

CRS Report for Congress

China-U.S. Relations: Current Issues and Implications for U.S. Policy

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Summary

U.S.-China relations have remained remarkably smooth since late 2001, although there are signs that U.S. policy toward China is now subject to competing reassessments. State Department officials in 2005 unveiled what they said was a new policy framework for the relationship — one in which the United States was willing to work cooperatively with a non-democratic China while encouraging Beijing to become a “responsible stakeholder” in the global system — and U.S. Treasury Secretary Henry Paulson in December 2006 established a U.S.-China Strategic Economic Dialogue with Beijing, the most senior regular dialogue yet held with China. Other U.S. policymakers appear to have adopted tougher stances on issues involving China and U.S.-China relations, concerned about the impact of the PRC’s strong economic growth and a more assertive PRC diplomacy in the international arena. A matter of growing U.S. concern is China’s increasing global “reach” and the consequences that the PRC’s expanding international influence has for U.S. interests. To feed its appetite for resources, China has been steadily signing trade agreements, oil and gas contracts, scientific cooperation agreements, and multilateral security arrangements with countries around the world, some of which are key U.S. allies. Some U.S. observers view these activities as, at best challenges, and at worst, threats, to the United States.

Taiwan, which China considers a “renegade province,” remains the most sensitive issue the two countries face and the one many observers fear could lead to Sino-U.S. conflict. But U.S. relations with Taiwan have also been plagued by what some U.S. officials see as that government’s minimal military spending and its failure to enact funding bills that allow it to purchase U.S. weapons offered for sale in 2001.

Much U.S. concern about China appears driven by security calculations at the Pentagon and in Congress. Pentagon officials question the motivations behind China’s expanding military budget. A congressionally mandated DOD report concluded Beijing is greatly understating its military expenditures and is developing anti-satellite (ASAT) systems – a claim that gained more credence when the PRC used a ballistic missile to destroy one of its own orbiting satellites in early January 2007. Bilateral economic and trade issues also remain matters of concern, with U.S. officials and some Members of Congress particularly criticizing China’s failure to halt piracy of U.S. intellectual property rights (IPR) and China’s continued constraints on its currency valuation.

This report will be updated regularly as events warrant and will track legislative initiatives involving China. The 109th Congress considered these and other issues in a number of legislative vehicles, including The John Warner National Defense Authorization Act for FY2007 (P.L. 109-364), and S. 295, a bill to authorize punitive action if China’s currency is not re-evaluated. For actions and issues in U.S.-China relations during the 109th Congress, see CRS Report RL32804, *China-U.S. Relations in the 109th Congress*, by Kerry Dumbaugh.

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Most Recent Developments

February 13, 2007 — Negotiators in the Six-Party Talks with North Korea announced they had reached tentative agreement on dismantling North Korea's nuclear weapons program.

January 23, 2007 — A PRC Foreign Ministry spokesman, Liu Jianchao, confirmed that China had fired a missile to destroy one of its orbiting satellites. This was the PRC's first confirmation of the satellite destruction since it was announced publicly by the Bush Administration on January 18, 2007.

January 17, 2007 — China and Taiwan agreed to allow 96 round-trip charter flights between the two land masses during the February 13 - 26, 2007 Lunar New Year. The flights (48 from each side) will be non-stop but must pass through Hong Kong air space.

January 16, 2007 — China issued a new 8-point regulation that will permit state auditors to audit the People's Liberation Army.

January 14, 2007 — China and ASEAN signed a new trade agreement on services, considered a major step toward eventual completion of a Sino-ASEAN free trade agreement.

January 12, 2007 — China and Russia vetoed a U.N. Security Council resolution, sponsored by the U.S., criticizing Burma's human rights record. 9 of the 15 members UNSC members voted for the resolution.

January 12, 2007 — A PRC court upheld the conviction of blind activist Chen Guangcheng who had campaigned against officials in Linyi city for pursuing coercive family planning practices. He was sentenced to four years, three months in prison.

Background and Overview

Introduction

U.S.-China relations, remarkably smooth from 2001-2004, have become somewhat more problematic again since 2005 as some U.S. policymakers appear to be adopting tougher stances on issues involving China and U.S.-China relations. Throughout much of the George W. Bush Administration, U.S.-China relations were

smoother than they had been at any time since the Tiananmen Square crackdown in 1989. The two governments resumed regular high-level visits and exchanges of working level officials, resumed military-to-military relations, cooperated on anti-terror initiatives, and worked closely on a multilateral effort to restrain and eliminate North Korea's nuclear weapons activities. U.S. companies continued to invest heavily in China, and some PRC companies began investing in the United States.

Despite this, thorny problems continue to be factors in the relationship, including difficulties over China's intentions toward and U.S. commitments to democratic Taiwan, various disputes over China's failure to protect U.S. intellectual property rights, and the economic advantage China gains from pegging its currency to a basket of international currencies. In addition, China's accelerating rise in the world has significant implications for U.S. global power and influence. In pursuit of its economic development agenda, China's growing appetite for energy, raw materials, and other resources has led it to seek an increasing number of economic and energy-related agreements around the world, many of them with key U.S. allies. Some U.S. lawmakers have suggested that U.S. policies should be reassessed in light of strong PRC economic growth and a more assertive PRC international posture.

Background

(Readers who want to skip this brief background information can go directly to "Key Current Issues" below for current issues and developments in U.S.-China relations.)

For much of the 1990s, a number of factors combined to ensure that U.S. congressional interest in the People's Republic of China (PRC) increased annually. In the years after the 1989 Tiananmen Square crackdown, Members often felt that they were neither consulted nor listened to by the Executive Branch concerning the appropriate direction for U.S. China policy. Without the strategic imperative that the Soviet Union had once provided for comprehensive U.S.-China relations, individual Members began to raise their own more narrowly focused concerns on China policy, such as efforts on behalf of Taiwan, in favor of human rights, or against forced sterilization and abortion.

During the later Clinton Administration, when U.S. officials were pursuing a "strategic partnership" with China, some Members became increasingly concerned that the U.S. government was not thinking seriously enough about the PRC as a longer-term threat to U.S. interests. Members were particularly concerned about supporting the democratization and growing political pluralism Taiwan had embraced since abandoning authoritarian rule in the late 1980s. Congress in these years enacted more provisions to accommodate Taiwan's interests, engaged in repeated and protracted efforts to further condition or even withdraw the PRC's most-favored-nation (MFN) trade status, held hearings and considered legislation targeting the PRC's human rights violations, created two commissions to monitor

PRC developments, and imposed a host of requirements on the U.S. government to monitor, report on, and restrict certain PRC activities.¹

In late 2001, U.S.-China relations began to experience a sustained period of unusual stability, and Congress as a whole became less vocal and less legislatively active on China-related issues. The reasons for this could not be attributed to any resolution of entrenched bilateral policy differences — such as those long held over human rights or on Taiwan’s status — for these differences still existed and are likely to plague the relationship for the foreseeable future. Rather, other factors and policy trends appeared to be at work:

- The White House’s early willingness to de-emphasize the importance of Sino-U.S. relations in American foreign policy, even while being open to substantively and symbolically meaningful dialogue with China at most senior levels.
- The White House’s greater support for Taiwan security, which served to balance U.S. contacts with the PRC and eliminate recurring White House tensions with Congress, where Taiwan is an interest of many Members.
- The September 11, 2001 terrorist attacks against the United States, which brought about dramatic changes in global and national priorities — including new agendas within Congress — that took priority over other foreign policy issues, including the PRC.
- PRC preoccupations in 2001-2003 with a wholesale transition to a new generation of leaders who began to put their own stamp on policy decisions.²

This report addresses relevant policy questions in current U.S.-China relations, discusses trends and key legislation in the current Congress and provides a chronology of developments and high-level exchanges. It will be updated as events warrant. Additional details on the issues discussed here are available in other CRS products, noted throughout this report. For background information and legislative action preceding 2007, see CRS Report RL32804, *China-U.S. Relations During the 109th Congress*, by Kerry Dumbaugh. CRS products can be found on the CRS website at [<http://www.crs.gov/>].

¹ In the United States only, the term “most-favored-nation” (MFN) status has been replaced by the term “normal trading relations” (NTR) status.

² At its 16th Party Congress (November 8-14, 2002), the PRC’s Communist Party selected a new Party General Secretary (Hu Jintao), named a new 24-member Politburo and a new nine-member Standing Committee, and made substantive changes to the Party constitution. Further changes in government positions were made during the 10th meeting of the National People’s Congress in March 2003, and in September 2004. For more on the leadership transition, see CRS Report RL31661, *China’s New Leadership Line-up: Implications for U.S. Policy*, by Kerry Dumbaugh.

Current Issues and Developments

PRC Anti-Satellite Test

On January 11, 2007, the PRC carried out its first successful anti-satellite (ASAT) test by destroying one of its orbiting moribund weather satellites (Feng Yun 1C) with a ballistic missile fired from the ground. Previously, only the United States and the Soviet Union had conducted successful ASAT tests — tests both countries reportedly halted more than 20 years ago because of resulting space debris that could endanger other orbiting satellites. U.S. officials reportedly received no advance notice from Beijing, nor did Chinese officials publicly confirm the ASAT test until January 24, 2006, 13 days after the event and almost a week after the U.S. Government had publicly revealed the PRC test on January 18, 2007.

The January PRC ASAT test and the lack of advance notification to U.S. officials by Beijing has raised a number of concerns for U.S. policy. Chief among these are questions about the new potential vulnerability of U.S. satellites, which are crucial for both U.S. military operations and a wide range of civilian communications applications. The Chinese test also has raised questions about credibility of PRC assertions that it is committed to the peaceful use of space.

In addition, officials from the United States and other countries have criticized China for either ignoring or failing to realize the extent of the test's contributions to the worrisome problem of space debris. According to space science experts, the extent of space debris now orbiting the earth — already calculated at about 10,000 detectable items — poses an increasing hazard to hundreds of the world's operational satellites, including those of the PRC, that could be destroyed upon collision with a piece of space "junk."³ Beijing, which in April 2007 will be hosting the annual meeting of the Inter-Agency Space Debris Coordination Committee, itself became a significant contributor to the space debris problem with its January 2007 ASAT test. According to a State Department spokesman, the United States will need to reevaluate its nascent civil space cooperation with China (initiated during the meeting of Presidents George Bush and Hu Jintao in April 2006) in light of China's January 11, 2007 ASAT test.⁴

Economic and Trade Issues

The PRC is now the third-largest U.S. trading partner, with total U.S.-China trade in 2005 estimated at \$285 billion. Ongoing issues in U.S.-China economic relations include the substantial and growing U.S. trade deficit with China (\$202 billion in 2005), repeated PRC inability to protect U.S. intellectual property rights, and the PRC's continuing restrictive trade practices, such as its unwillingness to date

³ Broad, William J., "Orbiting junk, once a nuisance, is now a threat," *The New York Times*, February 6, 2007, p. 1.

⁴ Author's conversation with a State Department spokesman on February 6, 2007; see also "U.S. reviewing space cooperation with China after anti-satellite test," *Agence France Presse*, February 3, 2007.

to float its currency.⁵ In addition, some U.S. policymakers have focused attention in recent years on efforts by PRC companies to buy American assets.

Intellectual Property Rights. China's inability to live up to its World Trade Organization (WTO) commitments to protect intellectual property rights (IPR) has become one of the most important issues in U.S.-China bilateral trade. According to calculations from U.S. industry sources, IPR piracy has cost U.S. firms \$2.5 billion in lost sales, and the IPR piracy rate in China for U.S. products is estimated at around 90%.⁶ U.S. officials routinely have urged Beijing to crack down on IPR piracy, and a series of U.S. officials visiting China have stressed that China needs to do better at IPR protection.

Currency Valuation. Another ongoing U.S. concern has been the PRC's decision to keep the value of its currency low with respect to the dollar, and indirectly with the yen and euro. Until 2005, the PRC pegged its currency, the renminbi (RMB), to the U.S. dollar at a rate of about 8.3 RMB to the dollar — a valuation that many U.S. policymakers concluded kept the PRC's currency artificially undervalued, making PRC exports artificially cheap and making it harder for U.S. producers to compete. U.S. critics of the PRC's currency peg charged that the PRC unfairly manipulated its currency, and they urged Beijing either to raise the RMB's value or to make it freely convertible subject to market forces. On July 1, 2005, the PRC changed this valuation method, instead announcing it would peg the RMB to a basket of currencies. The resulting small appreciation in the RMB from this action has not been sufficient to assuage ongoing U.S. congressional concerns.⁷

North Korea

October 2006 Nuclear Test. Pyongyang's nuclear weapons test on October 9, 2006, poses new challenges for PRC policy goals in Asia, on the Korean peninsula, and with the United States. Proponents of the view that China is sincere in its desire to prevent nuclearization of the Korean peninsula saw Pyongyang's October test as a blatant disregard for PRC views and interests, a signal that Beijing has little leverage with Pyongyang, and a serious challenge to PRC standing as a credible interlocutor on the North Korean issue. The test was preceded several months earlier by a series of missile launches that North Korea conducted on July 4, 2006 — an event which elevated the North Korean issue to an even more prominent position in the U.S. political agenda with China.

The evolving PRC reaction since the October 9th test appears to encapsulate the conflicting political and strategic motivations thought to affect China's

⁵ See CRS Report RL33536, *China-U.S. Trade Issues*, by Wayne Morrison, for further details.

⁶ International Intellectual Property Alliance, *2004 Special 301 Report: People's Republic of China*, February 2005, cited in CRS Report RL33536, *China-U.S. Trade Issues*, by Wayne Morrison.

⁷ For more information, see CRS Report RS21625, *China's Currency: A Summary of the Economic Issues*, by Wayne M. Morrison and Marc Labonte.

policymaking on North Korea. Beijing's initial reaction was unprecedentedly harsh, and initial speculation in the press and by some American experts was that the PRC now would be forced to become more coercive in its North Korea policy.⁸ A statement released on October 9, 2006 by China's Ministry of Foreign Affairs strongly criticized the North Korean action as a "stubbornly defiant" disregard of the international community's and China's "firm, unshakeable, and consistent" opposition to Pyongyang's nuclear program.⁹ The statement went on to say that China "strongly demands that the DPRK side abide by its commitment to non-nuclearization." According to a Foreign Ministry spokesman, the October 9th test had "a negative impact" on Sino-North Korean relations.¹⁰ Some news accounts maintained that after the nuclear test the PRC began augmenting its military forces along the Sino-North Korean border and erecting barbed-wire fences along some stretches of the border.¹¹

But by other measures, Beijing's resolve has appeared to be fluctuating. Within days of the North Korean October 9th test, PRC spokesmen were emphasizing that China was committed to maintaining friendly and cooperative ties with North Korea, and that Beijing's goal was not to exact "punishment" on North Korea but to take "appropriate and moderate" measures to further negotiations.¹² On October 14, 2006, China voted to support a U.N. resolution condemning North Korea's nuclear test, including sanctions prohibiting sales of military systems or luxury goods to North Korea and an immediate freeze of North Korean financial assets.¹³ After the U.N. vote, China said it would not participate in inspections of North Korean cargo transiting its borders out of fear such inspections would lead to conflict, then reversed that position within days after heavy pressure from the United States. Subsequent press reports have stated that Chinese banks have begun blocking financial transactions with North Korea,¹⁴ and that Chinese officials are preparing to reduce

⁸ Tkacik, John, "A new tack for China after North Korea's nuclear test?" *The Heritage Foundation*, Webmemo #1236, October 11, 2006.

⁹ PRC Foreign Ministry Issues Statement on DPRK Nuclear Test, *Beijing Xinhua Domestic Service, in Chinese*, translated in *FBIS*, FEA20061009028538, October 9, 2006.

¹⁰ OSC Analysis, "China moderating criticism of DPRK in bid to restart talks," CPF20061013307001, October 13, 2006.

¹¹ Caryl, Christian and Lee, B.J., "Fed up with Kim? Everybody is exasperated with North Korea's capricious leader — including his allies in Beijing." *Newsweek*, October 9, 2006. Fields, Robin and Magnier, Mark, "N. Korea sanctions hand on bridge across the Yalu...", *Los Angeles Times*, October 19, 2006, p. A-1.

¹² "Foreign Ministry spokesman Liu Jianchao answers reporters' questions at regular news conference on October 12, 2006." Beijing Ministry of Foreign Affairs, translated in *FBIS*, CPP20061012038001, October 12, 2006.

¹³ Text of U.N. resolution on N. Korea sanctions, *Associated Press*, October 14, 2006.

¹⁴ Fairclough, Gordon and King, Neil, "Chinese banks begin halting business with North Korea — Beijing envoy meets Kim in Pyongyang as Rice visits Seoul," *The Wall St. Journal, Asia*, October 20, 2006, p. 1.

oil shipments and take other actions if North Korea refused to return to the Six Party Talks.¹⁵

Six Party Talks. After at least eight rounds of Six-Party Talks on North Korea's nuclear program extending over several years, on February 13, 2007, negotiators announced a tentative agreement under which North Korea would dismantle its nuclear weapons program and permit international inspections to resume in exchange for a package of incentives including food and energy assistance. The prospective deal, coming after five days of talks, still must be approved officially by the six countries participating in the talks.

The Six-Party Talks have long been problematic, with apparent agreement several times quickly replaced by new tensions. The talks produced their first written agreement in September 2005 — a joint statement of principles drafted with heavy Chinese involvement. In the joint statement, the North Koreans agreed to dismantle their nuclear program, and the United States and the four other participants agreed to discuss providing North Korea with a light water reactor “at an appropriate time.” But it quickly became evident that the United States and the North Koreans had different views about the proper sequencing and timing of these two events. Subsequent North Korean accusations that the United States was pursuing hostile policies toward it resulted in a further 13-month suspension of dialogue until the December 2006 meeting, when North Korea objected to U.S. financial sanctions. On January 16, 2007, U.S. and North Korean negotiators reportedly met in Berlin to discuss the possibility for the resumption of talks.¹⁶

PRC officials have repeatedly emphasized that China supports a non-nuclear Korean peninsula. This support is thought to be genuine, since an unpredictable North Korea armed with nuclear weapons could have unpleasant consequences for Beijing — such as the creation of nuclear weapons programs in currently non-nuclear neighbors like Taiwan, Japan, and South Korea, or an accelerated U.S. commitment for a regional missile defense program, to name only two. But a common U.S. view has been that Beijing has not exerted enough direct pressure on North Korea, in fact continuing to prop up the North Korean regime with supplies of food and fuel and to advocate bilateral U.S.-North Korean dialogue. According to other views, PRC officials primarily exert political pressure on North Korea, preferring to avoid economic pressure that they judge could lead to instability in North Korea.¹⁷

U.S.-PRC “Senior Dialogue”

U.S. Treasury Secretary Henry Paulson is continuing the U.S. efforts initiated in 2005 by U.S. Deputy Secretary of State Robert Zoellick to maintain strategic

¹⁵ Kahn, Joseph, “China seems set to harden stance. New measures against North Korea could include reduced oil shipments.” *The New York Times*, October 20, 2006, p. 3.

¹⁶ “U.S., N.K. Envoys Meet to Discuss Resumption of Six-Party Talks,” *Yonhap English News*, January 17, 2007.

¹⁷ de Nesnera, Andre, “Analysts: alliance between China, North Korea strained over nuclear issue,” *Voice of America*, February 7, 2007.

dialogues with the PRC. On September 20, 2006, during his first trip to China as Treasury Secretary, Paulson announced that he would chair a new mechanism for bilateral dialogue — the U.S.-China Strategic Economic Dialogue (USCSED)— which would focus on “fundamental, long-term issues” in bilateral relations.¹⁸ In the first USCSED meeting, held December 14-15, 2006, six US. Cabinet officers and other senior U.S. officials visited Beijing to promote increased access for U.S. exports and better U.S.-China trade ties.¹⁹ The talks, planned for twice annually, mark the first time in the U.S.-PRC relationship that dialogue at this level of seniority has been held on a regular basis. The Senior Dialogue will not supplant other ongoing Sino-U.S. dialogues, such as the Joint Commission on Commerce and Trade, the Joint Economic Committee, and the Joint Commission on Science and Technology.

Taiwan

Taiwan remains the most sensitive and complex issue that U.S. policymakers face in bilateral Sino-U.S. relations.²⁰ It is the issue that many observers most fear could lead to potential U.S.-China conflict. Beijing continues to lay sovereign claim to Taiwan and vows that one day Taiwan will be reunified with China either peacefully or by force. Beijing has long maintained that it has the option to use force should Taiwan declare independence from China. Chinese leaders are supporting these long-standing claims with more than 700 missiles deployed opposite Taiwan’s coast and with a program of military modernization and training that defense specialists believe is based on a “Taiwan scenario.” Still, Beijing’s rhetoric and position on Taiwan are seen to have become somewhat less forceful since China’s passage of an anti-secession law in March 2005 aimed at Taiwan independence activists.

China watchers remain especially watchful because of Taiwan’s unpredictable political environment, where the balance of political power has teetered precipitously between two contending political party coalitions. One of these, led by the Democratic Progressive Party (DPP), controls the presidency and is closely associated with advocates of Taiwan independence. Taiwan’s President, Chen Shui-bian, is a DPP member who has spent much of his political career pushing for a separate international identity for Taiwan and referring to Taiwan as “already” an independent country. The other party coalition, led by the remnants of the once-dominant Nationalist Party (KMT), advocates greater policy caution and more engagement with the PRC. Since 2004, the DPP has taken a beating in several electoral contests: the KMT was returned to its slim majority in the legislature in

¹⁸ Treasury Secretary Henry M. Paulson press briefing in Beijing, September 20, 2006. Joint statement at [<http://www.treas.gov/press/releases/hp105.htm>]

¹⁹ Participants included U.S. Treasury Secretary Paulson, Secretary of Commerce Carlos M. Gutierrez, Labor Secretary Elaine Chao, Health and Human Services Secretary Mike Leavitt, Energy Secretary Sam Bodman, U.S. Trade Representative Susan Schwab, EPA Administrator Stephen Johnson, and Federal Reserve Chairman Ben S. Bernanke.

²⁰ For an analysis of current problems and challenges for U.S. policy toward Taiwan, see CRS Report RL33684, *Taiwan-U.S. Political Relations: New Strains and Changes*, by Kerry Dumbaugh.

December 2004 elections, and KMT candidates won 14 of 23 constituencies in local elections for city mayors and county magistrates, held on December 3, 2005.

U.S. Taiwan Policy and U.S. Arms Sales. Given Taiwan-PRC tensions and U.S. defense interests in Taiwan, many U.S. policymakers have grown frustrated with Taiwan's falling military expenditures and its perceived decline in defense readiness.

Political disagreements in Taiwan also have kept the government from purchasing much of the weaponry President Bush approved for sale in 2001. To date, these disagreements have stalled a special arms acquisition budget that the government submitted to Taiwan's legislature — originally for \$18 billion, then slashed to \$15 billion and finally to \$6.3 billion in an effort to attract legislative support. The \$6.3 billion compromise arms budget package was blocked again by the Taiwan opposition coalition on October 24, 2006. The Director of the U.S. American Institute in Taiwan (AIT) Steve Young, held a press conference in Taipei on October 26, 2006, issuing a stern warning to Taiwan legislators about the move, saying "The United States is watching closely and will judge those who take responsible positions on this as well as those who play politics."²¹ Other U.S. officials also appear frustrated with delays over the special arms budget and have raised questions about future U.S. defense commitments to Taiwan if the delays continue.²²

Corruption Scandals in the Chen Administration. Corruption scandals and controversial political decisions have plagued the Chen Administration in recent months, weakening both his political authority at home and his relationship with U.S. officials. Allegations that some key presidential advisers and some of the president's own family members had profited from insider trading led to a second recall vote in the Legislative Yuan on October 13, 2006. Both the second recall motion and the first, held on June 27, 2006, failed to achieve the 2/3 vote majority needed for passage. Some opinion polls have suggested that a majority of Taiwan citizens feel the president should step down before his term ends in 2008.²³

Changing PRC Political Pressure on Taiwan. In the aftermath of the March 2005 passage of a heavy-handed anti-secession law aimed at Taiwan, PRC officials appear to have decided that a Taiwan policy of greater nuance and finesse

²¹ Press Conference comments of U.S. AIT Director Stephen Young, Taipei, Taiwan, October 26, 2006. [<http://www.ait.org.tw/en/news/speeches/docs/20061026-dir.pdf>]

²² Speaking in San Diego on September 20, 2005, Edward Ross, a senior U.S. Pentagon official with the Defense Security Cooperation Agency, said it is reasonable to question U.S. defense commitments to Taiwan "if Taiwan is not willing to properly invest in its own self-defense." *Xinhua Financial Network*, September 21, 2005, English. See also CRS Report RL30957, *Taiwan: Major U.S. Arms Sales Since 1990*, by Shirley Kan.

²³ On June 18, 2006, for instance, a poll by *The China Times* revealed that 53% of respondents believed Chen should step down. See also CRS Report RL33684, *Taiwan-U.S. Political Relations: New Strains and Changes*, by Kerry Dumbaugh.

may be of more service to mainland policy interests.²⁴ Recently, then, Beijing officials have taken a series of actions designed to increase pressure on the Chen government to be more accommodating to mainland concerns. While some China-watchers describe these measures as positive developments for cross-strait relations, others see the moves as an effort by Beijing to capitalize on and exploit Taiwan's internal political divisions and to further isolate and weaken President Chen and his pro-independence DPP government.²⁵ Among other measures, Chinese leaders have issued a series of invitations to key political leaders in the KMT, the People First Party (PFP), and other Taiwan opposition parties — but not to the elected government — to visit China and hold talks. U.S. officials are concerned about the motivations of the visits (which one U.S. Government official termed “not benign on either side”) and have stressed that PRC officials should be speaking with the democratically elected Taiwan government.

Taiwan and the World Health Organization (WHO). The PRC repeatedly has blocked Taiwan's application for observer status in the WHO — most recently on May 22, 2006, at the annual meeting of WHO's administrative arm, the World Health Assembly (WHA). Beijing argues that since Taiwan is not a state but a part of China it cannot be separately admitted to U.N. entities for which sovereign status is a pre-requisite for membership. Taiwan authorities maintain that its “observer status” in WHO would be an apolitical solution since other non-sovereign entities, like the Holy See and the Palestine Liberation Organization, have been given such status. The U.S. Government is on record as supporting Taiwan's membership in organizations “where state-hood is not an issue.”²⁶ In 2004, the 108th Congress enacted legislation (P.L. 108-28) requiring the Secretary of State to seek Taiwan's observer status in WHO at every annual WHA meeting.²⁷ On November 9, 2006, Dr. Margaret Chan became the new Director-General of WHO. Prior to her WHO appointment, Dr. Chan was the Director of Health in Hong Kong, a Special Administrative Region of the PRC.

Official Taiwan-PRC Contacts. Official government-to-government talks between China and Taiwan last occurred in October 1998, when Koo Chen-fu, Chairman of Taiwan's Straits Exchange Foundation (SEF) and Wang Daohan, president of the PRC's Association for Relations Across the Taiwan Straits (ARATS), held meetings in Shanghai.²⁸ But while official talks have flagged,

²⁴ The PRC adopted the anti-secession law on March 14, 2005. Article 8 specifically authorizes the state to employ “non-peaceful means” to reunify Taiwan. See CRS Report RL32804, *China-U.S. Relations in the 109th Congress*, by Kerry Dumbaugh.

²⁵ “It's classic divide-and-conquer strategy: Assemble the most allies possible and isolate your enemy.” Jean-Philippe Beja, senior fellow at the Center for International Studies and Research in Paris. Cited in Magnier, Mark and Tsai Ting-I, “China tries new tactic with Taiwan,” *Los Angeles Times*, April 29, 2005, p. A-3.

²⁶ A State Department spokesman, in response to a press question at the State Department press briefing of March 20, 2002.

²⁷ The bill, S. 2092, was enacted as P.L. 108-235.

²⁸ Koo Chen-fu, Taiwan's chief negotiator, died on January 2, 2005, at age 87. In what (continued...)

indirect ties and unofficial contacts have continued and have seen significant recent breakthroughs. Taiwan businesses are increasingly invested across the strait, although the exact figures remain unclear. Taiwan-China trade has also increased dramatically over the past decade, so that China now has surpassed the United States as Taiwan's most important trading partner. According to one report, statistics show Taiwan's total bilateral trade with the PRC rose to \$61.64 billion in 2004 — a 33.1% increase over 2003.²⁹

This increasing economic interconnectedness with the PRC has put pressure on Taiwan's DPP government to further accommodate the Taiwan business community by easing restrictions on direct travel and investment to the PRC. On January 16, 2007, Taiwan and China announced that 96 non-stop, round-trip charter flights would be authorized between the two land masses during the upcoming Lunar New Year from February 13 – 26, 2007. In 2007, 48 flights will be permitted for each side as opposed to 36 for each side in 2006. Destinations in 2007 include Beijing, Shanghai, Guangzhou, and Xiamen in the PRC, and Taoyuan and Kaohsiung in Taiwan. Such cross-strait accommodations remain worrisome to the DPP's pro-independence political base in Taiwan, who believe that further economic ties to the mainland will erode Taiwan's autonomy and lead to a "hollowing out" of Taiwan's industrial base.³⁰ Thus, each Taiwan government decision to facilitate economic and transportation links with the PRC represents an uneasy political compromise.

China's Growing Global Reach

Many observers now focus on the critical implications China's economic growth and increasing international engagement could have for U.S. economic and strategic interests. To feed its voracious appetite for resources, capital, and technology, China has steadily and successfully sought trade agreements, oil and gas contracts, scientific and technological cooperation, and multilateral security arrangements with countries both around its periphery and around the world. Dubbed the "charm offensive" by some observers, China's growing international economic engagement has gone hand-in-hand with expanding political influence. Although some believe that PRC officials appear more comfortable working with undemocratic or authoritarian governments, PRC outreach also has extended to key U.S. allies or to regions where U.S. dominance to date has been unparalleled and unquestioned. A brief survey of China's recent international engagement hints at the potential for increasing Sino-U.S. competition for resources, power, and influence around the world.

²⁸ (...continued)

many interpreted as a conciliatory gesture, the PRC sent two senior officials — Sun Yafu, deputy director of the PRC's official Taiwan Affairs Office, and Li Yafei, secretary general of the semi-official ARATS — to attend Koo's funeral in Taiwan.

²⁹ According to the Foreign Board of Trade, cited by Agence-France Presse in *Taiwan News* online, March 3, 2005, [<http://www.etaiwannews.com>]. See also CRS Report RL31749, *Foreign Direct Investment in China*, by Dick Nanto and Radha Sinha.

³⁰ For instance, there are reportedly 300,000 Taiwan citizens now residing and working in Shanghai.

Asia. China's improved relationships with its regional neighbors are particularly visible. In 2005, China took part in the first East Asia Summit (EAS) — a fledgling grouping of 16 Asian and Pacific powers including China, the ten members of the Association of Southeast Asian Nations (ASEAN), Japan, South Korea, India, Australia, and New Zealand, but excluding the United States.³¹ Russia's President Putin attended as an invited observer.³² The second EAS meeting, hosted by the Philippines, began on January 15, 2007. The 16 nations reached new agreements to facilitate the eventual formation of a free-trade bloc and in addition signed the Cebu Declaration on East Asian Energy Security, pledging cooperation on developing renewable energy supplies and promoting cuts in greenhouse gas emissions.³³

For decades prior to the mid-1990s, Sino-ASEAN relations were characterized by recurring clashes over territorial disputes, diplomatic deadlocks, and ASEAN concerns about China's military ambitions and regional economic competitiveness.³⁴ The 2005 EAS meeting is part of a trend in growing Sino-ASEAN regional cooperation. In addition to being included in an economic partnership in the ASEAN Plus Three (APT) grouping (including also Japan and South Korea, two U.S. military allies), China signed a free trade agreement with ASEAN in November 2004. Under the agreement, beginning July 1, 2005, the parties started lowering or cancelling tariffs on 7,000 items, with the goal of reaching full mutual free trade by 2010. Largely as a result of this, Sino-ASEAN two-way trade increased to more than \$160 billion in 2006, up 23% from 2005. On January 14, 2007, China and ASEAN signed a new trade agreement on services, considered a major step toward eventual completion of a Sino-ASEAN free trade agreement.³⁵

Within ASEAN, China's relations with Burma are unique, as Beijing has provided Rangoon with substantial military, economic, and infrastructure development assistance. According to a reported internal Department of Defense (DOD) document, Beijing is building naval bases in Burma that will give China its only access to the Indian Ocean.³⁶ These close relations are one explanation the PRC

³¹ First established in 1967, ASEAN in 2005 includes Brunei-Darassalam, Cambodia, Indonesia, Laos, Malaysia, Myanmar (Burma), the Philippines, Singapore, Thailand, and Vietnam. The United States maintains military alliances with the Philippines and Thailand, and has significant naval and air base arrangements with Singapore.

³² See CRS Report RL33242, *East Asia Summit (EAS): Issues for Congress*, by Bruce Vaughn.

³³ *BBC News (international version)*, "East Asia stages inaugural summit," December 14, 2005.

³⁴ For background, see CRS Report RL31183, *China's Maritime Territorial Claims: Implications for U.S. Interests*, coordinated by Kerry Dumbaugh.

³⁵ See CRS Report RL32688, *China-Southeast Asian Relations: Trends, Issues, and Implications for the United States*, by Bruce Vaughn and Wayne Morrison.

³⁶ The internal DOD report was cited by a *Washington Times* reporter. Gertz, Bill, "China Builds up Strategic Sea Lanes," *Washington Times*, January 18, 2005.

on January 12, 2007, vetoed a U.S.-sponsored U.N. Security Council resolution criticizing Burma's human rights record.³⁷

China has also improved its bilateral relationship with India, with which it fought several border wars in the 1960s, and with Central Asia. On January 24, 2005, China and India began a "strategic dialogue," discussing terrorism, resource competition, and the U.S. role in Asia.³⁸ With the Central Asian countries of the former Soviet Union, China has pursued both economic and security arrangements through the Shanghai Cooperation Organization (SCO), founded in 2001.³⁹ Within the SCO context, China has cooperated on border enforcement, signed pipeline and rail link agreements, and conducted joint military maneuvers. China also has negotiated energy deals with Australia, another U.S. regional ally, to supply liquid natural gas to southern China, and is continuing to explore a Sino-Australian free trade agreement. China's growing regional and global importance to Australia has generated a backlash there against what is perceived as an increasingly hard-line U.S. policy stance toward China.⁴⁰

Japan. Japan, considered the most important American ally in Asia, has been an exception to China's regional diplomatic achievements. China routinely protested former Japanese Prime Minister Koizumi's annual visits to the Yasukuni Shrine, where war criminals are also enshrined. After Koizumi first visited the shrine in 2001, China used the issue to justify its refusal to engage in bilateral summitry, except as part of multilateral meetings. But the visit to China of Japan's new Prime Minister, Shinzo Abe, on October 8, 2006, may signal a thaw in Sino-Japanese relations. The trip to the PRC was Prime Minister Abe's first foreign visit as Prime Minister. At the January 2007 East Asian Summit meeting in the Philippines, Japan and China reached agreement that Premier Wen Jiabao would visit Japan in April 2007.⁴¹

As with other Asian countries, China's trading relations with Japan have expanded; in 2004, China (including Hong Kong) surpassed the United States as Japan's largest trading partner,⁴² but the political relationship remains hampered by the residual resentments of Japan's conquest and occupation of China during World War II. Furthermore, China's growing economic competitiveness and expanding regional presence have helped exacerbate its relations with Tokyo. China and Japan have competed ferociously for access to Siberian oil, with each vying to be the major

³⁷ The veto was only the fifth that Beijing has exercised in the U.N. Security Council.

³⁸ For more, see the "China" section of CRS Report RL33529, *India-U.S. Relations*, by Alan Kronstadt.

³⁹ The SCO is a more recent expansion of the "Shanghai Five" formed in 1997. SCO members include China, Russia, Uzbekistan, Kazakhstan, Kyrgyzstan, and Tajikistan.

⁴⁰ See CRS Report RL33010, *Australia: Background and U.S. Relations*, by Bruce Vaughn.

⁴¹ See CRS Report RL33436, *Japan-U.S. Relations: Issues for Congress*, coordinated by Emma Chanlett-Avery.

⁴² In 2004, China did \$213 billion in trade with Japan. Sato, Shigeru, "Cooperate with Japan, Don't Compete," *Dow Jones Chinese Financial Wire*, February 3, 2005.

winner in a pipeline contract with Russia. As a result of China's exploration activities in the Chunxiao Gas Field, in waters where Japan and Taiwan also have territorial claims, Tokyo has begun its own exploration activities in and around the Senkakus. Tensions also have escalated over China's oil explorations in areas of the South China Sea over which Japan also claims sovereignty. Finally, many Chinese leaders remain suspicious of Japan's recent attempts to become a more "normal nation" by becoming more diplomatically assertive and by expanding its military capabilities. Some in Beijing have criticized the Bush Administration for supporting or even encouraging these trends in Japan.⁴³

Russia. Energy resources and security issues also factor heavily into China's relations with Russia, where as noted above Beijing and Tokyo are in an ongoing competition for Siberian oil access. In March 2006, Russian President Vladimir Putin and PRC President Hu Jintao Russia held their fifth meeting in less than a year, with President Putin announcing plans to open a gas pipeline to China within five years.⁴⁴ Russian leaders also meet regularly with PRC leaders through the forum of the Shanghai Cooperation Organization, where Russia is one of the six members. On February 2, 2005, Russia's President Vladimir Putin and visiting PRC State Councillor Tang Jiaxuan announced that their two countries would begin holding regular security consultations.⁴⁵ According to Councillor Tang, China considers Russia its "main partner for strategic cooperation," and he emphasized that this was the first time that China had ever established national security consultations with a foreign government. The two countries held eight days of joint military exercises beginning August 18, 2005, involving 7,000 Chinese troops and 1,800 Russian troops. Despite lingering historical tensions between the two, the PRC and Russia are widely thought to be seeking mutual common ground as a counterweight to U.S. global power.

European Union. In recent years, China has courted the European Union (EU) intensively, and Sino-EU contacts have broadened significantly as a result. On October 24, 2006, the European Commission released a new paper to the European Parliament entitled "EU-China: Closer partners, growing responsibilities." The document reinforced the trends remarked upon several years ago by European Commission President Jose Manuel Barroso — that the EU considers China a "strategic partner" and has made developing Sino-EU ties "one of our top foreign policy objectives in the years to come."⁴⁶ On January 18, 2007, the European Commissioner for External Relations, Benita Ferrero-Waldner, delivered a speech in Beijing entitled "The EU and China: Moving Forward." In it, the Commissioner renewed a 2005 call for the post-Tiananmen EU arms embargo against China to be lifted — an embargo the United States continues to maintain. The 2005 EU attempt

⁴³ See CRS Report RL32466, *Rising Energy Competition and Energy Security in Northeast Asia: Issues for U.S. Policy*, by Emma Chanlett-Avery.

⁴⁴ "Russia plans natural gas pipeline to China," *Associated Press*, March 21, 2006.

⁴⁵ "Russia, China Tighten Security Links," *China Daily*, Feb. 3, 2005.

⁴⁶ [http://europa.eu.int/comm/external_relations/china/summit_1204/ip04_1440.htm].

to lift the embargo was eventually shelved after substantial U.S. and congressional opposition.⁴⁷

Middle East and Africa. For years, China has sold missile technology and other sensitive materials to countries of security concern to the United States, such as Iran, Syria, Libya, and Iraq. More recently, China also is becoming a major energy player in the Middle East with some of these same countries. PRC negotiators, for instance, were able to sign significant oil deals with Iran in 2004, including a proposal that allows a Chinese company develop Iran's Yadavarn oil field in exchange for China's agreeing to buy Iranian liquified natural gas.⁴⁸ In addition, China's trade with the six Gulf Cooperation Council (GCC) countries has steadily increased in the last few years, reaching \$20 billion in 2004 (although this is still small by comparison with the United States, whose trade with Saudi Arabia alone in 2004 was \$26 billion).⁴⁹

The PRC also has placed a premium on its relations in Africa, with President Hu Jintao having embarked on his third trip to Africa in three years on January 30, 2007.⁵⁰ PRC relations with Sudan have been especially problematic for the United States and other western countries, which have placed increasing pressure on Beijing to influence the Sudanese government to do more to resolve the humanitarian crisis in Darfur. While Chinese leaders say they have raised the issue of Darfur (a statement made by President Hu again during his January-February 2007 trip), Beijing also has vowed to use its U.N. Security Council position to block stronger U.N. sanctions on Sudan.

In 2000, China and African countries formed the China-Africa Cooperation Forum (CACF), proposing that the CACF meet every three years to seek mutual economic development and cooperation. Representatives from 45 of Africa's 55 countries attended the CACF's first Ministerial Conference in October of that same year; the third CACF meeting was in Beijing in early November 2006. China has also targeted resource-rich African nations such as Sudan and Angola for energy-related development.⁵¹ Senior Chinese leaders in 2004 visited oil-producing states,

⁴⁷ In an interview with the *Financial Times* on February 21, 2005, for example, Senator Lugar, Chairman of the Senate Foreign Relations Committee, said he would support curbs on sales of advanced military technology to EU countries unless the EU could give strong assurances that advanced technologies would not be diverted to China should the embargo be lifted.

⁴⁸ Lee, Don, "China Barrels Ahead in Oil Market..." *Los Angeles Times*, November 14, 2004, p. C-1.

⁴⁹ The six GCC countries are the United Arab Emirates (UAE), Saudi Arabia, Bahrain, Kuwait, Qatar, and Oman. Statistics for two-way U.S.-Saudi Arabia trade are from the U.S. Census Bureau, *Foreign Trade Statistics*.

⁵⁰ President Hu visited South Africa, Sudan, Cameroon, Liberia, Zambia, Namibia, Mozambique, and Seychelles.

⁵¹ China objected to the U.N. vote threatening oil sanctions against Sudan unless it ceased atrocities in the Darfur region. Ultimately, the PRC abstained on the September 19, 2004

including Algeria and Gabon, and news reports early in 2005 alleged that a state-owned PRC energy company, China Shine, planned to drill exploratory wells in a Namibian concession that was once held by Occidental Petroleum.⁵² China has also shown an interest in iron ore deposits in Liberia and Gabon. In addition to resource-related imperatives, some observers have suggested that there is a political dynamic to China's push into Africa, as 5 of the 24 countries that still maintain official diplomatic relations with Taiwan are on the African continent.⁵³

Western Hemisphere.⁵⁴ There is also a political dynamic in China's expanding economic and trade relationships with Latin America and the Caribbean, where another 12 countries still maintain official diplomatic relations with Taiwan.⁵⁵ In addition, China's growing presence in the region also may have political and economic consequences for the United States. In September 2004, China sent a "special police" contingent to Haiti — one of Taiwan's official relationships — marking Beijing's first deployment of forces ever in the Western Hemisphere. On November 18, 2005, Chile, after months of bilateral negotiations, signed the Sino-Chilean Free Trade Agreement (FTA). Beijing officials have said they hope the Sino-Chile FTA will become a model for similar agreements with other Latin American countries.⁵⁶

Energy concerns also play a role in China's Latin-American diplomacy, particularly in Venezuela, which now accounts for almost 15% of U.S. oil imports, and in Brazil, with whom China announced a \$10 billion energy deal in November 2004.⁵⁷ As a consequence of Venezuelan President Hugo Chavez's visit to Beijing in December 2004 and PRC Vice-President Zeng Qinghong's visit to Venezuela in January 2005, the two countries reportedly signed a series of agreements that committed the China National Petroleum Corporation to spend over \$400 million to

⁵¹ (...continued)

vote, but promised to veto any future sanctions.

⁵² Boxell, James, "Circle Oil in Dollars 50m Africa Drilling Deal with Chinese Group," *Financial Times* (London edition), January 28, 2005, p. 25.

⁵³ In January 2007, Taiwan maintained official relations with Burkina Faso, Gambia, Malawi, Sao Tome and Principe, and Swaziland. Formerly, Senegal and Chad were two of Taiwan's official relationships; the former announced on October 25, 2005, that it was severing official relations with Taiwan; the latter on August 6, 2006.

⁵⁴ See CRS Report RS22119, *China's Growing Interest in Latin America*, by Kerry Dumbaugh.

⁵⁵ Taiwan's official relations in the region include Belize, Costa Rica, the Dominican Republic, El Salvador, Guatemala, Haiti, Honduras, Nicaragua, Panama, Paraguay, St. Kitts and Nevis, and St. Vincent and the Grenadines. On January 20, 2005, Grenada formally ended its diplomatic relations with Taiwan and established diplomatic relations with the PRC.

⁵⁶ Jiang Wei, "China-Chile FTA Talks Smooth," *China Daily*, January 31, 2005, online at [http://www.bilaterals.org/article.php?id_article=1237].

⁵⁷ The PRC is also investing in energy deals in Ecuador and in offshore projects in Argentina, according to the *New York Times*, "China's Oil Diplomacy in Latin America," March 1, 2005, p. 6.

develop Venezuelan oil and gas reserves.⁵⁸ Given the current poor state of U.S.-Venezuelan relations under the Chavez government, some American observers worry that Venezuelan energy agreements with China ultimately may serve to divert oil from the United States.

Chinese economic and energy concerns extend also to Canada. On January 20, 2005, at the conclusion of Canadian Prime Minister Paul Martin's visit to China, the two governments signed a series of agreements to promote international cooperation on a range of issues and to make energy issues in particular — including gas, nuclear, clean energy, and oil sources, primarily massive “oil sands” in Alberta — into “priority areas” of mutual cooperation. Energy discussions are to be maintained through the Canada-China Joint Working Group on Energy Cooperation, formed under a 2001 memorandum of understanding. A major Canadian oil-pipeline company, Enbridge, is said to be planning a major (\$2.2 billion) pipeline project to transport oil from Alberta's oil-sands deposits to the west coast for shipment to wider markets including China.⁵⁹

China and Environmental Issues

China's economic development and need for greater energy resources also is having a rapidly increasing impact on the environment, both within China and for its regional and global neighbors. Although China alone has been the source of 40% of the world's oil demand growth since 2000,⁶⁰ its continued heavy dependence on soft coal has made it the second only to the United States as the largest contributor to global carbon-dioxide (CO₂) emissions. According to the U.S. Department of Energy, carbon emissions related to China's energy use more than doubled between 1980 and 2003, an increase that has had a corresponding impact on air quality, agriculture, human health, and climate change. PRC leaders have recognized that this trend is not sustainable and have undertaken efforts to address environmental quality, including establishment in 1998 of the State Environmental Protection Administration, adoption of a series of environmental laws and regulations, and mandatory conversion of many government vehicles to non-polluting liquified petroleum and natural gas.⁶¹ Despite this, PRC efforts to date have been unable to keep up with the extensive and worsening pollution from China's growing economic development.

Beijing's push to meet more of its development needs through the cleaner technology of hydro-power has exacerbated other long-term environmental problems

⁵⁸ Bajpae, Chietigi “China's Quest for Energy Security,” *Power and Interest News Report*, February 25, 2005, online at [<http://www.pinr.com/>].

⁵⁹ Mortished, Carl, “Chinese Chase Canadian Oil,” *The Times* (London), March 5, 2005, p. 36

⁶⁰ CRS Report RL32466, *Rising Energy Competition and Energy Security in Northeast Asia: Issues for U.S. Policy*, coordinated by Emma Chanlett-Avery.

⁶¹ “China: Environmental Issues,” in *Country Analysis Briefs*, Energy Information Administration, U.S. Department of Energy, published in July 2003. [<http://www.eia.doe.gov/emeu/cabs/chinaenv.html>]

in China. To generate electric power, the government has launched massive dam construction projects — continuing a phenomenon that occurred throughout centuries of Chinese history to tame recurring floods.⁶² Projects such as the Three Gorges Dam, now being built on the Yangtze River, have been criticized heavily by environmental scientists who blame these and other such constructions for significantly contributing to the country's worsening desertification and flood damage woes. Moreover, since some of the region's most significant rivers originate in the mountains of Tibet, China's hydro-power development programs are increasingly affecting its neighbors. China began multiple dam construction on the upper Mekong River in Yunnan Province with little thought to the resulting impact on Burma, Thailand, Laos, Cambodia, and Vietnam, the dams' downstream neighbors. Other important regional rivers originating in Tibet include the Brahmaputra (India and Bangladesh); Irrawaddy (Burma); the Indus (Pakistan); and the Salween (Burma and Thailand).

The United States and China engage in energy and environment-related dialogue through the recently established U.S.-China Strategic Economic Dialogue. As an outgrowth of that dialogue, on December 15, 2007, both countries announced that China would become the third country to join the United States in the FutureGen International Partnership, a collaborative effort to reduce carbon emissions. The two countries also signed an Energy Efficiency and Renewable Energy Protocol, an effort to promote clean, renewable energy technology.

National Security Issues

Annual Report on China's Military Power. In May 2006, the Pentagon released its annual, congressionally-mandated report on China's Military Power. (Appendix II of this paper contains a list, legislative authority, and text links for selected mandated U.S. government reports on China, including the report on China's Military Power.) The 2006 report concludes that China is greatly improving its military, including the number and capabilities of its nuclear forces, and that PRC improvements appear largely focused on a Taiwan contingency. The report maintains that this build-up poses a long-term threat to Taiwan and ultimately to the U.S. military presence in Asia.

Weapons Proliferation. For many years, U.S. officials and Members of Congress have been concerned about the PRC's track record of weapons sales, technology transfers, and nuclear energy assistance to certain countries in the Middle East and South Asia, particularly to Iran and Pakistan. While some U.S. officials have grown more confident that the PRC is changing its proliferation policies, congressional and other critics charge that such confidence is misplaced.⁶³ They

⁶² According to Jasper Becker in a series of environmental articles in the *Asia Times*, China is home to 22,104 dams, compared to 6,390 in the United States and 4,000 in India. Becker, Jasper, "Peasants bear the brunt of China's energy plans," *Asia Times Online*, 2003.

⁶³ As reasons for such confidence, some point to the past decade, when the PRC has: 1992 — promised to abide by the Missile Technology Control Regime (MTCR) and acceded to the Nuclear nonproliferation Treaty (NPT); 1993 — signed the Chemical Weapons (continued...)

point out that for years, reputable sources have reported China to be selling ballistic missiles and technology for weapons of mass destruction (WMD) in the international market, primarily in the Middle East.⁶⁴ Although these allegations have always created problems in Sino-U.S. relations, they have taken on new and potentially significant implications given the Administration's emphasis on controlling the spread of weapons of mass destruction as well as WMD programs as well as later disclosures about nuclear weapons programs in Iran and North Korea. The PRC has had close relationships with all three countries in the past, including sales of military equipment that could threaten U.S. forces in the region and missiles that could enhance a nuclear weapons capability.⁶⁵

Military Contacts. Once one of the stronger components of the relationship, U.S.-China military relations have never fully recovered after they were suspended following the 1989 Tiananmen Square crackdown. Nevertheless, both countries cautiously resumed military contacts during the 108th Congress, although efforts to reenergize military ties met with repeated setbacks. In October 2005, U.S. Secretary of Defense Donald Rumsfeld made his first official visit to China as Secretary of Defense.⁶⁶ (See appendix at the end of this report for a list of recent U.S.-China official talks.)

Human Rights

The Bush Administration generally has favored selective, intense pressure on individual human rights cases and on rule of law issues rather than the broader approach adopted by previous American administrations. The PRC government periodically has acceded to this White House pressure and released early from prison political dissidents — usually citing health reasons and often immediately preceding visits to China by senior Bush Administration officials. On March 14, 2005, for instance, PRC officials released Uighur businesswoman Rebiya Kadeer, arrested in 1999 for “revealing state secrets.” The same day, the U.S. government announced that it would not introduce a resolution criticizing China's human rights record at the 61st Session of the U.N. Commission on Human Rights (UNCHR) in Geneva from March 14 to April 22, 2005.⁶⁷

⁶³ (...continued)

Convention (CWC); 1996 — signed the Comprehensive Test Ban Treaty; and 1997 — joined the Zangger Committee of NPT exporters.

⁶⁴ For details, see CRS Report RL31555, *China and Proliferation of Weapons of Mass Destruction and Missiles: Policy Issues*, by Shirley Kan.

⁶⁵ Iran, for instance, has purchased from the PRC small numbers of SA-2 surface-to-air missiles, F-7 combat aircraft, fast-attack patrol boats, and C-802 anti-ship cruise missiles. Some Members of Congress have questioned whether Iran's possession of C-802s violates the Iran-Iraq Arms nonproliferation Act of 1992 (50 U.S.C. § 1701), which requires sanctions on countries that sell destabilizing weapons to Iran or Iraq.

⁶⁶ See CRS Report RL32496, *U.S.-China Military Contacts: Issues for Congress*, by Shirley Kan.

⁶⁷ In 2006, the UNCHR was replaced by a new 47-member U.N. body, the U.N. Human Rights Council. (continued...)

There were no such symbolic PRC gestures before President Bush's November 2005 visit to China. Moreover, during his Asia visit, President Bush publicly adopted a different human rights approach, making universal freedom, religious freedom, and democratization appear to be the centerpiece of U.S. policy in Asia. There has been little sign that the President's November remarks about the U.S. position on human rights has affected PRC policies, although there is growing evidence of increasing social demands within China for greater accountability, transparency, and responsiveness in government.

New Internet and Media Restrictions. The explosive growth of the Internet, cell phones, and text messaging in China has helped make these relatively unregulated electronic sources the dominant source of information for Chinese citizens. Beijing has increasingly viewed these new information sources as potential threats to the central government's ability to control and shape information flows, and for several years PRC leaders have attempted to restrict and control the scope of Web content and access.

On September 25, 2005, China imposed new regulations designed to further limit the type of electronic news and opinion pieces available to the Web-savvy in China.⁶⁸ Among other things, the regulations prohibits major search engines from posting their own independent commentary on news stories, stipulating that only opinion pieces provided by state-controlled media may be posted; requires internet service providers to record the content, times, and Internet addresses of news information that is published and to provide this information to authorities upon inquiry; and in vague terms prohibits certain kinds of content from being posted — such as content that “undermines state policy” or “disseminates rumors [and] disturbs social order.”⁶⁹ The regulations are backed by penalties, including fines, termination of Internet access, and possible imprisonment.

Religious Freedom. The PRC continues to crack down on unauthorized religious groups and to restrict the freedoms of ethnic communities that seek greater religious autonomy. Much of this repression focuses on what PRC officials have classified as illegal religious “cults” such as the Falun Gong and the Three Grades of Servants Church.⁷⁰ Reports about religious freedom in China suggest that state persecution of some religious and spiritual groups will likely continue as long as the Chinese Communist Party (CCP) perceives these groups to be threatening to its political control. However, religions in the PRC have also attracted increasing numbers of adherents as well.

⁶⁷ (...continued)

Rights Council (“the Council”). The United States elected not to run for a seat on the Council on the grounds that the performance of the new body first needed to be evaluated over time.

⁶⁸ “‘Full Text’ of PRC Internet News Information Service Management Rules,” jointly promulgated by the PRC State Council Information Office and the Ministry of Information Industry, September 25, 2005, *Beijing Xinhuan Wang*, in FBIS, CPP2005926038001.

⁶⁹ *Ibid.*, Article 19.

⁷⁰ See CRS Report RL33437, *China and Falun Gong*, by Thomas Lum.

In the China section of its most recent annual *International Religious Freedom Report*, released September 16, 2006, the U.S. Department of State judged China's record on religious freedom to remain poor and substantially the same as during previous years. The State Administration for Religious Affairs, SARA, (formerly known as the Religious Affairs Bureau, or RAB) continues to require churches to register with the government. Churches that are unregistered — so-called “house churches” — continue to be technically illegal and often repressed by the government. As in the past, however, treatment of unregistered churches varies widely from locality to locality, with some local officials highly repressive and others surprisingly tolerant.

Some suggest that in recent years the Communist Party has sought ways to recognize religion as an integral part of Chinese society and to support religious practices that it deems to perform positive social and political functions. At a national work conference on religion in 2001, for instance, then-Party Secretary Jiang Zemin stressed religion's positive role in society. On the other hand, by 2004 it appeared that Party officials had grown more concerned about religion's “destabilizing” effects. In January 2004, SARA held a national work conference on religion that instead emphasized what it saw as negative and destabilizing aspects of religious observance, including cults and the growing circulation of foreign religious materials. As they have in the past, Communist Party officials continue now to stress that religious belief is incompatible with Party membership.

Tibet. The political and cultural status of Tibet remains a difficult issue in U.S.-China relations and a matter of debate among U.S. policymakers. Controversy continues over Tibet's current political status as part of China, the role of the Dalai Lama and his Tibetan government-in-exile, and the impact of Chinese control on Tibetan culture and religious traditions. The U.S. government recognizes Tibet as part of China and has always done so, although some dispute the historical consistency of this U.S. position. But the Dalai Lama, Tibet's exiled spiritual leader, has long had strong supporters in the U.S. Congress who have continued to pressure the White House to protect Tibetan culture and give Tibet greater status in U.S. law. It was largely because of this congressional pressure that in 1997, U.S. officials created the position of Special Coordinator for Tibetan issues, tasked with the specific mission of helping to promote talks between the Dalai Lama and Beijing. The current Special Coordinator — Paula Dobriansky, Under Secretary of State for Global Affairs — is the highest-ranking U.S. official to have held this position.⁷¹

Although dialogue between the PRC and the Tibetan exile community remains officially stalled, hopes for renewed momentum were raised by a number of unusual developments since 2002 that are outside the scope of what has come to be expected of Beijing's relations with the Dalai Lama's representatives. In 2002, the Dalai Lama's older brother, Gyalo Thondup, accepted a PRC invitation to spend several weeks in Tibet on a private visit. On several other occasions since then, the PRC government invited to China and to Lhasa (Tibet's capital) delegations from the Tibetan community led by the Dalai Lama's special envoy in the United States, Lodi

⁷¹ For background and details, see CRS Report RL30983, *Tibet, China, and the 107th Congress: Issues for U.S. Policy*, by Kerry Dumbaugh.

Gyari.⁷² The fifth and latest round of these interactions occurred early in 2006 in Beijing, where the Dalai Lama's special envoy and a delegation from the Tibetan community-in-exile arrived on February 15, 2006. In this latest negotiation, as in past such negotiations, the Dalai Lama's special envoy has acknowledged differences but also had favorable reactions to the talks, saying "Our Chinese counterparts made clear their interest in continuing the present process and their firm belief that the obstacles can be overcome through more discussions and engagements."⁷³

Xinjiang's Ethnic Muslims. For years, the PRC government also has maintained a repressive crackdown against Tibetans and Muslims, particularly against Uighur "separatists" — those in favor of independence from China — in the Xinjiang-Uighur Autonomous Region in western China. U.S. officials warned after September 11, 2001 that the global anti-terror campaign should not be used to persecute Uighurs or other minorities with political grievances against Beijing. But some believe that the U.S. government made a concession to the PRC on August 26, 2002, when it announced that it was placing one small group in China, the East Turkestan Islamic Movement (ETIM), on the U.S. list of terrorist groups. In early January 2007, PRC officials claimed that the ETIM was the target of a Chinese raid on a suspected terrorism camp in Xinjiang. No details were given, although PRC officials reportedly said that 18 were killed and 17 arrested.⁷⁴

U.S. policies on Uighurs and on terrorism have faced a unique test since it became known that approximately 22 Uighur Muslims were being held by U.S. forces at Guantanamo Bay after having been apprehended during the U.S. strikes against the Taliban in Afghanistan. Some of the Guantanamo prisoners, including two Uighurs were determined by the U.S. government in 2005 to not be "military combatants," and since then have been pursuing legal action against the United States in an effort to be released.⁷⁵ According to press accounts, the Bush Administration has requested that the Supreme Court refuse to hear the mens' petitions.⁷⁶ On December 4, 2006, seven other Uighur prisoners filed suit in U.S. federal court challenging their status as "enemy combatants" and arguing that they also should be released.⁷⁷ According to press reports, other remaining Uighur prisoners were moved

⁷² Lodi Gyari gave a news conference about these talks at the National Press Club in Washington, D.C. on November 2, 2005.

⁷³ Statement by Special Envoy Lodi Gyari, released on February 25, 2006.

⁷⁴ "Muslim Terror Raid Finds 'International' Ties," *New York Times*, January 10, 2007, p. 14.

⁷⁵ "Two Uighurs held at Guantanamo appeal for high court help," *Agence France Presse*, January 17, 2006.

⁷⁶ Gerstein, Josh, "America seeking to block appeal of two Chinese at Guantanamo," *New York Sun*, March 27, 2006.

⁷⁷ "Holding Uighur Muslims at Guantanamo just a bow to China: defence lawyers," *The Canadian Press*, December 6, 2006.

in December 2006 to a new high-security Guantanamo facility, where they reportedly are being kept in solitary confinement.⁷⁸

Family Planning Policies. Because of allegations of forced abortions and sterilizations in PRC family planning programs, direct and indirect U.S. funding for coercive family planning practices is prohibited in provisions of several U.S. laws. In addition, legislation in recent years has expanded these restrictions to include U.S. funding for international and multilateral family planning programs, such as the U.N. Population Fund (UNFPA), that have programs in China.⁷⁹

While the PRC has maintained its restrictive and at times coercive “one-child” program for several decades, there are growing indications that the government may be re-thinking this policy. Early in 2004, China’s new leadership appointed a task force to study the country’s demographic trends and their implications for economic development. In October 2004, reports surfaced that Beijing was considering at least one proposal to eventually scrap the one-child policy because of currently low PRC birth rates and the economic implications this has for supporting China’s huge aging population. On January 6, 2005, the director of China’s National Population and Family Planning Commission stated that the government intended to modify criminal law to make it illegal to selectively identify and abort female fetuses.⁸⁰ There also is anecdotal evidence that some citizens of the PRC are becoming more assertive about their reproductive rights.⁸¹ In December 2006, U.S. adoption agencies began to report that China planned to tighten the restrictions on foreigners who could adopt Chinese children.

Social Stability. The far-reaching economic changes the PRC continues to undergo have led to increasing disgruntlement among a number of social groups.⁸² Peasants and farmers in rapidly developing parts of China are under heavy tax burdens and falling farther behind their urban contemporaries in income. Some have had their farmland confiscated by local government and Party officials. Officials then sell the confiscated land for development, often reportedly offering little or no compensation to the peasants from which the land was seized, resulting in sometimes sizable protests. One widely publicized case occurred on December 6, 2005, in the southern Chinese city of Dongzhou (Shanwei), when paramilitary forces opened fire

⁷⁸ Smith, Jeffrey and Tate, Julie, Uighurs’ detention conditions condemned,” *The Washington Post*, January 30, 2007, p. A4.

⁷⁹ In the 108th Congress, section 560(d) of H.R. 4818 (P.L. 108-447), the Consolidated Appropriations Act, 2005, prohibited U.S. funds from being made available to UNFPA for a country program in China.

⁸⁰ PRC statistics show that nearly 120 boys are born for every 100 girls — a gender ratio suggesting selective abortion of female fetuses. The “natural” male-female gender ratio is about 105-100, according to a United Nations estimate. “Analysts View Problems with Huge PRC Gender Gap,” *South China Morning Post*, January 7, 2005.

⁸¹ Pan, Philip, “Who controls the family? Blind activist leads peasants in legal challenge to abuses of China’s population-growth policy,” *Washington Post*, August 27, 2005, p. A1.

⁸² See CRS Report RL33416, *Social Unrest in China*, by Thomas Lum.

on villagers demonstrating against the confiscation of their land for the construction of a new power plant. An as yet uncertain number of villagers were killed.

In an effort to address rising rural complaints, the government early in 2005 proposed a new measure — the “2005 Number 1 Document” — to reduce taxes on rural peasants, increase farm subsidies, and address the widening income gap between urban and rural residents. Rising labor unrest, particularly in northern and interior cities, is another particularly troubling issue for Beijing, a regime founded on communist-inspired notions of a workers’ paradise. Increasing labor unrest also has placed greater pressure on the authority and credibility of the All-China Federation of Trade Unions (ACFTU), China’s only legal labor organization.⁸³

Hong Kong Governance

On June 21, 2005, following his selection to the post by the 800-member Hong Kong Election Committee, Donald Tsang was formally appointed Chief Executive of Hong Kong by the PRC State Council. He replaced Hong Kong’s unpopular former Chief Executive, Tung Chee-hwa, who submitted his resignation on March 10, 2005, two years before his term was to expire. Controversy under Mr. Tung’s tenure grew steadily after late summer 2003, when massive peaceful demonstrations, involving tens of thousands of Hong Kongers began to be held in opposition to “anti-sedition” laws proposed by Mr. Tung and in favor of more rapid progress toward democratization. Beijing dealt these democratic aspirations a stinging setback in April 2004 by ruling that universal suffrage not only was not to be allowed as early as 2007 (when Hong Kong’s constitution, the Basic Law, implies it is possible), but that Beijing, and not Hong Kong, would determine the proper pace for democratic reforms. Critics maintained that the Beijing decisions contravened provisions in the Basic Law leaving decisions on democratic development up to the Hong Kong people.

While a pragmatist who is far more popular than his predecessor, Chief Executive Tsang also has been criticized by democracy activists. As Hong Kong’s Chief Secretary, Mr. Tsang had chaired a Tung-appointed task force charged with consulting Beijing to devise a plan for democratic reforms in Hong Kong in 2007 and 2008. The task force’s final recommendations, submitted in October 2005, provided for only marginal changes to electoral procedures in 2007 and 2008, stopping far short of expanding the franchise in Hong Kong in this decade or for the foreseeable future. The public response to the recommendations was one of disappointment. On December 4, 2005, opponents of the recommendations held another large public protest in Hong Kong in favor of greater political change. Executive Tsang defended the recommendations as being the most Hong Kong can achieve at the moment given Beijing’s objections to more rapid democratization. Democracy activists in the Legislative Council defeated the minimal reform package on December 21, 2005, leaving the status quo in place and the prescription for future changes uncertain.

⁸³ The ACFTU is controlled by the Communist Party. For background and further details, see CRS Report RL31164, *China: Labor Conditions and Unrest*, by Thomas Lum.

U.S. policy toward Hong Kong is set out in the U.S.-Hong Kong Policy Act of 1992 (P.L. 102-383). In addition to requiring annual U.S. government reports on Hong Kong's conditions through 2006, this act allows the United States to treat Hong Kong more leniently than it treats the PRC on the condition that Hong Kong remains autonomous. Under the act, the President has the power to halt existing agreements with Hong Kong or take other steps if he determines that Beijing is interfering unduly in Hong Kong's affairs.⁸⁴

U.S. Policy Implications

Some U.S. observers have become increasingly concerned about China's growing economic and political reach in the world — often referred to as “China's rise” — and what it means for global U.S. economic and political interests, U.S.-China relations, and concerns for Taiwan's security. Some in this debate believe China's rise is a malign threat that needs to be thwarted; others believe that it is an inevitable phenomenon that needs to be managed. As was the 109th Congress before it, the 110th Congress is likely to be faced with recurring issues involving this emerging debate and whether U.S. interests would best be served by accommodating China's rise or containing it.

According to one school of thought, China's economic and political rise in the world is inevitable and needs to be accommodated and managed. In this view, as China becomes more economically interdependent with the international community, it will have a greater stake in pursuing stable international economic relationships. Growing wealth in the PRC is likely to encourage Chinese society to move in directions that will develop a materially better-off, more educated, and cosmopolitan populace. Over time, this population could be expected to press its government for greater political pluralism and democracy — two key U.S. objectives. Therefore, from this perspective, U.S. policy should seek to work more closely with the PRC, not only to encourage these positive long-term trends, but to seek ways to mutually benefit by cooperating on important global issues such as alternative energy sources, climate change, and scientific and medical advancements. Ultimately, some proponents of accommodation say, the United States simply will have to make room for the economic and political appetites of the superpower that China is likely to become. Viewing the PRC as a “threat” or attempting to contain it, these proponents say, could produce disastrous policy consequences for U.S. interests. In addition to possible military conflict with the PRC, they assert, these consequences could include a breakdown in PRC governance, a fragmentation of the country itself, the creation of greater Chinese nationalism with a strong anti-American bias, and an increasingly

⁸⁴ A specific intention of the Hong Kong Policy Act was to permit the U.S. government to treat Hong Kong differently from the way it treats the rest of China in U.S. law. Thus, the United States has an extradition treaty with Hong Kong but not with China; maintains a liberalized export control regime with Hong Kong but a restrictive one with China; and gives Hong Kong permanent most-favored-nation (MFN) trade status — or “normal trade relations” as it is now known — but gave that status to China separately upon its accession to the WTO, which occurred in 2001.

isolated United States that the international community may see as out of step with global trends.

Other proponents of the “inevitability” of China’s rise stress the extreme competitive challenges of China’s growing power which, even if benign, pose potentially huge consequences for U.S. global interests. Beijing officials, say this group, view the world as a state-centered, competitive environment where power is respected, and PRC leaders are determined to use all means at their disposal to increase their nation’s wealth, power, and influence. A militarily muscular China with substantial international economic ties will be able to wield considerable political power that could prompt U.S. friends and allies to make different choices, eroding U.S. influence around the world. The EU’s inclination to lift its arms embargo against China despite strong U.S. objections is cited as an example of this trend. The United States, they argue, should develop a comprehensive strategic plan in order to counter China’s growing power by strengthen its existing regional alliances and make new ones, expand overseas investments, sharpen American global competitiveness, and maintain a robust military presence in Asia and elsewhere as a counterweight to growing PRC power and influence.

Others in the American policy debate see less benevolent intentions in China’s growing power. PRC leaders, they argue, may be portraying their growth as a “peaceful rise” with no harmful consequences, but actually they are biding their time, simply conforming to many international norms as a strategy while China is still weak. In reality, these proponents say, Beijing seeks at least to erode and at best to supplant U.S. international power and influence. In conducting their international relations, they maintain, Chinese leaders seek to cause rifts in U.S. alliances, create economic interdependence with U.S. friends, and arm U.S. enemies. Despite the statements of support for the U.S. anti-terrorism campaign, according to this view, the PRC’s repeated violations of its nonproliferation commitments have actually contributed to strengthening nations that harbor global terrorists. Furthermore, they maintain that the PRC under its current repressive form of government is inherently a threat to U.S. interests, and that the Chinese political system needs to change dramatically before the United States has any real hope of reaching a constructive relationship with Beijing. From this perspective, U.S. policy should focus on mechanisms to change the PRC from within while remaining vigilant and attempting to contain PRC foreign policy actions and economic relationships around the world where these threaten U.S. interests.

Major Legislation in the 110th Congress⁸⁵

H.R. 571 (Tancredo)

A bill to require that additional tariffs be imposed on products of non-market economies, which the bill specifically defines as including the People’s Republic of China. Introduced January 18, 2007. Referred to the House Ways and Means Committee.

⁸⁵ For legislative action during the 109th Congress, see CRS Report RL32804, *China-U.S. Relations During the 109th Congress*, by Kerry Dumbaugh.

H.R. 678 (Holt)

The National Security Language Act. Introduced January 24, 2007, the bill seeks to expand and improve U.S. foreign language study in “less commonly taught” languages, including Chinese. Referred to House Committees on: Education and Labor; Select Intelligence; Armed Services.

H.R. 782 (Ryan)

The Fair Currency Act of 2007. Introduced January 31, 2007, the bill amends Title IV of the Tariff Act of 1930 to provide that artificial exchange rates by any country are countervailable export subsidies. The bill requires the U.S. Treasury Secretary annually to analyze foreign countries’ exchange rate policies and embark on negotiations with those countries whose currencies are judged to be in “fundamental misalignment.” Referred to: House Ways and Means Committee, and in addition to the House Committees on Financial Services; Foreign Affairs; and Armed Services.

Chronology

- 02/13/07** — Negotiators at the Six-Party Talks announced tentative agreement on dismantling North Korea’s nuclear weapons program in exchange for a package of food and energy assistance.
- 02/02/07** — According to a State Department spokesman, the United States will need to “evaluate” future civil space cooperation with China in light of China’s January 11, 2007 ASAT test.
- 01/30/07** — President Hu Jintao left for his third trip to Africa in three years: he will visit South Africa, Sudan, Cameroon, Liberia, Zambia, Namibia, Mozambique, and Seychelles.
- 01/24/07** — *Reuters* reported that China’s economy grew by 10.7% in 2006.
- 01/24/07** — According to the head of the PRC’s National Population and Family Planning Commission, Zhang Weiqing, there were 118 boys born for every 100 girls in China in 2005, which he called “a worsening gender imbalance.” He also announced that authorities may reduce fines for poor families who have more than one child.
- 01/24/07** — According to press reports, the China Internet Network Information Center announced that 137 million Chinese people were now using the Internet.
- 01/23/07** — A PRC Foreign Ministry spokesman confirmed that China had fired a missile to destroy one of its orbiting satellites.
- 01/18/07** — Bush Administration officials announced that China had tested its first anti-satellite weapon on January 11, reportedly noting that the U.S. had expressed concern to Beijing about the test.

- 01/17/07** — China and Taiwan agreed to allow 96 round-trip charter flights between the two land masses during the February 13 - 26, 2007 Lunar New Year. The flights (48 from each side) will be non-stop but must pass through Hong Kong air space.
- 01/16/07** — China issued a new 8-point regulation that will permit state auditors to audit the People's Liberation Army.
- 01/15/07** — PRC Minister of Commerce Bo Xilai was reported as saying that reducing China's trade surplus would be a top priority for 2007.
- 01/15/07** — The *Washington Times* reported that China's military is delaying the planned U.S. visit of Gen. Zhiyuan, commander of China's nuclear forces, to meet with his counterpart, Marine Corps. General James E. Cartwright, at SAC headquarters.
- 01/14/07** — China and ASEAN signed a new trade agreement on services, considered a major step toward eventual completion of a Sino-ASEAN free trade agreement.
- 01/12/07** — China and Russia vetoed a U.N. Security Council resolution, sponsored by the U.S., criticizing Burma's human rights record. 9 of the 15 members UNSC members voted for the resolution.
- 01/12/07** — A Chinese court upheld the conviction of blind activist Chen Guangcheng who had campaigned against officials in Linyi city from pursuing coercive family planning practices. He was sentenced to four years, three months in prison.
- 01/12/07** — A PRC court upheld the conviction of blind activist Chen Guangcheng who had campaigned against officials in Linyi city from pursuing coercive family planning practices. He was sentenced to four years, three months in prison.
- 01/11/07** — Army Lt. General Michael Mapes relayed DOD concerns to the Senate Intelligence Committee during that body's annual threat assessment hearing that Russia and China have secret space-based weapons development programs.
- 01/11/07** — China's currency rose to 7.8 to the U.S. dollar, its highest rate since its reevaluation to a basket of currencies in 2005.
- 01/10/07** — WHO reported the recovery of China's first human avian flu case in six months — a 37-year-old man from Anhui Province. He became ill on December 10, 2006.
- 01/10/07** — China announced that its global trade surplus for 2006 was \$177.47 billion — up from \$102 billion in 2005.

- 01/08/07** — Taiwan President Chen Shui-bian left Taiwan for Nicaragua to attend President Ortega's inauguration. The United States granted him transit stops in San Francisco on the front end and Los Angeles on the back end.
- 01/10/07** — China announced that its global trade surplus for 2006 was \$177.47 billion — up from \$102 billion in 2005.
- 01/09/07** — United Airlines announced that the U.S. Government had tentatively awarded it a new, non-stop route to China.
- 12/14/06** — The first meeting of the U.S.-China Strategic Economic Dialogue began in Beijing, headed by U.S. Treasury Secretary Henry Paulson and including 5 other U.S. cabinet officers and other U.S. officials.
- 11/19/06** — The U.S. and PRC navies conducted joint search and rescue exercises in the South China Sea. The exercises ostensibly were to increase transparency and enhance military contacts.
- 11/16/06** — The U.S. China Economic and Security Review Commission released its 2006 annual report, including 44 recommendations for U.S. policymakers. Among the top ten: enhance China's compliance with WTO obligations, greater dialogue and congressional scrutiny on security issues, and greater pressure for PRC help on North Korea.
- 10/14/06** — China voted in favor of a U.N. resolution imposing sanctions on North Korea for its nuclear weapon test.
- 10/09/06** — North Korea conducted a test of a nuclear weapon.
- 09/05/06** — Premier Wen Jiabao announced China needs more time to bring its anti-piracy standards to international levels.
- 07/04/06** — North Korea began a series of 7 missile test launches in defiance of international cautions not to do so.

Appendix I: Selected Visits by U.S. and PRC Officials

(For U.S.-PRC visits during the 109th Congress, see CRS Report RL32804)

December 14-15, 2006 — In the first meeting of the U.S.-China Strategic Economic Dialogue (initiated by U.S. Treasury Secretary Henry Paulson on September 20, 2006), six US. Cabinet officers and other senior U.S. officials visited China to participate in bilateral discussions to promote increased access for U.S. exports and better U.S.-China trade ties. Participants included U.S. Treasury Secretary Paulson, Secretary of Commerce Carlos M. Gutierrez, Labor Secretary Elaine Chao, Health and Human Services Secretary Mike Leavitt, Energy Secretary Sam Bodman, U.S. Trade Representative Susan Schwab, EPA Administrator Stephen Johnson, and Federal Reserve Chairman Ben S. Bernanke.

November 13, 2006 — U.S. Secretary of Commerce Carlos Gutierrez began a visit to Beijing — his fourth as Secretary — to discuss trade issues. During his visit, he pressed PRC officials to do more to combat IPR piracy (at the 5th IPR roundtable beginning on 11/14).

Appendix II: Selected U.S. Government Reporting Requirements

International Religious Freedom Report, China (*annual report*)

Most recent date available: September 15, 2006

Agency: U.S. Department of State, Bureau of Democracy, Human Rights, and Labor

Legislative authority: P.L. 105-292, the International Religious Freedom Act (IRFA) of 1998, Section 102(b)

Full text: [<http://www.state.gov/g/drl/rls/irf/2006/>]

U.S. Commission on International Religious Freedom (*annual report*)

Most recent date available: May 2006

Agency: U.S. Commission on International Religious Freedom (USCIRF)

Legislative authority: P.L. 105-292, the International Religious Freedom Act (IRFA) of 1998, Section 203

Full text: [<http://www.uscirf.gov/countries/publications/currentreport/2006annualRpt.pdf#page=1>]

Reports on Human Rights Practices, China (*annual report*)

Most recent date available: March 8, 2006

Agency: U.S. Department of State, Bureau of Democracy, Human Rights, and Labor

Legislative authority: The Foreign Assistance Act of 1961 (FAA), as amended, Sections 116(d) and 502(b); and the Trade Act of 1974, as amended, Section 504

Full text: [<http://www.state.gov/g/drl/rls/hrrpt/2005/61605.htm>]

Military Power of the People's Republic of China (*annual report*)

Most recent date available: May 2006

Agency: U.S. Department of Defense

Legislative authority: P.L. 106-65, the National Defense Authorization Act for FY2000, Section 1202

Full text: [<http://www.defenselink.mil/pubs/pdfs/China%20Report%202006.pdf>]

Unclassified Report to Congress on the Acquisition of Technology Relating to Weapons of Mass Destruction and Advanced Conventional Munitions (*semi-annual report*)

Most recent date available: January 1 through December 31, 2004

Agency: Director of Central Intelligence

Legislative authority: FY1997 Intelligence Authorization Act, Section 721

Full text: [http://www.dni.gov/reports/2004_unclass_report_to_NIC_DO_16Nov04.pdf]

International Narcotics Control Strategy Report, 2005 (*annual report*)

Most recent date available: March 2006

Agency: U.S. Department of State, Bureau for International Narcotics and Law Enforcement Matters

Legislative authority: Section 489 of the Foreign Assistance Act of 1961, as amended (the “FAA,” 22 U.S.C. § 2291); sections 481(d)(2) and 484(c) of the FAA; and section 804 of the Narcotics Control Trade Act of 1974, as amended). Also provides the factual basis for designations in the President’s report to Congress on major drug-transit or major illicit drug producing countries pursuant to P.L. 107-115, the Kenneth M. Ludden Foreign Operations, Export Financing, and Related Programs Appropriations Act, 2002, Section 591

Full text: [<http://www.state.gov/p/inl/rls/nrcrpt/2006/>]

Report to Congress on China’s WTO Compliance (*annual report*)

Most recent date available: December 11, 2005

Agency: United States Trade Representative

Legislative authority: P.L. 106-186, the U.S.-China Relations Act of 2000, authorizing extension of Permanent Normal Trade Relations to the PRC, Section 421

Full text: [http://www.ustr.gov/assets/Document_Library/Reports_Publications/2005/asset_upload_file293_8580.pdf]

Report Monitoring to Congress on Implementation of the 1979 U.S.-PRC Agreement on Cooperation in Science and Technology (*biannual report*)

Most recent date available: April 15, 2005

Agency: U.S. Department of State, Office of Science and Technology Cooperation

Legislative Authority: P.L. 107-314, Bob Stump National Defense Authorization Act Section for FY2003, Section 1207

Full text: [<http://www.state.gov/g/oes/rls/or/44681.htm>]

Report on Tibet Negotiations (*annual report*)

Most recent date available: June 2005

Agency: U.S. Department of State, Bureau of East Asian and Pacific Affairs

Legislative Authority: P.L. 107-228, Foreign Relations Authorization Act, 2003, Section 613

Full text: [<http://www.state.gov/p/eap/rls/rpt/45015.htm>]

Congressional-Executive Commission Report (*annual report*)

Most recent date available: September 20, 2006

Agency: Congressional-Executive Commission on China

Legislative Authority: P.L. 106-286, Normal Trade Relations with the People’s Republic of China, 2000

Full text: [<http://www.cecc.gov/pages/annualRpt/annualRpt06/index.php?PHPSESSID=9377164c288981e42b9a2577054dddf2>]