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TOP NEWS

White Paper on National Defense Published

The State Council Information Office published on Monday a white paper entitled *China's National Defense in 2004*. The document, composed of 10 chapters and seven appendices, describes China's national defense policies and army's modernization process. This is the third white paper that the Chinese government has issued since 2000 about China's national defense. The full text of the white paper follows:

China's National Defense in 2004

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Foreword

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A panoramic view of the present-day world displays the simultaneous existence of both opportunities for and challenges to peace and development, and of positive and negative factors bearing on security and stability. The opportunities cannot be shared and the challenges cannot be overcome unless diverse civilizations, social systems and development models live together harmoniously, trust each other and engage in cooperation. Hence, the pursuit of peace, development and cooperation has become an irresistible trend of history.

The development goal for China to strive for in the first two decades of this century is to build a moderately prosperous society in an all-round way. As a large developing country, China has before it an arduous task for modernization, which calls for prolonged and persistent hard work. China will mainly rely on its own strength for development, and therefore poses no obstacle or threat to any one. China needs a peaceful international environment for its own development, which in turn will enhance peace and development in the world. Holding high the banner of peace, development and cooperation, China adheres to an independent foreign policy of peace and a national defense policy of the defensive nature. China will never go for expansion, nor will it ever seek hegemony.

A major strategic task of the Communist Party of China (CPC) in exercising state power is to secure a coordinated development of national defense and the economy, and to build modernized, regularized and revolutionary armed forces to keep the country safe. The Fourth Plenary Session of the 16th CPC Central Committee and the Enlarged CPC Conference of the Central Military Commission (CMC), held successively in September 2004, paid a high tribute to Jiang Zemin for his outstanding contributions to national defense and military modernization, and appointed Hu Jintao Chairman of the CPC Central Military Commission. Meanwhile, the CMC composition was also readjusted and expanded, and the developmental direction for national defense and military modernization clearly defined. In the new stage of the 21st century, China's national defense and army building shall be guided by Deng Xiaoping Theory and the important thought of the "Three Represents," in an all-round way implement Jiang Zemin's thought on national defense and army building, maintain the fundamental principle and system of absolute Party leadership over the armed forces, and take the military strategy of the new era as an overarching guideline to actively push for the national defense and military modernization.

This White Paper, China's National Defense in 2004, is published to illustrate China's national defense policies and the progress made in the past two years in its defense and army building.

Chapter I. The Security Situation

The current international situation continues to undergo profound and complex changes. Peace and development remain the dominating themes of the times. Although the international situation as a whole tends to be stable, factors of uncertainty, instability and insecurity are on the increase.

The trends toward world multipolarization and economic globalization are deepening amid twists and turns. New changes are occurring in the balance of power among the major international players, with the

process of their realignment and the redistribution of their interests accelerated. New and profound readjustments have taken place in the relations among the world's major countries. While cooperating with and seeking support from each other, they are checking on and competing with one another as well. With their overall strength continuing to rise, the developing countries have become important players in promoting a multipolar world and democratized international relations. The United Nations is playing an irreplaceable role in international affairs. Economic globalization and technological advancement have generated new opportunities for development. As a result of accelerated global industrial restructuring, and the continued development of regional economic cooperation, world economy has witnessed new growth, with interdependence among nations deepened and their common interests increased. However, a fair and rational new international political and economic order is yet to be established. Tendencies of hegemonism and unilateralism have gained new ground, as struggles for strategic points, strategic resources and strategic dominance crop up from time to time. The Iraqi War has exerted a far-reaching influence on the international and regional security situations. The imbalance in world economic development has worsened, with the North-South gap continuing to widen, and economic security confronting new challenges.

The military factor plays a greater role in international configuration and national security. Worldwide Revolution in Military Affairs (RMA) is gaining momentum. The forms of war are undergoing changes from mechanization to informationalization. Informationalization has become the key factor in enhancing the warfighting capability of the armed forces. Confrontation between systems has become the principal feature of confrontation on the battlefield. Asymmetrical, non-contiguous and non-linear operations have become important patterns of operations. The world's major countries are making readjustments in their security and military strategies and stepping up transformation of their armed forces by way of developing high-tech weaponry and military equipment and putting forth new military doctrines. As a result, the generation gap in military technology between informationalization on the one hand and mechanization and semi-mechanization on the other is still widening, and military imbalance worldwide has further increased. The role played by military power in safeguarding national security is assuming greater prominence.

Traditional and non-traditional security issues are intertwined with the latter posing a growing threat. Some regional hot spots have cooled down. Security cooperation at the regional level has deepened. The worldwide campaign against terrorism has made progress. International cooperation in the fields of information security, energy security, finance security and environment security has been enhanced. And international efforts to crack down on transnational crimes, prevent epidemic diseases, and reduce the impact of disasters have been intensified. However, world peace remains elusive. Geopolitical, ethnic, religious and other conflicts interact with political and economic contradictions, resulting in frequent outbreak of local wars and armed conflicts. International terrorist forces remain rampant. It seems rather difficult to eliminate completely the root causes of terrorism, making the fight against terrorism a long and demanding task before the international community.

The Asia-Pacific region enjoys basic stability in its security situation. As the world's most dynamic region economically, most nations in the region have made development the centerpiece of their policy. Major

country relations continue to improve and grow. Peaceful consultation has become the basic approach to the settlement of disputes. Security dialogue and cooperation of various forms have become more animated. Asia-Pacific Economic Cooperation (APEC) is playing an important role in promoting common development. The institutionalization of the Shanghai Cooperation Organization (SCO) has been basically accomplished. The SCO is incessantly expanding and deepening its cooperation in the political, security, economic, humanitarian and other fields. The SCO is playing a greater role in promoting peace, stability and development in the region. China has established a strategic partnership with the Association of Southeast Asian Nations (ASEAN) dedicated to peace and prosperity in the region, and engaged in comprehensive cooperation that has seen rapid expansion. Cooperation in East Asia, with the ASEAN and China, Japan and the ROK as the main players, keeps expanding, leading to greater economic development and political and security trust in the region. The ASEAN Regional Forum (ARF) as the most important official channel for multilateral security dialogue in the Asia-Pacific region, plays a positive role in promoting security cooperation in the region. The nuclear issue on the Korean Peninsula has been brought onto the track of peaceful settlement through dialogue, and the process of the Six-Party Talks has made progress in the discussion of substantive issues and the institutionalization of the process. Tensions between India and Pakistan have been eased, and the two countries have maintained the momentum of peaceful dialogues.

Meanwhile, complicated security factors in the Asia-Pacific region are on the increase. The United States is realigning and reinforcing its military presence in this region by buttressing military alliances and accelerating deployment of missile defense systems. Japan is stepping up its constitutional overhaul, adjusting its military and security policies and developing the missile defense system for future deployment. It has also markedly increased military activities abroad. The foundation for the Six-Party Talks is not solid enough as uncertain factors linger in the settlement of the nuclear issue on the Korean Peninsula. The threat posed by terrorism, separatism and extremism is still grave. Such transnational crimes as smuggling, piracy, drug trafficking and money laundering are rampant. Many countries are confronted with the formidable task of eliminating poverty, achieving sustainable development and enhancing security in the area of public health.

The situation in the relations between the two sides of the Taiwan Straits is grim. The Taiwan authorities under Chen Shui-bian have recklessly challenged the status quo that both sides of the Straits belong to one and the same China, and markedly escalated the "Taiwan independence" activities designed to split China. Incessantly trumpeting their separatist claim of "one country on each side," they use referendum to engage in the separatist activities aimed at "Taiwan independence," incite hostility among the people on the island toward the mainland, and purchase large amounts of offensive weapons and equipment. They have not given up their attempt at "Taiwan independence" through the formulation of a so-called "new constitution for Taiwan." They are still waiting for the opportune moment to engineer a major "Taiwan independence" incident through the so-called "constitutional reform." The separatist activities of the "Taiwan independence" forces have increasingly become the biggest immediate threat to China's sovereignty and territorial integrity as well as peace and stability on both sides of the Taiwan Straits and the Asia-Pacific region as a whole. The United States has on many occasions reaffirmed adherence to the one China policy, observance of the three joint communiqués and opposition to "Taiwan independence." However, it

continues to increase, quantitatively and qualitatively, its arms sales to Taiwan, sending a wrong signal to the Taiwan authorities. The US action does not serve a stable situation across the Taiwan Straits.

China's national security environment in this pluralistic, diversified and interdependent world has on the whole improved, but new challenges keep cropping up. The vicious rise of the "Taiwan independence" forces, the technological gap resulting from RMA, the risks and challenges caused by the development of the trends toward economic globalization, and the prolonged existence of unipolarity vis-a-vis multipolarity - all these will have a major impact on China's security. Nevertheless, China is determined to safeguard its national sovereignty and security, no matter how the international situation may evolve, and what difficulties it may encounter, so as to join hands with the people around the world in advancing the lofty cause of peace and development for mankind.

Chapter II. National Defense Policy

China persists in taking the road of peaceful development and unswervingly pursues a national defense policy defensive in nature. China's national defense is the security guarantee for the survival and development of the nation. The main tasks of China's national defense are to step up modernization of its national defense and its armed forces, to safeguard national security and unity, and to ensure the smooth process of building a moderately prosperous society in an all-round way.

Proceeding from the fundamental interests of the country, China's national defense policy is both subordinated to and in service of the country's development and security strategies. Firmly seizing and taking full advantage of the important strategic opportunities presented in the first two decades of this century, China sticks to keeping its development in pace with its security and makes great efforts to enhance its national strategic capabilities by using multiple security means to cope with both traditional and non-traditional security threats so as to seek a comprehensive national security in the political, economic, military and social areas.

China's basic goals and tasks in maintaining national security are:

- | To stop separation and promote reunification, guard against and resist aggression, and defend national sovereignty, territorial integrity and maritime rights and interests.
- | To safeguard the interests of national development, promote economic and social development in an all-round, coordinated and sustainable way and steadily increase the overall national strength.
- | To modernize China's national defense in line with both the national conditions of China and the trend of military development in the world by adhering to the policy of coordinating military and economic development, and improve the operational capabilities of self-defense under the conditions of informationalization.
- | To safeguard the political, economic and cultural rights and interests of the Chinese people, crack

down on criminal activities of all sorts and maintain public order and social stability.

| To pursue an independent foreign policy of peace and adhere to the new security concept featuring mutual trust, mutual benefit, equality and coordination with a view to securing a long-term and favorable international and surrounding environment.

It is the sacred responsibility of the Chinese armed forces to stop the "Taiwan independence" forces from splitting the country. The Chinese government continues to adhere to the basic principles of "peaceful reunification" and "one country, two systems" along with the eight-point proposal on developing cross-Straits relations and advancing the process of peaceful reunification of the motherland at the current stage. So long as the Taiwan authorities accept the one China principle and stop their separatist activities aimed at "Taiwan independence," cross-Straits talks can be held at any time on officially ending the state of hostility between the two sides, including on the establishment of a confidence-building mechanism in the military field. The Chinese people are resolutely opposed to all separatist activities in whatever manifestation aimed at "Taiwan independence," to foreign interference of any form, and to arms sales to Taiwan or entrance to military alliance of any form with Taiwan by any country in the world. We will never allow anyone to split Taiwan from China through whatever means. Should the Taiwan authorities go so far as to make a reckless attempt that constitutes a major incident of "Taiwan independence," the Chinese people and armed forces will resolutely and thoroughly crush it at any cost.

To adapt itself to the changes both in the international strategic situation and the national security environment and rise to the challenges presented by the RMA worldwide, China adheres to the military strategy of active defense and works to speed up the RMA with Chinese characteristics.

| To take the road of composite and leapfrog development. Going with the tide of the world's military development and moving along the direction of informationalization in the process of modernization, the People's Liberation Army (PLA) shall gradually achieve the transition from mechanization and semi-mechanization to informationalization. Based on China's national conditions and the PLA's own conditions, the PLA persists in taking mechanization as the foundation to promote informationalization, and informationalization as the driving force to bring forward mechanization. The PLA will promote coordinated development of firepower, mobility and information capability, enhance the development of its operational strength with priority given to the Navy, Air Force and Second Artillery Force, and strengthen its comprehensive deterrence and warfighting capabilities.

| To build a strong military by means of science and technology. The PLA works to improve its combat capabilities by taking advantage of scientific and technological advances and aims at building qualitative efficiency instead of a mere quantitative scale, and transforming the military from a manpower-intensive one to a technology-intensive one. Implementing the Strategic Project for Talented People, the PLA focuses on training a new type of high-caliber military personnel. It works to build up a complete system of weaponry and equipment by stepping up development of new- and high-tech weaponry and equipment while upgrading those in active service. In an innovative spirit, the PLA endeavors to improve its training system as well as the means and methods of training so as to raise its

military training to a higher level. Relying on national economic, scientific and technological development, the PLA is devoted to improving the level of scientific management and achieving a higher overall cost-effectiveness in military expenditure so as to modernize the armed forces with less input and better results.

| To deepen the reform of the armed forces. Based on the transformation of modern warfare and the requirements of the socialist market economy, the PLA seeks to achieve development and breakthroughs in the process of reform and innovation. The PLA develops its military theories in an innovative spirit, and explores the laws of building the army and conducting operations under the condition of informationalization. In accordance with the principle of making the troops smaller and better, as well as more integrated and efficient, and with emphasis on adjusting the organizational structure and reforming the command system, the PLA works to build and further improve the military structure and organization to make them appropriate in size, optimal in structure, streamlined in institutional set-up and flexible and swift in command. The PLA also works to readjust and regulate the relationship within the military as well as that with the government and society so as to put in place policies and mechanisms which will help motivate officers and soldiers.

| To step up preparations for military struggle. The PLA takes as its objective to win local wars under the conditions of informationalization and gives priority to developing weaponry and equipment, to building joint operational capabilities, and to making full preparations in the battlefields. Meanwhile, it adheres to the people's war concept and develops the strategies and tactics of the people's war. To meet the requirements of integrated and joint operations, the PLA endeavors to establish a modern operational system capable of giving full play to the overall efficiency of the armed forces as well as the national war potentials. The PLA conducts more training and exercises with specific objectives in order to raise its capabilities in coping with various crises and contingencies.

| To carry out military exchanges and cooperation. In line with the national foreign policy, the PLA conducts military cooperation that is non-aligned, non-confrontational and not directed against any third party. The PLA takes part in the UN peacekeeping operations and international counter-terrorism cooperation. While promoting military exchanges in various forms, the PLA works to establish security dialogue mechanisms in order to create a military security environment featuring mutual trust and mutual benefit. It takes part in bilateral or multilateral joint military exercises in non-traditional security fields so as to enhance the joint capabilities to cope with threats in those fields. The PLA learns from and draws on the valuable experience of foreign armed forces, and introduces, on a selective basis, technologically advanced equipment and better management expertise from abroad to advance the modernization of the Chinese armed forces.

Chapter III. Revolution in Military Affairs with Chinese Characteristics

The PLA, aiming at building an informationalized force and winning an informationalized war, deepens its reform, dedicates itself to innovation, improves its quality and actively pushes forward the RMA with Chinese characteristics with informationalization at the core.

Reducing the PLA by 200,000

It has been the established policy to build a streamlined military with Chinese characteristics. Since the mid-1980s, China has twice downsized its military by a total of 1.5 million. In September 2003, the Chinese government decided to further reduce 200,000 troops by the end of 2005 to maintain the size of the PLA at 2.3 million. The current restructuring, while cutting down the numbers, aims at optimal force structures, smoother internal relations and better quality.

Rebalancing the ratio between officers and men. By streamlining structure, reducing the number of officers in deputy positions, filling officers' posts with non-commissioned officers (NCOs) and adopting a system of civilian employees, the number of the PLA officers can be substantially reduced to optimize the ratio between officers and men.

Improving the system of leadership and command. The emphasis is put on streamlining the staff offices and the directly affiliated organs at the corps level and above, so as to compress the command chains and further improve the operational command system to strengthen the command functions. The numbers of offices and personnel are both reduced by about 15% by adjusting staff functions, dismantling and merging offices and reducing the numbers of subordinate offices and assigned personnel.

Optimizing the composition of the services and arms of the PLA. The Army is streamlined by reducing the ordinary troops that are technologically backward while the Navy, Air Force and Second Artillery Force are strengthened. The make-up of troops and the size of the services and arms are optimized with an increasing proportion of new- and high-tech units.

Deepening the reform of joint logistical support. The PLA continues to adopt the system of joint logistical support at military area commands. The scope of joint logistical support is further enlarged and the number of logistical organizations and personnel are reduced while the rear hospitals, recuperation centers and general-purpose warehouses formerly under the administration of the services and arms are all integrated and reorganized into the joint logistical support system. An integrated tri-service joint logistical support system gradually takes shape, thus improving the overall efficiency.

Realigning the organizational structure of military educational institutions. The PLA aims at improving the structure and system for educating military personnel in both military and civilian educational institutions, and speeding up the establishment and improvement of a new educational system. This new system focuses on pre-assignment education which is separated from education for academic credentials. In accordance with the requirements for running educational institutions intensively on a proper scale, the PLA has optimized the system and structure of educational institutions by cutting down on those that are not essentially different from their civilian counterparts, and those that are more than necessary, and merging those that are co-located or have similar tasks.

Strengthening the Navy, Air Force and Second Artillery Force

While continuing to attach importance to the building of the Army, the PLA gives priority to the building of the Navy, Air Force and Second Artillery Force to seek balanced development of the combat force structure, in order to strengthen the capabilities for winning both command of the sea and command of the air, and conducting strategic counter-strikes.

The PLA Navy is responsible for safeguarding China's maritime security and maintaining the sovereignty of its territorial seas along with its maritime rights and interests. The Navy has expanded the space and extended the depth for offshore defensive operations. Preparation for maritime battlefield is intensified and improved while the integrated combat capabilities are enhanced in conducting offshore campaigns, and the capability of nuclear counter-attacks is also enhanced. In accordance with the principle of smaller but more efficient troops, the PLA Navy compresses the chain of command and reorganizes the combat forces in a more scientific way while giving prominence to the building of maritime combat forces, especially amphibious combat forces. It also speeds up the process of updating its weaponry and equipment with priority given to the development of new combat ships as well as various kinds of special-purpose aircraft and relevant equipment. At the same time, the weaponry is increasingly informationalized and long-range precision strike capability raised. It takes part in joint exercises to enhance its joint operational capabilities and integrated maritime support capabilities.

The PLA Air Force is responsible for safeguarding China's airspace security and maintaining a stable air defense posture nationwide. In order to meet the requirements of informationalized air operations, the Air Force has gradually shifted from one of territorial air defense to one of both offensive and defensive operations. Emphasis is placed on the development of new fighters, air defense and anti-missile weapons, means of information operations and Air Force automated command systems. The training of interdisciplinary personnel is being accelerated for informationalized air operations. Combined arms and multi-type aircraft combat training is intensified to improve the capabilities in operations like air strikes, air defense, information counter-measures, early warning and reconnaissance, strategic mobility and integrated support. Efforts are being made to build a defensive air force, which is appropriate in size, sound in organization and structure and advanced in weaponry and equipment, and which possesses integrated systems and a complete array of information support and operational means.

The PLA Second Artillery Force is a major strategic force for protecting China's security. It is responsible for deterring the enemy from using nuclear weapons against China, and carrying out nuclear counter-attacks and precision strikes with conventional missiles. By upgrading missiles, stepping up the R&D of missiles, and promoting the informationalization of missiles and supporting equipment for command, communications and reconnaissance, the Second Artillery Force has built in its initial form a weaponry and equipment system that comprises both nuclear and conventional missiles, covers different ranges, and possesses markedly increased power and efficiency. The PLA Second Artillery Force boasts a contingent of talents mainly composed of academicians of the Chinese Academy of Engineering and missile specialists. More than 70% of its active-duty officers have bachelor's degrees or above. High-tech means are used to reform its training and shorten the cycle for new weaponry and equipment to be combat-ready. It conducts missile-launching training and readiness exercises in near-real conditions and constantly enhances its quick-

response and precision-strike capabilities.

Speeding Up Informationalization

In its modernization drive, the PLA takes informationalization as its orientation and strategic focus. By adopting the general approach of giving priority to real needs, making practical innovations, valuing talented personnel, and achieving informationalization by leaps and bounds, the PLA is actively engaged in the research and practice of informationalization.

In the past two decades, the PLA has been pushing forward informationalization in the field of military operations, focusing on command automation. It has completed a series of key projects to build military information systems and made great progress in building information infrastructure. As a result, command means have been substantially improved at all levels of headquarters and combat troops. Computers and other IT equipment have been gradually introduced into routine operations. The ability to provide operational information support has been greatly enhanced while more and more IT elements have been incorporated into main battle weapon systems. The CMC has approved and promulgated the Guidelines for the Development of Automated Command Systems of the Chinese People's Liberation Army and the Regulations of the Chinese People's Liberation Army on Automated Command Systems, defining the goals and relevant policies and statutes for developing automated command systems.

In the new stage of the 21st century, the PLA strives to comprehensively push forward informationalization with military information systems and informationalized main battle weapon systems as the mainstay and with military informationalization infrastructure development supported and guaranteed. In its drive for informationalization, the PLA adheres to the criterion of combat efficiency and the direction of an integrated development, enhances centralized leadership and overall planning, develops new military theories and operational theories while optimizing management system and force structure, updating systems of statutes and standards, and emphasizing training for informationalization. The PLA strengthens the building of military information systems and speeds up the informationalization of main battle weapon systems. It also makes full use of various information resources and focuses on increasing system interoperability and information-sharing capability. The PLA takes advantage of progress in government and social sectors in the field of informationalization, and establishes a scientific research and production system and information mobilization mechanism that integrates military and civilian efforts to promote the informationalization process of both the PLA and the government.

Accelerating the Modernization of Weaponry and Equipment

The PLA regards weaponry and equipment as the crucial material and technological basis for pushing forward the RMA with Chinese characteristics. In accordance with the national security needs, the PLA accelerates the modernization of weaponry and equipment, depending on national economic development and technological advance.

In order to strengthen the capability to win local wars under informationalized conditions, the PLA, in its

development of weaponry and equipment, stresses the importance of capstone design, persists in taking informationalization as the leading force while advancing mechanization and informationalization simultaneously, and strives to build a streamlined, efficient and optimized modern weaponry system appropriate in size and optimal in structure.

Giving priority to the development of new- and high-tech weaponry and equipment. The PLA intensifies its R&D efforts and strengthens its innovative capability through self-reliance. It accelerates the R&D of new informationalized combat platforms and precision munitions, as well as electronic counter-measures equipment, and puts more effort into elevating the capabilities for precision strikes and information operations.

Accelerating the modification of old and outmoded weaponry. A number of old and outmoded weapons and equipment, which are backward in technology, poor in performance and no longer cost-effective in maintenance, are being phased out, and part of the active-service main battle weaponry is reconfigured on a selective, priority and phasal basis. By embedding advanced technology, developing new munitions, and integrating command and control systems, the PLA has restored or upgraded the tactical and technical performance of some current main battle weapons.

Continuously elevating integrated support for weaponry and equipment. Taking existing weaponry and equipment as the basis, the PLA emphasizes the organic and systematic development of combat and support capabilities of weaponry and equipment. In accordance with the development of main battle weaponry and equipment, the PLA develops new types of general- and special-purpose support equipment, while strengthening the maintenance and technical support forces with priority given to new equipment and the training of personnel who employ, maintain and manage the new equipment, so as to elevate the integrated support of weaponry and equipment, thus satisfying the needs of readiness for military struggle.

Implementing the Strategic Project for Talented People

In August 2003, the CMC began to implement its Strategic Project for Talented People. The Project proposes that in one to two decades, the PLA will possess a contingent of command officers capable of directing informationalized wars and of building informationalized armed forces, a contingent of staff officers proficient in planning armed forces building and military operations, a contingent of scientists capable of planning and organizing the innovative development of weaponry and equipment and the exploration of key technologies, a contingent of technical specialists with thorough knowledge of new- and high-tech weaponry performance, and a contingent of NCOs with expertise in using weapons and equipment at hand. The Project will be implemented in two stages. By the end of 2010, there will be a remarkable improvement in the quality of military personnel, and a big increase in the number of well-educated personnel in combat units. The following decade will witness a big leap in the training of military personnel.

In recent years, the PLA has utilized military educational institutions as major platforms for training military personnel. Officer candidates have, in the main, been trained in four-year colleges. A functional

transformation of military educational institutions is taking place with the emphasis shifting from academic credentials education to pre-assignment training. More and more military personnel with specialties for both military and civilian use will be trained by regular institutions of higher learning. So far, more than 90 such institutions have undertaken the task of training PLA cadres. In implementing the Project for Strengthening the Military with High-Caliber Personnel, nearly 30 key regular institutions of higher learning have trained a great number of Master Degree students for the PLA, whose specialties are urgently needed. Various training courses have been offered at military educational institutions, including courses for young and middle-aged cadres, high-tech knowledge training courses for leading cadres at the levels of military area command and corps, and training programs of cross-service and cross-arm expertise. Hundreds of military cadres have been sent to the central and provincial Party schools. Division and brigade commanding officers have been arranged for study tours abroad. The number of commanders has been increased among the overseas military students.

Intensifying Joint Training

Adapting to the features and patterns of modern warfare, the PLA has intensified joint training among services and arms at all levels to enhance joint fighting capabilities.

Highlighting joint operational training. In view of the future operational tasks, the PLA has given priority to training with specific objectives, joint operational training and high-level command post training. It has successfully organized a series of major joint operational training activities. Studies and exercises directed at operational issues are emphasized with additional attention to the development of operational doctrines and training regulations, and the construction of network systems. By exploring approaches for operational guidance, operational command and operational training for joint campaigns, the PLA has improved the capabilities of commanding officers at each level to organize and direct joint operations.

Conducting joint tactical training. To meet the needs of joint operations at the tactical level, units of different arms and services stationed in the same areas have intensified their contacts and cooperation in the form of regional cooperation to conduct joint tactical training. In September 2003, the General Staff Headquarters organized a PLA-wide demonstration on regional cooperation for military training in Dalian. That event drew lessons from regional cooperation for military training and explored new ways to conduct joint tactical training.

Improving the means of joint training. After years of development, substantial progress has been achieved in on-base training, simulation training and network training. Almost all combined tactical training activities at division, brigade and regiment levels can be conducted on base. All services and arms have set up their basic simulation training systems for operational and tactical command. A (joint) combat laboratory system of simulation training for all military educational institutions has been initially put in place. A military training network system has been set up to interconnect the LANs of military area commands, services and arms, and command colleges.

Training commanding officers for joint operations. The military educational institutions have intensified

their joint operations training. The elementary command colleges offer basic courses in joint operations. The intermediate command colleges offer courses on service campaigns and combined operations. The advanced command university offers courses on strategic studies and joint operations. In order to bring up commanding officers for joint operations, PLA units carry out on-duty training and regional cooperation training, and acquire knowledge of other services and arms and joint operations through assembly training, cross-observation of training activities, academic seminars and joint exercises.

Deepening Logistical Reforms

The PLA continues to deepen, expand and coordinate the reforms of its logistical system, and makes efforts to enhance the capability to provide fast, efficient and integrated support.

Pushing forward an integrated tri-service support system. Experimental reforms of joint logistics started in the Jinan Theater in July 2004. First, all logistical organs of the three services are integrated into one. The Theater Joint Logistics Department or Joint Logistics Department of Military Area Command, originally called Logistics Department of Military Area Command, takes responsibility for joint logistical support for all in-theater units of the three services. The percentage of non-Army cadres in this department has risen from 12% to 45%. Second, all logistical support resources of the three services are integrated. All in-theater logistical support facilities such as rear depots, hospitals, recuperation centers, and material supply and engineering facilities, originally under the leadership and management of the services and arms, have been transferred to the joint logistics system for unified integration, construction, management and employment. Third, all logistical support mechanisms of the three services are integrated. The in-theater logistical support for troops of the three services is no longer categorized into general or special supply support. All supplies are planned and provided by the joint logistics system. Fourth, all logistical support channels of the three services are integrated. The multiple support channels for troops of the arms and services have been readjusted and integrated into one support channel of the joint logistics system, aiming at compressing the supply chain and improving efficiency to form an effective system of supervision and management.

Conducting technological research of logistical equipment. Over the past two years, the PLA has completed experiments to finalize the designs of 92 types of new logistical equipment, with the designs in logistical equipment system finalized at a rate of 93%. A new-generation logistical equipment system with all necessary specialized varieties has been basically established with some of the equipment reaching the internationally advanced standards. The Fourth Beijing International Exhibition on Military Logistical Equipment and Technology was held in April 2004. More than 340 manufacturers from 26 countries and regions took part in the exhibition, and military logistics delegations from 16 countries were invited to attend the exhibition as well as the international symposium on the development strategy of military logistical equipment and technology.

Deepening reforms of the medical support system and logistics outsourcing. In May 2004, the PLA started in an all-round way to carry out the reform of its medical support system based on pilot and expanded experiments. The reform features categorized support, appropriate medical care, unified management and

treatment at designated hospitals, and treatment upon presentation of medical cards. The PLA has established a new type of medical support system in which medical service is free for servicemen, preferential for dependents accompanying officers, and available to civilian employees in the PLA through medical insurance. This has improved the quality of medical service and enhanced the capability of medical support. The PLA has adopted the management method of packaging wages for civilian employees and the policy of providing resettlement benefits to redundant personnel. It has also introduced in an all-round way such housing reform measures as monetization, market supply and management outsourcing, stepped up efforts to cash housing subsidies, and further enabled servicemen to purchase houses.

Innovating Political Work

The PLA takes as guidance Marxism-Leninism, Mao Zedong Thought, Deng Xiaoping Theory and the important thought of the "Three Represents," adheres to the fundamental principle and system of the Party's absolute leadership over the armed forces, puts ideological and political work first, innovates political work in its content, approaches, means as well as mechanism to give full play to the support and combat functions of political work.

In December 2003, the new Regulations on the Political Work of the Chinese People's Liberation Army was revised and promulgated. The regulation maintains that political work is the fundamental guarantee of the Party's absolute leadership over the armed forces and the assurance for the armed forces to accomplish their missions. It clearly defines political work as a significant component of combat capabilities of the PLA, and stresses the importance of giving full play to the combat function of political work. Education in the RMA with Chinese characteristics is given PLA-wide. Wartime political work is studied and rehearsed extensively. Political work is strengthened in all services and arms as well as the units carrying out special missions. Education in the PLA's functions and sense of urgency has been intensified in the PLA so that officers and men are motivated in their trainings and a tough fighting spirit and a good working style are fostered.

The PLA relies on laws and regulations to promote the innovation of political work. In April 2004, the CMC promulgated the Regulations on the Work of the Armed Forces Committees of the Communist Party of China (for Trial Implementation), which further defines the duties and responsibilities of the Party committees, the standing committees of the Party committees, secretaries and committee members, and further improves the decision-making procedures and principles in Party committees. In February 2004, the CMC released the Provisions on Strengthening the Education and Management of High- and Middle-Ranking Cadres of the PLA, which establishes and refines the systems for cadres at the regiment level and above to do self-study and review, to receive thematic education, to take admonishment talks, to make ideological and political assessment, to submit work and probity reports as well as reports on important work assignments.

The PLA attaches great importance to ideological and cultural work. In the period of 2000-2002, the CMC allocated RMB 140 million for the cultural work of grass-roots units. In recent two years, the General Political Department and the General Logistics Department have jointly issued a number of regulations in

succession, including the Provisional Regulations of the Chinese People's Liberation Army on the Management of Cultural Equipment and the Provisional Regulations on Grass-Roots Cultural Construction. Beginning in 2003, the cultural equipment supplied to grass-roots units are covered by regularized outlays and managed as organic equipment. In May 2004 a PLA-wide forum on art and literature was held, in which a five-year plan was formulated for art and literature work in the military. The PLA publishes more than 2,800 titles of books and audio-visual products every year. All units carry out rich and colorful on-camp cultural activities to promote the all-round development and enhance combat capability.

Governing the Armed Forces Strictly and According to Law

The PLA implements the principle of governing the armed forces strictly and according to law, strengthens the building of the military legal system, raises the level of regularization, and enhances the combat capability of the armed forces.

The PLA has emphasized incorporating into laws and regulations its good traditions in governing the armed forces and the requirements of the RMA with Chinese characteristics, so as to regulate all dimensions of the armed forces building. In the new historical era, the PLA has promulgated and revised a large number of military regulations, including the Regulations on Routine Service of the People's Liberation Army, Regulations on Discipline of the People's Liberation Army, Regulations on Formation of the People's Liberation Army, Regulations on the Headquarters of the People's Liberation Army, Regulations on the Political Work of the People's Liberation Army, Regulations on the Logistics of the People's Liberation Army, Regulations on the Armaments of the People's Liberation Army, Regulations on the Military Training of the People's Liberation Army, Regulations on the Garrison Service of the People's Liberation Army, and a new generation of operations regulations. The military law system has been basically established with regulations as its main body. In April 2003, the CMC promulgated the Regulations on Military Rules and Regulations to regulate the military legislative work. In January 2004, according to the CMC's directive, the PLA and the People's Armed Police Forces (PAPF) proceeded to sort out in a comprehensive way all their current regulations and rules, and uniformly organize the compilation and printing of the collections of military regulations and rules so as to provide legal basis for strict governing of the armed forces. The armed forces have carried out legal education in a deep-going way and conducted regulation training courses at various levels to guide the officers and men to perform their duties in accordance with the law.

The PLA has maintained the authority and solemnity of the regulations and rules and administered troops strictly in accordance with the regulations and rules. Incorporating the cultivation of good style and strict discipline into routine military training and administration has helped to sharpen the awareness of the officers and men in their observance of regulations and rules. Through strict training, refined military bearing, strict discipline and resolute and swift work style have been cultivated among the troops. In August 2003, the CMC revised and issued the Outline for Armed Forces Building at the Grass-Roots Level, which has promoted the regularization of the orders in preparation against war, training, routine work and everyday life at the grass-roots level. The General Staff Headquarters, the General Political Department,

the General Logistics Department and the General Armaments Department have twice formed joint working groups for overall inspection of strict administration of the troops. In accordance with the CMC requirements, the PLA and the PAPF have intensified rectification and improvement, and have further promoted the implementation of the guiding principle of governing the armed forces strictly and according to law.

Chapter IV. Defense Expenditure and Defense Assets

China manages and uses its defense funds, ensures the procurement and supply of its military equipment and materials, and protects its defense assets in conformity with legal provisions and in accordance with the needs of national defense building and the requirements of the socialist market economy.

Defense Expenditure

Pursuant to The National Defense Law, the Chinese government follows the guiding principle of the coordinated development of national defense and economy. Based on the economic development and revenue growth, it has continued to increase its defense expenditure moderately so as to keep up with the changes in the demands of national defense. China's GDP in 2002 and 2003 was 10,517.234 billion yuan and 11,725.194 billion yuan respectively. Its defense expenditure in 2002 and 2003 was 170.778 billion yuan and 190.787 billion yuan respectively. Its defense budget for 2004 is 211.701 billion yuan.

The increased part of China's defense expenditure has primarily been used for the following purposes: (1) Increase of the salaries and allowances of the military personnel. It is necessary to raise the salaries and allowances of the military personnel in step with the socio-economic development and the per-capita income rise of urban and rural residents. In the light of the unified wage adjustment policy for the personnel of state organs, China has raised the salary rates of officers, civil cadres and non-commissioned officers; the allowances of conscripts and cadets under the supply system; and the pensions of the retired. (2) Further improvement of the social insurance system for servicemen. In December 2003, the Provisional Measures on Social Insurance for Unemployed Accompanying Spouses of PLA Servicemen was formulated, to guarantee their basic living standard and provide them with social insurance subsidies. (3) Support for the structural and organizational reform of the military. China once again downsizes its military by 200,000, and has to increase the expenses on the resettlement of the discharged surplus personnel accordingly. (4) Increased investment in the development of high-caliber talents in the military. The PLA has established and refined an incentive mechanism for talented people, improved conditions in military educational institutions, and entrusted non-military colleges and universities with the education of qualified personnel, so as to ensure the achievement of the PLA's Strategic Project for Talented People. (5) Moderate increase of equipment expenses. This is aimed at promoting the leapfrog development of weaponry and equipment, and stepping up preparations for military struggle.

In the past two years, the percentages of China's annual defense expenditure to its GDP and to the state financial expenditure in the same period have remained basically stable. For most of the years since the 1990s, the growth rate of China's defense expenditure has been lower than that of the state financial

expenditure.

The absolute amount of China's defense expenditure has long been lower than those of some major Western countries, and the proportion to the GDP and state financial expenditure has also been relatively low. In 2003, China's defense expenditure amounted to only 5.69% of that of the United States, 56.78% of that of Japan, 37.07% of that of the United Kingdom, and 75.94% of that of France.

The management of China's defense funds has become more transparent and standardized, and its cost-effectiveness has been steadily improving. The budgeting reform for defense expenditure has been further deepened, and a new defense budgeting system established, which introduces the zero-base budgeting method and united budgeting system. The bud get adjustment and control function has been strengthened, and the input direction and amount of defense funds optimized. The tendering and bidding system for the procurement of defense materials, projects and services has been improved, and the scope of centralized payment extended.

Table 1: Percentage of China's Annual Defense Expenditure in Its GDP (1997-2003)

Year	1997	1998	1999	2000	2001	2002	2003
Percentage	1.09	1.19	1.31	1.35	1.48	1.62	1.63

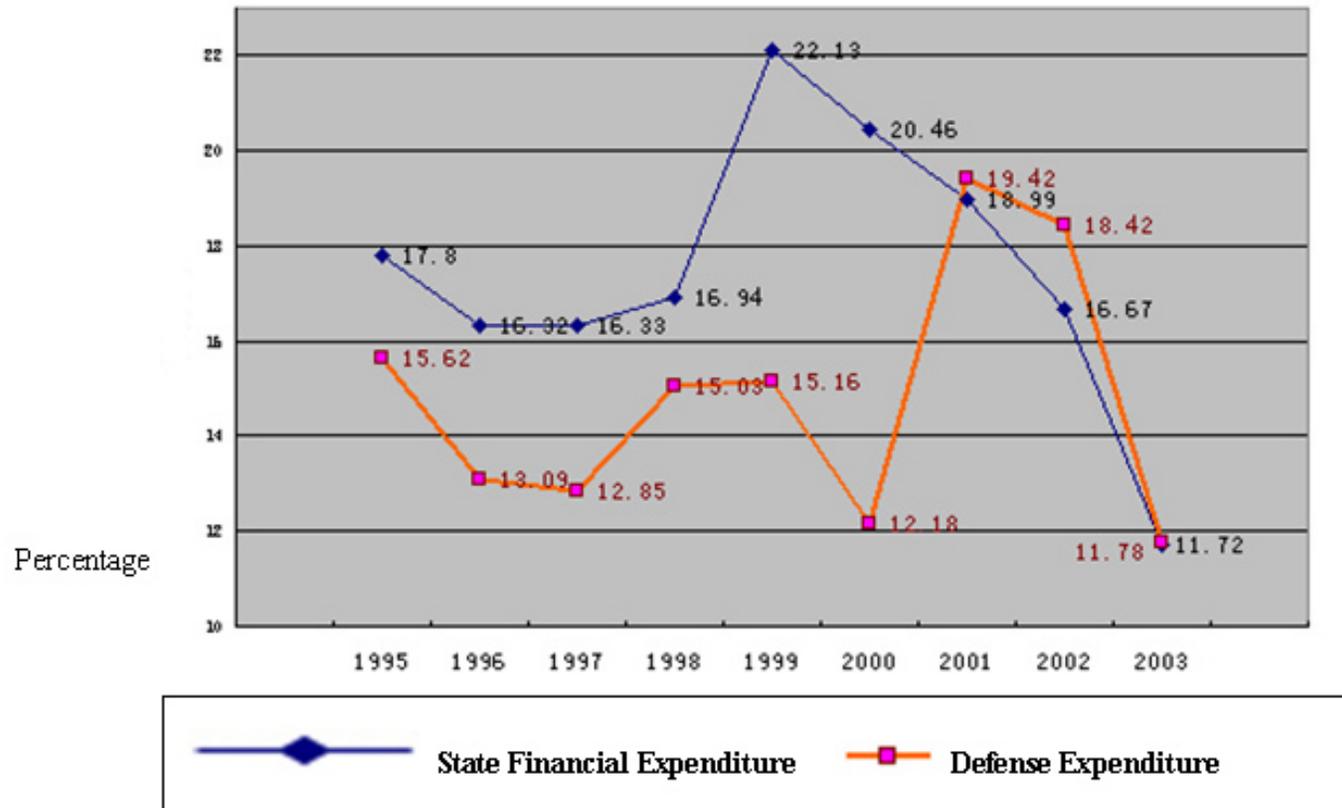


Chart 1: Comparison Between the Growth Rate of China's Defense expenditure and That of Its State Financial Expenditure (1995-2003)

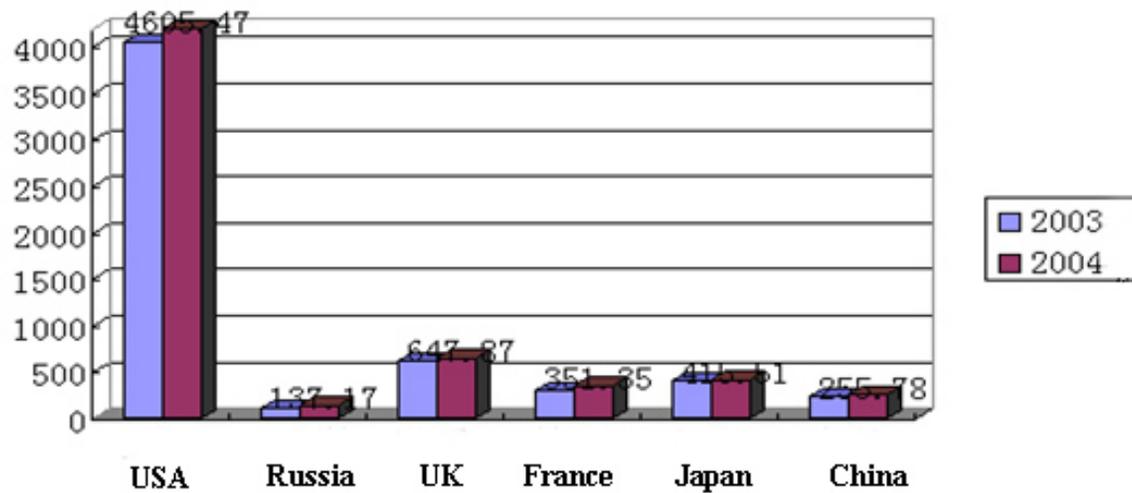


Chart 2: Comparison of the Defense Expenditures of Some Countries in 2003 and 2004 (unit: billion US dollars)

Note 1: Statistics in the charts are sourced from the national defense reports, financial reports and other government reports published by the said countries.

Note 2: The average exchange rate in 2003 was US\$ 1.0 ≈ RMB 8.2770. On Nov. 20, 2004, US\$ 1.0 ≈ RMB 8.2765.

Table 2: The Percentages of the Defense Expenditures in the GDP and Financial Expenditures of Some Countries in 2003

Country	USA	Russia	UK	France	Japan	China
Defense expend. as % of GDP	3.60	2.64	3.11	2.22	0.99	1.63
Defense expend. as % of financial expenditure	16.20	14.69	8.10	11.00	6.06	7.74

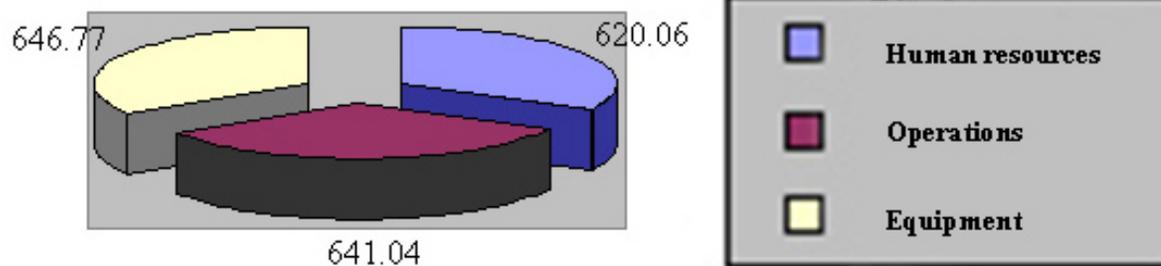


Chart 3: China's Defense Expenditure, 2003 by Proportion (unit: RMB billion yuan)

Military Order Placement and Procurement

China practices a state ordering system to guarantee the procurement and provision of weapons, equipment and military materials. The General Armaments Department is responsible for the procurement of weaponry and equipment while the General Logistics Department is in charge of the procurement of military materials.

In October 2002, the CMC promulgated the Regulations on the Armaments Procurement of the PLA. In December 2003, the General Armaments Department issued relevant provisions, including the Provisions on the Management of Armaments Procurement Plans, the Provisions on the Management of Armaments Procurement Contracts, the Provisions on the Management of Armaments Procurement Modes and Procedures, the Provisions on the Management of the Examination of the Qualifications of Armaments Manufacturing Units and the Provisions on the Management of the Centralized Procurement of Armaments of the Same Kind. All these regulations and provisions constitute a new statutory system for the procurement of armaments. In recent years, the procurement of armaments has followed the basic principles of the government procurement system, gradually pulled down the sectional barriers in military industry, introduced the mechanism of competition and supported state-owned enterprises outside the military industry and private high-tech enterprises to enter the market of military products. The procurement mode has been in an accelerating transition from procurement at designated enterprises to multiple ways of procurement such as open bidding, invited bidding, competitive bargaining and inquiry procurement. This has raised the overall cost-effectiveness of armaments procurement and ensured the procurement at reasonable prices of weapons and equipment advanced in performance, superior in quality and complete as a set. The procurement of military computers and network devices, vehicle chassis, generating sets, shelters, and other types of general-purpose equipment has changed from separate to centralized procurement at the PLA level.

Since February 2002, in accordance with the Overall Plan for Deepening the Reform in the Procurement of Military Materials, Projects and Services approved for distribution by the CMC, the General Logistics

Department has promulgated in succession the Provisions on the Management of the Procurement of Military Materials, the Provisions on the Management of Inviting Tenders for Military Materials, the Provisions on the Management of Procurement Contracts for Military Materials, the Provisions on the Management of the Price Review Work of Procurement Agencies of Military Materials, the Provisional Measures for the Management of Centralized Procurement Payment of Military Materials, Projects and Services, and the Provisions on Auditing the Procurement of Military Materials, Projects and Services. Following the basic principles of government procurement and taking into consideration the actual conditions of the building and management of the armed forces, the PLA has adopted in an all-round way a mode of procurement of military materials which focuses mainly on hierarchical management and centralized procurement. This mode has improved the operational mechanism of proper division of labor and mutual restraint among the departments in charge of funds, planning and procurement, and raised the level of standardization, specialization and informationalization in the procurement of materials as well as the cost-effectiveness resulting from large-scale procurement. Now procured in a centralized way are more than 1,000 kinds of materials in 24 categories needed in the development, training, scientific research and daily life of the armed forces. Procurement items included in the annual budget are procured through public bidding if their procurement value exceeds the quota. The quota prescribed by the General Logistics Department is RMB 500,000 yuan or more.

Protection of Defense Assets

Defense assets are funds, land and other resources which the state has directly invested in or appropriated for the building of the armed forces, defense scientific research and production and other aspects of defense construction. They also include the resultant weaponry and equipment, installations and facilities, materials and technological achievements used for defense purposes. The defense assets possessed, used and managed by the PLA in accordance with the law belong to the PLA's state-owned assets. The state has promulgated the National Defense Law of the PRC, the Law of the PRC on Protecting Military Facilities, and the Implementation Measures for the Law of the PRC on Protecting Military Facilities. The PLA has formulated more than 30 rules and regulations on the management of its state-owned assets, such as the Provisions on the Management of the State-Owned Assets of the PLA. This has put the work of protecting defense assets on the legal track.

The people's governments and military organs at all levels jointly protect military facilities and safeguard national defense interests. Under the leadership of the State Council and the CMC, the General Staff Headquarters is in charge of the work of protecting military facilities throughout the country. The headquarters of the military area commands are in charge of the work of protecting military facilities within their areas of responsibility. In the areas where there are military facilities, the local governments at and above the county level and the relevant military organs stationed there jointly set up military facility protection committees, with their administrative offices established in the provincial commands (garrison commands), sub-commands (garrison commands) and the people's armed forces departments of counties, autonomous counties, cities and municipal districts. Following the guiding principle of providing categorized protection and ensuring the safety of key facilities, the state designates military forbidden zones and military restricted zones as a way to protect military facilities, and also takes appropriate measures to

protect military facilities outside such zones. Protected by law are works for military operations, airspace clearance around military airports, military communication and power transmission lines, military oil and water pipelines, electromagnetic environments of fixed military radio installations, frontier defense installations and military survey marks.

Under the General Logistics Department is the Bureau of PLA's State-Owned Assets Management in charge of the management of the PLA's state-owned assets. The PLA's state-owned assets are managed under the system of unified leadership and hierarchical responsibility. The logistics organ at each level is responsible for management of the state-owned assets at its own level. In recent years, the PLA has adopted a management method of property inspection and registration and physical assets valuation and accounting, and instituted a system of property right registration, assets assessment and assets reporting, thus effectively standardizing the management of the PLA's state-owned assets and ensuring their safety, integrity, appropriate allocation and effective use.

Chapter V. The Military Service System

China practices a military service system which combines conscripts with volunteers and a militia with a reserve service. It is the glorious duty of the Chinese citizens to serve in the armed forces and join militia organizations according to law.

Administration System for Military Service Work

China practices an administration system of unified leadership and graded responsibility for military service work. Under the leadership of the State Council and the CMC, the Ministry of National Defense assumes responsibility for the military service work throughout the country. The military area commands are responsible for the military service work in their respective areas in accordance with the directions of the Ministry of National Defense. The provincial commands (garrison commands), sub-commands (garrison commands) and the people's armed forces departments of counties, autonomous counties, cities and municipal districts concurrently act as the military service organs of the people's governments at corresponding levels and are responsible for the military service work in their respective areas under the leadership of the military organs at higher levels and the people's governments at corresponding levels. The government organs, public organizations, enterprises and institutions and the people's governments of townships, ethnic townships and towns accomplish their military service work in accordance with the provisions of the Military Service Law. Professional work concerning military service is handled by the people's armed forces departments, or by the designated departments where there are no people's armed forces departments.

Active Service

Active service is the principal form in which Chinese citizens perform their military service obligations. The citizens in active service in the PLA are servicemen in active service, consisting of officers in active service, civil cadres and soldiers in active service.

Officers in active service are the servicemen who hold posts at or above the platoon level or junior specialized technical level, and are conferred corresponding military ranks. They are classified as operational, political, logistics, armaments and specialized technical officers. The Law of the PRC on Officers in Active Service stipulates that the main sources of officers in active service are: graduates of schools or academies in the military, who are originally selected to study there from among outstanding soldiers and graduates of regular secondary schools; graduates of regular institutions of higher learning; civil cadres in the military; and specialized technicians and other persons recruited from outside the military. In war, soldiers, enlisted reserve officers, and persons in non-military departments may be directly appointed as active officers as needed.

The PLA institutes a post-based military rank system for officers. Military ranks for officers in active service are divided into 10 grades in three categories: general, lieutenant general and major general; senior colonel, colonel, lieutenant colonel and major; captain, first lieutenant and second lieutenant. The posts at and below the level of the military area command are: military area command, corps, division, regiment, battalion, company and platoon. The highest military rank for specialized technical officers is lieutenant general, and their professional levels are graded into senior, intermediate and junior.

Soldiers in active service are composed of conscripts based on compulsory military service (referred to as conscripts) and volunteers based on volunteer military service (referred to as non-commissioned officers). Non-commissioned officers are chosen from conscripts who have completed their terms of active service, and may be recruited from citizens with professional skills in non-military organizations. The term of service for conscripts in active service is two years. A system of active service for different terms is adopted for non-commissioned officers. The first two terms are three years each, the third and fourth terms four years each, the fifth term five years, and the sixth term nine years or longer. Non-commissioned officers are divided into two categories: specialized-technical and non-specialized-technical. The term of active service for the former ranges from the first to the sixth, and the latter and women non-commissioned officers serve, in principle, only the first term.

The lowest military rank for soldiers in active service is private, and the highest is non-commissioned officer of the sixth grade. Conscripts in their first year of service are of the rank of private, and rise to the rank of private first class in their second year. The military ranks for non-commissioned officers are divided into six grades in three categories. The first two grades are junior non-commissioned officers, the third and fourth grades are intermediate non-commissioned officers, and the fifth and sixth grades are senior non-commissioned officers.

Reserve Service

Reserve service is divided into reserve service for officers and reserve service for soldiers. Citizens registered for reserve service are reservists.

Reserve officers are chosen mainly from officers and civil cadres who have been discharged from active

service, soldiers who have been discharged from active service, cadres of the people's armed forces departments and the militia, graduates from non-military institutions of higher learning, and other citizens who meet the qualifications of reserve officers. Reserve officers who hold posts in reserve forces, or are pre-regimented to active forces are reserve officers of Category One, and the other reserve officers are in Category Two. Reserve officers are classified as operational, political, logistics, armaments, and specialized technical officers and their posts are classified as division, regiment, battalion, company and platoon levels, and for specialized technical officers, as senior, intermediate and junior levels. The military ranks for reserve officers are divided into eight grades in three categories: reserve major general; reserve senior colonel, colonel, lieutenant colonel and major; reserve captain, first lieutenant and second lieutenant. Reserve soldiers range in age from 18 to 35. On the basis of age and military qualities, they are classified into Category One and Category Two.

Enlistment in Peacetime

The number of conscripts enlisted into active service in China every year, and the requirements and time for their enlistment are prescribed by order of the State Council and the CMC. The provinces, autonomous regions and municipalities directly under the Central Government make arrangements for enlistment in their respective areas in accordance with the enlistment order of the State Council and the CMC.

Enlistment in peacetime usually takes place once a year.

The Military Service Law of the PRC stipulates that male citizens who reach the age of 18 by December 31 each year are eligible for enlistment for active service. Those who are not enlisted that year remain eligible for enlistment until the age of 22. Female citizens may also be enlisted, if necessary. Male citizens reaching the age of 18 before December 31 should register for military service before September 30 of the same year. Citizens who meet the required conditions for active service are enlisted into active service after gaining approval from the military service organs of their own counties, autonomous counties, cities or municipal districts. If a citizen qualified for enlistment is the only supporter of his or her family or is a student in a full-time school, his or her enlistment may be postponed. Citizens who are kept in custody for investigations, legal proceedings or trials, or who are serving sentences or are under criminal detention or surveillance may not be enlisted.

Discharge from Active Service and Resettlements

Active officers who have reached the maximum age limit for peacetime active service should be discharged from active service. Those who have not yet reached the maximum age limit or have not served the minimum term limit for peacetime active service may be discharged from active service in special circumstances after gaining approval. Soldiers who have completed their term of active service should be discharged from active service.

The state makes proper arrangements for officers and civil cadres who have been discharged from active service. The main modes of arrangement are transference to civilian work, demobilization and retirement. Transference to civilian work is the principal mode of arrangement for officers and civil cadres discharged

from active service. Administrative organs for resettlement of officers and civil cadres who have been transferred to civilian work or have retired, are set up at the national level and at the level of the province (autonomous region or municipality directly under the Central Government), and, if necessary, corresponding organs may be set up at the level of the city (prefecture). The General Political Department is responsible for the overall administration of the PLA resettlement work for officers and civil cadres who have been transferred to civilian work or have retired.

Since 2001, the Central Committee of the CPC, the State Council and the CMC have promulgated and implemented the Provisional Measures for Resettlement of Officers and Civil Cadres Transferred to Civilian Work and related regulations and policies, providing for execution of the resettlement mode to civilian work, whereby the state planned assignment of jobs and posts is combined with finding jobs by oneself. Officers at the level of division or regiment or at battalion-level with 18 years of military service (including civil cadres at the corresponding levels and specialized technical officers who enjoy corresponding status) can either be assigned civilian jobs according to the unified plan or choose to find jobs by themselves. Those at or below the battalion level with less than 18 years of military service are assigned civilian work under the unified plan. The Party committees and governments are responsible for arranging jobs and posts for officers and civil cadres transferred to civilian work. Those who choose to find jobs by themselves may seek assistance from the government in their job-finding and are entitled to a monthly-paid service-discharge pension for life long with exemption from income tax. Officers and civil cadres transferred to civilian work may settle at their native places or the places where they were enlisted, or settle at the places where their spouses lived before moving to accompany the servicemen or where they were married. When they meet the required conditions, they may also settle at the places where their parents, their spouses' parents, their spouses or their children are permanent residents, or at the places where their troops are stationed.

When conscripts have been discharged from active service, the people's government of the county where they were enlisted makes appropriate arrangements for them, depending on whether they are from the countryside or city and whether they have received any awards for meritorious service. Non-commissioned officers are resettled and arranged as transference to civilian work, demobilization, or retirement from active service according to their terms of service.

Table 3: Maximum Age Limits for Active Officers Holding Posts in Peacetime

Category	Operational, Political, Logistics, Armaments Officers		Specialized Technical Officers
	Combat Troops	Non-combat Troops	
Platoon	30	30	Junior-level 40
Company	35	35	
Battalion	40	40	
Regiment	45	Chief 50 Deputy 45	

Division	50	55		Intermediate-level
Corps	55	Chief 60	Deputy 58	50
Military Area Command	Chief 65			Senior-level 60
	Deputy 63			

Chapter VI. National Defense Mobilization and Reserve Force Building

China adheres to the principle of having all people engaged in national defense with an aim at giving full play to the overall advantages of the present-day people's war so as to promote the national defense mobilization and reserve force building on the basis of the overall national strength.

Mobilization of National Economy

As an important component of the national defense building and economic construction, China's economic mobilization follows the strategic thinking of soldiers and the people being the foundation for victory and the strategic concept of the people's war.

The mobilization of national economy refers to activities which improve, in a planned and organized way, the emergency reaction capabilities of national economy for national security. In peacetime, as an important measure to build up the economic potentials for national defense and to cope with contingencies, the mobilization of national economy balances the proportion of the permanent power of the defense economy to the national economy, and constitutes a powerful deterrence to war. In wartime, the mobilization of national economy is an important guarantee to transfer the national defense economic potentials into national defense capabilities to win the war by way of a rapid and orderly shift of the national economic system from a peacetime state to a wartime state. The mobilization of national economy includes mobilizations in the areas of industry, agriculture, communication and transport, post and telecommunications, science and technology, medical care and health, urban construction, commerce and trade, and finance. The capacity to mobilize national economy is an important indicator of the level of both national defense modernization and the overall national strength.

Under the leadership of the State Council and CMC, the PRC Development and Reform Commission is responsible for the mobilization of national economy. The National Economy Mobilization Office is the administrative organ which is primarily responsible for: organizing and implementing the mobilization of national economy throughout the country; coordinating relations between the military and economic work, between government organizations and military systems and between the Central Government and the local governments in the process of mobilization; properly combining peacetime needs with wartime needs and integrating military purposes with civilian ones in the development of national economy; improving the mechanism for mobilization of national economy and the capabilities to shift from peacetime to wartime footing. All services and arms of the PLA and all military area commands as well as the ministries and

commissions concerned under the State Council along with all provinces (including autonomous regions and municipalities directly under the Central Government) have set up corresponding offices for mobilization of national economy.

China initially established a system for mobilization of national economy after the founding of New China in 1949. In the 1960s and 1970s, China undertook the construction of mobilization of national economy with preparations against war as the primary task. In the 1980s, the national economy mobilization began transformation in four fields: transformation from purely serving the war demands to serving both national defense and economic construction, focusing on the combination of both military effectiveness and economic efficiency; transformation from playing a unitary administrative role under the planned economy to that of an overall regulation and control under the socialist market economy to gradually form a management mechanism using multiple means related to law, economy and administration; transformation from building the military production capacity in the pre-war state to enhancing the converting ability from peacetime production to wartime production with the emphasis on building up economic potentials for national defense; and transformation from general mobilization preparations to partial mobilization preparations with priority given to rapid mobilization against contingencies in major directions and key areas.

At the new historical stage, following the principles of combining peacetime needs with wartime needs and having military and civilian purposes compatible with each other while reserving the military capabilities in civilian potentials, China's national economy mobilization makes great progress in the construction of national economy mobilization and steadily improves the capacity of national economy mobilization by observing the principles of centralized leadership, responsibility at different levels, overall planning, construction of key projects, long-term preparations and gradual development. A three-level (central, provincial and prefectural) management system to mobilize national economy has initially taken shape with the attention paid to handling major contingencies and emergencies, thus creating conditions, in terms of system, for national economy to turn rapidly from peacetime production to wartime production. Making full use of advanced information technologies, China has initially established a digital information platform for national economy mobilization, thus improving the speed and efficiency of turning peacetime production to wartime production. The capability of national economy to turn peacetime production into wartime production in 2003 was 12.44% higher than that of the previous year. The contributions made by science and technology to national economy mobilization rose by 3.53 percentage points compared with that of the previous year.

Civil Air Defense (CAD)

As an important part of the national defense and an important aspect of the economic and social development, China's civil air defense (CAD) refers to measures and actions to mobilize and organize the Chinese people to be prepared against enemy air raids and disastrous events, and to deal with the aftermath of enemy air raids and disastrous events. Resorting to preventive means such as camouflage, cover and evacuation, and adopting measures such as emergency rescue and rush-repair, the CAD serves the purpose of securing the people's lives and property, reducing losses of national economy and preserving

the war potentials. The CAD is built and managed strictly in accordance with the Civil Air Defense Law of the PRC. The CAD adopts a system of joint leadership by the people's governments and the military organs with the local people's governments and the military organs at the county level and above exercising leadership over the CAD work within their respective administrative areas. The basic task of the CAD is to organize the people in CAD building in peacetime and to organize and direct people to fight against air raids in wartime.

The CAD bases itself on making preparations against air raids under the informationalized conditions by adhering to the guideline of long-term preparation, construction of key projects and combination of peacetime footing with wartime footing. In recent years, major cities throughout the country have set up joint, streamlined and highly efficient CAD command systems. They have made their municipal anti-air-raid plans, improved their urban air defense (AD) early-warning-alarm networks, and sped up the construction of the auxiliaries to the AD protection facilities while strengthening the protection of key economic targets, the construction of evacuation areas, and the building of specialized AD contingents among the people. In some provinces and municipalities, the people's governments have organized many anti-air-raid exercises, in which the AD alarm sirens were tested. They have also carried out education in the common sense of protection in case of air raids, and conducted training in protection skills.

Consequently, the people's AD awareness has been generally raised and the overall urban anti-air-raid capabilities have been noticeably improved.

The CAD actively safeguards public security based on the needs of comprehensive national security. It has continuously improved its leading organs; established emergency rescue systems; set up a unified, coordinated and highly-efficient joint-action mechanism; formulated detailed backup emergency plans; provided services for emergency rescue and disaster relief by using CAD's communication, alarm and command facilities; organized specialized AD contingents to undertake tasks entrusted by the people's governments, such as comprehensive coordination, command support, and specialized rescue and assistance in emergency rescue and disaster relief; and made every effort to set up an integrated civil defense system that combines peacetime and wartime footing, and is capable of carrying out both anti-air-raid and disaster-preventing missions. Many factories, mines, enterprises and communities have established volunteer teams for civil defense.

Mobilization of Communications for National Defense

The Chinese government attaches great importance to the mobilization of communications for national defense. Under the leadership of the State Council and the CMC, the state-level organs in charge of national defense communications are responsible for national defense communications mobilization across the country; the organs of the military area commands in charge of national defense communications are responsible for national defense communications mobilization within the areas under their jurisdiction; the organs of the people's governments at the county level and above in charge of national defense communications are responsible for national defense communications mobilization in their respective administrative regions; and the departments of the State Council in charge of communications management are responsible for national defense communications mobilization of their own industries.

In recent years, with the rapid development of national transportation and communication and the constant improvement in the informationalization of transportation and communication, China's national defense communications systems have been further improved, and the capacity to mobilize national defense communications has been greatly enhanced. Construction of the national and local infrastructure for transportation, communication and postal service is undertaken in pursuance of the principle of combining peacetime needs with wartime needs, fully taking into account the defense and military needs. Some railways, highways and ports of national defense significance are listed as key construction projects of the state. The support contingents and plans for transportation and communication have played an important role in emergency rescue and disaster relief in peacetime. In 2003, China's mileage of railways and highways in operation reached 73,000 km and 1,809,800 km respectively, including 29,700 km of expressways, and the annual volume of freight handled at the major coastal ports reached 2.01 billion tons. In railway transportation, the management of goods in transit has been informationalized, and the marshaling has been computerized. In water transportation, the positioning, tracking and control of ocean freighters have been brought into reality. In highway transportation, the positioning, tracking and control of some heavy trucks have been realized. In air transportation, real-time information processing has been realized with regard to ticket booking, departure, air routes as well as freight traffic and security monitoring. Database management has been initially implemented in terms of basic information and communications mobilization information concerning major railway stations, harbors, airports, airline companies and transportation companies.

Following the publication of the Regulations on Communications for National Defense, the State Council and the CMC promulgated the Regulations on Mobilization of Civil Transport for National Defense in September 2003, and the mobilization of civil transport for national defense has been put on the track of law. Peacetime preparations of civil transport mobilization are made in accordance with the principle of emphasizing key projects and focusing on actual effects. In this respect, the work includes the drafting of an overall plan for newly-built civil vehicles and related equipment to meet the demands of national defense, acquisition of information regarding the potentials to mobilize civil transport for national defense, and formulation of plans for national defense mobilization. Wartime mobilization of civil transport is conducted according to the mobilization order issued by the President of the state. Under special circumstances in peacetime, the mobilization of civil transport is implemented upon the decision on mobilization of civil transport made by the State Council and the CMC. All organizations and individuals possessing or managing civil transport capacity are obliged by the law to fulfill their duties and responsibilities for civil transport mobilization.

Militia Force Building

As an important component of the Chinese armed forces and the assistant and backup forces of the PLA, the militia force is an armed organization composed of the masses not released from their regular work. The militia is divided into two categories - the ordinary and the primary militia. The primary militia comprises rapid reaction detachments, infantry detachments, specialized technical detachments and detachments with corresponding specialties. There are now 10 million primary militia members throughout

the country.

In recent years, based on the principle of controlling quantity and improving quality, and emphasizing key components and laying good foundation, priority has been given to the quality of the militia organizations in building the militia force while keeping its mass and universal character. Infantry detachments have been reduced, specialized technical detachments increased, and technical detachments specialized in areas of AA artillery (machine-guns), missiles, field artillery, communication, chemical defense, engineering, reconnaissance and information reinforced. Enterprises and institutions with corresponding specialties have established their militia detachments with a high technological content. Also established therein are militia detachments with specialties corresponding to different services and arms responsible for combat and logistic support, and militia support detachments responsible for fuel and other military supplies. The organizational structure of the militia force has been optimized. The scientific and technological quality of the militia force has been continuously improved, and the capability of the militia force has been apparently enhanced for rapid mobilization and operations.

The primary militia members aged 18-22 receive 30-40 days of military training. The training duration for specialized technical militia members will be extended if necessary. Upon approval by the CMC, the General Staff Headquarters assigns military training tasks to the militia throughout the country. Military training for militia members will be conducted collectively at the militia military training bases in administrative regions at the county level. In some provinces and municipalities specialized technical training centers and people's military schools have been set up.

The nationwide militia work comes under the centralized leadership of the State Council and the CMC. The provincial commands (garrison commands), military sub-commands (garrison commands) and the people's armed forces departments of counties, autonomous counties, cities and municipal districts are responsible for militia work in the areas under their respective jurisdictions. The people's armed forces departments at the level of townships, ethnic townships, towns and sub-districts are responsible for militia work in their own areas. The people's armed forces departments of enterprises and institutions, set up in accordance with relevant provisions of the government, are responsible for their own militia work. Enterprises and institutions with no people's armed forces department shall designate a department or personnel to handle their militia work.

The Suggestions on Strengthening and Improving Militia Work in Cities, jointly issued in August 2002 by the Central Committee of the CPC, the State Council and the CMC, defines the strategic status and role of the urban militia force and calls for strengthening and improving the urban militia work, so as to be prepared for winning people's wars under high-tech conditions with cities as important bases. In consideration of local conditions and wartime assignments undertaken by the militia, adjustments and reforms are steadily underway with respect to urban militia work.

Reserve Force Building

As an important component of the PLA, the reserve force constitutes the focal point of the defense reserves building. It consists of active servicemen as its backbone and reserve officers and men as its foundation. It

is organized according to the PLA's unified organizational structure.

After more than 20 years of development, the reserve force has grown from purely a land force into an important composite reserve force consisting of the Army reserve, Navy reserve, Air Force reserve and the reserve of the Second Artillery Force. The reserve force adopts the system of dual leadership by the military and the local Party committees and governments. The Army reserve is under the leadership of the provincial commands (garrison commands) in peacetime, and the Navy reserve, Air Force reserve and the reserve of the Second Artillery Force are placed under the joint leadership and control of both the provincial commands (garrison commands) and the Navy, Air Force and Second Artillery Force units. The reserve force is under the command of the designated troops in active service after wartime mobilization.

Under the new historical conditions, China persists in combining the building of the reserve force with that of the armed forces in active service. China improves the quality of the reserve force while enhancing the reserves' capabilities for rapid mobilization and operations so as to build a reserve force properly sized, reasonably structured, scientifically organized and credibly effective. In recent years, the key aspects of building the reserve force have been further highlighted. Combat readiness has been enhanced and training levels have been raised step by step. Based on the wartime chain of command, training systems linked with the active PLA troops have been established, and on-base training, simulated training and network training have been conducted on a wide scale.

National Defense Education

In accordance with the National Defense Education Law of the PRC, governments and relevant departments at all levels conduct national defense educational activities of various forms to enhance the national defense awareness of the people. A favorable situation in national defense education has just arisen, in which the government attaches great importance to it, the general public provides support to it, and the people take an active part in it.

The Central Government has set up the National Defense Education Office while organs or offices for national defense education have been established accordingly in provinces, autonomous regions, municipalities directly under the Central Government, and in most cities and counties. Twenty-six provinces, autonomous regions and municipalities directly under the Central Government have formulated or revised their national defense education regulations. The State National Defense Education Office has organized the drafting of the national defense education program.

China conducts its national defense education mainly among civil servants, young students, militia members and reservists. National defense education is absorbed into the curricula for civil servants and Party schools of the CPC. More than 2,500 Party schools throughout China have offered courses on national defense education. Such educational forms as special lectures, Military Day on camp and short-term training programs are adopted. As a result, the awareness of government functionaries in performing national defense duties is enhanced. National defense education has been incorporated into the courses of all kinds of schools at different levels to provide students with national defense knowledge and education in

patriotism. Some primary and secondary schools have also introduced activities in the form of juvenile military schools with national defense education as the theme. National defense education for the militia and reserve forces is conducted in connection with political education, intensified disciplining and military training.

In accordance with the Military Service Law of the PRC and the National Defense Education Law of the PRC, colleges, universities, senior high schools and their equivalents should develop their national defense education by linking their curricula with military training. When studying at colleges and universities, students are obliged to receive basic military training. The PLA Student Military Training Office, together with the Ministry of Education, has formulated a program to strengthen guidance on military training for students throughout the country. In 2003, some 1,100 colleges and universities and 11,500 senior high schools throughout China conducted military training as required and more than eight million students received such training.

On major holidays, commemoration days and military recruitment occasions, national defense education is conducted in all parts of China in the form of exhibitions, lectures, cultural and art performances, knowledge competitions and military summer camps. Special columns or programs in such media as newspapers, magazines, radio, TV and web pages are devoted to national defense education. There are now nine provinces and municipalities that have published newspapers or magazines on national defense education and more than 30 regions have set up websites on national defense education. With such platforms like cemeteries of revolutionary martyrs, revolutionary sites, and memorial halls and museums which can be used for this purpose, national defense education has been provided in all parts of the country with nearly 200 million people educated every year.

Chapter VII. Science, Technology and Industry for National Defense

To meet the requirements of the development of weaponry and equipment and the socialist market economy, China is speeding up the development of its defense-related science, technology and industry, and making efforts to build a new system of defense-related science, technology and industry which is structurally optimized, organizationally efficient, technologically advanced and properly laid out.

Main Tasks

The main responsibility of China's defense-related science, technology and industry is to ensure the production and supply of military equipment to meet the needs of national defense. At the same time, it undertakes the important task of promoting the development of the national economy and enhancing the overall national strength.

In accordance with the requirements of the RMA with Chinese characteristics, the defense-related science, technology and industry strives to raise its capability for weaponry and equipment research and production, and accelerate the research and production of new- and high-tech weaponry and equipment. It adjusts the capability composition of weaponry and equipment research and production, giving priority to

the building of capability of new- and high-tech weaponry and equipment research and production, and promoting the optimization and upgrading of the military industrial structure. It strengthens and improves its technology- and defense-based research work, and conducts explorations of frontier technology and future-oriented research, so as to expand its technological reserve. It employs new- and high- technologies to remold military industrial enterprises, so as to convert its weaponry and equipment production capability from a rigid structure to a flexible one. It enhances the development of military standards, so as to establish a universal system of technical standards tailored to new developments of weaponry and equipment. It carries out dynamic adjustments of the research and production of weaponry and equipment, so as to shorten the development cycle and reduce the cost of products.

While ensuring the fulfillment of military orders, the defense-related science, technology and industry vigorously develops dual-purpose technologies and actively participates in the development of the national economy. It promotes the development and technological advances of civilian products manufactured mainly by the military industry, such as those in the fields of nuclear energy and applied nuclear technologies; space and aviation technologies and ships and demolition technologies for civil use. To help bring about industrial upgrades and technological advances of the national economy, it supports the large-scale development of China's western region and the remolding of the old industrial bases in northeast China, and undertakes key construction projects and major equipment development and technical problem tackling tasks.

The first two decades of the 21st century will be a crucial period for the reform and adjustment of the defense-related science, technology and industry. It will adhere to the strategic guideline of combining military needs with civilian needs, reserving military potential in civilian capability, vigorously developing coordination, and making independent innovations, and persist in taking a new road of industrial development. It will establish and improve a mechanism of competition, appraisal, supervision and motivation, give impetus to the optimization and reorganization of resources and the upgrading of the industrial structure, strengthen the building of the basic capabilities of the defense-related science, technology and industry foundations, and enhance in an all-round way the overall quality and sustainable development capability of the defense-related science, technology and industry.

Reform and Adjustment

China's defense-related science, technology and industry continues to deepen its reform, optimize its industrial structure and resources allocation, accelerate system and mechanism innovation, and establish a streamlined and efficient research and production system.

Optimizing the industrial structure. China's defense-related science, technology and industry aims to form an industrial layout with military high-tech industries as the precursor, major dual-purpose industries as the main body, and military manufacturing industries as the foundation. It gives priority to the development of dual-purpose high-tech industries, absorbs advanced civilian technologies from all industries and trades for the service of national defense, and promotes the two-way transfer of military and civilian high technologies. It supports enterprises to develop projects and programs which are technology-

intensive, produce good economic results, consume fewer resources, cause less environmental pollution and give full play to the advantages of human resources. It encourages the development of burgeoning industries with information technology, new materials, energy saving and environmental protection, life sciences, oceanic engineering and other high technologies as the precursor, so as to foster new economic growth.

Accelerating the reform and adjustment of military industrial enterprises. China's defense-related science, technology and industry optimizes the organizational structure of military industrial enterprises and encourages competitive enterprises to carry out strategic reorganization on the basis of market demand and their own advantages, in compliance with the principle of specialized division of labor and large-scale production and with products and assets as the link. Military industrial enterprises are impelled to establish a modern enterprise system, accelerate the pace of ownership system restructuring, establish a standard parent-subsidiary system and a legal person management structure, and change their enterprise operational mechanism. Full play is given to the guiding role of the state's input, to lead and channel social funds into the development of the defense-related science, technology and industry and carry forward the diversification of investors. Through reforms and adjustments, the main body of the military industry is streamlined, and a new defense-related science, technology and industry system established, which features a small core, extensive cooperation and military potential reserved in civilian capability.

Improving the innovation system of scientific research. Scientific research institutions engaged in innovation activities in basic research, strategic high-tech research and important public welfare research should expedite the establishment of a modern scientific research institution system according to the principle of clearly defined responsibilities and duties, scientific evaluation, orderly opening, and standard management. Market-oriented applied technology research and development institutions should speed up their transformation into enterprises run on a commercial basis. The goal is to form a defense scientific research system with defense scientific research institutions, institutions of higher learning and key enterprises as the main body, and to enhance the independent development capability of the defense-related science, technology and industry.

Promoting innovation in talents-related work. A new mechanism should be established as soon as possible for training, attracting, using, and retaining talented people, and for accelerating their growth, so as to create a well-structured contingent of high-caliber people in a whole array of principles. Impetus should be given to the reform and development of higher education for the defense-related science, technology and industry, so as to speed up the training of high-level specialized personnel urgently needed by the defense-related science, technology and industry. Preferential policies should be formulated to encourage college and university graduates, excellent students returned from overseas, and other scientific, technological and management talents from outside the defense-related science, technology and industry to take part in its building. In addition, the personnel employing mechanism and the distribution system should be reformed to raise the salaries and improve the conditions of those engaged in weaponry and equipment research, development and production.

Development of Civil Use Industry

China has made remarkable progress in putting military industrial technology to civil use in the past two years. In 2003, the output value of civilian products rose by 20% as compared with that of the previous year, accounting for more than 65% of the total output value of the defense-related science, technology and industry.

Nuclear power production is being industrialized. China's mainland now has nine nuclear power generating sets in operation, the total installed capacity of which is 7.01 million KW. Another two, each with an installed capacity of 1.06 million KW, are now under construction. In 2003, China's nuclear power production was 43.3 billion KWH, accounting for 2.3% of its total power production. Steady progress has been made in the construction of auxiliary projects for nuclear energy. A nuclear fuel production system tailored to nuclear power production has by and large taken shape, and the production of nuclear fuel has been technologically upgraded. Great importance is attached to the decommissioning of nuclear installations and the treatment of radioactive waste, and great efforts are made to enhance the awareness of environmental protection and ensure the safe disposal of all kinds of radioactive waste. The emergency response system for nuclear accidents has been gradually improved, and the response capability increased.

Major breakthroughs have been made in space technologies for civil use. Since October 1996, China has succeeded in 41 space launches. The successful launching of the "Shenzhou V" spaceship in October 2003 sent China's first astronaut into space. The key technological problems for the new generation of carrier rockets have been tackled. China has successfully launched various application satellites, including SSO (Sun Synchronous Orbit) and GEO (Geostationary Orbit) meteorological satellites, the HY-1 oceanographic satellite and CBERS (China-Brazil Earth Resource Satellite). The R&D of a DMEC (Disaster Monitoring and Environmental Control) satellite constellation, a large GEO satellite platform and a new generation of SSO meteorological satellites is going on smoothly. A lunar probe project was officially started in January 2004, and a lunar orbiting exploration is scheduled to be carried out by the end of 2007.

The aviation industry for civil use has made important headway in the R&D of feeder liners and general-purpose aircraft. ARJ21, a new jet feeder liner with 70 seats, is being independently developed, and is scheduled for delivery in 2008. The Y-12E general-purpose aircraft for use in high-temperature and plateau conditions and the Z-11 and Z-9 helicopters have all received airworthiness certificates and been put on the commercial market. The newly developed "Xiaoying 500" general-purpose plane made its first flight in 2003. The ERJ145 jet feeder liner jointly manufactured by China and Brazil has been delivered to users. An agreement has been formally signed on the building of an assembly line in China for the EC120 helicopter jointly developed by China, France and Singapore. Subcontracting business for the manufacture of foreign aircraft parts has been developing steadily, and begun to be integrated into the large-scale circulation system of the international aviation industry.

The shipbuilding industry for civil use has witnessed sustained rapid growth, with an output ranking third in the world for many years. In 2003, China's accomplished shipbuilding output, newly received orders and on-hand orders amounted to 6.41 million DWT, 18.95 million DWT and 26.23 million DWT respectively,

accounting for a world market share of 11.8%, 18.9% and 17.7% respectively. Products manufactured by the shipbuilding industry for civil use have been exported to more than 90 countries and regions. The R&D and designing capability of the shipbuilding industry for civil use has been remarkably raised. It can now build and repair large ships, and has made new breakthroughs in building high-tech ships.

Cooperation with Foreign Countries

China's defense-related science, technology and industry take an active part in international exchanges and cooperation and opens wider to foreign countries. In the field of the military industry for civil use, China encourages military enterprises and institutions to develop both the international and domestic markets, utilize resources from both home and abroad, participate in the international division of labor, optimize the export product mix, and raise the international competitiveness of their products. China also encourages them to introduce advanced foreign technologies and management expertise, improve the use of foreign funds, expand the strategic cooperation with large multinational companies, and raise the technological level of the defense-related science, technology and industry. China attaches great importance to developing cooperation in defense technology with friendly countries, and promotes exchanges of and cooperation in defense technology in the international industrial community.

China's defense-related science, technology and industry takes a prudent attitude toward the export of military products and related technologies, and strictly complies with the policies and laws of the state on non-proliferation. On the export of missiles and other military products, it strictly abides by the Regulations of the PRC on the Export Control of Missiles and Related Items and Technologies, the Regulations of the PRC on the Export Administration of Military Products and the corresponding lists. China has invariably adhered to three principles concerning the export of military products: It should only serve the purpose of helping the recipient state enhance its capability for legitimate self-defense; it must not impair peace, security and stability of the relevant region and the world as a whole; and it must not be used to interfere in the recipient state's internal affairs.

Chapter VIII. The Armed Forces and the People

China's national defense is the people's national defense, and China's armed forces belong to the people. It is an important responsibility and duty of the Chinese armed forces to take part in national construction and exert themselves in the service of the people. Strengthening unity between the PLA and the government and between the PLA and the people is an important political foundation for relying on the people to build national defense and the PLA.

Supporting the PLA and Giving Preferential Treatment to Families of Servicemen and Martyrs, and Supporting the Government and Cherishing the People

Maintaining unity between the military and the people and between the PLA and the government, supporting the PLA and giving preferential treatment to families of servicemen and martyrs, and supporting the government and cherishing the people: these are the fundamental principles consistently

adhered to in the building of national defense and the PLA. Supporting the PLA and giving preferential treatment to families of servicemen and martyrs are activities carried out by the local people's governments at all levels, mass organizations and the masses to support the PLA and give preferential treatment to families of active-duty servicemen and revolutionary martyrs. Supporting the government and cherishing the people is the mass work carried out by the people's army focusing on support for the government and love for the people. These glorious traditions formed during the revolutionary wars demonstrated tremendous might in Chinese people's liberation cause.

Since the founding of New China, the work of supporting the PLA and giving preferential treatment to families of servicemen and martyrs has been gradually legalized and standardized. The State Council has, in succession, promulgated the Regulations on the Commendation of Revolutionary Martyrs, the Regulations on Compensation and Preferential Treatment for Servicemen and the Regulations on the Resettlement of Demobilized Conscripts. It has also formulated and issued policies and statutes on the resettlement of officers transferred to civilian work, on the employment of the accompanying spouses of officers, and on safeguarding the legitimate rights and interests of servicemen and their families. The Ministry of Civil Affairs and the PLA General Political Department jointly issue circulars on New Year's Day, the Spring Festival and Army Day every year on the arrangements for the work of supporting the PLA and giving preferential treatment to families of servicemen and martyrs and supporting the government and cherishing the people. In the past ten years and more, proper arrangements have been made for more than 600,000 officers transferred to civilian work, more than 7,000,000 demobilized enlisted men, more than 50,000 disabled enlisted men and more than 900,000 spouses. In addition, more than 100,000 retired military cadres and civilian employees have been given political status and material benefits they deserve, and children of servicemen enjoy preferential policies in education. In August 2004, the State Council and the CMC promulgated the newly revised Regulations on Compensation and Preferential Treatment for Servicemen, greatly raising the compensation standards, expanding the scope and increasing the items of social preferential treatment, and further improving the compensation and preferential treatment system for servicemen, which is suited to the conditions of China.

The people's governments at all levels have incorporated the work of supporting the PLA and giving preferential treatment to families of servicemen and martyrs into their economic and social development programs, and given active support to national defense building and the PLA. They have actively helped PLA units to accomplish tasks of education and training, performing combat readiness duties, conducting scientific research and testing, and carrying out the construction of military projects, by ensuring the requisitioning of sites and providing road support and material supplies. They have encouraged regular institutions of higher learning and scientific research institutions to provide the PLA with technological and intellectual support, and established bases for such purposes to help PLA units train personnel in different fields. They have organized non-governmental sectors to help PLA grass-roots units to improve their living conditions, supplied to them food, oil, water and electricity with priority, helped build barracks and living quarters, and set up food-production bases and cultural centers, and helped nearly one million families of servicemen to overcome their living, housing and medical care difficulties. Local governments at all levels have established working mechanisms for safeguarding the legitimate rights and interests of servicemen and their families, courts at the basic level have set up collegiate benches for cases involving servicemen,

and judicial administrative organs in various places have set up legal assistance centers to solve and mediate in the legal problems of servicemen and their families. In the past two years or so, more than 300 cities (counties), more than 2,000 enterprises and institutions and more than 1,000 individuals have been commended by the Central Government and its relevant departments for their outstanding performance in supporting the PLA and giving preferential treatment to families of servicemen and martyrs.

Carrying forward its fine traditions, the PLA has persisted in taking it as an important part of its political work to support the government and cherish the people, and has included this in the overall plan for the building of its forces. The PLA's political organs at all levels have special departments responsible for organizing activities of supporting the government and cherishing the people, and for setting up mechanisms for coordinating the relations between PLA units and local people. The PLA consciously respects the local people's governments at all levels, and assists them in their work. It strictly complies with the policies and statutes of the state, cherishes and respects the people, and helps them overcome their difficulties. In the past decade and more, the PLA has set up nearly 40,000 points of contact for helping the poor. Owing to its help, more than 3.7 million poor people have been enabled to get rid of poverty, more than 2,800 primary and secondary schools have been built in poverty-stricken areas, and more than half a million school drop-outs have returned to class.

Under the unified leadership of the local people's governments, the PLA and the PAPF grass-roots units jointly carry out mass activities with local grass-roots organizations to build socialist spiritual civilization. Throughout the country, more than 30,000 links for joint activities have been set up for such purposes. All grass-roots units of the PLA and the PAPF take an active part in local activities aimed at building "civic virtues" cities, villages, communities and trades. They open for free to the public military history exhibition halls, and honor rooms of heroic companies, and memorial halls in honor of heroes and models. They assist in areas inhabited by ethnic minorities to develop educational, cultural and health programs. Local governments help the PLA and the PAPF train servicemen competent in both military and civilian jobs, and help grass-roots units of the PLA and the PAPF improve and enrich the cultural life in barracks.

Participating in and Supporting National Construction

The PLA and the PAPF actively participate in and support all aspects of national construction besides fulfilling their assignments of education and training. They participate in the construction of national and local infrastructure projects, support agriculture, relieve poverty through development projects, transfer scientific and technological achievements, assist in tackling technological problems and training personnel, and support the development of the public welfare undertakings in both urban and rural areas. They have also vacated part of the land for military use and barracks and camp facilities, and opened some military airfields, harbors and docks and communication lines to civilian use.

The General Staff Headquarters and the General Political Department have specified that everyone in PLA units is obliged to devote an average of not less than eight days a year to national construction. Under the condition that military needs are met, PLA units may use some of their vehicles, machines, ships, planes and other equipment to support local economic construction. Organic units of the engineering troops may

take part in the construction of national or local projects. The goldmine, forest, water conservancy and electric power, and transportation forces of the PAPF take a direct part in national economic construction.

In the past two years, the PLA has assisted in the construction of more than 490 key projects at the provincial level and above, and transferred more than 500 scientific and technological achievements to civilian sectors. More than 100 military hospitals have given support to corresponding local hospitals in remote and less-developed areas. PLA technical troops specializing in mapping, meteorology, water supply and so on have provided services in geographic survey, weather forecasts, water source exploration and other fields. Military institutions of education and research have helped train more than 100,000 personnel urgently needed in local construction. PAPF units have taken part in the construction of more than 100 key national and provincial projects, and made significant contributions in particular to the Three Gorges Project, the West-East Electricity Project, the West-East Natural Gas Project and the Qinghai-Tibet Railway Project, as well as to geological prospecting, forest fire prevention and highway construction.

Since the founding of New China in 1949, more than 3,500,000 military cadres have been transferred to civilian work, and they have taken an active part in all aspects of national construction. Among the 1,500,000 military cadres transferred to civilian work since the beginning of the reform and opening-up, more than 540,000 have been cited as model or outstanding workers, more than 10,000 have been chosen as outstanding entrepreneurs, and more than 330,000 have become leaders at or above the county or corresponding level, many of whom have even become provincial or ministerial leaders.

Participating in Emergency Rescue and Disaster Relief Operations

Taking part in emergency rescue and disaster relief operations is an important mission the state and the people have entrusted to the PLA and PAPF. In the course of these operations, the PLA and PAPF mainly undertake the following tasks: rescuing and evacuating disaster victims and people trapped in danger, eliminating or controlling major dangers and disasters, ensuring the safety of important targets, participating in the emergency rescue and transportation of important goods, conducting rush repairs of roads and bridges, carrying out underwater operations and rescue operations under nuclear, biological and chemical conditions, controlling major epidemic diseases, providing medical aid, and assisting local people's governments in such tasks as disaster relief and post-disaster reconstruction. In normal time, the PLA and PAPF make a point of gathering information on disasters and dangers, set up a system of information exchanges with local governments, draw up rescue and relief plans, conduct rescue and relief training and exercises, and offer rescue and relief courses in military command colleges. In rescue and relief operations, PLA and PAPF troops receive orders from the joint military-civilian headquarters.

In the past two years, PLA and PAPF troops have taken part in fighting floods, typhoons, earthquakes, forest fires, epidemic diseases and other natural disasters on more than 120 occasions, and prevented economic losses totaling some RMB 10 billion. The PAPF alone put in more than 240,000 troops, rescued more than 230,000 people out of danger, and rush-transported more than 2.6 million tons of goods. In 2003, the PLA and PAPF offered all-out support to governments at all levels in the fight against SARS by sending 37,000 officers and men to help control the spread of the disease and sterilize on a large scale key places,

sites and areas with a high incidence of SARS. Eighteen military hospitals provided meticulous medical treatment to 420 SARS patients. The Military Academy of Medical Science was the first to separate the SARS pathogen in China and develop a rapid-diagnosis reagent for SARS. A total of 1,383 medical personnel from different PLA units worked hard continually at the Beijing Xiaotangshan Hospital for more than 50 days to give meticulous treatment to 680 SARS sufferers.

Keeping Discipline in Relation to the Masses

The PLA's discipline in relation to the masses is the code of conduct that all officers and men must observe in their contacts with the masses of the people. Strict enforcement of discipline in relation to the masses is the guarantee for the PLA to win the support of the people.

In its early days, the PLA formulated the "Three Main Rules of Discipline" and "Eight Points for Attention," which clearly state: "Do not take a single needle or piece of thread from the masses," "Speak politely," "Pay fairly for what you buy," "Return everything you borrow," "Pay for anything you damage," "Do not hit or swear at people," "Do not damage crops," and so on. The newly issued Regulations on Routine Service of the People's Liberation Army and the Regulations on Discipline of the People's Liberation Army, along with a series of new statutes formulated by the CMC and the general departments of the PLA, stipulate that servicemen must conform to the required standards of bearing when they go out in uniform, and that they should not engage in trade or in paid services beyond their own jobs, or use their names or portraits for commercial advertising, thus enriching the content of discipline in relation to the masses.

All PLA units regard it as a constant and important task to strictly enforce discipline in relation to the masses. They conduct education in discipline in relation to the masses, inspect and supervise its observance, and strictly restrain the behavior of officers and men in social activities. The garrison headquarters of troops stationed in cities send out pickets to patrol the streets from time to time, and PLA units send out discipline inspection teams on major holidays or when their personnel go out to perform tasks. Regular visits are paid to civilian organizations in the areas where PLA units are stationed, and when breaches of discipline are found, they will be dealt with in time. The PLA units stationed in areas inhabited by ethnic minorities strictly implement the state policies concerning ethnic groups and religions, and consciously respect the religious beliefs and customs of the ethnic minorities.

Chapter IX. International Security Cooperation

Adhering to the purposes and principles of the UN Charter, China persists in developing friendly relations and strengthening cooperation with other countries on the basis of the Five Principles of Peaceful Co-existence, and devotes itself to promoting international security dialogues and cooperation of all forms.

Strategic Consultation and Dialogue

In recent years, China has intensified bilateral and multilateral strategic consultation and dialogues with

countries concerned in security and defense fields which contribute to better mutual trust and mutual exchange and cooperation.

With the strengthening of the strategic and cooperative partnership between China and Russia, the two countries have established a senior-level meeting mechanism to exchange views on major issues. They have also held consultations on major strategic issues between relevant departments. In 2003, China and Russia conducted a number of vice-foreign-ministerial level consultations on the nuclear issue on the Korean Peninsula, the questions of Iraq and the Middle East, and other international, regional and bilateral issues of common concern. In 2004, the two countries held a counter-terrorism working group meeting and consultation on strategic stability at the vice-foreign-ministerial level. The two militaries established a consultation mechanism in 1997, and the General Staff headquarters of the two militaries held the seventh and eighth rounds of strategic consultations in 2003 and 2004 respectively.

China and the United States maintain consultations on non-proliferation, counter-terrorism, and bilateral military security cooperation. In the past two years, the two countries held three rounds of consultations at the vice-foreign-ministerial level on strategic security, multilateral arms control and non-proliferation, the sixth Defense Consultative Talk, the third and fourth counter-terrorism consultations, and the second financial counter-terrorism consultation. The military maritime and air safety working groups under the Military Maritime Consultative Agreement held the third and fourth meetings in Hawaii and Shanghai respectively.

China has conducted extensive strategic consultations and dialogues with other countries. China and France established the relationship of strategic dialogue in 1997, and have since held six rounds of such consultation. China and the United Kingdom held two rounds of strategic security dialogue in October 2003 and March 2004 respectively, and established the Sino-British strategic security dialogue mechanism. The Chinese Ministry of National Defense and its South African counterpart signed an agreement on the establishment of a defense commission in April 2003. The Seventh Sino-Australian Defense Strategic Consultation was held in October of the same year. The two militaries of China and Germany held their second round of strategic consultation in July 2004. China has also held fruitful security consultations and dialogues respectively with Canada, Mexico, Italy, Poland, New Zealand and other countries.

China attaches importance to security consultations with its neighboring countries. China and Pakistan held their second defense and security consultation in July 2003. The defense ministries of China and Thailand held their second defense security consultation in September of the same year. The Chinese Ministry of National Defense and Japanese Defense Agency held their fourth and fifth security consultations respectively in January and October 2004. In April this year, China and Mongolia held their first defense and security consultation. In September, the Chinese Ministry of National Defense held the second strategic consultations respectively with its counterparts of Kyrgyzstan and Kazakhstan. In October this year, China and Australia held their eighth Defense Strategic Dialogue, and the Chinese Ministry of National Defense held the third security consultation with its Thailand counterpart.

Regional Security Cooperation

China pursues a foreign policy of building a good-neighbor relationship and partnership with its neighbors, trying to create an amicable, secure and prosperous neighborhood, and vigorously pushing forward the building of a security dialogue and cooperation mechanism in the Asia-Pacific region.

Since its establishment more than three years ago, the Shanghai Cooperation Organization (SCO) has been evolving into an important mechanism for promoting regional security, stability and development. It has set up a relatively complete organizational structure and laid a sound legal basis, and successfully initiated cooperation in security, economic and other fields. The Shanghai Convention on Combating Terrorism, Separatism and Extremism and the Agreement of State Parties of the Shanghai Cooperation Organization on the Regional Counter-terrorism Agency took effect in 2003. In pursuance of the convention and agreement, the SCO held meetings of chief procurators and ministers of defense, and conducted joint counter-terrorism military exercises. The SCO Secretariat and regional counter-terrorism agency were formally inaugurated in Beijing and Tashkent in January 2004. The Tashkent Summit Meeting of the SCO signed the Tashkent Declaration and the Agreement on Cooperation in Combating Illegal Turnover of Narcotic and Psychotropic Substances and the Precursors Thereof in June 2004. The SCO also set up the mechanism of regular meetings between security committee secretaries of its member states to strengthen security and cooperation.

China attaches great importance to the role of the ASEAN Regional Forum (ARF), and is devoted to its sound development. At the 11th ARF Foreign Ministers' Meeting in 2004, China proposed the following initiatives for the future development of ARF: to maintain its forum nature and adhere to the basic principles of decision-making through consensus, taking an incremental approach, and moving at a pace comfortable to all members so as to encourage the initiative and active participation of all members; to continuously strengthen and consolidate confidence-building measures (CBMs) while actively addressing the issue of preventive diplomacy, so as to gradually find out cooperative methods and approaches for preventive diplomacy that are suitable to the region and fitting the current needs; to increase participation of defense officials, promote exchanges and cooperation among militaries of the countries concerned and give full play to the important role of the militaries in enhancing mutual trust; to highlight cooperation in non-traditional security fields such as counter-terrorism and combating transnational crimes. As its co-chairmen, China and Myanmar hosted two intersessions in Beijing and Rangoon respectively on CBMs for the 2003-2004 Forum. China hosted the ARF Workshop on Drug-Substitute Alternative Development in September 2004 in Kunming, Yunnan Province, and the ARF Conference on Security Policies in November 2004.

In October 2003, the leaders of China, Japan and the Republic of Korea held their fifth meeting, and issued the Joint Declaration on the Promotion of Tripartite Cooperation Among the People's Republic of China, Japan and the Republic of Korea, which confirmed that the three countries would work together to intensify security dialogues and extend exchanges among defense and military officials in East Asia, and strengthen cooperation in the fields of disarmament and non-proliferation, and the realization of a nuclear-free Korean Peninsula.

Cooperation in Non-Traditional Security Fields

China attaches great importance to security cooperation in the non-traditional security fields with other countries, maintaining that in jointly combating non-traditional security threats, it is imperative to address both the symptoms and root causes and to adopt comprehensive measures.

Cooperation in non-traditional security fields within the frameworks of ASEAN and China (10 + 1) and ASEAN and China, Japan and the Republic of Korea (10 + 3) has developed gradually in recent years. In November 2002, leaders of China and ASEAN signed the Joint Declaration Between China and ASEAN on Cooperation in Non-Traditional Security Fields. In April 2003, leaders of China and ASEAN held a special meeting in Bangkok, Thailand, on SARS and issued a joint declaration. In January 2004, the two sides signed the Memorandum of Understanding Between China and ASEAN on Cooperation in Non-Traditional Security Fields. China initiated and participated in the first ministerial meeting between ASEAN and China, Japan and the Republic of Korea on combating transnational crimes, held in Bangkok, Thailand, in January 2004, and submitted a concept paper. The meeting agreed to set up a cooperation mechanism between ASEAN and China, Japan and the Republic of Korea for combating transnational crimes, and adopted the first Joint Communiqué of the ASEAN Plus Three Ministerial Meeting on Combating Transnational Crimes.

China continued to strengthen its international counter-terrorism cooperation. It supported the UN, particularly the Security Council in playing a leading role in this regard, and seriously implemented Security Council resolutions on counter-terrorism issues, as was shown by its reports to the Council on the implementation of Resolution No. 1373. It has actively supported and participated in the drafting of the Comprehensive Convention on International Terrorism and the International Convention on the Suppression of Nuclear Terrorism. In January 2003, China put forward four proposals on deepening international counter-terrorism cooperation at the foreign ministers' meeting of the UN Security Council on counter-terrorism. China also conducted exchanges and cooperation with Russia, the United States, Pakistan, India, the United Kingdom, France and Germany in this regard.

The PLA has taken an active part in cooperation in non-traditional security fields such as joint counter-terrorism, maritime search and rescue, combating piracy, and cracking down on drug production and trafficking. The ministers of defense of China, Kazakhstan, Kyrgyzstan, Russia and Tajikistan signed the Memorandum of the Ministries of National Defense of the SCO Member Countries on Holding the "Joint-2003" Counter-terrorism Exercise in May 2003. The armed forces of the five countries successfully conducted the first multilateral counter-terrorism exercise in the vicinities of Ucharal in Kazakhstan and Yining in China's Xinjiang Uygur Autonomous Region within the framework of the SCO in August 2003. The armed forces of China and Pakistan conducted Friendship-2004, a joint counter-terrorism exercise, in the border area between the two countries in August 2004. The Chinese navy conducted joint maritime search-and-rescue exercises off the Chinese coast with visiting Pakistani navy in October and Indian navy in November 2003. It also held joint maritime search-and-rescue exercises with French navy in March, British navy in June, and Australian navy in October in 2004 in the Yellow Sea area.

Participating in UN Peacekeeping Operations

China has consistently supported and actively participated in the peacekeeping operations that are consistent with the spirit of the UN Charter. It maintains that the UN peacekeeping operations should abide by the purposes and principles of the UN Charter and other universally recognized principles governing peacekeeping operations. China will continue to support the reform of the UN peacekeeping missions, hoping to further strengthen the UN capability in preserving peace.

Since its first dispatch of military observers to the UN peacekeeping operations in 1990, China has sent 3,362 military personnel to 13 UN peacekeeping operations, including 785 military observers, 800 (in two batches) engineering personnel to Cambodia, 654 (in three batches) engineering and medical personnel to Congo (Kinshasa), 1,116 personnel in transportation, engineering and medical units to Liberia, and seven staff officers to the UN Department of Peacekeeping Operations. Since January 2000, China has sent 404 policemen to the peacekeeping operations in six UN peacekeeping task areas including East Timor. In 2004, China has sent 59 policemen to East Timor, Liberia, Afghanistan, Kosovo of Serbia-Herzegovina and Haiti, and a 125-member organic police detachment to Haiti to serve with MINUSTAH at the request of the UN. In the past 14 years, six Chinese servicemen lost their lives and dozens wounded in UN peacekeeping operations.

At present, 845 PLA personnel are working in eight UN peacekeeping task areas. They included 66 military observers, an engineering unit of 175 personnel and a medical unit of 43 personnel in Congo (Kinshasa), an engineering unit of 275 personnel, a transportation unit of 240 personnel and a medical unit of 43 personnel in Liberia, and three staff officers at the UN Department of Peacekeeping Operations.

Military Exchanges

The PLA conducts active military exchanges and cooperation with militaries of other countries, and has created a military diplomacy that is all-directional, multi-tiered and wide-ranging.

China has established military relations with more than 150 countries in the world. It has set up over 100 military attaché's offices in its embassies abroad, and 85 countries have set up military attaché's offices in China. Over the past two years, the PLA has sent high-level military delegations to over 60 countries, and played host to over 130 delegations of military leaders from over 70 countries. The military-to-military relations between China and Russia continued to strengthen and develop. The Chinese Minister of National Defense visited the United States in October 2003, the first such visit in seven years. The Director General of the Japanese Defense Agency visited China in May 2003, after an interval of five years. The Indian and Chinese ministers of defense exchanged visits in April 2003 and March 2004 respectively, the first of its kind in many years. Meanwhile, military exchanges between China and European countries developed in depth. China also strengthened military relations with its surrounding countries, extended military exchanges with other developing countries, and continued to provide militaries of some countries such assistance as personnel training, equipment, logistical materials and medical treatment.

In October 2003, the PLA invited for the first time military observers from 15 countries to observe the joint exercise Northern Sword-0308U organized by the Beijing Military Area Command. In September 2004, it invited observers from foreign militaries to watch Exercise Dragon-2004 organized by the Chinese navy. In the same month, military leaders or observers from 16 neighboring countries and their military attachés stationed in China were invited to observe Exercise Iron Fist-2004 organized by the Jinan Military Area Command. In June 2004, China invited foreign naval attachés from 15 foreign embassies in China to observe a Sino-British joint maritime search-and-rescue exercise. Besides, the PLA sent delegations to observe military exercises in Russia and Japan, as well as joint military exercise by the United States, Thailand and Singapore. From October to November 2003, Chinese naval ships paid friendly visits to the US territory of Guam, Brunei and Singapore. Meanwhile, naval ships from the United Kingdom, Russia, the United States, Pakistan, India, France, Indonesia and other countries visited China. The PLA pursued active military academic exchanges with foreign militaries. The PLA Academy of Military Science and other Chinese research institutions had extensive academic exchanges with scientific research institutions of other countries. The PLA increased the number of military students sent abroad and received more overseas military students in China. In recent years, it has sent over 1,000 military students to more than 20 countries, and 19 military colleges and universities in China have established inter-collegiate exchange relations with their counterparts in 25 countries, including the United States and Russia. Over the past two years, 1,245 military personnel from 91 countries have come to study in Chinese military colleges and universities, and officers from 44 of these countries have participated in the fifth and sixth International Symposium Course hosted by the PLA National Defense University.

Chapter X. Arms Control, Disarmament and Non-Proliferation

In recent years, some positive progress has been made in the fields of international arms control, disarmament and non-proliferation, but the proliferation of weapons of mass destruction (WMD) and their means of delivery and other issues have become major factors affecting the international security situation. The Chinese government maintains that the international community should safeguard the international regime of arms control, disarmament and non-proliferation treaties, promote its universality and reinforce its effectiveness and authority; that it should persist in multilateralism and give full play to the role and influence of the multilateral arms control, disarmament and non-proliferation treaty organs; that it should strive to meet the challenges brought about by the proliferation of WMD through political and diplomatic means on the basis of the existing international laws; and that it should address both the symptoms and root causes and adopt comprehensive measures, which means that it should take into consideration security threats such as proliferation of WMD while not neglecting the social and economic root causes of such threats.

Committed to the Non-Proliferation Efforts

The proliferation of WMD and their means of delivery is detrimental to world peace and security, so is it to China's own security. Non-proliferation is in the common interest of all countries, including China, and it has become an international consensus.

China attaches great importance to non-proliferation. It pursues a policy of not supporting, not encouraging and not assisting other countries to develop WMD. It resolutely opposes the proliferation of WMD and actively participates in the diplomatic efforts of the international community to deal with non-proliferation issues. The Chinese government published a white paper entitled China's Non-Proliferation Policy and Measures in December 2003.

China has put in place a comprehensive legal system for non-proliferation export control, covering the exports of nuclear, biological, chemical, missile and other sensitive items and technologies. It has adopted the international export control measures, including export registration system, end-user and end-use certification system, licensing system, list control method and "catch-all" principle, and has stipulated corresponding penalties for breaches of these laws and regulations. China's non-proliferation export control measures are basically in conformity with the current international practice.

The relevant departments in China have adopted and will continue to adopt forceful measures to ensure the implementation of the relevant regulations and laws. China has set up an inter-agency approval and coordination mechanism on export control and a national expert supporting system for export control. It has promulgated and implemented the Export Licensing Catalogue of Sensitive Items and Technologies. It is revising the related regulations on non-proliferation export control and the corresponding control lists, and has set up an emergency coordination mechanism in order to promptly and effectively handle proliferation contingencies. It imposes penalties on activities which violate the non-proliferation export control laws and regulations.

China has actively developed its relations with relevant multilateral export-control regimes. It has formally joined the Nuclear Suppliers Group and has applied for its accession to the Missile Technology Control Regime. China has established a dialogue mechanism with the Wassenaar Arrangement and kept contact with the Australia Group. It has also strengthened information exchanges and law-enforcement cooperation on non-proliferation with relevant countries.

China is in favor that the United Nations plays its due role in the non-proliferation field, and hopes that the UN Security Council Resolution 1540 on non-proliferation will be implemented effectively. In October 2004, China submitted a report on Chinese government's implementation of the Resolution to the Security Council's Non-proliferation Commission. China takes an open attitude toward all proposals that may help safeguard and strengthen the international non-proliferation regime, and is ready to have in-depth discussions with other parties in this regard.

Promoting the International Arms Control and Disarmament Process

At present, the key to pushing forward the international arms control and disarmament process is to break the deadlock at the Conference on Disarmament (CD) in Geneva. In August 2003, China announced that it accepted the amended mandate of the Ad Hoc Committee on the Prevention of an Arms Race in Outer Space (PAROS) in the Five Ambassadors' Proposal, and is ready to participate in reaching consensus through consultation on the Five Ambassadors' Proposal on the Program of Work. It hopes that the other

parties concerned would give positive response.

China supports the Conference on Disarmament in its efforts to start substantive work on the following four topics: nuclear disarmament, the Fissile Material Cut-off Treaty (FMCT), security assurances to non-nuclear-weapon states, and prevention of an arms race in outer space.

China consistently stands for complete prohibition and thorough destruction of nuclear weapons. It always pursues a policy of no first use of nuclear weapons, and undertakes unconditionally not to use or threaten to use nuclear weapons against non-nuclear-weapon states or nuclear-weapon-free zones. China did not and will never engage in a nuclear arms race with any other country. It supports the international community in its efforts to start substantive discussions on nuclear disarmament.

The FMCT is of great significance to preventing the proliferation of nuclear weapons and facilitating the nuclear disarmament process. China supports an early conclusion of the treaty through negotiations.

In the current situation, the importance and urgency of providing security assurances for non-nuclear-weapon states has become more prominent. China supports the negotiation and conclusion of an international legally binding instrument on this issue. China is the only country among the five nuclear weapon states to commit itself not to use or threaten to use nuclear weapons against non-nuclear-weapon states or nuclear-weapon-free zones. China appeals to the four other nuclear weapon states to make the same commitment.

Outer space is the common property of mankind. China hopes that the international community would take action as soon as possible to conclude an international legal instrument on preventing the weaponization of and arms race in outer space through negotiations, to ensure the peaceful use of outer space.

China favors discussions on and settlement of issues such as "terrorism and WMD," "radioactive weapons" and "observance of international treaties on disarmament, arms control and non-proliferation" within multilateral arms control framework.

In the other international multilateral arms control processes, China has continued to play a constructive role. It has taken an active part in the multilateral efforts to enhance the effectiveness of the Biological Weapons Convention (BWC), thus assuming a positive role in maintaining and pushing forward the multilateral arms-control process in the biological field. China supports the efforts of the ASEAN countries, the Central Asian countries and other neighboring countries to establish nuclear-weapon-free zones and has reached agreement in principle with the ASEAN countries on the Protocol to the Southeast Asia Nuclear-Weapon-Free Zone Treaty, and participated in the consultations between the five nuclear weapon states and the Central Asian countries on the Central Asian Nuclear-Weapon-Free Zone Treaty and its protocol. It also participated in the First (Disarmament) Committee sessions of the UN General Assembly, the UN Disarmament Commission meetings, the preparatory committee sessions for the 2005 Review Conference of the Parties to the Treaty on the Non-Proliferation of Nuclear Weapons (NPT), and the

sessions of the Conference of the States Parties to the Chemical Weapons Convention (CWC) and its first review conference.

Fulfilling International Arms Control and Disarmament Obligations

China conscientiously honors the NPT, consistently stands for maintaining its authority and promoting its universality.

China supports and participates in the safeguards system of the International Atomic Energy Agency (IAEA). China was the first among the five nuclear weapon states to have completed the domestic legal procedures necessary for the entry into force of the Protocol Additional to the Agreement Between China and IAEA for the Application of Safeguards in China.

The Chinese government firmly upholds the Comprehensive Nuclear Test Ban Treaty (CTBT) and supports its early entry into force. Before the treaty becomes effective, China will stay committed to the moratorium on nuclear testing. China attaches great importance to the work of the Preparatory Commission for the Comprehensive Nuclear Test Ban Treaty Organization (CTBTO), and supports and takes part in its work.

China continues to earnestly fulfill its obligations under the CWC, and received 11 inspections by the Organization for the Prohibition of Chemical Weapons in 2003. The Hong Kong Special Administrative Region has started to implement China's obligations under the Convention, and the Macao Special Administrative Region has stepped up the relevant preparatory work. In the same year, China continued to submit report to the United Nations on its confidence-building measures in accordance with the BWC.

Today, large quantities of chemical weapons abandoned by Japan remain on Chinese soil, which pose a grave threat to the lives and property of the Chinese people and to the ecological environment. China urges Japan to earnestly fulfill its obligations under the CWC for the destruction of these weapons, and commence as soon as possible the substantive destruction process in accordance with the Memorandum of Understanding Between the Government of the People's Republic of China and the Government of Japan on the Destruction of the Chemical Weapons Abandoned by Japan in China.

Participating in Humanitarian Efforts in the Arms Control Field

China supports the leading role played by the United Nations in combating the illicit trade in small arms and light weapons (SALW), and attaches great importance to and conscientiously implements the Program of Action adopted at the UN Conference on SALW. It supports the negotiation and conclusion of an international instrument on identifying and tracing illicit SALW, and participates in the negotiations with a constructive attitude. China signed the Firearms Protocol in 2002, and is now making preparations for the ratification of the protocol.

The Chinese government continues to support and take part in the work of the Group of Governmental

Experts of the Convention on Certain Conventional Weapons, and has contributed to the progress made so far in the work. Having ratified the amendment to Article 1 of the Convention, China is now preparing to ratify the Protocol on Explosive Remnants of War.

China attaches great importance to the solution of the humanitarian issue arising from landmines. While strictly implementing the Amended Landmine Protocol, it is strengthening communications and exchanges with the states parties to the Ottawa Convention. China continues to provide assistance in international mine clearance efforts. After providing assistance to Eritrea in this regard in 2002, China sent another group of mine clearance experts to that country to give guidance on de-mining operations in 2003, trained a total of 120 mine clearance specialists for Eritrea, and provided Eritrea with de-mining equipment. China joined the Mine Action Supporting Group, headquartered in New York, in 2003. China and the Australian Network of the International Campaign to Ban Landmines (ICBL) co-sponsored the Humanitarian Mine/UXO Clearance Technology and Cooperation Workshop in Kunming, Yunnan Province, in April 2004.

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