just jump off one point here. I think the Navy - this is back to Seth's first question, how are we doing? - I think the Navy has not - I don't want to say the Navy 'cause - I'll say it. The Navy has not sold the story of why Taiwan is important and why our presence in Asia is important. And so if we don't do a better job of explaining to American citizens why we are in Asia and why Asia is important to Americans that live in Iowa or live in Oklahoma City or live in New Mexico or live in Hawaii - if they don't understand that and put a value judgment to it, then it's going to be very hard for us to be able to justify why we need to grow our Navy bigger than it is. And people need to understand that the standard of livings that they have come in part from this trading system that we have. And it's not just the trading system in Asia, but it's this ruleset that says that people can go anywhere they want on the maritime commons, and no other nation has the right to tell them that they can be or not be there and who they can buy and sell from. That's freedom. That's liberty. And so that's what we stand for. And if we walk away from that in Asia, that means China gets to replace what we stand for with what they stand for. And we know what they stand for because we've seen them do it in the South China Sea, which is, it's mine - it's my way or the highway

CROPSEY: Just one point to add to that - it is possible, in reference to your point there, that both observations are correct - namely, that the Navy needs to be larger than 350 ships, as Jim
has said, and there's no way we're going to get the 350 ships. So those are not exclusive. They can both be true. OK. So...

FANELL: (Laughter).

CROPSEY: Let's see. Let's go to this side here. Sir?

LAN BIAN: Hi. My name is Lan Bian (ph). I'm an upcoming student at SAIS Strategic Studies, and they recently have been - we're reading the air-sea battles to the - strategies for China. And so I was wondering if the U.S. could successfully neutralize the Chinese rocket force. And what would be the war look like? And how likely would the U.S. Navy defeat the Chinese navy in a crisis without the protection of the Chinese rocket force? Thank you.

FANELL: Yeah. The strategic rocket force - formerly the second artillery of the PLA - is very formidable. And they have literally thousands of missiles pointed at Taiwan and these other missiles we talked about, like the DF-21 and DF-26 that push this counter-intervention, to use the Chinese phrase, or our A2AD area - access area denial strategy to keep us outside of the first island chain for sure and the outside of the second island chain. So neutralizing or defeating the PRC's strategic rocket force is a top priority if we were going to ever have a conflict in Asia, whether over Taiwan or other - any other area. And how you take those out - well, there's lots of work being done on how to defeat those things and from naval platforms to even new technologies like hypersonics and things of that nature. But that those things would have to be targeted and destroyed in order to free up - you know, to roll back, if you will, the ability of the PRC to destroy or put at risk certain ports or airfields in Taiwan that would allow them to come in with much more military support to occupy the island. I don't know if that's answered your question, but it's very serious situation and something that I would just say, given a career in the Pacific, that people are aware of.

CROPSEY: I'll go to this side of the room. Sir.

AUDIENCE MEMBER: Thank you. I wonder if I could return to the South China Sea for a moment and be a little bit more specific and tactical. Let's suppose for a moment that we did have parity. You're arguing we don't. And let's put - thinking about deterrence, deterrence only works if the other side believes you're going to use it. If they don't, then you don't have much to turn in. That's got to be backed by your willingness to use it. I wonder if you could describe what it would look like for a U.S. fleet in the South China Sea. What would it - what would they do to challenge Chinese naval power in these non-critical islands? That is to say, they're not like Taiwan. They're not like the Japanese Senkakus. Their - and their sovereign claimants are not necessarily willing to support a U.S. challenge. What would it look like? What would the U.S. do that wouldn't result in an all-out war? How would the parity be used? Would - you know, would we stop Chinese ships? And if they didn't stop, what would we do, actually?

FANELL: Yeah. So first of all, the U.S. Navy today - I mean, I think Randy Schriver said two weeks ago that, you know, China's got these islands, and there's no plans on the shelf. I don't know he used the word plans, but he said we're not intending to, you know, take them back through physical force. So they're there. So the question is, you're kind of asking, how do I reverse the salami-slicing of the last 15 years?

AUDIENCE MEMBER: Stop it.
FANELL: Or at least stop it from continuing. Like, how do we - a more pointed question would be, how do we prevent them from doing what they did in the Spratlys to the Scarborough Shoal? How would we do that? Well, freedom of navigation program is a separate issue, and it's clearly been ramped up under this administration in terms of the number, the periodicity and in advertisements of it. But we have also been increasing our carrier presence and our carrier operations in the South China Sea, which is the real - in my opinion, the real solution, which is we're not going to stop anybody from operating there. That's never been our heritage for 240 years. I mean, we believe that people have the right to sail on the seas. And so what is - what we need to do is be there and be present. And so doing multi-carrier operations that the U.S. has done much more of in the last two years - dual carriers, combined operations with JMSDF. We just had a British - the Albion Group operate through their amphibious carrier group. You just had a French warship transit through the Taiwan Strait. So bringing in the coalition - we've just had an announced exercise with - what? - India, Thailand, the U.S. and there was one other - Indonesia. So these kinds of multinational - that the people that see the world in the same view that we do, which is the global commons are open to everybody, it's to operate in those global commons and to send a signal to Beijing that, hey, you're not going to be able to expand this any further because the world will condemn you. And if called upon, we could actually - you know, if we had a parity capability, we could even deter you through physical violence.

AUDIENCE MEMBER: (Inaudible) would you be willing (unintelligible).

FANELL: So let me address that. Yeah, that's a good point, this issue of will. A lot of people like to say that, well, we don't have the will. I can tell you from living most of my life in Asia that we have a huge residual well of goodwill from people in Asia that know what the United States did in World War II and how we didn't become an occupying force after the war in terms of dominating individual nations and taking over and ruling like the Roman Empire or something. We freed up people. We - you know, we kind of saved the world from a system that was not good. And it expanded across Asia and in Europe, but in Asia. And then we basically left. We kept a small force in Japan and some in Korea. But otherwise, we were not a belligerent occupier. And so we had a lot of goodwill built up. And then we kind of - that suffered greatly in 2012 when we didn't stand up for the Philippines, our treaty ally.

FANELL: That - I've told people this over and over again, and I'll say it again, and I know it's controversial in this town with some folks. But America's greatest foreign policy disaster in Asia post-Vietnam War was what happened at Scarborough Shoal in 2012. That had a really devastating impact on America's credibility in the region. We're clawing that back. And, you know, the old story - you know, you need 10 atta-boys for one - you know, I won't say the S-word. But, you know, one time you have one bad thing happen, it kind of wipes away lots of good work. And so we have to continue to build up that goodwill in the region. And our presence operations that are occurring today is helping build up that goodwill, in my opinion. There's still a long way to go, but it's a right step forward.

AUDIENCE MEMBER: As an intelligence officer, you know that there's a difference between numbers and capability. China - you have operating a lot, but there's - haven't seen much, in effect, that they have done coordinated, you know, strategic tactical-level operations - you know, the coordination of your powers - you know, the missiles and sensors, aircraft and that sort of thing. You know, what do you think their level of actual capability is? And, say, in a blue water fight, can they coordinate? And do their senior officers have the experience? And we've obviously had the concern - the belief that most of the communist countries don't have a good -
have - you're a very top-down, and they don't have the - give their commanders freedom of action that would be necessary in an all-out, you know, naval battle. Well, talk about their - you know, their experience and their capabilities to actually exercise and use the combat power they have.

FANELL: Yeah, a few thoughts on that one - if you saw my first slide or second slide in the brief, you saw me on board a Chinese warship last July in Kiel, OK. I've been on and off their ships for a long time. I was just up in Newport and talked to our naval attache, who was in Qingdao for the 70th anniversary of the PLA Navy. And we were - I've known him for a long, long time, and we were discussing this very issue. And while they're not American sailors exactly, you know, they are very, very competent mariners and sailors today in terms of operating ships. When it comes to command and control, I - you know, I can't go into details. But from my observations in my career, they have progressed a long way in terms of this idea of commanding, controlling ships and operating at sea. And while they don't do, you know, large-scale exercises necessarily in the Indian Ocean, they have been operating out in the Indian Ocean. And they've been commanding and controlling those vessels for a decade. And so they understand the importance of command and control. In terms of targeting, ISR - intelligence, surveillance, reconnaissance and targeting - you know, who's launched more satellites over the course of the last three or four years? It's been China.

FANELL: So they didn't just build these or buy these missiles - or they built them, the DF-26 or the DF-21 that have a range of 2,000 miles or a thousand miles. They didn't just build those without considering that they had to have information to hit moving ships at sea. So they've put up the platforms in space to be able to help them identify those targets and then get them. It's a difficult task. Don't get me wrong. It's not an easy task to shoot a missile, you know, a thousand miles or 2,000 miles over the horizon and hit a moving ship at sea. But the Chinese are rigorous testers in this area, and they test their naval forces at sea. And they operate with the second - Strategic Rocket Force. They operate with the People's Liberation Army Air Force in joint exercises, and I've seen some things that are really impressive. And so I guess what I'd say is I wouldn't downplay or doubt their capabilities. They have the platforms. They have the - they're having the experience. And we need to respect that and not diminish it by saying, well, they're - and I'll tell you another thing. We've trained them very well. We have provided them great insight into how we operate. They've visited our carriers many times. Admiral Wu Shengli, the former commander of the Chinese navy, visited the East Coast here in 2007 and went aboard one of our aircraft carriers at sea, went aboard one of our nuclear submarines.

FANELL: We've - and the old anecdote is, you know, they would ask a hundred questions, and we would give them a hundred answers because we're open Americans. They would ask us - we would ask them one question, and they wouldn't give us one answer. And I personally experienced that on board their ships where they won't give up anything. But we would tell them everything. So they'd been told for 20 years that the backbone of the military in the United States is our non-commissioned officer corps. They've been building that. They've been building an NCO corps. So I was surprised - I'm not surprised that they're becoming more and more like us.

CROPSEY: Sir.

AUDIENCE MEMBER: Jim, your mention of the - your assessment of the Chinese maritime goal of maritime superiority by 2049 prompts my question about in order for that to be possible,
China will have to have superiority in many other spheres as well - economic superiority, political superiority, control of the Earth-Moon system. And, in fact, we see China striving for this superiority in those spheres today. But this effort didn't begin simply with Xi Jinping. And if you dig a little bit, you certainly find hints of this during the Mao period and lots of indicators that begin to accumulate in the 1990s and beyond. At times in the last century, the United States has benefited from a kind of institutional competition in our intelligence - in our broad intelligence community. In 1930s, there were insights that were produced that helped us get the kind of advantages early in the war with Japan that were - proved decisive.

AUDIENCE MEMBER: In the 1980s and in the late '70s, there were B team efforts within the current intelligence institutions that provided a necessary kick in the pants. Looking at - with the hindsight of your career and the ability for us to say today that, yes, China wants not just maritime superiority but global, all-around superiority, is it - would you agree that it's time to reintroduce, at levels that I can't say but at least at very specific points, a - reintroduce an institutionalized - a systems of institutionalized intelligence competition to far better inform policymakers about the range of possibilities as the Chinese threat coalesces at an increasingly rapid pace this coming decade and even faster in the 2030s.

FANELL: Rick, that's a great question, and I agree. I think my experience is that there's - we're prone to groupthink. We've been prone to groupthink in the past. And I see it when it comes to assessing China, where certain people that would speak out were, you know, marginalized, ridiculed, told that they were wrong and not - their assessments kind of ignored. That's got to stop. I mean, there has to be a recognition that if we say that China is a competitor and I - this is the issue. Not everybody believes that. So until we get to a point where we're all on the same sheet of saying that this is an issue that we have to address for our national survival, then we're never going to get there. So first and foremost, we have to come to that realization. And that's why the NSS, National Security Strategy, and the National Defense Strategy were so vitally important because it was the first time in the 40 years that we've had relationship with the People's Republic of China that we've said something that had been taboo to say. So now inside the intelligence community, there needs to be that same kind of realization that this is something that - you know, just having a party line - a single party line on how to assess the PRC isn't going to cut it. There has to be competition. There has to be more voices heard, and that's a very, very difficult thing to change. But it needs to be done. So maybe a congressional committee or something to look into this or - I don't know - the ODNI. There's got to be something that opens up - creating a B team - another B team, something like that.

CROPSEY: We have time for one more question - gentleman with his hand raised. Yeah?

AUDIENCE MEMBER: Good afternoon. Thank you very much, Captain Fanell. I just have two questions that I'm wondering if you could comment on. Previously from MIT, currently University of Pittsburgh. The first is regarding our most stalwart ally in East Asia. And this is, of course, Japan. And so we've been discussing a lot about our lack of capability or will to produce enough ships and missiles to sort of combat this rising Chinese threat. So I'm wondering are we having any discussions with the Japanese to enlist them in aiding us in that effort? Of course, there is Article 9. There's been talk in recent years about sort of changing that. There's opposition to that, to a certain degree, from certain corners in Japan. I mean, obviously, it's a democratic society, and not everyone agrees with that approach. But it seems to me that rearming Japan, if you will, in some way, might be an approach to that. The second question is regarding Taiwan. And I'm wondering, to what degree have we assessed - and sorry for being a bit macabre here.
But how many Taiwanese is China willing to kill? How many people are they willing to kill in order to reclaim Taiwan? Are they willing to have a lifeless island to achieve their goal? And are we factoring that into our assessment?

FANELL: On the first question with Japan, having lived in Japan for four years off and on throughout my career, I can tell you that the U.S. Navy and the Kaijo Jieitai or the Japanese Maritime Self-Defense Force are like this. We are close. There's an author that you may have heard of, Colonel Grant Newsham - retired U.S. Marine Corps. Grant writes a lot about how the rest of the Self-Defense Force of Japan and the U.S. military need to approach the same levels of cooperation as the maritime forces. And that's happening. It's been happening with creation of the Japanese Marine Corps, for instance. So Japan's a vital ally. We cooperate and coordinate together. And I would say that's probably one of those bright, shining areas in my negative spin here today, if you will. I mean, that's, really, a good relationship. And I think the people of Japan increasingly recognize how serious the threat is. And some of these historical considerations in the post-World War II environment in terms of their constitution and what constitutes force and self-defense are melting away in the face of the real threat from China. And the Japanese are facing it on a daily basis around the Senkakus, where the Chinese, since 2012, have surrounded the Senkakus and, you know, about once a month, drive inside the 12 nautical miles inside the territorial limit. And, you know, they're just constantly probing with the Chinese Coast Guard and PLA Navy ships getting closer and closer and PLA Navy submarines driving by and PLA Air Force bombers and fighters coming by, so the Japanese are living under this - and not at just the Senkakus. They also vector bombers and fighters towards Okinawa. And so that's a reality that the people of Japan understand, I think, very, very well.

FANELL: In terms of Taiwan, what would - how would China be willing to use - or how many people would they - let me rephrase it. Would they be willing to kill the golden goose or the goose that lays a golden egg? And I think the answer is, yes, they'd be willing to wring that goose's neck, even if it meant no more golden eggs because for them, it's an existential issue in terms of the CCP's - Chinese Communist Party's - survival - regime survival. They have to bring that home. At some point, the people of China will not accept that. And once they decide to do this - that's the real issue. I don't believe they want to kill that goose. I don't - again, don't believe they really want to. They want that golden egg every month or whenever it comes, but they will. Once they decide to go, it will be no holds barred, I think. And you need to plan it that way, at least from a military planning perspective. And with the Rocket Force that's on the other side and the air superiority that they would likely have in the initial hours if not days or weeks, it would be a rough go if you're on that island. So it's an imminent issue right now, in my opinion.

CROPSEY: I'd like to thank you for an excellent presentation today. And I would also like to thank all of you for joining us and for your excellent questions. Sometimes, we're - especially these days, we're getting a lot of focus on the trade issues between United States and China. But there are other issues outstanding that are also important. And as several of you have commented - and Jim has a better understanding of those, certainly in the interests of the United States, and this meeting helps to advance that. Stay tuned to Hudson's website. We will have more of this discussion in the future. And again, thank you very much.