

INTERNATIONAL SECURITY UPDATE
July 10 - 16, 2014

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1. [Hagel, French Defense Minister Le Drian Discuss Iraq \(07-15-2014\)](#)

DoD News, Defense Media Activity

WASHINGTON, July 15, 2014 – Defense Secretary Chuck Hagel discussed the situation in Iraq by phone today with French Defense Minister Jean-Yves Le Drian.

Pentagon Press Secretary Rear Adm. John Kirby issued a statement after the call saying Hagel "provided an update on the situation in Iraq, to include the political dynamics in Baghdad and a general sense of the security environment."

Both also discussed defense cooperation in Africa as well as preparations for the upcoming NATO summit in Wales in September, agreeing to speak again soon, Kirby said.

Readout of Secretary of Defense Chuck Hagel's Phone Call with French Minister of Defense Jean-Yves Le Drian

Pentagon Press Secretary Rear Adm. John Kirby provided the following readout:

Secretary of Defense Chuck Hagel spoke via telephone with French Minister of Defense Jean-Yves Le Drian today. Secretary Hagel and Minister Le Drian last met in Paris during the D-Day commemorations on June 7.

Secretary Hagel provided Minister Le Drian an update on the situation in Iraq, to include the political dynamics in Baghdad and a general sense of the security environment. Secretary Hagel and Minister Le Drian also discussed the deep U.S.-French defense cooperation in Africa, as well as preparations for the NATO Summit in Wales in September.

The two leaders agreed to keep in close contact on this broad range of security issues, and to speak again soon.

Biographies:
[Chuck Hagel](#)

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[Department of Defense Press Briefing by Admiral Kirby in the Pentagon Briefing Room](#)

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2. Energy Chief Discusses Clean Energy, Nuclear Security in China (07-15-2014)

Washington — Discussions at the just-concluded 2014 U.S.-China Strategic and Economic Dialogue extended to areas beyond statecraft and trade issues, as demonstrated by the participation of U.S. Energy Secretary Ernest Moniz.

Moniz traveled to Beijing from July 8 to 11 to participate in the annual dialogue, which is the pre-eminent channel for government-to-government discussions of issues relating to global, regional and national security and economic issues.

The energy secretary met with several of his counterparts in the Chinese government, as well as representatives of U.S. and Chinese companies, research groups and nongovernmental organizations. During these meetings, Moniz focused on opportunities to expand and deepen U.S.-China collaborations on clean energy and climate change, according to the U.S. Department of Energy (DOE).

“Increased cooperation between the United States and China is imperative to solve the enormous energy and climate challenges we face,” Moniz said. “This week, the message has been consistent in every meeting and extremely encouraging: a shared desire for our two countries to work closely together to combat climate change, and develop and deploy clean energy.”

On July 10, Moniz signed two agreements aimed at encouraging significant new bilateral cooperation on energy issues.

Moniz and Administrator Wu Xinxiong of China’s National Energy Administration signed a memorandum of understanding (MOU) for cooperation on strategic petroleum reserves. The MOU enables the DOE’s Office of Petroleum Reserves and NEA’s National Oil Reserve Office to share information on technical, management, and policy issues related to oil stockpiles. DOE and NEA will conduct annual technical meetings to be held alternately in the United States and China.

These activities will allow the two countries to understand each other's systems and decision-making, which will facilitate effective response to disruptions in the global petroleum supply.

Moniz signed a separate MOU for cooperation on electric vehicles and industrial energy efficiency with Minister Miao Wei of the Chinese Ministry of Industry and Information Technology. Under this framework, the two sides will conduct cooperation in the fields of electric vehicles and related technologies, as well as energy efficiency improvement for end use products.

Moniz and Miao agreed on the importance of expanding joint work to promote efficient industrial use of energy and inter-operability of electric vehicles.

The energy secretary also met with the China Atomic Energy Authority Chairman Xu to discuss collaborations on nuclear power and nuclear security, including joint efforts to reduce use of highly-enriched uranium in research reactors around the globe.

Moniz wrapped up his visit to China by meeting with Chinese Minister of Science and Technology Wan Gang to reviewing research progress and considering expansion of the U.S.-China Clean Energy Research Center (CERC).

CERC, launched by President Obama and former Chinese President Hu Jintao in 2009, serves as a framework for joint research in key areas, including energy-efficient buildings, low-carbon coal technologies and electric vehicles.

Related Sites:

[Kerry on Nuclear Negotiations with Iran](#)

[State Dept. on Outcomes of U.S.-China Strategic Track Dialogue](#)

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3. Facts on Ukraine's Efforts for Peace, Russia's Support of Conflict (07-14-2014)

Russia's Continuing Support for Armed Separatists in Ukraine and Ukraine's Efforts toward Peace, Unity, and Stability

The United States' goal throughout the crisis in Ukraine has been to support a democratic Ukraine that is stable, unified, secure both politically and economically, and able to determine its own future. Therefore, we support ongoing dialogue among the foreign ministers from Ukraine, Germany, France, and Russia to work toward a sustainable ceasefire by all parties in the Luhansk and Donetsk regions in eastern Ukraine that would build toward a lasting peace. We should emphasize, however, that our ultimate goal is not just a temporary halt to violence. We want Russia to stop destabilizing Ukraine and occupying Crimea, a part of Ukraine's territory, and allow all of the people of Ukraine to come together to make their own decisions about their country's future through a democratic political process.

Ukrainian President Poroshenko has proposed a detailed peace plan that includes a promise of amnesty for separatists who laid down their arms voluntarily, and who are not guilty of capital crimes, decentralization of powers within Ukraine, and protection of the Russian language. He also implemented a unilateral ten-day ceasefire on June 20 to create room for a political solution, which unfortunately was not reciprocated by the separatists and their Russian backers.

While Russia says it seeks peace, its actions do not match its rhetoric. We have no evidence that Russia's support for the separatists has ceased. In fact, we assess that Russia continues to provide them with heavy weapons, other military equipment and financing, and continues to allow militants to enter Ukraine freely. Russia denies this, just as it denied its forces were involved in Crimea -- until after the fact. Russia has refused to call for the separatists to lay down their arms, and continues to mass its troops along the Ukrainian border. Many self-proclaimed "leaders" of the separatists hail from Russia and have ties to the Russian government. This all paints a telling picture of Russia's continued policy of destabilization in eastern Ukraine.

Here are the facts:

- Russia continues to accumulate significant amounts of equipment at a deployment site in southwest Russia. This equipment includes tanks of a type no longer used by the Russian military, as well as armored vehicles, multiple rocket launchers, artillery, and air defense systems. Russia has roughly doubled the number of tanks, armored vehicles, and rocket launchers at this site. More advanced air defense systems have also arrived at this site.
- We are confident Moscow is mobilizing additional tanks that are no longer in the active Russian military inventory from a depot to send to this same deployment site.
- We are concerned much of this equipment will be transferred to separatists, as we are confident Russia has already delivered tanks and multiple rocket launchers to them from this site.
- Available information indicates Moscow has recently transferred some Soviet-era tanks and artillery to the separatists and that over the weekend several military vehicles crossed the border.
- Social media videos of separatist military convoys suggest Russia in the past week alone has probably supplied the militants with at least two-dozen additional armored vehicles and artillery pieces and about as many military trucks.
- Publicly available videos posted on July 14 of a Luhansk convoy on the road to Donetsk revealed at least five T-64 tanks, four BMP-2 armored personnel carriers (APC), BM-21 multiple rocket launchers, three towed antitank guns, two ZU 23-2 antiaircraft guns, and probably a 2B16 mortar.
- A video of Krasnodon, near the Izvaryne border crossing, on 11 July showed two BTR armored personnel carriers, two antitank guns, and various trucks on a road heading in a westerly direction towards Donetsk.
- A video filmed in Donetsk on 11 July showed a convoy of three BMD-2 APCs, two BMPs, one 2S9 self-propelled gun, and a BTR-60 APC.
- In addition, after recapturing several Ukrainian cities last weekend, Ukrainian officials discovered caches of weapons that they assert came from Russia, including MANPADS, mines, grenades, MREs, vehicles, and a pontoon bridge.
- Ukrainian forces have discovered large amounts of other Russian-provided military equipment, including accompanying documentation verifying the Russian origin of said equipment, in the areas they have liberated from the separatists.
- Photographs of destroyed or disabled separatist equipment in eastern Ukraine have corroborated that some of this equipment is coming from Russia.
- Recruiting efforts for separatist fighters are expanding inside Russia and separatists are looking for volunteers with experience operating heavy weapons such as tanks and air defenses. Russia has allowed officials from the "Donetsk Peoples' Republic" to establish a recruiting office in Moscow.
- Ukrainian pilot Nadiya Savchenko, who has long had a distinguished career in the Ukrainian military, was taken by separatists in mid-June. She is now being held in a prison in

Voronezh, Russia. According to the Ukrainian government, she was transferred to Russia by separatists.

- Separately Russia continues to redeploy new forces extremely close to the Ukrainian border. We have information that a significant number of additional military units are also in the process of deploying to the border.

Ukraine's Good-Faith Efforts: In a bid to unify the country, President Poroshenko outlined a comprehensive peace plan on June 7. President Poroshenko's plan offers amnesty to separatists who lay down their arms voluntarily, and who are not guilty of capital crimes; commits to providing a safe corridor for Russian fighters to return to Russia; establishes a job creation program for the affected areas; includes an offer of broad decentralization and dialogue with eastern regions, including the promise of early local elections; and grants increased local control over language, holidays, and customs. President Poroshenko also has reached out to the residents of eastern Ukraine and is pursuing constitutional reform which will give local regions more authority to choose their regional leaders and protect locally-spoken languages.

President Poroshenko implemented a unilateral seven-day (later extended to ten days) unilateral ceasefire on June 20. He also proposed meeting with leaders from eastern Ukraine - including separatists - despite their stated unwillingness to abide by the cease-fire or to negotiate.

Yet Russia and its proxies in Donetsk and Luhansk did not act on this opportunity for peace. Hours after the ceasefire began, Russia-backed separatists wounded nine Ukrainian service members. During the course of the ten-day ceasefire, Russia-backed separatists attacked Ukrainian security forces over 100 times, killing 28 service members. The separatists continue to hold more than 150 hostages, mostly civilians, including teachers and journalists. Separatists have refused all offers by the Ukrainian government to meet.

This timeline of events leading to, during, and after the unilateral Ukraine ceasefire illustrates how the good-faith efforts of the Ukraine government and European leaders to broker a ceasefire with Russia and the separatists it backs have been rejected. Russia and the separatists they are supporting continued to destabilize Ukraine throughout the ceasefire, and continue to destabilize Ukraine today.

- May 25: Petro Poroshenko, who had campaigned on a platform stressing reconciliation with the east and Russia, is elected by an absolute majority of voters in Ukraine.
- June 8-17: President Poroshenko hosts five rounds of contact group talks, facilitated by the OSCE envoy, in the lead-up to his announcement of a ceasefire.
- June 12: Poroshenko initiates a call to President Putin to open communication.
- June 14: EU-brokered gas talks end with a final EU brokered proposal: Ukraine accepts the proposal, but Russia rejected it.
- June 19: Poroshenko meets with eastern Ukrainian leaders, including separatists, in Kyiv.
- June 20: Poroshenko implements a seven-day unilateral ceasefire. Hours later, nine Ukrainian service members are wounded by pro-Russian separatists, foreshadowing separatists' 100 plus violent actions over the next 10 days.
- June 23: The contact group meets in Donetsk.
- June 25: NATO Secretary General Rasmussen notes that there are "no signs" of Russia respecting its international commitments with regard to Ukraine.
- June 27: Ukraine provides constitutional reform provisions to the Venice Commission for review. This reform would allow for the direct election of governors and for local authorities to confer special status on minority languages within their regions.

- June 27: Poroshenko extends the unilateral ceasefire another 72 hours to allow another chance for OSCE contact group negotiations to show progress.
- June 28: Ukraine shoots down two Russian UAVs violating Ukraine's airspace in the Luhansk region.
- June 30: Due to the separatists' refusal to abandon violence in favor of negotiation, President Poroshenko allows the cease-fire to expire.
- July 3: President Poroshenko in a telephone conversation with U.S. Vice President Biden reaffirms that he is ready to begin political negotiations to resolve the situation in Donetsk and Luhansk regions without any additional conditions.
- July 8: President Petro Poroshenko visits the former rebel stronghold of Slovyansk to meet with local residents after government forces recapture it from pro-Russian separatists.
- July 9: Ukraine restores electricity and train service to Slovyansk, and Ukrainian security forces distribute food, drinking water, and humanitarian aid to the population.
- July 11: The Ukrainian government establishes an inter-agency task force in Slovyansk that is conducting damage, security, and humanitarian needs assessments.
- July 11: The Ukrainian government reports that it delivered over 60 tons of humanitarian aid supplies in Donetsk Oblast over the preceding 24 hours, bringing the five-day total to 158 tons. President Poroshenko announces that Ukrainian security forces had successfully cleared nearly 100 mines and roadside bombs from liberated territory.

As General Philip Breedlove, NATO's Supreme Allied Commander for Europe, stated on July 1: "The cease fire in Ukraine was not ended because of accusations; it was ended because Russian-backed separatists responded with violence while President Poroshenko tried to open a window for peace. Russia's commitment to peace will be judged by its actions, not its words." As the United States and our European allies have repeatedly stated, we call on the Russian government to halt its material support for the separatists, to use its influence with the separatists to push them to lay down their arms and abide by a ceasefire and to release all hostages. Only then can the process of bringing peace to Ukraine truly begin.

4. DoD Official Outlines Issues for September's NATO Summit (07-14-2014)

By Nick Simeone
DoD News, Defense Media Activity

WASHINGTON, July 14, 2014 – As NATO prepares for a summit in September, a senior Defense Department official today characterized the alliance as being at a turning point, with questions emerging about the kinds of missions it should take on post-Afghanistan, appropriate levels of defense spending by its members, and whether NATO publics will question the alliance's relevance going forward.

"For NATO to continue to be seen as relevant to our publics, it needs to be seen as addressing the security issues that are relevant to our publics, so that's why as an alliance we need to work harder," Derek Chollet, assistant secretary of defense for international security affairs, said during a "Transatlantic Talks" discussion at the German Marshall Fund of the United States here.

Chollet, whose Pentagon portfolio includes department policy on Russia and Ukraine in addition to alliance issues, said the NATO summit set to be held in Wales will come at a critically important time for the alliance, given the uncertain security situation in Eastern Europe and the scheduled end of NATO's combat mission in Afghanistan in December, as well as other possible responsibilities that its 28 members could be asked to take on in the future.

“As we are approaching the end of this year with Afghanistan transitioning to a train, advise and assist mission, we are once again facing for the alliance a moment where we are asking, ‘What is the alliance for?’” he said.

The crisis in Ukraine, Chollet said, has served to bring some of these issues to the forefront, including the question of capabilities, which inevitably touches on defense spending by European governments.

“Declining defense budgets and declining capabilities remain a challenge, they remain a problem, and they remain something we worry very much about, and that’s why these issues have been on the agenda at NATO at ministerials, and that’s why they will be front and center at the summit,” Chollet told his audience of journalists, think tank members and diplomats.

It was an echo of warnings by Defense Secretary Chuck Hagel and his recent predecessors, who have publicly called on NATO’s European members to pick up an increasing share of the alliance’s budget, the bulk of which is paid by the United States.

Chollet said demonstrating the importance of holding the line on defense spending is one reason why President Barack Obama has asked Congress to approve up to \$1 billion to fund the European Reassurance Initiative, a program he announced last month intended to reassure U.S. allies of American support on the continent through security operations that include exercises and troop rotations.

“Think of it as a challenge pledge,” he said. “We’re showing that we’re still willing to try to buck the political trends here and continue to spend on European security, and we expect our European partners to show the same.”

Biographies:

[Derek Chollet](#)

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[DoD Official Expresses Concern Over Russian Intentions](#)

5. State’s Nuland on Western Balkans, Trans-Atlantic Relationship (07-11-2014)

*Victoria Nuland, Assistant Secretary, Bureau of European and Eurasian Affairs
Keynote Address at the Croatia Forum, Dubrovnik, Croatia*

Thank you for that, Jacques. Hello, dobar dan, everyone. It is so wonderful to be here in Dubrovnik again to talk about the Western Balkans and the transatlantic relationship. This has always been a happy conference for me when I’ve been lucky enough to come. I think the last time I was here it was an all European World Cup final. We’re only half European this time, but anyway, it’s wonderful to be back. This is such a spectacular setting to pause and reflect on the challenging year that we’ve all had and the work ahead on our shared journey for a Europe whole, free, and at peace, and an ever stronger transatlantic bond. Our thanks to Minister Pusic, to the Croatian hosts.

July 16, 2014

Whether in NATO or the EU, in Afghanistan or KFOR, the work we do together on energy security, Balkan security, Ukrainian security, Croatia is an absolutely vital ally and partner of the United States and for all of us.

In a region layered with history, memory, and milestones matter. Even as we mourn the tragedy that took place in Srebrenica 19 years ago today, we can look with pride at the progress achieved in the Western Balkans and Central and Eastern Europe to overcome divisions of the past and to integrate the region into Euro-Atlantic structures. Like many of you in this room, I remember exactly where I was on that horrible day 19 years ago. And as a young diplomat, struggling to understand such carnage in the heart of Europe, our goal then of cementing this region and Eastern Europe into Euro-Atlantic structures seemed unattainable.

And yet today, Croatia and Slovenia are models for their Balkan neighbors. Albania is in NATO and just two weeks ago, it was granted EU candidate status. Kosovo is independent and normalizing relations with Serbia through the EU-led dialogue. Serbia has launched its EU accession talks in January, and Kosovo is on its way to a Stabilization and Association agreement. Montenegro is making steady progress towards both NATO and the EU. And Moldova, Georgia, and Ukraine signed historic agreements with the European Union.

All these achievements took hard work by the countries involved, patient support and diplomacy from those of us who are already in the big clubs, and most of all, a continued commitment by every nation represented at this conference to work together for a more democratic, peaceful, prosperous, and united continent. That work has got to continue. No matter how hard it is, how intractable the problems sometimes feel, people from Kosovo to Kyiv are counting on us to stand with them as they seek lasting security, prosperity, and a better future.

And there's so much more to do, to secure this region and Europe's East. Russia's occupation and attempted annexation of Crimea, its continued destabilizing actions in Eastern Ukraine and Gazprom's June 16th gas delivery cut-off to Ukraine remind us that pressing security threats still exist. Russia's actions are an affront to our fundamental values and to Helsinki Principles and to the territorial integrity and sovereignty of 46 million Ukrainians and their right to choose, as all of us have, their future with dignity.

And just as we have stood together with those in the Western Balkans who have sought and are still seeking to join the institutions of the Euro-Atlantic community, we must stand with the Ukrainian people in their hour of need. That means supporting the democratically elected president as he works to offer peace, amnesty, broad decentralization and political reform, and pushes through painful economic reforms. That means continuing to insist that President Putin end all, all support for armed separatists and thugs who are fostering unrest in Donetsk and Luhansk. No more weapons, no more money, no more hostages and kidnappings. We need a cease-fire that both sides honor. And we need to see true security on both sides of the Russian and Ukrainian border monitored by the OSCE. All of this is possible with political will in Moscow and pressure on their proxies. And if that is not forthcoming, in days, not weeks, we must all be willing to impose more costs on Russia.

Why? Because Europe will not be at peace until Ukraine is at peace. Every day that the undeclared war goes on, the costs for Ukraine and the costs for all of us go up. A protracted conflict doesn't just cost Ukrainian blood and treasure, it imperils the investment that all of us have already made in Ukraine's economic and political stability and it increases the cost of restoring that stability and security and unity. And every day the conflict continues increases the risk of a broader impact on the security, stability and prosperity of the rest of Europe. That's why words from Russia are not

enough. We need action now, and we must be prepared to take more action of our own in coming days, if necessary.

That's also why, now more than ever, NATO Allies must remain vigilant in the steps that we are taking to demonstrate on land, sea, and air, that NATO territory is inviolable, that we will defend every piece of it. In the run-up to the September NATO Wales Summit, all NATO members must sustain this demonstration of Alliance solidarity, and we must also work together to reverse the downward slide in defense budgets.

Today, NATO is not just about securing our own space, keeping faith with the people of Afghanistan and Kosovo, and continuing our other missions. We must also look south, across the Med, to Libya, to Iraq, to Syria and to other places where extremism is being fought. And we have to think more creatively about the contribution that NATO can make to training and sustaining those forces working to restore democratic norms and peace across North Africa and the Middle East. As the recent tragic shooting in the heart of Europe, in downtown Brussels, reminds us, violent extremism will come to our streets if we don't stand against it more effectively at home and abroad. And that means sustaining our defense and security budgets.

There are two other essential elements of our shared security and prosperity that I want to touch on today because they are just as essential to our future: energy and economic security and countering corruption. Now more than ever, we have to work to secure Europe's energy security by ensuring diversity of supply, building up reverse flow capabilities and storage capacity and creating deeper networks of import terminals and interconnectors throughout the continent. This nation, Croatia, has an essential role to play as an energy security hub for the 21st century.

We also have to work to complete an ambitious Transatlantic Trade and Investment Partnership that makes all of us more competitive globally, boosts economic and job growth and preserves the high social and environmental standards our citizens expect.

In this region, we see that corruption, democratic drift, protracted conflict, ethnic tensions and violence still threaten many states. Bosnia and Herzegovina's Euro-Atlantic path remains stuck, because some politicians are more interested in maintaining a dysfunctional status quo than in serving their own citizens. Macedonia hasn't yet joined the EU and NATO because of a dispute over its name. If we believe in this European dream and in the shared values that undergird it, then we must invest in them every day, and not allow old grievances to become permanent ones.

And as we look to shore up the values at the core of the transatlantic community, the fight against corruption and democratic backsliding must now be an equally frontline concern. Europe can't be whole when kleptocrats treat states as a bonanza of spoils for themselves and their cronies. And it can't be free when elections are rigged, independent media is silenced and minorities are vilified. And it can't be at peace when corrupt officials use political, economic, and judicial intimidation to stifle opposition and rip off their own citizens.

Corruption also threatens national sovereignty because every dirty politician in our midst, every dirty non-transparent contract that we allow, creates another wormhole of vulnerability and an opportunity for mischief by outside forces. From the Balkans to the Baltic to the Black Sea, we must understand, as those on the Maidan did, that corruption is not just a democracy killer, it's another grey tool in the arsenal of autocrats and kleptocrats who seek to extend their influence, weaken our democracies and enrich themselves at the expense of our citizens.

Every country in the Euro-Atlantic region has struggled with the scourge of corruption and the United States is no exception. Our democracy, like all democracies, is a work in progress. As the

United States continues its journey to become a more perfect union, we fight every day to deliver the clean, fair, equitable government of the people, by the people and for the people, that Americans expect. And as we do so, we will also stand with all those across Europe and Eurasia who are fighting to root out corruption wherever it hides, and to strengthen freedom of the press, active civic engagement, transparent and accountable government, and the rule of law.

From Dayton to Donetsk, for more than 20 years, the United States has been proud to stand with the nations represented at this conference in the hard work we have done together to build a Europe whole, free, and at peace. For my nation, this is not only the right thing to do, it's also a selfish thing to do, because a secure, prosperous, democratic, and peaceful Europe is essential to America's own prosperity and national security. With that work unfinished and challenges to our security, our economic wellbeing and our values coming from so many directions now, we need to take inspiration from this beautiful place where we are this weekend and the progress our past unity has enabled, and redouble our efforts together. Together, as a transatlantic community, we must continue to set the global gold standard in protecting and advancing freedom, choice and human dignity of our own people and of people everywhere who share our values and aspirations. We know our work is not done, and we know we have to do it together.

Thank you very much.

6. China, U.S. Discuss Economy, Cybersecurity (07-10-2014)

By Shannon Van Sant
Voice of America

Beijing — The United States and China vowed to make progress on disagreements over cyberhacking and economic disputes as they wrapped up two days of high-level talks in Beijing.

U.S. Secretary of State John Kerry said July 10 he had a “frank” discussion with his Chinese counterparts about cyberattacks, which he said are hurting American companies.

China rejects U.S. charges that it is stealing intellectual property from U.S. companies, instead accusing the U.S. of conducting its own espionage against Beijing.

The second day of the U.S.-China Strategic and Economic Dialogue talks began with a breakfast that included entrepreneurs from the United States and China.

At a time when there are continuing tensions between the two nations on state-backed cyberhacking, Chinese territorial disputes with U.S. allies in Asia, and human rights issues, many see economic cooperation as a key opportunity.

GLOBAL ECONOMY

Addressing the gathering, U.S. Treasury Secretary Jack Lew said, “Today, strengthening the commercial relationships remains an important test ahead of us. It's a way to create economic growth and jobs in our two countries and it's a way to help drive the global economy forward.”

The U.S. economy shrank in the first quarter of 2014 by 2.9 percent. China's grew by 7.4 percent during the same period, but that is an 18-month low for the country.

After the 2008 financial crisis, huge Chinese government stimulus spending boosted its economy and helped lift the rest of the world. But on July 9, Beijing's finance minister said those spending measures are over, and it is up to the United States to drive the global economy.

Lew also said Chinese leaders committed during the talks to allow the market to play a bigger role in the value of the yuan currency, which the U.S. says is undervalued.

Also on July 10, Kerry told the group of Chinese and American business leaders that it is crucial both countries manage their differences on national security and economic issues.

"China and the United States represent the greatest economic alliance, trading partnership in the history of humankind. And it is only going to grow," Kerry said.

The meeting served as an opportunity for the American and Chinese entrepreneurs to discuss their grievances and difficulties in doing business with one another.

ACCESS TO MARKETS

U.S. companies have complained about a variety of issues, including restricted access to Chinese markets, intellectual property theft, and the low value of China's currency, which gives Chinese exporters an advantage.

Stressing that business is the "backbone" of the U.S.-China economic relationship, State Councilor Yang Jiechi said Beijing will work to address the concerns.

"I believe all departments from our two countries' governments will pay high attention to the proposals and suggestions raised by all entrepreneurs today and will carefully look into them, try to include them into the agenda of the Strategic and Economic Dialogue, to constantly eliminate the obstacles when carrying out cooperation between enterprises from two countries, to constantly provide a driving force and create a better development atmosphere," Yang said.

Later on July 10, Kerry told a gathering that academic freedoms and independent news media are key issues in the relationship between Washington and Beijing.

"It's a partnership that has the potential to be even stronger when we understand that academic freedom and free press are not barriers to greater exchanges between our people — they are the drivers of a better understanding of those exchanges," Kerry said.

"The story of U.S.-China relations really can be one of genuine cooperation, and frankly a spectacular accomplishment," he added.

During the annual talks, Beijing officials have insisted they are trying to find the right balance on advancing economic reforms, including exchange rate liberalization and market access.

The two days of talks are also focusing on other disputes, such as China's maritime disputes with its neighbors and U.S. concerns over China's human rights record.

At the first day of the dialogue, Chinese President Xi Jinping emphasized cooperating, saying confrontation between the U.S. and China would "definitely be a disaster."

Kerry said the United States and China have the ability to find common ground. He said Washington is not trying to contain China, but hopes it becomes "peaceful, stable and prosperous."

Meanwhile, a writer who advocates human rights in Tibet says authorities have placed her and her husband under house arrest in Beijing for Kerry's visit.

Tsering Woesser was kept from attending a dinner to which she was invited by the U.S. embassy.

Woesser was given an International Women of Courage Award by the State Department last year. State Department spokeswoman Jen Psaki said officials are concerned by her reported house arrest and are looking into the matter.

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[Facts on U.S.-China Consultation on People-to-People Exchange](#)

[Facts on Economic Track of Strategic and Economic Dialogue](#)

7. Hagel Discusses Nuclear Deterrence, Modernization (07-10-2014)

By Cheryl Pellerin

DoD News, Defense Media Activity

NAVAL SUBMARINE BASE KINGS BAY, Ga., July 10, 2014 – During a visit to the East Coast homeport for six Ohio-class fleet ballistic-missile and two guided-missile submarines here yesterday, Defense Secretary Chuck Hagel spoke with 14 female submariners, toured the ballistic-missile submarine USS Tennessee, and took questions at an event with 180 sailors, Marines and Coast Guardsmen.

The secretary's stop here was the on first day of a two-day trip that includes visits today to Eglin Air Force Base in Florida, home to the Air Force's first full squadron of F-35A Lightning II joint strike fighter aircraft, and a stop at Fort Rucker, Alabama, the home of Army aviation.

Hagel is traveling to these southeastern U.S. bases to ensure the department stays focused on long-term concerns affecting American interests and allies in Asia, Europe and worldwide, Pentagon Press Secretary Navy Rear Adm. John Kirby said earlier this week in announcing the trip.

The submarine base is home to Submarine Group 10, Submarine Squadrons 16 and 20, the Trident Training Facility, the Trident Refit Facility, the Strategic Weapons Facility-Atlantic, and other support-providing commands. More than 8,000 personnel work at the base, including nearly 5,000 active-duty Navy personnel, 2,322 civilian employees and 1,298 contractors.

At the Kings Bay troop event, Hagel greeted an auditorium full of Navy, Marine Corps and Coast Guard service members, bringing them greetings from President Barack Obama and everyone at the Defense Department.

"We thank you for what you're doing and what you have been doing here. I know occasionally you might wonder if anybody is paying attention or cares," the secretary said. "We are paying attention. We know what you do. We appreciate what you do."

Hagel also sent thanks to their families and said the department appreciates their sacrifices. "We understand their sacrifices and we don't take those sacrifices for granted," he told the service members.

Hagel has made it one of his highest priorities to ensure the United States maintains a safe, secure and effective nuclear deterrent. This includes commitments to modernizing the nuclear enterprise infrastructure and maintaining a highly capable, skilled and motivated force.

In early January, Hagel traveled to Albuquerque, New Mexico, for briefings at Kirtland Air Force Base and the Air Force Materiel Command's Nuclear Weapons Center, whose responsibilities include nuclear system program acquisition, modernization and sustainment for the Defense and Energy departments. While there, he visited Sandia National Laboratories, where scientists and engineers develop, engineer and test non-nuclear components of nuclear weapons.

The next day in Cheyenne, Wyoming, he visited the Missile Alert Facility and Launch Control Center, where he received briefings and had lunch with missile combat crew members and security forces.

Afterward, at nearby F.E. Warren Air Force Base, where the 90th Missile Wing operates 150 Minuteman III intercontinental ballistic missiles, he held a troop event for 200 service members.

“I think it’s very important that all of us who have some responsibility for the national security of this country pay attention to every aspect of that responsibility,” Hagel said in Cheyenne, “and certainly the nuclear component of our defense capabilities -- the deterrence capabilities that nuclear gives us.”

Also in January, Hagel also called for an independent review of the strategic deterrence enterprise as it relates to Defense Department personnel, and he since has continued to meet directly with officers and enlisted personnel who have day-to-day responsibility for carrying out that mission, senior defense officials said.

“I think you all know that I ordered an ... internal and external review of the nuclear forces a few months ago,” Hagel said here yesterday. “Those internal and external reviews have come back. I've been briefed on the reviews.”

The secretary added that he is working with DoD leaders to decide which recommendations the department will adopt to strengthen the health of the nuclear workforce, strengthen the nuclear enterprise and ensure that those involved in the enterprise have the resources they need to do their jobs.

Over the last 13 years as the United States was involved in two large land wars, “we let our focus on the nuclear deterrence aspect of our national security drift a little,” Hagel acknowledged. “Because of that,” he added, “priority was put on those wars in funding, leadership and attention.”

The nation, Hagel said, must now “prioritize the importance of the nuclear enterprise and what you represent and the importance of what you do every day to deter aggression in the world and protect our country and protect our interests around the world. I want you to know that.”

The secretary also told the service members about the hour he spent in a private discussion with 14 female submarine officers.

In 2009, Navy Secretary Ray Mabus announced that for the first time in Navy history, women would be assigned to serve aboard Navy submarines. The first contingent of 24 women who completed the Navy’s nuclear submarine program met in May 2012 with the president and First

Lady Michelle Obama at the White House. Today, more than 60 female officers serve aboard 14 crews on seven submarines, typically with at least three female officers per crew.

“It was really a tremendous experience for me to listen to these young officers talk about their experiences -- how proud they are to serve on submarines,” Hagel said.

“The Navy has broken through on so much of this over the last three or four years,” he added, “and as you know, we're in the process now of preparing to integrate enlisted females on submarines.” In May, the Enlisted Women in Submarines Task Force began planning to introduce enlisted women into the submarine force over the next few years, officials said.

The submarine force also is in the process of assigning female officers to four Virginia-class submarines. In 2015, the USS Illinois and the USS Minnesota are scheduled to become the first attack submarines with female offices on board, DoD officials said.

Hagel is the first defense secretary to visit a ballistic missile submarine since women began serving aboard them in November 2011. Before he shook hands and took pictures with the troops, he invited them to step up to the microphones in the audience and speak their minds.

A Navy recruiting instructor from the Naval Submarine Support Center asked if sequestration budget cuts, scheduled to return in fiscal year 2016 unless Congress acts to stop them, would allow the department to continue to develop the replacement for the Ohio-class submarine. A senior chief petty officer from the Coast Guard Maritime Force Protection Unit asked Hagel what kept him up at night, given all the threats facing the United States.

The topics differed, but Hagel’s answers arrived at the same destination.

DoD’s plans call for 12 Ohio replacement ballistic-missile submarines to replace the 14 Ohio-class submarines now in commission. Because the new submarines will have shorter maintenance cycles and more capability, 12 new ships will replace the original 14.

The president’s budget request meets DoD near-term needs, defense officials say, but it will be difficult, and perhaps impossible, to execute the shipbuilding plan if the harsh budget cuts of sequestration are implemented.

A key element of the shipbuilding plan is the Ohio-class replacement submarine.

“We have every commitment to the projections to bring on that new class of submarines,” Hagel told the recruiting instructor. “Yes, it's forcing us to make some hard choices in our budget. But I've been clear on this, the president's been clear -- all of our senior leaders -- that we need a new generation of Ohio-class submarines, and we're going to prioritize that.”

The naval submarine base and the expertise it represents will continue to be important for the nation’s strategic interests, the secretary said.

But the budget cuts are presenting big problems, he added.

“There's only so much to go around,” he said. “You can't get any more. So it's forcing us ... to prioritize. If we had more time to prioritize, ... it would be more responsible. But unfortunately, that hasn't been the case, and it will not be the case if sequestration continues to hold. But we are continuing to be committed to a new generation of Ohio-class submarines.”

To answer the up-at-night question, Hagel went back to the budget.

“There are threats everywhere in the world, and many are external,” he said. “But we’re dealing with a lot of internal dimensions as well.” The senior chief had mentioned the National Defense Authorization Act when asking his question. Hagel mentioned the defense budget in his answer.

“Sequestration has been devastating to this institution. It's something that our leaders and I work with every day trying to convince Congress to change,” the secretary said.

“We've got a year or so to help inform and educate and try to persuade the Congress to change that,” he continued. “If they don't change that, we are going to be faced with deeper and bigger cuts. We're continuing to be faced with deep cuts now. That's what I refer to when I talk about an internal challenge when you ask me what keeps me up at night.”

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