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INSTITUTE FOR DEFENSE ANALYSES

Proceedings of the 3rd IDA-CIISS Workshop: Challenges and Opportunities of Common Security and the Business of Defense

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Larry D. Welch, IDA
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Gong Xianfu, CIISS
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January 2009

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IDA Document D-3693

Log: H 08-001779

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PREFACE

The Institute for Defense Analyses (IDA) prepared this document under its independent research program. The document describes and records the proceedings of a workshop conducted October 14–15, 2008, at the China Institute for International Strategic Studies (CIISS) in Beijing, China.

This document includes a speech delivered by General Larry Welch on "Challenges and Opportunities of Common Security for the United States and China." Also included are presentations by Senior Colonel Jiang Zhenxi, Senior Research Fellow, CIISS, on "Current Common Security Threats Faced by the United States and China and Cooperation" and by Major General Lei Yuanshen, Senior Advisor to CIISS and former Director of the Academy of Military Science on "The Business of Defense." The CIISS granted permission to include the latter two presentations in this document. We are indebted to Dr. Tzee-Nan Lo of IDA for translating these two presentations.

This document has not undergone formal IDA review.

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I. INTRODUCTION

A. BACKGROUND

In 2005, the Institute for Defense Analyses (IDA) and the China Institute for International Strategic Studies (CIISS) agreed to conduct a sequence of workshops with the purpose of strengthening mutual understanding by engaging in dialog on subjects of common interest as well as on differences.

The first IDA-CIISS workshop, conducted March 27–29, 2006, at CIISS in Beijing, China, is documented in IDA Document D-3161, "Proceedings of the 1st IDA-CIISS Workshop: Military-to-Military Relations and Defense Personnel Costs." The second workshop, conducted June 19–20, 2007, at IDA in Alexandria, Virginia, is documented in IDA Document D-3412, "Proceedings of the Second IDA-CIISS Workshop: Common Security Challenges and Defense Personnel Costs."

This document describes and records the proceedings of the third IDA-CIISS workshop, conducted October 14–15, 2008, at CIISS on the two themes of "Challenges and Opportunities of Common Security for the United States and China" and "The Business of Defense."

The rest of this chapter provides a description of the CIISS, the agenda for and participants in the workshop, and a summary of proceedings.

B. CHINA INSTITUTE FOR INTERNATIONAL STRATEGIC STUDIES

The CIISS is a national nongovernment academic organization engaged in international strategic studies. The aim of the institute is to conduct studies on the international strategic situation, global security, and world political, economic, and regional issues. CIISS establishes contacts and carries out academic exchanges with relevant international strategic research institutions, academic organizations, and public figures in China and abroad. CIISS offers consultancy and policy advice to and undertakes research projects for relevant departments of the Chinese government, the People's Liberation Army (PLA) and other institutions and enterprises. CIISS plays the role of think tank in the interests of national security, economic development, international security, and world peace and development.

The institute, established in 1979, was known as the Beijing Institute for International Strategic Studies and was renamed CIISS in 1992. The highest leading body of the institute is its council. The council elects its chairman and deputy chairmen who preside over the work of the institute.

CIISS has about 100 full- and part-time research staff members, including mainly active and retired officers, diplomats, experts, and scholars who are specialists in research and strategic analysis of international issues. The institute also invites some noted personages in political, economic, military, diplomatic, scientific, technical, press, and academic circles as its senior advisors and guest research fellows to give advice on academic research, write academic theses, and take part in academic exchanges.

CIISS develops contacts and arranges academic exchanges with about 100 relevant research institutions in more than 50 countries. CIISS believes academic exchanges in the forms of exchanging visits, holding bilateral and multilateral symposia, participating in international symposia, sending and receiving visiting scholars, and so forth, have enhanced mutual understanding and friendship.

C. WORKSHOP AGENDA AND PARTICIPANTS

Table 1 presents the agenda for the 2-day workshop, and Table 2 lists the workshop participants. The Chinese delegation included current and former officials of the PLA and the Ministry of National Defense.

Table 1. Agenda

Tuesday, October 14 Session 1: Challenges and Opportunities of Common Security for the United States and China	General Larry D. Welch, IDA: "Challenges and Opportunities of Common Security" Stanley B. Weeks, IDA: "Challenges and Opportunities of Common Security: An Overview"
Wednesday, October 15 Session 2: Challenges and Opportunities of Common Security for the United States and China (continued)	Stanley B. Weeks, IDA: "Challenges and Opportunities for Common Security in the Maritime Environment" Jiang Zhenxi, CIISS: "Current Common Security Threats Faced by the United States and China and Cooperation"
Session 3: The Business of Defense	David L. McNicol, IDA: "Major Elements of U.S. Policy Towards Business" "DoD Contracting Process: Overview and Introduction to Contract Types" Lei Yuanshen, CIISS: "Chinese Defense Industry and Weapons Procurement"

Table 2. Participants

Delegation	Name	Title
China	Major General (Ret) Gong Xianfu	Vice Chairman, CIISS (former Defense Attaché to the United States)
	Lieutenant General Mi Zhenyu	Senior Advisor, Former Vice President of the Academy of Military Science
	Rear Admiral Zhou Borong	Senior Advisor, Former Deputy Chief of Staff of Navy
	Major General (Ret) Jiang Shiliang	Senior Advisor, CIISS (former Chief, Military Transportation Department, General Logistics Department, PLA)
	Major General Lei Yuanshen	Senior Advisor, CIISS (former Director of the Academy of Military Science)
	Senior Colonel Gao Junmin	Senior Research Fellow, CIISS
	Senior Colonel Jiang Zhenxi	Senior Research Fellow, CIISS
	Mr. Wang Jiangang	Acting Secretary General, CIISS
United States	General Larry D. Welch	President, IDA
	Dr. Stephen J. Balut	Special Assistant to the President for International Projects, IDA
	Dr. David L. McNicol	Director, Cost Analysis and Research Division, IDA
	Dr. Stanley B. Weeks	Adjunct Staff Member, IDA

D. SUMMARY OF PROCEEDINGS

General Xiong Guangkai, Chairman of CIISS, welcomed the IDA delegation and introduced the members of the CIISS delegation (listed in Table 2). In addition to the workshop delegation, the audience included 50 or so CIISS representatives and current and retired members of the PLA who were invited by the Chairman, CIISS, to listen to invited speaker General Larry Welch of IDA. Next, General Welch introduced the members of the IDA delegation. In their opening remarks, General Xiong Guangkai and General Welch briefly addressed the first theme of the workshop, "Challenges and Opportunities of Common Security for the United States and China."

Following his introductory comments, General Welch delivered an invited speech on the first workshop topic. During the question-and-answer period that followed the speech, CIISS participants repeatedly raised the issue of the political status of Taiwan (see Chapter II).

Major General Gong Xianfu, Vice Chairman of CIISS and head of the CIISS delegation, opened the regular workshop sessions with comments about the impending change in the U.S. government administration and opportunities for CIISS and IDA to contribute to improved U.S.-China relations. Then Dr. Stanley B. Weeks, Adjunct Staff Member, IDA, presented an overview of the first workshop topic, followed by a more detailed discussion related to the maritime environment. Next, Jiang Zhenxi, Senior Research Fellow, CIISS, delivered a presentation on the topic "Current Common Security Threats Faced by the United States and China and Cooperation." Lieutenant General Mi Zhenyu, Rear Admiral Zhou Borong, General Larry Welch, and General Gong Xianfu followed with comments. See Chapter III for details.

The second workshop topic was "The Business of Defense" (see Chapter IV). Dr. David McNicol, Director of the Cost Analysis and Research Division at IDA, presented on the subjects of "Major Elements of U.S. Policy Towards Business" and "Economic Approach to the Defense Sector." Then Major General Lei Yuanshen, Senior Advisor to CIISS and former Director of the Academy of Military Science, spoke on the subject "Chinese Defense Industry and Weapons Procurement."

The workshop closed with remarks by the heads of the two delegations, General Gong Xianfu and General Larry Welch (see Chapter V).

II. INVITED SPEAKER

A. GENERAL LARRY WELCH, IDA

To begin, on behalf of all the U.S. delegation to this workshop, I thank you for the opportunity to continue our interaction and to visit Beijing once again. Each time I come to Beijing, I see an increasingly interesting mixture of the very long history of China and the march of modern progress.

China's performance both as host and participant in the 2008 Olympics was a further illustration of that mix, and I congratulate you on your success. It was, by any measure, an impressive display of history and modern progress. It is both of these aspects that lead me to believe that continued interaction on as many levels as possible is important to future prosperity and progress in both China and the United States.

We need to be always aware of historical differences in interests and approaches between China and the United States. While the United States is the oldest continuous democracy in the world, we are a young nation by Chinese standards. And, as a young nation, we were thrust into roles in the world that we did not seek, playing a major role in defeating adversaries in World War II with China as an ally. Following that, we were immediately in a leading role to contain what most of the world, to include China, saw as a Soviet desire to expand its control over more of the world. Again, after a time, China became an ally in that role. In other areas and in other periods, despite our attempts to disengage politically from these areas, specifically Korea and Vietnam, China and the U.S. became adversaries. Clearly, Chinese and U.S. perceptions of world events are influenced by these facts of history.

We need an awareness of our differences in perspective, not to perpetuate the differences, but to understand that it is both irresponsible and dangerous to ignore the issues arising both from history and currently perceived interests.

But, my purpose this morning is not to dwell on differences; it is instead to talk about mutual interests that are vitally important to both nations. One such mutual interest is simply to continue the dialogue no matter what else is happening. Several years ago, a senior official in the government of China told me that he found it particularly frustrating that a typical U.S. diplomatic response to increased tension between China and the U.S. has been for the U.S. to stop the dialogue. He pointed out that the U.S. never took that

approach with the Soviet Union. Instead, when tension increased, even more importance was placed on continued dialogue.

I believe that the increased understanding that comes from such dialog must underlie real progress in addressing our mutual interests. In many respects we are very different cultures and that can lead to misunderstanding. As an entertaining, but revealing example, my first visit to China was in 1989 when I was the guest of General Wong Hei, the commander of the People's Liberation Army Air Force. In the briefing from our state department, I was cautioned that the Chinese are very private and do not welcome touching or intrusions into their private space. As I got off the airplane, I was greeting by my host who immediately put his arm around my shoulder while escorting me to the reception hall. I didn't know whether I was being insulted or embraced. I elected to take a positive view and never had reason to change my mind. During a later visit, the Deputy Foreign Minister expressed concern to me about a speech on the Senate floor by the Senate Majority Leader, during which the Senator made several declarations that seemed to threaten China's interests. I told the Foreign Minister that it was a speech by the Senator from Mississippi speaking to his constituency in Mississippi that elected him to the Senate and did not reflect U.S. foreign policy. The Minister had difficulty understanding how a speech by the leader of the U.S. Senate was not a statement of foreign policy. I sometimes have difficulty understanding it myself, but the President sets foreign policy, not the Senate Majority Leader. I could give a long list of other culturally based obstacles to a correct interpretation but the point is that we need better understanding of differences so that these differences do not get in the way of important mutual interests.

Among the need for clarity in understanding is what seems to be a widespread perception that the U.S. wants to exercise authority in the world as a single superpower. I would not insult you by refusing to acknowledge that there are some public leaders in the U.S. who continue to aspire to such world leadership. But that is a concept that simply does not apply in the modern world. The burden that would go with that role is not bearable by any nation alone. The broad wisdom about every corner of the globe required to play such a role does not exist anywhere on this planet. Instead, there are at least six centers of world power currently existing in the modern world—the United States, China, the European Union, Japan, Russia, and India. There is no longer a set of alliances that exists and prospers by opposing another set of alliances as was the case during the cold war. It is no longer useful to try to play off one power center against another. Instead, each of these centers of power has varying mutual interests with each of the others.

Future prosperity and progress for any of the six power centers requires partnership with the others.

Within this complex set of regional and global interests, there are four regional situations with high potential for dangerous development, and responsible nations need to openly and frankly discuss these situations. The four that are readily apparent and that have far-reaching potential consequences for some or all of the six power centers I just mentioned are the Middle East, Korea, Central Asia, and the Taiwan Strait. No single power center—certainly not the United States acting alone—can deal with any of the four dangerous situations I just mentioned.

In addition, there is a long and critically important list of other global issues that require genuine partnership. The first is economic progress. The economic futures of China and the United States are inextricably linked. China has the fourth largest GDP in the world but is nearer number 100 in per capita GDP. You do not need me to tell you that, inevitably, expectations are on the rise in China and the modern world of widespread access to information is inescapable and further feeds expectations. To meet those expectations, the economy of China must produce a massive number of new jobs over the next few years, and the principal sources of job creation are the consumer markets in the United States and Japan. Conversely, China holds large investments in the U.S. economy and the U.S. consumer depends, for much of the quality of life, on products produced in China. Hence, a growing economy in both China and the United States can only benefit both, and significant economic failure in either would have major economic consequences for the other.

We are equally linked in energy interests and in finding solutions to energy needs. While there have been large fluctuations in the world price of oil over the past few months, we all know that, over the long term, the availability and the cost of oil and natural gas will limit economic progress in both China and the United States. The United States already consumes about 25 percent of the world's oil production, and it will take massive and difficult changes in the U.S. to reduce the U.S. demand on the world's supply of petroleum. At the same time, it is inevitable that the growing demand in China and India will be an increasing factor in the cost of energy. Ironically, there is something like at least twice the hydrocarbon energy in the form of coal under the United States as there is under Saudi Arabia. Further, China and India are third and fourth in the world in known coal reserves. But, unfortunately, at the moment, the global climate cannot tolerate replacing energy produced with oil and natural gas with energy produced by coal. Nor can the human habitat tolerate massive increases in the use of coal with current

technologies. But there are technological possibilities to do just that, and if our two nations poured some significant part of our research and development efforts into developing such technologies, it would be highly beneficial to both nations and to the rest of the world. And I know of no logical barrier to cooperation in such an effort.

Certainly, the world of technology has fundamentally changed since the end of the cold war. Globalization is a fact of life. There remain important proprietary technologies and these are important to provide incentive for investment in technological progress. Still, much of the world's marketable technologies are quickly shared, and the propagation of these technologies is beneficial to the world economy, in particular, to the six power centers I mentioned earlier. So, again, we have a mutual interest in protecting incentives for investment and technological progress and, at the same time, sharing the economic and social benefits of technological advance.

A fourth area that is increasingly pervasive in its influence is the domain of cyberspace. While it is generally regarded as the fifth domain—land, sea, air, space, and cyberspace—it is not fifth in its significance to virtually every aspect of modern life. We have been operating in cyberspace since Samuel Morse transmitted the first telegraph message from Washington to Baltimore, a distance of some 65 kilometers. But the pervasive influence of operations in cyberspace is a fairly recent phenomenon perhaps best epitomized by electronic financial operations and the Internet. Some of the wealth of the world lies in gold bars in vaults, or in natural resources under the earth, or in the physical assets that surround us. But, increasingly, the wealth that drives personal well-being and national economies resides in cyberspace.

In each of the other four domains, there are well-defined international behavior norms. The concept of sovereignty is understood and respected in the land, sea, and air domains. Further, we have well-understood international agreements and respected rules for behavior in those domains that respect the interests of other nations. Those agreements and rules have evolved over centuries in some cases and decades in others to meet the mutual needs of the community of nations. Such things as right of innocent passage through the four straits that are critically important to world commerce are in recognition of mutual benefit from accepted behavior.

The international rules for operation in international airspace have been essential to the development of air travel and air freight—again, to the mutual benefit of all nations regardless of their other interests.

In space, there is no concept of sovereignty and the peaceful use of space is available to any nation that is willing to make the needed investment. There is at least an

implied agreement regarding respecting other nations' property in space. But, in this domain, there is clearly a potential for increased mutual benefit from cooperation and partnerships. The United States and Russia first competed to establish orbiting space station capability with the Russian Salyut 1 in 1971 and the U.S. Skylab in 1974. But, in 1998, the two nations moved from competition to cooperation with the first two modules of the International Space Station in 1998. This is an example of mutual benefit that prospers in spite of differences on other issues. It is inevitable that all modern nations will become more and more dependent on space-based systems, and it will be everyone's loss if that does not lead to far greater cooperation and agreement on norms of behavior in the space domain.

Returning to the fifth domain—cyberspace—which is more pervasive than any of the other domains, we find the equivalent of the old U.S. Wild West, where the rules seem to be either nonexistent or little respected. We see examples that, in any other domain, would be regarded, at the least, as violations of international law and, at worst, as acts of war. They include rampant industrial spying, interference with other nations' governmental and commercial operations, and intentional harm to other nations' property and interests. We see this occurring with what seems to be the acceptance and perhaps the direction of the government where the offensive actions originate. To date, there have been no real consequences for the offender. While some may see a temporary advantage from such behavior, it cannot be in the long-term interests of nations whose prosperity and progress depends on security and accepted norms of behavior in cyberspace. There is far too much at stake. It is clearly in the best interests of each of the six power centers I mentioned earlier to define sovereignty in cyberspace and to establish and enforce acceptable norms for behavior in cyberspace just as we do in the other four domains. This will not be an easy task and will require courageous international leadership. I suggest that China and the United States could form a powerful coalition to begin to tackle this need.

When I weigh the differences in the national interests of China and the United States against the shared mutual interests, I find that the latter strongly eclipses the former. That is why I participated in the Kettering Foundation dialogues with a counterpart in China for several years and why IDA has facilitated a nongovernmental dialogue with CIISS and its forerunner for several years. Increased understanding of issues and mutual interests is too important to do otherwise.

B. QUESTIONS AND ANSWERS

Former Chinese Ambassador to Belarus and Bulgaria: This question addresses Russia-U.S. security relations. How do you view the Georgia-Russia problem affecting U.S.-Russian relations?

Welch: This is a dangerous issue. The U.S. press emphasized Russian actions in Georgia but failed to account for the history of Russia and its attitude towards its neighbors. Russia acted as if it were threatened, and it does no good to tell them not to feel threatened. They are concerned about former Soviet Union states' entry into NATO—Ukraine, Georgia. Russia's behavior was not an acceptable approach, but we need to deal with Russia's concern. Russia's actions in Georgia were dangerous. We need to deal with Russia's paranoia.

Hu Shixiang, a former official in China's space program: I differ with you on one point. You described four dangerous situations, including Taiwan. The six powers should pay attention to changes. China is opposed to Taiwan independence. China will not accept it. China does not want other powers to interfere.

Welch: Other powers don't want to interfere. I heard China's Ambassador say the situation affects the world. I expect China will treat the issue with wisdom and patience. The foreign policy of the U.S. is one China. The U.S. works to sustain that policy. China needs to understand that influences in the U.S. need to be under control to enforce this policy. The U.S. is contributing to a policy of patient resolution. China needs to do the same.

Wang Zhenxi, a former foreign relations official: I have two questions. You talked about six centers of power and four dangerous regions. However, you didn't talk about how to obtain common security.

Secondly, you discussed four problems—economics, energy, technology, and cyberspace and policy tools for soft security. You didn't talk about military challenges. Can you talk about those?

Welch: I did not talk about that because solutions to these issues are not military, though military power may be a necessary enabler. Instead, they are political. I talked about four areas where the U.S. and China have special interests. The military aspects have changed dramatically. Military actions will be closely tied to the four (economics, energy, etc.).

We have different views of outcomes of military conflicts. For example, in my view, World War II was not resolved until 1991. The Gulf War is not yet resolved, nor is

the Korean War. The Vietnam War was resolved when Vietnam joined ASEAN. The end of military action does not close the issue.

Militaries focus on combat. It is a common perception among some that U.S. forces prepare to fight the last war. That is wrong. Military forces are far more likely to prepare to fight the war they would like to fight. The U.S. is currently dealing with nontraditional conflict. We are also preparing for force-on-force operations because that is what we understand.

I advocate for preparing for the full scope. I support preparations for urban operations, nation building, etcetera, missions many military leaders don't like.

I believe no one can stand up to the Chinese Army or the U.S. Navy or Air Force and no one will try. So, what's the relevance of how they are now organized? Do you disagree?

Gong Xianfu, Vice Chairman, CIISS: Domestic politics in the U.S. are in a critical stage due to the pending elections. Factors may affect relations. The new administration will change policies with regard to China. What are your prospects for the election and what will be the consequences for U.S.-China relations?

Welch: I see nothing negative. Elections are mostly about domestic issues. Only rarely do you see major changes in foreign policy from an election. The new president is confronted with the world as it is, not as he desires.

Looking at the history of our China foreign policy, Presidents Nixon and Carter made major changes, and there have been no significant changes since. We've had issues, but no change in policy in spite of sometimes heated rhetoric.

Doctor formerly in the China medical service: You talked about four regions and also Taiwan security. Your Congress recently approved the sale of weapons to Taiwan. What is the reason to sell these weapons to Taiwan? Relations between the mainland and Taiwan have been good after the Taiwan election. This sale is not good for U.S.-China relations. Is the sale in the interest of big money groups, or a foreign affairs show?

Welch: As I said, most politics are domestic. I hope politics won't damage U.S.-China relations.

We have long agreed to supply weapons to Taiwan. Our motivation is to keep things on an even keel. China regards this as a domestic issue; however, it has huge world implications. The U.S. nightmare is that patience will come to an end and violence will occur in the Taiwan Strait. Our One–China policy is relatively new, but lots of history is still there. The U.S. President has to satisfy the U.S. Congress to ensure we are doing

nothing to encourage Taiwan to do anything rash *and* satisfy domestic politicians. Also, there are some purely commercial motivations involved. It is a complex domestic and international issue.

Everything we do is totally transparent. Dialogue should take place. We should not cut off dialogue.

Vice President of the Academy of Science: I am happy you mentioned cyberspace. We need order and rules. To resolve the issues, governments need to discuss, but the U.S. government doesn't want other governments involved. What is the domestic situation? What does the U.S. government want to do?

Welch: Can governments control cyberspace? I can connect to anywhere in the world. Cyberspace is not geophysical, it is constructed. What part should be sovereign territory? What should be the attitude towards violating that?

The U.S. wants international conventions, but to date, no organization or structure exists to do that. Someone needs to step up to create international norms. IDA did a study for the DOD on how to organize and operate in cyberspace. The DOD is the only part of the U.S. government thinking seriously about this issue. That is the state of this domain.

Doctor formerly in the China medical service: I meant that the government has control of cyberspace resources, for example the distribution of the Internet. General Welch said we need to have an international agency and meetings. Will this be positively responded to by the U.S. Congress?

Welch: The Internet started in the U.S. The bulk of net servers are in the U.S. Many in the U.S. don't like that. U.S. law prohibits any surveillance of any U.S.-based servers. U.S. dominance of the Internet is an accident of history and largely an illusion.

Former weapon system specialist: During your discussion of the six powers, you said stability derives from balance. China and India are the weakest. China's building of strength is conducive to balance. Why is the U.S. providing advanced weapons to Taiwan and a cold-war policy of arms embargo to China? Why is the U.S. taking these actions?

In the area of information warfare, the U.S. is far ahead. You had C4ISR and now have C5ISR. What are the implications of these changes for the future of warfare?

Welch: U.S. defense industry has relations with foreign governments. In 1988 we began sharing technology. You have to be patient. We started down the path of international cooperation with China but events in China intervened. That will pass if we continue to talk about it.

India has been close to Russia, but its relationship to the U.S. is thawing.

I put Taiwan on my list intentionally. I wanted discussion here. We know you view it as a domestic issue, yet any violence in the Taiwan Strait has huge international implications. Those of us who watch the Taiwan issue and want U.S.-China relations to improve are puzzled by what we see—increased traffic between the mainland and Taiwan, increasing economic integration, increasing air travel—all signs of a normal situation there, yet we see large numbers of surface-to-surface missiles aimed at Taiwan from the mainland. We see exercises using this capability. If this is a domestic issue, why is that the case? We are puzzled.

Chen Yanglong, a former Ambassador to Israel and Jordan: It appears the U.S. has no external strategy, maybe a military strategy, economic relations are close, but other relations are up and down. Is there an issue of mutual trust? Do we have to wait? How much time?

Welch: During lunch with China's Ambassador, he said relations between Hong Kong and the rest of China would be one China, two economic systems. Taiwan would observe the same relationship. I asked, "How long will that take?" He said, "Maybe fifty years." That was not a joke. There are differences in long-term thinking in China that we don't have in the U.S. However, we had a fifty-year, long-term policy towards the Soviet Union. U.S. relations with China changed four times over that period due to internal interests over the period.

We have not defined mutual interests on a strategic level because defined strategic interests are vague—for example, stability in East and Southeast Asia. China is conflicted about the U.S. presence in the Pacific region. On balance, China views it as good.

Xiong Guangkai: We had good questions and serious answers. The U.S. and China can strengthen their relationship. The most important question is Taiwan. It is an internal issue for China and the most sensitive issue for U.S.-China relations. You see China's government and its people are strongly opposed to the sales of weapons to Taiwan, and we hope you will convey such feelings to the U.S. government.

History proves if the U.S. government follows a One–China policy, then smooth relations will result. If you go counter, relations will sour.

On the mutual trust issue, we need to strengthen mutual understanding. We welcome continuing exchanges with IDA to contribute to building mutual trust. On future visits we will make further contributions. The China side is willing to make the effort.

Welch: Every one of my visits to China increases understanding of new points. We can discuss issues and disagree in a constructive environment, which you have done. Real issues exist where we are cooperating, where we can build to deal with even bigger issues.

III. SESSION I:
CHALLENGES AND OPPORTUNITIES OF COMMON SECURITY

A. MAJOR GENERAL GONG XIANFU, VICE CHAIRMAN OF CIISS AND HEAD OF THE CIISS DELEGATION: OPENING REMARKS

The U.S. will soon have a new administration. There may be changes in U.S. policy. There is a lack of knowledge about China—there will be a learning curve and wrong and bad judgments are possible. IDA can play a positive role in relations between the U.S. and China.

In his speech this morning, General Welch said we can be partners and don't have to be rivals. CIISS and IDA can make contributions to improved relations between the U.S. and China. General Welch's speech was a good beginning and, as they say, a good beginning is half done.

We will discuss two topics during this workshop, opportunities and challenges for common security, and the business of defense. At this point, we will begin with Dr. Week's presentation on the first topic.

B. STANLEY B. WEEKS, IDA[1]

1. Challenges and Opportunities of Common Security: An Overview

The United States and China share common concerns regarding economic, political and security trends that offer opportunities for security cooperation. Economic trends include global and bilateral interdependencies and the need for energy security. Political trends see the spread of self-determination and popular influences on governments along with major state conflicts becoming less common. Security trends show some states challenging national/international order, rising concern with transnational threats (e.g., terrorism and piracy), and new global challenges such as pandemics and natural disasters.

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[1] The following are brief synopses of Dr. Weeks's presentations. The reader is encouraged to contact him directly via e-mail (sweeks@ida.org) with questions or to obtain further information about these presentations.

The desire for economic growth and prosperity of our peoples underpin current U.S.-PRC relations. Some diverging economic concerns include access to energy resources, currency valuations, copyright piracy, and investment restrictions.

Political concerns establish the space and boundaries for security cooperation. Common political concerns include stable global and regional systems, secure maritime domains, peaceful rise and integration of major powers, and the need to minimize uncertainty in an unpredictable environment. Some diverging/conflicting concerns include Taiwan cross-strait relations, meaning of democratic values and human rights, and power and influence in the Asia-Pacific region.

Areas of potential cooperation include international principles and mutual expectations, peace-keeping and disaster relief, counter-terrorism, space, cyber, and nonproliferation. Further dialogue and cooperation is needed in strategic nuclear, communications/information exchange, conflict avoidance, crisis management and maritime security.

2. Challenges and Opportunities of Common Security in the Maritime Environment

Maritime coalitions take two forms, traditional roles of sea control and power projection in crisis/conflict, and coalitions for countering nontraditional threats (e.g., piracy, trafficking, and humanitarian assistance/disaster relief).

International cooperation in economic and security issues relies on policing and protecting the maritime commons, particularly from trans-national threats. International solutions are required because no nation has the sovereignty, capacity, and control to solve alone. More capable nations can export maritime security through international operations, but overcoming resistance based on sovereignty concerns is a delicate issue. The U.S. Navy is in a position to facilitate voluntary enlistment of nations in a global partnership.

Sub-regions of the Indo-Pacific have different strategic contexts. Challenges in Northeast Asia (Japan, Russia, DPRK, ROK, U.S., China, and Taiwan) are mostly traditional, big-power maritime rivalries and disputes; however, WMD proliferation, terrorism, piracy, and trafficking are problems. Traditional bi-lateral maritime alliances exist but global maritime partnerships are needed.

The Southeast Asian region (ASEAN members) faces Islamic terrorism threats, maritime/territorial disputes, and piracy/sea robbery. The Malacca/Singapore Straits are a particular concern. Some alliances exist. Cooperation can be enhanced by building on

traditional alliances. Global alliances are desired, but sensitivity to sovereignty concerns is essential.

The Indian Ocean region (India, Burma, Pakistan, Sri Lanka, and Bangladesh) has a history of conflict along with rising economic, political, and military power. Challenges in this region include nontraditional threats, maritime competition, and the potential for maritime conflict. The U.S. can build on operational relationships and leverage the presence of European naval forces to enhance security of shipping in the Indian Ocean.

Identification of common concerns and mitigation of diverging/conflicting concerns in U.S.-PRC economic and political relations is essential to progress in common security.

C. JIANG ZHENXI, CIISS: CURRENT COMMON SECURITY THREATS FACED BY UNITED STATES AND CHINA AND COOPERATION[2]

1. Strategic Importance of Improving China-United States Cooperation in the New Situation

The world is undergoing huge changes and adjustments nowadays. Military strategies become complicated as multiple players are involved, economies are gradually globalized, and countries are more dependent on each other. With intertwining interests, world major powers have to compete, constrain, and, at the same time, collaborate and cooperate with each other. The financial crisis spreads over the whole world, leaving no country exempt. Although the overall international situation is stable, elements of instability are evident as security challenges and threats continue to grow.

China, the largest developing country, and United States, the biggest developed country, have extended common strategic interests in this new international situation. Their relation is one of the most important in today's world, a mutually beneficial, reciprocally dependent relationship. Therefore, maintaining and developing a cooperative relationship between them is consistent with the basic interests of the two countries and their people, and is important to promote peace, stability, and development in the Asia-Pacific region and the world. The relationship between the two has progressed steadily. There are more agreements on international issues, expanded areas for cooperation, and growing common interests.

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2 This presentation, included here in its entirety, was delivered in Chinese and translated by Dr. Tzee-Nan Lo of IDA.

2. Current Common Security Threats

As the U.S. and China share the responsibilities to maintain global peace and security, they face some common security threats. The main ones are:

- **Traditional Security Areas:** World peace and regional security continue to be the main focus of both counties.
  - **Local wars and regional conflicts.** During 2007, there were 33 cases of military conflicts. In August this year, the military conflict between Russia and Georgia had serious impact on European countries and the rest of the world. Some were concerned about the return of the "cold war." The six-party North Korea nuclear talk was not successful and more effort is needed to achieve the denuclearization of the Korean Peninsula. The Iran nuclear issue is not resolved: the Security Council of the United Nations has demanded that Iran disband its uranium enrichment program, but Iran declared that it would not give up its effort to develop nuclear power. It hinders the progress toward peace in the Middle East region and worsens the security situation in Iraq.
  - **"Taiwan independence."** This issue continues to be an important threat to the security of the Asia-Pacific region. Since the inauguration of the new Taiwan leader Ma Yin Jiu this year, the two sides have moved quickly to improve their relationship. But the influence of "Taiwan independence" and related activities continues. The recent U.S. decision to sell arms to Taiwan added further tension to the region. It is very damaging to U.S.-China relations, and affects the security and peace of the entire Asia-Pacific region.
- **Nontraditional Security Areas:** In recent years, several nontraditional security threats have emerged. They are in the following areas:
  - **Terrorism continues to threaten worldwide security.** Since 9/11, terrorism has been the greatest threat to the security of the United States and a constant menace to the whole international community. In 2007, there were 850 terrorist events that caused more than 6,300 deaths. Middle East, Central Asia, South Asia, and Southeast Asia are the core regions for international terrorist activities. China has to face the terrorist threats too, as "East Turkistan" terrorists with links to the international terrorists carried out many terrorist activities. During the 2008 Olympic games, "East Turkistan" terrorists threatened destruction, but were not able to accomplish that. They, however, did conduct a number of destructive activities in Xinjiang Province.
  - **Nonproliferation of weapons of mass destruction obstructed.** The trend of nuclear weapons proliferation has not been halted. Many countries have or are trying to obtain nuclear weapons. Worse yet, one cannot rule out the possibility that terrorists can acquire nuclear technology and nuclear power.

- **Financial crisis is disrupting the world economic system.** The financial crisis shocked the world—stock markets tumbled and banks collapsed. It is the most serious financial crisis since the 1930s. It is estimated that global financial assets have shrunk by $27 trillion. The U.S. Congress passed a $700 billion bailout plan, and many countries have to take similar bailout actions.
- **Emerging energy security threat.** The price of crude oil reached $145 a barrel this year, and remains high at present. The high price of oil deters the economic development of many countries. As major oil import countries, both the U.S. and China are very concerned about this issue.
- **Escalating narcotic production and trafficking.** The narcotic business is bubbling at the "Golden Crescent" in Afghanistan and "Golden Triangle" in Myanmar. According to a United Nation report, Afghanistan exported $4 billion worth of narcotics. The U.S. is the main market but China is also seriously affected.
- **Increasing threat of infectious disease.** The spread of infectious disease across national boundaries has become a serious threat as the volume and speed of international travel increase rapidly with the development of modern transportation. In 2003, the spread of SARS over 26 countries caused the deaths of more than 700 people and about $30 billion in losses. People are now concerned about the spread of the avian flu.
- **Rising pirate activities.** Pirates have hijacked cargo ships and held crews hostage in the Malacca Strait and the Gulf of Aden. This is a serious threat to the security of very important international transportation routes and the safety of oil transportation. In a recent IMB report, there were a total of 198 pirate incidents over the world in the past nine months. Somalia and Nigeria are notorious for pirate activities. On September 25, Somalia pirates hijacked a Ukrainian vessel that was loaded with T-72 tanks and ammunition. Pirates have asked for $20 million ransom and as of today, they have not released the vessel or the crew. In September, some Chinese crew members were also held hostage.

- **Improving Cooperative Relationship between China and the U.S. in Recent Years.**
  - **Relationship has been steady.** Our two countries have heightened cooperation on major international issues and have established multiple layers of discussion and negotiation in many areas.
  - **High-level contact.** The leaders of both countries have maintained high-level contacts through state visits and multinational conferences. President Hu visited the United States in April 2006. He and President Bush reached mutual understanding on comprehensive cooperation in the twenty-first century. They agree that a good relationship between the two countries is strategically important to maintain and enhance the peace, stability, and

prosperity of the Asia-Pacific region and the world. Present Bush attended the 2008 Olympic Games in Beijing, and further fostered the steady development of the relationship.

- **Enhanced strategic discussion.** In 2006, China and the U.S. established channels to discuss economic, financial, and trade matters with fruitful results. Since 2005, there have been four rounds of discussion. The two sides have reached mutual understanding on many international and regional issues. At present there are more than 60 establishments to facilitate dialogue and discussion between the two. Through communications and conciliation on regional and international hot issues, the two have worked together for the preservation of peace and stability.
- **Improving economic cooperation.** In 2007, trade between the two countries was $302 billion. They are the second largest trading partners. The two have developed dialogue and cooperation in several new areas: energy sources, global warming, product quality, and food safety.
- **Increasing military exchanges.** There has been continuous improvement in U.S.-China military exchanges. Vice Chairman of Chinese Military Committee, Kuo Bou Xiong, visited the U.S. in 2007, and U.S. Secretary of Defense Gates visited China. The exchange greatly improved the mutual trust and cooperation between the two militaries.

- **Major Elements that Impact the China-U.S. Relationship.** There are a few elements that impede cooperation between the U.S. and China. Both need to pay attention to the following.
  - **Taiwan is the core issue.** Five years ago, President Bush announced his objection against "Taiwan Independence." That won applause and respect from the Chinese people and allowed continuing progress of U.S.-China relations. But the recent $6.5 billion military equipment sale to Taiwan caused strong angry reactions from the Chinese government and the people. It is a serious blow to the steady development of a military relationship. China has demanded the U.S. withdraw the sale and to discontinue the military relationship with Taiwan. Future China-U.S. relationships depend greatly on how well the Taiwan issue is being treated.
  - **"Chinese threat" is poisoning the relationship.** The U.S. is alarmed by the Chinese progress and development, and labeled China as a "strategic crossroads" country. The U.S. considers China to be a competitor. It asks for "prevention and deterrence" against China, and demands "transparency" of the Chinese military. This fundamental distrust seriously curtails further development of the U.S.-China relationship.
  - **Culture differences influence the development of a relationship.** The two have different social and culture backgrounds, and different ideas and ways to treat international matters. The frequent disputes and conflicts on

"democracy," "human rights," and "trade balancing" are disruptive to the normal development of the U.S.-China relationship.

- **Suggestions to Further Develop China and U.S. Relationship.** Since both the United States and China are permanent members of the Security Council of the United Nations, the domain and influence of their cooperation have extended way beyond just the two countries. The impact is felt more and more by the whole world. With the mind set of mutual respect, equal partnership, cooperation for mutual benefits and interests, the two should increase dialogue, expand mutual understanding, broaden cooperation, and adeptly address sensitive issues in order to promote the steady development of their constructive cooperation relationship.
  - **Increase exchange.** Although the United States and China have differences in social and economic systems, level of development, and cultural and historical backgrounds, the relationship is not adversarial, but a friendly one. It is important to have more contacts at various levels and over different fields, especially among nongovernmental organizations to promote understanding.
  - **Establish mutual trust.** Mutual trust is the foundation for relation between the two. Trust can only be established when both sides decide to open up for dialogue and discussion on an equal basis, to work out differences, and to seek mutual understanding.
  - **Enhance cooperation.** United States and China have great potential for cooperation. The two should keep on improving their cooperation and exchanges in political, diplomatic, economic and military arenas. In addition, the two should maintain discussions and conciliations on major international and regional problems, to have great influence in the United Nations, Asia-Pacific Economic Association and other organizations. Cooperation between the two would enable them to build a Northeast Asian security and cooperation system, to influence directions on cyber security, peaceful uses of outer space, energy conservation, and environmental protection.

D. CONCLUDING COMMENTS

To conclude the first session, Lieutenant General Mi Zhenyu, Rear Admiral Zhou Borong, General Larry Welch, and General Gong Xianfu provided a sequence of comments. The following is a loose reconstruction of those comments based on notes taken at the time.

1. Lieutenant General Mi Zhenyu

General Welch provided a frank speech on opportunities and challenges of common security. I was interested in the points he made. Dr. Weeks's good speech was also inspiring. The impression is that it is important to strengthen U.S.-China relations. This will strengthen the world community. We have a common wish: common understanding; minimize misunderstanding. Jiang Zhenxi's speech touched on many of the same points. I will focus my views on misunderstandings.

a. Sovereignty

We have different views on sovereignty. In the early 1950s China and India proposed principles of peaceful coexistence. Respect for sovereignty and noninterference were the bases and have been the source of China's policy since the 1950s. Based on these principles, a country's internal affairs should be solved by the country. Others misunderstand this. Maybe that is why we have the Sudan and Zimbabwe issues. The UN supports China's stance on these two issues.

Respect for sovereignty and noninterference in internal affairs does not mean China will only sit and watch. The China side proposes solutions. Our respect for sovereignty and noninterference helps to find better solutions. China will defend its sovereignty at all costs.

I will tell a story. During the 1950s and 1960s, China and the Soviet Union had friendly agreements, including a military pact. But when the Soviets proposed long-wave radios in China and a joint navy under the command of the Soviet Union, Chairman Mao turned that idea down, saying they were interfering in China's internal affairs and sovereignty.

b. Counter-Terrorism

Dr. Weeks, in his presentation, said China focused only on internal terrorism. This is a misunderstanding. After the 9/11 attack, China supported the war on terror supported by the U.S. China had great sympathy for the victims and the Chinese Premier telegraphed the U.S. President. Hu Jintao opposes terrorism. However, the U.S. needs to recognize that the U.S. does not consider terrorists the terrorist East Turkistan group in Xingjian Province, yet the U.S. arrested a dozen members of this group in Afghanistan. China asked for the return of these members to China. The U.S. refused and ignored the request. The U.S. sent five of these people to Albania. I think if the U.S. sets free the

seventeen East Turkistan members, there will be anger in China. Can IDA pass this message on?

c. The Iraq War

The causes of the war were the U.S. claims of WMD and also contacts with al-Qaeda. None of either were found. So, who caused all the problems?

d. Nonproliferation

China is a signatory of the Nuclear Non-Proliferation Treaty. China wants the world to be nuclear free. We have shared these ideas with the Republic of Korea. China advocates a nuclear-free peninsula. China opposes the nuclear activity of the DPRK. China organized the six-party talks. I don't have to elaborate on China's role in these talks.

The U.S. practices a double standard. Regarding the India-Pakistan pact, India did not sign the agreement. Initially, the U.S. wanted to impose sanctions on India, but later the U.S. made an 180-degree turn. When India was not a part of the agreements, the U.S. signed a U.S.-India Nuclear Cooperation Agreement. The action taken by the U.S. was controversial in the world community. Some scholars wonder, does the U.S. want to use India to control China?

The U.S. opposes the use of nuclear weapons by some countries, for example, Iran. We need to understand the U.S. stance. We hope for peaceful resolution of this problem. The U.S. President said he hopes the problem can be solved through negotiation. China abides by the nonproliferation agreement. I hope the U.S. can act in accordance with the agreement.

e. Human Rights

Dr. Weeks said we have different ideas about human rights. In the history of China there are no human rights. Democracy was the force of movement to communism in China. Through revolutionary war,…China…wanted to set up a new country with democracy. By "democracy" we mean individual interest. Communism represents the right to survival, the right to development. After the earthquake in the Sichuan Province, the government helped to improve life there. The soldiers helped. China is grateful for U.S. support. The Chinese premier arrived at the site and said the priority was to save lives. Hu Jintao said, "power is to serve the people" and "our-heart is connected to the people." There are local government officials who run against these principles. Based on

these statements, China supports human rights. 400 million farmers have shaken poverty. We still have 700 million Chinese farmers. During the world financial crisis, discussion at China's 17th Congress focused on farmers' well-being and it was decided to double farmers' incomes by 2020. The agriculture tax was written off. My conclusion is the statement that China is without human rights cannot be supported.

f. Technology Cooperation with the U.S.

This type of cooperation was suspended in 1984 after an incident. Other countries lifted bans on arms sales to China, but the U.S. put pressure on these countries. Technology cooperation is a normal action. Mao stated, "We rely on our own efforts for development," and we rely on no others.

Another story: In the late 1950s and early 1960s, the Soviet Union deteriorated and agreements were broken. It was said that without help from the Soviet Union, China would never have the nuclear bomb. Mao said, "We will have the bomb at all costs." Mao said, "We should give a medal to Khrushchev and the medal should weigh one ton."

Look at our space ship. We relied on our own technology, as we will rely on our own research on a nuclear submarine. We will develop our own technology.

g. Military-Transparency in China

Military transparency is a common topic for U.S. officials. Compared to 1990, we have made remarkable progress. In a 2008 white paper, we discuss defense policy and military development. China's strategy for defense and military defense is described in that paper. The strategy is: before 2010, we build a basis for development; in 2020, we have capability; in 2050, we have IT-based military forces and are able to fight an IT war. The white paper talks about the role of the PLA and our development goals for the military services and nuclear forces. The white paper discusses army capability and a joint capability with the air force. For the navy, it defines maritime territories and how to fight against nuclear capabilities. The air force discussion goes beyond aerospace to enhanced air-defense missiles. Regarding nuclear, we will emerge from conventional and integrate nuclear into our overall capability. We will enter IT warfare battle conditions. These matters used to be top secret.

I wondered when I read the white paper. General Pace visited our nuclear command site and said, "Now I know everything about your forces." I, myself, have never visited this site.

h. Arms Sales to Taiwan

China has issued strong statements. China is now an opponent and friend to the U.S. If you do not show enough trust [inaudible] when dealing with friends. If you cannot keep your promise all the time, there will be no friends for you.

I agree with Dr. Weeks on the potential for cooperation on naval issues. Ninety percent of China's trade is by sea lanes. China is developing long-range maritime capability.

A China-U.S. confrontation and struggle will be damaging. The view of the past thirty years shows that China is a reliable friend.

2. Rear Admiral Zhou Borong

The speeches by General Welch and Dr. Weeks were impressive, as was General Mi's talk.

From 2001 to 2005, China participated in maritime consultative talks. There were three meetings with PACOM. Based on this experience, I have two points. First, better exchanges and dialogue will give benefits. Before 2001, MMCA did not go smoothly. The 1991 collision made MMCA more important. But, the U.S. stopped exchanges with China. The MMCA is the only way to talk.

Since 2001, we decided to talk about maritime security in the MMCA. We had three annual meetings and all went well. During these contacts, there existed different views. Six topics were discussed. No consensus was reached on any topic. Even though there were no agreements, we still want talks.

In 2005, China and the U.S. agreed on search and rescue exercises. This was a surprise. It shows we have common interests. I agree with Dr. Weeks that we need more dialogue.

I believe basic principles are needed before talks:

1. *Mutual trust.* This is the first principle. Without it there will be no outcome. Our U.S. counterparts have prejudice and neglect the main issues. The U.S. is too focused on issues it is interested in. This attitude makes agreement hard.
2. *Quality and mutual benefit.* There should be concern about the other's security, not just their own. U.S. aircraft conduct reconnaissance in Chinese territory. This is a threat to Chinese security. The U.S. knows about the EP-3 aircraft that collected electronic signals. PACOM says they don't talk about communications security. We are concerned about military

communications by ships and by aircraft. These attitudes make consensus difficult.

3. *Solutions should be according to international law and norms.* The U.S. uses domestic law to run against international law. Because of this, we lost the basis for talks. For example, "innocent passage" is a play on words. According to international law, it is allowed; however, U.S. military aircraft go 30–50 kilometers away from China 100 to 200 times per year. How is this innocent passage? Talks should be based on international norms.

The U.S. and Chinese navies have common interests in the Pacific area. I have said, "If we cannot be good friends, perhaps we can be good neighbors." I hope you will convey this message.

3. General Larry Welch

Mr. Mi has offered a long list of grievances against the United States. I will address four from that list—nuclear nonproliferation, East Turkestan insurgents, Iraq, and China's sovereignty as related to Taiwan.

a. Nuclear Nonproliferation

Mr. Mi suggests that the U.S. practices a double standard in that it supports India's quest for nuclear power and opposes the same for Iran. I agree that we practice a double standard regarding nuclear proliferation. Other responsible members of the international community practice the same rational double standard. There is one standard for responsible nations who need and seek nuclear power to satisfy part of their growing energy needs in support of economic growth to improve the lives of their people and who do not threaten their neighbors.

There is a very different standard for nations that do not behave according to accepted international norms. While Iran claims to be pursuing nuclear power and not nuclear weapons, the government of Iran has openly advocated the destruction of Israel, and they are one of the few nations in the world with energy resources far beyond their needs.

b. East Turkistan Insurgents

The charge is that the U.S. refused to turn over to China the East Turkestan insurgents captured in Iraq—a combat zone. Captured insurgents are held for their actions against the citizens of Iraq and coalition forces. China is not a part of that force;

hence, coalition forces have no obligation to surrender insurgents in Iraq to China based on the claim that they are Chinese citizens.

c. Iraq

Given no discovery of nuclear weapons, U.S. actions in Iraq were characterized as against the interests of world peace. In the aftermath of the failed search for nuclear weapons in Iraq, it is convenient to forget that Russian, French, British, German, and other intelligence services also believed that Iraq had such a program as did the leaders of both political parties in the U.S. I have no knowledge of the findings of the Chinese intelligence community but would be surprised if they had a different estimate.

Saddam Hussein went to great lengths to appear as though he had such weapons, though it will probably never be clear why he did that. In any case, it will be decades before we know the outcome of the coalition action to replace the dictatorship of Saddam Hussein with a representative government, and the U.S., not China, is bearing the burden of the decision to do so.

d. China's Sovereignty

The charge is the U.S. position and activity regarding Taiwan is interfering in the internal affairs of China. The facts are that the Taiwan issue is also very much an internal issue in the U.S.

The U.S. has a significant history regarding Taiwan that the government of the People's Republic of China needs to understand better. After expending massive blood and treasure to end the Japanese occupation of much of East Asia, the loss of China to communism in 1948 was one of the greatest foreign policy shocks in modern U.S. history and led many thoughtful policy people to fear that the communist cause was to dominate the world's political structure.

U.S. concern about communist China was exacerbated by China's intervention in the internal affairs of Korea, which cost the U.S. more blood and treasure and that remains an open wound. In the face of all that, less than twenty-five years after the "fall of China," a short time in the history of U.S.-China relationships, the U.S. President visited China to begin the process of building a normal relationship with China. This was ratified in 1979 when another U.S. President from the other political party declared the One–China policy and withdrew from the Taiwan defense agreement. However, the U.S. Congress immediately reacted with the Taiwan Relations Act that required that the U.S. continue to honor its commitments to Taiwan.

Every President since the declaration of the One–China policy has steadfastly maintained the policy in the face of frequent opposition from some members of the Congress and other groups in the United States. Presidents have sustained the policy because of a belief that it serves the interests of peaceful stability in East Asia and because of a conviction that, with time and patience, the Chinese living on Taiwan will have increasing ties to mainland China and that One China will, over time, become a nonissue. This trend is clearly evident today.

China's complaints about a U.S. relationship with Taiwan do not help the U.S. President maintain that position. The government of the People's Republic of China is getting what it needs from the U.S. regarding Taiwan. The PRC government should consider more carefully what it should be doing to help sustain the U.S. policy in word and practice.

As a final point, the government of the People's Republic emphasizes that Taiwan is a part of China. The U.S. agrees. Yet we see hundreds of surface-to-surface missiles positioned to attack Taiwan, and we see exercises to ensure preparedness to carry out such an attack. That does not seem to be the way a national government deals with an internal matter. That highly visible physical threat to Chinese citizens of Taiwan is exploited by those who have opposed the One–China policy from the beginning.

4. General Gong Xianfu

I want to express my gratitude for the frank views on the subject of challenges and opportunities of common security. All have been expressed with good will. Now I will express my views.

The U.S. and China have the most important bi-lateral relationship in the twenty-first century. First, consider the strategic view. The U.S. is the largest and China the fastest developing country. Good U.S. and China relations will benefit the world. The major powers must learn to deal with rising China. The U.S. and China must cooperate. In the long-term view, the rise of China is a must.

The key is to address common concerns. We have different national interests and priorities. China's sovereignty and territorial integrity are core, primary interests. Development is important. The Taiwan issue bears on the core issue for China. The U.S. is more concerned about dominance in the world than the region. These differences highlight the importance of talks. We say relatives will be closer if they visit regularly.

We learn proposals for improvement in security cooperation. General Welch and Dr. Weeks made good proposals, as did Mr. Jiang. Greater cooperation is needed.

On terrorism, we have had good cooperation. In the area of nonproliferation, regarding India, we have common goals but different views. Both have potential. On trans-national crime, we have had very good cooperation, yet we can strengthen intelligence and enforcement. On energy, we must maintain stability and security of energy resources, maintain safe passageway, and work out a way to avoid price rises. We can look to clean, replaceable energy resources. Nuclear power station cooperation is a good step. On the African issue, the U.S. is suspicious. We have great potential for cooperation in helping countries to develop. We can assist in infrastructure development, and medical issues. China and the U.S. should be good partners.

IV. SESSION 2:
THE BUSINESS OF DEFENSE

A. DAVID L. MCNICOL, IDA[3]

1. Major Elements of U.S. Policy Towards Business

Dr. McNicol's first presentation described persistent elements of U.S. policy towards business. He did so by identifying seven "channel markers" that tend to provide the conceptual space within which discussions of economic problems in the U.S. take place. These are listed below. The first of these principles emerged early in the Colonial Era (1607 to 1776) and the last, during the Great Depression of the 1930s.

- Markets—for goods and services, capital, labor, and raw materials—are the predominant and preferred mechanism for resource allocation.
- The Federal government should enable economic activity in some specific ways:
  - Maintain a fair, available, and effective legal system;
  - Protect intellectual property rights;
  - Provide public goods and limit "public bads" (e.g., environmental pollution) to an economically appropriate extent.
- The Federal government has statutory responsibilities for maintaining competition and preventing unfair business practices.
- The Federal government should ensure a stable banking system and open, tranparent markets for securities and corporate control.
- The preferred form of Federal intervention in markets is regulation, not statutes enforced through the courts or public ownership.
- The Federal government is responsible for the conduct of monetary and fiscal policy so as to promote a stable price level, full employment, and expansion of the economy.
- The Federal government should act to cushion some effects of markets on individuals (e.g., government unemployment insurance and pensions.)

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3 The following are brief synopses of Dr. McNicol's presentations. The reader is encouraged to contact him directly via e-mail (dmcnicol@ida.org) to obtain further information about these presentations.

None of these principles commands universal acceptance in the U.S., but they tend to form the policy context for discussion in the U.S. of governmental responses to economic issues.

Dr. McNicol stressed the unique character of U.S. regulatory agencies. Regulatory agencies were created as a mechanism, beyond the tools provided by the criminal and civil law, for constraining corporations and other organizations. Some regulatory agencies deal with concerns common to all businesses, such as consumer safety and health and safety of workers, while other agencies were created to set prices and control entry into and exit from specific industries. Regulatory agencies were given legislative and executive functions and their processes in some instances resemble those of U.S. courts. The courts, the Congress, and the President all act in different ways to constrain regulatory agencies. Trends in regulation since the 1970s include reduction of the use of regulation to set prices, expansion of environmental and health and safety regulations, and reduction of financial regulations.

2. Economic Approach to the Defense Sector

In his second presentation, Dr. McNicol briefly summarized the application of general business principles described in his first presentation to the defense sector of the economy, highlighting differences.

The rapid development of military aircraft in the 1930s led to a shift from government-owned and -operated shipyards and arsenals to contracting with private-sector firms for development and production of aircraft.

Federal economic statutes and regulations generally apply equally to defense contractors. Rather than being market driven, however, prices of defense systems are negotiated, subject to regulations that apply specifically to defense items. Many advantages to private ownership of defense industry would not be available under government ownership, such as better access to capital and employment of capital, more flexible labor laws, ease of exit, no future commitments, ease of ownership changes, etcetera.

The sources of procurement law are statutes, Executive Orders, decisions by administrative agencies and courts, and regulations. Acquisition and financial regulations that apply to industry are further detailed for application in the defense acquisition environment. Examples include the requirement to submit cost or pricing data and to adhere to the Truth in Negotiations Act (TINA).

Federal acquisition methods include sealed bidding, negotiation, and simplified procedures for relatively small purchases. Bid protests are allowed and can stop the award unless urgent need is established by the procuring agency.

The two main types of contracts used are fixed-price and cost-reimbursable contracts. The defining difference between the two lies in how risk is shared between the government and contractor. In fixed-price contracts, the contractor bears the risk. For cost reimbursable contracts, the government bears the risk. Firm-fixed-price contracts are used when technical uncertainty and cost/pricing uncertainty is low, while cost-plus-fixed-fee contracts are used when these factors are high. Incentives can be included in both types. Award fees are used when it is not possible to devise predetermined targets and contractor performance cannot be measured objectively. Several unusual types of contracts include undefinitized contractual actions, in which terms, specifications, or prices are not agreed to before performance begins, and letter contracts that authorize the contractor to begin immediately, with the government assuming maximum liability.

B. MAJOR GENERAL LEI YUANSHEN: CHINESE DEFENSE INDUSTRY AND WEAPONS PROCUREMENT

1. Chinese Defense Industry

In 1978, China entered a new stage. From 1986 on, China restructured its science and technology industries into general groups. In 1988, we split offices into group corporations. Nowadays, there are eleven large defense enterprises. These corporations conduct research and development, production, and business management of military and civilian equipment. They are giant government-owned businesses controlled by the central government, investment organizations to manage government assets and to conduct research and development (R&D) and production of military equipment. There are also private institutions. These groups have the total responsibility to attain military R&D and production requested by the service users.

- **China National Nuclear Corporation (CNNC):** CNNC is responsible for the science and technology development, production, and management of nuclear power and related areas, including military application of nuclear power, nuclear material, nuclear electricity generation, nuclear fuel, management and disposal of exhausted fuel and nuclear waste, locating and exploring uranium mines, nuclear equipment, isotope and nuclear technology, etcetera.
- **China Nuclear Engineering and Construction Corporation (CNECC):** CNECC conducts development and provides support of nuclear engineering,

nuclear electric power plant construction, nuclear power applications, and nuclear engineering technology.

- **China Aerospace Science and Technology Corporation (CASTC):** CASTC is mainly responsible for the development and production of long-range rockets, space capsules, military and civilian satellites, tactical guided missiles, ground-to-ground tactical missiles, surface-to-air missiles, and satellite ground control systems. It also provides international commercial satellite launching services.
- **China Aerospace Science and Industry Corporation (CASIC):** CASIC is mainly responsible for the development, manufacturing, and launching of medium- and short-range missiles, ballistic missiles, surface-to-air missiles, cruise missiles, and solid fuel rocket motors. CASIC also has commercial products and other businesses.
- **China Aviation Industry Corporation I (AVIC I):** AVIC I is responsible for the development, production, sale, maintenance, and support of military and commercial aircraft, engines, and avionics. This includes combat aircraft, fighter aircraft, bomber, aerial refueling tanker, transport, electronic warfare aircraft, trainer, surveillance aircraft, unmanned air vehicles, special mission aircraft, missiles, large civilian aircraft, regional aircraft, and commuting aircraft. It also has many other businesses that are not related to aviation.
- **China Aviation Industry Corporation II (AVIC II):** AVIC II is responsible for the development, production, sale, maintenance, and support of many military and civil aircraft, engines, and avionics. This includes: helicopters, transport, electronic warfare aircraft, trainers, missiles, unmanned air vehicle equipment, special mission aircraft equipment, regional aircraft, and commuting aircraft.
- **China State Shipbuilding Corporation (CSSC):** CSSC develops and builds warships, surface and undersea weapon equipment, civil vessels, and related ocean engineering, mechanical, and electronic equipment.
- **China Shipbuilding Industry Corporation (CSIC):** CSIC designs, develops, and builds warships, radars, guns, and command and control systems for the PLA Navy. This includes: nuclear submarines, conventional submarines, large surface warships, auxiliary ships, and torpedoes. It also designs, develops, and constructs commercial vessels and ocean engineering projects and provides maintenance, repair, and support services.
- **China North Industries Group Corporation (CNIGC):** CNIGC develops and manufactures military equipment: tanks, cannons, guns, missiles, bombs, munitions, propellants, electronics, electro-optic equipment, night vision equipment, fire control, and simulator training equipment.
- **China South Industries Group Corporation (CSIGC):** CSIGC develops and manufactures various cannons, guns, light weapons, rockets, bombs, munitions, missile warheads, fuses and explosives, electronics, fire control, command and control, night vision equipment, and simulator trainers. It also produces

automobiles, motor cycles, auto parts, guns, munitions, and explosives for civilian use.

- **China Electronics Technology Group Corporation (CETGC):** CETGC does research and development in many areas: military electronics and system integration, military software and information technologies, defense telecommunication infrastructure and security. It is also responsible for the construction of important telecommunication systems for the country.

China's defense industry is managed by the Defense Science and Technology Industry Division. Local governments also have their own organizations to oversee the activities:

- **Defense Science and Technology Industry Division** under the State Council governs national industry and telecommunication developments. The organization used to be "State Commission of Science, Technology and Industry for National Defense." Its main duties are: plan and oversee the establishment of core military industry capability; coordinate major weapon systems' development and production; secure conditions for their development and production; control approvals for production; manage and oversee sales of the military equipment; coordinate civilian and military research, development and production; oversee and manage product quality; safety and security of military equipment; administer defense patent rights and intellectual property rights; manage emergency responses to nuclear accidents; conduct mobilization of weapon equipment development and production; work with other responsible organizations to oversee and manage foreign military sales; organize and manage international cooperation and exchange of military technology; facilitate the introduction and fusion of advanced new technology; and engage in the administration of space, aircraft, and nuclear industries.
- **Defense Science and Technology Offices** in provincial governments, autonomous regions, and direct-reporting municipalities represent local governments in managing defense industry activities in the region, and participate in national defense industry administration. Their main jobs are: organize and coordinate local activities in the development and production of military equipment, evaluate qualifications for production and security of local military industry facilities, assist the Defense Science and Technology Industry Division to oversee the military equipment market for compliances with regulations and laws, coordination and facilitation of reforms, and stabilization of local military industry units.

2. China's Weapons Procurement

China's goal is to obtain high-quality, advanced performance, and fully equipped armament at reasonable prices for the military to accomplish their warfighting, training,

and other missions. Procurements have to follow the policies, plans, and directions for arming the military.

Weapons procurement includes equipment and programs approved by the Central Military Commission or General Armaments Department, spares, unique or emergency items, and foreign equipment purchases.

3. Weapon Systems Procurement Administrative Organizations

a. General Armaments Department (GAD)

Its main responsibilities are: formulate strategies, plans, policies, and rules and regulations for equipment procurement; administer PLA's funds for armament procurement; develop procurement plans; prepare budgets and monitor budget execution; administer foreign military procurements; administer contract negotiations and contract execution for military equipment and support services for the armed forces; manage procurement pricing, quality control, and acceptance testing; recommend producers for military equipment; assess production capability; and suggest their adjustments.

b. Related Armament Branches and Services Armament Divisions

For their responsible systems, their duties are: implement procurement plans, policies, rules, and regulations; formulate related regulations and procedures; prepare procurement plans; submit budgets and budget execution plan; oversee the usage of funding; govern related foreign procurements; conduct qualification reviews of producers; manage contracting and its execution; administer pricing, quality control, acceptance, transport, and support of these systems; govern matters related to plant representatives; administer related foreign military assistance equipment procurements; and provide recommendations for production locations, production capacity, and their adjustments.

c. Military Representative Organizations at Plants

Their main responsibility is to implement the armament procurement plan, policies, rules, and regulations at the production plant level. They participate in the qualification evaluation of production units, contracting, quality control, testing and acceptance, transportation, and support services. They recommend payment in accordance with the contract and the valuation at the product acceptance.

4. Weapons Procurement Planning

a. Medium- to Long-Range Procurement Plans

Plans are prepared once every five years. GAD drafts a medium- to long-range armed force procurement plan, after reviewing and assembling plans provided by individual services. GAD has the oversight responsibility on the execution of plans and makes appropriate revisions and adjustments. GAD reports the implementation status within six months of plan completion dates to the Central Military Commission.

b. Annual Procurement Plan

The annual plans are based on the medium- to long-range plans. They are built on a three-year cycle: the current year armament procurement plan, the draft plan for the following year, and the projection for the third year. The current year plan is based on the execution of the prior year plan, and changes in armament requirements and conditions. The second year plan is built upon the forecasted plan in the previous round, and the third year plan covers only those projects with durations longer than 18 months. This way, the plan rolls along year after year. GAD is responsible to review the annual plans by individual units, to integrate those plans, to carry out overall plans, to make adjusted plans for the following year, and in case of an emergency, to develop and execute an emergency plan.

5. Procurement Methods and Procedures

a. Open Solicitation for Bids

The government announces solicitation for bids in designated media; requests proposals from producers; follows established criteria and procedures to select producers; and signs contracts. This method is applicable when the procurement exceeds certain dollar thresholds, is commonly used, and does not require security safe guard. The basic procedure is as follows: form source-selection entity and selecting committee, prepare request for proposal, issue request for proposal, solicit bids, open bids, evaluate proposal, and announce selection.

b. Invitation for Bids

Based on the qualification of the producers, the government selects at least two contractors and sends the invitation for bids for competition. The government then signs the contract with the winner. This method is used when the procurement exceeds certain

dollar thresholds and is related to the safety of the country and the armed forces. This procedure is used when the procurement needs to be safeguarded for security reasons and is not suitable for open bids, takes too long, or is too expensive relative to procurements by open bids. The basic procedures are the same as for open bids.

c. Negotiated Procurement

The government negotiates with at least two producers and selects one to contract with. This method is used for procurements over certain dollar thresholds, when there are no bids or no bids that meet the requirements, when it takes too long for the bidding process, the technology is too complex or too specialized, there were no definitive requirements, or the government was unable to estimate the total cost. The basic procedure is as follows: form a negotiation team, develop a negotiation document, invite producers, negotiate, select the producer, and announce the result.

d. Sole-Source Procurement

This is when the government buys the equipment from one producer in a noncompetitive procurement. This method is used when the equipment is made by one producer only; it is not possible to buy from other sources in an emergency; it is necessary to continue to buy from an original producer to maintain commonality, or support and spare the existing equipment. The basic procedure is similar to the negotiated procurement.

e. Commercial, Off-the-Shelf Purchase

The government solicits quotes from suppliers, and selects one based on comparison of the quotes. This method is used for equipments that are below certain dollar thresholds, do not require safeguard of security, are commonly used, are standard, have many suppliers, and have pretty stable prices. The basic procedures are: form a purchase team, determine a list of suppliers, solicit quotes, select the supplier, and announce the result.

6. Equipment Producer Qualifications

The government has a system for qualifying contractors. The contractor needs to: (1) be able to assume liability on its own; (2) have good credit and quality control systems; and (3) have the capability to exercise the contract.

On a regular basis, headquarters equipment procurement divisions and service armament branches conduct qualification evaluation of contractors in accordance with certain set standards to produce a "Directory of Contractors" for specific systems, and submit that to GAD for their concurrence. Except in some special cases, contractor selection is limited to those in the directory.

7. Procurement Contract

The procurement of armament is achieved through contracting.

a. Establish Contract

With authorization from the responsible division in GAD, the plant military representative or some other organization signs the contract with the selected contractor. GAD provides the standard contract document.

Armament procurement is usually contracted annually, but it can cover several years if necessary.

The contracted procurement has to be in the current year's armament procurement plan, have a mature design, or have been approved. The contractor must be in the "Directory of Contractors" for the equipment and the pricing approved by the responsible procurement division. Any procurement contract that does not meet the above requirement has to be approved by GAD.

Draft contracts signed by the authorized plant representative or other organization and the contractor has to be reviewed by the responsible procurement division to assure that all the requirements for contracting are met and all rules and regulations are followed. A contract is authenticated only upon the approval of the responsible procurement division.

The responsible headquarters division and service procurement branch are to monitor and examine the contracting process and report back to the GAD.

b. Contract Execution

Both parties under the contract have to fulfill their responsibilities as specified in the contract in accordance with the regulations set by the government and the armed force. Among them, the contractor is responsible for assuring the quality and delivery schedule of the equipment. Government procurement divisions and plant representatives have oversight responsibilities for production progress, quality, cost, final evaluation and certification of the product, final acceptance, and transfer of the equipment to the user.

The government can reject products found not meeting the contract specification or quality standard.

If a product has quality issues or does not meet some key requirements, the government asks the contractor to take effective means to resolve the issues within a given period. If the contractor cannot meet the requirement within that period, the government can terminate the contract for default, ask the contractor to be responsible for the cancellation, and delete the contractor from the "Directory of Contractors."

Once a piece of equipment is transferred to the user, the government inspects and tests the equipment to see if it is fit for acceptance. If there is any problem during the transfer, plant representatives, service users, and related organizations resolve the issues with the contractor and report to the responsible upper-level divisions.

The contractor prepares a technical support plan in accordance with the contract and implements a good service and support mechanism to resolve any issues in equipment transportation, storage, usage, maintenance, and repair. If there are any quality-related problems within service time limits, the contractor must resolve them immediately, or take care of the problem under the terms of agreement.

Once the contract is signed, it should not be changed, terminated, or cancelled without mutual consent. But in case of (1) changes or cancellation of the procurement plan, (2) continuation of the contract is damaging to the interest of the country or the armed forces, or (3) the condition of executing the contract has drastically changed to make it impossible, the headquarters responsible division or armed force branch makes recommendations to GAD for contract alteration, termination, or cancellation and reports the case to the GAD for record purposes. The procurement division makes proper compensation to the contractor for cancellation or termination caused by the government. If the cancellation or termination is due to the contractor's fault, then the government demands compensation from the contractor.

GAD manages the defense funding for armament procurements. The finance division administers the payments to contractors.

Responsible divisions in the GAD and branches in service procurement organizations monitor the progress of current contracts and report back to the GAD.

8. Foreign Procurement

Foreign military procurement has to be consistent with national trade policy, follow national and armed forces regulations, and adhere to the principle of central management.

In cases of urgent military need that cannot be satisfied internally, or the need of spares and auxiliaries for imported equipment that is difficult to fill, or some special necessities, PLA Navy, Air Force, or Second Artillery Corps and procurement divisions can propose foreign buys (including technical and economical feasibility studies) and recommend sources of equipment procurement. GAD reviews and considers the proposal for approval. Important foreign procurements have to be approved by the Central Military Commission.

After approval, the GAD selects the source, organizes the technology, commences negotiations, and authorizes the import permit.

If the procured foreign equipment does not meet the contract specifications, the contracting organization for foreign procurement has to be notified immediately to negotiate and seek compensation. The compensation settlement pact is prepared by the headquarters procurement division or the service procurement division. After it is approved by GAD, it is handled by the foreign-buy contracting office.

C. QUESTIONS AND ANSWERS

Welch: What is the Chinese military services' role in acquisition?

Lei Yuanshen: The military services provide the need and requirement. Requests are submitted to the GAD and important projects are reported to the CMC. The military service requirements are put into the medium- to long-term plan. What gets put into the plan is decided by assigning priorities to requests. The plan can be amended while being implemented.

Military services test the items. Military services have representatives at the factory to ensure quality. The services conduct the tests. If the service says the item qualifies, the document is signed. Items that do not pass the tests are returned to the factory, and the factory takes responsibility. If too many items fail the tests, the factory is removed from the qualified list.

Welch: How well does the Chinese system deliver products on time, on cost, and on performance?

Lei Yuanshen: The GAD representatives take these factors into consideration while monitoring the quality of products. They look for three factors: quality, schedule, and how the money is used.

Dr. Stephen Balut, Special Assistant to the President for International Projects, IDA: General Lei mentioned that the eleven groups consisted of many state-

owned institutions, and also private institutions. What proportion of GAD's industrial production is provided by private institutions? Does China have different rules regulating state-owned verses private institutions?

Lei Yuanshen: The proportion of production provided by private institutions is not high. Some of these private institutions are part of the eleven groups. The production of certain products is performed by private groups, for example, armed vehicles with tires. The private institutions must be qualified before becoming part of the eleven groups.

On the matter of different rules, there were no groups before 1998. They have been operating for only ten years. Each group has different rules. Many of the approaches of the groups are not mature.

Balut: How are prices and profit determined for the private institutions?

Lei Yuanshen: The private companies are given a profit and if they did a good job they are rewarded with shares in the company. Regarding establishing price, there are different solutions. Generally price is cost plus a percentage of cost.

Chinese defense industry learned from the Soviets. We used to work only on defense products but now we have opened up. There have been three reforms. The first reform had to do with the structure of the product. The change was to produce products for both military and civilian use. For example, our ship groups are building commercial ships now. The second reform was share-holding reform. This was a total reform. We now have share-holding companies and some of these have gone public. More groups will go public and let the market determine business activity. The third change is that the government opened the acquisition system. Companies that produce civilian products can get into military products. Regarding profit, price should be cost plus five percent profit. Our problem is we need to know cost to implement this reform. We know that our defense spending does not look efficient due to the inclusion of social costs. Under the reform, factories will be able to produce civilian products and social costs will not be included in the price of the products.

We see that industry attempts to increase costs to get more profit. This makes our costs look high. In this third stage of reform, we hope to learn from foreign experience. All three of these reforms are based on lessons learned from the Soviet Union, the U.S., and Europe.

V. CLOSING REMARKS

A. GENERAL GONG XIANFU, VICE CHAIRMAN, CIISS

The workshop was successful. Our discussions were friendly, frank, and useful. Both sides made good preparations. There has been an increase of understanding on both sides. We visit at an important time. My colleagues and I at CIISS hope General Welch and IDA can carry good wishes and important signals to the DOD. China wants good, stable U.S.-China relations. We have tried our best to present an open view. Our last discussion on this business of defense proves we want to make improvements in openness.

We would like to continue the IDA-CIISS dialog.

B. GENERAL LARRY WELCH, IDA

There are a few indisputable facts. The world power centers are interdependent and have links. The rise of China is a fact and is welcomed. The world now has a wider range of challenges and will take the very best the U.S. and China can provide. IDA is glad to be a part of this.

ABBREVIATIONS

ASEAN	Association of Southeast Asian Nations
AVIC I	Aviation Industry Corporation I
AVIC II	Aviation Industry Corporation II
C4ISR	Command, Control, Communications, Computers, Intelligence, Surveillance, and Reconnaissance
C5ISR	Command, Control, Communications, Computers, Cryptology, Intelligence, Surveillance, and Reconnaissance
CASTC	China Aerospace Science and Technology Corporation
CASIC	China Aerospace Science and Industry Corporation
CETGC	China Electronics Technology Group Corporation
CIISS	China Institute for International Strategic Studies
CMC	Central Military Commission
CNA	Center for Naval Analyses
CNECC	China Nuclear Engineering and Construction Corporation
CNIGC	China North Industries Group Corporation
CNNC	China National Nuclear Corporation
CSIC	China Shipbuilding Industry Corporation
CSIGC	China South Industries Group Corporation
CSSC	China State Shipbuilding Corporation
DOD	Department of Defense
DPRK	Democratic People's Republic of Korea
GAD	General Armaments Department
GDP	gross domestic product
IDA	Institute for Defense Analyses
IMB	International Maritime Bureau
IT	information technology
MMCA	Military Maritime Consultative Agreement
NATO	North Atlantic Treaty Organization
PACOM	Pacific Command
PLA	People's Liberation Army
PRC	People's Republic of China
R&D	research and development
ROK	Republic of Korea

SARS	Severe Acute Respiratory Syndrome
TINA	Truth in Negotiations Act
UN	United Nations
U.S.	United States
WMD	weapons of mass destruction

REPORT DOCUMENTATION PAGE

Form Approved
OMB No. 0704-0188

1. REPORT DATE *(DD-MM-YYYY)*	2. REPORT TYPE	3. DATES COVERED *(From - To)*
xx-01-2009	Final	Jun 2008 - Jan 2009

4. TITLE AND SUBTITLE

Proceedings of the 3rd IDA-CIISS Workshop: Challenges and Opportunities of Common Security and the Business of Defense

5a. CONTRACT NUMBER
DASW01-04-C-0003

5b. GRANT NUMBER

5c. PROGRAM ELEMENT NUMBER

6. AUTHOR(S), Last Names First

Balut, Stephen J.
Welch, Larry D.
McNicol, David L.
Weeks, Stanley B.
Xianfu, Gong
Zhenyu, Mi
Borong, Zhou
Shiliang, Jiang
Yuanshen, Lei
Junmin, Gao
Zhenxi, Jiang
Jiangang, Wang

5d. PROJECT NUMBER

5e. TASK NUMBER
C0015

5f. WORK UNIT NUMBER

7. PERFORMING ORGANIZATION NAME(S) AND ADDRESS(ES)

Institute for Defense Analyses
4850 Mark Center Drive
Alexandria, VA 22311-1882

8. PERFORMING ORGANIZATION REPORT NUMBER

IDA Document D-3693

9. SPONSORING/MONITORING AGENCY NAME(S) AND ADDRESS(ES)

Institute for Defense Analyses
4850 Mark Center Drive
Alexandria, VA 22311-1882

10. SPONSOR/MONITOR'S ACRONYM(S)
IDA

11. SPONSORING/MONITORING AGENCY REPORT NUMBER

12. DISTRIBUTION AVAILABILITY STATEMENT

Approved for public release; distribution unlimited.

13. SUPPLEMENTARY NOTES

14. ABSTRACT

On October 14–15, 2008, representatives from IDA and the China Institute for International Strategic Studies (CIISS) met at CIISS in Beijing, China, for their third workshop for the purpose of fostering dialog between the United States and China on subjects of common interest. The topics addressed at this workshop were challenges and opportunities of common security and the business of defense. This document contains the proceedings of the workshop, including a speech delivered by General Larry D. Welch of IDA on the first workshop topic. Question-and-answer periods throughout the workshop focused mostly on the political status of Taiwan.

15. SUBJECT TERMS

China Institute for International Strategic Studies (CIISS); China; Taiwan; International Security; International Relations; Workshops

16. SECURITY CLASSIFICATION OF:			17. LIMITATION OF ABSTRACT	18. NUMBER OF PAGES	19a. NAME OF RESPONSIBLE PERSON (Last Name First)
a. REPORT	b. ABSTRACT	c. THIS PAGE			Balut, Stephen J.
Unclassified	Unclassified	Unclassified	Same as Report	51	19b. TELEPONE NUMBER (*Include area code)* 703-575-1431

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