



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 development of 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.

In previous eras, the rise of new powers has often produced conflict. President Obama and China's leader Xi Jinping have embraced the challenge of establishing a "new style great power relationship" that avoids such an outcome. 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 that the United States 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 the intentions behind China's military modernization program, China's use of its paramilitary forces and military in disputes with its neighbors over territorial claims in the South China Sea and East China Sea, and its continuing threat to use force to bring Taiwan under its control. With U.S.-China military-to-military ties fragile, Washington has struggled to convince Beijing that the U.S. policy of rebalancing toward the Asia Pacific 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 and activities the United States sees as denying a level playing field to U.S. firms trading with and operating in China. At the top of the U.S. agenda is commercial cyber espionage that the U.S. government says appears to be directly attributable to the Chinese government and military. Other economic concerns for the United States 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, recent developments in the relationship, Obama Administration policy toward China, and a summary of legislation related to China in the 113th and 112th Congresses. The report then reviews major policy issues in the relationship. Throughout, the report directs the reader to other CRS reports for more detailed information about individual topics. This report will be updated periodically. A detailed summary of 113th and 112th Congress legislative provisions and hearings related to China is provided in appendices.

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Overview of U.S.-China Relations

As China's economic and strategic clout has grown over the last three decades, the United States' relationship with China has expanded to encompass a broad range of global, regional, and bilateral issues. With China's economy now the second largest in the world, Washington seeks Beijing's cooperation in rebalancing the global economy and sustaining global growth. It hopes that China, a fellow permanent member of the United Nations Security Council, will help block the nuclear ambitions of Iran and North Korea and assist in resolving the crisis in Syria. The United States also seeks to encourage China to contribute to peace and stability in the Asia-Pacific, including in the Taiwan Strait, the South China Sea, and the East China Sea. With the United States focused on restoring its economic strength, Washington is seeking to achieve a so-called level playing field for U.S. firms that trade with and operate in China; to address cyber intrusions allegedly originating from China that target trade and military secrets; and to attract foreign direct investment from China. 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. Finally, while engaging with China's authoritarian Communist government, the United States also seeks to promote human rights and the rule of law in China, including in the ethnic minority regions of Tibet and Xinjiang.

Hanging over the relationship is the larger 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 debilitating rivalry and conflict that have accompanied the rise of new powers in previous eras. On a visit to the United States in February 2012, Xi Jinping, who became China's top leader later in the year, proposed that the two countries establish a "new type of great power relationship" that explicitly seeks to avoid conflict. President Obama has accepted the challenge. He described a June 7-8, 2013, summit with Xi in Rancho Mirage, CA, as an opportunity for conversations about "how we can forge a new model of cooperation between countries based on mutual interest and mutual respect."¹ Some principles for this "new model" U.S.-China relationship are already in place. The Obama Administration has repeatedly assured China that it "welcomes a strong, prosperous and successful China that plays a greater role in world affairs," and China has stated that it "welcomes the United States as an Asia-Pacific nation that contributes to peace, stability, and prosperity in the region."² But the "new model" remains a work in progress, with many observers in both Washington and Beijing noting deep mistrust on both sides of the U.S.-China relationship. (See "Forging a "New Model of Cooperation" with China," below.)

Xi and his Chinese leadership colleagues assumed their Communist Party posts at the Party's 18th Congress in November 2012, and added other posts, in Xi's case the state presidency, at the annual meeting of the National People's Congress in March 2013. In their early months in office, China's new leaders have signaled a strong desire to strengthen the U.S.-China relationship. The Obama Administration credits them with being willing to go beyond their predecessors on several issues of concern to the United States. China has shown somewhat greater willingness to pressure North Korea over its nuclear program. A trip to China in April 2013 by the Chairman of the Joint Chiefs of Staff, General Martin Dempsey, elicited some of the most unambiguous language yet

¹ The White House Office of the Press Secretary, "Remarks by President Obama and President Xi Jinping of the People's Republic of China Before Bilateral Meeting," transcript, June 7, 2013.

² Both statements are contained in Joint Statements between the two governments issued in 2009 and 2011.

from China's People's Liberation Army signaling acceptance of the United States military presence in Asia.³ The Obama-Xi summit in June 2013 produced an agreement for the United States and China to work together to combat global climate change by reducing the consumption and production of hydrofluorocarbons (HFCs),⁴ and Secretary of State John Kerry's April 2013 visit to China produced an unprecedented stand-alone joint statement on climate change.⁵ China has also agreed to the establishment of a high-level working group on cybersecurity, although the two presidents appeared to make little progress on the issue in their June 2013 meetings. The United States charges that cyber intrusions into U.S. government and private networks "appear to be attributable directly to the Chinese government and military."⁶

Yet overall, the U.S.-China relationship remains dogged by long-standing mutual mistrust. That mistrust stems in part from the two countries' very different political systems. Many in the United States are uncomfortable with China's authoritarian system of government and sometimes brutal suppression of dissent and see continued Communist Party rule in a post-Cold War world as an anachronism. Some in China believe that when the United States presses China to ease restrictions on freedom of speech and internet freedom, improve its treatment of religious practitioners and ethnic minorities, and respect the legal rights of its citizens, the United States' real goal is to destabilize China and push the Communist Party from power.

Although the U.S. and Chinese economies are heavily interdependent, the two countries' different economic models have contributed to mistrust. The state plays a major role in the Chinese economy, with state-owned corporations dominating the ranks of China's biggest businesses. China's economy also differs from the United States' in its growth model, which has so far depended heavily on exports and investment, rather than consumption. Points of contention in the bilateral economic relationship include the United States' allegations of Chinese cyberespionage targeting U.S. corporations and government agencies, the related issue of China's inability or unwillingness to prevent violations of foreign intellectual property by Chinese entities, and Chinese industrial policies that appear to be intended to help Chinese domestic firms climb the "value chain" by discriminating against foreign firms. For their part, PRC officials have criticized the United States for its high levels of consumption, long-term debt, expansionary monetary policy, and barriers to Chinese investment in the United States.

Mistrust is particularly pronounced on security matters. The U.S. 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 event of Chinese use of force against Taiwan. An immediate concern is that China's use of coercion in disputes with its neighbors over territory in the East China Sea and the South China Sea could undermine the stability upon which the prosperity of the region depends. For their part, some in China's government have been unnerved

³ The general's Chinese counterpart, Gen. Fang Fenghui, told a press conference that China respects "the legitimate right[s] and interest[s] of the United States in the Asia-Pacific region" and added that, "The Asia-Pacific region should be a platform for China-U.S. cooperation." Joint Chiefs of Staff, "Gen. Dempsey and Gen. Fang Fenghui's Joint Presser in Beijing," press release, April 24, 2013, <http://www.jcs.mil/speech.aspx?id=1766>.

⁴ The White House Office of the Press Secretary, "United States and China Agree to Work Together on Phase Down of HFCs," press release, June 8, 2013, <http://www.whitehouse.gov/the-press-office/2013/06/08/united-states-and-china-agree-work-together-phase-down-hfcs>.

⁵ Department of State, "Joint U.S.-China Statement on Climate Change," press release, April 13, 2013, <http://www.state.gov/r/pa/prs/ps/2013/04/207465.htm>.

⁶ Department of Defense, *Military and Security Developments Involving the People's Republic of China 2013: Annual Report to Congress*, p. 36, http://www.defense.gov/pubs/2013_china_report_final.pdf.

by the late 2011 announcement of a U.S. policy of strategic rebalancing toward Asia, seeing it as emboldening China's rivals in territorial disputes and seeking to constrain the activities of the Chinese military. The most long-standing source of grievance for China on the security side of the bilateral relationship is U.S. policy toward Taiwan, which many in China see as intended to thwart the PRC's unification with Taiwan, a cherished PRC goal.

Recent Developments

June 7-8, 2013: The Presidential Summit in Rancho Mirage, CA

As noted above, President Obama and China's President Xi met June 7-8, 2013, for an unusual informal-style summit at the Sunnylands Estate in Rancho Mirage, CA. It was their first face-to-face meeting since Xi took office as General Secretary of China's Communist Party in November 2012 and as State President in March 2013. Without the rapidly arranged summit, the two presidents would not have been scheduled to meet until the G-20 meeting in St. Petersburg, Russia, in September 2013.

The two men held nearly eight hours of discussions over the two days, a length of time that allowed them to explore a wide range of topics. With many in China believing that the United States sees China as a threat to U.S. primacy in the Asia-Pacific, Obama assured his Chinese counterpart that, "it is very much in the interest of the United States for China to continue its peaceful rise, because if China is successful, that helps to drive the world economy and it puts China in the position to work with us as equal partners in dealing with many of the global challenges that no single nation can address by itself." For his part, Xi assured Obama that, "China will be firmly committed to the path of peaceful development and China will be firm in deepening reform and opening up the country wider to the world." China, he said, is working "to realize the Chinese dream of the great national renewal," which he said was "about cooperation, development, peace, and win-win." He also reiterated China's acceptance of the United States presence in Asia, observing, "When I visited the United States last year, I stated that the vast Pacific Ocean has enough space for the two large countries of China and the United States. I still believe so."⁷

For the Obama Administration, one highlight of the meeting was what National Security Advisor Tom Donilon described as "quite a bit of alignment" in the two leaders' positions on North Korea's nuclear program. After the summit, Donilon also reported that China now "acknowledged" U.S. concerns about what Donilon termed "cyber-enabled economic theft" by entities in China, and he said China had agreed to "to look at this."⁸ In addition, the two sides announced at the summit the agreement to work together and with other countries to reduce their production and consumption of hydrofluorocarbons (HFCs), greenhouse gases that contribute to climate change.

⁷ The White House Office of the Press Secretary, "Remarks by President Obama and President Xi Jinping of the People's Republic of China After Bilateral Meeting," transcript, June 8, 2013, <http://www.whitehouse.gov/the-press-office/2013/06/08/remarks-president-obama-and-president-xi-jinping-peoples-republic-china>.

⁸ The White House Office of the Press Secretary, "Press Briefing by National Security Advisor Tom Donilon," transcript, June 8, 2013, <http://www.whitehouse.gov/the-press-office/2013/06/09/press-briefing-national-security-advisor-tom-donilon>.

A post-summit briefing by China's top diplomat, State Councilor Yang Jiechi, underlined many continuing points of contention in the bilateral relationship, however. According to Yang, President Xi urged President Obama to "stop selling weapon[s] to Taiwan." Xi also called on the United States to relax restrictions on high-technology exports to China, and to "create a fair environment for investment by Chinese enterprises in America," indicating that China believes the current environment is not fair. Neither Xi, in his and Obama's two question-and-answer sessions with the media, nor Yang in his briefing, acknowledged that Chinese entities might be responsible for cyber-enabled theft of U.S. intellectual property and other information. Yang focused instead on what he said was agreement that the two countries should work through the United Nations to promote establishment of an "international internet management mechanism," although China's calls for such a mechanism have long been rooted in a desire to control flows of information. On North Korea, Yang agreed that China and the United States are united in insisting that North Korea must denuclearize, but he did not mention what Donilon described as the two leaders' "full agreement" that "Security Council resolutions which put pressure on North Korea need to be enforced." Moreover, while Donilon said Obama and Xi discussed the need for Six-Party Talks over North Korea's nuclear program to resume only if they can be "authentic and credible" and "actually lead to a sensible result," Yang did not acknowledge such conditions, stating simply that, "It becomes imperative to resume dialogue as soon as possible."⁹

June 8, 2013: Reported Leaks Involving Intelligence Collection Programs and Hong Kong

On June 8, 2013, the second day of the Obama-Xi summit, Britain's *Guardian* newspaper released an interview with a former contractor for the National Security Agency (NSA), Edward Snowden, in which he claimed responsibility for leaks to the paper of classified information about U.S. government intelligence collection programs.¹⁰ In the interview, Snowden revealed that he had boarded a flight from his home in Hawaii to Hong Kong on May 20, 2013, and that he remained in the Chinese city. Snowden's presence in Hong Kong, a Special Administrative Region of China, has posed unexpected challenges for the U.S.-China relationship at a time when the Obama-Xi summit was meant to set the stage for an effort to forge greater cooperation between the two countries.

Snowden said in the *Guardian* interview that he chose Hong Kong because "they have a spirited commitment to free speech and the right of political dissent." Under the terms of Hong Kong's 1997 reversion to Chinese sovereignty after a century and a half as a British colony, China granted Hong Kong autonomy for 50 years in all matters except defense and foreign affairs under the principle of "one country, two systems." Hong Kong therefore has an independent judiciary. It

⁹ Yang Jiechi's Remarks on the Results of the Presidential Meeting between Xi Jinping and Obama at the Annenberg Estate, press release, June 9, 2013, <http://www.fmprc.gov.cn/eng/zxxx/t1049263.shtml>.

¹⁰ Glenn Greenwald, Ewen MacAskill, and Laura Poitras, "Edward Snowden: The Whistleblower Behind the NSA Surveillance Revelations," *The Guardian*, June 8, 2013, <http://www.guardian.co.uk/world/2013/jun/09/edward-snowden-nsa-whistleblower-surveillance>. For additional information, see Office of the Director of National Intelligence, *DNI Statement on Recent Unauthorized Disclosures of Classified Information*, June 6, 2013, <http://www.dni.gov/index.php/newsroom/press-releases/191-press-releases-2013/868-dni-statement-on-recent-unauthorized-disclosures-of-classified-information>.

also has an extradition treaty with the United States,¹¹ and a track record of cooperation with the United States in extradition cases.

Questions going forward include whether the United States will charge Snowden with a crime and seek his extradition, and if so, whether Beijing will allow the Hong Kong judicial system alone to handle an extradition request, as would be normal practice, or whether Beijing would feel the need to intervene on national security grounds. Some U.S. commentators have expressed concern about the national security implications for the United States of the presence on Chinese soil of a U.S. citizen allegedly in possession of a large cache of sensitive U.S. government information. So far, however, the main impact of the reported leaks on U.S.-China relations has been in the potential undermining of U.S. efforts to hold China to account for alleged cyber-enabled theft of U.S. intellectual property and other information. A report from China's state news agency, Xinhua, claimed that information provided by Snowden had revealed U.S. "hypocrisy" on the cyber-security issue, and added "a dose of conviction" to China's denials of state-sponsored hacking and its claim to be a victim of cyber-crimes.¹² An editorial in *The Global Times*, a nationalist Chinese tabloid affiliated with China's leading Communist Party newspaper, recommended that, "The Chinese government should acquire more solid information from Snowden if he has it, and use it as evidence to negotiate with the U.S."¹³ The Chinese government has so far declined to comment on the Snowden case.

For more information about Hong Kong's political system, see CRS Report R42746, *Prospects for Democracy in Hong Kong: Results of the 2012 Elections*, by Michael F. Martin.

Obama Administration Policy on China

President Obama signaled soon after taking office that he hoped to work with China to address a broad range of global issues. 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."¹⁴ At the same time, the Administration has sought to shape the environment in which China makes strategic choices as a rising power and, through intensive engagement in Asia, 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.¹⁵ The latter goals, which form the backbone of much of the Administration's "rebalance" of foreign policy priorities to the Asia-Pacific, have been viewed with wariness in Beijing.

To achieve its dual goals, the Administration has seized opportunities for high-level bilateral meetings with China and added to the existing plethora of bilateral dialogue mechanisms, while at

¹¹ The treaty is the Agreement with Hong Kong for the Surrender of Fugitive Offenders (Treaty No. 105-3), agreed to in the Senate on October 23, 1997.

¹² Liu Dan and Bi Mingxin, "Surveillance Programs Reveal U.S. Hypocrisy," *Xinhua News Agency*, June 14, 2013.

¹³ "China Deserves Explanation of PRISM," *The Global Times*, June 14, 2013, <http://www.globaltimes.cn/content/788734.shtml>.

¹⁴ The White House Office of the Press Secretary, "Remarks by the President at the U.S./China Strategic and Economic Dialogue," July 27, 2009, <http://www.whitehouse.gov/the-press-office/remarks-president-uschina-strategic-and-economic-dialogue>.

¹⁵ Jeffrey A. Bader, *Obama and China's Rise: An Insider's Account of America's Asia Strategy* (The Brookings Institution, 2012), p. 4.

the same time trying to encourage China to abide by international norms by engaging it in multilateral fora, sometimes on issues that China considers sensitive. The Administration has also expanded its public diplomacy, particularly its electronic outreach, in order to engage more directly with the Chinese public, and overhauled its visa processing services, to facilitate more travel to the United States by Chinese officials and the Chinese public alike.

The Policy of Strategic Rebalancing to 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."¹⁶ Then-Secretary of State Hillary Clinton described economics as a major motivation for the rebalancing, writing that, "Open markets in Asia provide the United States with unprecedented opportunities for investment, trade, and access to cutting edge technology," and arguing that, "Our economic recovery at home will depend on exports and the ability of American firms to tap into the vast and growing consumer base in Asia."¹⁷ Another major motivation for the rebalance has been the desire to shape the development of norms and rules in the Asia-Pacific and, although articulated less explicitly, to shape China's choices as a rising power, while offering reassurance to China's neighbors through intensive U.S. engagement in the region.

The military component of the Administration's rebalancing strategy was outlined in a January 2012 Defense Strategic Guidance.¹⁸ 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." In a paragraph related to China, the document pledged that the United States would work with its allies and partners "to promote a rules-based international order that ensures underlying stability and encourages the peaceful rise of new powers, economic dynamism, and constructive defense cooperation." Chinese commentators quickly noted that the document grouped China and Iran together as countries that "will continue to pursue asymmetric means to counter our power projection capabilities...."

Under the rebalancing policy, the Administration has announced a series of moves including new troop rotations to Australia, naval deployments in Singapore, and military engagements with the Philippines; stepped up its engagement with regional multilateral institutions; expanded relations with such "emerging powers" as India, Indonesia, and Vietnam; pursued a new relationship with Burma; and pushed to expand free trade with Asian nations through the Trans-Pacific Partnership (TPP). Confirming the Administration's continued commitment to the rebalancing at the start of President Obama's second term, National Security Advisor Thomas Donilon stated in November 2012 that the vision for Asia driving the rebalancing strategy is for a region "where the rise of

¹⁶ The White House Office of the Press Secretary, "Remarks by President Obama to the Australian Parliament," press release, November 16, 2012.

¹⁷ Hillary Clinton, "America's Pacific Century," *Foreign Policy*, November 2011.

¹⁸ U.S. Department of Defense, *Sustaining U.S. Global Leadership: Priorities for 21st Century Defense*, Washington, DC, January 2012.

new powers occurs peacefully, [where] the freedom to access the sea, air, space, and cyberspace empowers vibrant commerce, where multinational forums help promote shared values, and where citizens increasingly have the ability to influence their governments, and universal human rights are upheld....”¹⁹

A common criticism of the rebalancing policy is that it may be unnecessarily antagonizing China while leading U.S. allies and partners—among them the Philippines, Japan, and Vietnam—to believe that they have more U.S. support in their disputes with China than the United States is actually prepared to offer. Those who subscribe to this criticism believe that the rebalancing is over-focused on military elements and may be eroding already limited U.S.-China strategic trust and feeding regional instability, rather than minimizing it.²⁰ Other critics suggest that the military side of the rebalancing may be insufficiently robust, resulting in a U.S. policy that is the equivalent of “speak loudly and carry a shrinking stick.”²¹ (For discussion of China’s reaction to the rebalance, see below, “China’s Reaction to U.S. Strategic Rebalancing To the Asia-Pacific”.)

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

Forging a “New Model of Cooperation” with China

China has been keen to promote what it calls a “new type of great power relations” with the United States. In the words of China’s President Xi, “China and the United States must find a new path—one that is different from the inevitable confrontation and conflict between the major countries of the past. And that is to say the two sides must work together to build a new model of major country relationship based on mutual respect and win-win cooperation.”²² The Obama Administration has accepted the premise of the need to forge a new kind of relationship with China. As noted above, President Obama embraced the idea explicitly in June 2013, when he stated that he saw his summit meeting with President Xi as an opportunity to discuss “how we can forge a new model of cooperation between countries based on mutual interest and mutual respect.”²³ Statements from the Chinese side have made clear, however, just how challenging it could be to build such a new kind of relationship.

According to China’s top diplomat, State Councilor Yang Jiechi, China believes the new type of relationship should be based on the principle that the United States and China should “respect each other’s social system and development road, respect each other’s core interests and significant concerns, and make common progress through seeking common points while

¹⁹ U.S. National Security Adviser Thomas Donilon, *President Obama’s Asia Policy and Upcoming Trip to the Region*, Center for Strategic and International Studies (CSIS), November 15, 2012, http://csis.org/files/attachments/121511_Donilon_Statesmens_Forum_TS.pdf.

²⁰ Robert S. Ross, “Obama’s New Asia Policy Is Unnecessary and Counterproductive,” *Foreign Affairs*, vol. 91, no. 6 (November/December 2012), pp. 70-82.

²¹ Bruce Klingner and Dean Cheng, “U.S. Asian Policy: America’s Security Commitment to Asia Needs More Forces,” The Heritage Foundation, August 7, 2012.

²² The White House Office of the Press Secretary, “Remarks by President Obama and President Xi Jinping of the People’s Republic of China After Bilateral Meeting,” transcript, June 8, 2013, <http://www.whitehouse.gov/the-press-office/2013/06/08/remarks-president-obama-and-president-xi-jinping-peoples-republic-china->.

²³ The White House Office of the Press Secretary, “Remarks by President Obama and President Xi Jinping of the People’s Republic of China Before Bilateral Meeting,” transcript, June 7, 2013.

reserving differences.”²⁴ China’s social system and core interests, however, go to the heart of the differences between the two countries. The demand for respect for China’s “social system,” for example, challenges the U.S. commitment to democracy promotion and universal human rights. China’s “core interests,” meanwhile, include maintenance of Communist Party rule and defense of Chinese sovereignty and territorial integrity. The demand for respect for China’s “core interests” could thus challenge not just the U.S. commitment to democracy promotion, but also the U.S. commitment to Taiwan; the U.S. security treaty commitment to ally Japan over islets in the East China Sea whose sovereignty is disputed among Japan, China, and Taiwan; U.S. commitments to treaty ally the Philippines, which is involved in territorial disputes with China; and the U.S. “national interest” in peace and stability, respect for international law, freedom of navigation, and unimpeded lawful commerce in the South China Sea, where China is involved in territorial disputes with multiple countries. All these issues are discussed at greater length later in this report.

Bilateral Engagement

The pace of U.S.-China bilateral interaction at the most senior level has increased dramatically in recent years. In the 30 years from 1979, the year the United States and China established diplomatic relations, until the Obama Administration took office in January 2009, the top leaders of the United States and China met 24 times. In just the first term of the Obama Administration, President Obama and his then-counterpart, Chinese President Hu Jintao, met 12 times. The greater frequency of meetings is related in large part to expanded opportunities to meet on the sidelines of multilateral meetings.²⁵ President Obama visited China in his first year in office, in 2009, and President Hu made a state visit to the United States in January 2011. Their vice presidents, Joe Biden and Xi Jinping, exchanged visits in 2011 and 2012. As noted above, the first meeting between President Obama and Xi Jinping since Xi became China’s President in March 2013 took place June 7-8, 2013, in California.

A hallmark of the U.S.-China relationship under the Obama Administration has been the proliferation of bilateral dialogue mechanisms, building on an already robust set of dialogues inherited from the George W. Bush Administration. The U.S. government has not published a comprehensive list, but the Chinese government and state media refer to China and the United States being involved in “more than 90” bilateral dialogue and consultation mechanisms.²⁶ The Obama Administration argues that the dialogues allow U.S. and Chinese officials to understand each other’s positions better on a wide range of issues, a first step to finding areas of common interest. Dialogue on strategic issues remains limited, however, with U.S. officials sometimes complaining that even at the height of the Cold War, the United States and the Soviet Union had closer consultation on strategic issues, such as nuclear weapons policy, than the United States and China do now.

²⁴ Yang Jiechi’s Remarks on the Results of the Presidential Meeting between Xi Jinping and Obama at the Annenberg Estate, press release, June 9, 2013, <http://www.fmprc.gov.cn/eng/zxxx/t1049263.shtml>.

²⁵ Once the only multilateral meetings regularly attended by the leaders of both countries were annual meetings of the United Nations General Assembly and, starting in 1993, Asia Pacific Economic Cooperation (APEC) Leaders’ Meetings. Today, leaders of the two countries also meet at G-20 summits, nuclear security summits, and, as of 2012, East Asia Summits.

²⁶ “承前启后 引领未来—中美新型大国关系定位的由来,” (“The Past Brings on the Future—How the China-U.S. New Style Major Power Relationship Came to be Defined”), *Xinhua News Agency*, November 6, 2012, http://news.xinhuanet.com/world/2012-11/06/c_123920966.htm.

The relationship's highest-profile regularly scheduled dialogue is the annual Strategic and Economic Dialogue (S&ED), created in 2009 by combining two previously existing dialogues.²⁷ On the U.S. side, the Secretary of State leads the strategic track of the dialogue and the Secretary of the Treasury leads the economic track. In 2011 the two countries inaugurated a Strategic Security Dialogue under the S&ED, involving both civilian and military representatives. Other high-profile dialogues include the U.S.-China Consultation on People-to-People Exchange (CPE), established in 2010, and three dialogues established before President Obama took office: the Joint Commission on Commerce and Trade (JCCT), the Ten-Year Framework on Energy and Environment Cooperation, and the Joint Committee on Environmental Cooperation.²⁸ To broaden interaction to the sub-national level, the U.S. and Chinese governments in 2011 instituted a U.S.-China Governors Forum, intended to help deepen relationships between U.S. governors and Chinese provincial officials,²⁹ and an Initiative on City-Level Economic Cooperation, bringing together U.S. mayors and Chinese mayors and Party Secretaries.

Multilateral Engagement

As a means of encouraging China to adhere to international norms and “assume responsibilities commensurate with its growing global impact and its national capabilities,” in the words of President Obama’s National Security Advisor, Tom Donilon,³⁰ the Obama Administration has consciously sought to engage with China in multilateral settings. The United States and China are fellow permanent members of the U.N. Security Council and have worked together successfully in that setting 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 a series of actions related to Syria. The Obama Administration elevated the profile of the G-20 grouping of major economies in part to have a vibrant multilateral forum for engaging with China on economic issues. In addition, 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 U.N. 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.³¹

In Asia, the United States has prioritized its own attendance at meetings of regional multilateral groups, including the East Asia Summit, which the United States joined in 2011, in part to be able

²⁷ The S&ED was created by combining the State Department’s U.S.-China Senior Dialogue (known in China as the China-U.S. Strategic Dialogue), established in 2005, and the Treasury Department’s Strategic Economic Dialogue, created in 2006.

²⁸ See JCCT factsheet at <http://www.export.gov/china/policyadd/jcct.asp?dName=policyadd>.

²⁹ Office of the Spokesperson, Department of State, “U.S.-China Governors Forum Convened in Utah,” press release, July 15, 2011, <http://www.state.gov/r/pa/prs/ps/2011/07/168613.htm>.

³⁰ The White House Office of the Press Secretary, “Remarks by National Security Advisor Tom Donilon—As Prepared for Delivery: President Obama’s Asia Policy & Upcoming Trip to Asia,” November 15, 2013, <http://www.whitehouse.gov/the-press-office/2012/11/15/remarks-national-security-advisor-tom-donilon-prepared-delivery>.

³¹ Jeffrey A. Bader, *Obama and China’s Rise: An Insider’s Account of America’s Asia Strategy*, Brookings Institution Press, 2012, p. 70.

to engage China in those settings. The advantage of the multilateral settings of regional institutions, former Secretary of State Hillary Clinton opined in 2011, 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.”³²

Outreach to the Chinese Public

The U.S. Department of State operates multiple Chinese-language blogs and microblogs on Chinese platforms in an effort to circumvent often heavy-handed Chinese censorship of the traditional news media and reach out directly to the Chinese public with messages about U.S. policy. The Embassy’s flagship microblogs each have well over 650,000 registered followers.³³ When followers of U.S. government blogs re-post U.S. blog posts for their own followers, the U.S. government is sometimes able to reach directly many millions of Chinese who might not otherwise be exposed to U.S. government messages. That said, although the range of permitted expression on Chinese social media is broader than in traditional media, China-based microblog accounts are still subject to Chinese censorship. In July 2012, a Chinese microblog service disabled a popular microblog operated by the U.S. Consulate General in Shanghai, presumably because government censors felt uncomfortable with the material the Consulate General was posting.³⁴

The State Department also operates Chinese-language accounts on the online social networking service Twitter, which is based in the United States and does not censor content. The U.S. government posts on Twitter sensitive information that is often censored on Chinese social media, such as U.S. government speeches related to human rights and Internet freedom. The Chinese government’s policy of blocking access to Twitter from inside China reduces the service’s reach, but technologically savvy Chinese are able to use virtual private networks to evade the blocking technologies. The Chinese-language Twitter account operated by the State Department’s Bureau of International Information Programs (IIP), @meiguocankao, currently has just over 36,000 followers, a small fraction of the followers of the U.S. Embassy microblogs in China. A second account operated by the State Department’s Bureau of Public Affairs, @USA_Zhongwen, has just over 2,000 followers.

Of longer standing are U.S. government efforts to reach out directly to the Chinese public through programming produced by Radio Free Asia (RFA) and the Voice of America (VOA). Both are overseen by the Broadcasting Board of Governors (BBG), an independent entity responsible for all U.S. government and government-sponsored non-military international broadcasting. RFA’s stated mission is “to provide accurate and timely news and information to Asian countries whose governments prohibit access to a free press.”³⁵ For audiences in China, it delivers programming in two Chinese dialects, Mandarin and Cantonese, and in the languages of two ethnic minority groups, Tibetans and Uyghurs, via shortwave, medium wave, satellite transmissions and the

³² 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.

³³ When accessed on June 6, 2013, the Embassy’s Sina microblog, <http://weibo.com/usembassy>, had 683,404 followers, while the Embassy’s Tencent microblog, <http://e.qq.com/USEmbassy>, had 665,290 followers.

³⁴ William Gallo, “In Shanghai, US Consulate’s Microblog Disappears,” *Voice of America*, July 13, 2012.

³⁵ Broadcasting Board of Governors, “RFA President Responds to Press Freedom Findings,” press release, May 3, 2012, <http://www.bbg.gov/press-release/rfa-president-responds-to-freedom-of-the-press-findings/>.

Internet.³⁶ The Chinese government routinely seeks to block RFA programming from reaching the Chinese public, has not allowed RFA to open a permanent office in China, and denies RFA journalists temporary visas to report in China.³⁷

VOA broadcasts in the Chinese dialects of Mandarin and Cantonese and in Tibetan, via shortwave and satellite. VOA's mandate is to "present a balanced and comprehensive view of significant American thought and institutions" and "clearly present the policies of the United States."³⁸ VOA has had a permanent office in China since the 1980s, although the Chinese government restricts the number of accredited journalists VOA is permitted to base in China, allowing only one reporter for the VOA English-language service, known as Central News, and one reporter for the Chinese service.³⁹ The Chinese government also routinely seeks to block VOA transmissions. Through appropriations, Congress has supported the BBG's efforts to provide Chinese and other audiences whose home media are subject to censorship with means of accessing the blocked websites of BBG broadcasters through proxy servers and other tools.

For more information about the Internet in China, see CRS Report R42601, *China, Internet Freedom, and U.S. Policy*, coordinated by Thomas Lum, and CRS Report R41007, *Understanding China's Political System*, by Susan V. Lawrence and Michael F. Martin.

Visa Issuance

In January 2012, President Obama issued an Executive Order requiring the Secretaries of State and Homeland Security, in consultation with others, to develop a plan to streamline visa and foreign visitor processing worldwide, "in order to create jobs and spur economic growth in the United States, while continuing to protect our national security." The Executive Order, aimed at supporting the travel and tourism industry, in particular, listed specific targets for the streamlining. One was to "increase non-immigrant visa processing capacity in China and Brazil by 40% over the coming year," and the second was to "ensure that 80 percent of nonimmigrant visa applicants are interviewed within 3 weeks of receipt of application."⁴⁰ Meeting these goals was a major 2012 focus for the U.S. mission in China, where allegedly cumbersome procedures for applicants for non-immigrant visas were the subject of complaints from both Chinese and the U.S. business community.

In response to the President's Executive Order, the State Department hired new visa adjudicators, temporarily deployed additional visa officers, expanded consular facilities and visa interview hours, and launched a two-year pilot program allowing consular staff to waive the in-person

³⁶ Broadcasting Board of Governors, *Radio Free Asia*, Fact Sheet, <http://www.bbg.gov/broadcasters/rfa/>.

³⁷ The Heritage Foundation, "H.R. 2899 'Chinese Media Reciprocity Act of 2011,'" Testimony before the House Judiciary Subcommittee on Immigration Enforcement, June 20, 2012, <http://judiciary.house.gov/hearings/Hearings%202012/Zahn%2006202012.pdf>. See also John Eggerton, "Radio Free Asia Voice Denied Chinese Visa: Dhondup Gonzar Has Not Received Entry Permit One Day Before Opening Ceremonies of 2008 Beijing Olympic Games," *Broadcasting & Cable*, August 7, 2008, http://www.broadcastingcable.com/article/97412-Radio_Free_Asia_Voice_Denied_Chinese_Visa.php.

³⁸ Broadcasting Board of Governors, *Voice of America*, Fact Sheet, <http://www.bbg.gov/broadcasters/voa/>.

³⁹ The Heritage Foundation, "H.R. 2899 'Chinese Media Reciprocity Act of 2011,'" Testimony before the House Judiciary Subcommittee on Immigration Enforcement, June 20, 2012.

⁴⁰ Executive Order 13597, "Establishing Visa and Foreign Visitor Processing Goals and the Task Force on Travel and Competitiveness," 77 *Federal Register* 3473, January 24, 2012, <http://www.gpo.gov/fdsys/pkg/FR-2012-01-24/pdf/2012-1568.pdf>.

interview requirement for certain non-immigrant visa applicants.⁴¹ In an August 2012 report to the White House, the State Department reported that it had succeeded in reducing the average wait time for a visa interview in China to under 10 days, well below the 50 day average wait time in June 2011, and within the three week target set in the President's Executive Order, despite a large increase in visa applications.⁴² In FY2012, the U.S. Embassy in Beijing and U.S. consulates in four other Chinese cities jointly issued 1.2 million non-immigrant visas, an increase of 36% over FY2011.⁴³ China, Brazil, and Mexico are the only U.S. missions that currently process more than 1 million non-immigrant visas per year. The Commerce Department has predicted a 198% increase in Chinese visitors from 2012 levels by 2016.⁴⁴

Congressional Action Related to China in the 113th and 112th Congresses

The 113th Congress has so far passed one law with provisions related to China, Consolidated and Further Continuing Appropriations Act, 2013 (P.L. 113-6). The House has also agreed to a simple resolution on North Korea (H.Res. 65) that includes provisions related to China. Summaries of all legislation on China enacted or agreed to in the 113th and 112th Congresses are included as appendices to this report.

Notable China-related provisions in P.L. 113-6 include

- A requirement that the Department of Commerce provide a monthly report on any official travel to China by any Department employee, including the purpose of such travel.
- A prohibition on the Department of Commerce, the Department of Justice, the National Aeronautics and Space Administration (NASA), and the National Science Foundation using appropriated funds to acquire information technology systems without first consulting with the Federal Bureau of Investigation or another appropriate federal entity and making an assessment of any associated risk of cyberespionage or sabotage, including any risk associated with the system being produced, manufactured or assembled by entities owned, directed or subsidized by the People's Republic of China.
- A prohibition on the use of appropriated funds by the above agencies to acquire an information technology system produced, manufactured, or assembled by

⁴¹ Department of State and Department of Homeland Security, *Executive Order 13597: Improvements to Visa Processing and Foreign Visitor Processing 180-Day Progress Report*, August 2012, http://www.whitehouse.gov/sites/default/files/docs/eo_13597_180_day_report_final.pdf; Department of State, *Progress Report on Improvements to Visa and Foreign Visitor Processing*, Media Note, September 19, 2012, <http://www.state.gov/r/pa/prs/ps/2012/09/197951.htm>.

⁴² Department of State and Department of Homeland Security, *Executive Order 13597: Improvements to Visa Processing and Foreign Visitor Processing 180-Day Progress Report*, August 2012.

⁴³ U.S. State Department Bureau of Consular Affairs, *Table XIX: Nonimmigrant Visas Issued by Issuing Office (Including Border Crossing Cards) Fiscal Years 2003-2012*, Report of the Visa Office 2012, <http://www.travel.state.gov/pdf/FY12AnnualReport-TableXIX.pdf>.

⁴⁴ Department of State and Department of Homeland Security, *Executive Order 13597: Improvements to Visa Processing and Foreign Visitor Processing 180-Day Progress Report*, August 2012.

entities owned, directed, or subsidized by the PRC unless the entity head determines that acquisition of such a system is in the national interest of the United States and reports that determination to the House and Senate Committees on Appropriations.

- A prohibition of the use of funds made available by the act being used for the NASA or the White House Office of Science and Technology Policy (OSTP) to participate, collaborate, or coordinate bilaterally in any way with China or any Chinese owned company, with certain exceptions.

H.Res. 65 calls on China to

- pressure North Korean leaders to curtail their provocative behavior and abandon and dismantle their nuclear and missile programs by curtailing vital economic support and trade to North Korea;
- comply with all relevant international agreements and U.N. Security Council and International Atomic Energy Agency resolutions; and
- take immediate actions to prevent the transshipment of illicit technology, military equipment, and dual-use items through its territory, waters, and airspace that could be used in North Korea's nuclear weapons and ballistic missile programs.

The 112th Congress passed eight laws with provisions related to China, and also agreed to seven simple Senate resolutions and one simple House resolution.

Legislative provisions in the eight laws included requirements for the Executive Branch to submit a number of reports:

- The Commander of the United States Strategic Command: Report on the U.S. capability to use conventional and nuclear forces to neutralize Chinese nuclear weapons stored in underground tunnels (P.L. 112-239);
- The Chairman of the Joint Chiefs of Staff: Report on U.S. capabilities in relation to China, North Korea, and Iran (P.L. 112-239);
- Secretary of Energy: Report certifying that nonproliferation activities with China are not contributing to proliferation (P.L. 112-239);
- The Secretary of Defense: Report on military and security developments involving North Korea, including an assessment of North Korean regional security objectives that affect the PRC (P.L. 112-81); and
- Department of Commerce: Monthly reports on official travel to China by Department of Commerce employees (P.L. 112-55);

In addition, legislative provisions in P.L. 112-239 and P.L. 112-81 added required elements to the Department of Defense's Annual Report on Military and Security Developments Involving the People's Republic of China.

Requirements for new executive branch reviews and assessments included:

- Commander of the United States Strategic Command, contracting with a federally funded research and development center: An assessment of China's nuclear weapons program (P.L. 112-239);

- Secretary of Energy: A review of nonproliferation activities with China to determine if engagement is directly or indirectly supporting the proliferation of nuclear weapons development and technology to other nations (P.L. 112-239); and
- Comptroller General of the United States: A review of “any gaps between China’s anti-access capabilities and United States’ capabilities to overcome them” (P.L. 112-81).

Sense of the Congress provisions included:

- that the Secretary of Commerce should insist that China facilitate a meeting between Chinese drywall companies and representatives of the U.S. government to discuss remedies for U.S. homeowners with problematic Chinese drywall in their homes, and insist that China direct Chinese drywall companies to submit to the jurisdiction of U.S. courts (P.L. 112-266);
- a statement of U.S. policy regarding the Senkaku islets in the East China Sea over which Japan, the PRC, and Taiwan all claim sovereignty⁴⁵ (P.L. 112-239);
- That the President should take steps to address Taiwan’s shortfall in fighter aircraft (P.L. 112-239);
- That children with a North Korean parent may face statelessness in neighboring countries (China is not named, but implied), and that the Secretary of State should advocate for their best interests (P.L. 112-264); and
- That the United States should urge China to immediately halt forcible repatriations of North Koreans and allow the United Nations High Commission for Refugees unimpeded access to North Koreans inside China (P.L. 112-264).

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- Funding for the Congressional-Executive Commission on the People’s Republic of China and the United States-China Economic and Security Review Commission (P.L. 112-74);
- Direction to the U.S. executive director of each international financial institution to support projects in Tibet and Tibetan communities in China that meet certain requirements (P.L. 112-74);
- Direction to the Secretary of State to hire sufficient consular officers to reduce visa interview wait times in China, Brazil, and India (P.L. 112-74);
- Funding for the Office of China Compliance in the Department of Commerce’s International Trade Administration and for the ITA’s China Countervailing Duty Group (P.L. 112-55).

Appropriations legislation barred use of appropriated funds for:

- Processing licenses for the export to China of satellites and satellite components of U.S. origin (P.L. 112-74);

⁴⁵ The islets are known in China as the Diaoyu Dao and in Taiwan as the Diaoyutai.

- Financing any grant, contract, or cooperative agreement with the People's Liberation Army or any entity that is controlled by or an affiliate of the PLA (P.L. 112-74);
- United Nations Population Fund country programs in China (P.L. 112-74);
- Any participation, collaboration, or bilateral coordination between the National Aeronautics and Space Administration (NASA) or the White House Office of Science and Technology Policy and China or any Chinese-owned company, except in certain circumstances (P.L. 112-10).

Finally, a legislative provision prohibited the export, re-export, or direct or indirect transfer to China of satellites or related items subject to the Export Administration Regulations (P.L. 112-239).

Simple resolutions in the 112th Congress included House and Senate resolutions expressing regret for the passage of legislation that adversely affected Chinese in the United States, including the Chinese Exclusion Act of 1882. The Senate passed two resolutions supporting the Tibetan people and two resolutions related to maritime disputes between China and Southeast Asian states. It also passed a resolution honoring the late Chinese dissident astrophysicist Fang Lizhi, and a resolution that expressed disappointment with Russia and China for vetoing a U.N. resolution condemning Syrian President Bashar al-Assad.

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 economic issues, climate change and renewable energy cooperation, and human rights issues.

Security Issues

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

In March 2013, President Obama's National Security Advisor, Tom Donilon, described U.S.-China military-to-military dialogue as a "critical deficiency" in the current U.S.-China relationship.⁴⁶ 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 (PLA), that include "inappropriate exposure" to a range of subjects, including surveillance and reconnaissance operations and arms sales.⁴⁷ The provision remains a major irritant in the bilateral relationship,

⁴⁶ The White House Office of the Press Secretary, "Remarks By Tom Donilon, National Security Advisor to the President: The United States and the Asia-Pacific in 2013," remarks to the Asia Society, March 11, 2013, <http://www.whitehouse.gov/the-press-office/2013/03/11/remarks-tom-donilon-national-security-advisory-president-united-states-a>.

⁴⁷ 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 (continued...)"

with Chinese authorities arguing that it signals U.S. ill will. China's military, too, has been wary of a closer relationship with the U.S. military, though, in part because of concern about revealing potential vulnerabilities of its weaker force.

The Obama Administration, however, has pressed for a stronger military-to-military relationship with China. Donilon noted in his March 2013 remarks that, "The Chinese military is modernizing its capabilities and expanding its presence in Asia, drawing our forces into closer contact and raising the risk that an accident or miscalculation could destabilize the broader relationship." He argued that the two countries therefore "need open and reliable channels to address perceptions and tensions" about their activities and long-term presence in the Western Pacific.⁴⁸

In the 2011 U.S.-China joint statement issued in the name of the two countries' presidents, President Obama and then Chinese President Hu Jintao pledged to pursue "a healthy, stable, and reliable military-to-military relationship." The same year, the two countries inaugurated a Strategic Security Dialogue (SSD) that for the first time brings military and civilian officials from the two countries together to discuss sensitive issues.⁴⁹ Efforts to strengthen the military-to-military relationship seemed to gain momentum as the transition from Hu Jintao to Xi Jinping as China's top leader unfolded in 2012 and early 2013. Some analysts believe an unusual visit to the Pentagon accorded to Xi in February 2012, when he visited the United States as Vice President, may have helped win his support for stronger ties. The PLA, for its part, has appeared more willing to follow Xi's lead than his predecessor's.

In remarks in Singapore in June 2013, Secretary of Defense Hagel characterized dialogue between the two militaries as "steadily improving."⁵⁰ Among the positive developments he cited were the following:

- Xi's February 2012 Pentagon visit and visits to China by the chief of the Pacific Command Navy Adm. Samuel J. Locklear III (July 2012); then-Secretary of Defense Leon Panetta (September 2012); and Chairman of the Joint Chiefs of Staff General Martin Dempsey (April 2013);
- China's first ever participation as an observer of the U.S.-Philippine Balikatan joint military exercise in April 2013;
- A first-ever U.S.-China joint anti-piracy exercise in the Gulf of Aden in September 2012;

(...continued)

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."

⁴⁸ The White House Office of the Press Secretary, "Remarks By Tom Donilon, National Security Advisor to the President: The United States and the Asia-Pacific in 2013," remarks to the Asia Society, March 11, 2013, <http://www.whitehouse.gov/the-press-office/2013/03/11/remarks-tom-donilon-national-security-advisory-president-united-states-a>.

⁴⁹ The first meeting of the Strategic Security Dialogue was held on the sidelines of the May 2011 Strategic and Economic Dialogue (S&ED) in Washington, DC, and the second on the sidelines of the May 2012 S&ED in Beijing.

⁵⁰ Department of Defense, "Remarks by Secretary Hagel at the IISS Asia Security Summit, Shangri-La Hotel, Singapore," June 1, 2013.

- A first-ever U.S. invitation to China to participate in the United States' largest military exercises in the Pacific, the Rim of the Pacific or RIMPAC exercise, in the summer of 2014, and China's reported April 2013 acceptance of the invitation;
- An agreement for the United States and China to host a Pacific Army Chiefs for the first time.

In addition, during Chairman of the Joint Chiefs of Staff Martin E. Dempsey's April 2013 trip to China, his counterpart offered some of the Chinese military's strongest language to date accepting the United States as a Pacific power. "The Asia-Pacific region should be a platform for China-U.S. cooperation," General Fang Fenghui, Chief of the PLA General Staff, told reporters. "[W]e respect the legitimate right and interest of the United States in the Asia-Pacific region and we are glad to see a constructive role by the United States in the regional affairs."⁵¹ Wariness still remains strong on both sides, however, with China deeply unnerved by the U.S. policy of rebalancing to the Asia-Pacific.

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

Chinese Military Modernization

The United States has long been concerned about the intentions behind China's military modernization. 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."⁵²

In its 2013 report to Congress on military developments involving the PRC, the Department of Defense (DOD) stated that it believed China's military modernization is "designed to improve the capacity of [China's] armed forces to fight and win short-duration, high-intensity regional military conflict."⁵³ DOD assessed that the "principal focus and primary driver of China's military investment" is preparing for a contingency involving Taiwan, over which the PRC claims sovereignty. The DOD report observed, though, that China's military modernization also appears increasingly focused on developing capabilities for extended-range power projection and operations in emerging domains such as cyber, space, and electronic warfare, as well as other missions, including anti-piracy missions, peacekeeping, humanitarian assistance and disaster relief, and regional military operations.

Responding to skepticism from the United States and others about its intentions, China has repeatedly offered assurances that it is committed to "peaceful development" and to working within the existing international system, not challenging it. Chinese officials have also stated that China has neither the desire nor the capability to challenge the United States position in Asia. In a

⁵¹ Joint Chiefs of Staff, "Gen. Dempsey and Gen. Fang Fenghui's Joint Presser in Beijing," press release, April 24, 2013, <http://www.jcs.mil/speech.aspx?id=1766>.

⁵² U.S. Department of Defense, *Sustaining U.S. Global Leadership: Priorities for 21st Century Defense*, Washington, DC, January 2012.

⁵³ Office of the Secretary of Defense, *Annual Report to Congress: Military and Security Developments Involving the People's Republic of China 2013*, May 7, 2013, http://www.defense.gov/pubs/2013_china_report_final.pdf.

White Paper released in April 2013, China's military stated that, "China's armed forces provide a security guarantee and strategic support for national development, and make due contributions to the maintenance of world peace and regional stability." The White Paper also pledged that "China will never seek hegemony or behave in a hegemonic manner, nor will it engage in military expansion."⁵⁴ Even as it has sought to reassure, however, China has made clear that it considers itself to have "core interests" on which it will not compromise. In a 2010 article, China's top diplomat at the time listed those interests as maintaining Chinese Communist Party rule; safeguarding China's "sovereignty and security, territorial integrity, and national unity"; and sustaining China's economic and social development.⁵⁵

Chinese military modernization has been fueled by two decades of steadily increasing military spending. According to the DOD report to Congress, China's officially disclosed military budget increased an average of 9.7% annually in inflation-adjusted terms over the decade from 2003 to 2012. At \$114 billion, China's officially announced budget for 2013 represents an increase of 10.7% over 2012. The Pentagon believes China's actual military spending is higher than the officially disclosed figures, with the report to Congress estimating that China's military spending for 2012 was in the range of \$135 billion to \$215 billion.

Of particular concern to the U.S. government are Chinese capabilities that appear aimed at allowing China to deter intervention by American forces in a conflict in the Western Pacific. The United States describes such capabilities as being for "anti-access/area-denial" (A2/AD) missions; Chinese refers to such missions as "counter-intervention operations." Among Chinese weapons programs of concern to the United States is China's "carrier killer" anti-ship ballistic missile (ASBM) known as the DF-21D. The Pentagon report described the DF-21D as giving the PLA "the capability to attack large ships, including aircraft carriers, in the western Pacific Ocean." China has also test flown an indigenously produced fifth generation stealth fighter aircraft prototype, the J-20, and appears to be developing a second advanced stealth aircraft, tentatively identified as the J-31. The DOD report stated that such planes are intended to strengthen China's "ability to strike regional airbases and facilities," presumably including U.S. military bases in Asia. The military development that has stirred the greatest national pride in China is the September 2012 commissioning of China's first aircraft carrier, although it has so far provided China with more symbolic than real military power. Acquired from Ukraine in 1998, it was previously known as the Varyag and is now known as the Liaoning. The DOD report to Congress predicted that the carrier would reach operational effectiveness "in three to four years" and that, "China will probably build several aircraft carriers over the next 15 years."

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.

⁵⁴ Information Office of the State Council, "Full Text: The Diversified Employment of China's Armed Forces," *Xinhua News Agency*, April 16, 2013, http://news.xinhuanet.com/english/china/2013-04/16/c_132312681.htm. See also China's 2011 White Paper on peaceful development, Information Office of the State Council, *China's Peaceful Development*, September 2011, http://english.gov.cn/official/2011-09/06/content_1941354.htm.

⁵⁵ Dai Bingguo, "Persisting with Taking the Path of Peaceful Development," Review Volume on "Chinese Communist Party Central Committee's Suggestions on Setting the Twelfth Five Year Plan for the National Economy and Social Development," December 6, 2010.

Cyber Activities Directed Against U.S. National Defense Programs

In DOD's 2013 annual report to Congress on military developments involving China, the U.S. government for the first time stated that some cyber-intrusions targeting U.S. government and other computer systems, "appear to be attributable directly to the Chinese government and military." The report went on to accuse China of using "computer network exploitation (CNE)" capabilities to collect intelligence from government and sectors of the U.S. economy that support U.S. national defense programs. The report did not acknowledge what damage might have been caused by such intrusions.⁵⁶ Responding to the allegations in the report, a Chinese Foreign Ministry spokesperson told reporters, "We resolutely oppose hacking attacks of any form and stand ready to have calm and constructive dialogue with the U.S. on the cyber security issue. Unwarranted accusations and hyping will do nothing but undermine our joint efforts for dialogue and poison the atmosphere."⁵⁷

Although DOD has so far accused China only of ex-filtrating information, it has raised concern about the threat of computer network attacks from China, noting that "the accesses and skills" required for cyber intrusions are closely related to those needed for attacks.⁵⁸

For further discussion of cybersecurity in the U.S.-China relationship, see "Commercial Cyber Espionage" below.

China's Reaction to U.S. Strategic Rebalancing To the Asia-Pacific

While concerns about cyber security have rapidly emerged as a top concern for the United States in the U.S.-China relationship, the U.S. strategic rebalance toward the Asia-Pacific is among China's top concerns. During a trip to the United States in February 2012, shortly after the policy was officially launched, President Xi Jinping, then China's Vice President, responded to the rebalancing policy with the statement, "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."⁵⁹ Since then, Chinese officials have repeatedly raised questions about whether the U.S.

⁵⁶ Office of the Secretary of Defense, *Annual Report to Congress: Military and Security Developments Involving the People's Republic of China 2013*, May 7, 2013, p. 36, http://www.defense.gov/pubs/2013_china_report_final.pdf. A confidential 2013 Defense Science Board document reportedly alleged, however, that 29 DOD system designs, including the designs for ballistic missile defense systems, and many other defense technologies had been "compromised via cyber exploitation." Officials with knowledge of the breaches told *The Washington Post*, "the vast majority [of the exploitations] were part of a widening Chinese campaign of espionage against U.S. defense contractors and government agencies." Ellen Nakashima, "Confidential Report Lists U.S. Weapons System Designs Compromised by Chinese Cyberspies," *Washington Post*, May 27, 2013, http://www.washingtonpost.com/world/national-security/confidential-report-lists-us-weapons-system-designs-compromised-by-chinese-cyberspies/2013/05/27/a42c3e1c-c2dd-11e2-8c3b-0b5e9247e8ca_story.html.

⁵⁷ Ministry of Foreign Affairs of the People's Republic of China, "Foreign Ministry Spokesperson Hua Chunying's Regular Press Conference on May 7, 2013," transcript, May 13, 2013, <http://www.fmprc.gov.cn/eng/xwfw/s2510/2511/t1038551.shtml>.

⁵⁸ Office of the Secretary of Defense, *Annual Report to Congress: Military and Security Developments Involving the People's Republic of China 2013*, May 7, 2013, p. 36, http://www.defense.gov/pubs/2013_china_report_final.pdf.

⁵⁹ Vice President Xi Jinping, "Remarks by Chinese Vice President Xi Jinping at a Luncheon Co-hosted by the U.S.-China Business Council and the National Committee on U.S.-China Relations," *Federal News Service*, February 15, 2012.

rebalancing is, in fact, contributing to peace, stability, and prosperity, and whether, despite U.S. assurances to the contrary, it is in fact intended to “contain” China.

July 2012, China’s Vice Foreign Minister with responsibility for the United States, who is now China’s Ambassador to the United States, co-authored an article with a fellow diplomat raising questions about the United States’ “true motive” in rebalancing to the Asia-Pacific and demanding 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. They 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 allegedly sought to create—and alleged U.S. intervention in disputes between China and its neighbors.⁶⁰

That many in China still do not feel reassured was made plain at a security summit in Singapore in June 2013, when a senior Chinese PLA scholar told Secretary of Defense Hagel that the rebalance has been interpreted in China as an “attempt to contain China’s rising influence and to offset the increasing military capabilities of the Chinese PLA.” U.S. government officials “have on several occasions clarified that the rebalance is not against China,” she noted. “However, China is not convinced.” The PLA scholar went on to question Hagel on apparent tensions between the United States’ stated desire to build a more positive relationship with China, and U.S. plans to step up military deployments in Asia and reassure U.S. allies.⁶¹

The most common charge from Chinese critics is that the United States’ higher profile in Asia, including its deeper engagement with multilateral groupings such as ASEAN and its strengthening of its military alliances, is destabilizing the region by emboldening countries with which China has territorial disputes, including Japan, the Philippines, and Vietnam, to press their claims more assertively. Chinese commentators have been critical, too, of the flagship economic initiative of the U.S. rebalancing to Asia, the Trans-Pacific Partnership (TPP).⁶² The TPP is often characterized in the Chinese media as an initiative that deliberately excludes China, that is intended to thwart regional economic integration, and that challenges ASEAN’s leadership role in promoting trade and investment liberalization in the region. U.S. officials have said that they welcome China’s participation, although to join, China would need to reform its trade and investment regimes significantly. At the Obama-Xi summit in June 2013, President Obama agreed to a request from President Xi for briefings on U.S. progress toward a TPP agreement.⁶³

⁶⁰ Cui Tiankai and Pang Hanzhao, “China-US Relations in China’s Overall Diplomacy in the New Era—On China and US Working Together to Build a New-Type Relationship Between Major Countries,” *China International Strategy Review* 2012, July 20, 2012, <http://www.fmprc.gov.cn/eng/zxxx/t953682.htm>

⁶¹ The PLA scholar was Major Gen. Yao Yunzhu, Director of the Center for China-America Defense Relations at the PLA’s Academy of Military Sciences. Department of Defense, “Remarks by Secretary Hagel at the IISS Asia Security Summit, Shangri-La Hotel, Singapore,” June 1, 2013, <http://www.defense.gov/transcripts/transcript.aspx?transcriptid=5251>.

⁶² As discussed in other parts of this memorandum, formal U.S. participation in the proposed TPP was initiated under the Bush Administration. Subsequently, it has become an important part of the Obama Administration’s rebalancing toward the Asia-Pacific.

⁶³ The White House Office of the Press Secretary, “Press Briefing by National Security Advisor Tom Donilon,” transcript, June 8, 2013, <http://www.whitehouse.gov/the-press-office/2013/06/09/press-briefing-national-security-advisor-tom-donilon>.

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

Maritime Territorial Disputes

China has long placed a high priority on sovereignty and territorial integrity, a priority reflected in its decades-long effort to bring Taiwan under its control. The same priority has propelled China into a series of disputes with its neighbors over maritime territory in the South China Sea and East China Sea. Beijing's increasing willingness to bring its maritime power and growing economic clout to bear on those disputes has raised concerns in Asia and among policymakers in the United States about whether China's continued rise will be as peaceful as China has long promised. Two of China's rival claimants, Japan and the Philippines, are U.S. allies. The United States has specifically acknowledged that the U.S. security treaty with Japan covers all areas under Japanese administration, including islands that are currently at the center of a territorial dispute between Japan and China.

For more information, see CRS Report R42930, *Maritime Territorial Disputes in East Asia: Issues for Congress*, by Ben Dolven, Shirley A. Kan, and Mark E. Manyin and CRS Report R42784, *Maritime Territorial and Exclusive Economic Zone (EEZ) Disputes Involving China: Issues for Congress*, by Ronald O'Rourke.

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 major portion of world's trade passes. 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. The SCS is bordered by a U.S. treaty ally, the Philippines, and is a key strategic waterway for the U.S. Navy.

In July 2010, then Secretary of State Hillary Clinton explicitly declared a U.S. "national interest" in maintaining freedom of navigation in the SCS. An August 2012 State Department statement further defined 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. The statement noted that United States does not take a position on the competing sovereignty claims, but believes that, "the nations of the region should work collaboratively and diplomatically to resolve disputes without coercion, without intimidation, without threats, and without the use of force."⁶⁴ China's Foreign Minister declared Secretary Clinton's comments to have been "in effect an attack on China."⁶⁵

⁶⁴ U.S. Department of State, "Patrick Ventrell, Acting Deputy Spokesperson, Office of Press Relations: Statement on the South China Sea," August 3, 2012, <http://www.state.gov/r/pa/prs/ps/2012/08/196022.htm>.

⁶⁵ Ministry of Foreign Affairs of the People's Republic of China, *Foreign Minister Yang Jiechi Refutes Fallacies on the South China Sea Issue*, Statement posted on website, July 25, 2010, <http://www.mfa.gov.cn/eng/zxxx/t719460.htm>.

The territorial disputes at the heart of the tensions are decades, or even centuries, old, but observers have noted a sharp uptick in incidents at sea since 2005-2006, from claimants seeking to assert sovereignty or exploit offshore hydrocarbons and fishery resources. A major incident occurred in 2012 at Scarborough Shoal, known in China as Huangyan Dao, a set of landmasses disputed between China and the Philippines. Chinese vessels confronted a Philippine Naval vessel that had interdicted Chinese fishing boats. After a weeks-long standoff, Philippine vessels left the area, leaving China in control of an area it had not previously held. This development was among several that prompted the August 2012 State Department statement opposing coercion, threats and the use of force. China and the Philippines have been facing off since May 2013 over a remote coral reef, the Second Thomas Shoal, known in China as Ren'ai Reef.

The United States has 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. China, which argues that the disputes are best handled among the rival claimants alone, has resisted what it calls U.S. efforts to "internationalize" the disputes. The United States has also publicly urged the Association of Southeast Asian Nations (ASEAN) and China to move forward with long-stalled negotiations over the text of a binding code of conduct that would govern behavior in the SCS, and would include specific dispute-resolution mechanisms. Although China had earlier pronounced that the time was not right for Code of Conduct negotiations, Chinese Foreign Minister Wang Yi told his Indonesian counterpart in May 2013 that China was ready to re-start such negotiations.⁶⁶

East China Sea

In the East China Sea, China is involved in a territorial dispute with Japan over the sovereignty of uninhabited islets known in Japan as the Senkakus and in China as the Diaoyu Dao. The islets are also claimed by Taiwan, which refers to them as the Diaoyutai. The United States does not take a position on the sovereignty dispute, but has a strong interest in the issue because the U.S.-Japan Treaty of Mutual Cooperation and Security covers areas under Japanese administration, and the United States government has repeatedly confirmed that such areas include the Senkakus/Diaoyu Islets.

Japan-China tensions over the islets have run high since September 11, 2012, when Japan's government purchased three of the islands from their private Japanese owners, a move that China charged was equivalent to "nationalizing" the islands. Since then, China has maintained a nearly continuous presence near the islets and repeatedly sent its vessels into the 12 nautical mile territorial waters around them. China has mainly deployed vessels from the two civilian agencies, China Maritime Surveillance and the Bureau of Fisheries, but it has also sent Navy vessels and military aircraft into the area near the islands. Japan has responded with stepped-up coast guard patrols and missions by Japanese Self Defense Force fighter planes.

Chinese officials have indicated that among their immediate goals is to force Japan to acknowledge that sovereignty of the islets is in dispute, an acknowledgement that Japan has

⁶⁶ Bagus BT Saragih, "China Closer to South China Sea Code of Conduct, Marty says," *The Jakarta Post*, May 3, 2013, <http://www.thejakartapost.com/news/2013/05/03/china-closer-south-china-sea-code-conduct-marty-says.html>; and Ministry of Foreign Affairs of the People's Republic of China, "Wang Yi: Keeping Vigilant Against Some Countries Stirring Up Troubles in South China Sea for Their Own Interests," press release, May 2, 2013, <http://www.fmprc.gov.cn/eng/zxxx/t1037682.shtml>.

resisted. Some observers believe that China may also have hoped to undermine the case for possible U.S. intervention in a conflict over the islets by arguing that the Chinese presence near the islands proves the islets are no longer administered solely by Japan, and thus may not fall within the scope of the U.S.-Japan security treaty. Congress sought to address that line of argument in Section 1286 of the FY2013 National Defense Authorization Act (P.L. 112-239). The section stated that it was the sense of Congress that “the unilateral action of a third party”—a reference to China—“will not affect the United States’ acknowledgement” of Japanese administration over the islands. The section also reaffirmed the United States commitment to Japan under Article V of the security treaty. Then-Secretary of State Hillary Clinton adopted the same position in remarks in January 2013,⁶⁷ as did Secretary of Defense Chuck Hagel in remarks in April 2013.⁶⁸ A Chinese Foreign Ministry spokesman denounced Clinton’s statement as “ignorant of facts and indiscriminate of rights and wrongs.”⁶⁹ After the Obama-Xi summit in June 2013, National Security Advisor Donilon paraphrased President Obama as telling his Chinese counterpart that the United States does not take a position on the sovereignty of the disputed islets, but “the parties should seek to de-escalate, not escalate; and the parties should seek to have conversations about this through diplomatic channels and not through actions out of the East China Sea.”⁷⁰

The China-Japan dispute over the Senkakus/Diaoyu previously rose to the level of an international crisis in September 2010, after 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.

For more information, see CRS Report R42761, *Senkaku (Diaoyu/Diaoyutai) Islands Dispute: U.S. Treaty Obligations*, by Mark E. Manyin and CRS Report RL33436, *Japan-U.S. Relations: Issues for Congress*, coordinated by Emma Chanlett-Avery.

Exclusive Economic Zone (EEZ) Disputes

The issue that has for years provided 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

⁶⁷ Clinton stated that, “... although the United States does not take a position on the ultimate sovereignty of the islands, we acknowledge they are under the administration of Japan and we oppose any unilateral actions that would seek to undermine Japanese administration...” Department of State, “Secretary of State Hillary Rodham Clinton Remarks with Japanese Foreign Minister Fumio Kishida After Their Meeting,” January 18, 2013, <http://www.state.gov/secretary/rm/2013/01/203050.htm>.

⁶⁸ Hagel stated that, “... the United States opposes any unilateral or coercive action that seeks to undermine Japan’s administrative control...” He added, “The United States does not take a position on the ultimate sovereignty of the islands, but we do recognize they are under the administration of Japan and fall under our security treaty obligations.” Department of Defense, “Press Conference with Secretary Hagel and Defense Minister Onodera from the Pentagon,” April 29, 2013, <http://www.defense.gov/transcripts/transcript.aspx?transcriptid=5230>.

⁶⁹ “China Opposes U.S. Comments About Diaoyu Islands: Spokesman,” *Xinhua News Agency*, January 20, 2013.

⁷⁰ The White House Office of the Press Secretary, “Press Briefing by National Security Advisor Tom Donilon,” transcript, June 8, 2013, <http://www.whitehouse.gov/the-press-office/2013/06/09/press-briefing-national-security-advisor-tom-donilon>.

its coast. China's view, which is shared by a small number of other countries, has been 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.⁷¹ In 2010, China reiterated its opposition to foreign military activities in its EEZ in response to the announcement of joint military exercises between the United States and South Korea in the Yellow Sea, following provocations by North Korea.⁷²

Revelations in 2013 have raised questions about whether the Chinese position may be changing, however. DOD's 2013 report to Congress on military developments involving China noted that the United States had "observed over the past year several instances of Chinese naval activities in the EEZ around Guam and Hawaii." The DOD report observed that the United States considers such activities to be "lawful," but noted that "the activity undercuts China's decades-old position that similar foreign military activities in China's EEZ are unlawful."⁷³ In June 2013, a PLA officer attending a security dialogue in Singapore reportedly publicly acknowledged that China has sent vessels into the United States' EEZ "a few times."⁷⁴

For more information, see CRS Report R42784, *Maritime Territorial and Exclusive Economic Zone (EEZ) Disputes Involving China: Issues for Congress*, by Ronald O'Rourke.

⁷¹ 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.

⁷² In July 2010, China's Foreign Minister Yang Jiechi told Secretary of State Hillary Clinton that China "firmly opposes foreign warships and military aircraft entering the Yellow Sea and other coastal waters of China to engage in activities affecting China's security and interests." See Ministry of Foreign Affairs of the PRC, "Yang Jiechi Meets with U.S. Secretary of State Clinton and Canadian Foreign Minister Cannon," press release, July 23, 2010, <http://www.china-embassy.org/eng/zmgx/t719784.htm>. In November 2010, a Foreign Ministry spokesman declared that "We oppose any party to take any military acts in our exclusive economic zone without permission." See "China Opposes Any Military Acts in Exclusive Economic Zone Without Permission," *Xinhua*, November 26, 2010.

⁷³ Office of the Secretary of Defense, *Annual Report to Congress: Military and Security Developments Involving the People's Republic of China 2013*, May 7, 2013, http://www.defense.gov/pubs/2013_china_report_final.pdf.

⁷⁴ The Chinese military officer was Senior Colonel Zhou Bo. See Jeff M. Smith, *China Comes Around?*, Pacific Forum—CSIS, PacNet #41, June 11, 2013, <http://csis.org/publication/pacnet-41-china-comes-around>. Rory Medcalf, "Maritime Game Changer Revealed at Shangri-la Dialogue," *The Diplomat*, June 2, 2013.

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. "We believe that no country, including China, should conduct 'business as usual' with a North Korea that threatens its neighbors," National Security Advisor Tom Donilon remarked in a speech on Asia policy in March 2013.⁷⁵

Over the years, China has supported some U.N. actions against North Korea, and shielded North Korea from others. In 2013, it has supported two resolutions targeting North Korea, January's Resolution 2087 condemning the country's December 2012 rocket launch, and March's Resolution 2094, which strengthened existing sanctions against North Korea in response to the country's February 2013 nuclear test.⁷⁶ A year earlier, 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.⁷⁷ 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.⁷⁸

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 repeatedly ignored China's warnings not to carry out the rocket launches and the nuclear 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.⁷⁹ China has long been committed to providing material support to the Pyongyang

⁷⁵ The White House Office of the Press Secretary, "Remarks By Tom Donilon, National Security Advisor to the President: The United States and the Asia-Pacific in 2013," remarks to the Asia Society, March 11, 2013, <http://www.whitehouse.gov/the-press-office/2013/03/11/remarks-tom-donilon-national-security-advisory-president-united-states-a>.

⁷⁶ United Nations News Service, *Security Council Tightens Sanctions on DPR Korea in Wake of Latest Nuclear Blast*, March 7, 2013, <http://www.un.org/apps/news/story.asp?NewsID=44313&Cr=democratic&Cr1=korea>.

⁷⁷ United States Mission to the United Nations, "Fact Sheet: UN Security Council Presidential Statement on North Korea Launch," press release, April 16, 2012, <http://usun.state.gov/briefing/statements/187937.htm>.

⁷⁸ See Mary Beth Nikitin, Emma Chanlett-Avery, and Mark Manyin, et al., *Implementation of U.N. Security Council Resolution 1874*, CRS memo released by Senate Foreign Relations Committee, Washington, DC, October 8, 2010, <http://lugar.senate.gov/issues/foreign/reports/NKoreaCRSReport.pdf>.

⁷⁹ Jane Perlez, "North Korea Tests the Patience of Its Closest Ally," *New York Times*, June 24, 2012.

regime because of fears about the potentially destabilizing 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. In recent months, however, Chinese scholars have reported a vigorous debate within China about North Korea policy, and China's leaders have appeared modestly more willing to pressure North Korea, perhaps accepting that it is the status quo that has become destabilizing.

At the Bo'ao Forum in April 2013, shortly after he took office as China's President, Xi Jinping raised eyebrows among observers of the China-North Korea relations when he warned that, "No one should be allowed to throw a region or even the whole world into chaos for selfish gain."⁸⁰ The comment was widely interpreted to be directed at Pyongyang. In May 2013, a major Chinese state bank, Bank of China, announced that it had closed the account of North Korea's primary foreign-exchange bank, the Foreign Trade Bank.⁸¹

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.

For more information, see "June 7-8, 2013: The Presidential Summit in Rancho Mirage, CA" above. See also CRS Report R41259, *North Korea: U.S. Relations, Nuclear Diplomacy, and Internal Situation*, by Emma Chanlett-Avery and Ian E. Rinehart; CRS Report R40684, *North Korea's Second Nuclear Test: Implications of U.N. Security Council Resolution 1874*, coordinated by Mary Beth Nikitin and Mark E. Manyin; CRS Report RL31555, *China and Proliferation of Weapons of Mass Destruction and Missiles: Policy Issues*, by Shirley A. Kan; and CRS Report RS22973, *Congress and U.S. Policy on North Korean Human Rights and Refugees: Recent Legislation and Implementation*, by Emma Chanlett-Avery.

Curbing Iran's Nuclear Program

Since 2006, China has been an important player in U.S.- and European-led multilateral efforts to rein in Iran's suspected nuclear weapons program. As a permanent member of the U.N. Security Council, China has participated in negotiations with Iran over the nuclear 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 and 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,

⁸⁰ The White House Office of the Press Secretary, "Remarks By Tom Donilon, National Security Advisor to the President: The United States and the Asia-Pacific in 2013," remarks to the Asia Society, March 11, 2013, <http://www.whitehouse.gov/the-press-office/2013/03/11/remarks-tom-donilon-national-security-advisory-president-united-states-a>.

⁸¹ Heng Xie and Megha Rajagopalan, "Bank of China Closes Account of Key North Korean Bank," *Reuters*, May 7, 2013.

Russia and China successfully insisted that new sanctions not target Iran's civilian economy or its population.

China's policy toward Iran is also of crucial importance to U.S. efforts to pressure the Iranian regime because China is Iran's largest trading partner and single largest customer for oil, and a major investor in the Iranian energy and other sectors. 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. It did substantially decrease its oil imports from Iran in 2012, though, reportedly in part because of disputes with Iran over the terms of annual purchase contracts.⁸²

The Administration granted China P.L. 112-81 sanctions exemptions on June 28, 2012, December 7, 2012, and June 5, 2013. At the same time, the United States has also sanctioned Chinese businesses 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."⁸³ China angrily protested the move and defended China's business ties with Iran. A Chinese Foreign Ministry spokesman insisted that China's cooperation with Iran, "has nothing to do with Iran's nuclear program, is not in violation of any U.N. Security Council resolutions or other international norms, and does not harm the interests of any third party."⁸⁴

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, then 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."⁸⁵

The United States has for many years implicated Chinese firms in sales to Iran of missile technology. The Central Intelligence Agency's 2012 report to Congress on the Acquisition of Technology Relating to Weapons of Mass Destruction and Advanced Conventional Munitions, covering the 2011 calendar year, stated that, "Chinese entities—primarily private companies and individuals—continue to supply a variety of missile-related items to multiple customers, including Iran and Pakistan."⁸⁶

⁸² U.S. Energy Information Administration, *Iran*, March 28, 2013, <http://www.eia.gov/countries/cab.cfm?fips=ir>.

⁸³ U.S. Department of the Treasury, "Treasury Sanctions Kunlun Bank in China and Elaf Bank in Iraq for Business with Designated Iranian Banks," press release, July 31, 2012, <http://www.treasury.gov/press-center/press-releases/Pages/tg1661.aspx>.

⁸⁴ Ministry of Foreign Affairs of the People's Republic of China, "Foreign Ministry Spokesperson Qin Gang's Remarks on US Sanctions against Bank of Kunlun," August 1, 2012, <http://www.fmprc.gov.cn/eng/>.

⁸⁵ State Department Special Advisor for Nonproliferation and Arms Control Robert Einhorn, "The Impact of Sanctions on Iran's Nuclear Program," Remarks to Arms Control Association Briefing Series, Washington, DC, March 9, 2011, <http://www.armscontrol.org/events/RoleSanctionsIranNuclear>.

⁸⁶ Office of the Director of National Intelligence, *Unclassified Report to Congress on the Acquisition of Technology Relating to Weapons of Mass Destruction and Advanced Conventional Munitions, Covering 1 January to 31 December 2011*, February 2012, p. 8, <http://www.fas.org/irp/threat/wmd-acq2011.pdf>.

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

Resolving the Crisis in Syria

The United States has looked to China, a fellow permanent member of the United Nations Security Council, to play a constructive role in helping to resolve the crisis in Syria. China has opposed all military intervention in Syria, including proposals for U.N. authorization of use of force, and has joined Russia in blocking several U.S.-backed Security Council resolutions on Syria. China's position is that "a political solution is the only realistic way to address the Syria issue." China's Foreign Ministry has urged efforts to bring about a ceasefire and launch a transition process in accordance with the communique from the Geneva foreign ministers meeting. It has pledged that China will take "an active part" in the international conference on Syria proposed in late May by U.S. Secretary of State Kerry and his Russian counterpart, and has supported participation by Iran and Saudi Arabia in the proposed conference.⁸⁷

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, one 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 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." Washington continues to sell arms to Taiwan, over strenuous PRC objections, and

⁸⁷ Ministry of Foreign Affairs of the People's Republic of China, Press conferences hosted by Foreign Ministry Spokesperson Hong Lei on May 21, May 23, and May 27, 2013.

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 Department of Defense estimates that the PRC deploys more than 1,100 short-range ballistic missiles opposite Taiwan's coast. China has also engaged in a program of military modernization that includes the development or deployment of military capabilities "to coerce Taiwan or attempt an invasion, if necessary," according to DOD.⁸⁸

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.⁸⁹

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. Supporters of Taiwan's largest opposition party, the independence-minded Democratic Progressive Party (DPP), charged that in the run-up to January 2012 presidential and legislative elections, the United States inappropriately signaled its support for President Ma's candidacy because of a fear of heightened tensions between Taipei and Beijing if the DPP candidate were to win.⁹⁰ President Ma was re-elected to a second four-year term, which is scheduled to conclude in May 2016.

For more information, see CRS Report R41952, *U.S.-Taiwan Relationship: Overview of Policy Issues*, by Shirley A. Kan and Wayne M. Morrison; CRS Report R41263, *Democratic Reforms in Taiwan: Issues for Congress*, by Shirley A. Kan; and CRS Report RL30341, *China/Taiwan: Evolution of the "One China" Policy—Key Statements from Washington, Beijing, and Taipei*, by Shirley A. Kan.

⁸⁸ Office of the Secretary of Defense, *Annual Report to Congress: Military and Security Developments Involving the People's Republic of China 2013*, May 7, 2013, pp. 5, 55, http://www.defense.gov/pubs/2013_china_report_final.pdf.

⁸⁹ 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."

⁹⁰ While the DPP candidate Tsai Ying-wen was visiting Washington, DC, 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." Anna Fifield, "U.S. Concerned About Taiwan Presidential Candidate," *Financial Times*, September 15, 2011. In the closing months of the campaign the Administration also dispatched two high level officials to visit Taiwan and officially nominated Taiwan to the Department of Homeland Security's visa waiver program, a major goal of the Ma Administration.

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.⁹¹
- **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 mediation 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.⁹²

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.

⁹¹ The United States withdrew all military personnel from Taiwan in 1979, during the Carter Administration.

⁹² Different sources give slightly differing versions of the language of the “Six Assurances.” See CRS Report RL30341, *China/Taiwan: Evolution of the “One China” Policy—Key Statements from Washington, Beijing, and Taipei*, by Shirley A. Kan.

Other rounds produced accords related to postal links, food safety, and Chinese investment in Taiwan.⁹³

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 under the name “Chinese Taipei.”⁹⁴ 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. Some analysts have questioned how much Taiwan gained, however, noting that China has a memorandum of understanding with the WHO requiring that any interaction between Taiwan and the WHO be approved first by the Chinese Ministry of Health, and noting, too, that in WHO documents, Taiwan is referred to as “Taiwan Province of China.”⁹⁵

Taiwan is now seeking observer status in a second international body long closed to it, the International Civil Aviation Organization (ICAO). In a September 2012 meeting between then Chinese President Hu Jintao and Lien Chan, Honorary Chairman of Taiwan’s KMT, Hu pledged that Beijing would, in the KMT’s words, “seriously study how to allow Taiwan to participate in ICAO events in an appropriate way.”⁹⁶ Hu is now retired, but Beijing still appears to consider itself bound by Hu’s words. It has not sought to block Taiwan’s bid for observer status in the ICAO, but has made clear that it expects to be heavily involved in negotiating the terms of any Taiwan participation.

Beijing and Taipei signed a landmark free trade arrangement, the Economic Cooperation Framework Agreement (ECFA), in June 2010, removing many remaining barriers to trade and investment across the Taiwan Strait and hastening cross-strait economic integration.⁹⁷ 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, some analysts believe that closer economic ties may deter cross-strait conflict by increasing the potential economic and human costs 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 2013.⁹⁸

⁹³ 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).

⁹⁴ Low, Y.F., “CNA: World Health Assembly’s Invitation Raises Taiwan’s International Profile,” *Taipei Central News Agency*, April 29, 2009.

⁹⁵ For discussion of Taiwan’s participation in international organizations and its observer status in the World Health Association, see Sigrid Winkler, “Taiwan’s UN Dilemma: To Be or Not To Be,” June 2012, Brookings Institution website, <http://www.brookings.edu/research/opinions/2012/06/20-taiwan-un-winkler>.

⁹⁶ Kuomintang Official Website, “Lien Chan: Cross-Strait Economic and Trade Relations Enter Deep Waters,” press release, September 10, 2013, <http://www.kmt.org.tw/english/page.aspx?type=article&mnum=112&anum=11835>.

⁹⁷ Cross-Straits 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, *Testimony of Dr. Kurt M. Campbell*, 112th Cong., October 4, 2011, <http://www.state.gov/p/eap/rls/rm/2011/10/174980.htm>.

⁹⁸ *Want China Times*, *ECFA talks key to raising Taiwan’s economic strength: SEF*, May 17, 2012, (continued...)

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.⁹⁹ 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.¹⁰⁰ 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.” Sec. 1281 of the FY2013 National Defense Authorization Act (P.L. 112-239) stated that it was the Sense of the Congress that the President should take steps to address Taiwan's shortfall in fighter aircraft, “whether through the sale of F-16 C/D aircraft or other aircraft of similar capacity.”

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 respectively, and are heavily interdependent. The Obama Administration has sought to cooperate with China in rebalancing the global economy, working both bilaterally and through the mechanism of the G-20 grouping of nations. It also acknowledges that the two nations are engaged in what President Obama calls “healthy economic competition.”¹⁰¹ Bilateral economic issues include the issue of

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<http://www.wantchinatimes.com/news-subclass-cnt.aspx?cid=1102&MainCatID=&id=20120517000109>.

⁹⁹ 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 9th IISS Asian Security Summit, the Shangri-La Dialogue, Singapore, June 5, 2010, <http://www.iiss.org/conferences/the-shangri-la-dialogue/shangri-la-dialogue-2010/plenary-session-speeches/second-plenary-session/ma-xiaotian/>.

¹⁰⁰ U.S. Congress, House Committee on Foreign Affairs, *Testimony of Dr. Kurt M. Campbell*, 112th Cong., October 4, 2011, <http://www.state.gov/p/eap/rls/rm/2011/10/174980.htm>.

¹⁰¹ The White House Office of the Press Secretary, “Remarks by President Obama and President Xi Jinping of the People's Republic of China Before Bilateral Meeting,” press release, June 7, 2013.

commercial cyber espionage allegedly originating from China; China's currency and industrial policies; and China's weak enforcement of intellectual property rights. Both countries have welcomed the growth of Chinese foreign direct investment in the United States, although China has complained about U.S. scrutiny of investments on national security grounds. 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).

For more information, see CRS Report RL33536, *China-U.S. Trade Issues*, by Wayne M. Morrison, and CRS Report RL33534, *China's Economic Rise: History, Trends, Challenges, and Implications for the United States*, by Wayne M. Morrison.

Basic Facts About the U.S.-China Economic Relationship

Basic facts about the bilateral economic relationship include

- The U.S. and Chinese economies are the first and second largest in the world respectively on both a nominal dollar basis and a purchasing power parity basis. In 2011, according to the World Bank, U.S. nominal GDP was more than twice the size of China's, at \$14.99 trillion compared to China's \$7.3 trillion.¹⁰²
- According to official U.S. trade data, China is the United States' second largest trading partner, after Canada. Two-way trade in 2012 topped \$536 billion. China's exports to the United States totaled \$426 billion, and U.S. exports to China totaled \$111 billion. The U.S. goods trade deficit with China was \$315 billion.
- According to Chinese data, the United States is China's largest trading partner and U.S.-China two-way trade in 2012 was \$480 billion, with Chinese exports to the United States totaling \$352 billion and U.S. exports to China totaling \$128 billion. Chinese data shows the Chinese trade surplus with the United States to be \$224 billion.¹⁰³
- China is the United States' largest supplier of imports, third largest export market (after Canada and Mexico), second largest agricultural export market (after Canada), and fifth largest market for exports of private services. Imports from China make up 19% of all U.S. imports and exports to China account for 7% of all U.S. exports.
- For at least 124 countries, China is now a larger trading partner than the United States.¹⁰⁴
- China is the largest foreign holder of U.S. Treasury securities, holding \$1.25 trillion in U.S. Treasury securities as of the end of March 2013. On that date, China's holdings represented 21.7% of all foreign holdings of U.S. Treasury securities, and 7.4% of total outstanding U.S. debt.¹⁰⁵

¹⁰² World Bank data, <http://data.worldbank.org/country/china>.

¹⁰³ CRS Report RS22640, *What's the Difference?—Comparing U.S. and Chinese Trade Data*, by Michael F. Martin.

¹⁰⁴ Joe McDonald and Youkyung Lee, "AP Impact: China Surpasses US As Top Global Trader," *Associated Press*, December 2, 2012.

¹⁰⁵ Department of the Treasury, *Major Foreign Holders of Treasury Securities*, March 15, 2013, (continued...)

- According to U.S. data, by 2011 U.S. businesses had invested a cumulative \$60.5 billion in China, an increase of 21.4% from 2009.¹⁰⁶
- According to U.S. Bureau of Economic Analysis (BEA) figures, cumulative Chinese foreign direct investment (FDI) in the United States, reached \$3.8 billion in 2011, just 6% of U.S. FDI in China, but a six-fold increase over 2007.¹⁰⁷ Private-sector researchers believe that Chinese FDI in the United States is several times larger than the BEA figure.¹⁰⁸

Commercial Cyber Espionage

Cyber espionage allegedly originating from China is a rapidly growing issue in the U.S.-China relationship. After years of discussing the issue only in classified writings, the U.S. government in 2011 made public some of its concerns in a report to Congress issued by the Office of the National Counterintelligence Executive (NCIX).¹⁰⁹ The NCIX report described Chinese actors as “the world’s most active and persistent perpetrators of economic espionage,” 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, corporate actors or state actors.

In February 2013, Mandiant, a private information security company, published a report accusing a Shanghai-based unit of the People’s Liberation Army of cyber espionage targeting multiple U.S. and other corporations.¹¹⁰ In remarks to the Asia Society the next month, National Security Advisor Tom Donilon spoke out against “sophisticated, targeted theft of confidential business information and proprietary technologies through cyber intrusions emanating from China on an unprecedented scale,” but did not explicitly accuse the Chinese Communist Party or the government of complicity in the intrusions.¹¹¹ The U.S. government for the first time publicly pinned responsibility on official Chinese actors in May 2013. In a report to Congress that month,

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<http://www.treasury.gov/resource-center/data-chart-center/tic/Documents/mfh.txt>; Department of the Treasury, Treasury Direct, “The Debt to the Penny and Who Holds It,” <http://www.treasurydirect.gov/NP/debt/current>.

¹⁰⁶ Office of the United States Trade Representative, “U.S.-China Trade Facts,” <http://www.ustr.gov/countries-regions/china-mongolia-taiwan/peoples-republic-china>. Accessed June 5, 2013.

¹⁰⁷ Bureau of Economic Analysis, *Foreign Direct Investment in the U.S.: Balance of Payments and Direct Investment Position Data*, <http://www.bea.gov/international/di1fdibal.htm>.

¹⁰⁸ Thilo Hanemann and Daniel H. Rosen, *China Investment Monitor: Tracking Chinese Direct Investment in the U.S.*, Rhodium Group, <http://rhgroup.net/interactive/china-investment-monitor>.

¹⁰⁹ Office of the National Counterintelligence Executive, *Foreign Spies Stealing U.S. Economic Secrets in Cyberspace: Report to Congress on Foreign Balance Economic Collection and Industrial Espionage, 2009-2011*, October 2011, http://www.ncix.gov/publications/reports/fecie_all/Foreign_Economic_Collection_2011.pdf.

¹¹⁰ Mandiant, *APT1: Exposing One of China’s Cyber Espionage Units*, February 2013, <http://intelreport.mandiant.com/>.

¹¹¹ The White House Office of the Press Secretary, “Remarks By Tom Donilon, National Security Advisor to the President: The United States and the Asia-Pacific in 2013,” remarks to the Asia Society, March 11, 2013, <http://www.whitehouse.gov/the-press-office/2013/03/11/remarks-tom-donilon-national-security-advisory-president-united-states-a>.

the Department of Defense wrote that cyber-intrusions targeting U.S. government and other computer systems “appear to be attributable directly to the Chinese government and military.”¹¹²

As accusations of official Chinese actors’ involvement in cyber intrusions have mounted, official Chinese spokespeople have frequently dismissed the allegations as “groundless,” citing the difficulty of attribution of cyberattacks and intrusions. Responding to the Mandiant report in February 2013, a spokesman for China’s Ministry of National Defense stated that, “the Chinese military has never supported any hacker activity.” He noted that Chinese law prohibits hacker attacks and “other such activities that undermine the security of the Internet.” He also stated that China is itself a major victim of network attacks, with the networks of the Ministry of National Defense and China Military Online coming under attack more than 144,000 times a month on average, with 63% of the attacks allegedly originating from the United States.¹¹³

Without acknowledging responsibility for cyber intrusions targeting U.S. entities, China has agreed to the establishment of a high-level working group on cyber security under U.S.-China Strategic Security Dialogue, a sub-dialogue of the two countries’ Strategic and Economic Dialogue. The cyber dialogue is to be headed on the Chinese side by the State Councilor for Foreign Affairs and a PLA Deputy Chief of the General Staff. Donilon has said that it will discuss “the rules and norms of behavior in cyberspace” and “confidence-building measures.”¹¹⁴ As noted above, however, former National Security Agency contractor Edward Snowden’s allegations related to U.S. intelligence collection programs may have complicated the U.S. effort to hold China to account for cyber-enabled theft targeting the United States. (See “June 8, 2013: Reported Leaks Involving Intelligence Collection Programs and Hong Kong.”)

For more information, see CRS Report R42984, *The 2013 Cybersecurity Executive Order: Overview and Considerations for Congress*, by Eric A. Fischer et al.

Global Rebalancing and China’s 12th Five-Year Plan

World leaders have acknowledged the need for fundamental restructuring of the global economy, with major onus for action on the United States and China. According to the World Bank, the United States had the world’s largest current account deficit in 2011, while China had the world’s second largest surplus. Many economists say that such huge imbalances in global trade undermine the health of the global economy, and that the United States needs to save more and consume less, while China needs to reduce its dependence on exports and investment 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

¹¹² Office of the Secretary of Defense, *Annual Report to Congress: Military and Security Developments Involving the People’s Republic of China 2013*, May 7, 2013, p. 36, http://www.defense.gov/pubs/2013_china_report_final.pdf.

¹¹³ Ministry of National Defense of the People’s Republic of China, Regular News Conference Hosted By Senior Colonel Geng Yansheng, February 28, 2013.

¹¹⁴ The White House Office of the Press Secretary, “Press Briefing by National Security Advisor Tom Donilon,” transcript, June 8, 2013, <http://www.whitehouse.gov/the-press-office/2013/06/09/press-briefing-national-security-advisor-tom-donilon>.

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 more environmentally sustainable growth, and four intended to support China's goal of moving away from labor-intensive low-end manufacturing.¹¹⁵

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 2030.¹¹⁶ 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."

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. The size of the U.S. trade deficit with China has risen with the greater volume of trade.

¹¹⁵ KPMG China, *China's 12th Five-Year Plan: Overview*, March 2011, <http://www.kpmg.com/CN/en/IssuesAndInsights/ArticlesPublications/Publicationseries/5-years-plan/Documents/China-12th-Five-Year-Plan-Overview-201104.pdf>.

¹¹⁶ The World Bank and the Development Research Center of the State Council, People's Republic of China, *China 2030: Building a Modern, Harmonious, and Creative High-Income Society*, February 27, 2012, http://www-wds.worldbank.org/external/default/WDSContentServer/WDSP/IB/2012/02/28/000356161_20120228001303/Rendered/PDF/671790WP0P127500China020300complete.pdf.

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

Year	U.S. Imports from China	U.S. Exports to China	U.S. Trade Deficit with China
1995	\$46 billion	\$12 billion	\$34 billion
2000	\$100 billion	\$16 billion	\$84 billion
2005	\$243 billion	\$41 billion	\$202 billion
2010	\$365 billion	\$92 billion	\$273 billion
2012	\$426 billion	\$111 billion	\$315 billion

Source: U.S. International Trade Commission.

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

Economists argue that the global trade balance is a more meaningful indicator of an economy's health than bilateral balances, and in recent years, China's current account surplus has fallen significantly, as a share of GDP, from 10.1% in 2007 to 2.3% in 2012.¹¹⁷ 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 such products is counted as being from China.

For more information, see CRS Report RL33536, *China-U.S. Trade Issues*, by Wayne M. Morrison, and CRS Report RS22640, *What's the Difference?—Comparing U.S. and Chinese Trade Data*, by Michael F. Martin.

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."¹¹⁸ According to Treasury Department data, from June 2010,

¹¹⁷ Department of the Treasury, Department of the Treasury Office of International Affairs, *Report to Congress on International Economic and Exchange Rate Policies*, April 12, 2013, <http://www.treasury.gov/resource-center/international/exchange-rate-policies/Documents/Foreign%20Exchange%20Report%20April%202013.pdf>.

¹¹⁸ U.S. Department of The Treasury, *The 2011 U.S.-China Strategic and Economic Dialogue U.S. Fact Sheet – Economic Track*, May 10, 2011, <http://www.treasury.gov/press-center/press-releases/Pages/TG1172.aspx>; U.S. Department of the Treasury, *Report to Congress on International Economic and Exchange Rate Policies*, December 27, 2011, pp. 16, <http://www.treasury.gov/resource-center/international/exchange-rate-policies/Documents/FX%20Report%202011.pdf>.

when China's central bank, the People's Bank of China, announced a policy of greater exchange rate "flexibility," to early April 2013, the RMB appreciated against the U.S. dollar by 10% in nominal terms. In real, inflation-adjusted terms, it appreciated 16.2% between June 2010 and February 2013. From July 2005 to April 2013, China's "real effective exchange rate" (REER) appreciated 33.8% in real terms. The Treasury Department believes that "While the estimated range of misalignment has narrowed, China's real effective exchange rate continues to exhibit significant undervaluation."¹¹⁹ 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.

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 \$3.3 trillion in foreign currency reserves in December 2012,¹²⁰ has been either the largest or the number two foreign holder of U.S. Treasury securities since then, and thus one of the largest foreign financiers of the U.S. federal budget deficit. China's holdings of U.S. Treasury securities totaled \$1.25 trillion as of the end of March 2013, accounting for 21.7% of all foreign holdings of U.S. Treasury securities, and nearly 7.4% of total outstanding U.S. debt. Japan was the second-largest holder of U.S. Treasury securities.¹²¹

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 financial system note, however, that it 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.¹²² The combination of China's large volume of 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.

¹¹⁹ U.S. Department of the Treasury, *Report to Congress on International Economic and Exchange Rate Policies*, April 10, 2013, p. 3, <http://www.treasury.gov/resource-center/international/exchange-rate-policies/Documents/Foreign%20Exchange%20Report%20April%202013.pdf>.

¹²⁰ U.S. Department of the Treasury, *Report to Congress on International Economic and Exchange Rate Policies*, December 27, 2011, pp. 18, <http://www.treasury.gov/resource-center/international/exchange-rate-policies/Documents/FX%20Report%202011.pdf>.

¹²¹ Department of the Treasury, *Major Foreign Holders of Treasury Securities*, March 15, 2013, <http://www.treasury.gov/resource-center/data-chart-center/tic/Documents/mfh.txt>; Department of the Treasury, Treasury Direct, "The Debt to the Penny and Who Holds It," <http://www.treasurydirect.gov/NP/debt/current>.

¹²² Derek Scissors, *Chinese Investment in the U.S.: \$2 Trillion and Counting*, The Heritage Foundation, blog post, Washington, DC, March 1, 2011, [http://www.heritage.org/Research/Reports/2011/02/Chinese-Investment-in-the-US-\\$2-Trillion-and-Counting](http://www.heritage.org/Research/Reports/2011/02/Chinese-Investment-in-the-US-$2-Trillion-and-Counting).

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 "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.⁵³

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 nondiscriminatory and WTO-compliant. At the December 2010 meeting of the U.S.-China Joint Commission on Commerce and Trade,⁵⁴ 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.¹²³

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 10 countries.¹²⁴ In its annual Special 301 Report to Congress, USTR highlighted "the growing problem of misappropriation of trade secrets in China and elsewhere" and "troubling 'indigenous innovation' policies that may unfairly disadvantage U.S. rights holders in China." The report noted that Chinese theft of trade secrets can occur in a wide range of circumstances, including "departing employees, failed joint ventures, cyber intrusion and hacking, and misuse of information submitted to government entities for the purposes of complying with regulatory obligations." It stated that, "In practice, remedies under Chinese law are difficult to obtain."¹²⁵

¹²³ The White House, *U.S. - China Joint Statement*, January 19, 2011; U.S. Department of the Treasury, *The 2011 U.S.-China Strategic and Economic Dialogue U.S. Fact Sheet – Economic Track*, May 10, 2011; U.S. Department of Commerce, *22nd U.S.-China Joint Commission on Commerce and Trade Fact Sheet*, November 21, 2011.

¹²⁴ The other countries on USTR's 2013 "Priority Watch List" are Algeria, Argentina, Chile, India, Indonesia, Pakistan, Russia, Thailand, and Venezuela. United States Trade Representative, *2013 Special 301 Report*, May 2013, p. 6, <http://www.ustr.gov/sites/default/files/05012013%202013%20Special%20301%20Report.pdf>[http://www.ustr.gov/sites/default/files/2012 Special 301 Report_0.pdf](http://www.ustr.gov/sites/default/files/2012%20Special%20301%20Report_0.pdf).

¹²⁵ United States Trade Representative, *2013 Special 301 Report*, May 2013, pp. 4, 13, <http://www.ustr.gov/sites/default/files/05012013%202013%20Special%20301%20Report.pdf>[http://www.ustr.gov/sites/default/files/2012 Special 301 Report_0.pdf](http://www.ustr.gov/sites/default/files/2012%20Special%20301%20Report_0.pdf).

In May 2013, a report by the Commission on the Theft of American Intellectual Property, headed by Dennis C. Blair, former Director of National Intelligence, and Jon M. Huntsman, Jr., a former U.S. Ambassador to China, estimated that annual U.S. losses due to international theft of U.S. intellectual property “are likely to be comparable to the current annual level of U.S. exports to Asia,” or over \$300 billion. The report attributed “between 50% and 80%” of the problem to China. “National industrial goals in China encourage IP theft, and an extraordinary number of Chinese in business and government entities are engaged in the practice,” the Commission alleged.¹²⁶

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. The U.S. Trade Representative charges that, “For much of the past decade, the Chinese government has been re-emphasizing the state’s role in the economy, diverging from the path of economic reform that drove China’s accession to the WTO.” Of particular concern to USTR is China’s use of “new and more expansive industrial policies, often designed to limit market access for imported goods, foreign manufacturers and foreign service suppliers, while offering substantial government guidance, resources and regulatory support to Chinese industries, particularly ones dominated by state-owned enterprises.”¹²⁷

The United States has brought 15 dispute settlement cases against China at the World Trade Organization, including eight under the Obama Administration (one in 2009, three in 2010, one in 2011, and three in 2012). China has brought eight WTO cases against the United States, five of them during the Obama Administration’s time in office (two in 2009, one in 2011, and two in 2012).¹²⁸

Of the three cases filed by the Obama Administration in 2012, one challenges Chinese restrictions on exports of two rare earths (tungsten and molybdenum), which are important to for many high-technology products, such as hybrid car batteries, wind turbines, and energy-efficient lighting. The second case challenges Chinese duties on certain imported U.S. automobiles, and the third case challenges alleged Chinese export subsidies to automobile and automobile parts enterprises in China.¹²⁹

Of the two cases China’s filed against the United States in 2012, one challenged U.S. countervailing and anti-dumping measures imposed on certain products from China, and the other challenged U.S. countervailing duty measures on certain products from China. In the first case, in July 2012, a WTO panel found for China in determining that the U.S. Department of Commerce

¹²⁶ The IP Commission Report, *The Report of The Commission on the Theft of American Intellectual Property*, May 2013, http://ipcommission.org/report/IP_Commission_Report_052213.pdf.

¹²⁷ United States Trade Representative, *2012 Report to Congress On China’s WTO Compliance*, December 2012, http://www.ustr.gov/webfm_send/3620.

¹²⁸ 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.

¹²⁹ United States Trade Representative, *2012 Report to Congress on China’s WTO Compliance*, December 2012, http://www.ustr.gov/webfm_send/3620. pp. 23-27.

had used a method for calculating dumping margins that was inconsistent with the WTO's Anti-Dumping Agreement.¹³⁰

Notable U.S. victories at the WTO include a ruling upholding the U.S. imposition of duties on Chinese tires (September 2011),¹³¹ and a ruling that China's export restraints on certain industrial raw materials were inconsistent with China's WTO obligations (January 2012).¹³² 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.¹³³

China has also scored victories against the United States at the WTO. In a case China filed in 2011 challenging U.S. anti-dumping measures on shrimp and diamond sawblades from China, for example, a WTO panel in July 2012 found that the Department of Commerce had used a method for calculating anti-dumping margins that was inconsistent with the WTO's Anti-dumping Agreement. In March 2011, 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.¹³⁴

For more information, see CRS Report RL33536, *China-U.S. Trade Issues*, by Wayne M. Morrison; 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; and CRS Report RL33976, *U.S. Trade Remedy Laws and Nonmarket Economies: A Legal Overview*, by Jane M. Smith.

Chinese Foreign Direct Investment in the United States

In June 2011, President Obama issued an Executive Order establishing SelectUSA, a “government-wide initiative to attract and retain investment in the United States economy.”¹³⁵ The initiative dovetails with a Chinese government initiative to promote overseas investment. With both governments officially supporting greater Chinese investment in the United States, Chinese foreign direct investment (FDI) has been growing steadily. The Obama Administration's blocking of several Chinese investments on national security grounds has, however, led to complaints from China that investors feel the U.S. government's welcome is not entirely

¹³⁰ World Trade Organization, “Dispute DS422: United States—Anti-Dumping Measures on Shrimp and Diamond Sawblades from China,” http://www.wto.org/english/tratop_e/dispu_e/cases_e/ds422_e.htm.

¹³¹ Office of the United States Trade Representative, *United States Prevails in WTO Dispute About Chinese Tire Imports*, September 4, 2011, <http://www.ustr.gov/about-us/press-office/press-releases/2011/september/united-states-prevails-wto-dispute-about-chinese>.

¹³² Office of the United States Trade Representative, *U.S. Trade Representative Ron Kirk Announces U.S. Victory in Challenge to China's Raw Materials Export Restraints*, January 14, 2012, <http://www.ustr.gov/about-us/press-office/press-releases/2012/january/us-trade-representative-ron-kirk-announces-us-vict>.

¹³³ Office of the United States Trade Representative, *China Ends Wind Power Equipment Subsidies Challenged by the United States in WTO Dispute*, June 8, 2011, <http://www.ustr.gov/about-us/press-office/press-releases/2011/june/china-ends-wind-power-equipment-subsidies-challenged>.

¹³⁴ United States Trade Representative, “USTR Statement Regarding WTO Appellate Body Report in Countervailing Duty Dispute with China,” press release, March 11, 2011, <http://www.ustr.gov/about-us/press-office/press-releases/2011/march/ustr-statement-regarding-wto-appellate-body-report-c>.

¹³⁵ Executive Order 13577, “Establishment of the SelectUSA Initiative,” 76 *Federal Register* 35715, June 20, 2011, <http://www.gpo.gov/fdsys/pkg/FR-2011-06-20/pdf/2011-15443.pdf>.

wholehearted.¹³⁶ The U.S. Ambassador to China Gary Locke, a former Secretary of Commerce, has worked hard to overcome that impression, explicitly stating that, “America welcomes Chinese investment,” and noting at investment seminars around China that only a small handful of Chinese investments are reviewed on national security grounds each year.¹³⁷ According to the Heritage Foundation, which maintains a running count of Chinese firms’ “troubled transactions” overseas as part of a project tracking global Chinese overseas investment, 2 of 16 failed Chinese overseas transactions worldwide in 2012 involved the United States. In 2011, the count was 1 out of 19.¹³⁸

According to the U.S. Bureau of Economic Analysis, as of 2011, cumulative Chinese investment in the United States had reached \$3.8 billion.¹³⁹ The Rhodium Group, a private economic research firm, calculates that the total volume of Chinese direct investment in the United States is significantly higher. Rhodium has tracked 650 deals involving Chinese FDI in the United States, with a total value of \$25.4 billion. According to Rhodium, the greatest number of deals has been in the information technology sector. Deals with the greatest value have been in the entertainment and real estate sectors.¹⁴⁰ Rhodium reports that additional deals worth more than \$10 billion were announced or pending as of the first quarter of 2013.¹⁴¹

For more information, see CRS Report RL33388, *The Committee on Foreign Investment in the United States (CFIUS)*, by James K. Jackson.

Climate Change and Renewable Energy Cooperation

China relies heavily on coal to power its fast-growing economy and is the world’s largest emitter of the most common greenhouse gas, carbon dioxide (CO₂). According to the International Energy Agency (IEA), China accounted for 24.1% of all global CO₂ emissions in 2010, well ahead of the United States.¹⁴² The IEA reports that its preliminary estimates show China’s emissions grew 300 million tonnes (Mt), or 3.8%, in 2012, while U.S. emissions dropped 200 Mt. The agency notes, however, that China’s emissions growth rate for 2012 was one of its lowest in a decade, thanks to a greater reliance on renewable energy sources, particularly hydropower, and a decline in the energy intensity of the Chinese economy.¹⁴³ With China and the United States

¹³⁶ See, for example, Rachele Younglai, “Obama Blocks Chinese Wind Farms in Oregon over Security,” *Reuters*, September 28, 2012, <http://www.reuters.com/article/2012/09/28/us-usa-china-turbines-idUSBRE88R19220120928>.

¹³⁷ Embassy of the United States in Beijing, China, “Speech by Gary F. Locke, United States Ambassador to China, Remarks, Chengdu, China,” press release, September 24, 2012, <http://beijing.usembassy-china.org.cn/20120924-amb-locke-chengdu.html>.

¹³⁸ The Heritage Foundation, *China Global Investment Tracker Data Set*, <http://www.heritage.org/research/projects/china-global-investment-tracker-interactive-map>.

¹³⁹ Bureau of Economic Analysis, *Foreign Direct Investment in the U.S.: Balance of Payments and Direct Investment Position Data*, <http://www.bea.gov/international/di1fdibal.htm>.

¹⁴⁰ Thilo Hanemann and Daniel H. Rosen, *China Investment Monitor: Tracking Chinese Direct Investment in the U.S.*, Rhodium Group, <http://rhgroup.net/interactive/china-investment-monitor>.

¹⁴¹ Thilo Hanemann, *Chinese FDI in the United States: Q1 2013 Update*, Rhodium Group, April 30, 2013, <http://rhg.com/notes/chinese-fdi-in-the-united-states-q1-2013-update>.

¹⁴² International Energy Agency, *Key World Energy Statistics 2012*, 2012, p. 45, <http://www.iea.org/publications/freepublications/publication/name,31287,en.html>.

¹⁴³ International Energy Agency, *Redrawing the Energy Climate Map*, World Energy Outlook Special Report, pp. 9, 13, 26, <http://www.worldenergyoutlook.org/media/weowebbsite/2013/energyclimatemap/RedrawingEnergyClimateMap.pdf>.

together responsible for nearly half of the world's CO₂ emissions, both countries are by necessity key players in efforts to address climate change.

The Obama Administration has long sought to make cooperation with China in battling climate change a pillar of a new relationship focused on global issues. The two countries' different perspectives on international climate change negotiations have frequently produced friction, however. 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 pressures on developing countries to accept legally binding emissions targets as an attempt to restrict those countries' rights to develop.¹⁴⁴ 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 commitments from other major emitters, such as China.¹⁴⁵ The Obama Administration has adopted the same position.

On a trip to China in April 2013, Secretary of State Kerry, a long-time advocate of action on climate change, appeared to make progress in advancing cooperation with China on the issue. The two countries issued a joint statement on climate change committing to "forceful, nationally appropriate action by the United States and China—including large-scale cooperative action." They agreed to establish a high-level climate change working group to explore ways to advance cooperation on "technology, research, conservation, and alternative and renewable energy." The group is scheduled to deliver its findings at the July 2013 meeting of the two countries' premier dialogue mechanism, the Strategic and Economic Dialogue.¹⁴⁶ One of the first tangible products of its work was a bilateral agreement announced at the Obama-Xi presidential summit in June to address climate change through a joint commitment to reduce use of hydrofluorocarbons.¹⁴⁷

Without agreeing to binding international commitments, China has set itself ambitious national targets for reducing growth in its carbon emissions. In its 12th Five-Year Plan, an authoritative economic planning document covering the years from 2011 through 2015, for example, the PRC committed that by 2015, it would increase the share of non-fossil fuels in its primary energy mix to 11.4%, cut energy consumption per unit of GDP by 16%, and cut carbon dioxide emissions per

¹⁴⁴ China's then-chief climate change negotiator Xie Zhenhua charged in a January 2010 speech that, "Developed countries are using climate change issues to restrict the development of developing countries and maintain the North-South gap between the rich and the poor, with countries like China, Brazil, and India particularly targeted; they are very worried about China's pace of development." "Xie Zhenhua's Speech at Peking University, Guanghua College of Management, January, 2010," World Resources Institute *China FAQs*, <http://www.chinafaqs.org/library/xie-zhenhuas-speech-pekings-university-guanghua-college-management-january-2010> (unofficial English translation). Original Chinese text available at <http://finance.sina.com.cn/hy/20100109/11137218805.shtml>.

¹⁴⁵ 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.

¹⁴⁶ Department of State, "Joint U.S.-China Statement on Climate Change," April 13, 2013, <http://www.http://www.state.gov/r/pa/prs/ps/2013/04/207465.htm>.

¹⁴⁷ The White House Office of the Press Secretary, "United States and China Agree to Work Together on Phase Down of HFCs," press release, June 8, 2013, <http://www.whitehouse.gov/the-press-office/2013/06/08/united-states-and-china-agree-work-together-phase-down-hfcs>.

unit of GDP by 17%.¹⁴⁸ A government report adopted at the annual National People's Congress plenary session in March 2013, stated that China reduced carbon dioxide emissions per unit of GDP by 5.02% over the previous year, 1.5 percentage points higher than the planned target for the year.¹⁴⁹

National Security Advisor Tom Donilon stated in an April 2013 speech that the United Nations has "a national interest" in "increasing global access to secure, affordable and ever cleaner supplies of energy."¹⁵⁰ Propelled by that conviction, the United States is already cooperating with China in the areas of energy efficiency and clean energy technology. During President Obama's November 2009 state visit to China, the United States and China announced the establishment of a \$150 million initiative surrounding a new, virtual U.S.-China Clean Energy Research Center (CERC). The CERC and other components were tasked with researching and jointly developing energy efficient buildings, electric vehicles, and clean coal technologies over the subsequent five years. It took the nongovernmental participants until September 2011, however, to work out formal agreements to protect intellectual property necessary for the research to move forward.¹⁵¹ 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 has also become a leader in the production of some renewable energy technologies, such as photovoltaic solar panels, as well as carbon capture and storage, although experts say the PRC continues to lag behind the United States in research and development. The United States and China have engaged in heated trade disputes over some renewable technologies. In October 2012, the U.S. Department of Commerce announced a decision to impose anti-dumping tariffs ranging from 18% to 250% on solar-energy cells imported from China, having determined that without the tariffs, the imports threatened to injure the domestic solar industry.¹⁵² 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 certain

¹⁴⁸ "Key targets of China's 12th five-year plan," *Xinhua News Agency*, March 5, 2011, http://news.xinhuanet.com/english2010/china/2011-03/05/c_13762230.htm; "China adopts 5-year blueprint, aiming for fairer, greener growth," *Xinhua News Agency*, March 14, 2011, http://news.xinhuanet.com/english2010/china/2011-03/14/c_13777814.htm.

¹⁴⁹ "Full text: Report on China's economic, social development plan," *Xinhua News Agency*, March 19, 2013, http://news.xinhuanet.com/english/china/2013-03/19/c_132246080_5.htm.

¹⁵⁰ The White House Office of the Press Secretary, "Remarks by Tom Donilon, National Security Advisor to the President At the Launch of Columbia University's Center on Global Energy Policy," press release, April 24, 2013, <http://www.whitehouse.gov/the-press-office/2013/04/24/remarks-tom-donilon-national-security-advisor-president-launch-columbia->

¹⁵¹ Funding provided by the United States government will only be applied to projects conducted by U.S. institutions and individuals. U.S. Department of Energy, *U.S.-China Clean Energy Cooperation: A Progress Report by the U.S. Department of Energy*, January 2011, p. 1, http://energy.gov/sites/prod/files/USChinaCleanEnergy_0.PDF. U.S. Department of Energy, *U.S., China Reach Agreement on Intellectual Property Protections for U.S.-China Clean Energy Research Center*, September 23, 2011, <http://energy.gov/articles/us-china-reach-agreement-intellectual-property-protections-us-china-clean-energy-research>.

¹⁵² Department of Commerce International Trade Administration, *Commerce Finds Dumping and Subsidization of Crystalline Silicon Photovoltaic Cells, Whether or Not Assembled into Modules from the People's Republic of China*, Fact Sheet, October 10, 2012, http://ia.ita.doc.gov/download/factsheets/factsheet_prc-solar-cells-ad-cvd-finals-20121010.pdf; and Department of Commerce International Trade Administration, "Commerce Preliminarily Finds Dumping of Crystalline Silicon Photovoltaic Cells, Whether or Not Assembled into Modules from the People's Republic of China," press release, May 17, 2012, <http://ia.ita.doc.gov/download/factsheets/factsheet-prc-solar-cells-ad-prelim-20120517.pdf>.

subsidies.¹⁵³ 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 transboundary water resources.

For more information, see CRS Report R41919, *China's Greenhouse Gas Emissions and Mitigation Policies*, by Jane A. Leggett; CRS Report R40001, *A U.S.-Centric Chronology of the International Climate Change Negotiations*, by Jane A. Leggett; and CRS Report R41748, *China and the United States—A Comparison of Green Energy Programs and Policies*, by Richard J. Campbell.

Democracy Promotion and Human Rights Issues

The PRC is an authoritarian 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 both social media and the mainstream media continue to be subject to Communist Party censorship.

In speeches about their vision for Asia, President Obama and officials in his Administration have often spoken about the need to advance democracy and, without directly naming China, appeared to criticize China's political system and to cast doubt on China's fitness to serve as a model for the developing world. Speaking at a press conference in Bangkok in November 2012, for example, President Obama responded to a question about the attractiveness of China's system of government by arguing that "the notion somehow that you can take shortcuts and avoid democracy, and that that somehow is going to be the mechanism whereby you deliver economic growth, I think is absolutely false." The alternative to democracy, he continued, "is a false hope that, over time, I think erodes and collapses under the weight of people whose aspirations are not being met."¹⁵⁴ In remarks in Canberra, Australia a year earlier that some in China saw as directed at Beijing, Obama spoke of U.S. support for fundamental rights, including "the freedom of citizens to choose their own leaders." He described communism and rule by committee as "failed" models of governance, and declared that "prosperity without freedom is just another form of poverty."¹⁵⁵

¹⁵³ Office of the United States Trade Representative, *China Ends Wind Power Equipment Subsidies Challenged by the United States in WTO Dispute*, June 8, 2011, <http://www.ustr.gov/about-us/press-office/press-releases/2011/june/china-ends-wind-power-equipment-subsidies-challenged>.

¹⁵⁴ The President's comments were prompted by a questioner at a joint press conference hosted by President Obama and Thai Prime Minister Yingluck Shinawatra who referenced the U.S. fiscal crisis and asked, "And why shouldn't China's system of government look more appealing in this region when you confront a situation like this in the U.S.?" The White House Office of the Press Secretary, "Remarks by President Obama and Prime Minister Shinawatra in a Joint Press Conference," press release, November 18, 2012, <http://www.whitehouse.gov/the-press-office/2012/11/18/remarks-president-obama-and-prime-minister-shinawatra-joint-press-confer>.

¹⁵⁵ The White House Office of the Press Secretary, "Remarks by President Obama to the Australian Parliament," press release, November 17, 2012, <http://www.whitehouse.gov/the-press-office/2011/11/17/remarks-president-obama-australian-parliament>.

The Administration's rhetoric has contributed to strategic mistrust between the United States and China's ruling Communist Party, which has long suspected the United States of being uncomfortable with China's political system and of wanting to end the Chinese Communist Party's monopoly on power. In its direct engagement with China, however, the Obama Administration has tended to prioritize the overall stability of the U.S.-China relationship over progress on its democracy promotion agenda. With Chinese officials, U.S. officials press the argument that, in the words of former 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."¹⁵⁶ In that context, the United States has urged China to ease restrictions on freedom of speech, internet freedom, religious and ethnic minorities, and labor rights.

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 reports on human rights and international religious freedom; meetings with Chinese officials; exchanges in bilateral dialogues, including a bilateral dialogue on human rights; Congressional hearings, public statements, and legislation; and Congressionally-mandated U.S. assistance programs.

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

The Annual State Department Human Rights Report on China and China's Response

An April 2013 State Department briefing on the release of the Department's suite of country reports on human rights practices in 2012 highlighted China, Egypt, and Russia as countries with "a shrinking space for civil society."¹⁵⁷ The State Department's China report raised specific U.S. concerns about "repression and coercion" aimed at those involved in rights advocacy. Using language similar to that in the 2011 report, the 2012 report stated that those the government deemed politically sensitive continued to face "tight restrictions on their freedom to assemble, practice religion, and travel," and that "[e]fforts to silence and intimidate political activists and public interest lawyers continued to increase." In addition, the report cited "severe official repression of the freedoms of speech, religion, association, and harsh restrictions on the movement of ethnic Uighurs in the Xinjiang Uighur Autonomous Region (XUAR) and of ethnic Tibetans in the Tibet Autonomous Region (TAR) and other Tibetan areas."¹⁵⁸

The Chinese government has long been critical of the annual State Department human rights reports. In May 2013, a month after the release of the State Department's 2012 report on human rights in China, China released a white paper defending its human rights record and implicitly criticizing the U.S. focus on civil and political rights. The white paper stated that China prioritizes

¹⁵⁶ U.S. Department of State, "Assistant Secretary Michael H. Posner: Briefing on the 17th U.S.-China Human Rights Dialogue," press release, July 25, 2012, <http://www.state.gov/j/drl/rls/rm/2012/195498.htm>.

¹⁵⁷ Department of State, Uzra Zeya, Acting Assistant Secretary, Bureau of Democracy, Human Rights, and Labor, "Remarks on the Release of the Country Reports on Human Rights Practices for 2012," press release, April 19, 2013, <http://www.state.gov/j/drl/rls/rm/2013/207797.htm>.

¹⁵⁸ U.S. Department of State Bureau of Democracy, Human Rights and Labor, *Country Reports on Human Rights Practices for 2012: China (includes Tibet, Hong Kong, and Macau)*, April 19, 2012, <http://www.state.gov/j/drl/rls/hrrpt/humanrightsreport/index.htm#wrapper>.

rights to subsistence and development, and promotes economic, social, and cultural rights, as well as civil and political rights.¹⁵⁹

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, DC. 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 China¹⁶⁰

The State Department classifies China "as a development partner with the resources to invest in its own future, not as an aid recipient."⁷ Department of State foreign assistance to China is focused on promoting human rights, democracy, and the rule of law in China, and sustainable livelihoods and cultural preservation in Tibetan areas of China. Other programs included the Peace Corps and HIV/AIDS prevention, care, and treatment. Appropriations for assistance to China peaked in FY2010 at \$46.9 million. FY2012 funding was \$28.3 million, or 60% of the 2010 level. Most direct recipients of State Department and U.S. Agency for International Development (USAID) grants have been U.S.-based nongovernmental organizations (NGOs) and universities.

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

Political Prisoners¹⁶¹

The San Francisco-based humanitarian organization Dui Hua, which maintains an authoritative database of Chinese political prisoners, lists 4,947 known cases of people currently imprisoned in

¹⁵⁹ "China Issues White Paper on Human Rights," *Xinhua News Agency*, May 14, 2013; Information Office of the State Council, "Full Text: Progress in China's Human Rights in 2012," *Xinhua News Agency*, May 14, 2013, http://news.xinhuanet.com/english/china/2013-05/14/c_132380706.htm.

¹⁶⁰ This section is authored by Thomas Lum, CRS Specialist in Asian Affairs.

¹⁶¹ 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.

China on political and religious grounds.¹⁶² 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. In an April 2013 briefing, a State Department official identified the following prisoners as priority cases for U.S. government advocacy:¹⁶³

- **Chen Kegui.** Chen is the nephew of the Chinese legal advocate Chen Guangcheng, who took refuge in the U.S. Embassy in Beijing for six days in May 2012, and ultimately left China for the United States after tense, high-profile U.S.-China diplomatic negotiations over his fate. In November 2012, six months after Chen Guangcheng left China, a court in Shandong Province sentenced Chen Kegui to 39 months in prison for wielding a kitchen knife against a group of men who stormed his house after his uncle’s escape to the U.S. Embassy.¹⁶⁴ A State Department spokeswoman said the United States was “deeply concerned” about the verdict, which she said resulted from “a deeply flawed legal process.”¹⁶⁵ Chen Guangcheng has characterized Chinese authorities’ treatment of his nephew as a form of “revenge” against him, and charged that his nephew is being used as a “hostage” to try to force him to temper his criticism of China’s leaders while he is in the United States.¹⁶⁶
- **Gao Zhisheng.** A rights lawyer who defended Falun Gong practitioners and others, Gao 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.
- **Liu Xiaobo.** A political dissident, writer and 2010 Nobel Peace Prize winner, Liu 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 ’08,¹⁶⁷ 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

¹⁶² Dui Hua, *Political Prisoner Database*, March 31, 2013, http://duihua.org/wp/?page_id=195.

¹⁶³ Department of State, Uzra Zeya, Acting Assistant Secretary, Bureau of Democracy, Human Rights, and Labor, “Remarks on the Release of the Country Reports on Human Rights Practices for 2012,” press release, April 19, 2013, <http://www.state.gov/j/drl/rls/rm/2013/207797.htm>.

¹⁶⁴ Keith B. Richburg, “Chen Guangcheng’s Nephew Found Guilty of Assault in China; Sentenced to 39 Months,” *The Washington Post*, November 30, 2012.

¹⁶⁵ Spokesperson Victoria Nuland, State Department Daily Press Briefing, November 30, 2012.

¹⁶⁶ “‘Reforms or Violence,’ Chen Tells Xi,” *Radio Free Asia*, December 3, 2012; “Chen Says Nephew Held ‘Hostage,’” *Radio Free Asia*, October 25, 2012.

¹⁶⁷ “Charter ’08” commemorates the 60th anniversary of the United Nations’ adoption of the Universal Declaration of Human Rights, and was inspired by “Charter 77,” the Czechoslovakian democratic movement.

month that her husband's Nobel prize was announced, cutting her off from communication with friends, relatives, and the media.¹⁶⁸

Tibet

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 all those areas as parts of China. Nonetheless, the Communist Party continues to face resistance to its rule from Tibetans, most recently in the form of a wave of self-immolations among Tibetans protesting Chinese policies. Chinese leaders have long feared that the Tibet exile community and foreign governments seek to “split” Tibet from China; China's commitment to defending its sovereignty over Tibet has long been one of China's most fundamental “core interests,” on a par with China's commitment to asserting its sovereignty over Taiwan.

U.S. policy toward Tibet is guided by the Tibetan Policy Act of 2002 (P.L. 107-228), which requires the U.S. government to promote and report on dialogue between Beijing and Tibet's exiled spiritual leader, 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 requires the State Department to maintain a Special Coordinator for Tibetan Issues. Until she stepped down on February 4, 2013, Under Secretary of State for Civilian Security, Democracy, and Human Rights Maria Otero served concurrently in the Tibet coordinator position, which is currently vacant. The act also calls on the Secretary of State to “make best efforts” to establish a U.S. consular office in the Tibetan capital, Lhasa; and directs U.S. officials to press for the release of Tibetan political prisoners in meetings with the Chinese government.

With strong encouragement from the international community, including the United States, Chinese officials and personal representatives of the Dalai Lama participated in nine rounds of talks between 2002 and 2010. The Dalai Lama's envoys came to the eighth round of the negotiations with a proposal entitled, “Memorandum on Genuine Autonomy for All Tibetans.” In it and a follow-up note, the Dalai Lama's envoys argued for “genuine autonomy” for Tibetan districts within the framework of the PRC. The documents stressed that the proposal “in no way challenges or brings into question the leadership of the Communist Party in the PRC” or “the socialist system of the PRC.”¹⁶⁹ After the ninth round of talks in January 2010, senior Chinese officials dismissed the proposal as tantamount to “half independence.”¹⁷⁰ The Tibetan exile government's political leader, Lobsang Sangay, has appealed to China for a resumption of the dialogue process, saying that the Tibetan exile side is “ready to engage in meaningful dialogue anywhere, at any time.” He has called on the international community to help pressure China to return to the negotiations, as well as to allow the U.N. High Commissioner for Human Rights, diplomats, and the international media to visit Tibet.¹⁷¹ So far, however, no progress has been reported in scheduling a tenth round of talks.

¹⁶⁸ “Keith B. Richburg, “On Eve of Nobel Ceremony, China Cracks Down and Lashes Out,” *The Washington Post*, December 9, 2010.

¹⁶⁹ Central Tibetan Administration, *Note on the Memorandum on Genuine Autonomy for the Tibetan People*, February 19, 2010, <http://www.savetibet.org/policy-center/topics-fact-sheets/note-memorandum-genuine-autonomy-tibetan-people>.

¹⁷⁰ “Press Conference on Central Gov't's Contacts with Dalai Lama (text),” *China Daily*, February 11, 2010.

¹⁷¹ International Campaign for Tibet, *The statement of Sikyong Dr. Lobsang Sangay on the 54th anniversary of the* (continued...)

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; continued “patriotic education” and “legal education” campaigns that require monks to denounce the Dalai Lama; strengthened media controls; and policies that weaken Tibetan-language education. Since February 27, 2009, at least 117 Tibetans in China have set fire to themselves to protest PRC policies, and 99 of them are known to have died.¹⁷² Many of those self-immolating have been associated with the heavily policed Kirti Monastery in Aba County, Sichuan Province.

The Obama Administration has stated that it is “deeply concerned and saddened by the continuing violence in Tibetan areas of China and the increasing frequency of self-immolations by Tibetans.” It has called on China “to address policies in Tibetan areas that have created tensions.”¹⁷³ China accuses the Dalai Lama and his supporters of directing or encouraging the self-immolations, which have garnered world headlines and shone an unfavorable light on the PRC’s policies. In 2012, the Dalai Lama described the self-immolations as “very, very sad” and the product of “a very desperate situation,” but declined either to endorse or condemn them.¹⁷⁴ In a March 2013 interview with Times Now, a major Indian television station, he said that if self-immolators are motivated by compassion, “then such acts can also be positive.”¹⁷⁵ Exile political leader Sangay has taken a less equivocal stance. In a March 2013 speech, he said that his exile cabinet “has consistently appealed and categorically discouraged Tibetans in Tibet from self-immolating as a form of protest.” He maintained that the only way to end the self-immolations, however, is for China to respect “the aspirations of the Tibetan people” by allowing the Dalai Lama’s return to Tibet, as well as “freedom for the Tibetan people, and unity among Tibetans.”¹⁷⁶

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 2011.¹⁷⁷

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 Uighurs, a

(...continued)

Tibetan National Uprising Day, March 10, 2013.

¹⁷² International Campaign for Tibet, *Self-Immolations by Tibetans*, May 29, 2013, <http://www.savetibet.org/resource-center/maps-data-fact-sheets/self-immolation-fact-sheet>.

¹⁷³ Department of State, “Statement by Special Coordinator for Tibetan Issues Maria Otero,” press release, December 5, 2012, <http://www.state.gov/r/pa/prs/ps/2012/12/201594.htm>.

¹⁷⁴ Central Tibetan Administration, *NBC Interviews His Holiness the Dalai Lama on Self-Immolation Tragedy in Tibet*, October 22, 2012.

¹⁷⁵ “Special: The Dalai Lama,” *Times Now*, March 25, 2013, <http://www.timesnow.tv/Special-The-Dalai-Lama—1/videoshow/4423746.cms>.

¹⁷⁶ International Campaign for Tibet, *The Statement of Sikyong Dr. Lobsang Sangay on the 54th Anniversary of the Tibetan National Uprising Day*, March 10, 2013.

¹⁷⁷ The White House, *The President’s Meeting with His Holiness the XIV Dalai Lama*, July 16, 2011, <http://www.whitehouse.gov/blog/2011/07/17/president-s-meeting-his-holiness-xiv-dalai-lama>.

predominantly Muslim Turkic ethnic group.¹⁷⁸ 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.¹⁷⁹ 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.

Concerned with Uighur separatism and ties to a pan-Islam movement in Central Asia, the Chinese government has waged what it calls "strike hard campaigns" against what it terms 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.¹⁸⁰ 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.

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

¹⁷⁸ Estimates of China's Muslim population range from 20 million to 30 million people.

¹⁷⁹ BBC, *Xinjiang territory profile - overview*, February 8, 2012, <http://www.bbc.co.uk/news/world-asia-pacific-16860974>; U.S. Department of State, *2011 Human Rights Report: China*, May 24, 2012, p 61, <http://www.state.gov/j/drl/rls/hrrpt/humanrightsreport/index.htm#wrapper>.

¹⁸⁰ Amnesty International, *Annual Report 2012—China*, 2012, <http://www.amnesty.org/en/region/china/report-2012#section-28-10>.

Appendix A. Laws Related to China Enacted in the 113th Congress

Table A-1. Law Related to China Enacted in the 113th Congress

Bill/Public Law Number	Date Signed Into Law	Title	Description of China-related Provisions
H.R. 933 (P.L. 113-6)	March 26, 2013	Consolidated and Further Continuing Appropriations Act, 2013	<p>Department of Commerce Appropriations Act, 2013 (127 Stat. 234) provides for not less than \$16.4 million for China antidumping and countervailing duty enforcement and compliance activities.</p> <p>Sec. 109 (127 Stat. 242) requires the Department of Commerce to provide a monthly report on any official travel to China by any employee of the U.S. Department of Commerce, including the purpose of such travel.</p> <p>Sec. 516(a) (127 Stat. 272-273) states that appropriated funds may not be used for the Department of Commerce, the Department of Justice, the National Aeronautics and Space Administration (NASA), or the National Science Foundation to acquire an information technology system unless the head of the entity, in consultation with the Federal Bureau of Investigation or another appropriate Federal entity, has made an assessment of any associated risk of cyberespionage or sabotage, including any risk associated with the system being produced, manufactured or assembled by entities owned, directed or subsidized by the People's Republic of China. Sec. 516(b) states that appropriated funds may not be used to acquire an information technology system produced, manufactured, or assembled by entities owned, directed, or subsidized by the PRC unless the entity head determines that acquisition of such a system is in the national interest of the United States, and reports that determination to the House and Senate Committees on Appropriations.</p> <p>Sec. 535 (127 Stat. 277) states that no funds made available by the act may be used for NASA or the White House Office of Science and Technology Policy (OSTP) to participate, collaborate, or coordinate bilaterally in any way with China or any Chinese owned company, with certain exceptions.</p> <p>Title VII, Department of State, Foreign Operations, and Related Programs (127 Stat. 427) provides \$1.9 million for salaries and expenses of the Congressional-Executive Commission on the People's Republic of China, and \$3.31 million for salary and expenses of the United States-China Economic and Security Review Commission.</p>

Source: Legislative Information System of the U.S. Congress.

Table A-2. Simple Resolution Related to China Agreed to in the House in the 113th Congress

Resolution Number	Date Agreed To/Passed	Title	Description
H.Res. 65	February 15, 2013	Condemning the Government of North Korea for its flagrant and repeated violations of multiple United Nations Security Council resolutions, for its repeated provocations that threaten international peace and stability, and for its February 12, 2013, test of a nuclear device	<p>Calls on China to pressure North Korean leaders to curtail their provocative behavior and abandon and dismantle their nuclear and missile programs by curtailing vital economic support and trade to North Korea. Also calls on China to comply with all relevant international agreements and U.N. Security Council and International Atomic Energy Agency resolutions.</p> <p>Calls on China to take immediate actions to prevent the transshipment of illicit technology, military equipment, and dual-use items through its territory, waters, and airspace that could be used in North Korea's nuclear weapons and ballistic missile programs.</p>

Source: Legislative Information System of the U.S. Congress.

Appendix B. Laws Related to China Enacted in the 112th Congress

Table B-I. Laws Related to China Enacted in the 112th Congress

Listed in reverse chronological order by date signed into law

Bill/Public Law Number	Date Signed Into Law	Title	Description of China-related Provisions
H.R. 4212 (P.L. 112-266)	1/14/2013	Drywall Safety Act of 2012	<ul style="list-style-type: none"> • Sec. 2 states that it is the sense of the Congress that the Secretary of Commerce “should insist” that China facilitate a meeting between Chinese drywall companies and representatives of the U.S. government on “remedying homeowners that have problematic drywall in their homes”; and also “insist” that China direct Chinese drywall manufacturers and exporters to submit to jurisdiction in U.S. Federal Courts and comply with any court decisions.
H.R. 1464 (P.L. 112-264)	1/14/2013	North Korean Child Welfare Act of 2012 ^a	<ul style="list-style-type: none"> • Sec. 2 states that is the sense of the Congress that North Korean children or children of one North Korean parent who are living outside North Korea may face statelessness in neighboring countries, and that the Secretary of State should advocate for their best interests. • Sec. 4 requires the Secretary of State to designate a representative to brief Congressional committees regularly on U.S. government efforts to advocate for the best interests of North Korean children residing outside North Korea or children of one North Korean parent living in other countries who are fleeing persecution or are living as de jure or de facto stateless persons.
H.R. 4310 (P.L. 112-239)	1/2/2013	National Defense Authorization Act for Fiscal Year 2013	<ul style="list-style-type: none"> • Sec. 1045 (126 Stat. 1933-1934) requires the Commander of the United States Strategic Command to submit a report on the capability of the United States to use conventional and nuclear forces to neutralize China’s underground tunnel network and what is stored within such tunnels. It also requires the Secretary of Defense to enter into an agreement with a federally funded research and development center to conduct an assessment of China’s nuclear weapons program. Required elements of the assessment include China’s nuclear deterrence strategy; a detailed description of China’s nuclear arsenal; a comparison of U.S. and Chinese nuclear forces; projections for China’s future nuclear arsenals; a description of command and control functions and gaps; an assessment of China’s fissile material stockpile and civil and military production capabilities and capacities; an assessment of China’s production capacities for nuclear weapons and nuclear weapon delivery vehicles; a discussion of significant uncertainties surrounding China’s nuclear weapons program; and recommendations for improving U.S. understanding of China’s nuclear weapons program.

- Sec. 1231 (126 Stat. 2003) requires the Chairman of the Joint Chiefs of Staff to submit a report on U.S. capabilities in relation to China, North Korea, and Iran. The report is required to consider any critical gaps in intelligence that limit the ability of the United States Armed Forces to counter challenges or threats from each country. The report is also required to consider any gaps in the capabilities, capacity, and authorities of the U.S. Armed Forces to counter challenges or threats to U.S. personnel and U.S. interests in each country's region.
- Sec. 1261(c)(1) and (2) (126 Stat. 2019) prohibit the export, re-export, or direct or indirect transfer to China of satellites or related items subject to Export Administration Regulations.
- Sec. 1271 (126 Stat. 2022-2023) requires additional elements in the Department of Defense's (DOD's) Annual Report on Military and Security Developments Involving the People's Republic of China.^b They include discussion of China's electronic warfare capabilities and details on the number of malicious cyber incidents originating from China against DOD infrastructure. They also include discussion of China's space and counterspace programs; nuclear program; anti-access and area denial capabilities; command, control, communications, computers, intelligence, surveillance, and reconnaissance modernization program; navy and paramilitary and maritime law enforcement vessels, including their response to U.S. naval activities; military-to-military relationships with other countries; any significant sale or transfer of military hardware, expertise, and technology from China, and any significant assistance to and from "any selling state with military-related research and development programs in China." Sec. 1271 drops the NDAA 2011's requirement for an assessment of the damage inflicted on the Department of Defense from Chinese cyber activities.
- Sec. 1281 (126 Stat. 2034) states that it is the sense of Congress that the President should take steps to address Taiwan's shortfall in fighter aircraft, whether through the sale of F-16 C/D aircraft or other aircraft of similar capacity.
- Sec. 1286 (126 Stat. 2039-2040) contains "The Sense of Congress on the Situation in the Senkaku Islands." It states, among other things, that "while the United States takes no position on the ultimate sovereignty of the Senkaku Islands, the United States acknowledges the administration of Japan over the Senkaku Islands," and the "the unilateral action of a third party will not affect the United States' acknowledgement" of Japanese administration over the islands. The Sense of the Congress also states that "the United States has national interests in freedom of navigation, the maintenance of peace and stability, respect for international law, and unimpeded lawful commerce"; that the United States "supports a collaborative diplomatic process by claimants to resolve territorial disputes without coercion, and opposes efforts at coercion, the threat of

			<p>use of force, or use of force by any claimant”; and finally, that “the United States reaffirms its commitment to the Government of Japan under Article V of the Treaty of Mutual Cooperation and Security.... ”</p> <ul style="list-style-type: none"> • Sec. 3119 (126 Stat. 2174) requires the Secretary of Energy to conduct a review of nonproliferation activities with China to determine if the engagement is directly or indirectly supporting the proliferation of nuclear weapons development and technology to other nations. It requires the Secretary of Energy to submit a report certifying that nonproliferation activities with China are not contributing to proliferation, and caps funding for the U.S.-China Center of Excellence on Nuclear Security at \$7 million until the report is submitted.
H.R. 4240 (P.L. 112-172)	8/16/2012	Ambassador James R. Lilley and Congressman Stephen J. Solarz North Korea Human Rights Reauthorization Act of 2012	<ul style="list-style-type: none"> • Sec. 2(5) states that Congress finds China has continued to forcibly repatriate North Koreans. Sec. 3(2) states that it is the sense of the Congress that the United States should urge China to immediately halt its forcible repatriation of North Koreans, fulfill its obligations under international agreements, and allow the United Nations High Commission for Refugees unimpeded access to North Koreans inside China to determine whether such North Koreans are refugees requiring protection.
H.R. 1540 (P.L. 112-81)	12/31/2011	National Defense Authorization Act for Fiscal Year 2012	<ul style="list-style-type: none"> • Section 1232(a)(2) (125 Stat. 1636) directs the Comptroller General of the United States to conduct an independent review of “any gaps between China’s anti-access capabilities and United States’ capabilities to overcome them.” • Section 1236(b)(4) (125 Stat. 1641) requires that a report on military and security developments involving North Korea, to be submitted to Congress by the Secretary of Defense, include, among other things, an assessment of North Korean regional security objectives that affect the PRC and other countries. • Section 1238(a) (125 Stat. 1642) adds a requirement that the Department of Defense’s annual report on military and security developments involving the PRC include “an assessment of the nature of China’s cyber activities directed against the Department of Defense and an assessment of the damage inflicted on the Department of Defense by reason thereof.”
H.R. 2055 (P.L. 112-74)	12/23/2011	Consolidated Appropriations Act, 2012	<ul style="list-style-type: none"> • The Department of State, Foreign Operations, and Related Programs Appropriations Act, 2012 (125 Stat. 1173-1174) appropriates \$2 million for the Congressional-Executive Commission on the People’s Republic of China and \$3.5 million to the United States-China Economic and Security Review Commission. • Sec. 7044(a) (125 Stat. 1230) requires the Secretary of the Treasury to instruct the U.S. executive director of each international financial institution to support projects in Tibet if such projects do not provide incentives for the migration and settlement of non-Tibetans into Tibet or facilitate the transfer of ownership of Tibetan land and natural resources to non-Tibetans; are based on a thorough needs-assessment;

foster self-sufficiency of the Tibetan people and respect Tibetan culture and traditions; and are subject to effective monitoring. It also requires Economic Support Fund funds to be made available to nongovernmental organizations to support activities which preserve cultural traditions and promote sustainable development and environmental conservation in Tibetan communities in China.

- Sec. 7044(f) (125 Stat. 1231) bars use of appropriated funds for processing licenses to export satellites and satellite components of U.S. origin to China, unless with advance notification to the Committee on Appropriations. Sec. 7044(f) also bars use of appropriated funds to finance any grant, contract, or cooperative agreement with China's People's Liberation Army (PLA), or any entity that the Secretary of State has reason to believe is owned or controlled by, or an affiliate of, the PLA.
- Sec. 7076(a) (125 Stat. 1256) requires the Secretary of State to hire sufficient consular officers to reduce visa interview wait times in China, Brazil, and India.
- Sec. 7085(c) (125 Stat. 1264) bars the United Nations Population Fund from using appropriated funds for country programs in China. If a required report from the Secretary of State indicates that UNFPA plans to spend funds for a country program in China, Sec. 7085(e)(2) requires that the amount be deducted from the funds made available to UNFPA.
- The Department of Commerce Appropriations Act, 2012 (125 Stat. 591) appropriates not less than \$7 million for the Office of China Compliance in the Department of Commerce's International Trade Administration (ITA), and not less than \$4.4 million for ITA's China Countervailing Duty Group.
- Section 112 (125 Stat. 603) requires the Department of Commerce to provide a monthly report on any official travel to China by Department employees.
- The Science Appropriations Act, 2012, Section 539 (125 Stat. 639), bars the National Aeronautics and Space Administration and the Office of Science and Technology Policy from using appropriated funds for any participation, collaboration, or bilateral coordination with China or any Chinese-owned company, unless such activities are specifically authorized by a later law. Section 539 also bars NASA from using appropriated funds to host official Chinese visitors at NASA facilities. The limitations do not apply in cases where NASA or OSTP have certified in advance to the Committee on Appropriations that the activities pose no risk of resulting in the transfer of technology, data, or other information with national security or economic security implications to China or a Chinese-owned company.

H.R. 2112 11/18/2011 Consolidated and Further Continuing Appropriations Act, 2012
(P.L. 112-55)

H.R. 1473 4/15/2011 Department of Defense and Full-Year Continuing Appropriations Act,
(P.L. 112-10)

- Sec. 1340(a) and (b) (125 Stat. 123) bar the National Aeronautics and Space Administration and the Office of Science and Technology Policy from using appropriated funds for any participation, collaboration, or bilateral

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coordination with China or any Chinese-owned company, unless such activities are specifically authorized by a later law. NASA is also barred from using appropriated funds to host official Chinese visitors at NASA facilities.

Source: Legislative Information System of the U.S. Congress

- a. The North Korean Child Welfare Act of 2012 does not mention China by name, but is included in this table because China borders North Korea and North Korean children and children of one North Korean parent are known to live in China.
- b. For all the current required elements of the Department of Defense's Annual Report on Military and Security Developments Involving the People's Republic of China, see U.S. Code Title 10 Section 113 (10 USC § 113).

Appendix C. Simple Resolutions Agreed to in the 112th Congress

Table C-1. Simple Resolution Related to China Agreed to in the House in the 112th Congress

Resolution Number	Date Agreed to/Passed	Title	Description
H.Res. 683	6/18/2012	Expressing the regret of the House of Representatives for the passage of laws that adversely affected the Chinese in the United States, including the Chinese Exclusion Act.	<p>Regrets the passage of legislation that adversely affected people of Chinese origin in the United States because of their ethnicity.</p> <p>States that nothing in this resolution may be construed or relied on to authorize or support any claim, including but not limited to constitutionally based claims, claims for monetary compensation or claims for equitable relief against the United States or any other party, or serve as a settlement of any claim against the United States.</p>

Source: Legislative Information System of the U.S. Congress.

Table C-2. Simple Resolutions Related to China Agreed to in the Senate in the 112th Congress

Listed in reverse chronological order by date agreed to

Resolution Number	Date Agreed To	Title	Description
S.Res. 557	9/19/2012	A resolution honoring the contributions of Lodi Gyaltzen Gyari as Special Envoy of His Holiness the Dalai Lama and in promoting the legitimate rights and aspirations of the Tibetan people.	<p>Honors the service of Lodi Gyaltzen Gyari as Special Envoy of His Holiness the Dalai Lama.</p> <p>Commends the achievements of Lodi Gyaltzen Gyari in building an international coalition of support for Tibet that recognizes: (1) the imperative to preserve Tibet's culture and religious traditions, and (2) that the Tibetan people are entitled under international law to their own identity and autonomy within China.</p> <p>Acknowledges Lodi Gyaltzen Gyari's role, as a naturalized U.S. citizen, in promoting understanding in the United States of the Tibetan people, their culture and religion, and their struggle for autonomy and human rights.</p> <p>Supports a political solution for Tibet within China that satisfies the aspirations of the Tibetan people.</p>
S.Res. 524	8/2/2012	A resolution reaffirming the strong support of the United States for the 2002 declaration of conduct of parties in	<p>Reaffirms U.S. support for the 2002 declaration of conduct of parties in the South China Sea among the member states of the Association of Southeast Asian Nations (ASEAN) and China.</p> <p>Urges all parties to exercise self-restraint in the conduct of activities that would complicate disputes and stability,</p>

Resolution Number	Date Agreed To	Title	Description
		the South China Sea among the member states of ASEAN and the People's Republic of China, and for other purposes.	including refraining from inhabiting presently uninhabited islands, reefs, shoals, and other features. Supports a diplomatic process by all claimants for resolving outstanding territorial and jurisdictional disputes. Supports U.S. Armed Forces operations in the Western Pacific, including in the South China Sea, in support of freedom of navigation, the maintenance of peace, respect for international law, and unimpeded lawful commerce.
S.Res. 476	6/7/2012	A resolution honoring the contributions of the late Fang Lizhi to the people of China and the cause of freedom.	Mourns the loss of Fang Lizhi and offers the Senate's condolences to his family and friends. Honors the life, scientific contributions, and service of Fang Lizhi to the cause of human freedom. Stands with the people of China as they strive to create a government that is democratic and respectful of human rights.
S.Res. 356	3/29/2012	A resolution expressing support for the people of Tibet	Mourns the death of Tibetans who have self-immolated and deplores the repressive policies targeting Tibetans. Calls on China to (1) suspend implementation of religious control regulations and resume a dialogue with Tibetan Buddhist leaders, including the Dalai Lama or his representatives; and (2) release all persons who have been arbitrarily detained and allow access by journalists, foreign diplomats, and international organizations to Tibet. Commends the Dalai Lama for his decision to devolve his political power in favor of a democratic system. Congratulates Tibetans living in exile for holding, on March 20, 2011, a free election that met international electoral standards. Reaffirms the friendship between the United States and Tibet. Calls on the Department of State to (1) fully implement the Tibetan Policy Act of 2002, and (2) seek from China a full accounting of the forcible removal of monks from Kirti Monastery.
S.Res. 379	2/17/2012	An original resolution condemning violence by the Government of Syria against the Syrian people	Expresses disappointment with the governments of the Russian Federation and China for their veto of the U.N. Security Council resolution condemning Bashar al-Assad and the violence in Syria and urges them to reconsider their votes.
S.Res. 201	10/6/2011	A resolution expressing the regret of the Senate for the passage of discriminatory laws against the Chinese	States that the Senate: (1) acknowledges that the framework of anti-Chinese legislation, including the Chinese Exclusion Act, is incompatible with the basic founding principles of equality recognized in the Declaration of Independence; (2) regrets passing six decades of legislation targeting the Chinese people for

Resolution Number	Date Agreed To	Title	Description
		in America, including the Chinese Exclusion Act	physical and political exclusion; and (3) reaffirms its commitment to preserving the same civil rights and constitutional protections for people of Chinese or other Asian descent in the United States accorded to all others. States that nothing in this resolution may be construed to authorize or support, or serve as a settlement of, any claim against the United States.
S.Res. 217	6/27/2011	A resolution calling for a peaceful and multilateral resolution to maritime territorial disputes in Southeast Asia	Reaffirms the strong support of the United States for the peaceful resolution of maritime territorial disputes in the South China Sea. Deplores the use of force by China's naval and maritime security vessels in the South China Sea Calls on all parties to the territorial dispute to refrain from threatening force or using force to assert territorial claims. Supports the continuation of operations by the U.S. Armed Forces in support of freedom of navigation rights in international waters and air space in the South China Sea.

Source: Legislative Information System of the U.S. Congress.

Appendix D. Hearings Related to China in the 112th Congress

Table D-1. House of Representatives Hearings Related to China in the 112th Congress

Committee	Hearing Date	Committee Print Serial No.	Hearing Title
House Committee on Armed Services Subcommittee on Strategic Forces (HASC)	10/14/2011	H.A.S.C. 112-78	Nuclear Weapons Modernization in Russia and China: Understanding Impacts to the United States
House Committee on Energy and Commerce Subcommittee on Energy and Power	4/4/2011	112-31	The American Energy Initiative, Part 2: China's Energy Portfolio and the Implications for Jobs and Energy Prices in the United States
House Committee on Financial Services Subcommittee on International Monetary Policy and Trade	5/16/2011	112-126	Increasing Market Access for U.S. Financial Firms in China: Update on Progress of the Strategic & Economic Dialogue
House Committee on Foreign Affairs (HFAC)	1/19/2011	112-2	Assessing China's Behavior and Its Impact on U.S. Interests (Briefing)
HFAC full committee	6/16/2011	112-42	Why Taiwan Matters
HFAC full committee	10/4/2011	112-70	Why Taiwan Matters, Part II
HFAC full committee	11/3/2011	112-85	Congressional-Executive Commission on China: 2011 Annual Report
HFAC full committee	9/12/2012	112-178	Beijing as an Emerging Power in the South China Sea
HFAC Subcommittee on Africa, Global Health, and Human Rights	5/13/2011	112-59	China's Latest Crackdown on Dissent
HFAC Subcommittee on Africa, Global Health, and Human Rights	9/22/2011	112-105	China's One-Child Policy: The Government's Massive Crime Against Women and Unborn Babies
HFAC Subcommittee on Africa, Global Health, and Human Rights	3/29/2012	112-138	Assessing China's Role and Influence in Africa
HFAC Subcommittee on Africa, Global Health, and Human Rights	7/9/2012	112-168	Continued Human Rights Attacks on Families in China

Committee	Hearing Date	Committee Print Serial No.	Hearing Title
HFAC Subcommittee on Asia and the Pacific	3/31/2011	112-15	Asia Overview: Protecting American Interests in China and Asia
HFAC Subcommittee on Asia and the Pacific	9/21/2011	112-63	China's Monopoly on Rare Earths: Implications for U.S. Foreign and Security Policy
HFAC Subcommittee on Asia and the Pacific	11/15/2011	112-78	Feeding the Dragon: Reevaluating U.S. Development Assistance to China
HFAC Subcommittee on Terrorism, Nonproliferation, and Trade	3/9/2011	112-5	China's Indigenous Innovation Trade and Investment Policies: How Great a Threat?
HFAC Subcommittee on Oversight and Investigations	11/2/2011	112-74	Efforts to Transfer America's Leading Edge Science to China
HFAC Subcommittee on Oversight and Investigations	3/28/2012	112-133	The Price of Public Diplomacy with China
Committee on the Judiciary Subcommittee on Immigration Policy and Enforcement	11/2/2011	112-65	China Democracy Promotion Act of 2011 (H.R. 2121)
Committee on Ways and Means	10/25/2011	112-17	The U.S.-China Economic Relationship

Source: Committee prints published by the U.S. Government Printing Office and available at <http://www.gpo.gov>.

Notes: Hearings listed are those specifically focused on China or Taiwan. China and Taiwan were referenced in other hearings.

Table D-2. Senate Hearings Related to China in the 112th Congress

Committee	Hearing Date	Committee Print Serial Number	Hearing Title
Committee on Energy and Natural Resources	6/14/2012	S. Hrg. 112-623	Clean Energy Race: The United States and China
Committee on Foreign Relations	5/26/2012	S. Hrg. 112-399	Nomination of Hon. Gary Locke, of Washington, to be Ambassador to the People's Republic of China
Committee on Foreign Relations Subcommittee on African Affairs	11/1/2011	S. Hrg. 112-203	China's Role in Africa: Implications for U.S. Policy
Committee on Foreign Affairs Subcommittee on East Asian and Pacific Affairs	9/20/2012	S. Hrg. 112-610	Maritime Territorial Disputes and Sovereignty Issues in Asia

Source: Committee prints published by the U.S. Government Printing Office and available at <http://www.gpo.gov>.

Notes: Hearings listed are those specifically focused on China or in which China was a leading topic. China was referenced in other hearings. The Senate did not hold any hearings in the 112th Congress focused on Taiwan.

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