U.S.-China Relations: Policy Issues

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Summary

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. 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 "carrier killer" anti-ship ballistic missile (ASBM). At home, it continues to suppress all perceived challenges to the Communist Party’s monopoly on power.

Secretary of State Hillary Clinton has described as "uncharted territory" the U.S. attempt "to work with a rising power"—China—"to foster its rise as an active contributor to global security, stability and prosperity while also sustaining and securing American leadership in a changing world." In previous eras, the rise of new powers produced rivalry and conflict. Clinton has argued that the United States and China must find "a new answer to the ancient question of what happens when an established power and a rising power meet" because, "Interdependence means that one of us cannot succeed unless the other does as well." 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.

Washington has wrestled, however, with how to engage China on issues affecting stability and security in the Asia-Pacific region. Issues of concern for Washington include China’s military modernization program, its desire to regulate U.S. military operations in the “Exclusive Economic Zone” off its coast, its assertive territorial claims in the South China Sea and East China Sea, and its continuing threat to use force to bring Taiwan under its control. The United States has rolled out plans for a strategic rebalancing toward the Asia Pacific, but with U.S.-China military-to-military ties fragile, it has struggled to convince Beijing that the rebalancing is not intended to contain China. The two countries have cooperated, with mixed results, to address nuclear proliferation concerns related to Iran and North Korea.

While working with China to revive the global economy, the United States has also wrestled with 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 “indigenous innovation” industrial policies, its weak protections for intellectual property rights, and its currency policy. The United States has differed with China over approaches to combating climate change, while cooperating with China in the development of clean energy technologies. Human rights remains one of the thorniest areas of the relationship, with the United States pressing China to ease restrictions on freedom of speech, internet freedom, religious and ethnic minorities, and labor rights, and China’s leaders suspicious that the United States’ real goal is to end Communist Party rule.

This report opens with an overview of the U.S.-China relationship and Obama Administration policy toward China, followed by a review of recent developments in the relationship. A summary of major policy issues in the relationship follows. 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), is now 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 and reigniting global growth. 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. Secretary of State Hillary Clinton has described as “uncharted territory” the U.S. attempt “to work with a rising power”—China—to foster its rise as an active contributor to global security, stability and prosperity while also sustaining and securing American leadership in a changing world.” The United States and China have to succeed in finding “a new answer to the ancient question of what happens when an established power and a rising power meet,” she said, because, “Interdependence means that one of us cannot succeed unless the other does as well.”

Making the challenge harder is the fact that the U.S.-China relationship remains dogged by longstanding 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. Some in China 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 the heavy role of the Chinese state in the Chinese economy, the PRC’s strong reliance on exports for growth, and its 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 violations of foreign intellectual property by Chinese entities. For

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their part, PRC officials have criticized the United States for its high levels of consumption, low savings rate, long-term debt, and alleged protectionism.

Mistrust is particularly pronounced on security matters. The United States government sees China’s military modernization as aimed, in part, 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 people over which China claims sovereignty.² It also sees China’s disputes with its neighbors over territory in the South China Sea and the East China Sea as threatening to undermine the stability upon which the prosperity of the region depends. A wave of cyber intrusions originating from China have also undermined trust. For its part, China’s government is unnerved by the late 2011 announcement of a U.S. rebalancing toward Asia, seeing it as aimed at strengthening the hands of China’s neighbors in their disputes with China, constraining the activities of the Chinese military throughout Asia, and even signaling that the United States views China as a potential future enemy. Other sources of grievance include U.S. policy toward Taiwan—many in China see the United States as intent on thwarting the PRC’s unification with Taiwan—and surveillance activities undertaken by the U.S. military along China’s coast.

With a Chinese leadership transition scheduled to take place this fall, and with the Chinese leadership still reeling from a far-reaching political scandal that erupted in February 2012,³ China appears eager to keep relations with the United States on an even keel in the short- to medium-term in order to help ensure a stable international environment for the transition. Chinese Communist Party General Secretary Hu Jintao and Premier Wen Jiabao are scheduled to retire from their party posts at the Chinese Communist Party’s 18th Congress this year, 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 fifth most senior leader, is widely expected to take over from Hu Jintao as China’s top leader, but many other top posts remain contested.

In the United States, presidential campaign rhetoric has included some sharp language about China, focused on China’s economic practices and the question of whether they are unfairly disadvantaging U.S. businesses both in the China market and globally. The outsourcing of jobs to China and China’s human rights record have also come in for criticism.⁴ So far, however, China policy has not emerged as a defining issue in the campaign.

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² In a December 2010 speech, Admiral Michael Mullen, then 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.” Admiral Michael Mullen, Speech at the Center for American Progress, Washington, DC, December 1, 2010, http://www.jcs.mil/speech.aspx?id=1500.

³ The scandal involved a once high-flying Communist Party official, Bo Xilai, who was removed from his post as Party Secretary of Chongqing in March 2012 and was suspended from his membership of the Communist Party Politburo in April 2012. For more information, see CRS Report R41007, Understanding China’s Political System, by Susan V. Lawrence and Michael F. Martin.

⁴ In a major foreign policy speech, Republican presidential contender Mitt Romney said of China, “We face another continuing challenge in a rising China. China is attentive to the interests of its government—but it too often disregards the rights of its people. It is selective in the freedoms it allows; and, as with the one-child policy, it can be ruthless in crushing the freedoms it denies. In conducting trade with America, it permits flagrant patent and copyright violations ... forestalls American businesses from competing in its market ... and manipulates its currency to obtain unfair advantage. It is in our mutual interest for China to be a partner for a stable and secure world, and we welcome its participation in trade. But the cheating must finally be brought to a stop. President Obama hasn’t done it and won’t do it. I will.” Mitt Romney, Remarks at the Veterans of Foreign Wars National Convention, Reno, NV, July 24, 2012, (continued...)
Obama Administration Policy Toward China

The Obama Administration has repeatedly stated that it “welcomes a strong, prosperous and successful China that plays a greater role in world affairs.” 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.” At the same time, the Administration has sought to encourage China to follow international norms and laws, and has worked to increase the United States’ visibility in Asia in order to “give comfort to countries uncertain about the impact of China’s rise and provide important balance and leadership,” in the words of a former senior Obama Administration official.

Part of the effort to encourage China to adhere to international norms has involved working through multilateral 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 China has also blocked some proposed Security Council actions sought by the United States, most notably an action related to Syria. The Obama Administration also elevated the profile of the G-20 groupings of major economies, and has worked with China in that setting to address global economic challenges. The United States has sought to resolve trade disputes with China through the rules-based mechanisms of the World Trade Organization, and engaged with China on climate change through meetings of parties to the United Nations Framework Convention on Climate Change. Washington has also urged Beijing to follow norms on aid, export credit finance, and overseas investment established by the Paris-based Organization for Economic Cooperation and Development (OECD), although China is not an OECD member, and to accept principles related to freedom of navigation contained in the United Nations Convention on the Law of the Sea (UNCLOS), although the United States itself has not ratified the treaty.

The effort to increase the visibility of the United States in Asia began early in the Obama Administration, which in late 2011 described its efforts as a strategic “pivot” and later a “rebalancing” toward Asia. The Administration has denied that the rebalancing is directed against any country, but commentators have widely viewed the move as an attempt to provide a counter-balance to China. The Administration has worked to strengthen its security alliances with
U.S.-China Relations: Policy Issues

Australia, Japan, the Philippines, South Korea, and Thailand; expanded relations with such “emerging powers” as India, Indonesia, Singapore and Vietnam; pursued a new relationship with Burma; inaugurated a major free trade agreement with South Korea, and pushed to expand free trade with Asian nations through the Trans-Pacific Strategic Economic Partnership (TPP). The United States has also pledged to strengthen the U.S. military presence in East Asia and prioritized membership in and attendance at meetings of regional multilateral groups, including the East Asia Summit, which the United States joined in 2011. The advantage of the multilateral settings of regional institutions, Secretary Clinton has opined, is that, “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.”

Some observers have questioned whether the Obama Administration’s global agenda with China, crowded as it is with diplomacy related to the global economy, trade, nuclear non-proliferation, climate change, and other pressing issues, gives enough attention to human rights, a traditional issue of contention in the bilateral relationship. 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.” Secretary Clinton has since argued that intensive engagement with China on a wide range of issues has allowed U.S. officials to be able to “speak freely on critical issues,” with China, such as human rights, “without endangering the future of the relationship.”

U.S.-China Dialogues

In an effort to increase clarity about each side’s intentions and promote what Secretary Clinton has described as “the habit of cooperation” across the two governments, the Obama Administration has embraced and added to a broad array of official dialogues inherited from the George W. Bush Administration. The bilateral relationship now encompasses nearly 100 dialogue mechanisms. The relationship’s highest-profile regularly scheduled dialogue is the annual Strategic and Economic Dialogue (S&ED), chaired on the U.S. side by Secretary Clinton (the strategic track) and Secretary of the Treasury Timothy Geithner (the economic track). Other dialogues with multiple sub-dialogues include the U.S.-China Consultation on People-to-People Exchange (CPE), the Joint Commission on Commerce and Trade (JCCT), the Ten-Year Framework on Energy and Environment Cooperation, and the Joint Committee on Environmental

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13 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. Secretary Clinton’s words were, “We need to form habits of cooperation and respect that help us work together more effectively and weather disagreements when they do arise. The most notable example of our efforts is the Strategic and Economic Dialogue, which brings together hundreds of experts from dozens of agencies across both of our governments, not only to discuss an unprecedented range of subjects, but to inculcate that ethic or habit of cooperation across our two governments.”
Cooperation. Dialogue on strategic issues remains limited, although in 2011 the two sides inaugurated a Strategic Security Dialogue under the S&ED involving both civilian and military representatives from the two governments. U.S. officials sometimes complain 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.

In addition to serving as a framework for official dialogues, the CPE also promotes exchanges among private citizens in the areas of education, science and technology, sports, culture, and women’s issues. One of the consultation’s highest profile initiatives to date is an effort to expand the number and diversity of Americans who study in China, known as the 100,000 Strong Initiative. The Chinese government has offered 20,000 scholarships to Americans to study in China. The State Department has sought private contributions to fund additional students. The effort to increase the diversity of American students in China has included outreach to Historically Black Colleges and Universities.

Developments in U.S.-China Relations

Since January 2011, when China’s President and Communist Party General Secretary Hu Jintao made a state visit to the United States, a series of high-level visits and dialogues between the two countries have helped the U.S.-China relationship weather frictions over such issues as trade, the U.S. rebalancing toward the Asia-Pacific, Syria policy, and human rights. In 2012, the relationship has also endured two unexpected crises tied to diplomatic missions in China. In February 2012, the vice mayor of the province-sized municipality of Chongqing sought refuge at the U.S. consulate in Chengdu for 30 hours, and shared with U.S. diplomats allegations against his boss, Chongqing Party Secretary and Politburo member Bo Xilai. The vice mayor ultimately left the consulate “of his own volition,” according to the State Department, and was taken into custody by Chinese security agents. The incident set off the biggest Chinese political scandal in more than two decades, leading to Bo being suspended from the Politburo and his wife being charged with murder, and upending the Chinese Communist Party’s plans for a smooth leadership transition later this year. In May, the U.S. Embassy in Beijing undertook what the U.S. Ambassador to China, Gary Locke, described as “almost a maneuver out of Mission Impossible” to snatch a Chinese legal advocate, Chen Guangcheng, from the streets of Beijing under the noses of Chinese state security agents and bring him into the Embassy for medical treatment and refuge. Chen stayed in the Embassy for six days while the U.S. and Chinese governments engaged in a high level stand-off over his fate. Chen left the Embassy for a Chinese hospital and then for New York City, where he and his family are now living.

A chronology of the most significant recent developments in the bilateral relationship follows.

- January 18-21, 2011: Chinese President and Communist Party General Secretary Hu Jintao made a state visit to the United States


February 28, 2011: China filed a case against the United States at the World Trade Organization (WTO) over U.S. anti-dumping measures on shrimp and diamond sawblades from China.

May 15-23, 2011: People’s Liberation Army Chief of the General Staff Chen Bingde visited the United States, the first visit of its kind in seven years.

July 9-13, 2011: U.S. Chairman of the Joint Chiefs of Staff Adm. Mike Mullen visited China, the first visit of its kind in four years.

July 16, 2011: Over Chinese objections, President Obama met at the White House with Tibet’s exiled spiritual leader, the Dalai Lama.

August 17-21, 2011: Vice President Joe Biden visited China.

September 20, 2011: The United States filed a case against China at the WTO over China’s imposition of anti-dumping and countervailing duty measures on broiler chicken products from the United States.

September 21, 2011: The Obama Administration notified Congress of a $5.8 billion package of arms sales to Taiwan, including the upgrading 145 F-16 A/B fighter jets. China’s official Xinhua News Agency described the package as a “despicable breach of faith in international relations,” but China did not suspend the military-to-military relationship with the United States, as it had done after Taiwan arms sales notifications in 2008 and 2010.

October 3, 2011: China joined Russia in vetoing a U.N. Security Council resolution condemning Syria for its crackdown on protesters, a move that U.S. officials sharply criticized.

November 12, 2011: At a meeting of the Asia-Pacific Economic Cooperation grouping in Hawaii, President Obama announced the outlines of an agreement for a trans-Pacific free trade zone, the Trans-Pacific Partnership (TPP). The nine countries involved in the negotiations do not include China.

November 17, 2011: In a speech to the Australian Parliament, President Obama announced plans for the United States to “play a larger and long-term role in shaping” the Asia Pacific, and described plans for a more broadly distributed, flexible, and sustainable U.S. force posture in the region. Earlier, Obama and Australian Prime Minister Gillard announced plans to rotate U.S. Marines through the Australian port city of Darwin.

November 19, 2011: The United States joined the East Asia Summit at its sixth meeting in Indonesia, expanding the organization’s size from 16 to 18 members. At the summit, President Obama announced that he had asked Secretary of State Hillary Rodham Clinton to visit Burma, a country previously shunned by the United States and supported by China. Commenting on the events of the previous days, China’s official news agency, Xinhua, wrote that, “As the U.S. moves ahead with its Back in Asia Strategy, many are wondering what its true intentions
are towards China: a genuine effort for increased cooperation, or an attempt at containment?’”

- January 5, 2012: The United States released a new defense strategic guidance which identified China and Iran as pursuing “asymmetric means to counter our power projection capabilities” and vowed that the U.S. “will invest as required” in response.

- January 24, 2012: In his State of the Union Address, President Obama announced the creation of a Trade Enforcement Unit “charged with investigating unfair trading practices in countries like China.”

- February 4, 2012: China again joined Russia in vetoing a United Nations Security Council Resolution on Syria, this time a resolution calling on Syria’s President Bashar al-Assad to step down. Secretary of State Hillary Clinton later characterized the vetoes “despicable.”

- February 6, 2012: Chongqing Vice Mayor Wang Lijun sought refuge in the U.S. Consulate in Chengdu for 30 hours and implicated his boss, Chongqing Party Secretary Bo Xilai, in wrongdoing before giving himself up to Chinese security personnel. The incident set off a major political scandal in China. Bo was later removed from his Chongqing post and suspended from the powerful 25-man Communist Party Politburo.

- February 13-17, 2012: Chinese Vice President Xi Jinping visited the United States, with stops in Washington, D.C., Iowa, and Los Angeles.

- February 28, 2012: The Obama Administration established the Interagency Trade Enforcement Center (ITEC) inside the office of the U.S. Trade Representative, “to counter unfair trade practices around the world, including by countries like China.”

- March 12, 2012: The United States filed a case against China at the WTO over Chinese export restrictions on rare earths, tungsten and molybdenum.

- April 27, 2012: In a letter to Senator John Cornyn, the White House said the U.S. would give “serious consideration” to selling Taiwan F-16 C/D fighter jets, as well as upgrading Taiwan’s F-16 A/B planes.

- April 27-May 2, 2012: Chinese legal advocate Chen Guangcheng spent six days in the U.S. Embassy in Beijing. Intense negotiations between the U.S. and Chinese governments led to his leaving the Embassy for a Beijing hospital and then, on May 19, 2012, for the United States.


- May 25, 2012: China filed a case against the United States at the WTO over U.S. countervailing duty measures on certain products from China.

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July 5, 2012: The United States filed a case against China at the WTO over China’s imposition of anti-dumping and countervailing duties on automobiles from the United States.


July 31, 2012: The Obama Administration sanctioned the Xinjiang-based Bank of Kunlun, which is affiliated with the China National Petroleum Corporation, “for knowingly facilitating significant transactions and providing significant financial services for designated Iranian banks.”

Select Policy Issues

Congress faces challenges in exercising oversight over the United States’ relationship with a China that is rapidly growing in economic, military, and geopolitical power. 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 the following:

- China’s military modernization effort;
- maritime territorial and Exclusive Economic Zone (EEZ) disputes in the South and East China Seas;
- U.S. strategic rebalancing toward the Asia-Pacific;
- the U.S.-China military-to-military relationship;
- cyber espionage;
- cooperation in curbing Iran’s nuclear program; and
- cooperation in managing North Korea.

Each of these is discussed below. An additional long-standing U.S.-China security-related issue concerns how to manage tensions over the island of Taiwan, over which China claims sovereignty. That issue is discussed elsewhere in this report.

Chinese Military Modernization

The United States has long been concerned about the intentions behind China’s military modernization effort. China’s military, the People’s Liberation Army or PLA, continues to modernize rapidly, supported by more than two decades of steady increases in military spending. According to the Pentagon’s 2012 report to Congress on military and security developments involving China, China’s officially-disclosed military budget rose an average of 11.8% annually in inflation-adjusted terms over the period from 2000 to 2011. In March 2012, China announced that its defense budget for 2012 would be $106 billion, an increase of 11.2% over 2011. The
Pentagon believes China’s actual military spending for 2011 was in the range of $120 billion to $180 billion. The higher end of that range is in line with previous Pentagon estimates of total Chinese military-related spending, but the lower end of the range is substantially lower than previous Pentagon estimates. In the 2012 report to Congress, the Pentagon describes China’s military modernization program as “improving the PLA’s capacity to conduct high-intensity, regional military operations, including counter-intervention operations,” defined as “operationally-defined tasks designed to prevent foreign (e.g., U.S.) military forces from intervening in a conflict and preventing China from accomplishing its military objectives.”

The Pentagon believes that the PLA’s “most critical potential mission” remains deterring Taiwan, the self-governing island of 23 million people over which the PRC claims sovereignty, from moving toward independence. To that end, the 2012 report to Congress said, the PLA is preparing not only to deter Taiwan from asserting sovereignty, but also to “deter, disrupt, or deny effective third-party (including U.S.) intervention in a potential cross-Strait conflict,” and to defeat Taiwan’s forces in a conflict. Other PLA priorities, according to the Pentagon, include asserting China’s territorial claims, and expanding “non-war” operations including counter-piracy and counter-terrorism operations, humanitarian assistance and disaster relief, UN peacekeeping, protection of sea lanes, and securing of space-based assets.

Among Chinese weapon programs of concern to the United States has been the effort to develop a “carrier killer” anti-ship ballistic missile (ASBM) known as the DF-21D. The Pentagon report describes the DF-21D as “intended to provide the PLA the capability to attack large ships, particularly aircraft carriers, in the western Pacific Ocean.” China has also carried out test flights of a next-generation stealth fighter aircraft, the J-20; acquired Kilo-class non-nuclear powered attack submarines from Russia and built four classes of indigenously produced submarines; deployed several new classes of indigenously built destroyers and frigates; deployed Russian-made and indigenously produced modern land-based fighter planes and strike fighter planes; and held initial sea trials of an aircraft carrier acquired from Ukraine in 1998, previously known as the Varyag. The Pentagon report to Congress predicts that China’s first indigenously-produced carrier could be operational by 2015. Recognizing the likely centrality of cyber operations to any future military conflict, China has also been bolstering the ability of its military to carry out computer network attacks and computer network defense.

While China complains about lack of transparency about the intentions behind the U.S. rebalancing to the Asia Pacific (see discussion below), the U.S. military has long argued that

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China needs to be clearer about the rationale for its military modernization program. In the January 2012 Defense Strategic Guidance that outlined the military component of the U.S. rebalancing toward the Asia Pacific, for example, the Department of Defense (DOD) stated that, “The growth of China’s military power must be accompanied by greater clarity of its strategic intentions in order to avoid causing friction in the region.”

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.

**Maritime Territorial and Exclusive Economic Zone (EEZ) Disputes**

The United States is concerned about China’s efforts to keep U.S. military ships and aircraft out of waters and airspace in its Exclusive Economic Zone (EEZ), and more recently, about China’s more vigorous assertions of sovereignty over disputed maritime territories in the South and East China Seas, and the potential for these disputes to spin out of control.

**U.S. Military Operations in China’s Exclusive Economic Zone (EEZ)**

The issue that may pose the greatest day-to-day threat of inadvertent military confrontation between the United States and China is disagreement over whether the United Nations Convention on the Law of the Sea (UNCLOS)—a treaty to which China but not the United States is a party—gives coastal states a right to regulate foreign military activities in their maritime exclusive economic zones (EEZs). A coastal state’s EEZ generally extends from the edge of its territorial sea (12 nautical miles from its coast) to a distance of 200 nautical miles from its coast. China’s view, which is shared by a small number of other countries, is that it has the legal right under UNCLOS to regulate foreign military activities in its EEZ. The U.S. view, which is shared by most other nations, is that international law as reflected in UNCLOS does not give coastal states this right.

The United States, acting on its view, has long operated military ships and aircraft in China’s EEZ, carrying out 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, acting on its view, has long protested, and sometimes physically resisted, these operations. The issue appears to be at the heart of multiple incidents between Chinese and U.S. ships and aircraft in international waters and airspace, including incidents in March 2001, March 2009, and May 2009 in which Chinese ships and aircraft confronted and harassed the U.S. naval ships as they were conducting survey and ocean surveillance operations in China’s EEZ, and an incident on April 1, 2001, in which a U.S. Navy EP-3 electronic surveillance aircraft flying in international airspace about 65 miles southeast of China’s Hainan Island in the South China Sea was intercepted by Chinese fighters. In 2010, China reiterated its opposition to foreign military activities in its EEZ in response to the

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24 One of the fighters accidentally collided with and damaged the EP-3, which then made an emergency landing on Hainan Island. For more on this incident, see CRS Report RL30946, *China-U.S. Aircraft Collision Incident of April 2001: Assessments and Policy Implications*, by Shirley A. Kan et al.
announced joint military exercises between the United States and South Korea in the Yellow Sea, following provocations by North Korea.26

China’s view that it has the legal right to regulate foreign military activities in its EEZ is related to, but ultimately separate from, maritime territorial disputes in the South and East China Seas that are discussed below. The EEZ issue is related because China claims an EEZ from all the land features over which it asserts sovereignty, including those in the South and East China Seas with other claimants. That means China could potentially seek to control military activities across large parts of both seas. The EEZ issue is related to the territorial disputes issue because if some of China’s territorial claims in the South and East China Seas are eventually accepted, China could extend its EEZ (and its view of EEZ rights) to include additional waters in the South or East China Sea. The EEZ issue is ultimately separate from the territorial disputes issue because even if all the territorial disputes in those areas were resolved, and none of China’s claims are eventually accepted, China could continue to apply its concept of its EEZ rights to the EEZ that it indisputably derives from its mainland coast—the area in which past U.S.-Chinese incidents at sea have occurred.26

If China’s view that it has the legal right to regulate foreign military activities in its EEZ were to gain broader international acceptance, it could establish an international legal precedent that other coastal countries might decide to follow—a development that could significantly affect U.S. naval operations in many parts of the world.

**South China Sea**

Tensions among rival claimants to territory in the South China Sea (SCS) have emerged as a major U.S. security concern in the Asia Pacific. China has extensive, though imprecise, claims to large parts of the SCS, which is believed to be rich in oil and gas deposits as well as fisheries, and through which a majority of the world’s trade passes by sea. Territory claimed by China is also claimed in part by Brunei, Malaysia, the Philippines, and Vietnam, and in entirety by Taiwan, with the fiercest territorial disputes being those between China and Vietnam and China and the Philippines. In July 2010, Secretary of State Hillary Clinton explicitly declared a U.S. “national interest” in the SCS. The State Department defines that national interest as being in “the maintenance of peace and stability, respect for international law, freedom of navigation, and unimpeded lawful commerce” in the sea.27 The SCS is bordered by a U.S. treaty ally, the Philippines, and is a key strategic waterway for the U.S. Navy.

Recent examples of tensions over the SCS include a protracted standoff between China and the Philippines in the spring and summer of 2012 over a shoal known in English as Scarborough


26 For more information about China’s claims in the South China Sea, see M. Taylor Fravel, “China’s Strategy in the South China Sea,” Contemporary Southeast Asia, vol. 33, no. 3 (2011), pp. 292-319.

Shoal and in Chinese as Huangyan Dao. The confrontation, which began with the Philippines sending a warship to confront Chinese fishing boats near the shoal, followed a series of confrontations between the two countries in 2011. Among the 2011 incidents was a face-off over Reed Bank, known in China as Liyue Tan, in which Chinese Maritime Surveillance ships reportedly harassed a Philippine ship conducting a seismic survey in the area. Confrontations between China and Vietnam have included two 2011 incidents in which Chinese ships cut the cables of Vietnamese oil exploration vessels. Other provocations have involved efforts to embed sovereignty claims in domestic laws and administrative structures. In June 2012, Vietnam passed a law claiming jurisdiction over two sets of island chains in the SCS, the Paracels and Spratlys, known in China as the Xisha and Nansha. On the same day, China announced the establishment of a new city on an island in the Paracels chain, Woody Island, known in China as Yongxing Dao, that it said would administer the Paracels, Spratlys, and the Macclesfield Bank, known in China as the Zhongsha. The city has its own military garrison.\(^{28}\)

The United States has said that it does not take a position on the competing sovereignty claims, but opposes “the use or threat of force by any claimant.” In her July 2010 comments at the Association of Southeast Asian Nations Regional Forum in Vietnam, Clinton said the United States was “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.\(^{29}\) The United States has since supported efforts by China’s rival claimants to place the issue of the tensions in the South China Sea on the discussion agenda for regional meetings, and publicly urged ASEAN and China to move forward with long-stalled negotiations over the text of a code of conduct. On August 3, 2012, the State Department criticized China’s establishment of the new city and military garrison in the South China Sea, saying the moves “run counter to collaborative diplomatic efforts to resolve differences and risk further escalating tensions in the region.”\(^{30}\) The United States has also stepped up military cooperation with both the Philippines and Vietnam, in addition to announcing its policy of strategic rebalancing toward the Asia-Pacific, which includes plans to increase the proportion of U.S. warships in the Asia Pacific from 50% to 60% of the U.S. fleet, and strengthen defense ties with many of China’s neighbors.

China has long sought to manage its territorial disputes in the South China Sea on a bilateral basis with rival claimants, and has resisted a multilateral approach in which it might face an opposing coalition of some of these other countries. It has made clear its unhappiness with U.S. involvement in the issue, accusing the United States of complicating the situation by “internationalizing” it. Chinese commentators have also suggested that U.S. support has emboldened China’s rival claimants to be more assertive in asserting their sovereignty claims.


East China Sea

In the East China Sea, China is involved in a territorial dispute with Japan and Taiwan over the sovereignty of islands in Japan as the Senkakus, in China as the Diaoyu Dao, and in Taiwan as the Diaoyutai. In September 2010, a collision between Japanese Coast Guard vessels and a Chinese fishing trawler near the islands, and the Japanese decision to detain the Chinese crew and charge the Chinese captain under Japanese law, briefly raised the territorial dispute to the level of an international crisis. In the wake of that incident, the United States was forced 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 Senkakus/Diaoyu/Diaoyutai, raising the sobering, if remote, possibility of a U.S.-China confrontation over the islands.

Tensions flared again over the islands in April 2012 when the governor of Tokyo, Shintaro Ishihara, told an audience at the Heritage Foundation think tank in Washington, D.C. that he planned to use public funds to buy three of the five islands in the chain from their private Japanese owner. In the face of protests from China, Japanese lawmakers later visited the islands. In July 2012, Japan’s Foreign Minister Koichira Gemba told Japan’s Diet that he had confirmed that the islands fall within the scope of the U.S.-Japan alliance. In response, China’s Foreign Ministry declared the U.S.-Japan security treaty to be a “private deal made by the United States and Japan over the Chinese territory of the Diaoyu Islands at the end of World War II” and therefore “illegal and invalid.”

For more information, see CRS Report RL33436, Japan-U.S. Relations: Issues for Congress, coordinated by Emma Chanlett-Avery.

U.S. Strategic Rebalancing Toward the Asia-Pacific

In the fall of 2011, the Obama Administration announced that with the wars in Iraq and Afghanistan winding down, the United States was, in President Obama’s words, “turning our attention to the vast potential of the Asia Pacific region.” The military component of the strategic “pivot” toward the Asia-Pacific, later re-branded as a “rebalancing,” was outlined in a January 2012 Defense Strategic Guidance that many analysts saw primarily as the United States’ military response to the rise of China, although the document does not explicitly present itself as such. The Guidance described plans to strengthen U.S. treaty alliances in the region – with Japan, South Korea, Australia, the Philippines, and Thailand—and to expand cooperation with “emerging partners” in order to “ensure collective capability and capacity for securing common interests.” The Guidance also stated that the United States was “investing in a long-term strategic partnership with India”—a country with which China fought a war in 1962 and with which China continues to have territorial disputes and a wary relationship—to support its ability to serve as a regional economic anchor and provider of security in the broader Indian Ocean region.” With China known to be focused on developing so-called anti-access and aerial denial (A2/AD) capabilities, the Guidance pledged, “The United States will continue to make the necessary

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investments to ensure that we maintain regional access and the ability to operate freely in keeping with our treaty obligations and with international law."\textsuperscript{34}

A major question about the rebalancing is whether it will succeed in bringing greater stability to the Asia Pacific, as intended, or whether it might undermine stability by eliciting a changed and more assertive, even aggressive, Chinese force posture and a revision of military doctrine, and by encouraging the further development of China’s anti-access capabilities.

A June 2012 independent assessment of U.S. force posture in Asia mandated by the 2012 National Defense Authorization Act (P.L. 112-81) and carried out by the Washington, D.C.-based think tank Center for Strategic & International Studies, criticized the Department of Defense for not having “adequately articulated the strategy behind its force posture planning.” According to the authors of the assessment, “the top priority of U.S. strategy in Asia is not to prepare for a conflict with China; rather, it is to shape the environment so that such a conflict is never necessary and perhaps someday inconceivable.” To head off the possibility of conflict, the authors argued that it is “critical that the United States can achieve and maintain a balanced combination of assurance and dissuasion to shape the environment.”\textsuperscript{35} They suggested that the assurance side of the equation may require strengthening.

Many observers believe that China’s leaders may not have come to a consensus yet about how to view the U.S. rebalancing and respond to it. Official Chinese statements have so far been generally measured. During a trip to the United States in February 2012, China’s Vice President Xi Jinping stated that, “China welcomes a constructive role by the United States in promoting peace, stability and prosperity in the Asia-Pacific. At the same time, we hope the United States will respect the interests and concerns of China and other countries in this region.”\textsuperscript{36} In a July 2012 article, China’s Vice Foreign Minister with responsibility for the United States and a fellow diplomat raised questions, however, about the United States’ “true motive” and demanded greater reassurance about U.S. intentions. “The United States must face the issue and convince China, other countries in the region and the international community that there is no gap between its policy statements on China and its true intentions,” the diplomats wrote. The diplomats identified as particular areas of concern for China the U.S. effort to strengthen the U.S. alliance system in Asia, U.S. plans to advance ballistic missile defense in the region, the U.S. “air-sea battle concept”—an effort to increase the joint operating effectiveness of U.S. naval and air units, particularly in “anti-access” environments, such as those China has sought to create—and alleged U.S. intervention in disputes between China and its neighbors.\textsuperscript{37}

China’s official media have closely covered other developments related to the rebalancing to the Asia Pacific, including the deployment of U.S. Marines to Darwin, Australia; closer U.S. defense cooperation with China’s rival claimants to maritime territory in the South China Sea, particularly


Vietnam and the Philippines; and closer cooperation, too, with India and Singapore. The Chinese media noted that the U.S. Pacific Fleet’s biennial Rim of the Pacific (RIMPAC) naval exercises in the summer of 2012 included participation from 22 nations, including Russia, but that China was not invited. Media commentary has included views that the rebalancing is intended to contain China and thwart its rise to great power status, as well as skepticism that the United States will be able to follow through on its plans for force posture changes in the Asia Pacific in an era of fiscal austerity.

For more information, see CRS Report R42448, *Pivot to the Pacific? The Obama Administration’s “Rebalancing” Toward Asia*, coordinated by Mark E. Manyin.

### The U.S.-China Military-to-Military Relationship

U.S. engagement with China on security-related issues has been made more challenging by China’s reluctance to commit to sustained, reliable communication with the U.S. military. 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 (NDAA) for Fiscal Year 2000 (P.L. 106-65), when it barred exchanges or contacts with China’s military, the People’s Liberation Army, that include “inappropriate exposure” to a range of subjects, including surveillance and reconnaissance operations and arms sales. The provision remains a major irritant in the bilateral relationship, with Chinese authorities arguing that it signals U.S. ill will.

Within the limits of the FY2000 NDAA, however, the Obama Administration has pressed for a stronger military-to-military relationship with China. In the 2011 U.S.-China joint statement issued in the name of the two countries’ presidents, both leaders pledged to pursue “a healthy, stable, and reliable military-to-military relationship.” The Department of Defense argues that such ties “increase the safety of U.S. and Chinese military personnel, provide mechanisms for crisis prevention and management, contribute to greater transparency on both sides, and encourage and influence the PLA and China to engage as a responsible power.” It acknowledges, however, that, “placing the military-to-military component of [the] relationship on a firm foundation remains a challenge.”

The two sides have made some progress toward greater communication since late 2010. In 2011 and the first half of 2012, China hosted visits from several senior U.S. defense and military leaders, and sent several of its senior military leaders to the United States for visits. China’s leaders also agreed to a U.S. proposal for a Strategic Security Dialogue (SSD) that for the first time

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38 For a full list of participating nations, see http://www.cpf.navy.mil/rimpac/2012/about/.

39 The restrictions are contained in Section 1201 of the NDAA for FY2000. They bar military-to-military exchanges or contacts that include “inappropriate exposure” to 12 operational areas: “1.) Force projection operations; 2.) Nuclear operations; 3.) Advanced combined-arms and joint combat operations; 4.) Advanced logistical operations; 5.) Chemical and biological defense and other capabilities related to weapons of mass destruction; 6.) Surveillance and reconnaissance operations; 7.) Joint warfighting experiments and other activities related to a transformation in warfare; 8.) Military space operations; 9.) Other advanced capabilities of the Armed Forces; 10.) Arms sales or military-related technology transfers; 11.) Release of classified or restricted information; 12.) Access to a Department of Defense laboratory.”

time brings military and civilian officials from the two countries together to discuss sensitive issues. The first meeting of the SSD was held on the sidelines of the May 2011 Strategic and Economic Dialogue (S&ED) in Washington, D.C., and the second on the sidelines of the May 2012 S&ED in Beijing.

Nonetheless, China’s military appears wary of a closer relationship, citing as obstacles to closer ties U.S. arms sales to Taiwan, U.S. military surveillance activities off China’s coast, the restrictions on contacts contained in the FY2000 NDAA, and the Pentagon’s annual reports to Congress on military and security developments involving China. In 2012 testimony before Congress, then Commander of U.S. Pacific Command Admiral Robert Willard attributed the problems in developing the military-to-military relationship to, “differences in philosophy regarding the purpose of military-to-military relations in which China emphasizes strategic dialogue and the U.S. seeks comprehensive military contact from the strategic to tactical levels as a way to build confidence; China’s tendency to suspend military-to-military [ties] following U.S. arms sales to Taiwan and, more generally, its linkage between certain U.S. defense policies and continuous bilateral military relations; and inherent Chinese distrust of U.S. regional intentions resulting in demands that perceived impediments to the relationship be conceded before military relations can advance.”

China suspended the military-to-military relationship with the United States in October 2008 over the issue of Taiwan arms sales by the George W. Bush Administration, and suspended the relationship again after the Obama Administration notified Congress of a new $6.4 billion package of arms sales to Taiwan in January 2010. The PLA’s reaction to the Obama Administration’s September 2011 notification to Congress of an additional package of arms sales to Taiwan was milder, perhaps reflecting Chinese relief that the Obama Administration chose to upgrade Taiwan’s existing F-16 A/B fighter planes, rather than sell it new F-16 C/D planes. Although the PLA postponed some military exchanges after the September 2011 notification, including a joint anti-piracy exercise in the Gulf of Aden, it maintained working level contacts and high-level dialogue.


Cyber Espionage

Cyber espionage apparently originating from China is a growing issue in the U.S.-China relationship. After years of discussing the issue only in classified writings, the U.S. government in 2011 went public with some of its concerns in an October 2011 report to Congress issued by the Office of the National Counterintelligence Executive (NCIX). The NCIX report described Chinese actors as “the world’s most active and persistent perpetrators of economic espionage.”

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and both the Chinese and Russian governments as “aggressive and capable collectors of sensitive U.S. economic information and technologies, particularly in cyberspace.” The report noted that U.S. businesses and cyber security experts had reported “an onslaught of computer network intrusions originating from Internet Protocol (IP) addresses in China,” although it also noted the difficulty of “attribution,” or determining what entities were behind the attacks, whether individuals or corporate or state actors.


**Curbing Iran’s Nuclear Program**

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. At the same time, influenced by its reliance on crude oil imports from Iran and its investments in the Iranian energy and other sectors, China has often 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 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.”44 The United States has also sanctioned Chinese businesses, however, for their involvement in Iran. In July 2012, for example, the Administration sanctioned the Xinjiang-based Bank of Kunlun, which is affiliated with the China National Petroleum Corporation, “for knowingly facilitating significant transactions and providing significant financial services for designated Iranian banks.”45 China angrily protested the move and defended China’s business ties with Iran, with a Chinese Foreign Ministry spokesman issuing this statement:

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With normal state-to-state relations, China and Iran have normal, open and transparent business cooperation in the energy and trade areas. Such cooperation has nothing to do with Iran’s nuclear program, is not in violation of any UN Security Council resolutions or other international norms, and does not harm the interests of any third party. China’s position on non-proliferation is consistent and clear. That is, it firmly upholds the international non-proliferation regime, and is committed to pushing for the proper resolution of the Iranian nuclear issue by working with all other parties concerned, the US included. However, in disregard of China’s concerns, the US has kept imposing sanctions against Chinese companies and banks, which will hurt China-US cooperation.46

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 the 2011 calendar year, states that, “Chinese entities—primarily private companies and individuals—continue to supply a variety of missile-related items to multiple customers, including Iran and Pakistan.”47


Managing North Korea

The United States and China share a common interest in peace and stability on the Korean peninsula and in verifiable denuclearization of the peninsula. With China serving as North Korea’s largest supplier of fuel and food supplies and its most powerful diplomatic ally, however, the United States continues to call on China to do more to leverage its relationship with Pyongyang to persuade it to avoid provocations and denuclearize. Washington also wants Beijing to strengthen its implementation of U.N. sanctions against North Korea.

Over the years, China has supported some U.N. actions against North Korea, and shielded North Korea from others. In April 2012, China supported a U.N. Security Council Presidential statement—but not a binding resolution—that “strongly condemned” North Korea and imposed limited new sanctions on it for a failed ballistic missile test that Pyongyang described as a satellite launch.48 China 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.49


In the opposite vein, in 2010, China 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.

Since the death of former North Korean leader Kim Jong-il in December 2011 and the installation of his son, Kim Jong-un, as North Korea’s supreme leader, Chinese-North Korean relations have frequently appeared strained. North Korea ignored China’s warnings not to carry out the April 2012 ballistic missile test, and in May 2012 North Korea stirred angry populist passions in China when its Navy boarded a Chinese fishing boat and held the crew for more than two weeks. China is believed to remain committed to providing material support to the Pyongyang regime, however, because of fears about the possible consequences of the regime’s collapse, which could include military hostilities, waves of North Korean refugees flooding into China’s northeast provinces, and a reunified Korean peninsula allied with the United States.

China’s treatment of North Korean refugees has been an issue of concern for 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 substantial numbers of North Korean refugees continue to live underground in China.


**Taiwan**

The U.S. relationship with the island democracy of Taiwan, also known as the Republic of China, is one of the most sensitive and complex issues in the bilateral U.S.-China relationship. In 1949, following a civil war between the Kuomintang (KMT) and the Chinese Communist Party (CCP) that brought the CCP to power in mainland China, the KMT re-established itself on Taiwan. The PRC has consistently claimed sovereignty over Taiwan in the six decades since, but has never controlled it. Unification with Taiwan and its 23 million people remains one of the PRC’s most cherished national goals, a goal Beijing has vowed to achieve by force if necessary. Beijing sees the United States, which is required by law to “maintain the capacity …to resist any resort to force or other forms of coercion” against Taiwan, as a major obstacle to that goal.

Finding language on Taiwan that both the PRC and the United States could accept was a prerequisite for the establishment of diplomatic relations between the two countries in 1979. In

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the 1972 Shanghai Communiqué, 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.” In the 1979 communiqué on the establishment of U.S.-China diplomatic relations, the United States agreed that it would henceforth have only “unofficial” relations with Taiwan. In a subsequent 1982 communiqué, the United States said it intended “gradually to reduce its sale of arms to Taiwan.”

Concerned that the Joint Communiqués did not do enough to protect Taiwan’s interests, Congress in March 1979 passed the Taiwan Relations Act or TRA (P.L. 96-8). The TRA declared that it is 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.” The TRA also mandated that the United States would sell Taiwan defense items “in such quantity as may be necessary to enable Taiwan to maintain a sufficient self-defense capability.” Today, even as Washington and Beijing pursue a “cooperative partnership based on mutual respect and mutual benefit,” Washington continues to sell arms to Taiwan, over strenuous PRC objections, and Washington and Beijing continue to plan for the possibility that they could one day find themselves involved in a military confrontation over Taiwan’s fate. Despite reduced cross-strait tensions since 2008, when President Ma Ying-jeou of the KMT took office, the PRC is estimated to deploy between 1,000 and 1,200 short-range ballistic missiles opposite Taiwan’s coast. It has also engaged in a program of military modernization and training that defense experts believe is based on deterring or denying any attempt by the U.S. military to come to Taiwan’s defense.51

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.52


52 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.”
The Three Joint Communiqués, the Taiwan Relations Act, and the Six Assurances

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 orally conveyed “Six Assurances” to the government of Taiwan. The documents and oral commitments 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.53

- **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 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.”

- **“The Six Assurances,”** conveyed by the Reagan Administration to Taiwan in 1982, during the negotiations between Washington and Beijing over the August 17th Communiqué. They were that the United States had not set a date for ending arms sales to Taiwan; had not agreed to consult with Beijing prior to making arms sales to Taiwan; would not play a mediating role between Taipei and Beijing; had not agreed to revise the Taiwan Relations Act; had not altered its position regarding sovereignty of Taiwan; and would not exert pressure on Taiwan to negotiate with the PRC.54

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An additional factor influencing U.S. policy is the fact that Taiwan has blossomed into a vibrant and unpredictable democracy. As Taiwan’s elected leaders have sought to define Taiwan’s place in the world and expand its “international space,” the United States has sometimes found itself urging restraint, opening Washington to charges that it is placing its interest in regional stability and cooperative relations with Beijing above the aspirations of the Taiwan people.

In the run-up to Taiwan’s January 2012 presidential and legislative elections, supporters of Taiwan’s independence-minded Democratic Progressive Party (DPP) charged that the United States was inappropriately throwing its weight behind the candidacy of incumbent President Ma

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

Ying-Jeou of the KMT. Ma’s first term saw a dramatic reduction of tensions between Taipei and Beijing, which Washington openly welcomed. While the DPP candidate Tsai Ying-wen was visiting Washington, D.C. an unnamed senior Administration official told the Financial Times that Tsai, “left us with distinct doubts about whether she is both willing and able to continue the stability in cross-Strait relations the region has enjoyed in recent years.”55 In the closing months of the campaign the Administration also dispatched two high level officials to visit Taiwan56 and officially nominated Taiwan to the Department of Homeland Security’s visa waiver program, a major Taiwan goal. 57 Ma won the election and was inaugurated for his second term in May 2012.


Cross-Strait Relations

Tensions between Beijing and Taipei have eased since President Ma first took office in Taiwan in 2008, following 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.58

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. 59 The invitation, issued with China’s assent, marked the first time that Taiwan had been permitted to participate in an activity of a 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 (ICAO). The Senate expressed its support for Taiwan’s entry into the ICAO in a September 2011 resolution [S.Con.Res. 17].

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

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55 Anna Fifield, U.S. Concerned about Taiwan Presidential Candidate, Financial Times, September 15, 2011.
56 Assistant Secretary of Commerce Suresh Kumar visited Taiwan in September, becoming the highest level U.S. government official visit to Taiwan in over five years; and in December 2011, U.S. Deputy Secretary of Energy Daniel Poneman visited Taiwan, becoming the highest level American official to visit Taiwan in over 10 years. See AFP, Highest-level US trip to Taiwan in five years, September 9, 2011; Taiwan News, President Ma meets US Deputy Secretary of Energy Daniel Poneman, December 20, 2011, http://www.taiwannews.com/en/spotlight_detail.php?i=9.
58 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).
investment across the Taiwan Strait and hastening cross-strait economic integration.\textsuperscript{60} 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 may deter cross-straits conflict by increasing the potential economic and human costs of 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 that it “applauded” the ECFA and “welcomed the new lines of communication developing between” the two sides of the Taiwan Strait. Concerned about losing trade competitiveness in Asia to China, Japan, and South Korea as the three nations negotiate a regional free trade accord, Taiwan’s Straits Exchange Foundation (SEF) announced in May 2012 that it would strive to complete the ECFA negotiations by the end of 2013.\textsuperscript{61}

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.\textsuperscript{62} China also charges that continued U.S. arms sales represent a betrayal of U.S. 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 arms sales to Taiwan give Taiwan’s leaders the confidence and “capacity to resist intimidation and coercion” required to engage with China.\textsuperscript{63} 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.”

In October 2011, the Obama Administration notified Congress of a $5.85 billion arms package, including upgrades to 145 F-16A/B fighter jets, the extension of a pilot training program, and spare parts for three types of aircraft. Although China has previously suspended the military-to-military relationship with the United States to protest U.S. arms sales packages to Taiwan, it did not do so in this case, perhaps because the Obama Administration chose not to sell Taiwan more advanced F-16C/D fighters. China strenuously opposes the sale of F-16C/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 1982 Communiqué not to sell arms to Taiwan that “exceed, either in qualitative or in quantitative terms, the level of those supplied in recent years.” Some members of Congress have expressed their support for the sale of F-16C/Ds to Taiwan, issuing a number of individual and joint letters to President Obama, including one letter signed by 47 Senators and another by 181 Members of the House of Representatives. Members have also

\textsuperscript{60} Cross-Strait trade in 2010 amounted to roughly $152 billion, making the PRC Taiwan’s largest trading partner; see U.S. Congress, House Committee on Foreign Affairs, \textit{Testimony of Dr. Kurt M. Campbell}, 112\textsuperscript{th} Cong., October 4, 2011, http://www.state.gov/p/eap/rls/rm/2011/10/174980.htm.


\textsuperscript{62} 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 separatist forces from outside the country.” Ma Xiaotian, “New Dimensions of Security,” Address to the 9\textsuperscript{th} 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/.

introduced multiple bills on the issue. In late April 2012, the White House reportedly sent a letter to Senator John Cornyn indicating that the Obama Administration would give “serious consideration” to the sale of new F-16C/Ds to Taiwan. The White House has made no further official statements about the issue.

For more information, see 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. Based on IMF estimates for 2011, the U.S. nominal GDP is more than twice the size of China’s, at $15.06 trillion compared to China’s $6.98 trillion. In terms of purchasing power parity (PPP), however, China’s GDP is much closer to that of the United States, with the U.S. GDP in PPP terms estimated to be $15.1 trillion, compared to $11.3 trillion for China. Although China’s growth has slowed in 2012, China remains one of the world’s fastest growing economies. It has also become an important economic hub for Asia.

China’s importance to the U.S. economy has grown steadily over the last 20 years. According to official U.S. trade data, China is the United States’ second largest trading partner, largest supplier of imports (imports from China make up 18% of all U.S. imports), and third largest export market (exports to China account for 7% of all U.S. exports). In 2011, according to the office of the United States Trade Representative, China was also the United States’ second largest agricultural export market, with U.S. sales of agricultural goods to China reaching $18.9 billion. China is the largest foreign holder of U.S. Treasury securities, holding $1.17 trillion in U.S. Treasury securities as of the end of May 2012.

According to U.S. data, by 2010 U.S. businesses had invested a cumulative $60.5 billion in China, an increase of 21.4% from 2009. The 2010 figure was more than double the total for cumulative U.S. foreign direct investment (FDI) in China in 2007. Cumulative Chinese investment in the United States, according to U.S. figures, reached $3.2 billion in 2010, one-twentieth of U.S. FDI in China, but a nearly three-fold increase over 2009.

Because of the size of the two economies, the bilateral economic relationship and the economic decisions of both countries have a significant 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, 10.4% in 2010, and 9.2% in 2011. Those growth rates for China far outstripped economic growth in every other major economy, although they were slower than in previous years.

The Obama Administration has sought to cooperate with China in addressing the global financial crisis and rebalancing the global economy, working both bilaterally and through the mechanism of the G-20 grouping of nations. Bilateral economic issues include China’s currency and industrial policies and its weak enforcement of intellectual property rights. The United States has also pushed China to do more to re-orient its economy toward greater domestic consumption—a shift to which China has already committed—and challenged China on trade issues through the World Trade Organization. The primary bilateral fora for discussion of economic issues are the U.S.-China Strategic and Economic Dialogue (S&ED) and the Joint Commission on Commerce and Trade (JCCT).

Major priorities for China in its relationship with the United States include rebalancing the global economy, including urging U.S. fiscal restraint; keeping U.S. markets open to Chinese exports; removing barriers to greater Chinese investment in the United States; and seeing reform of the U.S. export control system to allow China to buy more advanced technology from the United States. Chinese telecommunications company Huawei’s well publicized difficulties winning approval for investments in the United States have led some in the China to question how welcoming the United States is to Chinese investment.

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 and China’s 12th Five-Year Plan

With the effects of the global financial crisis of 2008-2009 still lingering and problems in the Eurozone threatening to set off a new global recession, world leaders have acknowledged the need for fundamental restructuring of the global economy, with major onus for action on the United States and China. The United States runs the world’s largest current account deficit. 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 infrastructure investment and consume more.

China signaled its intention to tackle its side of the equation in its 12th Five-Year Plan, an authoritative plan for national economic and social development covering the years 2011 to 2015. Adopted by China’s National People’s Congress in March 2011, the plan calls for boosting domestic consumption as a percentage of GDP, in part by increasing wages for Chinese workers and improving China’s social welfare net, so that citizens do not need to set aside so much of their incomes to pay for education, health care, and retirement. The 12th Five-Year Plan also prioritizes development of seven sectors, three intended to support China’s goal of moving toward

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more environmentally sustainable growth, and four intended to support China’s goal of moving away from labor-intensive low-end manufacturing. The seven priority sectors are:

- New energy, including nuclear, wind, and solar power,
- Energy conservation and environmental protection,
- New materials, including rare earths and high-end semiconductors,
- New information technologies, including broadband networks, internet security infrastructure, network convergence,
- High-end equipment manufacturing, including aerospace and telecommunications equipment, and
- Clean energy vehicles.

In February 2012, a think tank under China’s cabinet, the Development Research Center of the State Council, and the World Bank jointly released China 2030, a blueprint for fundamental restructuring of the Chinese economy that builds on the 12th Five-Year Plan, but carries planning forward to 2030. Its six sets of recommendations include:

- Changing the role of government in the Chinese economy, including far-reaching changes to China’s state sector;
- promoting innovation through development of world-class universities and “innovative cities”;
- encouraging green development;
- improving provision of social services, especially to the rural population;
- strengthening the fiscal system, in part to ease the problem of unfunded mandates at lower levels of government; and
- “becoming a pro-active stake-holder in the global economy, actively using multilateral institutions and frameworks, and shaping the global governance agenda.”

China’s pledges to boost domestic consumption appear to have yielded some early success. Domestic demand increased by 10.3% in 2011, according to the IMF, although consumption as a percentage of GDP still remains low by global standards.

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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 2011, according to official U.S. trade data, bilateral trade in goods increased by 10% over 2010 to $503 billion, with U.S. imports from China totaling over $399 billion (a 9.4% increase over 2010) and U.S. exports to China totaling $104 billion (a 13% increase over 2010). Although exports to China continued to grow by double digits, the pace of growth in 2011 was significantly slower than in 2010, when U.S. exports to China grew by 32%. The U.S. trade deficit with China increased by 8.2% from 2010, reaching $295 billion in 2011, according to U.S. data. In trade in services, the United States runs a surplus with China of $7.5 billion, with exports to China of $16 billion in 2009 (the latest year for which numbers are available) and imports from China of $8 billion.

<table>
<thead>
<tr>
<th>Year</th>
<th>U.S. Imports from China</th>
<th>U.S. Exports to China</th>
<th>U.S. Trade Deficit with China</th>
</tr>
</thead>
<tbody>
<tr>
<td>1995</td>
<td>$46 billion</td>
<td>$12 billion</td>
<td>$34 billion</td>
</tr>
<tr>
<td>2000</td>
<td>$100 billion</td>
<td>$16 billion</td>
<td>$84 billion</td>
</tr>
<tr>
<td>2005</td>
<td>$243 billion</td>
<td>$41 billion</td>
<td>$202 billion</td>
</tr>
<tr>
<td>2010</td>
<td>$365 billion</td>
<td>$92 billion</td>
<td>$273 billion</td>
</tr>
<tr>
<td>2011</td>
<td>$399 billion</td>
<td>$104 billion</td>
<td>$295 billion</td>
</tr>
</tbody>
</table>

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

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

China’s trade data differs, often significantly, from U.S. data. For 2011, China reported that its exports to the United States were $324.3 billion, $75 billion less than U.S. figures, and that its imports from the U.S. were $118.1 billion, $14.2 billion more than reported by the United States. According to China, it ran a trade surplus with the United States of $206.2 billion, $89.3 billion lower than the U.S. figure.

Economists argue that the global trade balance is a more meaningful indicator of an economy’s health than bilateral balances. Many U.S. 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 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, with China adding only a small percentage of the value. In trade statistics, however, the entire value of the such products is counted as being from China. Before Chinese President Hu Jintao’s January 2011 state visit to the United States, China signed a

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73 Official U.S. trade statistics as reported in the Global Trade Atlas database.
75 Official Chinese data as reported in the Global Trade Atlas database.
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.


### 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 have included 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 allegedly used to try to force technology transfers from foreign firms to Chinese firms. In the years since 2009, under pressure from the U.S. government and others, China has gradually retreated from some of the most problematic elements of the policies. At the May 2010 Strategic & Economic Dialogue, for example, China committed to ensure that its innovation policies were non-discriminatory and WTO-compliant. At the December 2010 meeting of the U.S.-China Joint Commission on Commerce and Trade, China agreed 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 did not discriminate against foreign suppliers. In 2011, China committed to de-link its indigenous innovation program from government procurement, eliminate all government procurement product accreditation catalogues, and revise Article 9 of the draft Government Procurement Law Implementing Regulations, which included preferences in government procurement for national indigenous innovation products.

While many U.S. business leaders have applauded China’s commitment to delink indigenous innovation from government procurement, some remain concerned that China will implement new policies that attempt to provide preferences to local Chinese firms over foreign firms. One expert, Adam Segal of the Council on Foreign Relations, argued that, “Even if China reverses certain policies under U.S. pressure, it will remain dedicated to those goals. U.S. policy is likely to become a game of Whack-a-Mole, beating down one Chinese initiative on indigenous innovation only to see another pop up.”

### 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 13 countries. USTR credits China for some progress in 2011, including the establishment of a

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78 The other countries on USTR’s 2012 “Priority Watch List” are Algeria, Argentina, Canada, Chile, India, Indonesia, Israel, Pakistan, Russia, Thailand, Ukraine, and Venezuela. United States Trade Representative, 2012 *Special 301* (

(continued...)
permanent Leading Group within the State Council, headed by Vice Premier Wang Qishan, to coordinate the enforcement of intellectual property rights enforcement throughout China. Among other pledges, Vice Premier Wang committed that all levels of government in China will utilize only legitimate and licensed software, targeting a completion date of mid-2012 for implementation in all 31 provincial-level entities, and by 2013 in all county and municipal offices. USTR remains concerned about illegal software use by China’s large state-owned enterprise sector, however. It also remains “very concerned” about the issue of Chinese government policies that, “systematically disadvantage foreign rights holders, by inappropriately conditioning market access and investment approvals, and other government benefits on the sale or licensing of IPR and other proprietary information to domestic Chinese entities.”

China’s Currency Policy

The issue of China’s management of its currency, the renminbi (“people’s money”) or RMB, once topped the Obama Administration’s shortlist of economic disputes with China. It remains a major concern, but appears to have lost some of its urgency as other economic disputes with China have moved to the fore, and as China has continued to allow its currency to appreciate gradually. According to the U.S. Treasury Department, Chinese leaders increasingly acknowledge the value of a stronger RMB as a tool to combat inflation, and have made commitments at the G-20 and the S&ED to promote greater flexibility in the exchange rate and to “gradually reduce the pace of accumulation of foreign reserves.” According to Treasury Department data, from June 2010, when China’s central bank, the People’s Bank of China, announced a policy of greater exchange rate “flexibility,” to the end of December 2011, the RMB appreciated against the U.S. dollar by 7.5% in nominal terms, and 12% in real, inflation-adjusted terms. From 2005 to 2011, the RMB appreciated a total of nearly 40% in real terms. Most economists believe that the RMB continues to be under-valued, although they disagree on how under-valued they believe it to be. The U.S. government argues that 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.

For more information about China’s currency policy, see CRS Report RS21625, China’s Currency Policy: An Analysis of the Economic Issues, by Wayne M. Morrison and Marc Labonte.

(...continued)

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, with $3.7 trillion in foreign currency reserves at the end of 2011, has been the largest foreign holder of U.S. Treasury securities, and thus the largest foreign financer of the U.S. federal budget deficit, since September 2008. Its holdings of U.S. Treasury securities at the end of May 2012 stood at $1.17 trillion, accounting for 22.2% of all foreign holdings of Treasury securities. (China’s holdings as a percentage of total U.S. debt were 7.4%.)

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. 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. Beijing has spoken out, for example, about its concerns regarding the U.S. use of quantitative easing monetary policy to stimulate its economy. China fears the policy could produce inflation in the United States or a devaluation of the U.S. dollar, which would lessen the value of China’s U.S. dollar assets.

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 “China’s pursuit of industrial policies that rely on trade-distorting government actions to promote or protect China’s state-owned enterprises and domestic industries.” In its December 2011 “Report to Congress on China’s WTO Compliance,” the United States Trade Representative (USTR) highlighted four areas of continuing concern for the United States regarding China’s obligations for WTO membership: enforcement of intellectual property rights; industrial policies, including “excessive subsidies,” discriminatory policies to promote indigenous innovation, and export restraints on raw materials;

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lack of transparency in China’s agricultural market; and discriminatory regulatory processes and requirements for U.S. firms seeking to operate in China’s services sector.87

The United States has brought 14 dispute settlement cases against China at the World Trade Organization, including seven under the Obama Administration (one in 2009, three in 2010, one in 2011, and two in 2012). China has brought seven WTO cases against the United States, four of them during the Obama Administration’s time in office (two in 2009, one in 2011, and one in 2012).88 The two most recent cases filed by the Obama Administration challenge Chinese restrictions on exports of rare earths, which are important to many high technology industries, and Chinese duties on certain imported U.S. automobiles.

Notable U.S. victories at the WTO include a ruling upholding the U.S. imposition of duties on Chinese tires (September 2011),89 and a ruling that China’s export restraints on certain industrial raw materials were inconsistent with China’s WTO obligations (January 2012).90 In June 2011, USTR announced that China had agreed to resolve one pending WTO case by ending subsidies to Chinese manufacturers of wind power equipment who agreed to use parts and components made in China, rather than imports.91

China has also scored victories against the United States at the WTO. In March 2011, for example, a WTO Appellate Body ruled against the U.S. application of anti-dumping and countervailing duty measures on four categories of Chinese products during the George W. Bush Administration.92 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.

For more information, see CRS Report RL33536, China-U.S. Trade Issues, by Wayne M. Morrison, and CRS Report R42510, China’s Rare Earth Industry and Export Regime: Economic and Trade Implications for the United States, by Wayne M. Morrison and Rachel Tang.

88 Details of disputes brought to the World Trade Organization by the United States and China can be found on the World Trade Organization website at http://www.wto.org/english/tratop_e/dispu_e/dispu_by_country_e.htm.
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. Although on a per capita basis, China’s carbon dioxide emissions in 2010 were about forty percent of those of the United States, some environmental organizations have projected that China will overtake the United States in per capita emissions by 2017. In 2010, China’s total carbon dioxide emissions rose by 10 percent, marking a doubling of the country’s CO2 emissions since 2003. China and the United States, the world’s second largest emitter, together produced about 43% of the world’s carbon dioxide emissions in 2010, 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. 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. The U.S. Congress has long indicated that it will not support legally binding commitments, such as the Kyoto Protocol, to reduce U.S. emissions without binding

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97 The United States produced about 16% of global carbon dioxide emissions in 2010, and China roughly 27%.
commitments from other major emitters, starting with the world’s current leading emitter, China. The Obama Administration has adopted the same position.

Negotiators representing the United States and China clashed at the U.N.-led Durban Climate Change Conference in South Africa in December 2011, but reached a last minute deal when participating countries agreed to negotiate an agreement “with legal force” by 2015 that applies to all countries, and which would come into effect in 2020. In an apparent shift from China’s previous refusals to enter into a legally-binding agreement to reduce greenhouse gas emissions, China’s top negotiator stated that the PRC would be willing to consider binding emissions reductions after 2020 on five conditions, one of them being that developing countries not be subject to the same requirements as developed countries. Some experts have expressed skepticism about the significance of China’s new position, noting that the Chinese government did not clarify whether it is open to international legally-binding commitments—which the United States and Europe would like to see—or merely nationally-binding commitments. Echoing its previous position, the United States indicated it would be open to discussing a formal treaty so long as commitments made among “all the major players,” China included, are not conditional. The conference produced two other agreements that helped developing countries, including China, agree to the new commitments, including the extension of emissions cuts for European countries under the Kyoto protocol, which would have lapsed at the end of 2012, and the creation of the Green Climate Fund, which would transfer $100 billion annually from rich to poor countries by 2020.

Despite advances made in the Durban Conference in 2011, climate negotiations held in Bonn, Germany in late May 2012 closed in discord, as participating countries could not agree on the financing of the Green Climate Fund for developing nations or on how to divide the burden of greenhouse gas emission cuts between developed and developing countries. China’s lead negotiator reaffirmed the country’s intention to “continue the current division between developed and developing countries” that China agreed to at the end of the Durban Conference. The United States and Europe asserted that the “binary system” between developed and developing countries does not reflect present economic realities and must be addressed in order to reach an agreement by 2015. The 18th round of the Conference of the Parties to the United Nations

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100 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.


105 Talks have yet to produce consensus on how the fund will be financed, however. Deborah Seligsohn, China at Durban: First Steps Toward a New Climate Agreement, World Resources Institute, December 16, 2011, http://insights.wri.org/news/2011/12/china-durban-first-steps-toward-new-climate-agreement.

The United States and China are cooperating in the areas of energy efficiency and clean energy technology, though not always smoothly. During President Obama’s November 2009 state visit to China, the United States and China announced the establishment of a $150 million U.S.-China Clean Energy Research Center (CERC) to research and jointly develop energy efficient buildings, electric vehicles, and clean coal technologies over the next five years. It took the two countries until September 2011, however, to work out concerns about the protection of intellectual property necessary for the center’s work to move forward. Other areas of bilateral collaboration on clean energy include joint government and public-private initiatives to determine roadmaps for broad renewable energy deployment in both countries, increase efficiency of renewable energy power plants, promote cleaner use of coal and large-scale carbon capture and storage, and assess China’s shale gas resources.

China leads the world in green energy technologies. It surpassed the United States in installed renewable energy capacity in 2010, and had almost one and a half times the capacity of the United States by the end of 2011. In its 12th Five-Year Plan, the PRC committed to increase the share of renewable energies to 11.4 percent of its total energy mix by 2015 and to 15 percent by 2020. (By contrast, the renewable energy mix in the United States was 10 percent in 2010, and is projected to rise to 16 percent by 2035, according to the U.S. Energy Information Agency.)

China has also become a leader in the production of some green energy technologies, such as photovoltaic solar panels, although experts say the PRC continues to lag behind the United States in research and development. Trade disputes between the United States and China over green technologies have become increasingly heated. In May 2012, U.S. Department of Commerce announced a preliminary decision to impose anti-dumping tariffs ranging from 31 percent to 250% on solar cells imported from China, having determined that they threatened to injure the domestic solar industry. A final decision is due by November 2012. As noted above, the United States also challenged the Chinese government’s support for its domestic wind turbine industry through the World Trade Organization, winning an agreement from China to end its subsidies.


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.


Human Rights Issues

China’s human rights record, and U.S. criticism of it, have long been major sources of friction in the U.S.-China relationship. The PRC is an authoritarian one-Party state that has been governed since its founding in 1949 by the Chinese Communist Party (CCP). While other minor political parties exist, they are authorized by the CCP and are essentially powerless. The CCP is deeply intolerant of dissent and suspicious that forms of speech, assembly, religion, and association that it does not control could be used to topple it from power. That said, Chinese citizens are today freer to choose where they want to live, work, and travel than at any time in the PRC’s history, and the rapid growth of social media has dramatically broadened the scope of public debate, even as the mainstream media continues to be subject to Communist Party censorship. Against this evolving backdrop, the human rights question remains one of the thorniest in the relationship.

In interactions with Chinese officials, U.S. officials press the argument that, in the words of Assistant Secretary of State Michael H. Posner, “societies that respect human rights and address aspirations of their own people are more prosperous, successful, and stable.” In that context, the United States has long urged China to ease restrictions on freedom of speech, internet freedom, religious and ethnic minorities, and labor rights. China’s leaders have often been suspicious, however, that the United State’s ultimate goal is to end the Communist Party’s monopoly on power. China’s leaders feel particularly threatened by language such as that used by President Obama in a November 2011 speech to the Australian parliament about the U.S. strategic rebalancing toward the Asia Pacific. Obama spoke of U.S. support for fundamental rights for people everywhere that include “the freedom of citizens to choose their own leaders,” described communism and rule by committee as “failed” models of governance, and declared that “prosperity without freedom is just another form of poverty.”

As the United States seeks China’s cooperation on an ever wider set of global and regional issues, from rebalancing the global economy to reining in the nuclear programs of Iran and North Korea, the United States’ leverage to encourage improvements in China’s human rights record has arguably decreased.

(continued)

ends-wind-power-equipment-subsidies-challenged.


Where once the United States could condition access to U.S. markets on improvements in China’s human rights record, now both nations are members of the World Trade Organization and their economies are deeply interdependent. U.S. tools to register its concerns about China’s human rights record include public statements from senior U.S. officials; the annual State Department report on human rights in China, which China routinely protests; a bilateral dialogue on human rights; Congressional hearings, public statements, and legislation; and Congressionally-mandated U.S. assistance programs.

For more information about human rights in China, see CRS Report RL34729, Human Rights in China and U.S. Policy, by Thomas Lum.

The 2011 State Department Human Rights Report on China

The State Department’s report on human rights in China in 2011, released in May 2012, highlights U.S. concerns about “repression and coercion” aimed at those involved in rights advocacy. In 2011, political activists faced “tight restrictions on their freedom to assemble, practice religion, and travel,” and activists and public interest lawyers were subject to such extra-legal measures as “enforced disappearance, ‘soft detention,’ and strict house arrest, including house arrest of family members,” the report said. Some public interest lawyers also faced disbarment, and closure of their firms. In a briefing to introduce the report, Assistant Secretary of State Michael H. Posner described “a closing of space for human rights lawyers and activists in China.”115 In addition, the report cited “increased attempts to limit freedom of speech and to control the press, the Internet, and Internet access,” and “severe cultural and religious repression of ethnic minorities in the Xinjiang Uighur Autonomous Region (XUAR) and Tibetan areas.”116 In response to the State Department’s annual human rights report, the PRC now issues its own white papers criticizing United States’ “woeful” human rights record.117

U.S.-China Dialogues on Human Rights

The primary forum for U.S.-China discussion of human rights is the bilateral Human Rights Dialogue, which resumed in 2008 after a six-year hiatus. It met most recently in July 2012 in Washington, D.C. Analysts have identified both drawbacks and benefits to holding human rights discussions in the context of a stand-alone dialogue. Some critics have argued that the arrangement isolates human rights from the core areas of U.S.-China relations. Critics also note that the chief Chinese interlocutor for the dialogue represents China’s Foreign Ministry, which has little involvement with the formulation or implementation of policies affecting the political and civil rights of Chinese citizens. The Obama Administration argues that the stand-alone dialogue allows for thorough discussion of sensitive and contentious issues.

A second U.S.-China dialogue, the Legal Experts Dialogue (LED), resumed in June 2011 after a six year hiatus. The most recent LED took place in April 2012 in Beijing and the next session is

scheduled to be held in the United States in 2013. The LED is designed to serve as a forum to discuss the means of implementing an effective system of rule of law.

**U.S. Assistance to China**

Between 2001 and 2011, the United States government provided $310 million for Department of State foreign assistance programs in the PRC. Of this total, foreign operations appropriations legislation mandated $257 million for human rights, democracy, rule of law, Tibetan communities, and the environment. Other programs included the Peace Corps and HIV/AIDS prevention, care, and treatment. The direct recipients of State Department and U.S. Agency for International Development (USAID) grants have been predominantly U.S.-based non-governmental organizations (NGOs) and universities. Some Chinese NGOs, universities, and government entities have participated in, collaborated with, or indirectly benefited from U.S. programs and foreign aid grantees.

Appropriations for Department of State and USAID programs in China reached a peak in FY2010, totaling $46.9 million. Funding and program reductions, including the termination of Development Assistance rule of law and environmental programs, began in FY2011. Democracy, human rights, Tibet, and criminal justice programs are likely to continue but at reduced funding levels. These programs include activities related to the rule of law, good governance, civil society, political participation, civil liberties, and labor rights, administered by the State Department’s Bureau of Democracy, Human Rights and Labor. USAID supports sustainable development, environmental conservation, and cultural preservation in Tibet. The State Department also continues to support a Resident Legal Advisor (RLA), based in the U.S. Embassy in Beijing, to provide expertise on U.S. criminal law and procedure to PRC government officials, legal scholars, and academics.

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

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118 This section is authored by Thomas Lum, CRS Specialist in Asian Affairs.
The Case of Chen Guangcheng

A single case, that of the blind legal advocate Chen Guangcheng, captures many of the elements of China’s human rights situation that most concern the United States government, including the use of prolonged house arrest, enforced disappearance, harassment of lawyers, lack of due process, and torture.

A self-trained legal advocate who challenged local authorities to uphold China’s laws and regulations in the areas of disability rights and, ultimately, family planning, Chen apparently crossed an official red line in 2005 when he attempted to organize a class-action lawsuit on behalf of victims of forced abortions and sterilizations. Chen’s subsequent persecution lasted nearly seven years, until April 2012, when he escaped from extra-legal house arrest in his home village and sought refuge in the U.S. Embassy in Beijing. After six days in the Embassy and a high-level diplomatic stand-off between the U.S. and PRC governments over his fate, Chen left the Embassy for a Beijing hospital and then, on May 19, 2012 for the United States.

Chen’s ordeal began in September 2005, when plain-clothed policemen from his home province abducted him from the streets of Beijing, where he had been meeting with lawyers, foreign journalists, and U.S. diplomats to discuss his plans for the class-action suit.119 According to the Congressional Executive Commission on China (CECC), local authorities subjected Chen to 186 days of house arrest, known in China as “residential surveillance,” during which time Chen suffered several fierce beatings. After that, Chen disappeared into official custody for 89 days, during which time local authorities released no information to his family about his whereabouts. In June 2006, officials charged Chen with “intentional destruction of property” and “gathering people to disturb traffic order,” charges related to Chen’s alleged role in “instigating” fellow villagers to attack official vehicles and block traffic following attacks on Chen’s relatives by unidentified assailants.120

Before Chen’s August 2006 trial, officials detained Chen’s three lawyers and barred them and Chen’s wife from attending the trial. Witnesses against Chen reportedly later said that their statements had been extracted by torture. Chen was sentenced to four years and three months in prison.121 After he completed the sentence in September 2010, although he was facing no legal charges, local authorities placed him and his family back under house arrest in their home village. According to a secretly shot video message that Chen and his wife smuggled out to supporters, dozens of guards monitored their home, manned checkpoints around their village, and turned back would-be visitors, sometimes violently. Chen and his wife suffered more beatings. So did relatives who attempted to help them.122 After 19 months of house arrest, with no end in sight, Chen made his daring escape to Beijing, and the U.S. Embassy.

For more information, see CRS Report R42554, U.S.-China Diplomacy Over Chinese Legal Advocate Chen Guangcheng, by Susan V. Lawrence and Thomas Lum.

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121 Ibid.

Political Prisoners

The San Francisco-based humanitarian organization Dui Hua, which maintains an authoritative database of Chinese political prisoners, lists 5,034 known cases of people currently imprisoned in China on political and religious grounds. That number includes political dissidents imprisoned for expressing their opposition to one-party rule; religious practitioners persecuted for beliefs that are not officially sanctioned; ethnic minorities accused of participating in cultural and pro-independence movements; and protesters, known as “petitioners,” imprisoned for their efforts to seek redress for miscarriages of justice and corruption. Some of China’s most prominent current political prisoners are listed below:

- **Chen Wei**, a democracy advocate was detained in February 2011 and sentenced in December 2011 to nine years in prison and two years’ deprivation of political rights on charges of “subversion of state power” after posting essays on overseas websites that criticized the political system and praised the growth of civil society. Chen was previously imprisoned for a year following the 1989 Tiananmen demonstrations, and again in 1992 for five years for “counterrevolutionary propaganda and incitement.”

- **Chen Xi**, a democracy and human rights advocate also known as Chen Youcai, was sentenced in December 2011 to 10 years in prison and 3 years’ deprivation of political rights on charges of “inciting subversion of state power” after posting 36 essays critical of the CCP on foreign websites and attempting to obtain information about how to run for office in a local people’s congress election. He previously served a 10-year sentence in prison in 1996 on the charge of “organizing and leading a counterrevolutionary group,” and a 3-year sentence in 1989 following the Tiananmen demonstrations.

- **Gao Zhisheng**, a rights lawyer who defended Falun Gong practitioners and others, was detained and allegedly tortured in 2007 for over 50 days after writing an open letter to the U.S. Congress criticizing the CCP’s human rights record. Chinese authorities apprehended Gao in February 2009 and held him at various unknown locations for over a year. Gao is now serving a three-year sentence in Xinjiang after a court in Beijing revoked his parole in December 2011. His wife, Geng He, and children fled China and were granted asylum in the United States in March 2009. Geng has since testified before Congress.

- **Shi Tao**, a poet and journalist, was sentenced to 10 years’ imprisonment and two years’ deprivation of political rights in April 2005 for disclosing “state secrets to foreign entities” after he emailed a U.S. newspaper with information regarding a PRC order warning journalists against reporting during the 15th anniversary of the Tiananmen demonstrations. Yahoo!’s office in China claimed it acted in accordance with local laws when it provided some of the evidence that led to Shi’s conviction.

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123 For more information about these and hundreds of other political and religious prisoners known or believed to be detained or imprisoned in China, see the Congressional-Executive Commission on China’s (CECC) political prisoner database: Congressional-Executive Commission on China, Political Prisoner Database (PPD), http://ppd.cecc.gov/. All names are listed in the Chinese style, with the family name preceding the given name. Chen Wei’s family name, for example, is Chen.

Liu Xiaobo, a political dissident, writer and 2010 Nobel Peace Prize winner, was detained for six months and then sentenced to 11 years in prison in December 2009 for “inciting subversion of state power” after helping to draft Charter ’08, a manifesto disseminated online that called for an end to one-party rule. Previously, Liu spent 20 months in prison for his role in the 1989 democracy movement, and three years in a re-education through labor (RTL) camp for questioning Communist Party rule in 1996. Chinese authorities have confined his wife, Liu Xia, to her home in Beijing since October 2010, the month that her husband’s Nobel prize was announced, cutting her off from communication with friends, relatives, and the media.

Treatment of Tibetans

Tibet is among the most sensitive issues in U.S.-China relations. The Chinese Communist Party has controlled the Tibetan Autonomous Region (TAR) and other Tibetan areas within the PRC since 1951, and the U.S. government recognizes Chinese sovereignty. Nonetheless, China continues to face resistance to its rule from Tibetans, and to fear that foreign governments seek to “split” Tibet from China. Preserving sovereignty over Tibet has long been one of China’s most fundamental “core interests,” on a par with its commitment to defending its claimed sovereignty over Taiwan.

The U.S. government and human rights groups have been critical of increasingly expansive official Chinese controls on religious life and practice in Tibetan areas instituted in the wake of anti-Chinese protests in Tibetan areas in 2008. Human rights groups have catalogued arbitrary detentions and disappearances, a heightened Chinese security presence within monasteries, and continued “patriotic education” and “legal education” campaigns that require monks to denounce Tibet’s exiled spiritual leader, the Dalai Lama. The State Department’s 2011 Human Rights Report for Tibet charges that in 2011, Chinese authorities in the region carried out “serious human rights abuses including extrajudicial killings, torture, arbitrary arrests, extrajudicial detention, and house arrests.” Since February 27, 2009, 44 Tibetans have set fire to themselves to protest PRC policies, and 33 of them are known to have died. Many of those self-immolating have been associated with the heavily-policed Kirti Monastery in Aba County, Sichuan Province.

China accuses the Dalai Lama and his supporters of directing or fanning the restiveness in Tibetan areas, including the spate self-immolations, which have garnered world headlines and shone an unfavorable light on the PRC’s policies. Chinese leaders also blame the international community, and particularly the United States, for supporting the Dalai Lama and his agenda of meaningful autonomy for Tibet, arguing that the support has encouraged forces intent on “splitting” Tibet from China. China lobbies strenuously to prevent world leaders from meeting with the Dalai Lama, the 1989 Nobel Peace Prize winner and 2006 recipient of the...
Congressional Gold Medal. Over China’s objections, President Obama has met twice with the Dalai Lama at the White House, in February 2010 and July 2011.\textsuperscript{129}

U.S. policy toward Tibet is guided by the Tibetan Policy Act of 2002 (P.L. 107-228), which requires the United States to promote dialogue between the PRC and the Dalai Lama or his representatives; to help protect Tibet’s religious, cultural, and linguistic heritages; and to support development projects in Tibet. The act also requires the State Department to maintain a Special Coordinator for Tibetan Issues, currently Undersecretary of State for Democracy and Global Affairs Maria Otero; calls on the Secretary of State to “make best efforts” to establish a U.S. office in the Tibetan capital, Lhasa; and directs the President and the Secretary of State to press for the release of Tibetan political prisoners in meetings with the Chinese government. The ninth in a series of dialogues between representatives of the Dalai Lama and the PRC government took place in January 2010. More than 30 months have since passed, with no word on when or if a tenth round might be scheduled, making this the longest gap in the dialogues since they were initiated in 2002.

\section*{Treatment of Uighurs}

Xinjiang, an area of northwest China known officially as the Xinjiang Uighur Autonomous Region or XUAR, is home to several ethnic minority groups, including 8.5 million Uighur Muslims, a predominantly Muslim Turkic ethnic group.\textsuperscript{130} Due to migration into Xinjiang by members of the Han, China’s largest ethnic group, Uighurs, once the predominant group in Xinjiang, constitute roughly 45% of the population throughout the XUAR and are outnumbered four to one by Han in Xinjiang’s capital, Urumqi.\textsuperscript{131} According to activist groups and the State Department’s 2011 human rights report on China, the Chinese government in Xinjiang has implemented policies that have diluted Uighur identity, including the reduction or elimination of ethnic-language instruction in school, and restrictions on access to mosques, the celebration of Ramadan, contact with foreigners, and participation in the hajj. The PRC government prohibits Uighur children under 18 from entering mosques and government workers from practicing Islam. Uighurs face discriminatory hiring practices that give preference to Han applicants, and XUAR government demolition of the old city in Kashgar have angered locals. According to the State Department human rights report on China and other rights organizations, the Chinese government has done little to address Uighur grievances regarding the preservation of culture and identity, instead focusing almost exclusively on the promotion of economic growth.

The government has cracked down particularly on the East Turkestan Islamic Movement (ETIM), a Uighur organization that advocates the creation of an independent Uighur Islamic state, and which the PRC claims has been responsible for small-scale terrorist attacks in China and has ties to Al Qaeda. In 2002, during a period of increased cooperation between the United States and China to combat terrorism, the State Department designated ETIM as a terrorist organization. Human rights groups have argued that the PRC exaggerated the threat of ETIM to justify its crackdown on dissent in the region, while others have noted the real threat posed by ETIM.


\textsuperscript{130} Estimates of China’s Muslim population range from 20 million to 30 million people.

Concerned with Uighur separatism and ties to a pan-Islam movement in Central Asia, the Chinese government has waged a “strike hard campaigns” against what it has termed the “three forces”—religious extremism, ethnic separatism, and terrorism—often conflating Uighur activism and peaceful dissent with terrorism. According to the human rights advocacy group Amnesty International, the Chinese government has instituted restrictive policies against Uighurs, including 24-hour street patrols, the sealing-off of neighborhoods with security check points, arbitrary detentions, unfair trials and executions without judicial due process. Following large-scale protests and inter-ethnic strife in Urumqi that left nearly 200 dead in July 2009, 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.


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