



U.S.-China Relations: Policy Issues

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Summary

The 112th Congress faces important questions about what sort of relationship the United States should have with China and how the United States should respond to China's "rise." After 30 years of fast-paced economic growth, China's economy is now the second largest in the world after the United States. China is driving global economic growth and has become an Asian economic hub. With economic success, China has developed significant global strategic clout. It is also engaged in an ambitious military modernization drive, including efforts to develop extended-range power projection capabilities and such advanced weapons as a stealth bomber. It continues to suppress all perceived challenges to the Communist Party's monopoly on power.

In previous eras, the rise of new powers produced rivalry and conflict. Today, with low levels of "strategic trust" between the United States and China, some analysts believe eventual conflict between the two nations is inevitable. Others, like the Harvard historian Joseph S. Nye, Jr., have argued that, "The belief in the inevitability of conflict can become one of its main causes." The Obama Administration has repeatedly assured China that the United States "welcomes a strong, prosperous and successful China that plays a greater role in world affairs," and does not seek to prevent China's re-emergence as a great power. It has wrestled, however, with how to engage China on issues affecting stability and security in the Asia-Pacific region, and how to persuade China to address economic policies the United States sees as denying a level playing field to U.S. firms trading with and operating in China. Such economic policies include China's currency policy, its alleged discrimination against foreign firms in favor of domestic ones, and its weak protections for intellectual property rights. The Administration has also grappled with how best to press China on its human rights record and how to reconcile different approaches to addressing climate change. The two nations have cooperated to address global economic challenges and, with more mixed results, nuclear proliferation concerns related to Iran and North Korea.

The bilateral relationship was characterized by significant discord in 2010. For the United States, points of friction included China's currency and industrial policies; its reluctance to condemn a series of North Korean provocations; its expansive claims to disputed territory in the South China Sea; and its ongoing suppression of domestic dissent. For China, points of friction included U.S. arms sales to Taiwan; President Obama's meeting with Tibet's exiled spiritual leader, the Dalai Lama; U.S. joint military exercises with South Korea in the Yellow Sea; and the U.S. declaration of a "national interest" in freedom of navigation in the South China Sea. China's President and Communist Party General Secretary Hu Jintao made a state visit to the United States in January 2011, during which the two presidents issued a 41-point joint statement that sought to bridge differences and emphasize common interests. A major leadership transition in China in 2012 and a presidential election in Taiwan the same year could complicate future bilateral relations.

The first part of this report provides an overview of the U.S.-China relationship and Obama Administration policy toward China. A summary of major policy issues in the relationship follows, beginning with security issues and Taiwan, and continuing with economic issues, climate change and clean energy cooperation, and human rights. The report includes five appendices. Appendix A provides a chronology of meetings between the U.S. and Chinese presidents and information about select bilateral dialogues. Appendix B analyzes the Joint Statement issued during President Hu's January 2011 state visit. Appendix C lists congressionally mandated annual reports related to China. Appendices D and E list China-related legislation introduced in the 112th and 111th Congresses. Throughout, this report directs the reader to other CRS reports for more detailed information about individual topics. This report will be updated periodically.

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Overview of U.S.-China Relations

After 30 years of fast-paced economic growth, China, also known by its formal name, the People's Republic of China (PRC), has emerged as the world's second largest economy, and the United States-China relationship has expanded to encompass a broad range of global, regional, and bilateral issues. Washington seeks Beijing's cooperation in rebalancing the global economy. It looks to China, a fellow permanent member of the United Nations Security Council, to help block the nuclear ambitions of Iran and North Korea. With the United States and China now the two largest emitters of greenhouse gases, Washington seeks Beijing's cooperation in reaching a new international agreement on steps to address climate change. The United States also seeks to engage China on ways to uphold peace and stability in the Asia-Pacific, including in the Taiwan Strait, the South China Sea, and the East China Sea. The lingering effects of the 2008-2009 global financial crisis on the United States economy have added to the urgency of Washington's efforts to try to achieve a so-called level playing field for U.S. firms that trade with and operate in China. The United States also seeks to promote human rights and the rule of law in China, including in the sometimes restive ethnic minority regions of Tibet and Xinjiang.

Hanging over the relationship is the meta question of whether, as China grows in economic and military power, the United States and China can manage their relationship in such a way as to avoid the debilitating rivalry and conflict that have accompanied the rise of new powers in previous eras. The United States and China are already engaged in what President Obama has termed "friendly competition."¹ Some analysts believe eventual conflict with China is inevitable. Others, like the Harvard historian Joseph S. Nye, Jr., have argued that, "The belief in the inevitability of conflict can become one of its main causes."² Mindful of history, and of the stakes for their respective economies and the world, the leaders of both countries have repeatedly averred that they do not want conflict and committed to work together where their interests overlap, and to try to find ways to manage their differences.

The U.S.-China relationship remains dogged, however, by long-standing mutual mistrust. That mistrust stems in part from the two countries' very different political systems. Many in the United States are uncomfortable with China's authoritarian system of government and sometimes brutal suppression of dissent and see continued Communist Party rule in a post-Cold War world as an anachronism. Many Communist Party elites in China are suspicious that the United States seeks to constrain China's rise. Some believe that the United States seeks to destabilize China, with the goal of foisting multi-party democracy upon it and pushing the Communist Party from power.

The two countries' different economic models have led to mistrust, too. Some in the United States believe that China has achieved its economic successes by playing by a different, and not always fair, set of rules. Such critics point to China's strong reliance on exports for growth and to the PRC government's policy of keeping China's currency artificially weak, in part to make Chinese exports more attractive to importing nations. Other points of contention include Chinese industrial policies that appear to be intended to help Chinese domestic firms scale the value chain by discriminating against foreign firms, and China's inability or unwillingness to prevent

¹ The White House Office of the Press Secretary, "Press Conference with President Obama and President Hu of the People's Republic of China," press release, January 19, 2011, <http://www.whitehouse.gov/the-press-office/2011/01/19/press-conference-president-obama-and-president-hu-peoples-republic-china>.

² Joseph S. Nye, Jr., "The Challenge of China," in *How to Make America Safe: New Policies for National Security*, ed. Stephen Van Evera, 74 ed. (Cambridge, MA: The Tobin Project, 2006).

violations of foreign intellectual property by Chinese entities. For their part, PRC officials have criticized the United States for its high levels of consumption, low savings rate, long-term debt, and alleged protectionism and loose monetary policy.

Mistrust is particularly pronounced on security matters. The United States increasingly sees China's military modernization as aimed at constraining the U.S. military's freedom of movement in Asia and deterring U.S. intervention in the case of Chinese use of force against Taiwan, the self-ruled island of 23 million over which China claims sovereignty.³ In mirror image, China sees the United States as intent on thwarting its unification with Taiwan and constraining the activities of the Chinese military throughout Asia. Although China stated in U.S.-China Joint Statements in 2011 and 2009 that it "welcomes the United States as an Asia-Pacific nation that contributes to peace, stability and prosperity in the region" (see **Appendix B** for analysis of the joint statements), many in China chafe at surveillance activities undertaken by the U.S. military along China's coast and at U.S. military exercises in waters near China. They also see U.S. military alliances in Asia as aimed to a significant degree at keeping China's actions in check. With U.S. troops deployed in Afghanistan, which shares a short border with China to the west, and with U.S. military and intelligence agencies deeply engaged in Pakistan, with which China shares a longer western border, some Chinese commentators speak of their country as being "encircled" by U.S. forces.⁴

A sweeping leadership transition in China and presidential elections in Taiwan, both scheduled for 2012, could further complicate the U.S.-China relationship. Chinese Communist Party General Secretary Hu Jintao and Premier Wen Jiabao are scheduled to retire from their party posts in late 2012, at the Chinese Communist Party's 18th Congress, and from their state posts at the first meeting of the 12th National People's Congress in March 2013. In all, seven of China's top nine leaders are expected to step down from their positions in 2012 and 2013. Vice President Xi Jinping, currently the Communist Party's sixth most senior leader, is widely expected to take over from Hu Jintao as China's top leader, but other top posts remain contested. In Taiwan's presidential election campaign, the incumbent Kuomintang Party president, who has presided over expanded engagement with China, is expected to face a strong challenge from a candidate for the Democratic Progressive Party, which has sharply questioned that engagement. Some analysts believe that political jockeying in China may be contributing to greater Chinese assertiveness on the international stage, particularly over territorial claims, as candidates for higher office may feel the need to show themselves to be robustly defending China's national interests. Other analysts argue that the transition should soon bring greater stability to China's international relations, as leaders may feel they need to establish a peaceful international environment to aid in a smooth transition.

³ In a December 2010 speech, Admiral Michael Mullen, Chairman of the Joint Chiefs of Staff, declared that, "some of the specific capabilities [that China is developing] are very clearly focused on and pointed at the United States of America. And they are anti-access capabilities. We're not going away [from Asia], so we're going to be there." Admiral Michael Mullen, Speech at the Center for American Progress, Washington, DC, December 1, 2010, <http://www.jcs.mil/speech.aspx?id=1500>.

⁴ A Chinese military commentator, Air Force Colonel Dai Xu, has referred to the United States carrying out a "C-shape encirclement" of China. See Ge Qian, "Sino-U.S. Relations Tense as South China Sea Issues Escalate," *Southern Metropolis News (Guangzhou)*, July 27, 2010, p. AA16. Colonel Dai published a book in China entitled "C-Shape Encirclement" in 2010.

Obama Administration Policy

Faced with a rising China, the Obama Administration has repeatedly emphasized that it “welcomes a strong, prosperous and successful China that plays a greater role in world affairs.”⁵ President Obama signaled soon after taking office that he hoped to work with China to address a broad range of global issues, most prominently the global financial crisis, climate change, and nuclear non-proliferation, but also such issues as security in Afghanistan and Pakistan and the threat of pandemic disease. In remarks in July 2009, he argued that partnership between the United States and China was “a prerequisite for progress on many of the most pressing global challenges.”⁶

At the same time, the Administration has called for “strategic reassurance” from China about its intentions. In a September 2009 speech, Undersecretary of State James B. Steinberg asserted that, “Just as we and our allies must make clear that we are prepared to welcome China’s ‘arrival’ ... as a prosperous and successful power, China must reassure the rest of the world that its development and growing global role will not come at the expense of security and well-being of others.”⁷

Some observers have questioned whether the Obama Administration’s global agenda with China has meant a diminution of emphasis on such traditional issues in the bilateral relationship as human rights and Taiwan. Secretary of State Hillary Clinton became a lightning rod for such questioning when she stated in February 2009 that the United States would continue to press China on such issues as Taiwan and Tibet and human rights, “but our pressing on those issues can’t interfere with the global economic crisis, the global climate change crisis, and the security crisis.”⁸ The Administration was careful to give human rights a high profile during President Hu Jintao’s state visit to the United States in January 2011, but it continues to argue that that disagreements on such issues as human rights and Taiwan should not prevent the United States from seeking to work together with China on other issues.

Part of the Obama Administration’s stated response to China’s rise has been an emphasis on “robust regional engagement” by the United States across Asia. In a major address about China policy ahead of President Hu’s state visit, Secretary Clinton noted that the Administration has worked to strengthen its security alliances with Japan, South Korea, Thailand, Australia, and the Philippines; stepped up relations with India, Indonesia, Vietnam, Malaysia, Singapore, and New Zealand; and pursued a major free trade agreement with South Korea. She also said it had committed itself to strengthening regional institutions. In what was widely interpreted as a reference to a newly powerful China that the Administration believes is still learning how to

⁵ This language appeared in joint statements issued by the U.S. and Chinese presidents in 2009 and 2011.

⁶ The White House Office of the Press Secretary, “Remarks by the President at the U.S./China Strategic and Economic Dialogue,” July 27, 2009, <http://www.whitehouse.gov/the-press-office/remarks-president-uschina-strategic-and-economic-dialogue>.

⁷ James B. Steinberg, “China’s Arrival: The Long March to Global Power,” keynote address to the Center for a New American Security, Washington, DC, September 24, 2009, <http://www.cnas.org/files/multimedia/documents/Deputy%20Secretary%20James%20Steinberg's%20September%2024,%202009%20Keynote%20Address%20Transcript.pdf>.

⁸ Secretary of State Hillary Rodham Clinton, *Working Toward Change in Perceptions of U.S. Engagement Around the World*, Department of State, Roundtable with Traveling Press, February 20, 2010, <http://www.state.gov/secretary/rm/2009a/02/119430.htm>.

comport itself in ways that its neighbors do not find threatening, Secretary Clinton said that in the multilateral settings of regional institutions, “responsible behavior is rewarded with legitimacy and respect, and we can work together to hold accountable those who take counterproductive actions to peace, stability, and prosperity.”⁹

An additional element of the Obama Administration’s approach is an effort to embed China in international institutions. The United States and China are fellow permanent members of the United Nations Security Council and, since President Obama took office, have worked together successfully in the Security Council to pass sanctions targeting North Korea and Iran’s nuclear programs, although critics have accused China of taking a minimalist approach to implementation of those sanctions. The United States has worked with China on economic issues in the G-20 grouping, and welcomed a greater Chinese role in the International Monetary Fund (IMF) and the World Bank. It has also sought to resolve trade disputes with China through the rules-based mechanisms of the World Trade Organization, and brought complaints about China’s currency to the IMF.

In an effort to increase clarity about each side’s intentions and promote cooperation between officials of the two countries at all levels and across multiple departments, the Obama Administration has embraced and added to a broad array of official dialogues inherited from the George W. Bush Administration. The relationship’s highest-profile regularly scheduled dialogue is the annual Strategic and Economic Dialogue (S&ED). The other dialogue of comparable seniority is the Joint Commission on Commerce and Trade (JCCT), established in 1983 as a high-level forum for discussion of bilateral trade issues.¹⁰ Dialogue on strategic issues remains limited, however, with U.S. officials sometimes complaining that even at the height of the Cold War, the United States and the Soviet Union had closer consultation on strategic issues than the United States and China do now. (See **Appendix A** for details of the S&ED and JCCT.)

The Obama Administration has also supported myriad forms of bilateral government-to-government cooperation that rarely make headlines, such as Department of Energy cooperation with China on clean energy projects. Arguing that neither side can advance the relationship without support from its people, the Obama Administration has used its bully pulpit to promote people-to-people initiatives, including a high-profile public-private effort to expand the number of Americans who study in China, known as the 100,000 Strong Initiative.

The Obama Administration points to some successes in working with China to address pressing global issues, including coordination of stimulus spending to address the global financial crisis (2008-2009) and cooperation in negotiating new sanctions against North Korea (in 2009) and Iran (in 2010) over their nuclear programs. In the year following President Obama’s November 2009 state visit to China, however, the bilateral relationship was strained by a series of sometimes heated disagreements. Frictions in the relationship following President Obama’s November 2009 state visit to China included:

- 12/2010: U.S. and Chinese negotiators clashed at the Copenhagen Climate Change Conference before coming to an eleventh hour agreement on the document that became the Copenhagen Accord.

⁹ Secretary of State Hillary Rodham Clinton, “A Broad Vision of U.S.-China Relations in the 21st Century,” Inaugural Richard C. Holbrooke Lecture, Washington, DC, January 14, 2011.

¹⁰ See JCCT factsheet at <http://www.export.gov/china/policyadd/jcct.asp?dName=policyadd>.

- 1/2010: Secretary of State Hillary Clinton, in a policy speech on Internet freedom, urged U.S. Internet companies to oppose censorship in their overseas operations and called upon the PRC government to conduct an investigation of recently discovered cyberattacks on the computer systems of U.S. companies.¹¹
- 1/2010: China reacted angrily to the Obama Administration's notification to Congress of its plans to sell \$6.4 billion worth of arms to Taiwan, suspending military-to-military ties with the United States in protest.
- 2/2010: China condemned President Obama's unofficial meeting at the White House with Tibet's exiled spiritual leader, the Dalai Lama. (President Obama had informed his Chinese counterpart about the planned meeting during his November 2009 state visit to China.)
- 3/2010: Despite U.S. pressure, China declined to condemn its neighbor North Korea for its alleged torpedo attack on U.S.-ally South Korea's naval vessel, the *Cheonan*.
- 7/2010: China's Foreign Minister protested U.S. plans to hold military exercises in the Yellow Sea in response to North Korea's provocations. The Yellow Sea borders China to the east.
- 7/2010: Responding to the actions of China and other claimants to disputed territory in the South China Sea, Secretary of State Hillary Clinton told a meeting of the Association of Southeast Asian Nations (ASEAN) Regional Forum in Hanoi that the United States had a "national interest" in freedom of navigation and respect for international law in the South China Sea. China's Foreign Minister called Secretary's Clinton's comments "in effect an attack on China."¹²
- 9/2010: After a Chinese fishing trawler collided with Japanese Coast Guard vessels near disputed islands in the East China Sea, the United States angered China by voicing its support for Japan in the ensuing China-Japan spat, and by clarifying that that the disputed islands are among areas covered by the U.S. military alliance with Japan.
- 11/2010: China declined to condemn North Korea over revelations of its uranium enrichment program and over its shelling of a South Korean island, and later also blocked United Nations action over the uranium program. It also again protested U.S. joint military exercises with South Korea in the Yellow Sea.
- Simmering throughout the Obama Administration have been sharp differences over China's currency and industrial policies.

In January 2011, China's President and Communist Party General Secretary Hu Jintao made a state visit to the United States.¹³ (See **Table A-1** for a chronology of meetings between the two

¹¹ Secretary of State Hillary Rodham Clinton, "Remarks on Internet Freedom," Washington, DC, January 21, 2010, <http://www.state.gov/secretary/rm/2010/01/135519.htm>.

¹² Ministry of Foreign Affairs of the People's Republic of China, *Foreign Minister Yang Jiechi Refutes Fallacies on the South China Sea Issue*, Statement posted on website, July 25, 2010, <http://www.mfa.gov.cn/eng/zxxx/t719460.htm>.

¹³ Hu's was the third state visited hosted by President Obama. The first two world leaders welcomed to the Obama White House for state visits were Indian Prime Minister Manmohan Singh in November 2009 and Mexican President Felipe Calderón in May 2010.

leaders.) Both countries' presidents used the trip to reassure each other about their respective intentions, to refocus on their shared interests, and to restate their belief in all that their countries stand to benefit from cooperation and to lose from conflict. Their pledges were contained in a 41-point Joint Statement, which also served to update the relationship to "a cooperative partnership based on mutual respect and mutual benefit." President Obama pleased China, and raised the ire of China's critics, by according President Hu an intimate dinner for six at the White House, a 21-gun salute at an arrival ceremony on the South Lawn of the White House the next morning, and a state dinner. China won goodwill with the Obama Administration by placing orders for U.S. goods reportedly valued at over \$45 billion. Nonetheless, many areas of disagreement between the two sides remained.

Selected Policy Issues

Congress may face unique challenges in exercising oversight over the United States' relationship with a China that is rapidly growing in economic, military, and geopolitical power, especially at a time when United States and other Western countries are still at an early stage in their recovery from the global economic downturn of 2008-2009. Selected policy issues for Congress related to the bilateral relationship are summarized in the sections below, starting with security issues and Taiwan, followed by climate change and clean energy cooperation, economic issues, and human rights issues.

Security Issues

Security-related policy issues for Congress include how the United States should respond to China's military modernization, to China's efforts to keep U.S. military ships and aircraft out of waters and airspace near its coast, and to China's more vigorous assertions of sovereignty over disputed maritime territories in Asia. U.S. engagement with China on such issues has been made more challenging by China's reluctance to commit to sustained, reliable communication with the U.S. military. Security issues also include the question of how best to win China's cooperation on nuclear non-proliferation issues, most prominently the challenge of reining in the nuclear programs of Iran and China's neighbor North Korea, and how to manage long-standing tensions over the island of Taiwan, over which China claims sovereignty.

Chinese Military Modernization

China's military, the People's Liberation Army (PLA), continues to modernize rapidly, supported by more than two decades of steady increases in military spending. According to the Pentagon's 2010 report to Congress on China's military, China's official military budget rose an average of 11.8% annually in inflation-adjusted terms over the decade from 2000 to 2009. In March 2011, China announced that its defense budget for 2011 would be 12.7% greater than in 2010.¹⁴ The Pentagon believes China's actual military spending to be more than twice the amount officially disclosed, estimating China's total military-related spending in 2009 at over \$150 billion.¹⁵

¹⁴ Jason Dean, "China Defense Budget To Increase By 12.7%," *Wall Street Journal*, March 4, 2011, p. 7.

¹⁵ Office of the Secretary of Defense, *Annual Report to Congress: Military and Security Developments Involving the People's Republic of China 2010*, August 2010, pp. 42-43, http://www.defense.gov/pubs/pdfs/2010_CMPR_Final.pdf.

With modernization, analysts believe China's military is increasingly able to envision missions beyond China's immediate territorial interests. The Pentagon report to Congress welcomed the Chinese military's contributions to international peacekeeping efforts, humanitarian assistance and disaster relief, and counter-piracy operations in the Gulf of Aden, but raised concerns about China's new abilities to pursue "anti-access and area-denial strategies" in the Western Pacific and its development of extended-range power projection capabilities. The Pentagon believes that China's short-term focus remains preparing for contingencies related to the island democracy of Taiwan, over which China claims sovereignty, including the possibility that the United States military will come to Taiwan's aid if China tries to use force to bring Taiwan under its control. The Pentagon report stated: "The PLA is developing the capability to deter Taiwan independence or influence Taiwan to settle the dispute on Beijing's terms while simultaneously attempting to deter, delay, or deny any possible U.S. support for the island in case of conflict." The report added that "the balance of cross-Strait military forces continues to shift in the mainland's favor."¹⁶

Analysts see evidence of China's commitment to the acquisition of the most modern defense technology in its efforts to develop a stealth fighter jet and an "aircraft carrier killer" land-based anti-ship ballistic missile capable of striking moving targets at sea. China carried out the first test-flight for its J-20 stealth fighter during Defense Secretary Robert M. Gates' visit to China in January 2011. The U.S. Navy says China has a "workable design" for the missile, but has not yet subjected it to a full-scale test.¹⁷ In addition, recognizing the likely centrality of cyber operations to any future military conflict, China has been bolstering the ability of its military to carry out computer network attacks and computer network defense.¹⁸

The U.S. military has long been troubled by what it believes to be China's lack of transparency about its military intentions. In testimony before Congress in March 2010, Admiral Robert F. Willard, head of the U.S. Pacific Command, stated that, "China's interest in a peaceful and stable environment that will support the country's developmental goals is difficult to reconcile with the evolving military capabilities that appear designed to challenge U.S. freedom of action in the region or exercise aggression or coercion of its neighbors, including U.S. treaty allies and partners."¹⁹

For more information, see CRS Report RL33153, *China Naval Modernization: Implications for U.S. Navy Capabilities—Background and Issues for Congress*, by Ronald O'Rourke.

U.S.-China Military-to-Military Relations

The military-to-military relationship remains among the least developed parts of the U.S.-China relationship. Congress sought to limit the scope of the military relationship in the National Defense Authorization Act for Fiscal Year 2000 (P.L. 106-65), when it barred exchanges or

¹⁶ Ibid, p. I.

¹⁷ Tony Carpaccio, "China's Anti-Ship Missiles Aren't Effective Yet, U.S. Navy Says," *Bloomberg.com*, January 4, 2011.

¹⁸ Office of the Secretary of Defense, *Annual Report to Congress: Military and Security Developments Involving the People's Republic of China 2010*, August 2010, pp. 7 and 37, http://www.defense.gov/pubs/pdfs/2010_CMPR_Final.pdf.

¹⁹ Admiral Robert F. Willard, "Statement on U.S. Pacific Command Posture," Testimony Before the Senate Armed Services Committee, March 24, 2010, p. 12, http://www.pacom.mil/web/pacom_resources/pdf/Willard_Statement_SASC_032610.pdf.

contacts with China that include “inappropriate exposure” to a range of subjects, including surveillance and reconnaissance operations and arms sales. But the Obama Administration has pushed hard for a Chinese commitment to a “reliable and sustained” military relationship, arguing that, “the on-again-off-again cycle that has all too often characterized the military-to-military relationship increases the risks and dangers of an incident or accident that could derail the overall bilateral relationship.”²⁰

China has been an often unwilling partner. Although President Obama and China’s President Hu pledged in their 2009 Joint Statement to “take concrete steps to advance sustained and reliable military-to-military relations in the future,” and reaffirmed in their 2011 Joint Statement that “a healthy, stable, and reliable military-to-military relationship is an essential part” of their shared vision, China continues to link the military relationship to the issue of U.S. arms sales to Taiwan. China suspended military-to-military relations in October 2008 over the issue of Taiwan arms sales by the George W. Bush Administration, and again suspended the military-to-military relationship after the Obama Administration notified Congress of a new \$6.4 billion package of arms sales to Taiwan in January 2010.

With President Hu Jintao’s January 2011 state visit to the United States pending, the two governments agreed in September 2010 to a resumption of military-to-military exchanges. They held the 11th round of the U.S.-China Defense Consultative Talks in December 2010 (see **Table A-3** below), and Secretary of Defense Robert Gates made a long-delayed trip to China in January 2011. On that trip, he and his Chinese counterpart agreed to a program of exchanges and to cooperation in such non-traditional security areas as counterterrorism, peacekeeping, counter-piracy, humanitarian assistance, and disaster relief. In a joint press conference with Secretary Gates during the trip, however, China’s Minister of Defense General Liang Guanglie suggested that any future Taiwan arms sales could again disrupt the relationship.²¹ En route to Beijing, Secretary Gates also proposed a new strategic security dialogue with China covering nuclear, space, missile defense, and cyber security issues. Chinese officials said they would “study” the proposal.²²

For more information, see CRS Report RL32496, *U.S.-China Military Contacts: Issues for Congress*, by Shirley A. Kan.

²⁰ Deputy Assistant Secretary of Defense for East Asia Michael Schiffer, “Building Cooperation in the U.S.-China Military-to-Military Relationship,” Speech to the International Institute for Strategic Studies, Washington, DC, January 6, 2011, <http://www.iiss.org/about-us/offices/washington/iiss-us-events/iiss-us-address-building-cooperation-in-the-us-china-military-to-military-relationship/>.

²¹ In response to a question at the joint press conference, Minister Liang stated that, “United States arms sales to Taiwan seriously damaged China’s core interests and we do not want to see that happen again; neither do we hope that the U.S. arms sales to Taiwan will again and further disrupt our bilateral and military-to-military relationship.” Department of Defense, “Joint Press conference with Secretary Gates and General Liang from Beijing, China,” transcript, January 10, 2011, <http://www.defense.gov/transcripts/transcript.aspx?transcriptid=4750>.

²² Department of Defense, “Joint Press conference with Secretary Gates and General Liang from Beijing, China,” transcript, January 10, 2011, <http://www.defense.gov/transcripts/transcript.aspx?transcriptid=4750>.

Maritime Disputes

U.S. Military Operations in China's Exclusive Economic Zone

The United States and China disagree about the legality of U.S. military ships and planes operating in and over waters near China. Although the United States is not a party to the United Nations Convention on the Law of the Sea (UNCLOS), it interprets UNCLOS as allowing it to conduct peaceful surveillance activities and other military activities without permission in a country's Exclusive Economic Zone (EEZ), defined by UNCLOS as extending from the edge of a country's territorial sea to 200 nautical miles from the coast. With that understanding, the United States military has long operated in China's EEZ, carrying out air and naval surveillance missions to monitor China's military deployments and capabilities, surveying the ocean floor to facilitate submarine navigation, and engaging in military exercises with allies such as South Korea and Japan.

China, which is a party to UNCLOS, is one of a minority of nations that interprets the Convention differently, arguing that UNCLOS allows countries to limit military activities in their EEZs. China's broad claims to disputed territory in the South China Sea and East China Sea suggest that China considers its EEZ to cover potentially large, though ill defined, portions of both waterways, as well as a significant, though also ill defined, portion of the Yellow Sea. In 2001 and 2009, China's attempts to enforce its interpretation of UNCLOS resulted in several dangerous encounters between U.S. ships and aircraft and Chinese ships and aircraft. In 2010, China reiterated its opposition to foreign military activities in its EEZ in response to the announcement of joint military exercises between the United States and South Korea in the Yellow Sea, following provocations by North Korea.²³

South China Sea

Chinese maps dating to before the China's Communists came to power appear to claim most of the South China Sea as Chinese territory. China explicitly claims sovereignty over four groups of islets and atolls and their undefined "adjacent waters," which are reportedly rich in fishing resources and potentially in oil and gas deposits. Those islets and atolls are the Paracels (known in Chinese as the Xisha), the Spratlys (Nansha in Chinese), the entirely submerged Macclesfield Bank (Zhongsha in Chinese), and the largely submerged Pratas (Dongsha in Chinese). Territory claimed by China is also claimed in part by Brunei, Indonesia, Malaysia, the Philippines, and Vietnam, and in entirety by Taiwan.

In the case of disputed maritime territory, China's official policy is to set aside the issue of sovereignty and pursue joint development with other claimants. As its economic and military might has grown, however, China has appeared increasingly keen to assert its sovereignty in the South China Sea. Examples of new Chinese assertiveness include China's harassment of U.S.

²³ In July 2010, China's Foreign Minister Yang Jiechi told Secretary of State Hillary Clinton that China, "firmly opposes foreign warships and military aircraft entering the Yellow Sea and other coastal waters of China to engage in activities affecting China's security and interests." See Ministry of Foreign Affairs of the PRC, "Yang Jiechi Meets with U.S. Secretary of State Clinton and Canadian Foreign Minister Cannon," press release, July 23, 2010, <http://www.china-embassy.org/eng/zmgx/t719784.htm>. In November 2010, a Foreign Ministry spokesman declared that, "We oppose any party to take any military acts in our exclusive economic zone without permission." See "China Opposes Any Military Acts in Exclusive Economic Zone Without Permission," *Xinhua*, November 26, 2010.

surveillance vessels (see “U.S. Military Operations in China’s Exclusive Economic Zone,” above); China’s dispatch of Fisheries Administration patrol vessels to “protect its sea territory”;²⁴ Chinese pressure on international energy companies ExxonMobil and BP not to work with Vietnam to explore for oil and gas in areas off Vietnam’s coast that China considers part of its Exclusive Economic Zone; and the spring 2010 suggestion by some Chinese officials in closed-door meetings with senior U.S. officials that China now considers the South China Sea a “core national interest.”

Responding to the trend, and to provocative behavior by other claimants, in July 2010, Secretary of State Hillary Clinton, speaking with the support of a dozen other Asia-Pacific nations, stated a U.S. “national interest” in freedom of navigation and respect for international law in the South China Sea. She also stated that the United States opposes “the use or threat of force by any claimant,” and “is prepared to facilitate initiatives and confidence building measures” in the area, consistent with a 2002 agreement between China and the Association of Southeast Asian Nations (ASEAN), the ASEAN-China Declaration on the Conduct of Parties in the South China Sea.²⁵ China’s Foreign Minister declared Secretary Clinton’s comments to have been “in effect an attack on China,” and warned the United States against making the South China Sea “an international issue or multilateral issue.”²⁶ Tensions over the South China Sea have eased since her statement, with China agreeing to discuss the drafting of implementing guidelines for a code of conduct with ASEAN representatives.

East China Sea

In the East China Sea, China is involved in a territorial dispute with Japan and Taiwan over the sovereignty of islands known in China as the Diaoyu, in Taiwan as the Diaoyutai, and in Japan as the Senkakus. The islands are reportedly rich in fishing resources and oil and gas deposits. A September 2010 collision between Japanese Coast Guard vessels and a Chinese fishing trawler near the islands briefly raised the territorial dispute to the level of a major international crisis. It also forced the United States to clarify that while it does not take a position on the sovereignty of the islands, its security alliance with Japan covers all areas under Japanese administration, including the Diaoyu/Diaoyutai/Senkakus, raising the sobering, if remote, possibility of a future conflict between China and the United States over the islands.

In the September 2010 incident, China rapidly escalated pressure against Japan in order to force Japan to release the Chinese trawler captain. Many observers saw China’s actions as disproportionate, and perhaps as a harbinger of how a more powerful China might seek to assert its will in the future. Most controversially, China was accused by Japan of imposing a temporary “de facto ban” on exports to Japan of rare earth elements needed for defense and green technologies. China denied that it had imposed such a ban.²⁷

²⁴ Zhang Xin, “China charts course toward secure South China Sea,” *The China Daily*, June 1, 2009.

²⁵ Remarks at Press Availability, Hillary Rodham Clinton, Secretary of State, National Convention Center, Hanoi, Vietnam, July 23, 2010, <http://www.state.gov/secretary/rm/2010/07/145095.htm>. The text of the Declaration on the Conduct of Parties In the South China Sea can be found at <http://www.aseansec.org/13163.htm>. ASEAN comprises 10 Southeast Asian nations: Brunei, Cambodia, Indonesia, Lao, Malaysia, Myanmar, Philippines, Singapore, Thailand, Vietnam.

²⁶ Ministry of Foreign Affairs of the People’s Republic of China, *Foreign Minister Yang Jiechi Refutes Fallacies on the South China Sea Issue*, Statement posted on website, July 25, 2010, <http://www.mfa.gov.cn/eng/zxxx/t719460.htm>.

²⁷ For more information on rare earths, see CRS Report R41347, *Rare Earth Elements: The Global Supply Chain*, by (continued...)

Nuclear Non-Proliferation

Nuclear non-proliferation has been a major priority for the Obama Administration, which has sought to make cooperation on the issue a core component of the U.S.-China relationship, with a focus on reining in the nuclear programs of Iran and North Korea. China, a nuclear power, a fellow veto-wielding permanent member of the United Nations Security Council, and a party to the Nuclear Non-proliferation Treaty, has supported United Nations sanctions against both countries in the past, although it resisted new United Nations action over a series of North Korean provocations in 2010. In the 2011 U.S.-China Joint Statement, Washington and Beijing agreed to work together for an early entry into force of the Comprehensive Nuclear Test Ban Treaty and for an early commencement of negotiations on a Fissile Material Cutoff Treaty in the Conference on Disarmament. They also agreed to establish a Center of Excellence on Nuclear Security in China to serve as a central site for training in all aspects of nuclear security.

Iran

Since 2006, China has been an important partner in U.S.- and European-led multilateral efforts to rein in Iran's suspected nuclear weapons program. China has participated in negotiations with Iran over the program as part of the P5+1 grouping (permanent members of the United Nations Security Council plus Germany). It has also supported a series of U.N. resolutions imposing limited U.N. sanctions against Iran, although it has frequently urged the use of dialogue rather than sanctions to address the nuclear program. Influenced by its reliance on crude oil imports from Iran and its investments in the Iranian energy and other sectors, however, China has joined Russia in pushing for more narrowly targeted sanctions than the U.S. and European nations sought. In the case of U.N. Resolution 1929, passed in June 2010, for example, Russia and China successfully insisted that new sanctions not target Iran's civilian economy or its population.

Since passage of U.N. Resolution 1929, the United States has sought to encourage China to follow the lead of the United States and European Union countries in imposing bilateral sanctions on Iran's energy and financial sector that exceed those mandated in U.N. Security Council resolutions. China has declined to impose its own bilateral sanctions and has criticized other countries for doing so. U.S. officials give China credit, however, for not moving to take over contracts given up by other countries, a behavior that the United States refers to as "backfilling." In March 2011, Robert Einhorn, the State Department's Special Advisor for Nonproliferation and Arms Control, cited, "substantial evidence that Beijing has taken a cautious, go-slow approach toward its energy cooperation with Iran."²⁸

The United States has for many years implicated Chinese firms in sales to Iran of missile technology. The Central Intelligence Agency's latest report to Congress on the Acquisition of Technology Relating to Weapons of Mass Destruction and Advanced Conventional Munitions, covering 2010, states that, "Chinese entities continue to supply a variety of missile-related items to multiple customers, including Iran, Syria, and Pakistan."²⁹

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Marc Humphries.

²⁸ State Department Special Advisor for Nonproliferation and Arms Control Robert Einhorn, "The Impact of Sanctions on Iran's Nuclear Program," Remarks to Arms Control Association Briefing Series, Washington, DC, March 9, 2011, <http://www.armscontrol.org/events/RoleSanctionsIranNuclear>.

²⁹ Office of the Director of National Intelligence, Unclassified Report to Congress on the Acquisition of Technology (continued...)

For more information, see CRS Report RS20871, *Iran Sanctions*, by Kenneth Katzman; CRS Report RL32048, *Iran: U.S. Concerns and Policy Responses*, by Kenneth Katzman; and CRS Report RL31555, *China and Proliferation of Weapons of Mass Destruction and Missiles: Policy Issues*, by Shirley A. Kan.

North Korea

The United States and the PRC share a common interest in peace and stability on the Korean peninsula and in verifiable denuclearization of the peninsula. The United States continues to call on China, however, to do more to leverage its relationship with North Korea to persuade Pyongyang to improve relations with South Korea and denuclearize. Washington also wants Beijing to strengthen its implementation of U.N. sanctions against North Korea.

China hosts the Six-Party Talks on North Korea's nuclear program.³⁰ It also supported U.N. Resolution 1718 (2006), condemning North Korea for its first nuclear test and imposing limited sanctions, and U.N. Resolution 1874 (2009), condemning North Korea's second nuclear test and imposing expanded sanctions, although U.S. officials say that China has taken a minimalist approach to enforcing those sanctions.³¹ At the same time, however, China serves as North Korea's largest supplier of fuel and food supplies and its most powerful diplomatic ally.³²

In the last year, as the United States sought to isolate North Korea in response to a series of North Korean provocations, China stepped up its engagement, hosting two visits from North Korea's reclusive leader Kim Jong-il and sending a series of senior Communist Party officials to Pyongyang. China has also worked at the United Nations to shield North Korea from condemnation for the March 2010 sinking of a South Korean naval vessel, the *Cheonan*; the November 2010 revelation that North Korea had built a sophisticated uranium enrichment facility; and North Korea's November 2010 shelling of South Korea's Yellow Sea island of Yeonpyeong. China appears to believe that it is more likely to be able to moderate North Korean behavior through engagement than through isolation of the regime. Analysts also state that Beijing fears the consequences of a collapse of the North Korean regime, which could include military hostilities, waves of North Korean refugees flooding into China's northeast provinces, and ultimately a reunified Korean peninsula allied with the United States. A succession process underway in North Korea has contributed to China's sense of the North Korean regime's fragility.

President Hu Jintao's state visit to Washington in January 2011 served to bridge some differences between the U.S. and Chinese positions. In the U.S.-China Joint Statement issued during the visit, China, which had been silent about the revelations related to North Korea's uranium enrichment program, for the first time stated its "concern" about the program. It also joined the United States

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Relating to Weapons of Mass Destruction and Advanced Conventional Munitions, Covering 1 January to 31 December 2010, March 2011, p. 7, <http://www.fas.org/irp/threat/wmd-acq2010.pdf>.

³⁰ The participants in the Six-Party Talks are China, Japan, North Korea, Russia, South Korea, and the United States.

³¹ See Mary Beth Nikitin, Emma Chanlett-Avery, and Mark Manyin, et al., *Implementation of U.N. Security Council Resolution 1874*, CRS memo released by Senate Foreign Relations Committee, Washington, DC, October 8, 2010, <http://lugar.senate.gov/issues/foreign/reports/NKoreaCRSReport.pdf>.

³² According to a 2003 fact sheet on the website of China's Foreign Ministry, China has provided North Korea with aid in the form of grain, coke, food oil, and fertilizer since 1994. Ministry of Foreign Affairs of the PRC, "DPRK: Bilateral relations," fact sheet, October 23, 2003, <http://www.mfa.gov.cn/eng/wjlb/zjjg/yzs/gjlb/2701/>.

in highlighting the importance of an improvement in relations between North and South Korea, and of North Korea's full implementation of commitments it made in a September 2005 Joint Statement of the Six-Party Talks, including abandonment of all nuclear weapons and nuclear programs.

China's treatment of North Korean refugees has been an issue of concern for the Congress. China considers North Koreans who have fled their homeland to China to be economic migrants, rather than refugees, and continues to resist allowing the United Nations High Commissioner on Refugees access to them. China's official policy is to repatriate the refugees to North Korea, where they face prison camp sentences or worse. North Korean refugees continue to trickle out of China to neighboring countries in North and Southeast Asia, however, and a large number of North Korean refugees continue to live underground in China.

For more information, see CRS Report R41043, *China-North Korea Relations*, by Dick K. Nanto and Mark E. Manyin; CRS Report R40684, *North Korea's Second Nuclear Test: Implications of U.N. Security Council Resolution 1874*, coordinated by Mary Beth Nikitin and Mark E. Manyin; CRS Report RL31555, *China and Proliferation of Weapons of Mass Destruction and Missiles: Policy Issues*, by Shirley A. Kan; and CRS Report RS22973, *Congress and U.S. Policy on North Korean Human Rights and Refugees: Recent Legislation and Implementation*, by Emma Chanlett-Avery.

Taiwan

Among the most sensitive and complex issues in bilateral U.S.-China relations are the United States' relationship with the island democracy of Taiwan, also known as the Republic of China, and Taiwan's relationship to the PRC. Even as Washington and Beijing pursue their "cooperative partnership based on mutual respect and mutual benefit," they continue to plan for the possibility that they could one day find themselves involved in a military confrontation over Taiwan's fate. Taiwan, which has a population of 23 million, has been self-governing since 1949. The PRC claims sovereignty over the island, however, and vows to gain political control over it eventually, either peacefully or by force. To underscore its intent to bring Taiwan under its control, the PRC deploys over one thousand missiles opposite Taiwan's coast and has engaged in a program of military modernization and training that defense experts believe is based on deterring any attempt by the U.S. military to come to Taiwan's defense. (See "Chinese Military Modernization," above.)

In the 1972 Shanghai Communiqué that paved the way for the establishment of diplomatic relations between the United States and China, the United States declared that it "acknowledged" that Chinese on both sides of the Taiwan Strait considered Taiwan to be part of China. It also declared its "interest in a peaceful settlement of the Taiwan question by the Chinese themselves." In the 1979 Taiwan Relations Act (P.L. 96-8), Congress reinforced the U.S. interest in a peaceful settlement, stating that it is U.S. policy that the establishment of diplomatic relations with China "rests upon the expectation that the future of Taiwan will be determined by peaceful means" and that it is similarly U.S. policy "to maintain the capacity of the United States to resist any resort to force or other forms of coercion that would jeopardize the security, or the social or economic system, of the people of Taiwan." In addition, during negotiations over the third U.S.-China joint communiqué, in 1982, the Reagan Administration conveyed to Taiwan "Six Assurances,"

including that the United States would not mediate between Taiwan and China, would not pressure Taiwan to enter into negotiations with the PRC, and had not agreed to consult with Beijing prior to making arms sales to Taiwan.³³

In the years since, the United States has played a delicate role in managing its relations with Beijing and Taipei, and the relations between the two. The United States has repeatedly assured China that it does not support independence for Taiwan, but it has retained ambiguity about its willingness to defend Taiwan in a conflict with China. That ambiguity is intended both to deter China from attempting to use force to bring Taiwan under its control, and to deter Taiwan from moves that might trigger China's use of force, such as a declaration of formal independence. As part of a statement known as the "Three No's," President Clinton also in 1998 publicly stated that the United States does not support Taiwan's membership in any international organizations for which statehood is a requirement.³⁴ Complicating U.S. policy is the fact that Taiwan has blossomed into a vibrant democracy. As Taiwan has sought to define its place in the world and expand its "international space," the United States has faced difficult questions about its role in constraining the Taiwan people's aspirations.

The Three Joint Communiqués and the Taiwan Relations Act

The governments of the United States and China consider three joint communiqués concluded in 1972, 1979, and 1982 to underpin their bilateral relationship. The United States considers The Taiwan Relations Act of 1979 to be a fourth core document guiding the relationship, although China does not. In addition, in 1982, during negotiations over the third U.S.-China joint communiqué, the United States reportedly orally conveyed "Six Assurances" to the government of Taiwan. The documents and their key statements are listed below:

- **The Shanghai Communiqué (Joint Communiqué, of the United States of America and the People's Republic of China), dated February 28, 1972.** The United States declared that it "acknowledges that all Chinese on either side of the Taiwan Strait maintain there is but one China and that Taiwan is a part of China." The United States also reaffirmed its "interest in a peaceful settlement of the Taiwan question by the Chinese themselves" and committed as an "ultimate objective" to withdrawing all U.S. forces and military installations from Taiwan.³⁵
- **Joint Communiqué on the Establishment of Diplomatic Relations Between the United States of America and the People's Republic of China, dated January 1, 1979.** The United States recognized the government of the People's Republic of China as the sole legal government of China and, in that context, stated that "the people of the United States will maintain cultural, commercial, and other unofficial relations with the people of Taiwan."
- **The August 17th Communiqué (Joint Communiqué of the United States of America and the People's Republic of China), dated August 17, 1982.** The United States stated "that it does not seek to carry out a long-term policy of arms sales to Taiwan, that its arms sales to Taiwan will not exceed, either in qualitative or in quantitative terms, the level of those supplied in recent years ... and that it intends gradually to reduce its sale of arms to Taiwan, leading, over a period of time, to a final resolution."
- **The Taiwan Relations Act (TRA), enacted April 10, 1979.** The TRA stated that it is U.S. policy "that the United States decision to establish diplomatic relations with the People's Republic of China rests upon the expectation that the future of Taiwan will be determined by peaceful means." The TRA also stated that it is U.S. policy "to consider any effort to determine the future of Taiwan by other than peaceful means, including by boycotts or embargoes, a threat to the peace and security of the Western Pacific area and of grave concern to

³³ See CRS Report RL30341, *China/Taiwan: Evolution of the "One China" Policy—Key Statements from Washington, Beijing, and Taipei*, by Shirley A. Kan.

³⁴ President Clinton's statement, made on June 30, 1998, in Shanghai, was: "I had a chance to reiterate our Taiwan policy which is that we don't support independence for Taiwan, or 'two Chinas', or 'one Taiwan, one China', and we don't believe that Taiwan should be a member in any organization for which statehood is a requirement."

³⁵ The United States withdrew all military personnel from Taiwan in 1979, during the Carter Administration.

the United States,” and “to maintain the capacity of the United States to resist any resort to force or other forms of coercion that would jeopardize the security, or the social or economic system, of the people on Taiwan.” The law stated that, “the United States will make available to Taiwan such defense articles and defense services in such quantity as may be necessary to enable Taiwan to maintain a sufficient self-defense capability.”

Cross-Strait Relations

The United States has long urged China to try harder to win over hearts and minds in Taiwan, rather than threatening Taiwan with military force. Washington has welcomed the improvement of relations between the two sides since 2008, when Ma Ying-jeou of the Kuomintang (KMT) Party won election as president of Taiwan, ending eight years of rule by the independence-leaning Democratic Progressive Party (DPP). Under President Ma, long-stalled official talks with China reconvened in June 2008 in Beijing, resulting in groundbreaking agreements on direct charter flights, the opening of permanent offices in each other’s territories, and Chinese tourist travel to Taiwan, among others. Other rounds produced accords related to postal links, food safety, and Chinese investment in Taiwan.³⁶

In April 2009, in an indication of greater flexibility on both sides, the World Health Organization (WHO) invited Taiwan to attend the 2009 World Health Assembly (WHA) as an observer.³⁷ The invitation, issued with China’s assent, marked the first time that Taiwan had been permitted to participate in an activity of U.N. specialized agency since it lost its U.N. seat to China in 1971. Taiwan is now seeking observer status in a second international body long closed to it, the International Civil Aviation Organization.

Beijing and Taipei signed a landmark free trade arrangement, the Economic Cooperation Framework Agreement (ECFA), in June 2010, removing many remaining barriers to trade and investment across the Taiwan Strait and hastening cross-strait economic integration. That integration has raised fears among some in both Taiwan and the United States about a possible erosion of Taiwan’s autonomy. At the same time, it has increased the potential economic and human costs of cross-strait conflict for both sides. In the joint statement issued during Chinese President Hu Jintao’s state visit to Washington in January 2011, the United States said it “applauded” the ECFA and “welcomed the new lines of communication developing between” the two sides of the Taiwan Strait.

U.S. Arms Sales to Taiwan

The issue of U.S. arms sales to Taiwan is among the most contentious in the U.S.-China relationship. The PRC argues that U.S. arms sales embolden those in Taiwan who seek Taiwan’s formal independence—China calls them “separatist forces”—and that the arms sales are therefore destabilizing.³⁸ China also charges that continued U.S. arms sales represent a betrayal of U.S.

³⁶ The Taiwan and PRC governments conduct cross-strait talks through quasi-official organizations. In Taiwan, cross-strait talks are handled by the Straits Exchange Foundation (SEF), a private organization authorized by the government to handle these exchanges. The corresponding body in the PRC is the Association for Relations Across the Taiwan Strait (ARATS).

³⁷ Low, Y.F., “CNA: World Health Assembly’s Invitation Raises Taiwan’s International Profile,” *Taipei Central News Agency*, April 29, 2009.

³⁸ At a meeting in Singapore in June 2010, Ma Xiaotian, Deputy Chief of the General Staff of the Chinese military, stated, in a reference to Taiwan, that “China has yet to achieve national unification and there is still support for the (continued...) ”

commitments under the August 17th Communiqué of 1982, in which the United States stated its intention “gradually to reduce its sale of arms to Taiwan, leading, over a period of time, to a final resolution.” The U.S. government argues that U.S. arms sales contribute to stability by giving Taiwan’s leaders the confidence to engage with China. The United States also cites its obligation under the Taiwan Relations Act (P.L. 96-8) to provide Taiwan with defense articles and services “in such quantity as may be necessary to enable Taiwan to maintain a sufficient self-defense capability.” On a trip to Beijing in January 2011, Secretary of Defense Robert M. Gates raised the possibility of some day “re-examining” U.S. policies related to arms sales to Taiwan. “[O]ver time if the environment changed and if the relationship between the [sic] China and Taiwan continued to improve and the security environment for Taiwan changed, then perhaps that would create the conditions for re-examining all of this,” he said. He emphasized, however, that any change would be “an evolutionary and a long-term process.”³⁹

In January 2010, after President Obama notified Congress of a \$6.4 billion package of arms sales originally announced at the end of the George W. Bush Administration, including Patriot PAC missiles and Blackhawk helicopters, Beijing denounced the move and suspended military-to-military relations with the United States in protest. (See “U.S.-China Military-to-Military Relations” above.) Looking forward, Taiwan hopes the United States will agree to sell it 66 F-16 C/D fighter aircraft and help it to upgrade its existing fleet of F-16 A/B aircraft. China strenuously opposes the sale of F-16 C/Ds to Taiwan, arguing that they are offensive, rather than defensive in nature, and that selling them to Taiwan would run counter to the U.S. pledge in the August 17th Communiqué of 1982 not to sell arms sales to Taiwan that “exceed, either in qualitative or in quantitative terms, the level of those supplied in recent years.”

For more information, see CRS Report R41263, *Democratic Reforms in Taiwan: Issues for Congress*, by Shirley A. Kan; CRS Report RL30341, *China/Taiwan: Evolution of the “One China” Policy—Key Statements from Washington, Beijing, and Taipei*, by Shirley A. Kan; and CRS Report RL30957, *Taiwan: Major U.S. Arms Sales Since 1990*, by Shirley A. Kan.

Economic Issues

The U.S. and Chinese economies are the first and second largest in the world on both a nominal dollar basis and a purchasing power parity basis, although the United States’ economy is three times larger than China’s. China is today a driver of global economic growth. It has also become an important economic hub for Asia. China is the United States’ second largest trading partner, largest supplier of imports (imports from China make up 19% of all U.S. imports), third largest export market (exports to China account for 7% of all U.S. exports), and second largest export market for agricultural products. China is also the largest foreign holder of U.S. Treasury securities and, according to U.S. data, by 2008 it was the destination for a cumulative \$45.7

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separatist forces from outside the country.” Ma Xiaotian, “New Dimensions of Security,” Address to the 9th IISS Asian Security Summit, the Shangri-La Dialogue, Singapore, June 5, 2010, <http://www.iiss.org/conferences/the-shangri-la-dialogue/shangri-la-dialogue-2010/plenary-session-speeches/second-plenary-session/ma-xiaotian/>.

³⁹ U.S. Department of Defense, “Media Roundtable with Secretary Gates from Beijing, China,” press release, January 11, 2011, <http://www.defense.gov/transcripts/transcript.aspx?transcriptid=4751>.

billion in U.S. foreign direct investment (compared to China's cumulative \$1.2 billion foreign direct investment in the United States).⁴⁰

Because of the size of the two economies, the bilateral economic relationship and the economic decisions of both countries have a profound impact on the global economy. Shortly after the onset of the global financial crisis, both countries announced large stimulus spending packages. China's, valued at \$586 billion (or 13% of annual GDP), combined with a major expansion of credit, helped its economy grow by 9.1% in 2009 and by an estimated 10.5% in 2010.⁴¹ Those growth rates, which far outstripped economic growth in every other major economy, are credited with helping lead the world out of recession.

The Obama Administration has sought to cooperate with China in addressing the global financial crisis and rebalancing the global economy, working primarily through the mechanism of the G-20 grouping of nations. It has also sought to work directly with China to resolve a host of issues related to bilateral trade and investment, most prominently China's currency and industrial policies. The United States has also challenged China on trade issues through the World Trade Organization and on currency issues in the International Monetary Fund.

Major priorities for China in its relationship with the United States include rebalancing the global economy, keeping U.S. markets open to Chinese exports, and removing barriers to Chinese investment in the United States. China hopes to persuade the Obama Administration to award it formal designation as a market economy, a step that would make Chinese firms less vulnerable to U.S. anti-dumping and anti-subsidy investigations. China also seeks reform of the U.S. export control system to allow China to buy more advanced technology from the United States. The two countries are engaged in negotiations over a bilateral investment treaty (BIT).

For more information, see CRS Report RL33536, *China-U.S. Trade Issues*, by Wayne M. Morrison; and CRS Report RL33534, *China's Economic Conditions*, by Wayne M. Morrison.

Global Rebalancing

With the immediate financial crisis past, the focus of the G-20 leaders is now on the need for fundamental restructuring of the global economy, with the greatest onus for action on the United States and China. The United States runs the world's largest trade deficit in goods and services. China runs the world's largest surplus. Many economists say that such huge imbalances in global trade undermine the health of the global economy, and that the United States needs to save more and consume less, while China needs to reduce its dependence on exports and investment in infrastructure and consume more.

China has repeatedly pledged to boost domestic consumption. An October 2010 International Monetary Fund report indicated some preliminary success, with Chinese domestic demand growing close to 13% in 2009, leading to a significant reduction in China's current account surplus that year.⁴² China's draft 12th Five Year Plan, covering the years 2011 to 2015, includes a

⁴⁰ Office of the United States Trade Representative, *U.S.-China Trade Facts*, <http://www.ustr.gov/countries-regions/china>.

⁴¹ International Monetary Fund, *World Economic Outlook: Recovery, Risk, and Rebalancing*, October 2010, p. 2, <http://www.imf.org/external/pubs/ft/weo/2010/02/pdf/text.pdf>.

⁴² International Monetary Fund, *World Economic Outlook*, Washington, DC, October 2010, p. 4, <http://www.imf.org/> (continued...)

heavy focus on development of domestic consumption. China has been critical of the United States for its failure to address its part of the rebalancing equation by significantly reducing its long-term debt.

China's Currency Policy

The issue of China's management of its currency, the renminbi ("people's money") or RMB, dominated meetings between U.S. and Chinese officials for much of 2010. The Chinese government allowed the renminbi to appreciate by 21% in relation to the dollar between 2005 and 2008, but China has intervened in currency markets since then to keep the RMB exchange rate at a level that some economists believe is still significantly undervalued against world currencies.⁴³ An undervalued RMB makes China's exports to the world artificially cheap, and China's imports from the rest of the world, including the United States, artificially expensive for Chinese consumers. The Treasury Department argues that significant appreciation of China's currency could help stem outsourcing of U.S. jobs and make U.S. goods and services more competitive globally, as well as slow inflation and damaging asset price increases in China. Chinese officials deny that China's currency practices are a significant cause of the U.S. global trade imbalance and argue that in focusing on the currency issue, the United States is seeking to make China a scapegoat for the United States' lack of competitiveness, as well as for problems in the global economy attributable to multiple nations, including the United States.

China's central bank, the People's Bank of China, announced plans in June 2010 to "enhance the RMB exchange rate flexibility."⁴⁴ Since then, the government has allowed the renminbi to appreciate at a pace of about 6% a year in nominal terms, and inflation made the appreciation greater in real terms. Nonetheless, the United States continues to press China to allow the currency to appreciate more rapidly. At the G-20 summit in Seoul in November 2010, President Obama urged China "in a gradual fashion to transition to a market-based system" for determining the value of its currency, so that "everybody benefits from trade rather than just some."⁴⁵ In the 111th Congress, the House approved (348-79) a bill, H.R. 2378 (the Currency Reform for Fair Trade Act) that would have allowed the Commerce Department to consider "fundamentally undervalued currencies" as illegal export subsidies, but the measure was not taken up by the Senate. Analysts note that if the Chinese currency does appreciate substantially, U.S. consumers will face higher prices for the wide array of goods currently imported from China, and U.S. factories will likely face higher costs for Chinese-made inputs.

For more information about China's currency policy, see CRS Report RS21625, *China's Currency: An Analysis of the Economic Issues*, by Wayne M. Morrison and Marc Labonte, and CRS Report RL32165, *China's Currency: Economic Issues and Options for U.S. Trade Policy*, by Wayne M. Morrison and Marc Labonte.

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external/pubs/ft/weo/2010/02/pdf/text.pdf.

⁴³ See, for example, C. Fred Bergsten, "We can fight fire with fire on the renminbi," *Financial Times*, October 3, 2010.

⁴⁴ People's Bank of China, *Further Reform the RMB Exchange Rate Regime and Enhance the RMB Exchange Rate Flexibility*, June 19, 2010, http://www.china-embassy.org/eng/zt/renmingbihuigai_eng/t710127.htm.

⁴⁵ The White House Office of the Press Secretary, *Press Conference by the President After G20 Meetings in Seoul, Korea*, November 12, 2010, <http://www.whitehouse.gov/the-press-office/2010/11/12/press-conference-president-after-g20-meetings-seoul-korea>.

The Bilateral Trade Deficit

Trade between the United States and China has expanded dramatically in the years since China acceded to the World Trade Organization in December 2001. In 2010, bilateral trade in goods totaled \$457 billion, with U.S. imports from China totaling \$365 billion and U.S. exports to China totaling \$92 billion. Although exports to China are growing rapidly, the disparity in imports and exports produced a U.S. goods trade deficit with China of \$268 billion in 2010, according to U.S. data. In trade in services, the United States runs a surplus with China, with exports to China of \$16 billion in 2008 (the latest year for which numbers are available) and imports from China valued at \$10 billion.⁴⁶

Economists argue that the global trade balance is a more meaningful indicator of an economy's health than bilateral balances. Many American analysts nonetheless point to the United States' bilateral goods trade imbalance with China to highlight China's allegedly unfair trade practices and undervalued currency and their impact on the U.S. economy. Chinese officials, who cite different figures for the bilateral trade deficit than the United States, routinely seek to shift some of the blame for the trade deficit to the United States by criticizing U.S. controls on exports of advanced technology. They also argue that the sharp increase in exports to the United States reflects the shifting of production from other countries to China, with many "made in China" products containing components made in other countries, but counted as being from China. Before Chinese President Hu Jintao's January 2011 state visit to the United States, China signed a raft of contracts that the Obama Administration said added up to over \$45 billion in increased U.S. exports to China. Critics noted that some of the deals had been set in motion years earlier.

Table I. U.S. Goods Trade with China over Time

| Year | U.S. Imports from China | U.S. Exports to China | U.S. Trade Deficit with China |
|------|-------------------------|-----------------------|-------------------------------|
| 1995 | \$46 billion | \$12 billion | \$34 billion |
| 2000 | \$100 billion | \$16 billion | \$84 billion |
| 2005 | \$243 billion | \$41 billion | \$202 billion |
| 2010 | \$365 billion | \$92 billion | \$273 billion |

Source: U.S. trade data reported by Global Trade Information Services.

Notes: This table does not reflect U.S. trade with China in services, in which the United States runs a surplus.

For more information, see CRS Report RS22640, *What's the Difference?—Comparing U.S. and Chinese Trade Data*, by Michael F. Martin, and CRS Report R40167, *Globalized Supply Chains and U.S. Policy*, by Dick K. Nanto.

China's Holdings of U.S. Treasuries

The U.S. federal budget deficit has increased rapidly since 2008, financed by sales of Treasury securities. China has been the largest foreign holder of U.S. Treasury securities, and thus the largest foreign financier of the U.S. federal budget deficit, since September 2008, with its holdings

⁴⁶ Office of the United States Trade Representative, U.S.-China Trade Facts, <http://www.ustr.gov/countries-regions/china>.

in December 2010 standing at \$1.16 trillion and accounting for 26% of all foreign holdings of Treasury securities.⁴⁷ Some observers have raised concerns about the possibility of China destabilizing the U.S. economy by drawing down its holdings of U.S. Treasuries. Economists familiar with China's balance of payments system note, however, that China's financial system does not allow foreign currency to be spent in China, meaning that China has no choice but to invest its large current account surplus overseas; the United States is the only economy large enough to absorb foreign exchange on the scale that China is accumulating it.⁴⁸ The combination of China's reliance on exports to the United States and its purchase of U.S. debt has given China a major stake in the health of the U.S. economy. Some analysts argue that China's holdings of U.S. Treasuries have also shifted the balance of financial power between Washington and Beijing, emboldening China to speak out with criticisms of the way the U.S. economy is managed. China has been critical of the Federal Reserve's Quantitative Easing

For more information, see CRS Report RL34314, *China's Holdings of U.S. Securities: Implications for the U.S. Economy*, by Wayne M. Morrison and Marc Labonte.

China's Compliance with World Trade Organization (WTO) Commitments

Since 2006, the U.S. government has repeatedly raised concerns about alleged backsliding in China's implementation of commitments it made as part of its 2001 accession to the World Trade Organization, most prominently the problem of "excessive, trade-distorting government intervention intended to promote or protect China's domestic industries and state-owned enterprises."⁴⁹ Another major concern has been China's allegedly inadequate protection of intellectual property rights.

The Obama Administration has filed four cases against China with the World Trade Organization, including three in 2010. Those four cases relate to China's import substitution subsidies in the wind energy sector, its anti-dumping and countervailing duties on grain-oriented electrical steel from the United States, its restrictions on foreign suppliers of electronic payment services, and its restraints on exports of raw materials used in the steel, aluminum, and chemical sectors. Since the Obama Administration came into office, China has initiated three cases against the United States, two in 2009 and one in 2011. They dispute a U.S. ban on Chinese poultry, U.S. special safeguards tariffs on car tires,⁵⁰ and U.S. anti-dumping measures against warm-water shrimp from China.⁵¹

In March 2011, the WTO Appellate Body handed China a major victory when it ruled against the U.S. application of anti-dumping and countervailing duty measures on four categories of Chinese products. The measures had been the subject of a case China filed against the United States in

⁴⁷ U.S. Department of the Treasury, "Major Foreign Holders of Treasury Securities," February 28, 2011, <http://www.treasury.gov/resource-center/data-chart-center/tic/Documents/mfh.txt>.

⁴⁸ Derek Scissors, *Chinese Investment in the U.S.: \$2 Trillion and Counting*, The Heritage Foundation, blog post, Washington, DC, March 1, 2011, [http://www.heritage.org/Research/Reports/2011/02/Chinese-Investment-in-the-US-\\$2-Trillion-and-Counting](http://www.heritage.org/Research/Reports/2011/02/Chinese-Investment-in-the-US-$2-Trillion-and-Counting).

⁴⁹ United States Trade Representative, *2010 Report to Congress on China's WTO Compliance*, December 2010, p. 2, http://www.ustr.gov/webfm_send/2460.

⁵⁰ Scott Kennedy, *China's WTO Cases*, December 13, 2011, <http://chinatrack.typepad.com/files/china-wto-cases-1.pdf>.

⁵¹ Owen Fletcher, "UPDATE: China Min: Submitted US Antidumping Measures On Shrimp For WTO Resolution," *Dow Jones Newswires*, February 28, 2011.

September 2008, in the last months of the George W. Bush Administration.⁵² The ruling raised questions about the viability of the Obama Administration's use of punitive duties as a strategy for mitigating the impact of low-cost Chinese imports on certain sectors of the U.S. economy.

China's "Indigenous Innovation" Policies

The U.S. business community has expressed strong concern about Chinese industrial policies that appear to be intended to limit market access for non-Chinese goods and services and promote domestic Chinese industries. They are considered part of China's drive to support "indigenous innovation." The policies include government procurement catalogues that favor domestic industries, patent rules that appear to allow Chinese companies to obtain patents for products that they did not invent, and a new anti-monopoly law that the PRC government has allegedly used to try to force technology transfers from foreign firms to Chinese firms.⁵³ At the December 2010 meeting of the U.S.-China Joint Commission on Commerce and Trade,⁵⁴ the Obama Administration reported that the Chinese side made some concessions, agreeing, among other things, not to base government procurement decisions on where intellectual property is owned or developed, to submit a "robust" revised offer to join the WTO's Government Procurement Agreement, and to revise a major equipment catalogue and ensure that it does not discriminate against foreign suppliers. The Administration said that China also agreed not to discriminate against foreign companies in purchases of products and technologies necessary for development of China's "smart" electric power grid, or to impose discriminatory technology or standards preferences on the development of its third generation or "3G" telecommunications infrastructure.

Many analysts consider the challenge of indigenous innovation policies to be long-term, however. China's December 2010 JCCT concessions related only to a small part of the indigenous innovation program and as Secretary of Commerce Gary Locke noted in a January 2011 speech, such statements are only the first step in a process that may or may not lead to a lasting change on the ground. Locke outlined five steps he identified as necessary to create a new "norm" in Chinese commercial culture: "a statement of principle from Chinese officials that action will be taken to solve a market access issue"; codification into binding law or regulations; faithful implementation by the central government; implementation by provincial and local governments; and, "the most important step," making the new law or regulation "an accepted way of doing business in China's commercial culture." Locke complained that, "When it comes to indigenous innovation, intellectual property or a variety of other market-access issues, an enduring frustration is that in too many cases only the earliest steps are taken, but not all five. Perhaps an agreement is made, but it never becomes binding. Or perhaps there's a well-written law or regulation at the national level, but there's lax enforcement at the provincial or city level." Locke warned that,

⁵² United States Trade Representative, "USTR Statement Regarding WTO Appellate Body Report in Countervailing Duty Dispute with China," press release, March 11, 2011, <http://www.ustr.gov/about-us/press-office/press-releases/2011/march/ustr-statement-regarding-wto-appellate-body-report-c>.

⁵³ For details of China's "indigenous innovation" policies and their alleged impact on U.S. business interests, see James McGregor, *China's Drive for 'Indigenous Innovation'—A Web of Industrial Policies*, US Chamber of Commerce, July 2010, http://www.uschamber.com/sites/default/files/reports/100728chinareport_0.pdf.

⁵⁴ For details of China's pledges at the December 2010 JCCT meeting, see Export.gov, "The U.S.-China Joint Commission on Commerce and Trade (JCCT) Outcomes on U.S. Requests," press release, December 15, 2010, http://www.export.gov/china/policyadd/JCCT_outcomes.asp, and United States Trade Representative, *2010 Report to Congress on China's WTO Compliance*, December 2010, pp. 3-4, http://www.ustr.gov/webfm_send/2460.

“What was agreed to at the JCCT were important statements of principle and policy—but they must be turned into concrete action with results.”⁵⁵

China’s Enforcement of Intellectual Property Rights (IPR)

The United States Trade Representative continues to place China on its Priority Watch List of countries that are the worst violators of intellectual property rights, a list that currently comprises 11 countries.⁵⁶ USTR’s annual Special 301 report on IPR, issued in April 2010, stated that China’s IPR enforcement regime “remains largely ineffective and non-deterrent” and reported that of all products seized at U.S. borders for infringement of intellectual property rights in 2009, 79% were from China.⁵⁷ In USTR’s Special 301 out-of-cycle review of “notorious markets,” released in February 2011, 8 of 30 Internet and physical markets highlighted for their facilitating of piracy and counterfeiting were based in mainland China, including popular Chinese search engine Baidu.⁵⁸ At the December 2010 meeting of the U.S.-China Joint Commission on Commerce and Trade, China pledged to step up its efforts to ensure the use of legal software by government agencies and state-owned enterprises, to crack down on piracy of online academic journals, and to clarify the liabilities of market managers who rent space to counterfeiters. China has announced many anti-piracy campaigns in the past, but has so far lacked either the will or the ability to curb IPR violations significantly.

Safety of Chinese Products

In recent years, the U.S. Consumer Product Safety Commission (CPSC) and the Food and Drug Administration (FDA) have been flooded with complaints about dangerous and defective consumer products, pharmaceuticals, medical devices, and food items manufactured in China and the Hong Kong Special Administrative Region of China and exported to the United States. Priority areas for the CPSC include the persistent problem of lead in children’s products from China and dangerous defects in Chinese-made drywall, toys, cigarette lighters, fireworks, electrical products, and all-terrain vehicles.⁵⁹ Among the FDA’s priority areas is the problem of counterfeit and tainted pharmaceuticals originating in China. In 2007 and 2008, contaminated Heparin from China was linked to 149 deaths in the United States.⁶⁰

⁵⁵ Secretary of Commerce Gary Locke, “Remarks at U.S.-China Business Council Luncheon,” January 13, 2011, <http://www.commerce.gov/news/secretary-speeches/2011/01/13/remarks-us-china-business-council-luncheon>.

⁵⁶ The other countries on USTR’s “Priority Watch List” are Algeria, Argentina, Canada, Chile, India, Indonesia, Pakistan, Russia, Thailand, and Venezuela.

⁵⁷ United States Trade Representative, “2010 Special 301 Report,” April 30, 2010.

⁵⁸ Office of the United States Trade Representative, “USTR Announces Results of Special 301 Review of Notorious Markets,” press release, February 28, 2011, <http://www.ustr.gov/about-us/press-office/press-releases/2011/february/ustr-announces-results-special-301-review-notorio>. The eight Chinese markets identified were search engine Baidu, e-marketplace Taobao, peer-to-peer sports telecast service TV Ants, smartphone software site 91.com, and the China Small Commodities Market in Yiwu; the Luowu (sic) Market in Shenzhen; PC Malls in Beijing, Shanghai, and other Chinese cities; and the Silk Market in Beijing.

⁵⁹ Inez Tenenbaum, Chairman of US Consumer Product Safety Commission, “Closing Statement,” Remarks to the U.S.-China Consumer Product Safety Summit, Wuxi, China, October 26, 2009, <http://www.cpsc.gov/PR/tenenbaum102609.pdf>.

⁶⁰ Allan Coukell, Director, Pew Prescription Project, The Pew Charitable Trusts, “Protecting Consumers from Adulterated Drugs,” written comments submitted to an FDA meeting, May 1, 2009, <http://www.fda.gov/downloads/NewsEvents/MeetingsConferencesWorkshops/UCM163646.pdf>.

For more information on this issue, see CRS Report RS22713, *Health and Safety Concerns Over U.S. Imports of Chinese Products: An Overview*, by Wayne M. Morrison.

Climate Change and Clean Energy Cooperation

China relies heavily on coal to power its fast-growing economy and has been the world's largest emitter of the most common greenhouse gas, carbon dioxide, since 2006,⁶¹ although on a per capita basis, China's carbon dioxide emissions are about one-third those of the United States.⁶² In 2008, China and the United States, the world's second largest emitter, together produced about 41% of the world's carbon dioxide emissions,⁶³ making both countries key players in efforts to address climate change.

The Obama Administration hoped to make cooperation with China in battling climate change a pillar of a new relationship focused on global issues, but in practice, the two countries' different approaches to international climate change negotiations have produced frequent friction. Disagreements have centered on the relative responsibilities of developed and major developing nations for addressing climate change. China, along with many other developing countries, has long argued that developed nations bear the lion's share of the historical responsibility for climate change and continue to have far higher levels of emissions per capita, so they alone should be subject to legally binding commitments to reduce emissions, while developing nations' reductions should be voluntary.⁶⁴ Chinese officials have described attempts to force developing countries to accept legally binding emissions targets as an attempt to restrict those countries' rights to develop.⁶⁵ The U.S. Congress has long indicated that it will not support legally binding commitments to reduce U.S. emissions without binding commitments from other major emitters, starting with the world's current leading emitter, China.⁶⁶ The Obama Administration has adopted the same position.

Negotiators representing the United States and China clashed at the Copenhagen Climate Change Conference in Denmark in December 2009, but eleventh hour negotiations between President

⁶¹ PBL Netherlands Environmental Assessment Agency, "China CO2 emissions in perspective," press release, June 22, 2007, <http://www.pbl.nl/en/news/pressreleases/2007/20070622ChineseCO2emissionsinperspective.html>.

⁶² J.G.J. Olivier and J.A.H.W. Peters, *No Growth in Global CO2 Emissions in 2009*, Netherlands Environmental Assessment Agency, Bilthoven, The Netherlands, June 2010, p. 5, <http://www.rivm.nl/bibliotheek/rapporten/500212001.pdf>.

⁶³ International Energy Agency, *CO2 Emissions from Fuel Combustion Highlights: 2010 Edition*, Paris, France, 2010, pp. 8-9, <http://www.iea.org/co2highlights/co2highlights.pdf>.

⁶⁴ Scientists believe the United States is responsible for 29% of energy-related carbon dioxide emissions since 1850, while China is responsible for 8%. Joanna Lewis, "The State of U.S.-China Relations on Climate Change: Examining the Bilateral and Multilateral Relationship," *Woodrow Wilson International Center for Scholars China Environment Series*, no. 11 (2010/2011), p. 8.

⁶⁵ China's chief climate change negotiator Xie Zhenhua charged in a January 2010 speech that, "Developed countries are using climate change issues to restrict the development of developing countries and maintain the North-South gap between the rich and the poor, with countries like China, Brazil, and India particularly targeted; they are very worried about China's pace of development." "Xie Zhenhua's Speech at Peking University, Guanghua College of Management, January, 2010," World Resources Institute *China FAQs*, <http://www.chinafaqs.org/library/xie-zhenhuas-speech-peking-university-guanghua-college-management-january-2010> (unofficial English translation). Original Chinese text available at <http://finance.sina.com.cn/hy/20100109/11137218805.shtml>.

⁶⁶ As early as 1997, the Byrd-Hagel Resolution (S.Res. 98) held that the United States should not enter into any international agreement requiring binding commitments to limit greenhouse gas emissions unless the agreement also subjects developing countries to specific binding commitments.

Obama, China's Premier Wen Jiabao, and leaders from Brazil, India, and South Africa, helped produce a political accord that was credited with rescuing the conference from failure. In the accord, which was not legally binding, China and other developing nations agreed to a form of "symmetry" in obligations for developed and developing nations, a major priority for the United States, by agreeing that both groups of nations should record climate change mitigation commitments in appendices to the accord on an equally voluntary basis. The United States pledged to reduce its emissions "in the range of" 17% below 2005 levels by 2020. China declined to pledge an absolute reduction target, but rather pledged to reduce its carbon intensity (the amount of carbon dioxide emitted per unit of GDP) by 40% to 45% below 2005 levels by 2020. In the final negotiation with President Obama, China also agreed to the principle that mitigation actions taken by developing nations should be subject to a form of verification, known as "international consultation and analysis" or ICA.⁶⁷

In the year after Copenhagen, U.S. and Chinese negotiators wrangled over the details of how ICA should work. At the U.N. Climate Change Conference in Cancun, Mexico, in December 2010, however, China agreed that all major emitters, whether developed or developing countries, should report to the U.N. Framework Convention on Climate Change at least every four years, and that those able to do so should report every two years with information related to their greenhouse gas emissions. China also agreed that a "Subsidiary Body for Implementation" would analyze the reports, albeit "in a manner that is non-intrusive, non-punitive and respectful of national sovereignty," and that technical experts would be empowered to analyze a long list of metrics.⁶⁸ Analysts expect more friction between U.S. and Chinese negotiators in the run-up to the December 2011 climate change conference in Durban, South Africa. China is seeking an extension of the Kyoto Protocol, whose first commitment period for reductions of greenhouse gas emissions is set to expire in 2012. The United States is not a party to the Kyoto Protocol and objects to its principle that only developed nations should be subject to binding emissions reduction targets.

Cooperation between the United States and China on energy efficiency and clean energy technology development has proceeded more smoothly. During President Obama's November 2009 state visit to China, the United States and China announced a broad package of cooperative clean energy projects, including establishment of U.S.-China Clean Energy Research Centers and joint initiatives to develop energy efficient buildings, electric vehicle standards, and clean coal and large-scale carbon capture and storage technologies.⁶⁹ China has been eager to work with the United States in developing and deploying clean energy technologies as a matter of national competitiveness. China's chief climate change negotiator argued in a January 2010 speech that, "countries with low-carbon technologies or low-carbon industries will have a development advantage and more development space." He said some considered global competition in clean energy development to be "as significant as the space race in the Cold War."⁷⁰

⁶⁷ For a detailed account of U.S. and Chinese positions at Copenhagen, see Joanna Lewis, "The State of U.S.-China Relations on Climate Change: Examining the Bilateral and Multilateral Relationship," *Woodrow Wilson International Center for Scholars China Environment Series*, no. 11 (2010/2011).

⁶⁸ Jennifer Morgan and Deborah Seligsohn, "What Cancun Means for China and the U.S.," World Resources Institute, December 15, 2010, <http://www.wri.org/stories/2010/12/what-cancun-means-china-and-us>.

⁶⁹ U.S. Department of Energy, "U.S.-China Clean Energy Announcements," press release, November 17, 2010, <http://www.energy.gov/news2009/8292.htm>.

⁷⁰ "Xie Zhenhua's Speech at Peking University, Guanghua College of Management, January, 2010," World Resources Institute *China FAQs*, <http://www.chinafaqs.org/library/xie-zhenhuas-speech-peking-university-guanghua-college-management-january-2010> (unofficial English translation.) Original Chinese text available at (continued...)

China leads the world in investment in low-carbon industries and has become a leader in the production of some green energy technologies, such as photovoltaic solar panels. Experts say, however, that the PRC continues to lag behind the United States in research and development. China's embrace of clean energy has sometimes stirred controversy. The United States has challenged China's support for its domestic wind turbine industry through the World Trade Organization. China's ambitious plans to double its hydropower capacity by 2020 have embroiled it in disputes with down-river neighbors in Southeast and South Asia and fed criticism from overseas groups about China's management of Tibet's water resources.

For more information, see CRS Report RL32721, *Greenhouse Gas Emissions: Perspectives on the Top 20 Emitters and Developed Versus Developing Nations*, by Larry Parker and John Blodgett, and CRS Report R41287, *China and the United States—A Comparison of Green Energy Programs and Policies*, by Richard J. Campbell.

Human Rights Issues

China's human rights conditions are a principal U.S. interest. Some analysts contend that the U.S. policy of engagement with China has failed to produce meaningful political reform, and that without fundamental progress in this area, the bilateral relationship will remain unstable. Others argue that U.S. engagement has helped to accelerate economic and social change and build social and legal foundations for democracy and the advancement of human rights in the PRC.

Secretary of State Hillary Clinton described the Obama Administration's human rights policy as one of "principled pragmatism." This policy is based upon the premise that tough but quiet diplomacy is both less disruptive to the overall relationship and more effective in producing change than public censure.⁷¹ Many human rights activists have complained that the Obama Administration has reduced the prominence of human rights in U.S. policy toward China. Some policy observers have argued that this approach has resulted in a PRC leadership that is less cooperative, rather than more.⁷²

Despite reducing the prominence of human rights as a condition for moving forward in other areas of the bilateral relationship or in the relationship overall, a trend that started under President George W. Bush, the Obama Administration has continued to press China on human rights issues, both privately and openly. In particular, the Administration has spoken out regarding prominent Chinese political prisoners, jailed U.S. citizens, Internet censorship, and repression in Tibet and Xinjiang. The U.S. government also has continued to fund programs that promote the development of the rule of law and civil society in the PRC. Congressional interests and concerns have included the release of Chinese political prisoners, global Internet freedom, the persecution of unofficial Christian churches and Falun Gong practitioners, and the conditions of ethnic minorities in China. The U.S. government has continued to administer programs in China

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<http://finance.sina.com.cn/hy/20100109/11137218805.shtml>

⁷¹ Elise Labott, "Clinton Defends Stance on Human Rights," *CNN.com*, March 11, 2009; Charley Keyes, "U.S. is 'Pragmatic' with China, Russia," *CNN.com*, December 15, 2009.

⁷² "It's Time For The Obama Administration To Burst Beijing's Bubble," *Washington Post*, Thursday, February 4, 2010.

mandated by Congress promoting the rule of law, civil society, and Tibetan development and environmental conservation.⁷³

In May 2010, the United States and China held the 14th round of the bilateral human rights dialogue, which had resumed in 2008 after a six-year hiatus. No breakthroughs were reported in the discussions headed by Assistant Secretary of State Michael Posner and PRC Ministry of Foreign Affairs Department of International Organizations Director General Chen Xu. According to some critics, the separate dialogue runs the risk of further removing human rights from the core areas of the U.S.-China relationship. However, some Administration officials suggested that, given the deep disagreements on human rights and other contentious issues, the holding of the dialogue and the agreement to continue them represented a positive step. Topics included political prisoners, freedom of religion and expression, labor rights, the rule of law, and conditions in Tibet and Xinjiang. The Chinese delegation also visited the U.S. Supreme Court and were briefed on ways in which human rights issues are handled in the United States.⁷⁴ In the Joint Statement issued during Chinese President Hu Jintao's visit to the United States in January 2011, China committed to holding the next round of the human rights dialogue before the next meeting of the Strategic and Economic Dialogue in May 2011, and to hold a meeting of the Legal Experts Dialogue before the human rights dialogue.

The PRC leadership has instituted few real checks on its power and remains extremely sensitive to social instability, autonomous political activity, and potential challenges to its authority. In recent years, the government has cracked down heavily upon political activists, human rights lawyers, and social organizations. In February 2011, an online appeal that appeared to be authored by Chinese activists overseas called on people in China to take part in a "Jasmine Revolution" – peaceful "protest walks" in major cities on consecutive Sundays, to highlight the desire for greater democracy in China in light of popular movements sweeping the Middle East. Although a few hundred protesters reportedly were turned away by public security forces from the main city square in Shanghai, uniformed and plainclothes police and curious onlookers appeared to far outnumber demonstrators in Beijing, while in other cities there was little if any protest activity. Government authorities reportedly detained dozens of human rights activists and lawyers, charged several prominent dissidents with subversion, and physically assaulted and threatened foreign reporters.⁷⁵

The number of people imprisoned for endangering state security, the most serious political crime, rose from roughly 300 in 2006 to nearly 700 in 2009, according to one estimate.⁷⁶ Major ongoing human rights problems include the following: the arbitrary use of state security laws against political dissidents; unlawful detention; excessive use of violence by security forces and their proxies; torture of persons in state custody; harassment and persecution of people involved in unsanctioned religious activities; coercive family planning policies; and state controls over information. Many Tibetans, ethnic Uighur (Uyghur) Muslims, and Falun Gong adherents have

⁷³ For more information, see CRS Report RS22663, *U.S.-Funded Assistance Programs in China*, by Thomas Lum.

⁷⁴ Foster Klug, "No Breakthroughs in U.S., China Human Rights Talks," *Associated Press*, May 14, 2010; State Department Special Briefing with Michael Posner, Assistant Secretary for Democracy, Human Rights and Labor, May 14, 2010.

⁷⁵ Peter Ford, "Report on China's 'Jasmine Revolution'? Not If You Want Your Visa," *Yahoo! News*, March 3, 2011; "Jasmine Activists Charged," *Radio Free Asia*, February 25, 2011; Anita Chang, "China Tries to Stamp Out 'Jasmine Revolution'," *Associated Press*, February 20, 2011.

⁷⁶ Dui Hua Foundation, "Chinese Government Appears to Halt Sentence Reductions for Political Prisoners," *Dui Hua Human Rights Journal*, February 22, 2011.

been singled out for especially harsh treatment. There are an estimated 25,000 prisoners of conscience, according to some experts, including those serving lengthy sentences (5-15 years or longer) for political crimes, Falun Gong adherents, and other detainees on various charges.⁷⁷

Despite the lack of fundamental political change, in the past decade, many PRC citizens have experienced marginal improvements in human rights protections while small-scale human rights activism has increased. In the past several years, the PRC government has passed laws prohibiting specific acts of torture, reducing the number of crimes punishable by death, protecting property and labor rights, and promoting government transparency. Despite censorship and severe restrictions on political speech and activity, the Internet has provided Chinese citizens with an unprecedented level and variety of information, news, and opportunities to express opinions about Chinese society and expose government corruption.

In 2010, the PRC government announced that it had amended legislation on the protection of state secrets to clarify the definition of a state secret, reduce the level of protected information, and open some information to the public. Although the changes could potentially help to reduce the number of people charged with disseminating state secrets, many observers believe that the law still can be used broadly against political dissidents, businesspersons, and others. The legal changes also imposed stricter requirements on Internet service providers and telecommunications companies to monitor

An American Detained in China

Xue Feng, a China-born, naturalized U.S. citizen, was arrested in Beijing in 2007 on charges related to his acquisition of a Chinese database on China's oil industry while working for an American firm. In July 2010, after having been held incommunicado for a period and allegedly tortured, Xue was sentenced to eight years in prison for providing state secrets to foreigners. Xue claimed that he had believed the database to be commercially available. U.S. consular officials have had regular contact with Xue, although U.S. officials were denied access to Xue's November 2010 appeal hearing, in violation of the 1980 U.S.-China Consular Convention.⁷⁸ In February 2011, the Beijing High Court upheld the verdict.

discourse and to report the transfer of state secrets to authorities.⁷⁹ Criminal law revisions enacted in 2011 inflicted greater penalties upon organ traffickers, employers who violate labor contracts, and violators of food safety regulations. However, they also included provisions that appear to stanch political activity, including those that prohibit funding of organizations and individuals "engaged in activities that endanger state security" and increase sentences on those who "gather others on numerous occasions" to commit the crime of "creating a serious disturbance."⁸⁰

In response to a surge in labor disputes and unrest, including strikes at several large, foreign-owned factories, in 2010, the PRC government approved substantial wage raises in many enterprises and cities. Some Chinese labor experts and official sources expressed support for higher wages, a greater advocacy role for China's official union, the All China Federation of Trade Unions (ACFTU), and the process of collective bargaining.⁸¹ However, Chinese workers

⁷⁷ The Dui Hua Foundation. These figures represent rough estimates. Many Falun Gong adherents have served terms in "reeducation through labor" camps (generally up to 3 years per term).

⁷⁸ Embassy of the United States, Beijing, "DCM's Statement: Appeal Trial of Dr. Feng Xue," press release, October 30, 2010, <http://beijing.usembassy-china.org.cn/113010dcm.html>.

⁷⁹ Zhao Ran, "China Amends Law on State Secrets," *Global Times*, September 27, 2010; Gillian Wong, "China Set to Tighten State-Secrets Law Forcing Internet Firms to Inform on Users," *Washington Post*, April 28, 2010.

⁸⁰ Dui Hua Foundation, "Broad Changes to China's Criminal Law Enacted," *Dui Hua Human Rights Journal*, March 2, 2011; Gillian Wong, "China Drops Death Penalty for Some Economic Crimes," *Associated Press*, February 25, 2011.

⁸¹ Peng Pu, "Drive to Give Trade Unions Stronger Role," *Global Times*, August 30, 2010.

are still not allowed to form independent unions, and the government remains vigilant against the development of a national labor movement. In May 2010, the U.S. Department of Labor and the ACFTU held meetings on the sidelines of the U.S.-China Strategic and Economic Dialogue. These discussions were billed as the start of an annual bilateral discussion on labor issues and the promotion of labor rights.

Prominent Political Dissidents

Chen Guangcheng, a lawyer who is blind, was jailed in 2006 after he attempted to seek redress for villagers allegedly subject to illegal, excessive, and harsh treatment related to China's one child policy. He was released from prison in September 2010 but remains under house arrest.

Zheng Enchong, a lawyer and housing rights activist, has faced harassment and been confined to his home by local security personnel since his release from prison in 2006.

Gao Zhisheng, a rights lawyer who defended Falun Gong practitioners and others, was detained and allegedly tortured in 2007. PRC authorities apprehended Gao in February 2009 and held him at various unknown locations for over a year. After being allowed to make some contact with family members and the press in April 2010, Gao disappeared again.

Hu Jia, who advocated on behalf of HIV/AIDS patients, other human rights activists, and environmental causes, was sentenced to three years and six months in prison in 2008 for "inciting subversion of state power."

Huang Qi, a human rights advocate, was sentenced to three years in prison in November 2009. A PRC court convicted Huang for "possessing state secrets" after posting online appeals and complaints from families whose children had been killed in school buildings during the Sichuan earthquake of May 2008.

Liu Xiaobo, a critic of the PRC government who was active in the 1989 democracy movement and helped to draft Charter '08, a document calling for democracy and disseminated online, was sentenced to 11 years in prison in December 2009. The Beijing court convicted Liu of "inciting subversion of state power." In October 2010, Liu won the Nobel Peace Prize.

Nobel Laureate Liu Xiaobo

In October 2010, the Nobel Committee awarded Liu Xiaobo, formerly a professor at Beijing Normal University and a long time political dissident, activist, and writer, the Nobel Peace Prize for his "long and non-violent struggle for fundamental human rights." He had spent three years in prison for his role in the 1989 democracy movement and three years in a labor camp (1996-1999) for openly questioning Communist Party rule. From 2003 to 2007, Liu served as President of the Independent Chinese PEN Center, which advocates freedom of speech and press, and experienced frequent harassment by local authorities. In December 2008, Liu helped draft "Charter '08" commemorating the 60th anniversary of the United Nations' adoption of the Universal Declaration of Human Rights.⁸² The document, signed by 300 Chinese citizens and posted online, called for human rights and fundamental changes in China's political system. It eventually garnered roughly 10,000 additional signatures online. The PRC government shut down the Charter's website, reportedly harassed, interrogated, or revoked career benefits to roughly 100 original signatories, and arrested Liu. In December 2009, a Beijing court sentenced Liu to 11 years in prison on charges of "inciting subversion of state power."

The PRC government barred members or representatives of Liu's family from traveling to Oslo to accept the Nobel Peace Prize and verbally pressured some foreign governments not to send representatives to the Nobel ceremony.⁸³ PRC authorities also harassed, detained, and

⁸² "Charter '08" was inspired by "Charter 77," the Czechoslovakian democratic movement.

⁸³ "Keith B. Richburg, "On Eve of Nobel Ceremony, China Cracks Down and Lashes Out," *Washington Post*, (continued...)

interrogated dozens of fellow Chinese dissidents and political activists and blocked access to western news media in China in the days leading up to the awards ceremony.

Tibet

Along with Taiwan and Xinjiang, Tibet is a particularly sensitive issue in U.S.-China relations. Although the Chinese Communist Party has controlled Tibet since 1951, it continues to face challenges to its authority there. The religious policies of the atheist Communist Party have engendered resentments among Tibetans, many of whom still venerate the leader of Tibetan Buddhism, the Dalai Lama, who fled into exile in India in 1959. Other sources of grievances for Tibetans include the domination of the local economy by migrants from other parts of China and China's ambitious plans to lay railways and build hydroelectric dams across the ecologically delicate Tibetan plateau. The State Department's 2009 Human Rights Report for Tibet charged that China's government had carried out "extrajudicial killings, torture, arbitrary arrests, extrajudicial detention, and house arrest" in the region.⁸⁴ China's leaders often seek to blame the Dalai Lama for Tibet's restiveness. They also blame the international community, and particularly the United States, arguing that international support for the Dalai Lama has encouraged forces intent on "splitting" Tibet from China.

The U.S. government recognizes the Tibet Autonomous Region (TAR) and Tibetan areas in four Chinese provinces as part of China and has always done so. Congress, however, has at times referred to Tibet as "an occupied country" and to the Dalai Lama and his government-in-exile as "Tibet's true representatives."⁸⁵ Reflecting continuing strong congressional support for the Dalai Lama, Congress in 2006 passed legislation (P.L. 109-287) to award him the Congressional Gold Medal, the nation's highest civilian honor, "in recognition of his many enduring and outstanding contributions to peace, non-violence, human rights, and religious understanding."

The Tibetan Policy Act of 2002 (P.L. 107-228) guides Executive Branch policy related to Tibet. It directs the Executive Branch to encourage the PRC to enter into dialogue with the Dalai Lama or his representatives "leading to a negotiated agreement on Tibet," and to work to end PRC government interference in the religious affairs of the Tibetan people. It requires the State Department to maintain a Special Coordinator for Tibetan Issues to promote dialogue between the PRC and the Dalai Lama or his representatives and protect "the distinct religious, cultural, linguistic, and national identity of Tibet." The act also states that it is the policy of the United States to support development projects in Tibet; directs the Secretary of State to "make best efforts" to establish a U.S. office in the Tibetan capital, Lhasa; and requires the President and the Secretary of State to use meetings with the PRC government to request the release of Tibetan political prisoners. The incumbent Special Coordinator for Tibet is Undersecretary of State for

(...continued)

December 9, 2010.

⁸⁴ U.S. Department of State, *2009 Human Rights Report: China (includes Tibet, Hong Kong, and Macau)*, March 11, 2010, <http://www.state.gov/g/drl/rls/hrrpt/2009/eap/135989.htm#tibet>.

⁸⁵ The Foreign Relations Authorization Act for FY1992-1993 (P.L. 102-138) included a Declaration of Congress entitled, "China's Illegal Control of Tibet." It stated that, "Tibet, including those areas incorporated into the Chinese provinces of Sichuan, Yunnan, Gansu, and Qinghai [sic], is an occupied country under the established principles of international law," and that, "Tibet's true representatives are the Dalai Lama and the Tibetan Government in exile." Similar language can be found in such legislation as P.L. 103-236 and S.Res. 271 (1992).

Democracy and Global Affairs Maria Otero. Notably, Chinese officials have never met with her or any of her predecessors in their Tibet roles, or allowed a Special Coordinator to travel to Tibet.

Over China's strenuous objections, President Obama met with the Dalai Lama in the White House Map Room on February 18, 2010.⁸⁶ The Obama Administration had postponed meeting with the Dalai Lama in the fall of 2009 in order to ease the way for a resumption of dialogue between the PRC government and representatives of the Dalai Lama. That dialogue, the ninth round of meetings between the two sides since 2002, took place in January 2010, with the Dalai Lama's representatives pledging respect for the authority of the Chinese central government, but continuing to push for genuine autonomy for the Tibetan people within China. Both sides indicated that the meetings produced no breakthroughs.

Xinjiang

Xinjiang, known officially as the Xinjiang Uighur Autonomous Region or XUAR, is home to 8.5 million Uighur Muslims, a Turkic ethnic group.⁸⁷ Once the predominant group in Xinjiang, they now constitute about 45% of the region's population as many Han (Chinese), the majority ethnic group in China, have migrated there, particularly to the capital, Urumqi. Uighurs and human rights groups have complained of Chinese policies such as restrictions on access to mosques, the training and role of imams, the celebration of Ramadan, contacts with foreigners, and participation in the hajj. Uighur children (under 18) are forbidden from entering mosques and government workers are not allowed to practice Islam. More recent Uighur grievances have included a perceived loss of ethnic and cultural identity, a lack of consultation by the government, and economic discrimination.

The Chinese government fears not only Uighur demands for greater religious and cultural freedom but also Uighurs' links to Central Asian countries and foreign Islamic organizations. The Chinese government claims that the East Turkestan Islamic Movement (ETIM), a Uighur organization that advocates the creation of an independent Uighur Islamic state, has been responsible for small-scale terrorist attacks in China and has ties to Al Qaeda. ETIM is on the United States' and United Nations' lists of terrorist organizations.

Due to perceived national security-related concerns, the Chinese government has imposed stern ethnic and religious policies on Uighurs in Xinjiang, often conflating Uighur activism with separatism. Following July 2009 demonstrations and inter-ethnic strife in Urumqi that left nearly 200 dead, about two-thirds of them Han, the Chinese government further restricted speech, assembly, information, communication with other parts of China and the world, and religious activities. The Xinjiang government has intensified the process of promoting Mandarin Chinese and continued the demolition of parts of the old city of Kashgar. The whereabouts of many Uighurs seized after the unrest remain unknown. Government initiatives to address grievances have focused primarily upon increasing investment, developing the economy, and raising incomes in the region, and secondarily upon preserving cultural items.

For more information about human rights in China, see CRS Report RL34729, *Human Rights in China: Trends and Policy Implications*, by Thomas Lum and Hannah Fischer. For more

⁸⁶ "Beijing Demands U-Turn on Obama's Dalai Lama Meet," *Agence France Presse*, February 12, 2010.

⁸⁷ Estimates of China's Muslim population range from 20 million to 30 million people.

information on Chinese policy toward Xinjiang, see CRS Report RL33001, *U.S.-China Counterterrorism Cooperation: Issues for U.S. Policy*, by Shirley A. Kan.

China's Engagement with the Developing World

As part of a drive to gain political and cultural influence and to secure energy and mineral supplies and markets, in the past decade, China has reached out to the developing world, including Africa, Central America, Latin America, Southeast Asia, and the Pacific, through high-level official visits and exchanges; economic assistance, loans, and investments; participation in regional organizations; and Chinese-language and cultural programs. Competition with Taiwan for diplomatic recognition also has spurred PRC engagement in some regions.⁸⁸

According to many experts, China's foreign economic assistance and investments have complicated U.S. and other Western efforts to curb human rights abuses and promote democracy in places such as Angola and Sudan in Africa, Burma and Cambodia in Southeast Asia, and Fiji in the Southwest Pacific. The United States government has taken preliminary steps to discuss and coordinate development assistance and projects with China, in order to promote "donor best practices" and convergence between Chinese foreign assistance practices and those of major bilateral and multilateral aid donors. Under the Obama Administration, some dialogues have taken place between staff and senior-level officials of the U.S. Agency for International Development (USAID) and the PRC Ministry of Commerce's Department of Aid to Foreign Countries. At the second U.S.-China Strategic and Economic Dialogue (S&ED), held in May 2010, the two governments reportedly held a meeting on development issues and agreed to engage in further dialogue in the future.⁸⁹

For more information, see CRS Report R40940, *China's Assistance and Government-Sponsored Investment Activities in Africa, Latin America, and Southeast Asia*, by Thomas Lum.

⁸⁸ After Chinese successes in persuading a number of Taiwan's diplomatic partners to switch recognition to Beijing, Taiwan currently has diplomatic relations with Belize, Burkina Faso, the Dominican Republic, El Salvador, Gambia, Guatemala, Haiti, Honduras, the Marshall Islands, Nauru, Nicaragua, Palau, Panama, Paraguay, and the Vatican.

⁸⁹ Jonathan Stromseth, "Searching for Global Cooperation in Sino-U.S. Relations: The Case of Foreign Aid," *In Asia*, The Asia Foundation, June 9, 2010.

Appendix A. Presidential Meetings and Select Dialogues

Table A-1. Bilateral Meetings Between President Barack Obama and Chinese President Hu Jintao

| Date | Location | Venue |
|--------------------------------|------------------------|--|
| April 1, 2009 | London, United Kingdom | Sidelines of G-20 Summit |
| September 22, 2009 | New York | Sidelines of United Nations Summit on Climate Change |
| November 17, 2009 ^a | Beijing, China | President Obama's state visit to China |
| April 12, 2010 | Washington, DC | Sidelines of Nuclear Security Summit |
| June 26, 2010 | Toronto, Canada | Sidelines of G-20 summit |
| November 11, 2010 | Seoul, South Korea | Sidelines of G-20 summit |
| January 19, 2011 ^b | Washington, DC | President Hu's state visit to the United States |

- a. The two presidents met twice on November 17, 2009, first in a bilateral meeting, and then in an expanded bilateral meeting. The U.S. government counts these as two separate bilateral meetings.
- b. The two presidents also met twice on January 19, 2011, again in a bilateral and then an expanded bilateral meeting.

Table A-2. Two High-level Recurring U.S.-China Dialogues

| | U.S. Principal(s) | Chinese Principal(s) | Frequency | Scope |
|--|---|--|---|--|
| Strategic and Economic Dialogue | Secretary of State (strategic track), Secretary of the Treasury (economic track). Other U.S. cabinet officials participate. | State Councilor for foreign affairs (strategic track) and Vice Premier for foreign trade (economic track). Multiple Chinese ministers participate. | Held annually, with venue alternating between Washington and Beijing. | Immediate and long-term issues of strategic and economic importance. Includes multiple sub-dialogues. |
| Joint Commission on Commerce and Trade | Secretary of Commerce and United States Trade Representative. Secretary of Agriculture also participates. | Vice Premier for foreign trade. Chinese ministers participate. | Held annually, with venue alternating between Washington and Beijing. | Bilateral trade issues. Includes ten working groups covering trade and investment issues, business development and industrial cooperation, and commercial law, with a side dialogue on export controls |

Table A-3. U.S.-China Military Dialogues

| Dialogue | U.S. Principal | Chinese Principal | Description |
|--|--|--|--|
| Defense Consultative Talks | Under Secretary of Defense for Policy | Deputy Chief of the General Staff, People's Liberation Army | Highest level bilateral dialogue between the two militaries. Provides framework for the military-to-military relationship. |
| Defense Policy Coordination Talks | Deputy Assistant Secretary of Defense for East Asia | Director, Foreign Affairs Office, Ministry of National Defense | Established in 2005. Forum for discussion of regional and global issues. |
| Military Maritime Consultative Agreement | Director, Strategic Planning and Policy Bureau, U.S. Pacific Command | Deputy Chief of Staff, People's Liberation Army Navy | Established in 1989. Forum for discussion on issues related to operational and tactical safety at sea. |

Source: Office of the Secretary of Defense, *Annual Report to Congress: Military and Security Developments Involving the People's Republic of China 2010*, August 2010, pp. 57-58, http://www.defense.gov/pubs/pdfs/2010_CMPR_Final.pdf.

Appendix B. Core Documents: Analysis of the 2011 and 2009 U.S.-China Joint Statements

During the January 18-21, 2011 state visit to the United States of China's President and Communist Party General Secretary Hu Jintao, the United States and China released a 41-point Joint Statement. Along with another U.S.-China Joint Statement issued during President Obama's state visit to China in November 2009, the new statement is part of an effort to update the bilateral relationship to reflect China's new place in the world order. The 2011 and 2009 Joint Statements built on a previous Joint Statement issued in 1997, during the Bill Clinton Administration.

The 2011 and 2009 Joint Statements contain significant statements of principle related to the ways the two countries view their relationship. They include the following:

- “The United States and China committed to work together to build a cooperative partnership based on mutual respect and mutual benefit.” (2011)
- The two sides committed “to building a positive, cooperative, and comprehensive U.S.-China relationship for the 21st century.” (2011 and 2009)
- “The United States reiterated that it welcomes a strong, prosperous and successful China that plays a greater role in world affairs.” (2011 and 2009)
- “China welcomes the United States as an Asia-Pacific nation that contributes to peace, stability and prosperity in the region.” (2011 and 2009)
- The two sides pledged “respect for each other's sovereignty and territorial integrity.” (2011 and 2009)
- “The two sides agreed that respecting each other's core interests is extremely important to ensure steady progress in U.S.-China relations.” (2009)

While many Americans see the first two of these statements as formulaic, and therefore relatively meaningless, the Chinese side sees them as providing reassurance about U.S. intentions toward China, and thus considers them to be of great significance. After President Hu's 2011 state visit, Chinese commentators presented the “cooperative partnership” language as an upgrading of the bilateral relationship and as one of the major accomplishments of the visit.⁹⁰

With the third statement, welcoming a “strong, prosperous and successful China,” analysts say the Obama Administration sought to signal to China that the United States does not seek to “contain” China or prevent its emergence as a major power, as some in China fear. With the

⁹⁰ See, for example, “Hu's visit opens new chapter in China-US ties,” *Xinhua*, January 22, 2011 and “Hu's visit sketches blueprint for China-U.S. ties,” *Xinhua*, January 23, 2011. The “positive, cooperative, and comprehensive” formulation was first agreed to in a meeting between Presidents Obama and Hu in April 2009. President Clinton and China's President Jiang Zemin pledged in the 1997 Joint Statement “to build toward a constructive strategic partnership,” but President George W. Bush avoided describing the United States relationship with China as one of “partnership.” During his administration, China referred to the relationship as “constructive and cooperative,” while President Bush described the relationship as, “constructive, cooperative, and candid” (adding the word “candid.”) Steven Lee Myers, “Bush Praises China but Continues Rebuke During Embassy Dedication in Beijing,” *The New York Times*, August 7, 2008.

fourth statement, China's leaders offered reassurance to the United States. China's leaders have long indicated an ambivalence about the U.S. presence in Asia, sometimes accepting that the U.S. presence has provided stability that allowed for the region's post-World War II growth, and sometimes seeing the U.S. presence as complicating relationships among the nations of Asia, or worse. The statement that China welcomes the United States as "an Asia-Pacific nation that contributes to peace, stability and prosperity in the region," is the most positive characterization of the U.S. presence in Asia that China has yet agreed to put in writing. The wording of the Chinese-language version of the statement is more conditional than the English, however. The Chinese text states that China welcomes U.S. "efforts" for peace, stability, and prosperity in the region, suggesting that China may not believe that the United States is currently succeeding in contributing to peace, stability, and prosperity.⁹¹

The sovereignty and core interests language is the most sensitive in the Joint Statements. The parameters of each country's sovereignty and territorial integrity is not defined, giving the United States some flexibility in its interpretation of respect for China's sovereignty, but also raising questions about how China may interpret the U.S. pledge. China claims sovereignty not only over the Chinese mainland, Hong Kong, and Macau, but also over Taiwan, the self-governing island of 23 million that lies off the east coast of the Chinese mainland; and over disputed territory in the South China Sea and East China Sea. The "sovereignty and territorial integrity" language appears in both Joint Statements in close proximity to language related to Taiwan, suggesting that China may, at a minimum, expect this language to reflect deference to its claims to Taiwan.⁹² (See sections on "Taiwan" and "Maritime Disputes" below.)

Some critics have suggested that the "core interests" language in the 2009 Joint Statement may have raised unrealistic expectations on the Chinese side of greater U.S. deference to China on issues that China considers part of its core interests, such as Taiwan, Tibet, and the maintenance of domestic stability through strict controls on the Internet.⁹³ Because the statement did not define "core interests," some analysts believe the language may also have encouraged China to experiment with referring to the South China Sea as a "core national interest" in some closed-door meetings with foreign officials in 2010. According to Secretary of State Hillary Clinton, those statements contributed to the U.S. decision to declare a "national interest" in freedom of navigation in the South China Sea at a meeting in Hanoi in July 2010.⁹⁴ The "core interests" language was not repeated in the 2011 Joint Statement.

⁹¹ The Chinese text of the line in question reads, "The Chinese side states that it welcomes efforts by the United States, as an Asia-Pacific nation, for peace, stability, and prosperity in the region." CRS translation of Xinhua News Agency, *Zhongmei lianhe shengming (China-U.S. Joint Statement)*, November 17, 2010, http://news.xinhuanet.com/world/2009-11/17/content_12475620_2.htm.

⁹² In the 2011 Joint Statement, the sentence reaffirming "respect for each other's sovereignty and territorial integrity" followed immediately after a sentence reaffirming that three U.S.-China Joint Communiqués concluded in 1972, 1979, and 1982 "laid the political foundation for the relationship." All three of the Joint Communiqués relate to the issue of Taiwan. The 2009 Joint Statement directly linked respect for sovereignty to the Three Communiqués, and thus to Taiwan, stating, "The two countries reiterated that the fundamental principle of respect for each other's sovereignty and territorial integrity is at the core of the three U.S.-China joint communiqués which guide U.S.-China relations."

⁹³ Thomas J. Christensen, "The Advantages of an Assertive China: Responding to Beijing's Abrasive Diplomacy," *Foreign Affairs*, vol. 90, no. 2 (March/April 2011), p. 54.

⁹⁴ Greg Sheridan, "China actions meant as test, Hillary Clinton says," *The Australian*, November 8, 2010.

Appendix C. Congressionally-Mandated Annual Reports Related to China

Table C-1. Selected Executive Branch Reports to Congress on China

| Agency | Report Title | Contents | Authorizing Legislation |
|------------------------------------|---|---|--|
| Department of Defense | Military and Security Developments Involving the People's Republic of China | Chinese military technological development; Chinese security strategy and military strategy; Chinese military organizations and operational concepts; U.S.-China engagement and cooperation on security matters | Section 1202, National Defense Authorization Act, FY2000 (P.L. 106-65), as amended |
| Department of State | Report on Tibet Negotiations | Steps taken to encourage the PRC government to enter into a dialogue with the Dalai Lama or his representatives leading to a negotiated agreement on Tibet, and status of any such dialogue | Section 611, Foreign Relations Authorization Act, FY2003, "Tibetan Policy Act of 2002," (P.L. 107-228) |
| United States Trade Representative | China's WTO Compliance | China's compliance with commitments made in connection with its accession to the World Trade Organization | Sections 421 and 413(b)(2) of the U.S.-China Relations Act of 2000 (P.L. 106-286) |

Table C-2. Selected Executive Branch Reports to Congress Related to China

| Agency | Report Title | Contents | Authorizing Legislation |
|--|--|--|---|
| Central Intelligence Agency (submitted by the Deputy Director of National Intelligence for Analysis) | Unclassified Report to Congress on the Acquisition of Technology Relating to Weapons of Mass Destruction and Advanced Conventional Munitions | Acquisition by foreign countries of dual-use and other technology useful for the development of weapons of mass destruction and advanced conventional munitions | Section 721, Intelligence Authorization Act for FY1997 (P.L. 104-293) |
| Department of State | Country Reports on Human Rights Practices (China report includes separate section on Tibet. Hong Kong, and Macau have separate reports.) | Status of internationally recognized human rights as set forth in the Universal Declaration of Human Rights | Sections 116(d) and 502B(b) of the Foreign Assistance Act of 1961 (FAA) (P.L. 87-195), as amended, and section 504 of the Trade Act of 1974 (P.L. 93-618), as amended |
| Department of State | Country Reports on Terrorism (China report includes separate sections on Hong Kong and Macau) | Foreign government counter-terrorism cooperation | Section 140, Foreign Relations Authorization Act, FY1988-1989 (P.L. 100-204), as amended |
| Department of State | International Narcotics Control Strategy Report | Drug and chemical control, money laundering, and financial crimes | Section 489, Foreign Assistance Act of 1961 (FAA) (P.L. 87-195), as amended |
| Department of State | Annual Report on International Religious Freedom (Separate reports on Tibet, Hong Kong, and Macau are appended to the China report) | Supplements most recent human rights reports with detailed information on matters involving international religious freedom | Section 102(b), International Religious Freedom Act of 1998 (P.L. 105-292) |
| Department of State | Trafficking in Persons Report | Foreign government efforts to eliminate severe forms of trafficking in persons, such as forced labor and sex trafficking | Section 104, Victims of Trafficking and Violence Protection Act of 2000 (P.L. 106-386) |
| Department of State | Voting Practices in the United Nations | Information on voting practices of all UN members. Lists each country's votes on "important issues" and provides statistics on coincidence of each country's votes with U.S. votes | Section 406, Foreign Relations Authorization Act for FY1990-1991 (P.L. 101-246) |
| Department of Treasury | Report to Congress on International Economic and Exchange Rate Policies | International economic policy, including exchange rate policy | Section 3005, Omnibus Trade and Competitiveness Act of 1988 (P.L. 100-418) |

| Agency | Report Title | Contents | Authorizing Legislation |
|------------------------------------|--|--|--|
| United States Trade Representative | National Trade Estimate Report on Foreign Trade Barriers | Inventory of the most important foreign barriers affecting U.S. exports of goods and services, foreign direct investment by U.S. persons, and protection of intellectual property rights | Section 181, Trade Act of 1974 (P.L. 93-618), as amended |
| United States Trade Representative | Special 301 Report | Global review of the state of intellectual property rights protection and enforcement | Section 182, Trade Act of 1974 (P.L. 93-618), as amended |

Table C-3. Selected Reports on China By Congressionally-Mandated Commissions

| Commission | Report | Contents | Authorizing Legislation |
|--|--------------------|--|---|
| Congressional-Executive Commission on the People's Republic of China | Annual Report | Human rights and rule of law in China | Section 302(g), U.S.-China Relations Act of 2000 (P.L. 106-286), as amended |
| U.S.-China Economic and Security Review Commission | Report to Congress | The national security implications of the U.S.-China bilateral trade and economic relationship | Section 1238(c), Floyd D. Spence National Defense Authorization Act for 2001 (P.L. 106-398), as amended |

Appendix D. Legislation Related to China Introduced in the 112th Congress

Table D-1. Legislation Related to China in the 112th Congress

| Bill Number | Legislative Sponsor | Date of Major Action (Introduced and Sent to Relevant Committee or Passed) | Title/Description |
|--------------------|----------------------------|---|---|
| H.Res. 106 | DeLauro | Intr. February 18, 2011 | Expressing the sense of the House of Representatives that defense systems, including the helicopter fleet used to transport the President of the United States, should not be procured, directly or indirectly, from an entity controlled, directed, or influenced by the Government of China |
| H.R. 1 | Rogers | Intr. February 11, 2011 | Full-year Continuing Appropriations Act, 2011. Sec. 1339 bars the National Aeronautics and Space Administration and the Office of Science and Technology Policy from using funds “to participate, collaborate, or coordinate in any way with China or any Chinese-owned company unless such activities are specifically authorized by a law enacted after the date of enactment of this division.” It also bars use of funds to host Chinese visitors at facilities belonging to or used by NASA. |
| S. 15 | Vitter | Intr. January 25, 2011 | To prohibit the regulation of carbon dioxide emissions in the United States until China, India, and Russia implement similar reductions. |
| H.R. 375 | Kildee | Intr. January 20, 2011 | Fix United States Government Contracting Deficit with China Act |

Appendix E. Legislation Related to China Introduced in the 111th Congress

Table E-1. Economic Legislation Related to China in the 111th Congress

| Bill Number | Legislative Sponsor | Date of Major Action (Introduced and Sent to Relevant Committee or Passed) | Title/Description |
|----------------------------------|----------------------------|---|---|
| H.Res. 44 | Poe | Intr. January 9, 2009 | Condemning the PRC for unacceptable business practices. |
| H.R. 471 | Altmire | Intr. January 13, 2009 | The Supporting America's Manufacturers Act. |
| H.R. 496 | Rangel | Intr. January 14, 2009 | Trade Enforcement Act of 2009. |
| H.R. 499 | Davis | Intr. January 14, 2009 | Nonmarket Economy Trade Remedy Act of 2009. |
| S.Res. 739/ H.R. 1977 | Nelson/Wexler | Intr. March 30, 2009/April 2, 2009 | Drywall Safety Act of 2009. |
| H.R. 2310/ S. 1616 | Larsen/Cantwell | Intr. May 7, 2009/May 8, 2009 | United States-China Market Engagement and Export Promotion Act. |
| S. 3134 | Schumer | Intr. March 17, 2010 | Currency Exchange Rate Oversight Reform Act of 2010. |
| S. 3240 | Cornyn | Intr. April 21, 2010 | Foreign-Held Debt Transparency and Threat Assessment Act. |
| H.R. 5312 | Schauer | Intr. May 13, 2010 | Reciprocal Government Procurement with China Creates American Jobs Act. |
| H.R. 5319 | Johnson | Intr. May 18, 2010 | Foreign-Held Debt Transparency and Threat Assessment Act. |
| S. 3505 | Stabenow | Intr. June 17, 2010 | China Fair Trade Act of 2010. |
| H.R. 6071 | Sherman | Intr. July 30, 2010 | Emergency China Trade Act of 2010. |
| H.R. 2378 | Ryan | <i>Passed in the House</i> , September 29, 2010 | Currency Reform for Fair Trade Act. |

Table E-2. Human Rights Legislation Related to China in the 111th Congress

| Bill Number | Legislative Sponsor | Date of Major Action (Introduced and Sent to Relevant Committee or Passed) | Title/Description |
|-----------------------|---------------------|--|--|
| S.Res. 24 | Casey | Intr. January 28, 2009 | A resolution commending China's Charter 08 movement and related efforts for upholding the universality of human rights and advancing democratic reforms in China. |
| H.Res. 156 | McCotter | Intr. February 11, 2009 | Supporting Charter 08 and the ideals of the Charter 08 movement. |
| H.R. 1340 | Miller | Intr. March 5, 2009 | Tibetan Refugee Assistance Act of 2009. |
| H.Res. 226 | Holt | Passed March 11, 2009 | A resolution recognizing the plight of the Tibetan people and calling for a sustained multilateral effort to bring about a durable and peaceful solution to the Tibet issue. |
| H.R. 2271 | Smith | Intr. May 6, 2009 | Global Online Freedom Act. |
| S.Res. 155 | Brown | Intr. May 21, 2009 | A resolution expressing the sense of the Senate that the Government of the People's Republic of China should immediately cease engaging in acts of cultural, linguistic, and religious suppression directed against the Uyghur people. |
| S.Res. 171 | Inhofe | Passed June 8, 2009 | A resolution commending the people who have sacrificed their personal freedoms to bring about democratic change in the People's Republic of China and expressing sympathy for the families of the people who were killed, wounded, or imprisoned on the occasion of the 20 th anniversary of the Tiananmen Square Massacre in Beijing, China from June 3 through 4, 1989. |
| H.Res. 590 | Wu | Intr. June 26, 2009 | Expressing grave concerns about the sweeping censorship, privacy, and cyber-security implications of China's Green Dam filtering software, and urging U.S. high-tech companies to promote the Internet as a tool for transparency and freedom of expression. |
| H.Res. 624 | Delahunt | Intr. July 10, 2009 | Condemning all violent repression by the Government of the People's Republic of China of peaceful Uighur protests. |
| H.Con.Res. 151 | Minnick | Passed in the House, October 1, 2009 | Expressing the sense of Congress that China release democratic activist Liu Xiaobo from imprisonment. |
| H.Res. 877 | Wu | Passed November 7, 2009 | Expressing support for Chinese human rights activists Huang Qi and Tan Zuoren for engaging in peaceful expression as they seek answers and justice for the parents whose children were killed in the Sichuan earthquake of May 12, 2008. |

| Bill Number | Legislative Sponsor | Date of Major Action (Introduced and Sent to Relevant Committee or Passed) | Title/Description |
|--------------------|----------------------------|---|--|
| H.Res. 953 | McGovern | Intr. December 8, 2009 | Expressing the sense of the House of Representatives that the Government of the People's Republic of China has violated internationally recognized human rights and legal due process standards by carrying out executions after trials marred by procedural abuses and by carrying out arbitrary detentions targeting Uyghurs and other individuals in Xinjiang in the aftermath of a suppressed demonstration and ensuing mob violence on July 5 to 7, 2009. |
| S.Res. 405 | Kaufman | Passed February 2, 2010 | A resolution reaffirming the centrality of freedom of expression and press freedom as cornerstones of United States foreign policy and United States efforts to promote individual rights, and for other purposes. |
| H.Res. 605 | Ros-Lehtinen | Passed March 16, 2010. | Recognizing the continued persecution of Falun Gong practitioners in China on the 10 th anniversary of the Chinese Communist Party campaign to suppress the Falun Gong spiritual movement and calling for an immediate end to the campaign to persecute, intimidate, imprison, and torture Falun Gong practitioners. |
| H.Res. 1512 | McCarthy | Intr. July 13, 2010 | Commending Google Inc. and other companies for advocating for an uncensored Internet, adhering to free speech principles, and keeping the Internet open for users worldwide. |
| H.Res. 1650 | Smith | Intr. September 22, 2010 | Calling on the Government of the People's Republic of China to immediately release Chen Guangcheng and his relatives from house arrest and to cease persecuting and harassing Chen Guangcheng, his relatives, and supporters. |
| H.Res. 1717 | Smith | Passed December 8, 2010 | Congratulating imprisoned Chinese democracy advocate Liu Xiaobo on the award of the 2010 Nobel Peace Prize. |

Table E-3. Environment/Energy Legislation Related to China in the 111th Congress

| Bill Number | Legislative Sponsor | Date of Major Action (Introduced and Sent to Relevant Committee or Passed) | Title/Description |
|------------------|---------------------|--|--|
| S.Res. 76 | Cantwell | Intr. March 18, 2009 | A resolution expressing the sense of the Senate that the United States and the People's Republic of China should work together to reduce or eliminate tariff and nontariff barriers to trade in clean energy and environmental goods and services. |
| S.Res. 77 | Cantwell | Intr. March 18, 2009 | A resolution expressing the sense of the Senate that the United States and the People's Republic of China should negotiate a bilateral agreement on clean energy cooperation. |
| H.R. 2312 | Israel | Intr. May 7, 2009 | United States-China Energy Cooperation Act. |

Table E-4. Other Legislation Related to China in the 111th Congress

| Bill Number | Legislative Sponsor | Date of Major Action (Introduced and Sent to Relevant Committee or Passed) | Title/Description |
|----------------------|---------------------|--|--|
| H.Con.Res. 72 | Forbes | Intr. March 12, 2009 | Condemning any action of the PRC that unnecessarily escalates bilateral tensions, including the incidents in the South China Sea against the <i>USNS Impeccable</i> in March 2009. |
| H.R. 2311 | Kirk | Intr. May 7, 2009 | United States-China Diplomatic Expansion Act of 2009. |
| H.R. 2313 | Davis | Intr. May 7, 2009 | U.S.-China Language Engagement Act. |
| H.Res. 509 | Hastings | Intr. June 4, 2009 | Encouraging the United States to fully participate in the Shanghai Expo in 2010. |
| S.Res. 217 | Kerry | Intro. July 20, 2009 | A resolution commending Captain Wei Jiafu and the China Ocean Shipping Company for increasing business relations between the United States and China. |
| H.Res. 784 | Green | Passed October 28, 2009 | Honoring the 2560 th anniversary of the birth of Confucius and recognizing his invaluable contributions to philosophy and social and political thought. |
| S.Res. 532 | Kerry | Intr. May 17, 2010 | A resolution recognizing Expo 2010 Shanghai, China and the USA Pavilion at the Expo. |
| H.Res. 1324 | McMahon | Passed May 20, 2010 | Expressing condolences and sympathies for the people of China following the tragic earthquake in the Qinghai province of the Peoples Republic of China on April 14, 2010. |

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