

China's National Defense in 2006

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Preface

To uphold world peace, promote common development and seek cooperation and win-win is the common wish of the people around the world and an irresistible trend of our times. Committed to peace, development and cooperation, China pursues a road of peaceful development, and endeavors to build, together with other countries, a harmonious world of enduring peace and common prosperity.

Never before has China been so closely bound up with the rest of the world as it is today. The Chinese government works to advance both the fundamental interests of the Chinese people and the common interests of the peoples of the rest of the world, and pursues a defense policy which is purely defensive in nature. China's national defense, in keeping with and contributing to the country's development and security strategies, aims at maintaining national security and unity, and ensuring the realization of the goal of building a moderately prosperous society in an all-round way. China is determined to remain a staunch force for global peace, security and stability.

China's national defense and military modernization, conducted on the basis of steady economic development, is the requirement of keeping up with new trends in the global revolution and development in military affairs, and of maintaining China's national security and development. China will not engage in any arms race or pose a military threat to any other country. At the new stage in the new century, we will take the scientific development outlook as an important guiding principle for the building of national defense and military affairs, vigorously advance the revolution in military affairs with Chinese features, and strive to realize an all-round, coordinated and sustainable development in our country's national defense and military capabilities.

I. The Security Environment

Peace and development remain the principal themes in today's world, and the overall international security environment remains stable. But, uncertainties and destabilizing factors are on the increase, and new challenges and threats are continuously emerging.

World peace and security face more opportunities than challenges. The world is at a critical stage, moving toward multi-polarity. Progress is expected in addressing the serious imbalances in the international strategic alignment. The major international forces compete with and hold each other in check. But, they also maintain coordination and practical cooperation in their mutual relationships, and draw on each other's strengths. Some major developing countries and regional groupings have grown in power, and the developing world as a whole is becoming stronger. Economic globalization accelerates

and science and technology make rapid progress; there are profound changes in the international division of labor, global and regional economic cooperation is being vigorously promoted, leading to increasing interdependence among countries. More dialogues are being conducted on traditional security issues, and cooperation in non-traditional security is developing in depth. To address development and security issues through coordination, cooperation and multilateral mechanism is the preferred approach of the international community. The United Nations' status and role in world affairs are being upheld and strengthened. World wars or all-out confrontation between major countries are avoidable for the foreseeable future.

The international community is increasingly facing comprehensive, diverse and complex security threats. The world is not yet peaceful. Political, economic and security problems and geographical, ethnic and religious contradictions are interconnected and complex. Hegemonism and power politics remain key factors undermining international security. Non-traditional security threats present greater danger, and local turmoil caused by war is on and off, and some hotspots cannot be removed in a short time. The impact of economic globalization is spreading into the political, security and social fields. Global economic development is uneven, and the gap between the North and the South is widening. Security issues related to energy, resources, finance, information and international shipping routes are mounting. International terrorist forces remain active, shocking terrorist acts keep occurring. Natural disasters, serious communicable diseases, environmental degradation, international crime and other transnational problems are becoming more damaging in nature.

A revolution in military affairs is developing in depth worldwide. Military competition based on informationization is intensifying. There has not been major change in the imbalances in relative military strength. Some developed countries have increased their input into the military and speeded up R&D of high-tech weaponry to gain military superiority. Many developing countries are also upgrading their armaments and modernizing their military forces. The situation regarding the non-proliferation of weapons of mass destruction remains grave and complex. The international non-proliferation regime faces major challenges. The practice of a small number of countries that have intensified their military alliances and resorted to force or threats of force in international affairs has shown new developments, which hinder efforts to improve international security.

The overall security environment in the Asia-Pacific region remains stable. The regional economy maintains an unprecedented strong momentum of growth, and a framework of open and mutually beneficial cooperation based on equality and in diversified forms is taking shape in the region. Multilateral security dialogue and cooperation are being enhanced. The Shanghai Cooperation Organization (SCO) has entered a new stage of substantive growth, contributing to the establishment of a new mode of state-to-state relations. ASEAN has made steady progress in community-building and in talks on establishing free trade areas with other countries. East Asian cooperation, which is conducted mainly through the ASEAN plus China, Japan and the ROK (10+3) channel, has expanded in scope and its institutional building is improving constantly, continuing to

play a major role in promoting peace, stability and prosperity in the Asia-Pacific region. The East Asia Summit has provided a new platform for East Asian cooperation. Moreover, significant progress has been made in South Asian regional cooperation. There is improvement in the relations between India and Pakistan.

There are growing complexities in the Asia-Pacific security environment. There is a new adjustment going on in the strategic alignment and relations among major countries in the region, and new changes have occurred in the hotspots in the region. The United States is accelerating its realignment of military deployment to enhance its military capability in the Asia-Pacific region. The United States and Japan are strengthening their military alliance in pursuit of operational integration. Japan seeks to revise its constitution and exercise collective self-defense. Its military posture is becoming more external-oriented. The DPRK has launched missile tests and conducted a nuclear test. Thus, the situation on the Korean Peninsula and in Northeast Asia has become more complex and challenging. Iraq and Afghanistan continue to face turbulence. The Middle East has become more volatile. A settlement of the Iranian nuclear issue is not yet in sight. Territorial disputes, conflicting claims over maritime rights and interests, and ethnic and religious discords undermine trust and cooperation among states. The threat of terrorism, separatism and extremism remains serious. In addition, some countries face growing internal problems caused by social and economic transition.

China's overall security environment remains sound. China is committed to building a moderately prosperous society in an all-round way and a socialist harmonious society, and it enjoys steady economic growth, political stability, ethnic harmony and social progress. Its overall national strength has considerably increased, as has its international standing and influence. China's practical cooperation with major countries continues to grow, its friendly relations with its neighboring countries have developed steadily, and it is forging strong ties with other developing countries. This has given rise to a new relationship of mutual benefit and win-win between China and other countries. The Chinese government has taken a number of significant measures to improve relations across the Taiwan Straits, thus promoting cross-Straits relations toward peace and stability.

However, China's security still faces challenges that must not be neglected. The growing interconnections between domestic and international factors and interconnected traditional and non-traditional factors have made maintaining national security a more challenging task. The struggle to oppose and contain the separatist forces for "Taiwan independence" and their activities remains a hard one. By pursuing a radical policy for "Taiwan independence," the Taiwan authorities aim at creating "de jure Taiwan independence" through "constitutional reform," thus still posing a grave threat to China's sovereignty and territorial integrity, as well as to peace and stability across the Taiwan Straits and in the Asia-Pacific region as a whole. The United States has reiterated many times that it will adhere to the "one China" policy and honor the three joint communiqués between China and the United States. But, it continues to sell advanced weapons to Taiwan, and has strengthened its military ties with Taiwan. A small number of countries have stirred up a racket about a "China threat," and intensified their preventive strategy

against China and strove to hold its progress in check. Complex and sensitive historical and current issues in China's surrounding areas still affect its security environment.

China persists in continuing its peaceful development road. Balancing developments in both domestic and international situations, it is well prepared to respond to complexities in the international security environment. Guided by a security strategy of promoting both development and security, China strives to build a socialist harmonious society at home and a harmonious world to ensure both its overall national security and enduring peace in the world. It endeavors to enhance both development and security, both internal security and external security and both traditional security and non-traditional security; works to uphold its sovereignty, unity and territorial integrity and promote national development; and strives to sustain the important period of strategic opportunity for national development. China is committed to fostering a cooperative relationship of mutual benefit and win-win with other countries and working with them to promote common security.

II. National Defense Policy

China pursues a national defense policy which is purely defensive in nature. China's national defense provides the guarantee for maintaining China's security and unity, and realizing the goal of building a moderately prosperous society in an all-round way. To build a powerful and fortified national defense is a strategic task of China's modernization drive.

China pursues a three-step development strategy in modernizing its national defense and armed forces, in accordance with the state's overall plan to realize modernization. The first step is to lay a solid foundation by 2010, the second is to make major progress around 2020, and the third is to basically reach the strategic goal of building informationized armed forces and being capable of winning informationized wars by the mid-21st century.

China's national defense policy for the new stage in the new century is defined as follows:

Upholding national security and unity, and ensure the interests of national development. This includes guarding against and resisting aggression, defending against violation of China's territorial sea and air space, and borders; opposing and containing the separatist forces for "Taiwan independence" and their activities, taking precautions against and cracking down on terrorism, separatism and extremism in all forms. The People's Liberation Army (PLA) is dedicated to performing its historical missions for the new stage in the new century, namely, providing an important source of strength for consolidating the ruling position of the Communist Party of China (CPC), providing a solid security guarantee for sustaining the important period of strategic opportunity for national development, providing a strong strategic support for safeguarding national interests, and playing a major role in maintaining world peace and promoting common development. It improves its capabilities of countering various security threats,

accomplishes diversified military tasks, and ensures that it can effectively respond to crises, maintain peace, deter and win wars under complex circumstances.

Achieving the all-round, coordinated and sustainable development of China's national defense and armed forces. China pursues a policy of coordinated development of national defense and economy. It keeps the modernization of China's national defense and armed forces as an integral part of its social and economic development, so as to ensure that the modernization of its national defense and armed forces advance in step with the national modernization drive. China works in a comprehensive way to ensure that its armed forces are revolutionary in nature, modernized and regularized. It strives to ensure coordination between the revolution in military affairs with Chinese features and preparations for military struggle, mechanization and informationization, combat force building of services and arms, current and long-term development, and efforts devoted to the main and secondary strategic directions. China works to deepen the adjustment and reform of its military organizations and structures, as well as policies and systems, address deep-seated impediments and problems in its military structures and mechanisms which hinder the development of its armed forces, boost innovation in its military organizational structure and military management, and improve efficiency in its military modernization drive.

Enhancing the performance of the armed forces with informationization as the major measuring criterion. The PLA, taking mechanization as the foundation and informationization as the driving force, promotes the composite development of informationization and mechanization to achieve overall capability improvement in the fields of firepower, assault, mobility, protection and information. The PLA pursues a strategy of strengthening itself by means of science and technology, and works to accelerate change in the generating mode of war fighting capabilities by drawing on scientific and technological advances. The PLA seeks to raise its capabilities of independent innovation in weaponry and equipment, as well as defense-related science and technology, and strives to make major breakthroughs in some basic, pioneering and technological fields of strategic importance. It is stepping up its efforts to build a joint operational command system, training system and support system for fighting informationized wars and enhance the building of systems integration of services and arms. The PLA is carrying out a strategic project for training a large contingent of new-type and high-caliber military personnel suited to the task of informationization of the armed forces and competent for operational tasks under conditions of informationization. The PLA is also working to make its training more technology-intensive and innovative in training programs, means and methods.

Implementing the military strategy of active defense. The PLA ensures that it is well prepared for military struggle, with winning local wars under conditions of informationization and enhancing national sovereignty, security, and interests of development as its objective. It will upgrade and develop the strategic concept of people's war, and work for close coordination between military struggle and political, economic, diplomatic, cultural and legal endeavors, uses strategies and tactics in a comprehensive way, and takes the initiative to prevent and defuse crises and deter conflicts and wars.

The PLA will establish step by step a modern national defense mobilization system that is centralized and unified, well structured, rapid in reaction, and authoritative and efficient. Taking joint operations as the basic form, the PLA aims to bring the operational strengths of different services and arms into full play. The Army aims at moving from regional defense to trans-regional mobility, and improving its capabilities in air-ground integrated operations, long-distance maneuvers, rapid assaults and special operations. The Navy aims at gradual extension of the strategic depth for offshore defensive operations and enhancing its capabilities in integrated maritime operations and nuclear counterattacks. The Air Force aims at speeding up its transition from territorial air defense to both offensive and defensive operations, and increasing its capabilities in the areas of air strike, air and missile defense, early warning and reconnaissance, and strategic projection. The Second Artillery Force aims at progressively improving its force structure of having both nuclear and conventional missiles, and raising its capabilities in strategic deterrence and conventional strike under conditions of informationization.

Pursuing a self-defensive nuclear strategy. China's nuclear strategy is subject to the state's nuclear policy and military strategy. Its fundamental goal is to deter other countries from using or threatening to use nuclear weapons against China. China remains firmly committed to the policy of no first use of nuclear weapons at any time and under any circumstances. It unconditionally undertakes not to use or threaten to use nuclear weapons against non-nuclear-weapon states or nuclear-weapon-free zones, and stands for the comprehensive prohibition and complete elimination of nuclear weapons. China upholds the principles of counterattack in self-defense and limited development of nuclear weapons, and aims at building a lean and effective nuclear force capable of meeting national security needs. It endeavors to ensure the security and reliability of its nuclear weapons and maintains a credible nuclear deterrent force. China's nuclear force is under the direct command of the Central Military Commission (CMC). China exercises great restraint in developing its nuclear force. It has never entered into and will never enter into a nuclear arms race with any other country.

Fostering a security environment conducive to China's peaceful development. China maintains military contacts with other countries on the basis of the Five Principles of Peaceful Coexistence, and develops cooperative military relations that are non-aligned, non-confrontational and not directed against any third party. China takes part in international security cooperation, strengthens strategic coordination and consultation with major powers and neighboring countries, and conducts bilateral or multilateral joint military exercises. It promotes the establishment of just and effective collective security mechanisms and military confidence-building mechanisms, and works with other countries to prevent conflicts and wars. China stands for effective disarmament and arms control that are just, reasonable, comprehensive and balanced in nature. China opposes nuclear proliferation, and endeavors to advance the process of international nuclear disarmament. China observes the purposes and principles of the UN Charter, honors its international obligations, and participates in UN peacekeeping operations, international counter-terrorism cooperation and international disaster relief operations. It plays an active part in maintaining global and regional peace and stability.

III. China's Leadership and Administration System for National Defense

China has established and keeps improving a leadership and administration system for national defense in accordance with the Constitution, the National Defense Law and other relevant laws. The state exercises unified leadership over national defense activities. China's armed forces are under the leadership of the Communist Party of China (CPC). The Central Military Commission (CMC) of the CPC and that of the People's Republic of China (PRC) are completely the same in their composition and in their function of exercising leadership over the armed forces. The CMC chairman has overall responsibility for its work.

The National People's Congress (NPC) elects the chairman of the CMC of the PRC and, upon nomination by the chairman, decides on the choice of all other members of the CMC. The NPC decides on war and peace and exercises other functions and powers relating to national defense as prescribed by the Constitution. When the NPC is in recess, its Standing Committee decides on the proclamation of a state of war, decides on the general or partial mobilization of the country, and exercises other functions and powers relating to national defense as prescribed by the Constitution. The president of the PRC, in pursuance of the decisions of the NPC and its Standing Committee, may proclaim a state of war, issue mobilization orders, and exercise other functions and powers relating to national defense as prescribed by the Constitution.

The State Council directs and administers national defense building in the following areas: making national defense development programs and plans, formulating principles, policies and administrative regulations for defense building, administering defense expenditure and assets, directing and administering national defense scientific research and production, directing and administering work related to mobilization of the national economy, mobilization of people's armed forces, people's air defense and national defense traffic, directing and administering the work of supporting the military and giving preferential treatment to families of servicemen and martyrs, as well as the resettlement of servicemen discharged from active service. It also directs national defense education and, jointly with the CMC, the building of the Chinese People's Armed Police Force (PAPF) and the militia, the work concerning enlistment and reserve service, and the administration of border, coastal and air defenses, and exercises other functions and powers relating to national defense building as prescribed by law. Under the State Council are the Ministry of National Defense (MND) and other departments concerning national defense building.

The CMC directs and exercises unified command of China's armed forces. It has the following functions and powers: deciding on the military strategy and operational guidelines of the armed forces, directing and administering the building of the PLA, submitting proposals related to national defense to the NPC or its Standing Committee, formulating military regulations, issuing decisions and orders, deciding on the structure and organization of the PLA, appointing and removing, training, evaluating, and rewarding and punishing members of the armed forces, approving systems and

development programs and plans for weaponry and equipment, and exercising other functions and powers as prescribed by law.

The PLA's General Staff Headquarters, General Political Department, General Logistics Department and General Armaments Department are departments of the CMC respectively responsible for military, political, logistical and equipment work. The General Staff Headquarters organizes and directs the development of China's armed forces, and organizes and commands their military operations. Under it are departments in charge of operations, intelligence, communications, military training and arms, adjutant and force structure, mobilization, electronic countermeasures, Army aviation, foreign affairs, etc. Its main functions and powers are to put forward proposals on major issues of military building and operations, organize and exercise strategic command, formulate programs, rules and regulations for military work, and organize and direct war preparations, as well as military training and mobilization. The General Political Department administers the armed forces' Party work, and organizes their political work. Under it are departments in charge of Party affairs, personnel, publicity, security, discipline inspection, civil-military affairs, etc. Its main responsibilities are to ensure the armed forces' compliance with and implementation of the lines, principles and policies of the Party and the Constitution and laws of the state, draw up general and specific policies for political work, formulate rules and regulations for political work, and make arrangements for, supervise and provide guidance to the political work of the armed forces. The General Logistics Department administers the logistical work of the armed forces. Under it are departments in charge of financial matters, quartermaster materials and petroleum, oils and lubricants, health administration, military transportation, capital construction and barracks, auditing, etc. Its main responsibilities are to formulate programs, rules and regulations for logistical construction, deploy logistical forces, organize logistical mobilization and provide logistical support, carry out the application, allocation, budgeting and final accounting of military expenditure, and conduct material procurement. The General Armaments Department administers the provision of equipment for the armed forces. Under it are departments in charge of overall planning, equipment for all services and arms, procurement for Army's military equipment R&D, general-purpose equipment support, electronic information infrastructure, etc. Its main responsibilities are to formulate strategies, programs and plans, policies, and rules and regulations for equipment development, organize equipment R&D, experimentation, procurement, combat service, maintenance and support, and administer the PLA's funds for equipment buildup.

The Army has no independent leading body, and the leadership of it is exercised by the four general headquarters/departments. A military area command exercises direct leadership over the Army units under it. The Army has 18 combined corps, which are mobile combat troops. The Navy, Air Force and Second Artillery Force, each of which has a leading body consisting of the headquarters, the political department, the logistics department and the armaments department, direct the military, political, logistical and equipment work of their respective troops, and take part in the command of joint operations. The Navy organizes and commands maritime operations conducted independently by its troops or in support of maritime operations. There are three fleets

under the Navy, namely, the Beihai Fleet, Donghai Fleet and Nanhai Fleet. Each fleet has flotillas, aviation divisions, etc. under its command. The Air Force organizes and commands air operations conducted independently by itself or with Air Force personnel as the main fighting force, as well as air defense operations in the capital area. It has an air command in each of the seven military area commands of Shenyang, Beijing, Lanzhou, Jinan, Nanjing, Guangzhou and Chengdu, respectively. Under an air command are aviation divisions, ground-to-air missile divisions (brigades and regiments), anti-aircraft artillery brigades (regiments), radar brigades (regiments) and other support troops. In major directions and key target areas there are also corps- or division-level command posts. The Second Artillery Force organizes and commands its own troops in case of launching nuclear counterattacks with strategic missiles and conducting operations with conventional missiles. Under it are missile and training bases, and relevant support troops.

Military area commands (theaters of war) are military organizations set up according to the administrative divisions of the state, geographical locations, strategic and operational directions, and operational tasks. They are CMC-appointed organs for commanding joint theater operations. They direct the military, political, logistical and equipment work of the troops under them. Under a military area command are the headquarters, the political department, the joint logistics department and the armaments department. A military area command is mainly in charge of formulating programs and plans for combat readiness and operations of troops in the theater and for the reserve force buildup of the theater, organizing and commanding joint theater operations involving different services and arms, and providing joint logistical support. At present, the PLA has seven military area commands, namely, Shenyang, Beijing, Lanzhou, Jinan, Nanjing, Guangzhou and Chengdu. Under a military area command are combined Army corps, units of various Army arms, logistical support units and provincial military commands (garrison commands at the same level).

Provincial military commands (garrison commands at the same level) are organizations set up by the PLA in province-level administrative areas, and are under military area commands. They also serve as departments of Party committees for military work and organs of government for military service at the level of province (municipality directly under the central government, or autonomous region). So, they are under the dual leadership of the military area commands and local Party committees and governments at the same level. The leading body of a provincial military command consists of the headquarters, the political department and the logistics department. A provincial military command directs the military, political, logistical and equipment work of the units under it, and oversees reserve force building, peacetime enlistment and wartime strength mobilization in its area of responsibility.

Prefectural military commands (garrison commands at the same level) are organizations set up by the PLA in prefectures (prefecture-level cities, autonomous prefectures or leagues). They are under provincial military commands, but also serve as departments of Party committees for military work and organs of government for military service at the level of the prefecture (prefecture-level city, autonomous prefecture or league). So, they

are under the dual leadership of the provincial military commands and local Party committees and governments at the same level. The leading body of a prefectural military command consists of the headquarters, the political department and the logistics department. The main tasks of a prefectural military command are to oversee the military training, political work and equipment management of the militia and reserve force, organize and conduct wartime mobilization, and undertake military service registration and enlistment. Prefectural military commands in border areas are also in charge of the military, political, logistical and equipment work of border defense troops as well as border defense duties, talks and meetings, and border management, protection and control.

People's armed forces departments are organizations set up by the PLA in counties (banners, county-level cities or municipal districts). They are under prefectural military commands, but also serve as departments of Party committees for military work and organs of government for military service work at the level of the county (banner, county-level city or municipal district). So, they are under the dual leadership of the prefectural military commands and local Party committees and governments at the same level. A people's armed forces department consists typically of a military affairs section, a political work section and a logistics section. Its main tasks are to oversee reserve force buildup, combat readiness, military service and mobilization, and command militia operations. The grass-roots people's armed forces departments established by the state at the level of township (town) or sub-district are non-active-duty organizations. They are manned by full-time staff that are under the dual leadership of the local Party committees and governments at the same level and military organs at higher levels.

In addition, local people's congresses at all levels and the standing committees of local people's congresses at and above the county level ensure the compliance with and implementation of laws and regulations relating to national defense in their respective administrative areas. Local people's governments at all levels, within the authority they enjoy as prescribed by law, are responsible for enlistment, militia forces, reserve service, national defense education, mobilization of the economy, civil air defense, national defense traffic, protection of defense installations, resettlement of servicemen discharged from active service, supporting the PLA and giving preferential treatment to families of servicemen and martyrs and other related matters in their respective administrative areas. Local people's governments at various levels and the military organs stationed there hold joint civil-military meetings as called for to handle matters concerning national defense in their respective administrative areas.

IV. The People's Liberation Army

To effectively fulfill its historic mission in the new stage of the new century, the PLA is speeding up the revolution in military affairs with Chinese features and enhancing in an all-round way its capabilities of defensive operations under conditions of informationization.

Completing the Reduction of 200,000 Troops

In 1985, 1997 and 2003, China announced that it would cut the size of the PLA by one million, 500,000 and 200,000 persons, respectively. By the end of 2005, China had completed reducing the PLA by 200,000 troops, and the PLA currently has 2.3 million troops. The PLA has made new progress towards the goal of being proper in size, optimal in structure, streamlined in organization, swift and flexible in command, and powerful in fighting capacity.

Downsizing the PLA. The Army was the focus of force reduction, and its authorized number of personnel has been reduced by more than 130,000. Over 60,000 military personnel have been removed from the headquarters and directly affiliated units of military area commands and provincial military commands. Through restructuring, the proportion of the Navy, Air Force and Second Artillery Force in the PLA has been raised by 3.8 percent while that of the Army has been lowered by 1.5 percent.

Streamlining the headquarters and directly affiliated units as well as educational institutions. More than 3,000 departments of and over 400 units directly affiliated to the headquarters at and above the regimental level have been cut. A considerable number of agricultural and sideline production units, cultural and sports units, military representative offices at railway stations and material supply organs have been closed. **The PLA has also closed 15 educational institutions and 31 training organizations.**

Improving the structure of services and arms. The Army has cut a number of combined corps, divisions and regiments, increased the number of combined corps whose order of battle is corps, brigade and battalion, and set up units with new and high-tech weaponry and equipment. The Navy and Air Force have cut some ship groups and aviation divisions, regiments and stations, and set up some high-tech surface ship, aviation and ground-to-air missile units. A number of reserve infantry divisions have been dismantled, but the number of divisions (brigades) of other arms has increased.

Reforming the leadership and command system. The leadership and command system of the general headquarters/departments has been enhanced through adjusting the functions of relevant departments and improving joint operational command. The Navy has cut the naval aviation department and converted naval bases into support ones. The Air Force has closed corps (base) headquarters and set up regional command posts. Following these adjustments, the combat troops of the Navy and Air Force are now directly under the fleets and the air commands of the military areas, respectively.

Deepening the reform of the joint logistical support system. The joint logistical support system, based on military area commands, has been expanded, and overlapping support organizations reduced. Apart from special-purpose depots and general hospitals under the general headquarters/departments, the Navy, Air Force and Second Artillery Force, all the other rear depots, hospitals and recuperation centers have been integrated and reorganized into the joint logistical support system. A total of eight joint logistical sub-departments (offices), 94 rear depots, and 47 hospitals and recuperation centers have been closed.

Improving the ratio between officers and men. The PLA has reduced the number of its officers by 170,000. More than 150 officer posts at or above the corps level have been eliminated, nearly 70,000 posts formerly taken by officers are now filled with non-commissioned officers (NCOs), and over 20,000 posts formerly taken by NCOs are now filled with contract civilians.

Development of the Services and Arms

The Army is speeding up the upgrading and informationization of its active main battle equipment to build a new type of ground combat force which is lean, combined, agile and multi-functional. Priority is given to building Army aviation, light mechanized and information countermeasures units. The share of the armored component in the Army combined combat forces has been further raised. The artillery and air defense component has fielded new types of cannons, field antiaircraft missiles, reconnaissance early warning radars, fire-control systems, and intelligence and command systems, and increased the proportion of ground-to-air missiles to antiaircraft guns. The engineering component has grown in step with the main combat arms, and improved its capabilities of accompanying support and precision support. The anti-chemical component has established a preliminary nuclear, biological and chemical (NBC) protection system tailored to joint operations, and greatly increased its capabilities of rapid NBC protection, NBC emergency rescue and operations against NBC terrorism. The communications component has enhanced the building of platforms for general-purpose information transmission and processing, C2 systems and spectrum management systems, and raised communications and information support capabilities.

Founded in 1986, the Army aviation arm has a three-level (general headquarters/departments, theaters of war and first-line task groups) administration system. Equipped mainly with armed helicopters, transport helicopters and service helicopters, it carries out air strike, air landing, airlifting and battlefield service support operations. The Army aviation arm works to strengthen its capabilities of rapid power projection, precision strike, long-range assault and support.

The Navy is working to build itself into a modern maritime force of operation consisting of combined arms with both nuclear and conventional means of operations. Taking informationization as the goal and strategic focus in its modernization drive, the Navy gives high priority to the development of maritime information systems, and new-generation weaponry and equipment. Efforts are being made to improve maritime battlefield capabilities, with emphasis on the construction of relevant facilities for new equipment and the development of combat support capabilities. The Navy is endeavoring to build mobile maritime troops capable of conducting operations under conditions of informationization, and strengthen its overall capabilities of operations in coastal waters, joint operations and integrated maritime support. Efforts are being made to improve and reform training programs and methods to intensify training in joint integrated maritime operations. The Navy is enhancing research into the theory of naval operations and exploring the strategy and tactics of maritime people's war under modern conditions.

The Air Force is working to build an informationized air fighting force with both offensive and defensive capabilities. It is reducing the number of combat aircraft, giving priority to the development of new fighters as well as air and missile defense weapons. It is working to enhance command and control systems. It stresses mission-oriented and confrontational training, increasing combined tactical training of different arms and aircraft types, and conducts training in flying refitted new aircraft and using new weaponry and equipment in an active and stable way. Air Force pilot training is conducted at flying colleges, training bases and combat units in five phases, namely, basic education, primary flying, advanced flying, refitted combat aircraft flying and tactical flying. Aviation units mainly conduct training in counter-air operations, air-to-ground attacks and joint operations. Pilots fly training hours are commensurate with the tasks assigned to pilots.

The Second Artillery Force is striving to build a streamlined and effective strategic force with both nuclear and conventional capabilities. It is quickening its steps to raise the informationization level of its weaponry and equipment systems, build an agile and efficient operational command and control system, and increase its capabilities of land-based strategic nuclear counterstrikes and precision strikes with conventional missiles. It is improving the construction of its battlefield system, and associated logistics and equipment, and raising the cost-effectiveness of integrated support. It is deepening the reform of training, enhancing integrated training, using scientific and technological achievements to raise training quality. It is strengthening the safety management and control mechanism of nuclear missiles, and improving the relevant rules and regulations and technical preventive measures as well as emergency steps for handling nuclear accidents. The Second Artillery Force is equipped with surface-to-surface strategic missiles and tactical operational missiles of various types.

Military Training

The PLA regards military training as a basic means to raise its combat effectiveness in peacetime, as well as an important method to foster and administer troops. It takes vigorous steps to accelerate the transition from military training under conditions of mechanization to military training under conditions of informationization. At the PLA-wide military training conference held in June 2006, the General Staff Headquarters put forward a comprehensive plan for carrying out military training in a creative way for the new stage in the new century. It called on all PLA troops to set high and strict standards, base their training on actual combat, use scientific and technological means in training, advance the reform of training, and elevate military training to a higher level.

The PLA conducts training in strict accordance with the requirements for winning local wars under conditions of informationization. It conducts basic technical and tactical training, combined tactical training, and strategic and operational training. The PLA conducts training and integration to boost its combat capabilities level by level. It conducts training with live ammunition and holds exercises with opposing players in a realistic manner to temper troops in near-real-war environment. The PLA conducts

training by scientific and technological means, employs modern training methods and means, and develops on-base, simulated and networked training. It is increasing the use of scientific and technological means with focus on improving the quality and effect of training.

The PLA focuses on enhancing joint training to improve the integrated joint operational capabilities of various services and arms. It gives priority to the training of joint campaign commanders and command organs, joint field exercises and the training of different support forces in integrated support. It works to enhance the commanding and organizing capabilities of strategic and operational commanders and command organs, and the joint operational capabilities of the services and arms. Keeping in mind the future informationized battlefield, the PLA closely follows the emerging trend of integrated joint operations, conducts integrated training in an innovative way, and actively explores training approaches for the internal integration of fighting units, systems integration of fighting elements and comprehensive integration of fighting systems.

The PLA conducts training in strict accordance with pre-set plans, and is strengthening the scientific management of the overall processes and all the aspects of training. It is exploring new modes for organizing and managing training under conditions of informationization, and intensifying precise and mission-oriented management according to law to keep training processes standardized. It is improving training procedures, making strict training assessments, and setting and improving training standards to meet the requirements of informationized operations. Priority is given to the training of command organs and collective training. The PLA uses live-ammunition exercises and means such as exercise assessment systems for a comprehensive evaluation of the training and combat capabilities of the troops.

Political Work

The basic tasks of the PLA's political work are as follows: ensuring the success of the reform and opening-up of the country and the building of a moderately prosperous society in an all-round way, as well as promoting the socialist modernization; advancing the revolution in military affairs with Chinese features, as well as the revolutionization, modernization and regularization of the PLA; guaranteeing --politically, ideologically and organizationally-- the nature of the people's army under the absolute leadership of the Party; upholding the PLA's socialist ethical standards, the goal of which is to cultivate military personnel with lofty ideals, high moral standards, a wide range of knowledge and a keen sense of discipline; ensuring the PLA's internal unity, unity between the PLA and the government, and unity between the PLA and the people; and ensuring the PLA's combat effectiveness and the accomplishment of the PLA's tasks.

In the long years of fighting revolutionary wars and seeking modernization, a fine tradition of democracy has taken root and a complete democratic system has developed within the PLA. The conference of servicemen's representatives at the levels of the brigade and regiment is part of this democratic system, which ensures the practice of democracy and the right of servicemen to exercise their democratic rights and participate

in troop management. The conference of servicemen's representatives is mainly tasked with reviewing the work reports of their commanders, supervising their units' compliance with and implementation of regulations, orders and directives from the above, voicing servicemen's opinions, raising demands on their behalf and monitoring the use of funds in their units. Guided by Party committees and political organs at the same level, units at the levels of brigade and regiment hold annual conferences of servicemen's representatives. The representatives are selected through bottom-up democratic elections from among active servicemen and employees on the PLA payroll. Led by Party branches or grass-roots Party committees and directed by military and political chiefs, the servicemen's committee is an organization through which companies and company-level units practice democracy in political, economic and military affairs, ensure servicemen's democratic rights and conduct servicemen's activities.

The PLA conducts political work in a creative way to raise the overall performance of its officers and men. The PLA educates its officers and men in its historic mission, ideals, beliefs, fighting spirit, and the socialist concept of honor and disgrace, to raise mission awareness, foster revolutionary ideals, strengthen the will to fight, draw a clear line between right and wrong, and arouse enthusiasm for training. The PLA conducts psychological training and studies on psychological operations, and has in place a mechanism involving both political and medical institutions to provide psychological education, catharsis and health service. The CMC and the general headquarters/departments have formulated a series of policies and regulations to strengthen the building of grass-roots units. Most of the commanding organs at and above the regiment level have mechanisms to coordinate grass-roots work. In the course of implementing the Outline for Armed Forces Building at the Grass-Roots Level, a large number of advanced grass-roots units and excellent soldiers have come to the fore.

Logistical Support

To ensure the cost-effectiveness of logistical support, the PLA is enhancing the management and reform of logistical support in an effort to build a modern logistics system.

Upgrading logistics management. The PLA is speeding up the formulation of logistical rules, regulations and standards to establish a standardized system covering supply, consumption and management. During the period of the Tenth Five-Year Plan for National Economic and Social Development (2001-2005) (hereinafter referred to as the Tenth Five-Year Plan), the PLA conducted a comprehensive review of its logistical regulations and standards. Over 200 standards were adopted or revised, and more than 240 regulations were enacted. During the period of the Eleventh Five-Year Plan for National Economic and Social Development (2006-2010) (hereinafter referred to as the Eleventh Five-Year Plan), the PLA is giving priority to standardizing logistical supply and establishing a mechanism for the dynamic adjustment of supply and support standards. It is strengthening the management of logistics and ensuring the overall sound implementation of the military budget. In addition, it is enforcing financial and economic discipline through strict auditing supervision.

Improving the material life conditions of the officers and men. The PLA has adopted the practice of serving separate portions of food to improve hygienic conditions. Some organic battalions have begun to provide battalion-based food service. Board expenses of enlisted men have been increased substantially since January 1, 2005, and now the food supply for officers and men aims at providing sufficient nutrition rather than just serving enough food. From July 1, 2006, the salaries for service people have been increased by a wide margin. The PLA has issued new types of uniforms to the enlisted and Air Force officers and men, new types of special-purpose fatigue clothing to troops other than those of the Army, and new types of plateau cold-proof uniforms to some troops stationed in Xinjiang and Tibet.

Steadily advancing logistics reform. Adhering to the principles of the incorporation of tri-service components into joint logistical organs, joint management and employment of support entities, and unified organization of supply and support, the PLA is conducting experimental reforms in joint logistics in the Jinan Theatre. This marks an important step towards the goal of building an integrated tri-service logistical support system. It involves comprehensive efforts to expand the reform of the centralized payment system to establish a support mode of fund settlement with single financial accounts as the basis and centralized payment as the main form. The reform of the military medical support system is being smoothly carried out, with priority given to ensuring the medical care of military personnel. Over 70 percent of the PLA's employees are covered by the social medical insurance system. The housing system reform has made progress, and a housing system for military personnel has taken shape which combines military support with social support, government houses with self-owned houses, and supply in kind with supply in money.

In October 2004, the General Staff Headquarters, General Political Department and General Logistics Department jointly issued the Circular on Further Promoting the Reform of Military Materials Procurement under the Corps Level. The PLA has basically established a three-level (logistical organs of the general headquarters/departments, major units, and units) materials procurement and management system and a system of centralized procurement. During the Tenth Five-Year Plan period, the PLA's centralized procurement reached RMB 45 billion, enabling it to save RMB 3.15 billion and spend 7 percent less on average.

Weaponry and Equipment

With the backing of China's economic development and scientific and technological achievements, the PLA is accelerating its weaponry and equipment modernization drive mainly by relying on its own efforts.

Planning long-term weaponry and equipment development in a scientific way. Based on the military strategic guidelines of the new era and the outline for the building and

development of the military, the PLA is making efforts to correctly handle the relationship between the needs of equipment development and the availability of funds. As required by comprehensive integration of the Army, Navy and Air Force, joint operation and systems building, the PLA has conducted studies and feasibility assessments of its weaponry and equipment development strategy, adopted the outline and the Eleventh Five-Year Plan for weaponry and equipment development, and set the direction, goals and priorities of its future weaponry and equipment development.

Enhancing the capability of independent weaponry and equipment innovation. The PLA is strengthening applied and basic research as well as research on key defense technologies, ensuring the application of technological achievements and raising its capabilities of original innovation, integrated innovation, and innovation through digesting and absorbing introduced technologies. It is improving the innovation mechanism for defense-related science and technology, and weaponry and equipment to support the independent, leapfrogging and sustainable development of new and high-tech weaponry and equipment.

Optimizing the system of weaponry and equipment. The PLA gives priority to developing new types of equipment which are advanced and reliable in technical performance, and effective in operations. It is speeding up the development of integrated electronic information systems, enhancing the comprehensive integration of various types of weapon systems and support systems, and facilitating information sharing and fusion. The PLA is accelerating the retirement of redundant equipment, carrying out the prioritized, selective and phased retrofitting of equipment and informationization of equipment on active service, and tapping the potential of existing equipment. It is strengthening the systematic development of equipment to form a complete system of equipment, weaponry and equipment support.

Increasing the capability of integrated equipment support. The PLA is strict with equipment management and carries out scientific, institutionalized and regular evaluation on such management in order to maintain and improve the operability of existing equipment. The PLA has established and improved mechanisms for integrated civilian-military equipment support. It is developing new and high maintenance technologies, widening their application and enhancing the capabilities of equipment maintenance, emergency rescue and repair, and remote technical support. It is strengthening equipment support force building, equipment support training, pre-field training and training of qualified equipment personnel, to promote the organic and systematic development of operational and support capabilities of equipment.

Actively advancing the reform of the equipment procurement system. In December 2005, the CMC approved and issued the Opinions on Some Issues Concerning the Deepening of the Equipment Procurement System Reform. In the past two years, the General Armaments Department has improved the review and approval of equipment procurement modes, and gradually enlarged the scope of competitive procurement, raising the percentage of funds for such procurement from 10 percent to 20 percent. The General Armaments Department has strengthened the management of the centralized

procurement of equipment of the same kind for the whole PLA, formulated related rules, regulations and standards, and substantially increased the quantities and varieties of equipment procured in a centralized way, saving eight percent of the planned funds and greatly improving the efficiency of fund use.

Military Legal System

During the Tenth Five-Year Plan period, the Standing Committee of the NPC, the State Council and the CMC, exercising their prescribed functions and powers, formulated and revised 99 military laws and regulations. The general headquarters/departments, military area commands, Navy, Air Force and Second Artillery Force formulated and revised nearly 900 military rules and regulations. In 2006, the CMC began to implement its law-making program for the Eleventh Five-Year Plan period. In a period of five years, a military legal system will take shape which covers multiple aspects, and is coherent, scientific, closely knit and well-designed.

As military courts exercise the function of civil trial within the military, military procuratorates have begun to conduct civil prosecution on a trial basis and supervise civil trials in the military in accordance with the law. In line with the regulations on the people's supervisory system practiced by civil procuratorates, military procuratorates have started to introduce, on a trial basis, a system of servicemen's supervisors to strengthen supervision over investigation of misconduct on duty. In conformity with the requirements of the state's procedural law, a new servicemen's jury system has been established, which specifies the selection of jury members and the procedure for the performance of their duties. In keeping with the state's judicial system, the PLA has instituted a specialized rank system for military judges and procurators which consists of 11 grades at three levels. This has enhanced the professional performance of the military judicial personnel.

In recent years, based on the experience gained from appointing military lawyers at the three levels of combined corps, division and brigade in the Army, units at and above the brigade level in the Second Artillery Force have also started to be staffed with military lawyers. The General Armaments Department and the Navy have set up professional legal advisory offices concerning national defense patents and maritime issues. Military lawyers have played an active role in providing support to commanding officers and organs in decision-making, defending defendants in criminal trials, and undertaking civil cases to protect the legitimate rights and interests of military units and personnel.

Military Institutional Education

Under the unified leadership of the CMC, the PLA institutional education is managed at two levels: by the general headquarters/departments and by the military area commands (Navy, Air Force or Second Artillery Force). The four general headquarters/departments provide overall guidance for all PLA educational institutions, and the General Staff

Headquarters administers military education. The development goal of military educational institutions is to establish and improve a new school system with distinct military features to shift priority from education of officer candidates for academic credentials to pre-assignment education. The new system takes pre-assignment educational institutions as the main form, and makes a distinction between these two types of education. The PLA has 67 military educational institutions, which are divided into two types: those for academic credentials and those for pre-assignment education. The former offers undergraduate education for pre-commission officers and graduate education for officers. The latter consists of elementary, intermediate and advanced level institutions and NCO schools, and offers pre-assignment training and rotational training for active-duty officers and NCOs. Some pre-assignment educational institutions also offer graduate courses in military science. At the same time, 112 regular institutions of higher learning in China undertake the task of training defense students, thus gradually increasing the number of military officers trained in civilian educational institutions.

The PLA endeavors to improve the overall performance of military educational institutions through focused and coordinated development. It has launched a project for establishing key military colleges and schools in the Eleventh Five-Year Plan period. It continues to focus efforts on building a number of institutions and research centers for disciplines and specialties that are important in building an informationized military and winning informationized wars. A new round of reform in teaching is underway to improve the training target models for officers in different fields and at different levels, and to develop new programs and curricula for the training of military personnel. The PLA is also improving the information network for military training, and has built more virtual laboratories, digital libraries and digital campuses to provide distance learning and online teaching and training. In graduate education, the focus is shifted from academic-oriented to practice-oriented, from emphasis on quantity to emphasis on quality, and from a relatively closed-door approach to a more open and diversified approach. The PLA now has 41 educational institutions authorized to award doctor's degrees and 60 to award master's degrees.

Management System of Military Cadres

In 2005, the PLA began to reform the evaluation, selection and appointment system for military cadres, and to institute a system to evaluate commanding officers. It conducts both evaluation and examination in selecting leading officers at the level of deputy regimental commanders for combat troops. It has improved the regulations on reserve cadres, and works to establish a long-term mechanism to select and train outstanding young cadres. In March 2006, with the approval of the CMC, the four general headquarters/departments jointly promulgated the Provisions of the PLA on Rewarding Technical Experts, which gives awards and allowances to military technical experts.

In June 2005, the State Council and the CMC promulgated the Regulations of the PLA on Contract Civilians, deciding to introduce a system of employing contract civilians to fill some support posts in the military, so that active-duty officers, who are limited in number, mainly take up command and combat posts. The regulations contain specific

provisions on the nature and status of contract civilians, the procedures of their employment, and the coordination of the civil and military authorities' relevant policies. In 2006, the PLA started the employment of contract civilians.

Officers and non-commissioned officers transferred to civilian work are resettled in one of the following two ways: state-planned job assignment, and finding jobs by themselves. The State Council has an office for overseeing the nationwide resettlement of such officers. The provinces (autonomous regions or municipalities directly under the central government) have corresponding offices for resettling such officers in their respective administrative areas. The General Political Department is in charge of PLA-wide transfer of officers and non-commissioned officers to civilian work, and Party committees and political organs at and above the regiment level are responsible for transferring officers to civilian work in their own units. The provincial military commands (garrison commands at the same level) are responsible for turning over PLA officers and non-commissioned officers transferred to civilian work in their respective provinces, autonomous regions or municipalities directly under the central government. In 2005, the state and the PLA began to deepen the reform and adjustment of the policies on resettling officers and non-commissioned officers transferred to civilian work.

Supporting the Government and Loving the People

The PLA attaches great importance to mass work, taking supporting the government and loving the people as its major thrust. The political organs of the four general headquarters/departments and the military area commands, the Navy, Air Force and Second Artillery Force all have offices for mass work. The political organs of corps, divisions (brigades) and regiments also have special officers in charge of such work. These offices and officers are responsible for maintaining contacts and coordination with governments at all levels. Education in supporting the government and loving the people is conducted PLA-wide. The PLA participates in national economic development, emergency rescue and disaster relief, and public welfare activities.

In the past two years, the engineering troops of the Army, Navy and Air Force have taken part in more than 430 key construction projects for transportation, hydropower, communication and energy infrastructure. The PLA has assisted in building new socialist villages in the countryside, and provided regular assistance to poor farmers in more than 19,000 villages. It has helped build over 48,000 small public projects such as water-saving irrigation projects, drinking water projects for both people and livestock, roads, and hydropower projects, bringing immediate benefits to nearly 800,000 people. In addition, it has helped build or enlarge 211 primary and secondary schools, enabling 142,000 school dropouts to return to class. PLA troops stationed in China's western region have taken part in such ecological engineering projects as the construction of shelterbelts and the improvement of small drainage areas. They have planted 210 million trees and sown grass on more than 13 million sq m of land. PLA hospitals have established regular assistance relations with more than 400 county or township hospitals in the western region. They have helped train key members of the medical staff, made rounds of visits offering free medical consultation and treatment, and donated medical

equipment and medicine. The PLA and PAPF have dispatched over 340,000 troops to take part in more than 2,800 emergency rescue and disaster-relief operations, involving more than 40,000 vehicles, flown more than 2,000 sorties (including the use of helicopters), evacuated over 3.4 million people and prevented economic losses of several billion yuan. At the end of 2006, the PLA donated 230 million yuan and over 930,000 cotton-padded clothes and quilts to disaster- and poverty-stricken areas.

In June 2005, the State Council and the CMC promulgated the Regulations on Participation of the PLA in Emergency Rescue and Disaster Relief, prescribing the PLA's main tasks, coordination with local people's governments, limits of authority and procedures for employing troops, joint command with local authorities, preparations and readiness, financial and material support, etc., for such operations.

V. People's Armed Police Force

The People's Armed Police Force (PAPF) is charged with the fundamental task of safeguarding national security, maintaining social stability and ensuring that the people live and work in peace and contentment. It strives to make itself a powerful, disciplined and politically reliable force.

Structure and Organization

As a component of China's armed forces and subordinate to the State Council, the PAPF is under the dual leadership of the State Council and the CMC. The State Council exercises leadership over the PAPF through relevant functional departments, assigns routine tasks to it, decides its size and number of organizations, and is responsible for its command, operations, and financial and material support. The PAPF has an independent budgetary status in the financial expenditure of the state. The CMC is responsible for the PAPF's organizational structure, management of officers, command, training and political work. It exercises leadership over the PAPF through the four general headquarters/departments. In terms of conducting public security operations and relevant capability building, the PAPF General Headquarters is under the leadership and command of the Ministry of Public Security, and the PAPF units at and below the contingent level are under the leadership and command of the public security organs at the same level. The PAPF has a total force of 660,000.

The PAPF consists mainly of the internal security force and forces guarding gold mines, forests, water and electricity supply, and communications. The border security, firefighting and security guard forces are also components of the PAPF. The PAPF General Headquarters is the leading and commanding organ that directs and administers the internal security force and forces guarding gold mine, forest, water and electricity, and communications, etc., and provides guidance to other forces subordinate to the PAPF. Under it are the headquarters, political department and logistics department. The PAPF has one commander-in-chief, one first political commissar (assumed concurrently by the Minister of Public Security), one political commissar, and several deputy commanders-in-chief and deputy political commissars. The PAPF internal security force

is composed of contingents at the level of the province (autonomous region or municipality directly under the central government) and armed police divisions. Contingents, detachments and squadrons are instituted at the province, prefecture, and county levels, respectively. The armed police divisions have regiments, battalions and companies in battle order, which are stationed in a number of provinces, autonomous regions and municipalities directly under the central government. The forces guarding gold mines, forests, water and electricity supply, and communications have their own headquarters, which function as their leading and commanding organs. The PAPF General Headquarters has an educational institution directly under it. The contingent headquarters and the headquarters of the forces guarding gold mines, forests, water and electricity supply, and communications have elementary command colleges under them.

Basic Tasks

In peacetime, the PAPF is tasked to perform guard duties, handle emergencies, combat terrorism, and participate in and support national economic development. In wartime, it assists the PLA in defensive operations.

Every day, more than 260,000 PAPF servicemen are on guard duty. Through the combined use of manpower, facilities and technologies, the PAPF has effectively enhanced the efficiency of guard duties and security in recent years. The PAPF annually handles an average of over 100 cases of attempted attacks against guarded targets and escape attempts by detained suspects and imprisoned criminals, organizes thousands of important temporary duties, and ensures the security of important international and national conferences and large-scale events, in cooperation with the government departments concerned. Adhering to the guidelines and principles for handling emergencies, and using proper methods and tactics, the PAPF effectively safeguards the fundamental interests of the people, social stability and the dignity of the law. The PAPF anti-terrorism units closely follow the state's anti-terrorism guidelines and principles, and enhance their combat-readiness training. They have been involved in the successful handling of cases of bombing attempts and kidnapping incidents. The various units of the PAPF take an active part in efforts to keep local order, and assist the public security departments in catching and arresting criminal suspects and cracking down on organized criminal gangs.

The PAPF gold mine force has completed 38 geological prospecting projects in a dozen provinces and autonomous regions, and found some rich gold deposits. In the last two years, the PAPF forest force has put out 552 forest or prairie fires, protecting valuable natural resources. The PAPF water and electricity force has taken part in the construction of 21 key national projects, including the Qinghai-Tibet Railway, the West-East Natural Gas Transmission Project, the South-North Water Diversion Project, and major hydropower projects. The PAPF communications force is responsible for the maintenance of the Xinjiang-Tibet Highway and the Sichuan-Tibet Highway, and has undertaken the construction of national high-grade highways, extra-long tunnels and bridges. Those projects built by the PAPF communications force are all up to standards. In the past two years, 224,000 PAPF troops have participated in 2,320 emergency rescue

and disaster relief operations, and rescued and evacuated 250,000 people in disaster-stricken areas.

Force Building

The PAPF is working to strengthen itself through science and technology. It is enhancing staff competence, and conducting strict management so that its personnel can fully perform their duties. Using the national information infrastructure, the PAPF has established a preliminary system of three-level integrated information networks, linking general headquarters with the grass-roots squadrons. It has made progress in real-time command and control, management of duties through visual means, networked education and training, and office automation. The PAPF possesses a basically complete range of equipment through R&D and procurement of urgently needed weaponry and equipment. It has set up and improved a distinctive mechanism for the selection, training and employment of officers and NCOs. In particular, priority is given to the training of interdisciplinary personnel. The PAPF conducts mission-oriented training on a priority basis to better perform guard duties, manage emergencies and combat terrorism. It participated in China's "Great Wall-2003" and "Great Wall II" anti-terrorism exercises, and the SCO's "Joint-2003" exercise, and sponsored the "Guard-04" and "Guard-06" exercises to deal with large-scale emergencies. The PAPF runs its forces strictly and pursuant to the law. It stresses that leaders make decisions, administrative organs conduct management, and officers and men perform their duties strictly in accordance with the law. As a result, its overall performance has been greatly boosted.

The PAPF is steadily improving its logistical support system based on self-support and supplemented by social and PLA support to raise the efficiency of integrated support. It runs a crisis response support system covering the three echelons of the general headquarters, contingents (divisions) and detachments (regiments), to better respond to emergencies, and unexpected and complex situations. It promotes standardized and institutional logistical management by exploitation of IT and uniformly standardizes its facility configurations, work procedures, operating mechanisms and management requirements. The PAPF is pursuing reforms in housing, procurement of bulk materials and project procurement, medical care, and outsources food, barracks and bedding and clothing services.

In recent years, the PAPF has conducted friendly exchanges with the armed police forces, military police, internal security forces, public security forces and other similar forces of more than 30 countries to draw on each other's practices and cooperate in conducting anti-terrorism training. Its medical personnel, as part of Chinese rescue teams, have participated in disaster-relief missions in the aftermath of the earthquakes in Iran, Pakistan and Indonesia, and the tsunami in the Indian Ocean.

VI. National Defense Mobilization and Reserve Force

China, responding to new developments in modern warfare and the needs of national security, is reinforcing national defense mobilization and reserve force building to

enhance its capabilities of rapid mobilization, sustained support, comprehensive protection and swift shift from a peacetime to wartime footing.

Mobilization of the Armed Forces

China's mobilization of the armed forces includes the mobilization of manpower, weaponry and equipment, as well as logistical materials. The main tasks of the PLA's mobilization are as follows: to formulate plans for wartime troop mobilization and support according to operational plans, carry out pre-regimentation of reservists into active units and organization of reserve units, and expand and form units according to wartime structure and organization upon the state's issuance of a mobilization order. The main tasks of the PAPF's mobilization are to formulate mobilization and support plans based on the PAPF's possible wartime tasks, carry out pre-regimentation of reservists and adjustment, expansion and reorganization of units, and adjust the organizational system or form or expand units according to designated tasks after the state issues a mobilization order. The main tasks of the militia's mobilization are to call up militiamen, adjust and reinforce organizations, issue weapons and equipment, carry out pre-war training, and provide support in accordance with the needs of wartime manpower mobilization and plans for participating in warfare and supporting the front.

Acting on the directives of the State Council and the CMC, the General Staff Headquarters organizes and conducts mobilization of the armed forces with the assistance of the General Political Department, General Logistics Department and General Armaments Department as well as the relevant government departments. The Navy, Air Force, and Second Artillery Force are responsible for the mobilization of their respective forces. The military area commands, provincial military commands and local Party committees and governments at different levels are responsible for the mobilization of reserve forces within their respective jurisdictions.

By maintaining a lean standing army, improving the reserve service system, setting up reserve units, designating manpower replenishment areas, pre-positioning equipment and supplies, and organizing civil-military mobilization rehearsals, China has ensured the smooth mobilization of the armed forces, enabling the latter to deter or defuse security crises with even a downsized standing force. In recent years, China has accelerated the adjustment and reform of the organization and structure of the militia and the reserve forces and increased the number of reservists with high-tech backgrounds, and strengthened the reserve forces of the Navy, Air Force and Second Artillery Force. As a result, the level of the general quality of the backup forces of national defense has been raised notably.

Mobilization of the National Economy

The basic policies for the mobilization of the national economy are:

To boost economic mobilization based on China's development strategy and its economic strength, and incorporate the development of the defense economy into that of the national economy;

To make economic mobilization a bridge between China's economic development and available national defense capacities, and strike a balance between military and civilian needs and between peacetime and wartime needs in economic restructuring, to keep the national defense economy at a proper level in peacetime;

To speed up the development and application of new and high technologies and dual-purpose technologies, and give priority to the mobilization of high-tech products and the reserves of high technology, to raise the overall scientific and technological level of economic mobilization;

To build an organizational structure, mechanism and legal system of economic mobilization in keeping with the socialist market economy for dealing with both wars and emergencies in accordance with the assigned functions of economic mobilization, to serve economic development in peacetime and respond rapidly in cases of emergency or war; and

To pursue the principle of self-defense by the whole nation and improve the capacity of economic mobilization to meet the needs of defensive operations under conditions of informationization.

The primary objective is to establish a complete economic mobilization system with the dual functions of responding to both wars and emergencies, and to set up an economic mobilization base that is an integral part of China's economy to meet the economic needs of local wars and unexpected incidents.

With the rapid growth of China's economy, the capacity of its economic mobilization has been steadily raised. In building information and communications systems, highways, railways, bridges, tunnels, airports, ports, docks and major urban infrastructures, China pays close attention to the requirements of national defense, and ensures that peacetime needs and wartime needs are properly balanced. In working to set up a mechanism of economic mobilization for responding to both wars and emergencies, China has set up a system of plans for economic mobilization that takes both peacetime and wartime needs into consideration. It has established economic mobilization centers in the machine-building, weaponry, aviation, space, shipbuilding and chemical industries, and has optimized the mobilization structure and layout. It has basically completed a survey on the potential of economic mobilization and set up an information system for economic mobilization management by the state and a number of provinces and municipalities directly under the central government. As a component of the national emergency response force, economic mobilization offices at different levels have established a mechanism for contacts between economic mobilization offices and emergency reaction management offices to provide support for handling public emergencies and ensure public security.

Civil Air Defense

Civil air defense (CAD), air defense of critical areas and field air defense constitute China's homeland defense structure. The tasks of the CAD in the new era are to protect the people and their property and China's economic development in wartime, and carry out disaster prevention and relief and handle public unexpected incidents in peacetime. The CAD expenses are born by the state and the public. The state has promulgated the Civil Air Defense Law, and the people's governments at various levels have formulated and improved corresponding CAD rules and regulations. CAD work is incorporated into plans for economic and social development by the people's governments at and above the county level.

China's CAD capabilities in preparations against war, integrated urban protection and public unexpected incident response have been greatly enhanced in recent years. Interconnected and interoperable communications networks for command and warning at the provincial, city and county levels have been basically established, and urban air defense early-warning networks have been improved. Over 85 percent of areas in major cities are covered by air-defense sirens. Most of the key CAD cities have CAD command posts. All large and medium-sized cities have protection and rescue contingents for emergency rescue, rush repair, medical aid, fire fighting, maintenance of order, chemical defense, epidemic prevention, communications and transportation. Short-term and full-time training courses are conducted, and emergency rescue drills for handling disasters are organized to help the public acquire CAD knowledge and skills. CAD courses are included in school teaching programs and curricula. Volunteer CAD teams have been formed in some factories, mines, enterprises and communities.

Militia Force Building

China's militia is under the unified direction of the State Council and the CMC, and the dual leadership of local Party committees and governments as well as the military commands. The concept of people's war, and the principle of combining regular work with military training and combining peacetime needs with wartime needs are observed in the building of the militia.

The focus of the militia work is being shifted from rural areas to cities and areas along communication lines. The setting up of militia forces has expanded from state-owned enterprises to private enterprises and from traditional industries to high-tech industries. Specialized technical units rather than infantry are becoming the backbone of the militia. The proportion of antiaircraft artillery, ground artillery, missile, communications, engineering, anti-chemical, reconnaissance, information and other specialized technical units in the overall militia force is being raised. The building of militia units of the Navy, Air Force and Second Artillery Force is being strengthened. A new organizational structure of the militia has taken shape, with specialized technical units and units with corresponding specialties serving as the main body, and air defense units, units of the

Navy, Air Force and Second Artillery Force, and emergency response units playing a leading role.

The state has increased investment in militia weaponry and equipment, with priority given to equipment for air defense, emergency response and maintenance of stability. The state has phased out a number of out-dated weapons. Militia training reform has been deepened; a four-level system for organizing training is practiced, the four levels being provincial military commands, prefectural military commands, people's armed forces departments of counties (county-level cities or municipal districts) and basic-level people's armed forces departments. Through interlinked training as well as joint training and exercises with active PLA units, the militia has boosted its capabilities of conducting rapid mobilization and carrying out its specialized tasks.

Reserve Force Building

As a component of the PLA, the reserve force receives priority in the building of the defense reserve. The reserve force conducts peacetime training as provided for in relevant regulations, assists in maintaining order when necessary pursuant to the law, and activates its units in wartime in observance of the state's mobilization order.

In recent years, while keeping its overall size unchanged, the reserve force has reduced the number of Army reserve units, while increasing the numbers of reserve units of the Navy, Air Force and Second Artillery Force, the proportion of specialized technical reserve units and the number of logistical and equipment support reserve units, thus accomplishing the task of forming new reserve units of the Navy, Air Force and Second Artillery Force in the Tenth Five-Year Plan period. Most of the PLA's reserve divisions, brigades and regiments have training bases, armament depots, necessary office space and living quarters, and optical-fiber cable communication. With military training as the primary task, the PLA reserve units carry out training strictly pursuant to regulations, ensuring the accomplishment of all training tasks. The focus of training is being shifted from individuals and units to command posts, key technicians and higher levels of training such as joint and live-fire exercises.

VII. Border and Coastal Defense

Adhering to the principles of conducting overall planning, placing equal emphasis on land and sea, giving priority to defense, and integrating defense and administration, China is endeavoring to make its border and coastal defense unified, effective, solid and informationized.

Border and Coastal Defense System

China's border and coastal defense is under the unified leadership of the State Council and the CMC, and practices an administration system of sharing responsibilities between the military and the local authorities. The State Commission of Border and Coastal Defense, composed of the relevant departments of the State Council and the PLA, and

under the dual leadership of the State Council and the CMC, guides and coordinates China's border and coastal defense. All military area commands, as well as border and coastal provinces, prefectures and counties have commissions to guide and coordinate border and coastal defense within their respective jurisdictions.

The PLA is the main force for defending China's borders and coasts. The PLA border defense force has a three-level structure, namely, regiment, battalion and company. The PLA coastal defense force has a five-level structure, namely, division, brigade, regiment, battalion and company. In 2003, the PLA border defense force took over the defense of the China-DPRK border and the Yunnan section of the China-Myanmar border from the border public security force, thus enabling the state to integrate land border defense and administration. The border public security force is tasked with safeguarding security and maintaining social order in border and coastal areas. Within the border public security force there are contingents in provinces (autonomous regions or municipalities directly under the central government), detachments, groups, border police substations and frontier inspection stations in border and coastal areas, border inspection stations in open ports, and marine police force in coastal waters. Since China launched its reform and opening-up program, the state has consolidated border and coastal law-enforcement functions in organizations responsible for public security, customs, inspection and quarantine, maritime surveillance, fisheries administration, marine affairs and environmental protection. The state has also established and reinforced the border public security force, as well as border and coastal law-enforcement contingents for marine affairs, anti-smuggling, fisheries administration and maritime surveillance.

Building Border and Coastal Defense

China has promulgated the Law on National Defense, the Law on the Territorial Sea and the Contiguous Zone, the Law on the Exclusive Economic Zone and the Continental Shelf and other relevant laws and regulations, and updated its border and coastal defense policies and regulations pursuant to international laws and practices, to manage its border and sea areas in conformity with the law. China endeavors to strengthen its border and coastal defense, administration and control, and build a modern border and coastal defense force featuring joint military-police-civilian efforts in defense and administration. Over the past decade and more, the state has invested more than RMB 2 billion in construction of border defense infrastructure, building over 20,000 km of patrol roads, over 6,000 km of barbed-wire fences and installing some 600 sets of monitoring equipment. Construction of coastal defense infrastructure, including duty piers, monitoring stations and centers and auxiliary facilities has been underway since 2004.

China pursues a good-neighborliness policy, and works to enhance friendship and partnership with its neighbors. It calls for settling boundary and maritime demarcation issues with countries concerned in a fair and equitable manner, and through consultations on the basis of equality. China has signed land border treaties or agreements with Myanmar and 11 other neighboring countries, thus resolving boundary issues left from history with these countries; it is currently negotiating with India and Bhutan to settle boundary issues with those two countries respectively. Since 1996, China has set up

bilateral consultation mechanisms on the law of the sea with the Republic of Korea and Japan, to exchange views on maritime demarcation and cooperation. In 2004, the Agreement Between China and Vietnam on the Demarcation of the Beibu Gulf officially entered into force.

China actively promotes border and coastal defense cooperation with its neighbors, strengthens border and coastal defense contacts in different fields and at various levels, and handles in an appropriate manner border- and coastal-defense-related issues with countries concerned. In 2005, the Agreement on Joint Patrols by the Navies of China and Vietnam in the Beibu Gulf was signed, and China respectively signed with the Philippines and Indonesia the Memorandum of Understanding on Maritime Affairs Cooperation and the Memorandum of Understanding on Maritime Cooperation. In July 2006, China and India reopened the border trade route at Nathu La Pass, which links China's Tibet with Sikkim, India. China's border and coastal defense forces, acting strictly in accordance with international law and the agreements and understandings signed by China with its neighbors, have established and improved mechanisms for talks and meetings with their counterparts in the neighboring countries, and conduct law enforcement and anti-terrorism cooperation to jointly maintain peace and stability in border areas and related sea areas.

Ensuring the Stability of Border Areas

Stability and development of border areas are the foundation for border and coastal defense. The Chinese government attaches great importance to work related to ethnic minorities and economic development in border areas; it has formulated a series of policies and adopted many strategic measures in this regard. In the early days of New China, close to one million PLA officers and men were collectively transferred to civilian work in the Xinjiang Uygur Autonomous Region, Tibet and Inner Mongolia autonomous regions, and Heilongjiang and Yunnan provinces. They were organized into production and construction corps and state farms, and made great contributions to the economic development of the border areas and the maintenance of border stability in those areas. In the 1950s and 1960s, the state moved a large number of industrial enterprises and skilled workers from inland and coastal areas to border areas, and set up a fairly complete industrial system and communications and transportation network there. Since the reform and opening-up policy was initiated in the late 1970s, the state has set up 253 open ports and implemented the strategy for developing the western region and revitalizing old industrial bases including Northeast China. It pursues the policy of developing border areas and making border inhabitants prosperous, and consolidating defense through building close ties with the local people. It has taken steps, including encouraging inland provinces to provide assistance to their border counterparts, to accelerate the economic development there. This has laid a solid foundation for strengthening border and coastal defense.

The PLA border defense force and the border public security force are resolute in maintaining social stability in border areas and unity among ethnic groups, and take an active part in the economic development of border areas. They take measures to crack

down hard on cross-border crimes, such as weapon smuggling, drug trafficking, illegal border crossing and human trafficking, and on separatist, violent and terrorist activities. They strictly implement the ethnic and religious policies of the state, respect the customs and lifestyle of ethnic minorities, and strengthen PLA unity with the government and the people, together with unity among ethnic groups, thus contributing to maintaining political stability and promoting social development and progress in border areas.

VIII. Science, Technology and Industry for National Defense

China's defense-related science, technology and industry focuses on consolidating its foundation, making independent innovation, and speeding up the implementation of the strategy of transition and upgrading, so as to ensure the production and supply of military equipment and promote the development of national economy.

Improving the industrial structure, enhancing its capabilities of developing and producing new and high-tech weaponry and equipment. Defense-related science, technology and industry endeavors to accelerate structural adjustment in research and production, adopt advanced production modes, promote specialized production and upgrade processing technologies. Priority is given to R&D of new and high-tech weaponry and equipment, and endeavors to achieve breakthroughs in a number of key technologies and leapfrogging technological progress, thus speeding up weaponry and equipment modernization. Defense-related science, technology and industry is enhancing its core capabilities in R&D and production of the overall systems and key subsystems of major projects, and introducing more competition into the manufacturing and processing of general and supporting equipment, gradually establishing an all-round outsourcing system of cooperation for developing and producing weaponry and equipment. Priority is given to upgrading technologies and products in the nuclear, space, aviation, shipbuilding, weaponry, electronics and other defense-related industries, so as to form a cluster of high-tech industries to drive the growth of China's economy. In 2005, the output value, added value and gross revenue of the entire spectrum of defense-related science, technology and industry increased by 24.3 percent, 20.7 percent and 21.6 percent, respectively, over the previous year.

The defense manufacturing industries have been further informationized. The Tenth Five-Year Plan period saw the rapid development of digitalized manufacturing technology and wide application of computer-aided design, manufacturing and system-integrated manufacturing technologies in China's defense industries. The capabilities of master design and development, as well as of final assembly and integration, and the technological level of precision and super-precision processing were significantly raised. The means and methods of systems integration, experimentation and simulation, as well as of inspection and testing were upgraded.

The defense industry enterprises have stepped up restructuring and reform, and are exploring approaches for diversifying their ownership structure and steadily transforming themselves into share-holding enterprises. The reform of defense-related research

institutes is being speeded up and greater support was given to research institutions engaged in strategic research, basic research and research in the public interest.

Strengthening capabilities of independent innovation. Efforts are being made to improve the innovative system of development and production of weaponry and equipment, and the innovative system of technology for high-tech industries combining military and civilian needs. The former takes master design, final assembly and manufacturing, and experimentation and verification as leading factors, and is supported by research and manufacturing of core systems and specialized equipment, and completed by an outsourcing system. The latter combines production, education and research, takes enterprises as the main body and research institutions as the mainstay, and is market-orientated. Priority is given to enhancing basic research, key technology research and frontier technology research. As a result, a number of state-of-the-art scientific and technological achievements that enjoy independent intellectual property rights have been made. Patent applications have increased rapidly -- at an average annual rate of over 40 percent. Major scientific and technological projects, such as manned space flights and the Lunar Probe Project, are being carried out to spur the leapfrogging development of high-tech enterprises combining military and civilian needs and to bring about overall improvements in defense-related science and technology. Platforms for developing weaponry systems, lab systems for defense-related science and technology, and research and application centers for advanced industrial technologies are being built. As a result, a fairly mature scientific and technological infrastructure is taking shape, which is well-configured, multi-functional, efficient and based on close cooperation between the military and civilian sectors. In addition, higher education and vocational education are being boosted for defense-related science, technology and industry. Three professionally specialized contingents are being constructed, namely, a contingent of business managers, a contingent of professionals and specialists and a contingent of skilled workers. Efforts are being made to establish an innovative mechanism to absorb and train high-caliber people for defense-related science, technology and industry.

On the premise of strictly honoring its international commitments, China encourages and supports participation in international cooperation and competition in civilian-military industries.

IX. Defense Expenditure

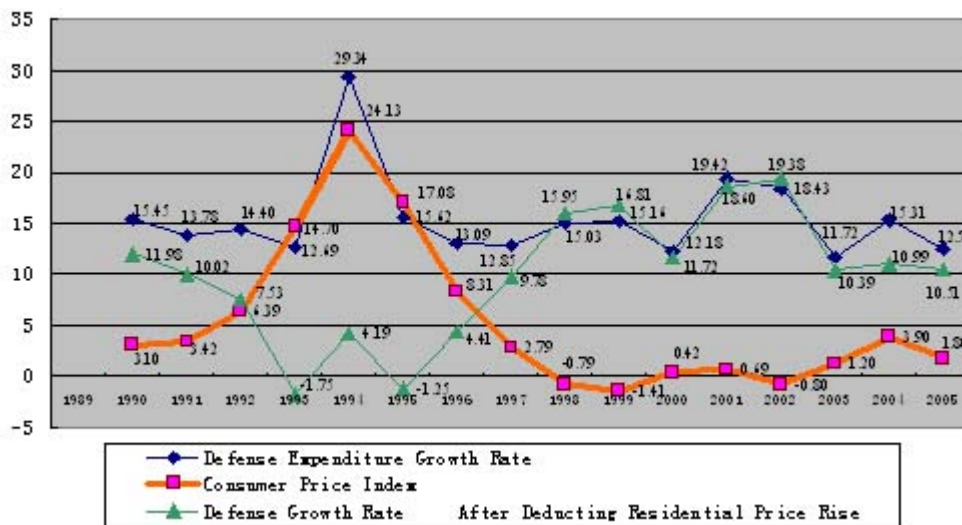
Pursuant to the National Defense Law and the Budget Law, and guided by the principle of coordinated development of national defense and the economy, the Chinese government decides on the size and use of defense expenditure in an appropriate way to meet the demands of national defense in keeping with China's economic development.

China's defense expenditure mainly comprises expenses for personnel, training and maintenance, and equipment. Personnel expenses mainly cover salaries, insurance, food, clothing, and welfare benefits for officers, non-commissioned officers and enlisted men as well as for civilian employees. Training and maintenance expenses cover troop training, institutional education, construction and maintenance of installations and

facilities, and other expenses on routine consumables. The equipment expenses mainly cover research on, experimentation with, and procurement, maintenance, transportation and storage of weaponry and equipment. The defense expenditure covers not only the active forces, but also the militia and reserve forces. Also covered by the defense expenditure are costs to support part of the retired officers, education of servicemen's children and the national economic development, as well as other social expenses.

Since the early 1990s, to safeguard its sovereignty, security and unity, and to keep pace with the global revolution in military affairs, China has gradually increased its defense expenditure on the basis of its economic development. This increase, however, is compensatory in nature, and is designed to enhance the originally weak defense foundation. It is a moderate increase in step with China's national economic development. In the 1980s, China began to shift the focus of its work to economic development. At that time, it was decided that national defense should be both subordinated to and serve the country's overall economic development. As a result, national defense received a low input, and was in a state of self-preservation. From 1979 to 1989, the average annual increase of defense expenditure was 1.23 percent. However, the defense expenditure actually registered an average annual decrease of 5.83 percent, given the 7.49 percent average annual increase of the consumer price index in the same period. From 1990 to 2005, the average annual increase in defense expenditure was 15.36 percent. As the average annual increase of the consumer price index during the same period was 5.22 percent, the actual average increase in defense expenditure was 9.64 percent.

Chart 1: Comparison Between the Growth Rate of China's Defense Expenditure and the National Residential Consumer Price Index (1989-2005)



China's GDP in 2004 and 2005 was RMB15,987.8 billion and RMB18,308.5 billion, respectively, with a growth rate of 10.1 percent in 2004 and of 10.2 percent in 2005. The state financial expenditure was RMB2,848.689 billion in 2004 and RMB3,393.028 billion in 2005, up 15.57 percent and 19.11 percent respectively over the previous year. China's

defense expenditure in 2004 and 2005 was RMB220.001 billion and RMB247.496 billion, respectively, with growth rates of 15.31 percent and 12.50 percent. In the past two years, the share of China's annual defense expenditure in its GDP and in the state financial expenditure in the same period has decreased, being 1.40 percent and 7.74 percent respectively in 2003, 1.38 percent and 7.72 percent in 2004, and 1.35 percent and 7.29 percent in 2005. Its defense budget for 2006 is RMB283.829 billion.

Chart 2: Share of China's Annual Defense Expenditure in the State Financial Expenditure (1994-2005) (%)

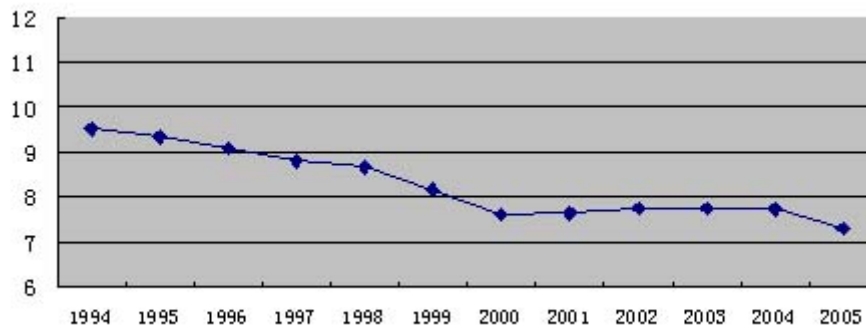
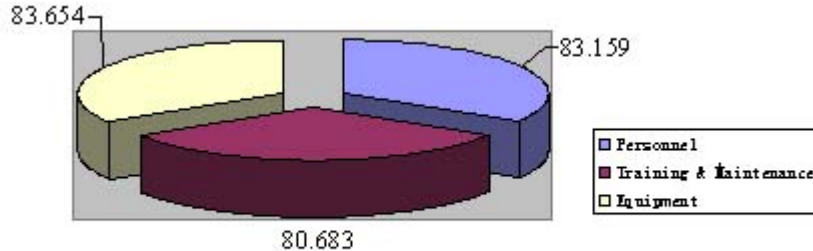


Chart 3: Composition of China's Defense Expenditure in 2005 (unit: RMB billion)



The increased part of China's defense expenditure is primarily used for the following purposes: (1) Increasing salaries and allowances of military personnel and improving their living conditions. Along with the growth of China's economy and the steady improvement of the people's life, the salaries and allowances of military personnel and the pensions of retired officers are increased accordingly. The insurance, medical, housing and other benefits are also increased. Subsidies are being increased, too, to compensate for regional and post differences, and the living conditions of the troops stationed in hardship areas are being improved. (2) Increasing investment in weaponry and equipment and infrastructure. The PLA is accelerating its informationization drive, increasing the expenses on procurement and maintenance of weaponry and equipment, upgrading the military infrastructure, and increasing input for improving the facilities for border and coastal defense troops. (3) Supporting the training of military personnel. The PLA is increasing input into education and training through both military educational

institutions and regular institutions of higher learning. It is also increasing subsidies for professionals with outstanding performance and incentives for experts, and increasing the budget for the employment of contract civilians. (4) Compensating for price rise. As the prices of oil, building materials and staple and non-staple foodstuffs rise, the PLA accordingly increases the expenses on military petroleum, oils and lubricants and defense engineering, and raises the boarding subsidies. (5) Increasing expenses for international cooperation in non-traditional security fields.

Both the total amount and per-serviceman share of China's defense expenditure is low compared with those of some other countries, particularly major powers. In 2005, China's defense expenditure equaled 6.19 percent of that of the United States, 52.95 percent of that of the United Kingdom, 71.45 percent of that of France and 67.52 percent of that of Japan. China's defense expenses per serviceman averaged RMB107,607, amounting to 3.74 percent of that of the United States and 7.07 percent of that of Japan.

China practices a strict system of financial appropriation of defense funds . The PLA's budgeting is based on the defense development strategy, military building objectives and annual military tasks set by the state. Budgeting units at each level carry out studies to decide on their budget items, make calculations of their requests for funds and then report to the next-higher authorities. The General Logistics Department, working with the relevant departments of other general headquarters/departments, analyzes, calculates and verifies the annual budget requests submitted by all the military area commands, the Navy, Air Force and Second Artillery Force, and draws up the defense budget. After being reviewed and approved by the CMC, the defense budget is submitted to the Ministry of Finance. The latter, on the basis of medium- and long-term fiscal plans and the estimated revenue of the year, puts forward a plan for military expenditure appropriations after consultation with the General Logistics Department, and then incorporates it into the annual financial budget draft of the central government. Upon approval by the State Council, the annual financial budget is submitted to the Budget Work Committee of the NPC Standing Committee and the Finance and Economic Committee of the NPC for review before it is submitted to the NPC for review. After the budget of the central government is approved by the NPC, the Ministry of Finance informs in writing the General Logistics Department of the approved defense budget. The defense budget is then implemented down to troops at different levels through prescribed procedures.

Financial departments are instituted at the General Logistics Department, military area commands, Navy, Air Force and Second Artillery Force, and units at the levels of corps, division (brigade) and regiment. These departments are responsible for the appropriation, management and supervision of the defense funds. The auditing offices of the state and the PLA conduct strict supervision of the defense budget.

Chart 4: Comparison of Defense Expenditures of Major Countries in 2005 (unit: US\$ billion)

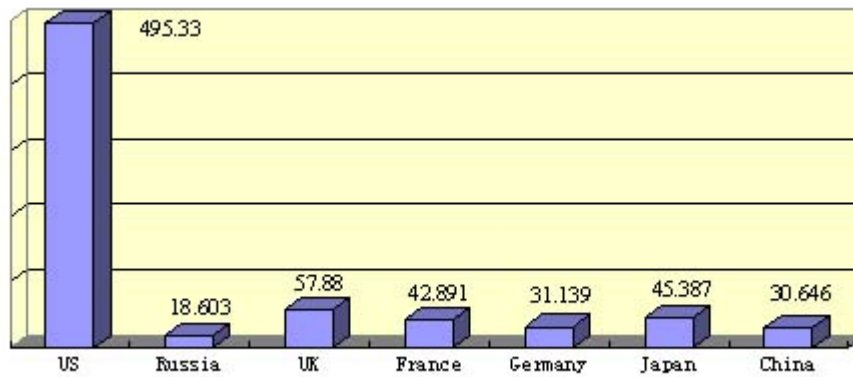


Chart 5: Comparison of Percentages of Defense Expenditures in GDP of Major Countries in 2005

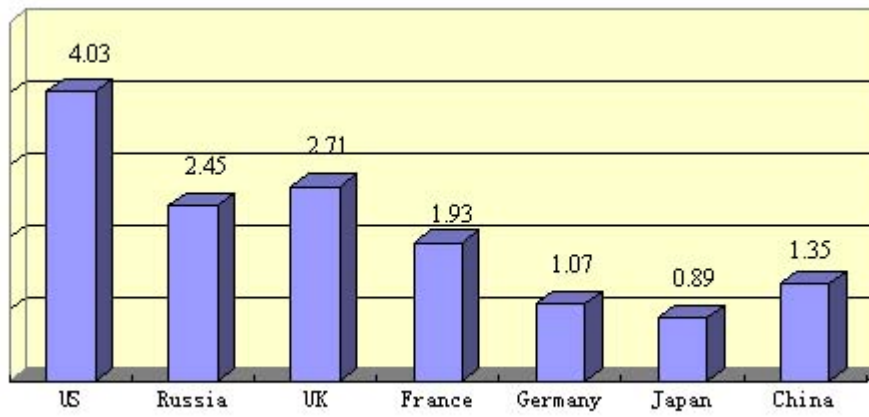
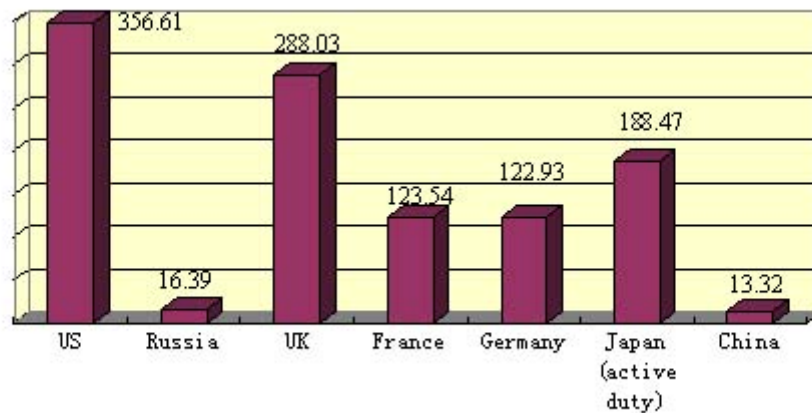


Chart 6: Comparison of Per Serviceman Share of Defense Expenditure of Major Countries in 2005 (unit: US\$1,000)



Source of the figures: Defense reports, budget reports or other government reports released by these countries.

Note: One pound is equivalent to 1.7439 US dollars.

One Euro is equivalent to 1.3029 US dollars.

One US dollar is equivalent to 28.5470 Russian rubles.

One US dollar is equivalent to 106.9998 Japanese yen.

One US dollar is equivalent to RMB 8.0759 yuan.

X. International Security Cooperation

China pursues a new security concept featuring mutual trust, mutual benefit, equality and coordination, and adheres to the Five Principles of Peaceful Coexistence. It works to promote good-neighborliness, mutual benefit and win-win, and endeavors to advance international security cooperation and strengthen military relations with other countries.

Regional Security Cooperation

Since its founding five years ago, the Shanghai Cooperation Organization (SCO) has steadily deepened and expanded cooperation in security, economic and cultural areas in practical terms. A decision-making mechanism has taken shape, with the Council of Heads of State and the Council of Heads of Government being its core. Two permanent bodies, namely, the Secretariat and the Regional Anti-terrorism Structure, have also been established. A number of documents on cooperation in fighting terrorism, separatism, extremism and drug trafficking have been adopted. In April 2005, the SCO, ASEAN and the Commonwealth of Independent States signed a memorandum of understanding on

conducting cooperation in counter-terrorism. In July, the Concept of Cooperation between SCO Members on Combating Terrorism, Separatism and Extremism was adopted at the SCO Astana Summit. In April 2006, a meeting of SCO defense ministers was held in Beijing, and the Sixth SCO Summit was held in Shanghai in June. Ten documents, including the Declaration on the Fifth Anniversary of the Shanghai Cooperation Organization, were signed during the Summit.

China attaches great importance to the ASEAN Regional Forum (ARF). At the 13th ARF Ministerial Meeting in July 2006, China called for enhancing mutual trust, respecting diversity and properly handling the ARF's relations with other mechanisms. In the past two years, China has, within the ARF framework, hosted the Seminar on Enhancing Cooperation in the Field of Non-traditional Security Issues, sponsored the ARF Seminar on Non-proliferation of Weapons of Mass Destruction with the United States and Singapore, held the Fifth and Sixth ARF Inter-sessional Meetings on Disaster Relief with Indonesia, and held the Fourth ARF Inter-sessional Meeting on Counter-terrorism and Transnational Crime with Brunei.

China's cooperation in the non-traditional security area with ASEAN and within the framework of ASEAN and China, Japan and the Republic of Korea has achieved significant progress. In January 2005, China proposed a series of initiatives on disaster prevention and reduction at the Special ASEAN Leaders' Meeting on the Aftermath of Earthquake and Tsunamis. In August, China hosted the Workshop on Policing Exchanges and Cooperation among the Capital Police Agencies of ASEAN, China, Japan and the Republic of Korea, during which the Beijing Declaration on Policing Exchanges and Cooperation among the Capital Police Agencies of ASEAN, China, Japan and the Republic of Korea was signed. In October, China hosted the Second International Congress of ASEAN and China on Cooperative Operations in Response to Dangerous Drugs. The Beijing Declaration and other documents were adopted. In November, China attended the Second ASEAN and China, Japan and the Republic of Korea Ministerial Meeting on Transnational Crime and the First China-ASEAN Informal Ministerial Meeting on Transnational Crime.

Honoring Commitment to International Arms Control and Non-Proliferation

China has made sound preparations for implementing the Comprehensive Test Ban Treaty (CTBT). To this end, a preparatory office has been established at the PLA General Armaments Department. With the support of the Ministry of Foreign Affairs, the Ministry of Health, the State Environmental Protection Administration, the China Earthquake Administration and other government departments, this office is responsible for setting up 11 monitoring stations in China as part of the international monitoring system, and formulating their administrative regulations and detailed rules for the implementation of the CTBT. Two primary seismological monitoring stations have been set up in Hailar and Lanzhou, respectively, and three radionuclide stations have been set up in Beijing, Guangzhou and Lanzhou, respectively. The surveying of the two sites for two infrasound stations in Beijing and Kunming has been completed, and construction is

scheduled to start soon. The China National Data Center and the Beijing Radionuclide Laboratory have been built, and are now in trial operation.

China supports multilateral efforts aimed at enhancing the effectiveness of the Biological Weapons Convention. It has attended the review conferences, annual meetings of State Parties and meetings of the Ad Hoc Group of Governmental Experts in an active and responsible manner. China has also submitted in a timely fashion to the United Nations declarations regarding confidence-building measures under the Convention.

China honors in good faith its obligations under the Chemical Weapons Convention. It has promptly and completely submitted all the annual declarations, subsequent declarations regarding newly discovered chemical weapons abandoned by Japan in China and the annual national programs related to protective purposes. It has also received more than 100 on-site inspections by the Organization for the Prohibition of Chemical Weapons. The PLA is working, in strict compliance with the Convention, to ensure the smooth management and operation of the "single small-scale facility" and the "10kg Schedule I Chemical Synthesis Laboratory." China and Japan have held 42 rounds of bilateral consultations to accelerate the destruction of the chemical weapons abandoned by Japan in China. Since 2005, China has assisted Japan in 24 on-site verifications, and recovered over 3,100 chemical weapons abandoned by Japan. At the request of Japan, China has taken into temporary custody the recovered Japanese-abandoned chemical weapons confirmed by Japan. These chemical weapons will be destroyed by Japan in the future.

China fully honors its obligations under the amended Landmine Protocol to the Convention on Certain Conventional Weapons. The PLA keeps its troops fully informed of China's obligations, and has implemented the technical standards and limitations specified in the Protocol. It has carried out a general check of all the anti-personnel landmines that do not meet the standards of the Protocol, and has destroyed several hundred thousand old landmines in a planned way. China has made technical modifications to usable anti-infantry landmines in inventory to make them conform to the technical standards of the Protocol. China continues to take an active part in international demining operations. In the period September-December 2005, Chinese military demining experts worked in Thailand to train demining personnel and give on-site instructions. China also provided Thailand with demining equipment. In the period September-December 2006, China ran demining training courses for Lebanon and Jordan in Nanjing, and provided the two countries with demining equipment. China has taken part in a constructive way in the discussions on anti-vehicle landmines by the Group of Governmental Experts of the Convention on Certain Conventional Weapons, and is making preparations for ratifying the Protocol on Explosive Remnants of War.

China is firmly opposed to the proliferation of weapons of mass destruction and their means of delivery. It supports the United Nations in playing its due role in non-proliferation. China is a party to all international treaties on non-proliferation and related international organizations. It has established a complete legal regime for controlling the export of nuclear, biological and chemical weapons, missiles and other related sensitive

items and technologies, and all defense items. China follows strict procedures in approving exports, to ensure effective export control.

Military Exchanges and Cooperation

China has established military ties with over 150 countries and military attaché offices in 107 countries. A total of 85 countries have military attaché offices in China. In the past two years, senior PLA delegations have visited more than 60 countries, and defense ministers, commanders-in-chief of the services, chiefs of the general staff and other high-ranking officers and military-related officials from more than 90 countries have visited China. China and Russia hold regular high-level military exchanges, and the general staff headquarters of the two countries have held the ninth and tenth rounds of strategic consultations. The military activities connected with "Russia Year" were successful. In October 2005 and July 2006, Chinese and US military leaders exchanged visits. China and the US maintain in-depth exchanges through institutionalized defense consultations and maritime military security consultations. China has enhanced high-level military contacts and defense consultations with the European countries, and China-Europe military exchanges have progressed steadily. China maintains military contacts with its neighbors, and has enhanced military exchanges with other developing countries. Since 2005, China has held workshops for senior officers from Latin American and Middle Eastern countries, and China-Germany, China-France workshops for senior officers. It has also hosted the SCO defense and security forum and the China-ASEAN workshop on Asia-Pacific security issues. Since 2002, China has held 16 joint military exercises with 11 countries. In August 2005, China and Russia conducted the "Peace Mission-2005" joint military exercise in Russia's Vladivostok and China's Shandong Peninsula, and their respective offshore waters. In November and December 2005, the PLA Navy held joint maritime search and rescue exercises with its Pakistani, Indian and Thai counterparts, respectively. In September 2006, China and Tajikistan conducted the "Cooperation-2006" joint counter-terrorism military exercise. In September and November 2006, the Chinese Navy and the US Navy conducted joint maritime search and rescue exercises in the offshore waters of San Diego and in the South China Sea. In December 2006, China and Pakistan held the "Friendship-2006" joint counter-terrorism military exercise. In the past two years, the PLA has sent observers to military exercises held by Turkey, Thailand, Pakistan, India, the US and Australia. In September 2005, the PLA invited 41 military observers and military attachés from 24 countries to attend the "North Sword-2005" maneuvers organized by the Beijing Military Area Command. Naval ships from Thailand, the United States, Canada, Australia, New Zealand, the United Kingdom, the Republic of Korea, France, Singapore and Peru have paid port visits to China. PLA naval ships have visited Pakistan, India, Thailand, the United States, Canada and the Philippines. In the past two years, the PLA has continued to expand exchanges of professional expertise and military students with its foreign counterparts. It has sent division- and brigade-level officers of combat troops and relevant functional organs of the Navy, Air Force, Second Artillery Force, military area commands, and general headquarters/departments on overseas study tours. Over 500 military personnel have been dispatched to study in more than 20 countries, and over 2,000 military personnel from more than 140 countries have come to China to study in military schools.

Participation in UN Peacekeeping Operations and International Disaster Relief Operations

Since 1990, China has sent 5,915 military personnel to participate in 16 UN peacekeeping operations. Eight lost their lives and several dozens were wounded on duty. Since 2000, China has sent 893 peacekeeping police officers to seven mission areas. At present, China has 1,487 military peacekeeping personnel serving in nine UN mission areas and the UN Department of Peacekeeping Operations. Among them, 92 military observers and staff officers, 175 engineering troops and 43 medical personnel are in Congo (Kinshasa); 275 engineering troops, 240 transportation troops and 43 medical personnel are in Liberia; 275 engineering troops, 100 transportation troops and 60 medical personnel are in Sudan; and 182 engineering troops are in Lebanon. China also has a total of 180 peacekeeping police officers in Liberia, Kosovo, Haiti and Sudan.

The PLA has actively participated in the international disaster relief operations conducted by the Chinese government. It has set up an emergency command mechanism, sent personnel to join specialized rescue teams, provided equipment, and assisted in mission-oriented training. In the past two years, PLA personnel have joined China's international rescue teams in international rescue operations after the Indian Ocean tsunami and the earthquakes in Pakistan and Indonesia. They have conducted search and rescue operations for people in distress, treatment of the sick and injured and prevention of epidemics, and assisted the Chinese government in providing relief materials to disaster-stricken countries.