



# China-U.S. Relations in the 110<sup>th</sup> Congress: Issues and Implications for U.S. Policy

**Kerry Dumbaugh**  
Specialist in Asian Affairs

February 10, 2009

Congressional Research Service

7-5700

[www.crs.gov](http://www.crs.gov)

RL33877

## Summary

This report deals with U.S.-China relations during the 110<sup>th</sup> Congress (2007-2008) and with a number of key events involving China during the two-year period. These events included: China's anti-satellite weapon test (January 2007); the 17<sup>th</sup> Party Congress (October 2007); a crackdown against demonstrations in Tibet (March 2008); the election of a new, pro-engagement government in Taiwan (March 2008); the massive Sichuan earthquake (May 2008); and Beijing's hosting of the 2008 Olympics (August 2008).

U.S.-China relations were remarkably smooth for much of the 110<sup>th</sup>, although there were signs that U.S. China policy had become subject to competing reassessments as the Bush Administration drew to a close in 2008. The White House continued to follow the policy of engagement it had unveiled in 2005 as a new framework for the relationship, one in which the United States was willing to work cooperatively with China while encouraging Beijing to become a "responsible stakeholder" in the global system. U.S. officials also continued to hold a series of regular senior dialogues the White House had established with Beijing, such as the U.S.-China Strategic Economic Dialogue. But other U.S. policymakers began to raise concerns on issues involving China and U.S.-China relations. They cited concerns about the impact of the PRC's strong economic growth and a more assertive PRC diplomacy in the international arena; failures in procedures to assure the quality of Chinese pharmaceuticals, food, and other products being imported into the United States; repeated PRC inability to protect U.S. intellectual property rights; and trade practices and policies in China that contributed to a growing U.S. trade deficit with China (\$256 billion in 2007 and projected to hit \$267 billion in 2008).

With total U.S.-China trade in 2007 reaching \$387 billion, China during the 110<sup>th</sup> Congress was the second-largest U.S. trading partner. Beijing also was positioned to play an important potential role in efforts to resolve the global financial crisis that developed late in 2008, with China's central bank a major purchaser of U.S. debt. China was the second largest holder of U.S. securities and the largest holder of U.S. Treasuries used to finance the federal budget deficit. Taiwan, over which China claims sovereignty, remained the most sensitive bilateral issue in the 110<sup>th</sup> Congress, exacerbated by the pro-independence Taiwan administration that held power in 2007 and early 2008. But a March 2008 leadership change in Taiwan presented an opportunity to begin to lay a new framework in Taiwan-PRC relations—one moving away from the more confrontational policies of the past. As a result, in June 2008, the first PRC-Taiwan talks in a decade were held in Beijing. The political status of Tibet also re-emerged as an issue in the 110<sup>th</sup> when monks in Lhasa launched a protest against PRC rule on March 11, 2008. The protests, at times resulting in violent clashes with police, spread to several other cities in the Tibetan Autonomous Region and beyond. Beijing's assertive response added to a drive urging a boycott of the Summer Olympic Games being hosted by Beijing in August 2008. But Beijing hosted a largely successful Games, and President Bush attended the opening ceremony in August 2008.

Other concerns about China appeared driven by security calculations, where U.S. officials question the motivations behind China's expanding military budget. One congressionally mandated report by the Defense Department concluded Beijing is greatly understating its military expenditures and is developing anti-satellite (ASAT) systems—a claim that gained more credence when the PRC used a ballistic missile to destroy one of its own orbiting satellites in January 2007. This report will not be updated. Current issues and actions in U.S.-China relations are covered in other CRS reports.

## Contents

Background and Overview .....	1
Introduction .....	1
Issues and Developments .....	1
Global Financial Crisis .....	1
Concerns About Product Safety .....	2
Beijing Summer Olympic Games 2008 .....	3
Issues Involving Tibet .....	5
The Dalai Lama and the Congressional Gold Medal .....	5
Demonstrations in Tibet in March 2008 .....	6
China’s New “Reincarnation Law” .....	9
Sino-Tibetan Negotiations .....	9
Sichuan Earthquake.....	10
Human Casualties, Property Damage, and Foreign Aid .....	11
Questions about School Construction .....	11
Military and National Security Issues .....	12
Espionage Charges.....	13
China’s Growing Military Power.....	13
PRC Anti-Satellite Test and Space Activities.....	14
Military Contacts.....	14
U.S. Ship Visit Denials in Hong Kong.....	15
Economic and Trade Issues .....	18
China’s Sovereign Wealth Fund.....	18
Currency Valuations.....	19
Unfair Trade Subsidies.....	20
Intellectual Property Rights .....	20
Ongoing U.S.-China Senior-level Dialogues .....	20
The Strategic Economic Dialogue (SED) .....	20
The Senior Dialogue .....	21
Taiwan .....	22
U.S. Taiwan Policy and U.S. Arms Sales.....	23
Taiwan’s Bid for U.N. Membership.....	24
Resumption of PRC-Taiwan Talks.....	25
China’s Growing Global Reach.....	26
Environmental Issues .....	27
Domestic Political Issues .....	27
17 <sup>th</sup> Party Congress, October 15-21, 2007 .....	27
Social Stability .....	28
Internet and Media Restrictions .....	29
Human Rights.....	30
Religious Freedom.....	30
Family Planning Policies .....	31
Charter 08 .....	31
Selected Legislation in the 110 <sup>th</sup> Congress .....	33
Public Laws.....	33
Energy Independence and Security Act of 2007—P.L. 110-140.....	33

Department of State, Foreign Operations, and Related Programs Appropriations Act, 2008—P.L. 110-161 .....	33
National Defense Authorization Act for FY2008—P.L. 110-181 .....	33
Other Selected Legislation .....	34
2008.....	36
2007.....	42

## **Appendixes**

Appendix. Timeline During the 110 <sup>th</sup> Congress .....	36
--	----

## **Contacts**

Author Contact Information .....	62
----------------------------------	----

## Background and Overview

### Introduction

U.S. relations with the People's Republic of China (PRC) remained remarkably smooth during the 110<sup>th</sup> Congress, as they were throughout most of the George W. Bush Administration. The two governments continued to have regular and robust high-level visits and exchanges of working level officials. Washington and Beijing also continued to develop military-to-military relations, cooperated on anti-terror initiatives, and worked together on a multilateral effort to restrain and eliminate North Korea's nuclear weapons activities. U.S. companies continued to invest heavily in China, and the Chinese central government overtook Japan to become the largest holder of U.S. Treasuries used to finance the federal budget deficit, holding about \$600 billion in Treasuries by the end of 2008.

Despite these growing connections, thorny problems continued to be factors in the relationship, including difficulties over China's intentions toward, and U.S. commitments, to democratic Taiwan, various disputes over China's failure to protect U.S. intellectual property rights, the alleged economic advantage China gains from managing its exchange rate, and growing concerns about the quality and safety of some exported Chinese products. In addition, some U.S. policymakers expressed growing concern about the significant long-term implications that China's accelerating rise in the world had for U.S. global power and influence. Some U.S. lawmakers suggested that U.S. policies should be reassessed in light of the PRC's continued strong economic growth and more assertive international posture.

## Issues and Developments

### Global Financial Crisis

As the U.S. financial system deteriorated during the 110<sup>th</sup> Congress, it became clear that the PRC was positioned to play a crucial role in any policy designed to address the problems. In order to mitigate the renminbi's appreciation against the dollar, China's central bank was forced to make heavy purchases of U.S. dollars. As a result, China by the 110<sup>th</sup> Congress had amassed a huge level of foreign exchange reserves, totaling \$1.9 trillion as of December 2008, and the Chinese central government had become an ever more important purchaser of U.S. Treasuries and other U.S. debt. Some U.S. policymakers expressed concern that this posed an economic risk to the United States should China's foreign exchange purchase patterns change, and a political risk should China use this position to seek advantages on other diplomatic issues. The financial crisis unfolding in the United States in 2008 and the Bush Administration's (and the incoming Obama Administration's) proposed financial rescue programs each required a substantial level of new U.S. government borrowing, with China positioned to be a major purchaser of this new U.S. government debt.<sup>1</sup>

---

<sup>1</sup> This paragraph draws heavily from CRS Report RS22984, *China and the Global Financial Crisis: Implications for the United States*, by Wayne M. Morrison.

In addition, the scope of the financial crisis suggested that global economic decision-making in the future would be moving beyond the confines of the developed “G-7” countries, where China does not participate, and into the broader arena of the “G-20” countries, where China does participate, making Beijing a more important potential player in the global economic decision-making process.<sup>2</sup> The G20 countries met in Washington DC on November 15, 2008, in an attempt to address the financial crisis, and scheduled another G20 meeting in London on April 2, 2009.

## **Concerns About Product Safety**

Beginning in March and April 2007, reports began to surface about tainted and unsafe food and consumer products in China, and concerns about product safety continued to plague U.S.-China relations throughout the rest of the 110<sup>th</sup> Congress.<sup>3</sup> An investigation by the U.S. Food and Drug Administration (FDA) early in 2007 linked tainted exports of pet food with wheat gluten from China to reports of pet deaths from kidney failure in the United States. The Canadian company that had imported the product, Menu Foods, initiated a massive recall of its products on March 16, 2007, and the recall effort later expanded to more brands of pet foods and other pet food manufacturers.<sup>4</sup> On April 3, 2007, the FDA began halting imports of wheat gluten from a PRC company, the Xuzhou Anying Biologic Technology Development Co. Ltd., saying it had tested positive for the tainted wheat gluten.<sup>5</sup> Although the PRC government initially denied its pet food products were tainted, it later reversed that position, admitting on April 26, 2007, that PRC companies had exported melamine-laced wheat gluten to the United States.<sup>6</sup>

The pet food contamination was the beginning of a series of well publicized recalls of PRC imported products including fish, tires, toothpaste, and toys. Two of these—Menu Foods pet food recall and Mattel’s voluntary recall of over 18 million toys, announced on August 14, 2007—were reported on most widely.<sup>7</sup> But by August 17, 2007, the U.S. Consumer Product Safety Commission (CPSC) had issued nearly 150 recall notices in 2007 for Chinese-manufactured products, including electric throws, ceramic heaters, folding recliner chairs, children’s jewelry, kayak paddle floats, baby cribs, candles, oil-filled electric heaters, boom boxes, bicycles, clothing, gas lighters, remote controls, lamps, curling irons, and hair dryers.<sup>8</sup>

In September 2008, concerns began to mount about infant formula and milk powder in China tainted with melamine, an industrial chemical that appears to make products more protein-rich.

---

<sup>2</sup> The “G-7” is comprised of the developed countries of the United States, France, Germany, Italy, the United Kingdom, Japan, and Canada; “G-20” members include Argentina, Australia, Brazil, Great Britain, Canada, China, the European Union, France, Germany, India, Indonesia, Italy, Japan, Mexico, Russia, South Africa, Saudi Arabia, South Korea, Turkey, and the United States.

<sup>3</sup> See CRS Report RS22713, *Health and Safety Concerns Over U.S. Imports of Chinese Products: An Overview*, by Wayne M. Morrison.

<sup>4</sup> On April 12, 2007, the Director of the FDA Center for Veterinary Medicine, Stephen F. Sundlof, and other witnesses testified before the Senate Appropriations Committee’s Subcommittee on Agriculture, Rural Development, and Related Agencies on the scope of the recall and the path of the FDA’s investigation.

<sup>5</sup> Later, Binzhou Futian Biology Technology, another PRC company, was also implicated.

<sup>6</sup> See CRS Report RS22713, *Health and Safety Concerns...*

<sup>7</sup> Mattel’s recall involved toys containing lead paint and products containing small, powerful magnets. For details of Mattel’s recalled products, see <http://www.mattel.com/safety/us/>.

<sup>8</sup> Based on a review of recalls listed on the USCPSC website from January 1 - August 17, 2007, products manufactured in China were the most frequent subjects of recall notices, at 147; products manufactured in the United States were the second most frequently cited, at 41.

Amid a widening scandal and an extensive public outcry after thousands of babies sickened and some died, the PRC government took increasingly assertive measures to close down suspect producers and make arrests. On October 9, 2008, Beijing announced it was setting its first standards on melamine in milk, imposing a limit of 1 milligram per kilogram in infant formula and 2.5 milligrams per kilogram in liquid milk.<sup>9</sup> On October 14, 2008, the PRC government ordered a recall of all milk products produced before September 14, 2008.

Members of the 110<sup>th</sup> Congress addressed the safety of products from China in several ways. These included:

- Legislation targeted on the Chinese government to condemn poor product safety (H.Res. 925), which died in the House Foreign Affairs Committee);
- Legislation targeted on the U.S. government and on U.S. consumers, such as a request for the resignation of the Chairwoman of the Consumer Product Safety Commission (H.Res. 803); a bill urging Americans to buy American-made products (H.Res. 831); and legislation directing the Consumer Product Safety Commission to increase safety standards for infants and toddler products (H.R. 1698), all of which died in the House Energy and Commerce Committee.

Bilateral efforts on the quality of Chinese exports to the United States had been underway for several years by the 110<sup>th</sup> Congress. In 2004, the CPSC and China's General Administration of Quality Supervision, Inspection, and Quarantine (AQSIQ) signed a memorandum of understanding (MOU) to cooperate on increasing the safety of specific consumer products, including clothing, toys, cigarette and multipurpose lighters, home appliances, hazardous chemical consumer products, and bicycle helmets. The two agencies held a Consumer Product Safety Summit (CPSS) in Beijing in 2005, and a second CPSS meeting in Washington D.C. on September 11, 2007. The United States, China, and the European Union launched a "Joint U.S.-EU-China Initiative on Consumer Product Safety Compliance" in Beijing from September 19-24, 2008, followed by a "High-Level Consumer Product Safety Trilateral Meeting" in Brussels in November 2008.<sup>10</sup> Concerns about Chinese products also led the U.S. Food and Drug Administration (FDA) to open an office in Beijing on November 18, 2008, to increase inspections of PRC food and medicine.

## **Beijing Summer Olympic Games 2008**

From August 8-24, 2008, China hosted the 2008 Summer Olympic Games. The opening ceremony and most of the athletic events were held in Beijing, but six other PRC cities co-hosted Olympic competitions as well, including Qingdao (sailing); Shanghai, Tianjin, Shenyang, and Qinhuangdao (soccer), and Hong Kong (equestrian events). Beijing reportedly spent \$43 billion, more than any other Olympic host city, to prepare for the games.<sup>11</sup>

---

<sup>9</sup> Jiao, Wu, "China sets limits on melamine levels in milk products," *China Daily*, October 9, 2008.

<sup>10</sup> "China-U.S.-EU Joint Press Statement: Consumer Product Safety—A Common Objective," September 19, 2008, issued in Beijing, China. [http://ec.europa.eu/consumers/safety/int\\_coop/docs/trilateral\\_joint\\_statement\\_en.pdf](http://ec.europa.eu/consumers/safety/int_coop/docs/trilateral_joint_statement_en.pdf)

<sup>11</sup> Demick, Barbara, "Hiding a host of ills under the red carpet; Beijing goes to lengths beyond any host city to ready for Olympics," *Los Angeles Times*, July 21, 2008, p. A1.

A number of controversies surfaced in the run-up to the 2008 Games. Multiple interest groups opposed to various PRC behaviors saw China's hosting of the games as an excellent opportunity to put pressure on leaders in Beijing to reform PRC policies. These groups included: Tibetan activists pushing either for Tibetan independence or for more enlightened Chinese policies in Tibet, actions which may have led to the March 2008 protests in Tibet and China's crackdown there; activists for Darfur seeking to pressure China to withdraw its support for the Sudanese government (Steven Spielberg resigned in February 2008 as artistic advisor for the Beijing Olympics over this issue); and a number of groups, such as Reporters without Borders and Human Rights Watch, arguing that China had not kept its promises to the International Olympic Committee to provide journalistic freedom to reporters and a cleaner environment for the athletes during the games.<sup>12</sup>

Members of the 110<sup>th</sup> supported some of these initiatives. Among the measures Members introduced were:

- Legislation calling on the PRC to use its leverage with Sudan to stop the violence in Darfur and to comply with U.N. directives. (H.Res. 422 and S.Res. 203, both of which passed their respective bodies.) The measures stated that the spirit of the Olympics is incompatible with acts supporting genocide.
- Legislation expressing the sense of the House that the President boycott the summer 2008 Olympic Games in Beijing because of PRC activities in Sudan. (H.Res. 628, which died in the House Foreign Affairs Committee.)
- Legislation expressing the sense of the House that the United States boycott the summer 2008 Olympic Games in Beijing unless the PRC stops human rights abuses against its own citizens and stops supporting human rights abuses by the governments of Sudan, Burma, and North Korea. (H.Res. 608, which died in the House Foreign Affairs Committee.)
- Legislation urging the President to boycott the opening ceremonies of the 2008 Olympic Games unless the PRC took steps to stop the genocide in Darfur and allowed full deployment of the U.N.-African Union mission there. (H.Res. 1093, which died in the House Foreign Affairs Committee.)
- Legislation calling on the PRC to end its human rights abuses, stop persecuting Tibetans and Uighurs, and end support for the governments of Burma and Sudan to honor the spirit of the Olympic Games. (H.Res. 1370, which the House passed under suspension.)

Despite these and other issues, periodic calls for a boycott of either the Beijing Olympics opening ceremony or the entire summer games did not lead countries to pull their teams from the competitions nor world leaders to snub the opening ceremony. President Bush, in fact, became the first sitting U.S. President ever to attend an overseas Olympic Games ceremony.

PRC leaders placed a high priority on security at the games. Among other steps, China fielded specially trained anti-terrorist teams (Snow Leopard and Blue Sword Commando Units); stepped up surveillance and searches around Olympic venues and in more than a dozen airports around

---

<sup>12</sup> "China: media watchdog meets with IOC chief on Olympic freedom issues," BBC Monitoring Media, July 16, 2008.



China, including in Tibet and Xinjiang; and deployed anti-aircraft missiles around the National Stadium (dubbed “the Bird’s Nest”) holding the opening ceremony. Chinese officials also designated three public parks close to Olympic venues in Beijing—Zizhuyuan Park, Ritan Park, and Shijie Park—where public protests ostensibly could be held. By the end of the Games, the Government reportedly had approved none of the 77 applications submitted to hold public protests in the parks.<sup>13</sup>

## Issues Involving Tibet

Tibet remained a difficult issue in U.S.-China relations and a matter of debate among U.S. policymakers during the 110<sup>th</sup> Congress.<sup>14</sup> Controversy continued over Tibet’s current political status as part of China, the role of the Dalai Lama and his Tibetan government-in-exile, and the impact of Chinese control on Tibetan culture and religious traditions. The U.S. government recognizes Tibet as part of China and has always done so, although some dispute the historical consistency of this U.S. position.<sup>15</sup> But the Dalai Lama, Tibet’s exiled spiritual leader, has long had strong supporters in the U.S. Congress who have continued to pressure the White House to protect Tibetan culture and give Tibet greater status in U.S. law. It was largely because of this congressional pressure that in 1997, U.S. officials created the position of Special Coordinator for Tibetan issues. Paula Dobriansky, Under Secretary of State for Global Affairs, who served as the Special Coordinator in the Bush Administration and through the 110<sup>th</sup> Congress, was the highest-ranking U.S. official to that point to have held this position.<sup>16</sup>

## The Dalai Lama and the Congressional Gold Medal

Late in 2006, the 109<sup>th</sup> Congress passed legislation to award the Dalai Lama a Congressional Gold Medal in recognition of his international status and accomplishments.<sup>17</sup> The decision was denounced by Beijing as a move that “seriously interferes with China’s internal affairs and damages U.S.-China relations.”<sup>18</sup> With President Bush in attendance, a move that further raised the profile of the event, the Dalai Lama was awarded the medal during the 110<sup>th</sup> Congress in a ceremony on October 17, 2007 in the Capitol Rotunda. In his speech at the ceremony, the Dalai

---

<sup>13</sup> “The World; China fails to approve 77 protest applications,” *Los Angeles Times*, August 19, 2008, p. A-8.

<sup>14</sup> See CRS Report RL34445, *Tibet: Problems, Prospects, and U.S. Policy*, by Kerry Dumbaugh.

<sup>15</sup> Some assert that past U.S. actions which treated Tibet as if it were an independent state in effect signaled U.S. recognition. Michael C. van Walt van Praag, for instance, in *The Status of Tibet: History, Rights, and Prospects in International Law*, (Westview Press, Boulder Colorado, 1987) states that “Washington supported Tibet and treated it as an independent State, even recognizing its *de facto* (italics included) independence...” p. 139. In the daily press briefing of October 8, 1987, responding to a question concerning what year the United States formally recognized Tibet as a part of China, the State Department’s Public Affairs office issued the following statement: “We have never recognized Tibet as a sovereign state independent of China. We first made the statement that we considered Tibet to be a part of China in 1978; however, our earlier formulations were not inconsistent with the statement, and we have never challenged China’s claim. No third country recognizes Tibet as a state independent of China.”

<sup>16</sup> For background and details, see CRS Report RL30983, *Tibet, China, and the 107<sup>th</sup> Congress: Issues for U.S. Policy*, by Kerry Dumbaugh.

<sup>17</sup> S. 2784, “the Fourteenth Dalai Lama Congressional Gold Medal Act,” was introduced by Senator Dianne Feinstein and became P.L. 109-287 on September 27, 2006. Similar legislation, H.R. 4562 (not acted upon) was introduced in the House by Representative Ileana Ros-Lehtinen.

<sup>18</sup> “President Bush signs into law proposal to honor Dalai Lama with medal despite Chinese objections,” *International Herald Tribune*, Associated Press, September 27, 2006.

Lama said "... let me take this opportunity to restate categorically that I am not seeking independence. I am seeking a meaningful autonomy for the Tibetan people within the People's Republic of China."<sup>19</sup> In a written appeal directly to the Chinese people on March 28, 2008, the Dalai Lama reiterated that he had "no desire to seek Tibet's separation [from China]" ... but that he sought to "ensure the survival of the Tibetan people's distinctive culture, language, and identity."<sup>20</sup> The PRC has considered this approach of the Dalai Lama to be a "sidetrack to independence."<sup>21</sup>

## **Demonstrations in Tibet in March 2008**

On March 10, 2008, a series of demonstrations began in Lhasa and elsewhere in Tibetan regions of China to mark the 49<sup>th</sup> anniversary of an unsuccessful Tibetan uprising against Chinese rule in 1959.<sup>22</sup> Although reports differed on the details, the 2008 demonstrations appeared to begin peacefully with a small group demonstrating in the Barkhor Plaza in front of the Jokhang Temple in Lhasa.<sup>23</sup> According to one report, the protestors at this event were arrested, and Buddhist monks from the Drepung, Sera, and Ganden monasteries around Lhasa then began protesting the arrests.<sup>24</sup> These demonstrations also were contained by security forces.

Both the protests and the response of the PRC authorities escalated in the ensuing days, spreading out from the Tibetan Autonomous Region (TAR) and into parts of Sichuan, Gansu, and Qinghai Provinces populated by Tibetans. By the afternoon of March 14, 2008, in the absence of an apparent response by PRC security forces, mobs of angry people were burning and looting businesses and other establishments in downtown Lhasa. Although official Chinese reports later stated that large caches of weapons had been found in Lhasa's monasteries,<sup>25</sup> a special report shown on China's official state television, China Central Television (CCTV) showed no weapons being used by protesters other than fists, rocks, and the occasional knife.<sup>26</sup> The CCTV report began its account of the protests with the violence on March 14, 2008, when rioters began rampaging in Lhasa; the television account made no mention of any peaceful protests or arrests in the preceding days.

Reports differed on the numbers and identities of those killed during the initial demonstrations. By March 31, 2008, official PRC sources reportedly claimed that 18 had died, while the Tibetan

---

<sup>19</sup> "His Holiness' Speech at the Congressional Gold Medal Award Ceremony," October 17, 2007. See text at <http://www.dalailama.com/news.171.htm>.

<sup>20</sup> Dalai Lama, "An appeal to the Chinese people," March 28, 2008. See full text at <http://www.dalailama.com/news.220.htm>.

<sup>21</sup> Statement on PRC Embassy website: "Commentary: 'Middle Way' does not hold water," October 27, 2004. <http://np.china-embassy.org/eng/Features/xzwt/Reports/t167809.htm>

<sup>22</sup> The 1959 uprising, after the PRC's 1950 invasion of Tibet, caused the young Dalai Lama to flee to India with some of his followers, where he has since remained in Dharamsala with the Tibetan Government-in-Exile.

<sup>23</sup> Drew, Jill, "Chinese authorities surround monasteries in Tibet, witnesses say," *Washington Post*, March 14, 2008, p. A11.

<sup>24</sup> *Ibid.*

<sup>25</sup> The announcement of weapons is attributed to a spokesman for China's Ministry of Public Security, Wu Heping, "China; Beijing escalates Tibet accusations," *Los Angeles Times*, April 2, 2008. P. A-4.

<sup>26</sup> "China's CCTV broadcasts special report on Tibet riots in Lhasa," OSC Report, video shown in both Mandarin and English, FEA20080321593347.

government-in-exile reportedly claimed 140 had died.<sup>27</sup> Based on numerous and sometimes sketchy reports, the dead included both Tibetans and ethnic Han Chinese merchants, some of the former reportedly having been shot by police, and some of the latter reportedly having died in their establishments in fires set by the mob. According to news reports, on March 16, 2008, the TAR government declared a “people’s war” in Tibet—a term from revolutionary Maoism—ostensibly to eradicate support for the Dalai Lama and stamp out the aspirations of some Tibetans for independence.<sup>28</sup>

The demonstrations resulted in a greatly enhanced presence of PRC security forces in Tibetan areas.<sup>29</sup> By some reports, security forces beginning in late March 2008 conducted house-to-house searches for those that may have been involved in the demonstrations. According to one report, Burma turned over to China two Tibetan political activists who were said to have fled into Burma from China’s Yunnan Province after demonstrations there.<sup>30</sup> Although Beijing sealed off Tibet to tourists and foreign reporters (with the exception of a few selected groups of journalists), sketchy reports continued to suggest that isolated demonstrations in Tibetan areas of China recurred during the enhanced security presence.

March is one of the two months (the other being October) that are especially—and for many Tibetans, unhappily—symbolic months of Chinese rule. March 10 marks the anniversary of the Tibetan National Uprising in 1959, and October 7 marks the anniversary of the PRC invasion of Tibet in 1950.<sup>31</sup> Outside China, Tibetan groups proceeded with other commemorations of the 1959 Tibetan National Uprising. As he has for many years on the anniversary date, the Dalai Lama gave a speech in 2008 in which he expressed fear for the welfare of the Tibetan people and criticized the Chinese government for “unimaginable and gross violations of human rights, denial of religious freedom, and the politicization of religious issues.” He used the occasion of the speech also to reiterate his support for Beijing’s hosting of the August 2008 Olympic Games, and to urge Tibetans to work “peacefully and within the law” to ensure their legitimate rights as citizens of the PRC.<sup>32</sup> On the same date, other Tibetan exiles began a protest march into Tibet from Dharamsala, India, reportedly to increase pressure on Beijing to improve the situation in Tibet.<sup>33</sup> Tibetan supporters, among other groups, also took part in disruptions of Beijing’s ambitious Olympic Torch Relay in the months preceding the Games, particularly in Paris and London.

---

<sup>27</sup> Figure cited in an OSC Report, “China: Map of Tibetan Unrest, Updated March 31, 2008.” FEA20080323595427.

<sup>28</sup> “China declares ‘people’s war’ in Tibet,” *HeraldSun.com.au*, March 16, 2008.

<sup>29</sup> Although official reports are that the security forces used were the People’s Armed Police (PAP) and not the People’s Liberation Army (PLA), some observers noted that many trucks and other vehicles employed in quelling the protests had newspapers covering their license plates and insignia, making it difficult to determine their origin.

<sup>30</sup> “Burma deports two Tibetan activists to China,” Associated Press, reported in *The Irrawaddy*, April 1, 2008.

<sup>31</sup> Over twenty years prior to the outbreak of the demonstrations in March 2008, there was another period of widespread Tibetan demonstrations that began with a small pro-independence protest by monks in Lhasa on September 27, 1987, and continued sporadically through 1989.

<sup>32</sup> Statement of H.H. the Dalai Lama on the 29<sup>th</sup> Tibetan National Uprising day. See full text at <http://www.dalailama.com/news.215.htm>.

<sup>33</sup> The march later was called off. Kumar, Hari, “Tibetans protest in Delhi, but march is off,” *New York Times*, April 1, 2008.

### ***Tibetan People's Uprising Movement (TPUM)***

A new Tibetan activist grouping appeared to begin on January 4, 2008, when five Tibetan organizations outside China launched the Tibetan People's Uprising Movement (TPUM) to engage in "direct action to end China's illegal and brutal occupation of [Tibet]."<sup>34</sup> The organization announced that it was seeking to take advantage of two approaching historic moments: the Beijing Olympics in August 2008 and the coming 50<sup>th</sup> anniversary of the 1959 Tibetan uprising. Among the group's stated demands were: the Dalai Lama's return to Tibet as its sole leader; the end of China's "colonial occupation" of Tibet; release of all Tibetan political prisoners and restoration of religious and human rights to Tibetans; and cancellation of the 2008 Summer Olympics in Beijing.<sup>35</sup>

### ***Media Coverage***

Controversy also was generated by reports of differing media coverage of the March 2008 demonstrations in Tibet, with PRC officials charging that western media coverage was biased. On March 21, 2008, a PRC web log, with disturbingly inflammatory language, was established purporting to show this media bias.<sup>36</sup> The site reproduced videos shot by observers in Lhasa showing the violence of the riots; discussed news photos cropped in ways some said were misleading; and cited errors in news stories, captions, and photos in which police in Nepal and India, roughing up Tibetan demonstrators, appeared with written descriptions of PRC police actions in Lhasa. Tibetan supporters countered that PRC accounts made no mention of the days of peaceful demonstrations preceding the riots, and that Chinese press reports focused on reportage of the Han Chinese victims to the riots.

### ***PRC Views of the Dalai Lama***

During the March 2008 demonstrations, official PRC reports routinely referred to diverse Tibetan organizations outside Tibet as the "Dalai clique," suggesting that all these groups were controlled and directed by the Dalai Lama and thereby represented his views and effectively were acting on his behalf.<sup>37</sup> The PRC alleged that the agenda of some of these groups proved that the Dalai Lama has never renounced his dream of an independent Tibet. The PRC's Ministry of Public Security (MPS) asserted that it "had gathered sufficient evidence" showing that the March 2008 unrest in Lhasa and elsewhere "was organized, premeditated, masterminded and instigated by the Dalai clique and its 'Tibet independence' forces."<sup>38</sup> According to a PRC official, "The [Lhasa] incident has once more exposed the separatist essence and the hypocrisy and deceitfulness of the alleged "peace" and "nonviolence" of the Dalai clique."<sup>39</sup> Two decades earlier, the PRC had used similar

---

<sup>34</sup> The five organizations are: Tibetan Youth Congress, Tibetan Women's Association, Gu-Chu-Sum Movement of Tibet, National Democratic Party of Tibet, and Students for a Free Tibet, India. [http://www.tibetanwomen.org/press/2008/2008.01.04-press\\_conf.html](http://www.tibetanwomen.org/press/2008/2008.01.04-press_conf.html)

<sup>35</sup> See the group's website: <http://tibetanuprising.org/category/background/>.

<sup>36</sup> <http://www.anti-cnn.com/>

<sup>37</sup> PRC sources cited these groups as including the Tibetan Youth Congress; the Tibetan Women's Association; Students for a Free Tibet; the Gu-Chu-Sum Movement of Tibet; the National Democratic Party of Tibet; the International Tibet Support network; and the Tibetan Writers Organization.

<sup>38</sup> Ministry of Public Security, "China publishes evidences of Dalai clique's masterminding of riots," Xinhua in English, CPP20080401968233, April 1, 2008.

<sup>39</sup> Remarks attributed to PRC Foreign Ministry spokesman Liu Jianchao, "PRC FM Spokesman: Lhasa Incident (continued...)"

language to refer to the widespread demonstrations in Tibet from 1987-1989: “We have conclusive evidence to show that the Lhasa riot early this month was instigated and engineered by the Dalai Separatist clique.”<sup>40</sup> Other PRC references to the Dalai Lama in 2008 were more venomous. On March 18, 2008, the Communist Party Secretary of Tibet called the Dalai Lama “a jackal and wolf clothed in [a monk’s robes], and a vicious devil who is a beast in human form.”<sup>41</sup>

### **China’s New “Reincarnation Law”**

For years there has been growing speculation about what happens upon the death and (according to Buddhist tradition) the subsequent reincarnation of the current Dalai Lama (the 14<sup>th</sup>), who turned 73 in 2008. In 2007, Beijing took steps designed to assure its future control over the selection process. On August 3, 2007, the State Administration for Religious Affairs (SARA) issued a set of regulations, effective September 1, 2007, requiring prior government approval for all Tibetan Buddhist reincarnations through the submission of a “reincarnation application.” In a statement accompanying the regulations, SARA called the step “... an important move to institutionalize management on reincarnation of living Buddhas.”<sup>42</sup>

The Dalai Lama’s Special Envoy, Lodi Gyaltsen Gyari, described the new regulations as a blow against “the heart of Tibetan religious identity.” The regulations also required that reincarnation applications come from “legally registered venues” for Tibetan Buddhism—a provision seen as an attempt to illegalize the reincarnation of the current, 14<sup>th</sup> Dalai Lama, who has declared he will not be reborn in China if circumstances in Tibet remain unchanged. In the aftermath of the adoption of the 2007 reincarnation law, the Dalai Lama also said that he was thinking of alternative ways of choosing his successor, including selecting a candidate before his own death. A Chinese Foreign Ministry spokesman responded to these comments by saying that such a move would “violate religious rituals and historical conventions of Tibetan Buddhism.”<sup>43</sup> The new reincarnation law inserted the PRC government directly into what for centuries has been one of the principal mystical and religious aspects of Tibetan Buddhism.

### **Sino-Tibetan Negotiations**

One of the responsibilities of the U.S. Special Coordinator for Tibet is to encourage negotiations and other contacts between the PRC government and the Dalai Lama’s government-in-exile. Under the Tibetan Policy Act of 2002 (Section 613 of P.L. 107-228), the Coordinator is to issue an annual report on her office’s activities and on the status of any Sino-Tibetan negotiations. A report submitted by Under Secretary Dobriansky, dated June 2007, found grounds for limited

---

(...continued)

‘Engineered’ by ‘Tibet Independence’ Forces,” Xinhua Domestic Service in Chinese, translated in FBIS, CPP20080317074018, March 17, 2008.

<sup>40</sup> Gargan, Edward, “Tibet Communists Link Riots to Dalai Lama,” New York Times, November 1, 1987. Quote attributed to Doje Cering, then Chairman of the Government of the Tibetan Region.

<sup>41</sup> “Tibet Party Secretary urges ‘People’s War’ on Separatism in Speech 18 March,” Lhasa Zhongguo Xizang Xinwen Wang in Chinese, translated in FBIS, CPP20080319530002, March 19, 2008.

<sup>42</sup> The PRC Embassy in Australia provided commentary on the new law at: <http://au.china-embassy.org/eng/zt/zgxz/t393066.htm>

<sup>43</sup> “China’s statement on the Dalai Lama succession reveals ‘hidden agenda’ of new regulations on reincarnation,” International Campaign for Tibet, November 28, 2007.

optimism on Sino-Tibetan contacts, but raised questions about whether the momentum could be sustained.<sup>44</sup>

In addition to this report, the Under Secretary's office is responsible for submitting the annual State Department Country Reports on Human Rights Practices, mandated by Sections 116(d) and 502(B)(b) of the Foreign Assistance Act of 1961. The section on China specifically includes separate accounts for Tibet, Hong Kong, and Macau. Two such reports were issued during the 110<sup>th</sup> Congress: on March 6, 2007 and on March 11, 2008. Both judged the PRC government's human rights record in Tibet to remain very poor, and the 2008 report found that PRC repression in Tibet had increased over the previous year.<sup>45</sup>

Until the March 2008 crackdown, grounds for optimism in Sino-Tibetan talks had been raised slightly by a set of recurring interactions between the PRC government and delegations from the Tibetan community led by the Dalai Lama's special envoy in the United States, Lodi Gyaltzen Gyari. In these negotiations, the Dalai Lama's special envoy acknowledged differences but also had favorable reactions to the talks, saying "Our Chinese counterparts made clear their interest in continuing the present process and their firm belief that the obstacles can be overcome through more discussions and engagements."<sup>46</sup> Progress appeared to stall in 2008, however, with the 8<sup>th</sup> round of Sino-Tibetan negotiations (held in October 2008) resulting in no developments. The stalemate led the Dalai Lama to call an unusual meeting of Tibetan exiles in Dharamsala. The group began meeting on November 17, 2008, reportedly to explore new strategies for the Tibetan movement with respect to China.

## **Sichuan Earthquake**

The earthquake in Sichuan Province on May 12, 2008, measured at a magnitude of 7.9, is estimated to have killed more than 69,000 people, with hundreds of thousands more injured and 5 million estimated to be homeless. The quake zone was in a mountainous area that is home to over 15 million people (the entire province has over 81 million people) and some of China's most scenic areas. The quake zone occurred along the Longmenshan Fault and included the Wolong National Nature Reserve, China's primary breeding center for the giant panda.

After initial reluctance, the PRC government allowed extraordinarily broad journalistic coverage of the quake zone and for the first time asked for and accepted foreign assistance. The tragedy brought world sympathy to China and a positive assessment of the government's swift and unusually open response, muting criticism of the government's crackdown in Tibet in March 2008. Many children died in collapsed schools, a special hardship in a country that enforces a "one-child" policy. Some speculated that public reaction to the quake may force the government to conduct widespread investigations of shoddy school construction practices and may increase pressure on Beijing to reassess the country's population control policies. Both the House and Senate in the 110<sup>th</sup> Congress adopted resolutions expressing condolences and support for the quake victims (H.Res. 1195 and S.Res. 569); the Senate measure in addition called for U.S. support for humanitarian aid.

---

<sup>44</sup> The full text of the 2007 Report on Tibet Negotiations can be found at the following website: <http://www.state.gov/documents/organization/88264.pdf>

<sup>45</sup> The full text of the 2007 State Department human rights report can be found at <http://www.state.gov/g/drl/rls/hrrpt/2006/78771.htm>. The full text of the 2008 report can be found at <http://www.state.gov/g/drl/rls/hrrpt/2007/100518.htm>.

<sup>46</sup> Statement by Special Envoy Lodi Gyari, released on February 25, 2006.

## **Human Casualties, Property Damage, and Foreign Aid**

Since the quake knocked out communications and damaged roads into the quake zone, officials could only estimate initial casualty figures—a number they put at 10,000 on May 12, 2008. This figure rapidly escalated as rescue workers and journalists reached the area. According to official estimates as of August 2008, the quake killed 69,222 people, injured 374,638, and left 18,176 missing.<sup>47</sup> In addition to the dead and injured, about 5 million were left homeless and about 15 million were estimated to have been displaced.<sup>48</sup> Some of these lost their homes outright due to quake activity, either in the main earthquake of May 12, 2008, or in the thousands of following aftershocks.<sup>49</sup> Others were evacuated multiple times due to warnings of landslides, further quakes, or potential flooding from 35 so-called “quake lakes” that developed after the quake—rivers blocked by debris and massive landslides that became lakes behind the blockages. Officials also were concerned about 69 reservoirs left in danger of collapse, with an additional 310 judged to be “highly dangerous.”

According to China’s official news agency, there were 1,044 villages in the quake zone, many with substantial damage. In addition, Chinese sources cited 14,207 business and industrial enterprises in the quake zone, estimating that direct property damage to these was 67 billion yuan (\$9.6 billion), with an additional 15 billion yuan (\$2.2 billion) in damage to transportation infrastructure.<sup>50</sup> Relatively little of these losses were covered by insurance. Other risk assessment groups gave different estimates ranging from \$10 billion<sup>51</sup> to \$20 billion.<sup>52</sup> In the weeks after the quake, China began accepting foreign assistance. According to USAID, the U.S. Government provided \$4.9 million in FY2008 humanitarian funding, including \$2.7 million provided by USAID and \$2.2 million provided by the U.S. Department of Defense.<sup>53</sup>

Private American assistance supplemented U.S. Government assistance in the aftermath of the quake, including donations from the National Zoo, the San Diego Zoo, the American Red Cross, and others. The Philadelphia Orchestra, in Beijing to perform a concert on June 2, 2008, turned the occasion into a charitable event to raise funds for Sichuan earthquake relief. The PRC Embassy in Washington DC hosted a reception on August 12, 2008, entitled “Sichuan Earthquake: Relief, Recovery, and Reconstruction” in appreciation of U.S. public and private aid.

## **Questions about School Construction**

One point of contention in the earthquake zone was how badly some elementary and middle schools seemed to fare.<sup>54</sup> The earthquake occurred in the middle of the school day, so schools

---

<sup>47</sup> Figures provided by USAID, August 8, 2008. <http://www.usaid.gov/locations/asia/countries/china/earthquake/>

<sup>48</sup> USAID, *Ibid.*

<sup>49</sup> According to China’s official news agency, Xinhua, 10,418 aftershocks occurred in the quake zone between the main quake on May 12, 2008 and June 5, 2008, including 26 above 5.0 on the Richter scale by May 22, 2008. State Council Information Office, Chinese Government’s Official Web Portal, [http://english.gov.cn/2008-05/22/content\\_988820.htm](http://english.gov.cn/2008-05/22/content_988820.htm).

<sup>50</sup> Li Zhengxin, “Sichuan property toll may top 190 billion yuan,” *Caijing Magazine*, May 21, 2008.

<sup>51</sup> “RMS estimates property losses up to \$15 billion for China earthquake,” *Risk Management Solutions*, press release, May 14, 2008.

<sup>52</sup> “AIR Alert Worldwide,” on the AIR Worldwide Corporation website, May 13, 2008. See cite at [http://alert.air-worldwide.com/alert/\\_default.asp](http://alert.air-worldwide.com/alert/_default.asp).

<sup>53</sup> USAID, *Ibid.*

<sup>54</sup> A tight-lipped Chinese government and later news restrictions have meant that no official statistics are available on (continued...)

were filled with students, making the buildings' collapse especially lethal. Some news coverage featured photos of collapsed schools standing between two other lightly damaged buildings. Grieving parents and family members pointed out that government buildings seemed to hold up well, and asserted that the schools had shoddy construction because of official corruption and use of cheap materials. According to others, school design may have been a contributing factor, with large classrooms (accommodating 70 or 80 students) having insufficient wall support given their size. Unregulated work, outdated building codes, and lack of enforcement of existing codes also were cited. The loss of children was a special hardship in a country that enforces a "one-child" policy. Some speculated that public reaction to the quake may force the government to reassess the country's population control policies. Local population officials in Sichuan Province announced on May 27, 2008 that parents who lost an only child in the earthquake could apply for legal permission to have another. On June 6, 2008, *Xinhua* announced that medical teams in Sichuan would offer reverse sterilization surgery for women who had lost their only child in the quake.

Although Chinese authorities were praised worldwide for their rapid response to the earthquake and their unprecedented willingness to permit widespread press coverage, they were more vulnerable on the question of school collapses. In the weeks after the quake, parents and others in the quake zone called increasingly for government investigations into the school collapses and for harsh punishment in cases where official malfeasance may have contributed to the tragedy. Some parent groups organized to bolster their strength and place increasing pressure on the government. In the beginning, there was widespread media coverage of parents' concerns, with local and central government authorities promising investigations and stern punishment for anyone found liable. But Chinese authorities adopted a tougher stance over time, issuing new directives prohibiting the news media from raising questions about school construction.<sup>55</sup> On June 4, 2008, police in Dujiangyan surrounded a group of parents protesting school construction practices and prevented them from filing a lawsuit with the courts over the collapse of a middle school.<sup>56</sup>

## **Military and National Security Issues**

With the departure of Defense Secretary Donald Rumsfeld in December 2006, the 110<sup>th</sup> Congress saw important changes in the senior levels of U.S. military leadership, with attending consequences for the U.S. position in the Pacific and toward China. In addition to Defense Secretary Robert Gates (sworn in on December 18, 2006), other new U.S. senior defense officials appointed during the 110<sup>th</sup> included: Admiral Timothy Keating (Commander, U.S. Pacific Command beginning March 26, 2007); Admiral Mike Mullen (Chairman of the Joint Chiefs of Staff beginning October 1, 2007); and Admiral Gary Roughead (Chief of Naval Operations beginning September 29, 2007). Each of these military officers had gone on record as pledging to make closer U.S. relations with China's military a top priority.<sup>57</sup> Nevertheless, U.S. officials in the

---

(...continued)

how many schools collapsed or on what led to their collapse. One western news account put the figure loosely at "dozens of schools." Drew, Jill, "Tangled blame in quake deaths; Chinese parents facing uphill battle for redress over collapsed schools," *The Washington Post*, June 2, 2008, p. A07.

<sup>55</sup> Magnier, Mark, "China tightens media limits loosened in quake," *Los Angeles Times*, June 5, 2008, p. A1.

<sup>56</sup> Wong, Edward, "Chinese stifle grieving parents' protest of shoddy school construction," *New York Times*, June 4, 2008, p. 6.

<sup>57</sup> In his nomination hearing on March 8, 2007, Admiral Keating said he would seek robust engagement with China's navy.



executive branch and in the 110<sup>th</sup> Congress continued to voice private and public concerns about China's expanding military budget and issues potentially involving U.S. national security. U.S. security concerns included the ultimate focus of China's military build-up; lack of PRC military transparency; recurring instances of apparent PRC attempts to gain U.S. military secrets; evidence of improving PRC military and technological prowess; and PRC military and technological assistance to rogue states and other bad actors.

## **Espionage Charges**

Issues involving allegations of PRC espionage in the United States continued to concern the 110<sup>th</sup> Congress. On March 27, 2007, Mr. Chi Mak, a Chinese-born U.S. engineer arrested in 2005, went on trial in federal court in Los Angeles for allegedly providing China with sensitive high-tech Navy weapons technology that he had helped develop while working for his employer, Power Paragon. According to the allegations, the technology included sensitive details about the Navy's Aegis-class battleship technology; quiet drive technology for new generations of warships; electro-magnetic artillery; and missile detection and nuclear defense.<sup>58</sup> The defense maintained that the material was not classified but was in the public domain. According to a U.S. counterintelligence official, Mak had secured a job with a U.S. defense contractor twenty years earlier as part of a long-time, systematic PRC plan to "steal secrets."<sup>59</sup> On May 11, 2007, Chi Mak was found guilty of conspiracy to violate export regulations and for failing to register as a Chinese agent. Mak was sentenced to 24 ½ years in federal prison on March 24, 2008.

## **China's Growing Military Power**

The Pentagon released two congressionally mandated reports on China's Military Power during the 110<sup>th</sup> Congress: one in May 2007, and one in March 2008.<sup>60</sup> In the latest of these, the Pentagon concluded that China was greatly improving its military, including the number and capabilities of its nuclear forces. U.S. military planners and other American military specialists maintained that PRC improvements appeared largely focused on a Taiwan contingency and on strategies to "deny access" to the military forces of a third party—most probably the United States—in the event of a conflict over Taiwan. The report maintained that this build-up posed a long-term threat to Taiwan and ultimately to the U.S. military presence in Asia.

In March 2007, after Beijing announced that its military budget would increase during the year by nearly 18%, U.S. officials called China's military build-up a continuing "source of concern and interest" for the world, and urged PRC leaders to address these concerns by adopting greater transparency in military matters.<sup>61</sup>

---

<sup>58</sup> Flaccus, Gillian, "Chinese-born engineer accused of stealing secrets awaits trial," Associated Press Newswires, March 22, 2007.

<sup>59</sup> Warrick, Joby and Johnson, Carrie, "Chinese spy 'slept' in U.S. for two decades," *Washington Post*, April 3, 2008, p. A-1.

<sup>60</sup> The 2007 Pentagon report can be found at: <http://www.defenselink.mil/pubs/pdfs/070523-China-Military-Power-final.pdf> The 2008 Pentagon report can be found at [http://www.defenselink.mil/pubs/pdfs/China\\_Military\\_Report\\_08.pdf](http://www.defenselink.mil/pubs/pdfs/China_Military_Report_08.pdf).

<sup>61</sup> Statement by State Department spokesman Sean McCormack, March 8, 2007.

## **PRC Anti-Satellite Test and Space Activities**

On January 11, 2007, the PRC carried out its first successful anti-satellite (ASAT) test by destroying one of its moribund orbiting weather satellites with a ballistic missile fired from the ground. Previously, only the United States and the Soviet Union had conducted successful ASAT tests. Both countries reportedly halted these more than 20 years ago because of resulting space debris that could endanger other orbiting satellites. U.S. officials reportedly received no advance notice from Beijing, nor did Chinese officials publicly confirm the ASAT test until January 24, 2007, 13 days after the event and almost a week after the U.S. Government had publicly revealed the PRC test on January 18, 2007.<sup>62</sup>

The January PRC ASAT test and the lack of advance notification to U.S. officials by Beijing raised a number of concerns for U.S. policy. Chief among these were questions about the new potential vulnerability of U.S. satellites—crucial for both U.S. military operations and a wide range of civilian communications applications—and the credibility of PRC assertions that it is committed to the peaceful use of space. In addition, officials from the United States and other countries criticized China for either ignoring or failing to realize the extent of the test's contributions to the growing problem of space debris.

China's ASAT test helped illustrate the country's ambitious and growing space program. In the 21<sup>st</sup> century, China had become only the third country, after Russia and the United States, to send manned flights into space—the first on October 15, 2003 (Shenzhou 5), with a single astronaut orbiting the earth; the second on October 11, 2005 (Shenzhou 6), orbiting two astronauts;<sup>63</sup> and the third with three astronauts (Shenzhou 7) on September 25, 2008 after the 2008 Olympic Games. This latter mission included a space walk and the reported release of a small “companion” satellite into orbit, a move reportedly with potential military implications.<sup>64</sup> Meanwhile, completed the first stage of its three-stage lunar program on October 24, 2007, launching its first unmanned lunar probe, the Chang'e 1 orbiter, aboard a Long March 3A rocket. Among other accomplishments, the PRC in September 2008 also launched two new environment and disaster monitoring satellites from its Taiyuan Satellite Launch Center in Shanxi Province.

## **Military Contacts**

U.S.-China military relations, which once had been suspended following the 1989 Tiananmen Square crackdown, continued to improve during the 110<sup>th</sup> Congress. On November 4, 2007, Secretary of Defense Robert Gates arrived in Beijing for a three-day visit, his first official visit to China as Secretary. He met with his counterpart, Defense Secretary Cao Gangchuan, with Central Military Commission Vice-Chairmen Guo Boxiong and Xu Caihou, and with Vice Foreign Minister Dai Bingguo. Both sides announced they had reached agreement on setting up an official military hotline; strengthening dialogue and exchanges, particularly between young and middle-aged military officers; and holding exercises on humanitarian rescue and disaster relief. The Secretary also reportedly raised the issue of China's January 2007 anti-satellite (ASAT) weapon

---

<sup>62</sup> See CRS Report RS22652, *China's Anti-Satellite Weapon Test*, by Shirley A. Kan.

<sup>63</sup> China's manned space program was begun in 1992.

<sup>64</sup> Sargent, Sara, “China's space launch raises fears,” *United Press International*, October 3, 2008.

test as well as the need for greater PRC transparency about its military intentions and the modernization of its military forces. PRC concerns reportedly centered on Taiwan.<sup>65</sup>

In addition to the 2007 visit by Secretary Gates, other senior-level military contacts during the 110<sup>th</sup> Congress included: Chairman of the Joint Chiefs, General Peter Pace (to China in March 2007); Commander of U.S. forces in the Pacific (PACOM) Admiral Timothy Keating (to China in May 2007 and again in January 2008); and Chairman of the Joint Chiefs-nominee, Admiral Michael Mullen (to China in August 2007). In addition, U.S. and PRC military officials held the ninth round of the Defense Consultative Talks (DCT) from December 3 – 4, 2007. According to an official DoD news release, the DCT resulted in the two sides agreeing “to increase military-to-military ties” and to seek a “proposed dialogue on nuclear policy, strategy and programs”—a move that would require congressional action, as U.S.-China talks on nuclear operations are banned under P.L. 106-65, the National Defense Authorization Act of 1999.<sup>66</sup> Finally, the U.S. military provided assistance to China in the aftermath of the Sichuan earthquake in May 2008.<sup>67</sup>

### **U.S. Ship Visit Denials in Hong Kong**

For a brief period beginning on November 20, 2007, the PRC government denied the requests of a series of U.S. military ships and aircraft to visit or take refuge in the port of Hong Kong—a series of decisions revealed piecemeal over the course of a week or so. While this was not the first time China had denied Hong Kong port-visits to U.S. military vessels, the sequencing, rapidity, and lack of explanation offered concerned U.S. military officials. The first denial was to two U.S. minesweepers, the Patriot and the Guardian, that reportedly requested refuge in Hong Kong harbor on November 20 from a storm at sea. U.S. Navy officials described Beijing’s refusal to offer safe harbor to ships in trouble at sea as the more troubling refusal. Admiral Timothy Keating said of it: “That is behavior that we do not consider consonant with a nation who advocates a peaceful rise and harmonious relations.”<sup>68</sup>

The November 20 denial was followed on November 21 by the denial of a port visit to the Kitty Hawk aircraft carrier strike group for a Thanksgiving reunion with family, many of whom reportedly had flown to Hong Kong from the United States for the holiday reunion. This denial just as unexpectedly was reversed the following day but, according to the U.S. Navy, only after the Kitty Hawk had left Hong Kong waters to return to its home port in Japan. At the same time, Beijing also denied the request for a New Year’s holiday port visit by a U.S. Navy frigate, the Reuben James. Navy officials later also said that the PRC had denied landing rights to a C-17 U.S. Air Force cargo plane scheduled to make its quarterly re-supply run to the U.S. consulate in Hong Kong.<sup>69</sup>

---

<sup>65</sup> Glaser, Bonnie, “China Signals Irritation with U.S. Policy,” *Comparative Connections: A Quarterly E-Journal on East Asian Bilateral Relations*, CSIS/Pacific Forum CSIS, January 2008.

<sup>66</sup> For further details on U.S.-China military contacts and discussions, see CRS Report RL32496, *U.S.-China Military Contacts: Issues for Congress*, by Shirley A. Kan.

<sup>67</sup> For an extensive discussion of overall U.S.-China military contacts, see CRS Report RL32496, *U.S.-China Military Contacts: Issues for Congress*, by Shirley A. Kan.

<sup>68</sup> Admiral Timothy Keating, in a DoD briefing via video conference from Hawaii, November 27, 2007. <http://www.defenselink.mil/transcripts/transcript.aspx?transcriptid=4093>

<sup>69</sup> “China denies another U.S. warship access to Hong Kong,” BBC Monitoring Asia Pacific, December 1, 2007.

The port visit denials appeared to catch U.S. military officials by surprise and produced mixed and confusing responses from PRC officials. To many, the sudden tensions were especially troubling given the greatly improved atmosphere in U.S.-China military relations since the departure late in 2006 of Secretary of Defense Donald Rumsfeld, who was seen to be tough on China. Secretary of Defense Robert Gates had just visited China earlier in November 2007. Although the denials were troubling, they apparently were insufficient to derail the U.S.-PRC Defense Consultative Talks (DCT), which proceeded on schedule at the Pentagon on December 3-4, 2007.<sup>70</sup>

### *Mixed Messages*

Unraveling the sequences of events surrounding the port-access denials suggested that multiple factors may have been in play. China's first public reference to any U.S. ship visits to Hong Kong came after the *Kitty Hawk* had been turned away. On November 22, 2007, with no explanation of why Beijing the previous day had denied the request, a Foreign Ministry spokesman announced that China now had decided to allow the *Kitty Hawk* visit "out of humanitarian considerations."<sup>71</sup> A White House spokesperson later told reporters that China's Foreign Minister, Yang Jiechi, had assured President Bush at a White House meeting that the *Kitty Hawk* incident was a "misunderstanding."<sup>72</sup> A U.S. Government analysis suggested that "a lack of coordination between the PLA and other government agencies may have been a factor in China's contradictory behavior."<sup>73</sup> Several days later, a PRC Foreign Ministry spokesman denied there had been a misunderstanding, saying the U.S. bore responsibility for sending the *Kitty Hawk* back to Japan.<sup>74</sup> On November 28, 2007, a Pentagon official reportedly called in China's defense attache in Washington DC to protest the denial of safe refuge to the two minesweepers.<sup>75</sup> The following day, a PRC Foreign Ministry spokesman, speaking about the *Kitty Hawk* only, said that China had received no U.S. protest.<sup>76</sup>

Spokespersons for the White House and the State Department as late as November 29 said they were awaiting clarification from Beijing about the reasoning behind the decision. Admiral Keating called the Chinese decisions "perplexing."<sup>77</sup> According to the U.S. Navy Office of Legislative Affairs, the *Kitty Hawk* had requested a Hong Kong port visit on October 23, 2007 in a phone call to the PRC Ministry of Foreign Affairs (MFA), following it up on October 24, 2007 by a diplomatic note faxed to the MFA. Having had no response by November 21, the U.S. consulate in Hong Kong called the MFA at 4:30 pm to ask about the request's status; one hour later, according to the U.S. Navy, the MFA informed the consulate the request had been denied.

---

<sup>70</sup> The interlocutors were Eric S. Edelman, Undersecretary of Defense for Policy, and Lt. General Ma Xiaotian, the PLA Deputy Chief of General Staff for foreign affairs.

<sup>71</sup> Foreign Ministry spokesperson Liu Jianchao, at a press conference in Beijing on November 22, 2007, in Xinhua, CPP20071122968104.

<sup>72</sup> Dana Perino, at a White House press briefing on November 28, 2007, speaking of Foreign Minister Yang's visit that morning with President Bush.

<sup>73</sup> "Analysis: Port Visit Denial Coverage Suggests Poor Communication," OSC Analysis 27 November 2007.

<sup>74</sup> "Ministry denies mix-up over U.S. ship visit," South China Morning Post, November 30, 2007.

<sup>75</sup> According to the Washington Post of November 29, 2007, the U.S. Deputy Assistant Secretary of Defense for East Asia, David Sedney, and PRC military attache Major General Zhao Ning.

<sup>76</sup> "PRC FM spokesman denies *Kitty Hawk* saga due to misunderstanding," Xinhua, November 28, 2007.

<sup>77</sup> Keating, *Ibid*, DoD video conference, November 27, 2007.

Over 20 hours later on November 22, MFA called the U.S. consulate to reverse the denial.<sup>78</sup> By then, according to the U.S. Navy, the Kitty Hawk already was on its way to Japan.

On December 3, 2007, the PRC Embassy in Washington, DC provided the following statement concerning the Kitty Hawk decision:<sup>79</sup>

In mid November just before Thanksgiving, the Chinese side was informed that the officers and men on board USS Kitty Hawk and its accompanying ships urgently requested to dock at Hong Kong for family reunion. Out of humanitarian considerations, the Chinese side agreed to allow USS Kitty Hawk and its fleet access to Hong Kong harbor for the purpose of resting. As for why the US naval ships did not go to Hong Kong afterwards, it was the US business. The Chinese position on the port call at Hong Kong by USS Kitty Hawk carrier group is impeccable. The US side is completely clear about the entire process of the matter.

### ***The Taiwan Factor***

One possible explanation is that the PRC may have denied the ship visits to signal opposition to U.S. arms sales to Taiwan. The original denial of safe refuge to the two minesweepers on November 20 coincided with publication of a U.S. announcement of a proposed arms sale to Taiwan for upgrade and refurbishment of PATRIOT Advanced Capability-3 (PAC-3) Guided Missiles.<sup>80</sup> Beijing repeatedly objects to such arms sales as a violation of Sino-U.S. communiqués on Taiwan, and the denial of U.S. ship visits to Hong Kong could have been intended as a signal. Some find symbolic justification for this reasoning in the route that the U.S. carrier strike group took back to Japan—through the sensitive area of the Taiwan Strait between Taiwan and the PRC, ostensibly because of weather conditions. (The PRC conveyed “grave concern” to the United States over the ship transit.) But symbolic protests usually are advertised as such, and PRC spokespersons made no mention of any difficulties in U.S.-China relations in the days immediately surrounding the denials. PRC spokespersons brought up the matter of difficulties in U.S.-China relations only later, on November 29—mentioning U.S. arms sales to Taiwan and the congressional gold medal awarded to the Dalai Lama—without linking the ship denials with these events.<sup>81</sup>

### ***The Role of PRC Military Exercises***

A second explanation involved unannounced, large-scale military exercises reportedly being held by China’s East and South China Sea fleets from November 16-23, 2007, possibly involving new

---

<sup>78</sup> Provided to CRS by the Navy Office of Legislative Affairs, LA-5, on December 5, 2007.

<sup>79</sup> Provided on December 3, 2007, to CRS. Similar language was used in other official PRC explanations of the Kitty Hawk incident.

<sup>80</sup> DOD notice of a proposed Letter of Offer for an arms sale to the Taipei Economic and Cultural Representative Office (Taiwan) for upgrade and refurbishment of PATRIOT Advanced Capability-3 (PAC-3) Guided Missiles. [Transmittal No. 08-10, pursuant to section 36(b)(1) of the Arms Export Control Act.] Federal Register, November 20, 2007, p. 65306. For background on U.S. arms sales to Taiwan, see RL30957, *Taiwan: Major U.S. Arms Sales Since 1990*, by Shirley Kan.

<sup>81</sup> “China says Sino-U.S. ties are disturbed by U.S. ‘erroneous actions,’” Beijing Xinhua Asia-Pacific Service in Chinese, November 29, 2007. The two “erroneous actions” mentioned were arms sales to Taiwan and presenting the congressional gold medal to the Dalai Lama.

stealth technologies.<sup>82</sup> According to news accounts, the exercises were conducted east of Taiwan and north of the Philippines, and involved the PRC's Nanjing and Guangzhou military regions—circumstances judged by some to be exercises for a possible use of military force against Taiwan.<sup>83</sup> Media in Hong Kong reported that the maneuvers included sudden and unexpected air restrictions in southern China that caused significant delays for airline passengers in the region.<sup>84</sup> One account reported that the Kitty Hawk may have been in the region to monitor the PRC exercises.<sup>85</sup> According to another, the PRC ships conducting the exercises may have had a “chance encounter” with the Kitty Hawk carrier strike group.<sup>86</sup> If so, it would not have been the first such encounter; it was the Kitty Hawk and its carrier strike group that a PRC submarine surfaced close to in November 2006, apparently having evaded the strike force's surveillance systems.<sup>87</sup>

## **Economic and Trade Issues<sup>88</sup>**

Economic and trade issues remained an extremely complicated set of issues in the U.S.-China relationship. During the 110<sup>th</sup> Congress, the PRC was the second-largest U.S. trading partner, with total U.S.-China trade in 2007 at \$387 billion. Issues the 110<sup>th</sup> considered in U.S.-China economic relations included the substantial and growing U.S. trade deficit with China (which climbed to \$256 billion in 2007 and was projected to hit \$267 billion in 2008), repeated PRC inabilities to protect U.S. intellectual property rights, and the PRC's continuing restrictive trade practices, such as its exchange rate policies. The end of the 110<sup>th</sup> Congress also saw the end of the World Trade Organization (WTO) clothing and textile safeguards mechanism available to other WTO members against Chinese clothing and textile products. The safeguards mechanism ended on December 31, 2008.<sup>89</sup> (Issues involving allegations about tainted or faulty PRC exports to the United States and about the global financial crisis are dealt with elsewhere in this report.)

## **China's Sovereign Wealth Fund<sup>90</sup>**

During the 110<sup>th</sup> Congress, on September 29, 2007, the PRC established its chief sovereign wealth fund, the China Investment Corporation (CIC), with \$200 billion in initial capital. According to PRC officials, the purpose of the fund was to manage and invest the country's huge pool of foreign exchange reserves more profitably. U.S. observers and Members of Congress raised concerns that the fund's establishment signaled that PRC officials were interested in

---

<sup>82</sup> “China holds large-scale naval drill east of Taiwan,” BBC Monitoring Asia Pacific, November 24, 2007.

<sup>83</sup> BBC Monitoring Asia Pacific, November 24, 2007.

<sup>84</sup> Ng Tze-wei, Minnie Chan, and Lilian Zhang, “Unannounced military exercise sparks chaos for air passengers,” South China Morning Post, November 22, 2007.

<sup>85</sup> Mitchell, Tom and Sevastopulo, Demetri, “U.S.-Sino naval relations the main victim of China's ill-aimed shot across the bow,” Financial Times, London, November 29, 2007, p. 12.

<sup>86</sup> BBC Monitoring Asia Pacific, *Ibid*, November 24, 2007.

<sup>87</sup> Fairclough, Gordon, “China's growing naval force stirs concerns...submarine incident with a U.S. carried highlights changes,” Wall St. Journal Asia, November 15, 2006, p. 10.

<sup>88</sup> See CRS Report RL33536, *China-U.S. Trade Issues*, by Wayne M. Morrison, and CRS Report RS21625, *China's Currency: A Summary of the Economic Issues*, by Wayne M. Morrison and Marc Labonte.

<sup>89</sup> See CRS Report RL34106, *U.S. Clothing and Textile Trade with China and the World: Trends Since the End of Quotas*, by Michael F. Martin.

<sup>90</sup> See CRS Report RL34337, *China's Sovereign Wealth Fund*, by Michael F. Martin.

changing their strategy of investing in U.S. Treasuries and other government securities, and that such a change could inflict more damage on the already weakened U.S. economy and financial markets. The CIC's establishment also raised concerns that it would provide the PRC with a significant new "soft power" tool, raising China's global geopolitical clout and influence accordingly.

## **Currency Valuations**

The U.S. Treasury Department released four congressionally mandated, semi-annual reports on international exchange rates during the 110<sup>th</sup> Congress: in June and December 2007, and in May and December 2008.<sup>91</sup> In general, all of these reports concluded that China's economy was out of balance—overly dependent on exports and with weak consumer spending at home. The Treasury reports prompted renewed calls and legislation in the 110<sup>th</sup> Congress for firmer U.S. action to mitigate the effects of China's currency restrictions.

The U.S. concern about the PRC's decision to keep the value of its currency low had been building for several years. Until 2005, the PRC pegged its currency, the renminbi (RMB), to the U.S. dollar at a rate of 8.3 RMB to the dollar—a valuation that many U.S. policymakers concluded kept the PRC's currency artificially undervalued, making PRC exports artificially cheap and making it harder for U.S. producers to compete. U.S. critics of the PRC's currency peg urged Beijing either to raise the RMB's value or to make it freely convertible subject to market forces. On July 1, 2005, the PRC changed this valuation method, instead announcing it would follow a "managed float" policy for the RMB using a basket of multiple other currencies. By the end of 2008, the RMB had appreciated by about 20% against the dollar, but this was not sufficient to assuage ongoing U.S. congressional concerns.<sup>92</sup> In the 110<sup>th</sup> Congress, multiple measures were introduced addressing currency exchange rate issues.<sup>93</sup> These measures, none of which was enacted, included:

- The Fair Currency Act of 2007: To provide that artificial exchange rates by any country are countervailable export subsidies. (H.R. 782; S. 796)
- The Non-Market Economy Trade Remedy Act of 2007: To extend the applicability of U.S. countervailing duty laws to non-market as well as to market economies. (H.R. 1229)
- The Currency Exchange Rate Oversight Reform Act of 2007: To provide for identification and corrective action against "misaligned currencies" that adversely affect U.S. interests. (S. 1607)
- The Currency Reform and Financial Markets Access Act of 2007: To require the U.S. Treasury Secretary to analyze the exchange rate policies of foreign countries on an annual basis. (S. 1677)

---

<sup>91</sup> Links to all of the Treasury reports can be found at <http://www.ustreas.gov/offices/international-affairs/economic-exchange-rates/>.

<sup>92</sup> For more information, see CRS Report RS21625, *China's Currency: A Summary of the Economic Issues*, by Wayne M. Morrison and Marc Labonte.

<sup>93</sup> The Senate Committee on Banking, Housing, and Urban Affairs reported S. 1677, the Currency Reform and Financial Markets Access Act of 2007; the Senate Finance Committee reported S. 1607, the Currency Exchange Rate Oversight Reform Act of 2007.

## **Unfair Trade Subsidies**

Reflecting legislation that had been introduced and considered by the House Ways and Means Committee the previous month (H.R. 1229), on March 20, 2007, the U.S. Department of Commerce announced a preliminary decision to apply countervailing duties (an anti-subsidy remedy) to two PRC companies exporting “coated free sheet” (glossy) paper to the United States. The announcement broke with a 23-year U.S. policy, adopted in 1984, which held that “subsidies” within the context of U.S. countervailing duty laws cannot be found in non-market economies such as China.<sup>94</sup> Citing a 177% increase in imports of PRC glossy paper products from 2005-2006, Secretary of Commerce Carlos M. Gutierrez said that the PRC economy had evolved significantly in the last two decades and that U.S. tools to address unfair competition needed to evolve in response. The move signaled a new U.S. willingness to be assertive in challenging PRC trade policies and suggested that other American industries affected by the PRC’s exports, such as textile, steel, and plastics, may seek similar remedies. Beijing’s sharp criticism of the U.S. move hinted at potential future trade retaliation and possible negative implications for the ongoing U.S.-China “Strategic Economic Dialogue,” which was chaired by Treasury Secretary Henry Paulson under the Bush Administration.

## **Intellectual Property Rights**

One of the most important issues in U.S.-China bilateral trade during the 110<sup>th</sup> Congress was China’s inability to live up to its World Trade Organization (WTO) commitments to protect intellectual property rights (IPR). According to the International Intellectual Property Rights Alliance (IIPA), IPR piracy in China cost U.S. firms \$3.5 billion in lost sales in 2007.<sup>95</sup> U.S. officials during the 110<sup>th</sup> Congress routinely urged Beijing to crack down on IPR piracy, and a series of U.S. officials visiting China stressed that China needed to do better at IPR protection. In addition, the United States filed two IPR cases against China in the WTO in 2007 which remained outstanding at the end of the 110<sup>th</sup> Congress: a case charging that China had failed to enforce IPR laws; and a case that China had failed to provide sufficient market access to IPR-related products.<sup>96</sup>

## **Ongoing U.S.-China Senior-level Dialogues**

### **The Strategic Economic Dialogue (SED)**

The United States maintains dozens of bilateral dialogues with China at various levels and across multiple agencies. The substance of and form that these dialogues will take in the Obama Administration was yet to be determined as of the date of this report. In the months before the 110<sup>th</sup> Congress, during the first of his trips to China as Treasury Secretary, Henry Paulson announced on September 20, 2006 that he would chair a new senior-level mechanism for bilateral dialogue agreed to by Presidents Bush and Hu, the U.S.-China Strategic Economic Dialogue (SED). The SED, Secretary Paulson announced, would be held twice annually so that Cabinet-

---

<sup>94</sup> For details on U.S. countervailing duty laws, see CRS Report RL33550, *Trade Remedy Legislation: Applying Countervailing Action to Nonmarket Economy Countries*, by Vivian C. Jones.

<sup>95</sup> See CRS Report RL33536, *China-U.S. Trade Issues*, by Wayne M. Morrison.

<sup>96</sup> Ibid.



level officials in both governments could hold regular talks on key issues.<sup>97</sup> According to a background paper from the SED, the purpose of the SED would be to advance U.S.-China economic relations and encourage China's continued economic transition to that of a responsible global player.<sup>98</sup> The more regularized bilateral engagement that continued to characterize U.S.-China relations during the 110<sup>th</sup> Congress suggested U.S. recognition of the PRC's growing development and international involvement—what has been called “China's rise”—and the growing political clout accompanying it.

The Strategic Economic Dialogue held its second through fifth rounds during the 110<sup>th</sup> Congress: in Washington on May 22-23, 2007; in Beijing on December 11-13, 2007; in Annapolis on June 16-18, 2008; and in Beijing on December 4-5, 2008.<sup>99</sup> U.S. Treasury Secretary Henry (“Hank”) Paulson was the U.S. host for all of these rounds. For the PRC, Vice Premier Wu Yi hosted the second and third rounds and Vice Premier Wang Qishan hosted the fourth and fifth rounds. The SED process during the 110<sup>th</sup> resulted in multiple bilateral agreements and understandings, and tended to build on and expand past progress at future meetings. Some achievements included:

- Increasing market access for the United States in China, including for U.S. products and the financial services industry; cooperating on development of new clean coal technology; and strengthening cooperation on intellectual property rights (May 2007)
- Increasing cooperation on product safety, including drugs, food, chemicals, and consumer products; commitments on further financial reforms; and discussions on energy and environmental cooperation; progress on a bilateral investment treaty; and promoting transparency in administrative rule-making (December 2007)
- Agreement on a Ten-Year Energy and Environment Cooperation Framework, including establishment of a steering committee to guide cooperation (June 2008)
- Discussion of strategies to manage macroeconomic risk and address the global financial crisis (December 2008)

## **The Senior Dialogue**

The Senior Dialogue (under the State Department), another relatively new bilateral dialogue in the U.S.-China process, held its fourth through the sixth rounds during the 110<sup>th</sup> Congress: in Washington in June 2007; in Guiyang in January 2008; and in Washington D.C. in December 2008. For all three, the chief counterparts were U.S. Deputy Secretary of State John Negroponte and PRC State Councilor Dai Bingguo. The Senior Dialogue was first suggested by PRC President Hu Jintao in 2004 during a meeting with President Bush. Deputy Secretary of State Robert Zoellick and PRC Vice Foreign Minister Dai Bingguo presided over its initial round in Beijing in August 2005. The topics of discussion centered around various foreign policy problems, such as Taiwan, the bombing in Mumbai in 2008, the ongoing humanitarian crisis in Zimbabwe, and Iran.

---

<sup>97</sup>Treasury Secretary Henry M. Paulson press briefing in Beijing, September 20, 2006. Joint statement at <http://www.treas.gov/press/releases/hp105.htm>.

<sup>98</sup> Strategic Economic Dialogue (SED) Backgrounder, October 30, 2007. The first SED meeting was held on December 14-15, 2006, prior to the 110<sup>th</sup> Congress.

<sup>99</sup> Links to all the rounds of the SED can be found at <http://www.ustreas.gov/initiatives/us-china/>.

## Taiwan

As in previous congresses, Taiwan remained potentially the most sensitive and certainly the most complex bilateral policy issue that U.S. policymakers faced in the 110<sup>th</sup> Congress.<sup>100</sup> U.S. policymakers continued strongly to support Taiwan's democracy, but at times were troubled by the confrontational rhetoric and actions that Taiwan's democracy produced. Until May 2008, China watchers had been especially concerned with potential cross-strait conflict because of Taiwan's unpredictable political environment, where the balance of political power had teetered precipitously between two contending political party coalitions of nearly equal strength. One of these was a coalition led by the Democratic Progressive Party (DPP), which controlled the presidency for eight years and which was identified closely with advocates of Taiwan independence. This DPP position and the confrontational rhetoric and actions of Taiwan's democratically elected president, DPP member Chen Shui-bian, had complicated U.S. policy throughout much of the George W. Bush Administration.

Fears of cross-strait contention were eased during the 110<sup>th</sup> Congress on March 22, 2008, when, in a large turnout, voters in Taiwan elected Ma Ying-jeou of the opposition Nationalist Party (the KMT) as president. Ma out-pollied rival DPP candidate Frank Hsieh by a 2.2 million vote margin of 58% to 42%. Coming on the heels of the KMT's sweeping victory in legislative elections in January 2008, the presidential election result appeared to be a further repudiation of President Chen Shui-bian's record of governance and recently revealed corruption. President Ma, who began his tenure on May 20, 2008, moved quickly to implement improvements in cross-strait relations, expanding on foundations laid by the previous Chen administration.<sup>101</sup> Official talks between China and Taiwan reopened in Beijing on June 11-12, 2008, resulting in groundbreaking new agreements to allow regular weekend direct charter flights, to open permanent offices in each other's territories, and to boost PRC tourism to Taiwan, among other actions.

Members of the 110<sup>th</sup> Congress acting in support of Taiwan's interests generally sought to improve Taiwan's international standing, ease diplomatic restrictions on Taiwan officials, and support Taiwan's democratic development. General legislation in the 110<sup>th</sup> included:

- **H.R. 1390** : legislation requiring Senate confirmation for the position of U.S. director of the American Institute in Taiwan, or AIT. (The bill did not pass.)
- **H.Con.Res. 73**: a measure expressing the sense of Congress that the United States should resume diplomatic relations with Taiwan. (The measure died in the House Foreign Affairs Committee.)
- **S.Con.Res. 48 and H.Con.Res. 136** : measures calling for lifting of restrictions on U.S. visits by senior Taiwan officials. (S.Con.Res. 48 died in the Senate Foreign Relations Committee; H.Con.Res. 136 passed the House by voice vote on July 30, 2007).

---

<sup>100</sup> For an analysis of current problems and challenges for U.S. policy toward Taiwan, see CRS Report RL33684, *Underlying Strains in Taiwan-U.S. Political Relations*, by Kerry Dumbaugh.

<sup>101</sup> Among other initiatives during the Chen Administration, in January 2005, Taiwan and the PRC launched the first non-stop holiday direct charter flights flown in 55 years across the strait. These were expanded in 2006 with an agreement to allow up to 168 direct annual round-trip charter passenger flights between China and Taiwan.

- **H.Con.Res. 137:** a measure expressing the sense of Congress that the United States should initiate negotiations on a free trade agreement with Taiwan. (The measure died in the House Ways and Means Committee.)
- **H.Con.Res. 170:** a measure urging the International Olympic Committee to allow Taiwan to participate in the 2008 Olympics in Beijing under a name of its own choosing. (The measure died in the House Foreign Affairs Committee.)

## **U.S. Taiwan Policy and U.S. Arms Sales**

On October 3, 2008, the U.S. government notified Congress of its intention to sell a package of defense articles and services, worth as much as \$6.4 billion, to Taiwan. The announcement marked the end of a period where no arms sales were made—what some suggested was a U.S. arms sales “freeze” to Taiwan prior to the 2008 Olympic Games (as Admiral Timothy Keating appeared to confirm in a briefing on July 16, 2008).<sup>102</sup> Many U.S. policymakers in recent years had grown frustrated with Taiwan’s falling military expenditures and its perceived decline in defense readiness. Political disagreements in Taiwan also kept the government from purchasing much of the weaponry President Bush had approved for sale in 2001. Until 2007, these disagreements stalled a special arms acquisition budget that the government had submitted repeatedly to Taiwan’s legislature—originally for \$18 billion, then slashed to \$15 billion and finally to \$6.3 billion—in an effort to attract legislative support. Other U.S. officials also appeared frustrated with delays over the special arms budget and raised questions about future U.S. defense commitments to Taiwan if the delays continued.<sup>103</sup>

Concerns about Taiwan’s defense spending eased throughout 2007. On June 15, 2007, Taiwan’s legislature passed an annual defense budget which included funds for portions of the 2001 U.S. weapons package, including funds for P3-C anti-submarine warfare aircraft. The Bush Administration notified Congress on September 12, 2007 of the proposed sale to Taiwan of 12 excess P3-C planes;<sup>104</sup> on November 20, 2007, the *Federal Register* published the announcement of another proposed arms sale to Taiwan for upgrade and refurbishment of PATRIOT Advanced Capability-3 (PAC-3) Guided Missiles.<sup>105</sup> In December 2007, the Taiwan legislature passed a 2008 defense budget of \$10.5 billion, which officials said was a 12% increase over the 2007 budget. The new budget included an allocation for three sets of U.S. Patriot III missiles originally approved for sale by President Bush in 2001, as well as \$61.5 million for a feasibility study for the purchase of U.S.-made diesel submarines.

---

<sup>102</sup> Admiral Timothy Keating, “A Combatant Commander’s Perspective on the Asia-Pacific,” The Heritage Foundation, July 16, 2008.

<sup>103</sup> Speaking in San Diego on September 20, 2005, Edward Ross, a senior U.S. Pentagon official with the Defense Security Cooperation Agency, said it is reasonable to question U.S. defense commitments to Taiwan “if Taiwan is not willing to properly invest in its own self-defense.” *Xinhua Financial Network*, September 21, 2005, English. See also CRS Report RL30957, *Taiwan: Major U.S. Arms Sales Since 1990*, by Shirley A. Kan.

<sup>104</sup> On the same day, the Administration also notified Congress of the proposed sale to Taiwan of SM-2 Block IIIA STANDARD missiles.

<sup>105</sup> DOD notice of a proposed Letter of Offer for an arms sale to the Taipei Economic and Cultural Representative Office (Taiwan) for upgrade and refurbishment of PATRIOT Advanced Capability-3 (PAC-3) Guided Missiles. [Transmittal No. 08-10, pursuant to section 36(b)(1) of the Arms Export Control Act.] *Federal Register*, November 20, 2007, p. 65306.

Members of the 110<sup>th</sup> Congress remained engaged in the question of Taiwan's security and U.S. arms sales. Measures introduced included:

- **H.Res. 676:** A resolution that the United States continue to sell defense articles and services to Taiwan “based solely” on Taiwan’s defense needs. (The House passed the measure by voice vote on October 2, 2007.)
- **H.R. 3912/S. 1565:** The Naval Vessel Transfer Act of 2007. Among other actions, the bill would have transferred to TECRO (the Taiwan office in the United States) the OSPREY class minehunter coastal ships ORIOLE (MHC-55) and FALCON (MHC-59). (Neither bill was considered by its full respective body.)
- **H.R. 5916:** The Security Assistance and Arms Export Control Reform Act of 2008. The bill found that Taiwan’s security would benefit from more intensive U.S.-EU dialogue on continuing the arms embargo against China. (The House passed the bill by voice vote on May 15, 2008, but it was never considered by the full Senate.)
- **H.R. 6646:** The bill would have required the U.S. Government to provide detailed briefings to Congress on discussions with Taiwan about potential arms sales. (The House passed the bill by voice vote on September 23, 2008, but it was never considered by the full Senate.)

### **Taiwan’s Bid for U.N. Membership**

The new Ma Administration also proved to be more moderate and flexible than its predecessor concerning Taiwan’s annual United Nations (U.N.) bid, a bid that remained objectionable to Beijing. On August 14, 2008, Taiwan under the new Ma government submitted a proposal to the U.N. Secretariat via 17 countries with which it maintains diplomatic relationships, asking the U.N. to allow Taiwan to have “meaningful participation” in U.N. special organizations.<sup>106</sup> In spite of the new milder tone to Taiwan’s bid, the PRC raised objections on August 18, 2008, saying that Taiwan was not qualified to participate in U.N. activities.<sup>107</sup> Because of these objections, on September 19, 2008, a U.N. subcommittee decided not to include Taiwan’s request for “meaningful participation” in U.N. activities on the agenda for the 63<sup>rd</sup> General Assembly.

Prior to the bid in 2008, Taiwan had been unsuccessful in 15 previous attempts to gain either membership or non-member status in the U.N., particularly in the World Health Organization (WHO), a U.N. affiliate. Taiwan’s efforts under the DPP Administration of President Chen had included an application both for full U.N. membership as well as for use of either the name “Republic of China” or “Taiwan.” As in past Congresses, there was support in the 110<sup>th</sup> for Taiwan’s U.N. membership. Resolutions introduced in support of Taiwan’s U.N. bid included H.Con.Res. 73 and H.Con.Res. 250. The House did not take up either measure. U.S. government

---

<sup>106</sup> According to *The China Post* of August 16, 2008, the resolution was titled “The Need to Examine the Fundamental Rights of the 23 Million People of the Republic of China (Taiwan) to Participate Meaningfully in the Activities of the U.N. Specialized Agencies.”

<sup>107</sup> The objection came from the PRC’s U.N. Ambassador Wang Guangya in an August 18, 2008 letter to U.N. Secretary-General Ban Ki-moon. Cited by Jenny Hsu, “MOFA unsurprised by PRC reaction to U.N. participation,” *Taipei Times*, August 28, 2008, p. 1.

officials are on record as supporting Taiwan's membership in organizations "where statehood is not an issue," a qualification that seemingly would exclude the U.N.

## **Resumption of PRC-Taiwan Talks**

During the 110<sup>th</sup> Congress, PRC-Taiwan talks resumed for the first time in a decade. In the two months between his election and his inauguration on May 20, 2008, President Ma Ying-jeou spoke of his intentions to begin normalizing cross-strait ties in a "cross-strait common market," to establish direct air links with the PRC, and to ease other restrictions on cross-strait contacts. He sought to ease tensions with China by pledging adherence to a "three no's" approach: no unification, no independence, and no use of force—a pledge he repeated in his inaugural address. He called for a "diplomatic truce" with China and pledged to stop using "dollar diplomacy" to win foreign country recognition.

After his inauguration, Ma moved quickly to implement his new cross-strait approach. In an unprecedented move, Taiwan in mid-May worked jointly with the PRC in providing disaster relief after the Sichuan earthquake. By late May, Taiwan had accepted a PRC invitation to resume official talks in Beijing for the first time since October 1998.<sup>108</sup> The chairman of the KMT, Wu Poh-hsiung, met with PRC President Hu Jintao on May 28, 2008, the highest-level encounter between the two sides since 1949. Official talks reopened on June 12-13, 2008, resulting in groundbreaking new agreements to allow weekend direct charter flights and boost PRC tourism to Taiwan. Taiwan also undertook several unilateral initiatives, including:

- June 26—Taiwan announced a number of financial liberalization measures, including: allowing conversion of the PRC yuan into Taiwan dollars; allowing Chinese companies on the Hong Kong stock exchange to have secondary listings on Taiwan's stock exchange; allowing PRC-backed mutual funds to invest in Taiwan's stock market; and allowing Taiwan brokerage houses to double their investments in PRC counterparts.
- June 30—Taiwan's Government Information Office announced that two major PRC media outlets would be allowed to station reporters in Taiwan effective immediately.
- July 8—Taiwan's Ministry of Economics announced it would ease investment restrictions with the PRC in three broad steps over the coming six months: raising the cap on Taiwan companies' investment in the PRC from 40% to 60%; lifting restrictions preventing Taiwan companies in certain sensitive sectors (such as advanced semiconductors) from investing in the PRC; and lifting restrictions preventing PRC companies from investing in Taiwan.

Other Taiwan initiatives remained in the discussion stage. President Ma has suggested that Taiwan be more flexible on the names it uses in its international engagement efforts—suggesting, for instance, that Taiwan's negotiation of Free Trade Agreements (FTA's) would be less divisive if Taiwan used the same name it used when applying to the WTO—"separate customs territory of Taiwan, Penghu, Kinmen, and Matsu." And Taiwan's SEF chairman, Chiang Pin-kung, was

---

<sup>108</sup> The Taiwan and PRC government still do not negotiate directly. 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). The June 2008 talks were conducted by these two bodies.

reported as having said he wants to study and promote the creation of a cross-strait comprehensive economic cooperation agreement (CECA) with the PRC.

In spite of this progress, controversies continued to arise, such as an initial tussle, later smoothed over, about the name that the PRC would use to refer to Taiwan during the 2008 Olympic Games.<sup>109</sup> Taiwan's Ministry of National Defense also said that acquiring submarines—a move directed at the PRC—remained a top priority for Taiwan. Supporters of President Ma's new policies were critical that the June 2008 official talks did not go far enough in some instances. Opponents of the new policies, on the other hand, criticized them as proceeding too rapidly, and said that the PRC negotiators at the June 2008 talks were more experienced than their Taiwan counterparts.

## **China's Growing Global Reach**

China's robust international engagement since 2000 became a subject of increasing interest in the 110<sup>th</sup> Congress and prompted growing debate over the PRC's motivations and objectives in its foreign policy. The fact that much of China's international engagement expanded while the United States was preoccupied with its military involvement in Iraq and Afghanistan also caused a growing degree of American introspection. Part of the debate included an increasing focus on the implications that China's growing international engagement could have for its "soft power" projection around the world, and consequently what this would mean for U.S. economic and strategic interests.

Some fundamental objectives appeared to be motivating Beijing's foreign policy outreach during the 110<sup>th</sup> Congress. These included an imperative to promote and enhance China's economic development, particularly its voracious need for energy resources and raw materials to sustain its double-digit annual growth; an effort to separate the island of Taiwan, over which the PRC claims sovereignty, from its 23 remaining official relationships; and a desire to increase China's international stature and compete more successfully with U.S. supremacy. To achieve these ends, China during the 110<sup>th</sup> Congress continued to craft multiple bilateral agreements and partnerships; work to resolve outstanding boundary disputes with other countries; join and become more active in existing multilateral organizations; and to seek to create new multilateral institutions that tended to exclude the United States. Beijing resolved a decades-long boundary dispute with Russia. In pursuit of some of these interests in China's growing foreign engagements, the Senate Foreign Relations Committee requested the Congressional Research Service to prepare a study, "China's Foreign Policy and 'Soft Power' in South America, Asia, and Africa."<sup>110</sup>

---

<sup>109</sup> Reportedly official PRC sources have been using "Zhongguo Taipei"—or "Taipei, China." A 1989 agreement stipulated that Taiwan be called "Zhonghua Taipei"—or "Chinese Taipei," a term suggesting a more ambiguous Chinese nationhood. After intervention by the PRC State Council's Taiwan Affairs Office on July 23, 2008, official PRC media have been using the latter formulation in referring to Taiwan.

<sup>110</sup> Senate Print 110-46, [http://frwebgate.access.gpo.gov/cgi-bin/getdoc.cgi?dbname=110\\_cong\\_senate\\_committee\\_prints&docid=f:41927.pdf](http://frwebgate.access.gpo.gov/cgi-bin/getdoc.cgi?dbname=110_cong_senate_committee_prints&docid=f:41927.pdf).

## **Environmental Issues<sup>111</sup>**

China's economic development and need for greater energy resources also had a rapidly increasing impact on environmental issues during the 110<sup>th</sup> Congress, both within China and for its regional and global neighbors. China's continued heavy dependence on coal made it second only to the United States as the largest contributor to global carbon-dioxide (CO<sub>2</sub>) emissions by the beginning of the 110<sup>th</sup> Congress, and *Reuters* reported on June 20, 2007, that China had surpassed the United States in CO<sub>2</sub> emissions. PRC leaders in 2007-2008 continued to recognize that this trend is not sustainable and continued to expand on past efforts to address environmental quality, including adoption of further environmental laws and regulations and mandatory conversion of many government vehicles to non-polluting liquefied petroleum and natural gas.<sup>112</sup> Despite this, Beijing's continued emphasis on economic development during the 110<sup>th</sup> Congress adversely affected efforts to address China's extensive and worsening pollution problems. The United States and China engage in energy and environment-related dialogue through the Strategic Economic Dialogue, whose four rounds of meetings during the 110<sup>th</sup> are discussed elsewhere in this report.

## **Domestic Political Issues**

Although China continued its rapid economic advances and its expanded international influence in 2007-2008, its internal political and institutional development did not keep comparable pace. Increasing social and economic inequities led to growing strains in China's political and societal fabric during the 110<sup>th</sup> Congress. These strains were evident between the central government in Beijing and the provincial and municipal governments in the interior; between the socialist left and the increasingly capitalist right; between those arguing for economic growth at all costs and those advocating more sustainable and equitable development; and between the few newly wealthy who have thrived under economic liberalism and the many desperately poor who have not. Leaders in Beijing were seen to be deeply concerned about the political and social implications of these internal strains, with increased debate on and maneuvering around these issues evident in 2007-2008.

### **17<sup>th</sup> Party Congress, October 15-21, 2007**

In mid-October 2007, the Chinese Communist Party held its 17<sup>th</sup> Party Congress—an important Party conclave held every five years to set the policy direction and make leadership decisions for the coming five years. General Secretary Hu Jintao reported that the Party would continue to emphasize its overall goal of economic investment and export-oriented reform, although it would place more importance on encouraging domestic consumption. The Party Congress re-emphasized the current leadership's priority to strive for slightly slower and more balanced growth. The key catch-phrase in Party Secretary Hu's report was to adhere to the "Scientific Development Concept"—a concept designed to focus on improvements in people's livelihood, employment, health, national education, renewable energy resources, and environmental quality.

---

<sup>111</sup> See CRS Report RL34659, *China's Greenhouse Gas Emissions and Mitigation Policies*, by Jane A. Leggett, Jeffrey Logan, and Anna Mackey.

<sup>112</sup> "China: Environmental Issues," in *Country Analysis Briefs*, Energy Information Administration, U.S. Department of Energy, published in July 2003. <http://www.eia.doe.gov/emeu/cabs/China/Environment.html>

## ***New Leaders***

The Party also chose its new leaders for the coming five years. As expected, Party Secretary Hu Jintao was reaffirmed to his leadership role, and he along with five other senior leaders remained on the nine-member Politburo Standing Committee (PSC), the Party's most authoritative and important entity. Of the four new PSC members, two—Xi Jinping and Li Keqiang—have been tipped as frontrunners to be Hu Jintao's successor as Party Secretary at the 18<sup>th</sup> Party Congress in 2012. The two are the only PSC members to have been born in the 1950s, making them the first of the “fifth generation” of China's potential leadership to rise to this level. If accepted retirement practices hold true (at age 68), only these two will be young enough to remain in the Politburo of the 18<sup>th</sup> Party Congress.

## **Social Stability**

The far-reaching economic changes the PRC continued to undergo in 2007-2008 led to increasing disgruntlement among many social groups and to increasing pressure on the central government in Beijing and on provincial and local governments.<sup>113</sup> Many problems during the 110<sup>th</sup> Congress were regularly recurring—such as protests by farmers whose land had been confiscated, often with little or no compensation, or the protests of workers whose factories closed without having paid back wages. There were also more unique circumstances, such as the 2008 Sichuan earthquake, which provided an opportunity for public dissatisfaction with the PRC government focused on the issue of corruption and shoddy construction that led to more destruction and death than might have occurred with sturdier buildings; or the growing scandals involving tainted food and other consumer products.

Amidst various social upheavals, there also was growing evidence that citizens of the PRC were becoming more assertive about their rights.<sup>114</sup> In mid-May 2007, news accounts reported violent public protests in Guangxi Province (Bobai County) over the “savage implementation” of family planning policies by local authorities, including the retroactive imposition of extraordinarily heavy fines and the confiscation or destruction of household goods and food.<sup>115</sup> The “one-child” policy was also mentioned in connection with the Sichuan earthquake of May 12, 2008, where the widespread destruction of schools meant that many parents lost their only child.

Social pressure also increased on the government over the unfolding product safety scandals that began in 2007. In response to domestic and international criticism, PRC officials announced the suspension of licenses of factories and companies accused of violating product safety standards.<sup>116</sup> In July 2007, the PRC executed the former head of the State Food and Drug Administration, Zheng Xiaoyu, for accepting bribes to approve sub-standard drugs. In early September 2008, reports began surfacing all over China of dangerously high levels of melamine in domestically produced milk and milk powder, which sickened close to 300,000 infants and children and killed some others. In October 2008, news accounts reported that some PRC families

---

<sup>113</sup> See CRS Report RL33416, *Social Unrest in China*, by Thomas Lum.

<sup>114</sup> Pan, Philip, “Who controls the family? Blind activist leads peasants in legal challenge to abuses of China's population-growth policy,” *Washington Post*, August 27, 2005, p. A1.

<sup>115</sup> Reported in *Tung Fang Jih Pao*, May 21, 2007, translated in *FBIS*, FEA20070522158306.

<sup>116</sup> Among other actions, for instance, Beijing suspended the business licenses of the Xuzhou Anying Biologic Technology Development Co., the Binzhou Futian Biology Technology Co., the Taixing Glycerin Factory, the Hansheng Wood Factory, and Lee Der Industrial, all for exporting tainted products.



whose babies had been injured by milk laced with melamine had filed suit against one of the companies involved, Sanlu. The same month, Beijing announced the recall of all milk products produced before September 14, 2008, and set the first standards for permissible amounts of melamine in milk (1 milligram per kilogram of infant formula and 2.5 milligrams per kilogram of liquid milk). In late 2008, a series of rolling taxi strikes swept over parts of China, with drivers angry about new licensing fees and growing competition from unlicensed taxis.<sup>117</sup>

Although the PRC government was forced to respond positively to some of this social pressure, it responded more harshly in other cases. For instance, PRC police arrested an activist, Huang Qi, who had advised parents who lost children in the Sichuan earthquake, charging him with “illegally possessing state secrets.” The government also maintained and increased its repressive crackdown against Tibetans in the wake of the March 2008 protests in Tibet—in June 2008 effectively disbarring two attorneys, Jiang Tianyong and Teng Biao, who had offered to defend some of the Tibetans charged in the March demonstrations. Authorities also maintained a harsh crackdown against Muslim Uighur “separatists”—those in favor of independence from China—in the Xinjiang-Uighur Autonomous Region in western China. In early January 2007, PRC officials claimed that the East Turkestan Islamic Movement (ETIM), on the U.S. list of terrorist groups, was the target of a Chinese raid on a suspected terrorism camp in Xinjiang. No details were given, although PRC officials reportedly said that 18 were killed and 17 arrested.<sup>118</sup> In 2008, Uighur groups claimed credit for a series of deadly attacks in China leading up to the Olympic Games, including a May bus bombing in Shanghai which killed three, bombings at a police station in Wenzhou and a plastics factory in Guangzhou on July 17, and bombings of buses in Yunnan on July 21.

## **Internet and Media Restrictions**

Although control of the press continued to be an important focus for Beijing, press freedom in China remained higher during the 110<sup>th</sup> Congress than it had been in the past. Moreover, the explosive growth of the Internet, cell phones, and text messaging in China has helped make these electronic sources a more dominant source of information for many PRC citizens. Beijing has increasingly viewed these new information sources as potential threats to the central government’s ability to control information flows, and in 2005 imposed new rules designed to further limit the type of electronic news and opinion pieces available to the Web-savvy in China.<sup>119</sup> Among other things, the regulations prohibited major search engines from posting their own independent commentary on news stories, stipulating that only opinion pieces provided by state-controlled media may be posted; required Internet service providers to record the content, times, and Internet addresses of news information that is published and to provide this information to authorities upon inquiry; and in vague terms prohibited certain kinds of content from being posted, such as content that “undermines state policy” or “disseminates rumors [and] disturbs social order.”<sup>120</sup> The regulations are backed by penalties, including fines, termination of Internet access, and possible imprisonment.

---

<sup>117</sup> Branigan, Tania, “China taxi drivers strike as economic unrest spreads,” *guardian.co.uk*, November 24, 2008.

<sup>118</sup> “Muslim Terror Raid Finds ‘International’ Ties,” *New York Times*, January 10, 2007, p. 14.

<sup>119</sup> “‘Full Text’ of PRC Internet News Information Service Management Rules,” jointly promulgated by the PRC State Council Information Office and the Ministry of Information Industry, September 25, 2005, *Beijing Xinhuan Wang*, in FBIS, CPP2005926038001.

<sup>120</sup> *Ibid.*, Article 19.

Some Members of the 110<sup>th</sup> Congress took action in a number of cases where U.S. companies appeared to have complied with Beijing's attempts to restrict and police the Internet. In November 2007, House Foreign Affairs Committee Members grilled Jerry Yang and Michael Callahan, executives with Yahoo, about the company's decision to reveal to the Chinese government the name of a journalist who was an e-mail account-holder; the journalist, Shi Tao, subsequently was sentenced to prison for ten years for subversive activities. In another example, on May 20, 2008, the Senate Judiciary Committee's Human Rights Subcommittee held hearings to review the actions of a U.S. company, Cisco, which reportedly had played a role in helping the PRC construct an Internet monitoring system.<sup>121</sup> Judging from data in the 2007-2008 time frame, it may be that Internet and technology usage in China is growing fast enough eventually to outstrip the government's control mechanisms. The state-owned China Internet Network Information Center reported in January 2008 that the number of Internet users alone in China had expanded 53% in 2007 over the previous year, reaching 210 million users by year-end.

## **Human Rights<sup>122</sup>**

The Bush Administration generally favored selective, intense pressure on individual human rights cases and on rule of law issues rather than the broader approach adopted by previous American administrations. There was little sign that the U.S. position on human rights has had much effect on PRC policies during the 110<sup>th</sup>. There was growing evidence, however, that PRC policies were being forced to respond to increasing domestic social demands for greater accountability, transparency, and responsiveness in government, particularly in cases of official corruption and malfeasance. (Issues of social stability are dealt with elsewhere in this report.)

## **Religious Freedom**

The PRC continued to crack down on unauthorized religious groups in 2007-2008 and to restrict the freedoms of ethnic communities that sought greater religious autonomy. Apart from crackdowns on Tibetans and Muslims, much of this repression focused on what PRC officials classified as illegal religious "cults" such as the Falun Gong and the Three Grades of Servants Church.<sup>123</sup>

The U.S. Department of State released congressionally mandated reports on *International Religious Freedom* in both years of the 110<sup>th</sup> Congress. In the China section of its last submission, released September 19, 2008, the Department judged China's record on religious freedom to remain poor and substantially the same as during previous years. The State Administration for Religious Affairs, SARA, (formerly known as the Religious Affairs Bureau, or RAB) continued to require churches to register with the government. Churches that are unregistered, so-called house churches, continued to be technically illegal and often repressed by the government. As in the past, however, treatment of unregistered churches varied widely from locality to locality, with some local officials highly repressive and others surprisingly tolerant. Communist Party officials continued to stress that religious belief is incompatible with Party membership.

---

<sup>121</sup> Noyes, Andrew, "Cisco grilled for allegedly helping Chinese surveillance," *National Journal.com*, May 20, 2008.

<sup>122</sup> See CRS Report RL34729, *Human Rights in China: Trends and Policy Implications*, by Thomas Lum and Hannah Fischer.

<sup>123</sup> See CRS Report RL33437, *China and Falun Gong*, by Thomas Lum.

## **Family Planning Policies**

Because of allegations of coercion in PRC family planning programs, direct and indirect U.S. funding for family planning practices in China remained prohibited during the 110<sup>th</sup> Congress in provisions of several U.S. laws. These restrictions included U.S. funding for international and multilateral family planning programs, such as the U.N. Population Fund (UNFPA), that have programs in China. (Section 660(c) of the House-passed version of H.R. 2764, the FY2008 State, Foreign Operations, and Related Programs Appropriations Bill for FY2008 Department, prohibited funds for a UNFPA country program in China and required a report on the UNFPA China program from the Secretary of State. The House passed the measure on June 21, 2007.)

While the PRC has maintained its restrictive and at times coercive “one-child” program for several decades, there have been indications that the government may be re-thinking this policy. Early in 2004, China’s new leadership appointed a task force to study the country’s demographic trends and their implications for economic development. In October 2004, reports surfaced that Beijing was considering at least one proposal to eventually scrap the one-child policy because of low PRC birth rates and the economic implications this had for supporting China’s huge aging population. On January 6, 2005, the director of China’s National Population and Family Planning Commission stated that the government intended to modify criminal law to make it illegal to selectively identify and abort female fetuses.<sup>124</sup>

There also was growing evidence during the 110<sup>th</sup> Congress that citizens of the PRC have become more assertive about their reproductive rights.<sup>125</sup> In mid-May 2007, news accounts reported violent public protests in Guangxi Province (Bobai County) over the “savage implementation” of family planning policies by local authorities, including the retroactive imposition of extraordinarily heavy fines and the confiscation or destruction of household goods and food.<sup>126</sup> The “one-child” policy also was mentioned in connection with the Sichuan earthquake of May 12, 2008, where the widespread destruction of schools meant that many parents lost their only child.

## **Charter 08**

In early December 2008, 303 Chinese intellectuals signed and released a manifesto calling for the institution of broad political reforms, the establishment of real democratic freedoms, and the end of one-party rule in China. Dubbed “Charter 08,” (reminiscent of a similar Czechoslovakian manifesto, “Charter 77”), the document’s release was linked to a number of important anniversaries, including the 60<sup>th</sup> anniversary of the Universal Declaration of Human Rights; the thirtieth anniversary of the appearance of the “Democracy Wall” in Beijing; and the tenth anniversary of China’s signing of the International Covenant on Civil and Political Rights. In a translation of the forward to the document, the authors stated:

---

<sup>124</sup> PRC statistics show that nearly 120 boys are born for every 100 girls—a gender ratio suggesting selective abortion of female fetuses. The “natural” male-female gender ratio is about 105-100, according to a United Nations estimate. “Analysts View Problems with Huge PRC Gender Gap,” *South China Morning Post*, January 7, 2005.

<sup>125</sup> Pan, Philip, “Who controls the family? Blind activist leads peasants in legal challenge to abuses of China’s population-growth policy,” *Washington Post*, August 27, 2005, p. A1.

<sup>126</sup> Reported in *Tung Fang Jih Pao*, May 21, 2007, translated in *FBIS*, FEA20070522158306.

...The Chinese people, who have endured human rights disasters and uncountable struggles..., now include many who see clearly that freedom, equality, and human rights are universal values of humankind and that democracy and constitutional government are the fundamental framework for protecting these values.

By departing from these values, the Chinese government's approach to "modernization" has proven disastrous. It has stripped people of their rights, destroyed their dignity, and corrupted normal human intercourse. So we ask: Where is China headed in the twenty-first century? Will it continue with "modernization" under authoritarian rule, or will it embrace universal human values, join the mainstream of civilized nations, and build a democratic system? There can be no avoiding these questions.<sup>127</sup>

Although PRC police immediately began to interrogate, at times detain, and search the homes of the signatories, Charter 08 continued to attract hundreds of additional supporters who were willing to risk official consequences by signing it as 2008 closed. Its continued circulation and expanding list of signers was a further testament to the growing public pressure being placed on the PRC government for more responsive and representative government.

---

<sup>127</sup> "Charter 08," translated from the Chinese by Perry Link, *The New York Review of Books*, Vol. 56, Number 1, January 15, 2009.

## **Selected Legislation in the 110<sup>th</sup> Congress<sup>128</sup>**

### **Public Laws**

#### **Energy Independence and Security Act of 2007—P.L. 110-140**

Introduced as H.R. 6 on January 12, 2007, P.L. 110-140 became the vehicle for omnibus energy legislation, including provisions concerning China contained in H.R. 3221, introduced by Representative Pelosi. The final Act includes language that authorizes the Secretary of Commerce to take efforts to promote U.S. clean energy technology exports to India, China, and other countries that may benefit. (The legislative journey to the public law has a convoluted history, containing selected provisions from 14 bills, including H.R. 3221, and three resolutions. The President signed the omnibus measure into law on December 19, 2007.)

#### **Department of State, Foreign Operations, and Related Programs Appropriations Act, 2008—P.L. 110-161**

Introduced as H.R. 2764 by Representative Lowey. The final public law (P.L. 110-161) included provisions requiring U.S. representatives at international financial institutions to support projects in Tibet if they do not provide incentives for non-Tibetan immigration into Tibet; and provided \$5 million in ESF funds to NGOs supporting cultural traditions, sustainable development, and environmental protection in Tibet. Section 733 of the enacted bill prohibited a rule allowing poultry products to be imported from China. The final bill also required 15-day prior notification to both Appropriations Committees before processing licenses for the export to China of satellites of U.S. origin; and provided \$15 million in democracy assistance funds for China, Hong Kong, and Taiwan, providing that monies for Taiwan be matched by non-U.S. government sources; and \$150,000 for the U.S. Senate-China Interparliamentary Group, to remain available until September 2009. The final bill also prohibited funds for a United Nations Population Fund (UNFPA) program in China (Section 660(c)). After a complex series of procedural floor motions in December 2007, the bill was sent to the President, who signed it on December 26, 2007.

#### **National Defense Authorization Act for FY2008—P.L. 110-181**

Introduced as H.R. 4986, Section 1263 of P.L. 110-181 adds a reporting requirement to the Annual Report on Military Power of the People's Republic of China (authorized in P.L. 106-65). The new reporting requirement is to include information on China's asymmetric and cyber-warfare capabilities. The bill was signed on January 28, 2008.

---

<sup>128</sup> For legislative action during the 109<sup>th</sup> Congress, see CRS Report RL32804, *China-U.S. Relations in the 109<sup>th</sup> Congress*, by Kerry Dumbaugh.

## **Other Selected Legislation**

### **H.Con.Res. 73 (Tancredo)**

Expressing the sense of Congress that the United States should resume diplomatic relations with Taiwan. Introduced on February 16, 2007. Referred to the House Foreign Affairs Committee.

### **H.Con.Res. 136 (Chabot)**

Expressing the sense of Congress that the United States lift restrictions on high-level visits by officials from Taiwan and allow direct high-level dialogue between officials from both governments. Introduced on May 1, 2007. Referred to the House Foreign Affairs Committee, which held mark-up on June 26, 2007. The House passed the measure by voice vote on July 30, 2007, and the measure was referred to the Senate Foreign Relations Committee on August 3, 2007.

### **H.Con.Res. 137 (Berkley)**

Expressing the sense of Congress that the United States should initiate immediate negotiations to enter into a free trade agreement with Taiwan. Introduced on May 1, 2007. Referred to the House Ways and Means Committee's Trade Subcommittee on May 15, 2007.

### **H.Res. 552 (Marshall)**

Calling on the PRC to remove barriers on U.S. financial services firms doing business in China. Introduced July 17, 2007, and referred to the House Financial Services Committee. The House passed the measure on the suspension calendar on September 5, 2007, by a vote of 401-4.

### **H.R. 782 (Ryan)**

The Fair Currency Act of 2007. (Related Senate bill S. 796.) The bill amends Title VII of the Tariff Act of 1930 to provide that artificial exchange rates by any country are countervailable export subsidies. The bill requires the U.S. Treasury Secretary annually to analyze foreign countries' exchange rate policies and embark on negotiations with those countries whose currencies are judged to be in "fundamental misalignment." Introduced January 31, 2007. Referred to House Ways and Means Committee and in addition to the House Committees on Financial Services; Foreign Affairs; and Armed Services.

### **H.R. 1229 (Davis, A., English)**

The Non-Market Economy Trade Remedy Act of 2007. The bill amends long-standing U.S. law by extending the applicability of countervailing duty measures also to nonmarket economy countries in addition to market economy countries. The bill also notes that "special difficulties" may exist in calculating benefit amounts in China and authorizes U.S. authorities to use "terms and conditions prevailing outside of China" in such instances. Introduced on February 28, 2007. Referred to the House Ways and Means Committee (February 28) and to the Trade Subcommittee (March 7), which held hearings on March 15, 2007.

**H.R. 1390 (Tancredo, Rohrabacher)**

A bill to require Senate confirmation of individuals appointed to serve as the Director of the American Institute in Taiwan. Introduced March 7, 2007. Referred to the House Foreign Affairs Committee.

## Appendix. Timeline During the 110<sup>th</sup> Congress

### 2008

**12/05/08**—The fifth U.S.-China Strategic Economic Dialogue meeting wound up in China. The governments agreed to deepen cooperation on financial services, energy and the environment, trade and investment, and food safety.

**11/19/08**—Several hundred taxi drivers reportedly went on strike in Chongqing, China, in protest over plans to add more cabs. Also, the U.S. FDA opened an office in Beijing to increase inspections of Chinese food and medicine.

**11/17/08**—Reports said that 2,000 people rioted in Gansu province over the city government's plans to move its offices to a nearby county. The protesters reportedly feared that the move would lower property values and raise unemployment.

**11/17/08**—In a *London Times* interview, PRC Major General Quan Lihua hinted that the PRC was interested in acquiring an aircraft carrier.

**11/17/08**—A conference of Tibetan exiles, called by the Dalai Lama, began meeting in Dharamsala reportedly to explore new strategies for the Tibetan movement with respect to China. News accounts said the Dalai Lama was not in attendance.

**10/31/08**— The 8<sup>th</sup> round of negotiations between representatives of the Dalai Lama and China began in Beijing.

**10/29/08**—Presidential candidate Barack Obama, in a letter to the National Council of Textile Organizations, vowed to “use all diplomatic means” to stop China from gaining unfair trade advantages because of its currency peg.

**10/29/08**—Nine PRC families with babies suffering kidney problems, allegedly because of milk tainted with melamine, filed suit against China's Shijiazhuang-based Sanlu milk company.

**10/29/08**—China issued a major policy on climate change, acknowledging its own contributions and suggesting a kind of global climate tax to address climate change.

**10/14/08**—The Chinese government, led by ASQIQ (the General Administration of Quality Supervision, Inspection and Quarantine) ordered a recall of all milk products produced before September 14, 2008.

**10/13/08**—The nine largest banks in the U.S. acquiesced in the largest U.S. government ever intervention plan into private industry, agreeing to sell preferred shares of stock in their banks to the government. The banks included JPMorgan, Bank of America, Morgan Stanley, Citigroup, and Wells Fargo.

**10/12/08**—The Third Plenum of the 17<sup>th</sup> Central Committee closed. Ostensibly, the Plenum enacted a bold reform program for agriculture, including the ability to lease, buy, or sell land use contracts. Few details were available at the close of the plenum.

**10/09/08**—The PRC announced new limits on melamine 1 milligram per kilogram of infant formula and 2.5 milligrams per kilogram of liquid milk. Beijing did not reveal if there had previously been a limit or what that limit may have been.



**10/08/08**—A federal judge ordered that 17 Uighurs held at Guantanamo Bay be released by the end of the week. The men had been held since 2002.

**10/07/08**—The PRC announced it was cancelling meetings between U.S. and PRC military officials and planned exchanges on disaster relief and humanitarian assistance, as a result of the U.S. announcement on arms sales to Taiwan.

**10/03/08**—The Defense Security Cooperation Agency (DSCA) notified Congress of the possible Foreign Military Sale to Taiwan of six different types of defense articles and equipment, consistent with the policies of P.L. 96-8, which could total a maximum of approximately \$6.4 billion.

**10/03/08**—Defense Security Cooperation Agency (DSCA) notified Congress of the possible Foreign Military Sale to Taiwan of six different types of defense articles and equipment, consistent with the policies of P.L. 96-8, which could total a maximum of approximately \$6.4 billion. These included: upgrades of four E-2T Aircraft to the HAWKEYE 2000 configuration (est. maximum of \$250 million); 30 AH-64D Block III APACHE Longbow Attack helicopters (est. maximum of \$2.532 billion); 30 PATRIOT Advanced Capability (PAC-3) missiles (est. maximum of \$3.1 billion); 32 UGM-84L Sub-Launched HARPOON Block II missiles and 2 UTM-84L HARPOON Block II Exercise missiles (est. maximum of \$200 million); follow-on spare parts in support of F-5E/F, C-130H, F-16A/B, and Indigenous Defense Fighter IDF aircraft (est. maximum of \$334 million); 182 JAVELIN guided missile rounds and 20 JAVELIN command launch units (est. maximum of \$47 million)<sup>129</sup>

**09/09/08**—The New York Times reported that local governments in Xinjiang had imposed restrictions on religious practices during the Muslim month of Ramadan.

**09/08/08**—Taiwan announced that it would cancel the live-fire exercise portion of its annual five-day military exercises, in deference to warming ties between Taiwan and the PRC.

**09/08/08**—Taiwan's Foreign Ministry announced it would seek closer participation in the 16-member Pacific Islands Forum (PIF). Taiwan has taken part every year in the PIF since joining in 1993, but because of PRC objections has been restricted to dialoguing only with its 6 diplomatic South Pacific partners (Nauru, Palau, Tuvalu, the Marshall Islands, Kiribati, and Solomon Islands). The other PIF partners are: Australia, Cook Islands, Fiji, New Zealand, Tonga, Vanuatu, the Federated States of Micronesia, Niue, Papua New Guinea, and Samoa.

**09/06/08**— The PRC launched two new environment and disaster monitoring satellites from its Taiyuan Satellite Launch Center in Shanxi Province. According to reports, the satellites began transmitting data within 24 hours.

**09/04/08**—The chair of an official committee assessing the damage from the May 12 Sichuan earthquake (Ma Zhongjin) said that shoddy construction may have contributed to the collapse of some schools.

**09/03/08**—The Coca-Cola company announced it was making a bid for China's Huiyuan Juice Company.

**09/03/08**—According to a KMT announcement citing "Taipei newspapers," former President Chen Shui-bian admitted to having made up a secret diplomatic project, the "South Route Project," ostensibly in order to cover up "secret diplomacy" with the United States and Japan.

---

<sup>129</sup> The notifications can be found on the DSCA website under "36(b) Arms Sales Notifications." [http://www.dscamilitary.com/PressReleases/36-b/36b\\_index.htm](http://www.dscamilitary.com/PressReleases/36-b/36b_index.htm)

**09/01/08**—According to an article in the *LA Times*, 8 Chinese firms filed lawsuits in recent weeks against the General Administration of Quality Supervision, Inspection, and Quarantine (AQSIQ), accusing it of colluding to give contracts to a business in which it has a financial stake.

**08/29/08**—According to the *Washington Post*, China signed a \$3 billion oil contract with Iraq to develop the Ahdab oil field in Wasit province, south of Baghdad. It is the first foreign commercial contract since the invasion of 2003.

**08/24/08**—U.S. Secretary of Labor Elaine Chao, in Beijing on an official visit, met with President Hu Jintao.

**08/20/08**—Former Party Secretary Hua Guofeng (serving after Mao Zedong) died at age 87.

**08/14/08**—Taiwan submitted a proposal to the UN Secretariat via St. Vincent and the Solomon Islands (2 of Taiwan's diplomatic relationships), asking the UN to consider permitting Taiwan to have "meaningful participation" in the organization. The resolution reportedly was titled "The Need to Examine the Fundamental Rights of the 23 Million People of the Republic of China (Taiwan) to Participate Meaningfully in the Activities of the U.N. Specialized Agencies."

**08/07/08**—President Bush left Thailand for Beijing to attend the opening ceremony of the 2008 Olympic Games. The President's Asia trip began August 4 and included the Republic of Korea, Thailand, and the PRC.

**08/08/08**—Opening ceremony for the 2008 Summer Olympic Games in Beijing. The games concluded on August 24.

**08/07/08**—In a speech in Bangkok, President Bush tempered largely positive and optimistic references to China and its economic progress with continuing concerns about religious freedom and human rights there.

**08/04/08**—In response to a question about an attack in Kashgar on a PRC police station (killing 16), a State Department spokesman (Gallegos) said that the United States "strongly condemn[s] actions of violence such as the August 4 attack in Kashgar."

**07/29/08**—The Doha Round of trade talks broke up in Geneva without reaching agreement, reportedly due to last-minute obstacles raised by China and India.

**07/29/08**—According to *Xinhua*, China's newly established National Energy Administration began operation.

**07/24/08**—According to a *NYTimes* article, Chinese local officials in the Sichuan quake zone were pressuring parents who lost children in the quake. The officials reportedly offered cash and promises of pensions if the parents signed a contract absolving the government of blame for any shoddy construction in collapsed schools.

**07/21/08**—Two buses exploded in Kunming, capital of Yunnan Province. Chinese officials initially concluded the explosions were not related to the Olympic Games.

**07/21/08**—Some PLA troops reportedly were starting to pull out of the Sichuan after a little over two months of duty in the quake zone.

**07/21/08**—China and Russia signed the final agreement demarcating their 2,700 mile border.

**07/20/08**—China reportedly warned Exxon to pull out of an oil exploration deal with Vietnam because it infringed on Chinese sovereignty rights in the South China Sea.

**07/19/08**—PRC police arrested Huang Qi, a human rights activist advising parents whose children had been killed in collapsed schools during the Sichuan earthquake. He was charged with “illegally possessing state secrets.”

**07/18/08**—The WTO ruled that China was in violation of WTO trade rules by imposing punitive “buy local” tariffs on foreign automakers.

**07/17/08**—Taiwan’s cabinet announced it would revise regulations limiting investment by Taiwan companies in China, and that new measures would be put into place August 1.

**07/16/08**—Taiwan President Ma Ying-jeou said Taiwan’s negotiation of FTA’s would be less divisive if it used the name it used when applying to the WTO—“separate customs territory of Taiwan, Penghu, Kinmen, and Matsu.”

**07/16/08**— Admiral Timothy Keating, in a briefing at the Heritage Foundation, was seen to agree that U.S. arms sales to Taiwan had been frozen, perhaps until the Olympic Games had concluded.

**07/15/08**— A PRC Foreign Ministry spokesman expressed “grave concern and misgivings” over the U.N. indictment of Sudan’s president.

**07/14/08**—The BBC program Panorama TV aired a program alleging that China was selling military equipment to Sudan and training Sudanese fighter pilots who fly Chinese A5 Fantan fighter jets in Darfur. If true, this would be a violation of the U.N. arms embargo.

**07/11/08**—China and Russia vetoed a U.N. Security Council resolution to imposed sanctions on Zimbabwe. The measure would have condemned the election violence; tightened travel ban and assets freeze on Mugabe and senior leaders; and supported mediation.

**07/03/08**—China’s State Administration of Foreign Exchange (SAFE) announced it intended to combat “hot money” flows by linking its electronic monitoring system to those of the Ministry of Commerce and General Administration of Customs.

**06/26/08**—Taiwan announced a number of financial liberalization measures: it would begin allowing conversion of the PRC yuan into Taiwan dollars; Chinese companies on the Hong Kong stock exchange will be allowed secondary listings on Taiwan's stock exchange; PRC-backed mutual funds will be allowed to invest in Taiwan's stock market; and Taiwan brokerage houses will be allowed to double their investments in PRC counterparts.

**06/29/08**—Secretary of State Condoleezza Rice visited the PRC, going to Chengdu and Beijing, and meeting with Foreign Minister Yang Jiechi. The visit was at the end of a trip to Germany, Japan, South Korea, and China.

**06/18/08**—A fourth round of the Strategic Economic Dialogue concluded in Annapolis, Maryland. The two sides agreed to begin negotiations on a bilateral investment protection accord and signed a 10-year energy and environment cooperation framework.

**06/12/08**—The first cross-strait meetings in a decade began between China and Taiwan in Beijing at the Diaoyutai State Guest House, conducted by SEF and ARATS. In an unprecedented development, the two sides reportedly agreed to set up permanent offices in each other's territory.

**06/03/08**—Chinese authorities in effect disbarred two attorneys, Jiang Tianyong and Teng Biao, by failure to renew their annual licenses. The two, who had offered to defend Tibetan activists charged in the March 2008 crackdown, were said to be too willing to take on “sensitive” cases.

**06/03/08**—Police surrounded 100 parents protesting shoddy school construction in Dujiangyan, taking some into custody and preventing the group from filing a lawsuit on the school construction issue.

**06/03/08**—The PRC in effect disbarred two attorneys, Jiang Tianyong and Teng Biao, by refusing to renew their annual licenses. The two had offered to defend Tibetan activists charged in the March 2008 crackdown.

**06/03/08**—Police surrounded 100 parents protesting shoddy school construction in Dujiangyan, taking some into custody and preventing the group from filing a lawsuit on the school construction issue.

**06/02/08**—The Philadelphia Orchestra turned its concert in Beijing into a benefit for victims of the Sichuan earthquake.

**06/01/08**—At a regional security conference in Singapore, Secretary of Defense Robert Gates underscored U.S. security concerns about China's missile build-up opposite Taiwan. The previous day, the Deputy Chief of the General Staff, Lt. Gen. Ma Xiaotian, criticized the U.S. expansion of its military alliances and a missile defense system, and said that China's military expansion was purely for its own self-defense.

**05/31/08**—A local Sichuan official, Lin Qiang (vice inspector of the province's educational department), withdrew from Olympic torch relay participation, acknowledging that "if we educational officials hadn't left loopholes for corruption," more schools may have remained standing during the Sichuan earthquake.

**05/31/08**—The *LATimes* reported that the National Zoo, San Diego Zoo, and two other U.S. zoos with pandas had launched fund-raising drives to help the Wolong National Nature Reserve and its panda breeding center, damaged by the Sichuan quake.

**05/30/08**—It was mutually agreed that Japan would not send humanitarian provisions to China for the earthquake relief using Japanese military planes.

**05/29/08**—China's State Food and Drug Administration reportedly began acting in response to 6 deaths in the previous week from a blood-based drug, immunoglobulin.

**05/29/08**—Taiwan and China agreed to resume talks on cross-strait issues, including visits by PRC citizens to Taiwan and regular direct charter flights.

**05/20/08**—Ma Ying-jeou was inaugurated president in Taiwan.

**03/22/08**—Ma Ying-jeou was elected president in Taiwan by a margin of 58% - 42% over his DPP rival, Frank Hsieh.

**03/12/08**—A 7.9 magnitude earthquake hit Sichuan Province in central China.

**03/10/08**—Monks in Lhasa launched a protest against Chinese rule on the 49<sup>th</sup> anniversary of a violent 1959 anti-Chinese uprising.

**01/28/08**—The Beijing city government admitted that 6 construction workers had died during the construction of Olympic venues in the city. The announcement came after the British *Sunday Times* reported the previous week that more than 10 workers had died.

**01/26/08**—The *Washington Post* reported on ongoing quiet protests—euphemistically called "taking a stroll" or "going shopping"—in Shanghai over the planned construction of a maglev (magnetic levitation) train through residential neighborhoods.

**01/25/08**—Premier Wen Jiabao held the last of a series of 5 public meetings, the first being Jan. 21, to listen to public comments and suggestions concerning the latest government work report to be submitted to the NPC in March.

**01/25/08**—Valery Loshchinin, Russia's ambassador to the U.N., announced that next month Russia and China would submit a joint proposal for an international treaty to ban the deployment of space-based weapons.

**01/19/08**—*The Economist* reported that China's inflation rate, 6.9%, is the highest in 11 years.

**01/18/08**—According to the *Asian Wall St. Journal*, the state-owned China Internet Network Information Center said that Internet users in China expanded 53% by the end of 2007—up to 210 million users from 137 million at the end of 2006.

**01/17/08**—The fifth U.S.-China Strategic Dialogue began in Beijing, jointly chaired by Negroponte and PRC Vice Foreign Minister Dai Bingguo. Negroponte reportedly reiterated the U.S. position on Taiwan's U.N. referendum. For the first time, a PRC military official, General Ding Jingong, attended the dialogue. Ding is deputy head of the Foreign Affairs Office of the Ministry of Defense.

**01/17/08**—Suggesting that PRC concerns about Taiwan are more highly wired now than in the past, PRC media reports cited every official meeting of Admiral Keating in Beijing as including PRC calls for the United States to cease weapons sales and military ties with Taiwan.

**01/16/08**—China announced that new temporary regulations to control food prices, saying that large producers of some food products (including dairy, pork, mutton, and eggs) must obtain government approval before raising prices.

**01/14/08**—In a joint statement with the PRC government, Malawi announced it was severing official relations with Taiwan and recognizing the PRC, leaving Taiwan with just 23 remaining official relationships.

**01/13/08**—India's Prime Minister Manmohan Singh began a three-day visit to Beijing — the first by an Indian P.M. in almost five years. The same day, U.S. Admiral Timothy Keating, the top U.S. military commander in the Pacific, arrived in China for four days. Keating reportedly stressed to his hosts the need to be more open about its rapid military build-up.

**01/12/08**—Taiwan's legislative elections were held under its newly reorganized system: 428 candidates fighting for membership in the new 113-seat body. The KMT crushed the DPP, winning 81 seats to the DPP's 27. Five more seats were won by parties likely to support KMT positions. Two referenda questions were defeated: whether the KMT should be stripped of its assets (a DPP initiative); and whether the legislature should be authorized to investigate DPP corruption (a KMT initiative).

**01/09/08**—EU Development Commissioner Louis Michel said that the EU plans a partnership with China over Africa.

**01/09/08**—Premier Wen Jiabao announced that China over the short term would freeze energy prices, including oil, natural gas, and electricity, in an effort to halt growing inflation.

**01/09/08**—The PRC's National Bureau of Statistics released a survey identifying health care and medical issues as the primary concern of most PRC citizens.

**01/08/08**—According to a report in the *New York Times*, the head of the PRC's Commission of Science Technology and Industry for National Defense, Huang Qiang, announced that China would launch 15 rockets, 17 satellites, and its third manned space flight in 2008.

**01/07/08**—According to the *International Herald Tribune*, Beijing plans to open a new commercial aviation route through the Taiwan Strait. Taiwan officials said they considered the move provocative and a threat to air safety.

**01/07/08**—PRC officials in Hubei announced that 500 people have been expelled from the CCP for violating the “one-child” policy.

**01/07/08**—China announced that land developers acquire from local governments will be subject to an “idle land tax” of 20% of the purchase price if it goes undeveloped for more than one year. The move, aimed at developers who hoard land, was an attempt to stimulate the supply of housing and curb rising property prices.

## 2007

**12/31/07**—According to a news report, China's Gezhouba Co., one of the PRC's largest engineering firms, announced it had won a \$1.5 billion contract to build a hydroelectric dam, the Neelum-Jhelum, on Pakistan's Neelum River. According to the report, China now has contracts to build at least 47 dams in 27 countries, including Sudan and Burma.

**12/31/07**—North Korea missed this December 31 deadline (agreed to in the Six-Party Talks first in February 2007 and then in October 2007) to disable its Yongbyon nuclear facility and provide a full accounting of its nuclear activities.

**12/29/07**—Beijing's National People's Congress revealed its decision on Hong Kong's petition for democratization: essentially, the NPC said no direct elections for the Chief Executive until 2017, and no direct election of Legco until 2020 at the earliest. Also, Chen Deming was appointed Commerce Minister to replace Bo Xilai, elevated to the Politburo during the 17<sup>th</sup> Party Congress.

**12/27/07**—Japanese Prime Minister Yasuo Fukuda began a three-day visit to China.

**12/19/07**—According to the *Asian Wall St. Journal*, China's National Development and Reform Commission announced it had filled its first strategic oil reserve, at 5.2 million barrels, in Zhenhai, Zhejiang Province.

**12/19/07**—The U.S. Treasury Department released its semiannual report on currency and exchange rates, again not naming China as a currency manipulator.

**12/18/07**—China's new National Bureau of Corruption prevention opened a website to gather complaints on official corruption. The response was large enough that the system reportedly crashed several times.

**12/17/07**—The Japanese ship JS Kongo used an interceptor missile to destroy a mid-range ballistic missile in space. The target missile was fired from the U.S. Pacific Missile Range Facility on Kauai.

**12/12/07**—According to the *Asian Wall St. Journal*, China Petroleum & Chemical Company (Sinopec) signed a \$2 billion deal for investments in Iran's Yadavaran oil field.

**12/12/07**—Hong Kong Chief Executive Donald Tsang urged the PRC government to set a timetable for direct elections.

**12/12/07**—The third meeting of the bi-annual U.S.-China Strategic Economic Dialogue (SED) began in Xianghe, China. The two sides signed a 10-year agreement to work together on clean technology and sustainable natural resources.

**12/11/07**—The United States and China signed an agreement to strengthen regulation of drugs and medical devices China exports to the U.S. The agreement required Chinese companies making certain drugs (atorvastatin, or Lipitor; sildenafil, or Viagra; and gentamicin sulfate, antibiotic) to register with PRC regulators. The agreement also provided for American inspectors to be at PRC production plants.

**12/10/07**—The non-profit Committee of 100 released the results of its survey, *Hope and Fear: American and Chinese Attitudes Toward Each Other*. The poll found that 32% of U.S. citizens think the US military should defend Taiwan against a PRC attack, while 49% of congressional staff thought so.

**12/03/07**—The U.S.-PRC Defense Consultative Talks began at the Pentagon between undersecretary of defense for policy Eric S. Edelman and Lt. Gen. Ma Xiaotian, the PLA deputy chief of general staff for foreign affairs. While the Kitty Hawk incidents were expected to be discussed, the talks were expected to be on broader issues in U.S.-China defense relations.

**12/03/07**—The Chinese Embassy in DC sent CRS the following statement on the Kitty Hawk incident: "In mid November just before Thanksgiving, the Chinese side was informed that the officers and men on board USS Kitty Hawk and its accompanying ships urgently requested to dock at Hong Kong for family reunion. Out of humanitarian considerations, the Chinese side agreed to allow USS Kitty Hawk and its fleet access to Hong Kong harbor for the purpose of resting. As for why the US naval ships did not go to Hong Kong afterwards, it was the US business. The Chinese position on the port call at Hong Kong by USS Kitty Hawk carrier group is impeccable. The US side is completely clear about the entire process of the matter."

**12/01/07**—A new policy went into effect in China allowing foreign investment (as minority stakeholders) in China's power-grid sector for the first time.

**12/01/07**—The director-general of Britain's MI-5, Jonathan Evans, warned British executives that they were under attack on the Internet from "Chinese state organizations."

**11/30/07**—According to news reports, China denied landing rights to a U.S. Air Force C-17 flight scheduled for a routine re-supply of the U.S. Consulate in Hong Kong.

**11/30/07**—In response to questions about the Kitty Hawk incident, Dana Perino said that "DOD will have details, in terms of how many ships or in terms of the incident." She said that the incident has not impaired U.S. ability to work with the Chinese.

**11/30/07**—According to *AP*, a DOD spokesman on condition of anonymity had revealed that the PRC had denied a third Hong Kong port visit — to a U.S. Navy frigate, the USS Reuben James. According to the report, the denial came on the same day (November 21) that the Kitty Hawk had been denied

**11/30/07**—A PRC Foreign Ministry spokesman, Liu Jianchao, said that the sudden denial of port visit rights to the Kitty Hawk was not a "misunderstanding," but was due to the U.S. proposal to sell PAC-3 anti-missile upgrades to Taiwan.

**11/29/07**—According to news reports, Japan's Maritime Self-Defense Force cancelled a planned tour of a high-tech Aegis ship, the Kirishima, by the crew of the Shenzhen, the first PLA military ship to visit Japan since WWII. Instead, the Chinese crew was given a tour of the Tokiwa, a supply ship, on 11/30.

**11/29/07**—In a White House press briefing, Dana Perino said the White House was asking the Chinese government for clarification on conflicting explanations about the Kitty Hawk incident.

**11/28/07**—The Chinese missile destroyer Shenzhen arrived in Tokyo Bay for the first PLA ship visit to Japan since WWII.

**11/28/07**—According to the *Financial Times* and other news accounts, PRC Foreign Minister Yang Jiechi told President Bush that the Kitty Hawk incident was due to a “misunderstanding.”

**11/28/07**—According to news accounts about the China-EU summit in Beijing, the EU was newly assertive about China's trade practices that have led to a growing trade deficit with China.

**11/28/07**—According to a news account, labor unrest was increasing in southern China ahead of the implementation of a new labor law on January 1, 2008.

**11/28/07**—The Pentagon issued a formal protest (described by a Pentagon spokesman as not a diplomatic protest note but part of U.S.-China military exchanges) to the PRC government over the recent denials of port visits to the Kitty Hawk and other U.S. ships on November 20 and 21. The protest was conveyed by the deputy assistance secretary of defense for East Asia, David Sedney, to Major General Zhao Ning, the PRC defense attache in Washington. According to the protest, “The denial of the USS patriot and USS Guardian requests to refuel and avoid severe weather is contrary to commonly accepted international maritime safety protocols. Such cancellations run counter to our joint interest in positively developing our military-to-military relations.”

**11/28/07**—A PRC warship, the missile destroyer Shenzhen, visited Tokyo for the first port call to Japan by a PRC military vessel since World War II.

**11/27/07**—Admiral Timothy Keating, in a video conference from Hawaii, said of the Kitty Hawk incident: “This is perplexing. It’s not helpful. It is not, in our view, conduct that is indicative of a country who understands its obligations of a responsible nation....it’s hard to characterize it in anything but a[n] at least perplexing, if not troublesome, light.”

**11/27/07**—Taiwan's Ministry of Justice Investigation Bureau (MJIB) announced an investigation into whether a Taiwan corporation (Yi Cheng) illegally had sold dual-use technology to North Korea. This is the third investigation announced into possible North Korea sales; Taiwan also is investigating 3 local companies for allegedly illegally exporting dual-use items to Iran.

**11/27/07**—Taiwan lifted its objections to the appointment of a PRC judge, Zhang Yeujiao, at the WTO's top court.

**11/27/07**—A U.S. government analysis suggested that “a lack of coordination between the PLA and other government agencies may have been a factor in China's contradictory behavior [in cancelling port visits by the USS Kitty Hawk and other U.S. ships].”

**11/26/07**—PRC Foreign Minister Yang Jiechi attended the international conference on Middle East issues in Annapolis, MD.

**11/26/07**—PRC Foreign Minister Yang Jiechi met in the US with Secretary of State Rice. A *Xinhua* account of the meeting said that FM Yang told Rice that “opposing and stopping” Taiwan's referendum on U.N. membership is in the “common interests” of China and the U.S. – reportedly the first time that PRC media directly have cited a Chinese official telling a U.S. official that the U.S. should halt Taiwan's referendum bid.

**11/25/07**—French President Nicolas Sarkozy began his first visit to China as President. PRC media reported the Hu-Sarkozy talks as “comprehensive” and “in depth.” Hu's talks with Chirac in 2006 were reported as “sincere, friendly and fruitful.” OSC

**11/22/07**—A report in Hong Kong's *Zhongguo Tongxun She* said the denial of port visit rights to the USS Kitty Hawk may be linked to military exercises in Eastern China.



**11/21/07**—A planned port visit by the USS Kitty Hawk carrier battle group to Hong Kong for Thanksgiving was abruptly cancelled without explanation by the PRC government. An announcement to reverse the decision was made at a Foreign Ministry press conference on November 22, 2007 (the first PRC acknowledgment of the visit's cancellation), but it was too late for the Kitty Hawk, which had by then bypassed Hong Kong and gone on to Japan. Family members of some of the Kitty Hawk's sailors had flown to Hong Kong to spend the Thanksgiving holiday with their loved ones.

**11/20/07**—Two US minesweepers, the USS Patriot and the USS Guardian, were denied access to the port of Hong Kong when they sought refuge there from an approaching storm.

**11/20/07**—The *Federal Register* published a DOD notice of a proposed Letter of Offer for an arms sale to the Taipei Economic and Cultural Representative Office (Taiwan) for upgrade and refurbishment of PATRIOT Advanced Capability-3 (PAC-3) Guided Missiles. [Transmittal No. 08-10, pursuant to section 36(b)(1) of the Arms Export Control Act.]

**11/06/07**—Both the White House and the FDA released separate plans to deal with the safety of imports and of the domestic food supply, respectively.

**11/06/07**—Jerry Yang and Michael Callahan, executive with Yahoo, were grilled by the House Foreign Affairs Committee about Yahoo's revealing to China the name of a Chinese journalist holding a Yahoo e-mail account. The journalist, Shi Tao, subsequently was sentenced to prison for ten years for subversive activities.

**11/06/07**—Secretary of Defense Robert Gates, visiting in Beijing, told President Hu Jintao that the U.S. is “categorically” opposed to any moves by Taiwan towards independence.

**11/06/07**—The White House “clarified” a series of Pentagon website statements over the previous weekend: that the U.S. wanted to see “reunification done in a peaceful manner”; that Taiwan's planned U.N. referendum was an “independence referendum” (11/03); and that the U.S. was “against independence for the island nation” (11/04). DOD revised the articles and a Pentagon spokesman said that the references were “inaccurate.”

**11/03/07**—According to a Taiwan Ministry of Economic Affairs poll, 82% of Taiwan's overseas investment is in China; 16% in the U.S.; and less than 2% in all other countries.

**11/02/07**—Premier Wen Jiabao began a five-day Eurasian tour that included arrived in Russia for a two-day official visit at the invitation of Russian Prime Minister Viktor Zubkov for the 12<sup>th</sup> regular prime ministers' talks.

**11/04/07**—U.S. Secretary of Defense Robert Gates arrived in Beijing for a three-day visit, his first official visit to China as Secretary of Defense. He met with his counterpart, Defense Secretary Cao Cangchuan, with CMC Vice-Chairmen Guo Boxiong and Xu Caihou, and with Vice Foreign Minister Dai Bingguo. Both sides reached consensus on: setting up an official military hotline (China's first at the ministry level with any other power); continuing to strengthen dialogue and exchanges, particularly between young and middle-aged military officers; hold exercises on humanitarian rescue and disaster relief; and collaborate on military archives to search for U.S. personnel missing in China during the Korean War. Taiwan and Iran were also on the agenda.

**10/24/07**—China launched its first unmanned lunar probe, the Chang'e 1 orbiter, aboard a Long March 3A rocket in the first of a three-stage lunar program, to include landing a rover on the moon by 2012 and a manned lunar mission by 2020.

**10/15/07**—The Communist Party's 17<sup>th</sup> Party Congress began its week-long meeting in Beijing. The Congress resulted in the naming of a new 9-member Politburo with 4 new faces: Xi Jinping, Li Keqiang, He Guoqiang, and Zhou Yongkang.

**09/27/07**—China's Foreign Minister, Yang Jiechi, met with National Security Advisor Stephen Hadley and with President Bush at the White House. Taiwan was discussed.

**09/19/07**—For the 15<sup>th</sup> consecutive years, a U.N. General Assembly Committee (the General Committee) rejected the recommendation that Taiwan's formal application for U.N. membership be considered at this year's meeting of (the 62<sup>nd</sup>) General Assembly. Reportedly, 24 of the 28 members of the General Committee voted against (although a later report held that a consensus had been reached.)

**09/18/07**—At a news conference, the Chinese government sought to assure the public about an outbreak of H5N1 flu among ducks in Guangzhou's Panyu district. It was the first H5N1 outbreak in China since May.

**09/18/07**—China's special envoy to Darfur, Liu Guijin, said at a press conference that China would dispatch a 315-member detachment of engineers to Darfur and had informed the UN it would be willing to send military liaison officers to the region.

**09/17/07**—The *United Evening News* reported that Taiwan's military had been planning to deploy missiles on the island of Matsu but had suspended the plan due to U.S. pressure. The same day, China confirmed a report printed on April 28, 2007 by Asahi Shimbun that in late April/early May 2007, PLAN warships had sailed past Taiwan's east coast on their way to sea exercises.

**09/17/07**—The *Financial Times* reported that China had rejected shipments of U.S. and Canadian port because they contained the additive ractopamine, a banned substance in China.

**09/16/07**—China's Taiwan Affairs Office said that Beijing had "made necessary preparations" to "deal with serious conditions" as a result of Taiwan's UN membership bid.

**09/15/07**—*New York Times* researcher Zhao Yan was released from prison after serving a 3-year sentence for accepting money from a source, a charge he denies. He was arrested originally for "leaking state secrets" when he was accused of being the source (also which he denies) for a story predicting (accurately) that Jiang Zemin would step down from the CMC.

**09/12/07**—The Pentagon announced \$2.2 billion in possible military sales to Taiwan, including 12 surplus Orion P3-C maritime patrol craft and 144 SM-2 Block 3A Standard anti-aircraft missiles, built by Raytheon. The potential deal includes help integrating Taiwan's intelligence surveillance and reconnaissance network. The PRC Foreign Ministry strongly protested, urging the US to honor its commitments on Taiwan and cancel all weapons sales: "The Chinese side reserves the right to adopt further measures."

**09/12/07**—Japan's Prime Minister Shinzo Abe announced he would step down, saying he lacked the support he needed to stay in office.

**09/11/07**—The PRC's National Bureau of Statistics released a report saying inflation had reached an 11-year high in August, with prices rising 6.5%.

**09/11/07**—Deputy Assistant Secretary of State Thomas J. Christensen, in a speech to the U.S.-Taiwan Business Council at the Defense Industry Conference (Sept. 9 - 11, 2007, Westin Annapolis Hotel, Annapolis, MD), offered blunt words of criticism for President Chen and his U.N. referendum efforts under the name "Taiwan," saying they represented the consensus of the U.S. Government: "...we would reiterate that we do not support Taiwan's membership in international organizations that require statehood and therefore would not support such a [U.N.] referendum...[the referendum's supporters] do not take seriously

Taiwan's commitments to the United States and the international community, are willing to ignore the security interests of Taiwan's most steadfast friend, and are ready to put at some risk the security interests of the Taiwan people for short-term political gain...we do not like having to express publicly our disagreement with the Chen Administration...[and] I can assure you that we would not have done so had we not exhausted every private opportunity through consistent, unmistakable, and authoritative messages over an extended period of time. The problem here is not misunderstanding or lack of communications: it is that we believe this initiative is not good for Taiwan or us and that we have found ourselves with no alternative but to express our views directly to the Taiwan people."

**09/11/07**—Officials at Taiwan's MOFA said that President Chen's third letter to the United Nations requesting Taiwan membership also would be returned due to the same interpretation of U.N. General Assembly Resolution 2758. President Chen reportedly had stated in his letter that Taiwan was not part of China and so resolution 2758 did not apply.

**09/10/07**—Taiwan Defense Minister Ko Cheng-heng said that Taiwan had an "urgent and legitimate need" to buy F-16s. Minister Ko made the statement while attending the Sixth U.S.-Taiwan Defense Industry Conference in the United States.

**09/03/07**—President Bush left to attend the APEC leaders meeting in Sydney, Australia, the 7<sup>th</sup> APEC meeting he attended as President. As part of this meeting, President Bush held a bilateral meeting with PRC President Hu Jintao on September 6, 2007.

**08/31/07**—The DPP finalized a "normal country resolution" (NCR) which states that Taipei should apply for U.N. membership under the name "Taiwan," should write a new constitution, and should hold a referendum at some point to underscore Taiwan's independent statehood.

**08/30/07**—In a White House Briefing on the President's impending trip to the APEC leaders meeting in Australia, Dennis Wilder, NSC Senior Director for Asian Affairs, said in response to a question: "We are very supportive of Taiwan on many many fronts....However, membership in the United Nations requires statehood. Taiwan, or the Republic of China, is not at this point a state in the international community. The position of the United States government is that the ROC...is an issue undecided, and it has been left undecided, as you know, for many, many years. So we find the attempts by the DPP Party in Taiwan to call for a referendum of this subject a little bit perplexing as to why this would be useful, given the fact that Taiwan is not going to be able to join the United nations under current circumstances..." Wilder also had critical comments for Beijing.

**08/17/07**—The State Council Information Office published a White Paper on *The Quality and Safety of Food in China*.

**08/17/07**—According to the *Washington Post*, China announced plans to cut back on the number of flights into Beijing airport due to a 19.6% increase in passenger traffic to date over a comparable period in 2006.

**08/17/07**—U.S. Chairman of the Joint Chiefs, Navy Admiral Michael G. Mullen, arrived in Beijing for a visit that includes naval facilities along China's northeastern and eastern coasts and its Dalian naval academy.

**08/16/07**—According to the *New York Times*, growing numbers of PRC companies were seeking to set up operations in the U.S. to cut out the U.S. "middleman" and increase profit margins.

**08/15/07**—The *Financial Times, Asia* reported that despite WTO commitments, China had not sufficiently opened its domestic market to foreign insurers.

**08/15/07** — PRC Embassy officials in Washington held a rare news conference to defend the quality of Chinese imports.

**08/15/07**—China announced a crackdown against “false” media reporting in the wake of numerous reports about product quality scandals. Speculation is that the crackdown precedes the upcoming 17<sup>th</sup> Party Congress, expected in October. According to the *LATimes*, PRC censors earlier in the year also had listed 20 topics as off limits to reporters before the 17<sup>th</sup> PC, including judicial corruptions, sex crimes, lifestyles of the rich, and extramarital affairs.

**08/14/07**—Mattel announced that it was recalling 436,000 Chinese-made toy cars and 18.2 million other toys because of magnets that could become dislodged and harm children if swallowed. Among the companies cited in the recalls was Early Light Industrial, Co., a Hong Kong toy maker.

**08/14/07**—China Shenhua Energy announced it might build a rail link to Mongolia to transport coal from a mine project it is planning to invest in there.

**08/13/07**—According to the *Washington Post*, AES, an Arlington-based company, has announced it is expanding its wind-energy-generation business into China.

**08/09/07**—PRC officials announced they had suspended the export licenses of Hansheng Wood Factory (producing goods for U.S. company RC2) and Lee Der Industrial (producing goods for Mattel), two southern China companies manufacturing toys alleged to have been coated with lead paint.

**08/08/07**—According to the *International Herald Tribune*, McDonald's in China planned to raise wages by 12%, bringing its restaurant workers' salaries to 56% above the minimum wage. The announcement came after PRC government officials' criticisms of McDonald's labor practices.

**08/07/07**—In the Democratic candidate debate before 15,000 labor union members, candidates mounted the first campaign broadsides against China — citing “bad food” imports, defective toys, and currency manipulation.

**08/06/07**—According to the *United Daily News*, Taiwan wanted to buy at least 6 Aegis-equipped U.S. destroyers for more than \$4.6 billion.

**08/03/07**—President Bush invited officials from key economic powers to a “climate change summit” to be held Sept. 27-28 in Washington. Invitees included the EU, France, Italy, Germany, Britain, Japan, China, Canada, India, Brazil, South Korea, Mexico, Russia, Australia, Indonesia, South Africa, and the U.N.

**08/01/07**—The beginning of the two-day ASEAN Regional Forum (ARF) in Manila. U.S. Secretary of State Rice was absent — her second absence at ARF meetings in 3 years — sparking criticism from Asian media outlets.

**08/01/07**—Speaking in Cuba on the 80<sup>th</sup> anniversary of the founding of the PLA, attache Sun Yifan said that the PLA would “pay any price” to complete the reunification of Taiwan with China.

**07/27/07**—An advance PLA troop flew to Russia to participate in “Peace Mission 2007,” a joint anti-terrorism drill to be held by the SCO.

**07/27/07**—Taiwan President Chen Shui-bian sent a second letter (also rejected) to the U.N. asking it to reconsider Taiwan's July 18<sup>th</sup> letter to apply for membership under the name “Taiwan.” Chen said that the issue needed to be put before the 192-national General Assembly and the Security Council.

**07/25/07**—The PRC's National Development and Reform Commission said its top priority for 2007 would be preventing overheating of the economy.

**07/25/07**—The IMF released its 2007 projections, concluding that China had now surpassed the United States as the main engine of the world's economic growth.

**07/25/07**—In an address to CSIS, Admiral Timothy Keating, top U.S. military commander in the Pacific, told his audience that Taiwan President Chen Shui-bian's independence-minded rhetoric "isn't entirely helpful," and his "statements for Taiwan independence could potentially increase Taiwan Strait tensions."

**07/25/07**—The EU's product-safety chief stated she was prepared to ban China's access to EU markets unless the PRC's product safety standards were improved.

**07/24/07**—Shanghai's former Party boss, Chen Liangyu, was stripped of his membership in the NPC by Shanghai's Municipal Council. The move is presumed to be a prelude to filing formal criminal charges.

**07/24/07**—The PRC denounced President Chen as a "schemer" who was risking cross-strait stability with Taiwan's U.N. bid. One official from the Central Committee's and State Council's Taiwan Affairs Office said China had "made necessary preparations" to stop Taiwan independence activities; a Foreign Ministry spokesman said only that China "highly appreciates" the U.N. decision to reject the application.

**07/24/07**—The FBI announced that it had concluded a joint effort with PRC authorities leading to the arrest of 25 people and seizure of more than \$500 million in pirated software.

**07/23/07** — Air Force General Paul V. Hester, the U.S. Pacific Air Forces commander, began a five-day visit to China, the first by a senior U.S. military officer to meet primarily with PLAAF officials. His visit included the first visit by an American commander to Jining Air Base, as well as to Jianqiao Air Base.

**07/23/07**—The United Nations' Office of Legal Affairs rejected Taiwan's application for U.N. membership on the grounds that it violated the U.N.'s "one China" policy.

**07/23/07**—A German official, Hesse's Minister-President Koch, urged China to have a "sincere" dialogue with the Dalai Lama.

**07/23/07**—According to the *Washington Times*, Beijing warned Pakistan to improve security for Chinese residents.

**07/23/07**—The *Financial Times London* reported that CNOOC had signed with the fragile government in Somalia to explore for oil there.

**07/21/07**—President Hu Jintao began a two-day visit to flood areas near Chongqing.

**07/21/07**—Taiwan President Chen Shui-bian said PRC diplomats would continue to be unrecognized in Taiwan and PRC nationals would not be permitted to attend Taiwan universities.

**07/20/07**—Beijing announced it had pulled the business licenses of Xuzhou Anying Biologic Technology Development Co., Binzhou Futian Biology Technology Co., and Taixing Glycerin Factory, all accused of violating product safety standards.

**07/20/07**—Taiwan announced that on July 19 it had submitted an application for U.N. membership, with the sponsorship of Swaziland and the Solomon Islands, under the name "Taiwan." The letter of application reportedly was returned on the grounds that the UN pursued a "one China" policy and the PRC held the UN seat.

**07/18/07**—Chinese media announced that China National petroleum Corporation (CNPC) had signed an agreement with Turkmenistan's Turkmengas to produce gas and transport it via pipeline to China. A

**07/17/07**—According to the *Asian Wall St. Journal*, China suspended an annual study (first released in 2006) estimating the costs to China of pollution and environmental degradation. The report cited the decision as the result of a months-long bureaucratic battle between the State Environmental Protection

Administration and the State Administration of Statistics. This was the second environmental report China has squelched; in early July, it prevailed on the World Bank to eliminate sections of their environmental assessment on China.

**07/17/07**—The *Taipei Times* reported that KMT sources said the United States had postponed approval of the sale of 66 F16 C/D fighters to Taiwan because of President Chen's UN referendum.

**07/16/07**—The Chinese government announced that only 6 low-level Party and government figures were being prosecuted for the “brick kilns” slave labor scandal in Shanxi Province, provoking widespread criticism that the scandal most certainly was wider and more insidious, justifying harsher and broader punishments.

**07/15/07**—North Korea confirmed it had shut down its reactor at Yongbyon.

**07/11/07**—According to the *New York Times*, the Chinese Communist Party added 2.6 million new members in 2006 (out of 19 million applicants), bringing the claimed total to 72.39 million.

**07/11/07**—Beijing shut down the China Development Brief, an online newsletter tracking environmental and social issues for NGOs that had been operating for years in China.

**07/10/07**—The PRC's Customs Bureau released trade figures showing that its trade surplus with the rest of the world jumped in June to a record \$26.9 billion for the month — almost double that of June 2006.

**07/10/07**—China announced it had executed Zheng Xiaoyu, the former head of the State Food and Drug Administration, for accepting bribes to approve tainted or fraudulent drugs.

**07/09/07**—Residents of Jiuxianqiao, a run-down area in the south of Beijing, voted on whether to accept a developer's offer for compensation for tearing down their decrepit housing development.

**07/08/07**—Three Chinese industrial workers were killed in Pakistan outside Peshawar. The PRC condemned the killings and urged the Pakistan government to find and bring to justice the offenders. The incident follows last month's abduction of 6 Chinese women and a Chinese man by hardline Islamists in Islamabad.

**07/07/07**—70<sup>th</sup> anniversary of the Marco Polo Bridge incident, the beginning of the 2<sup>nd</sup> Sino-Japanese War.

**07/06/07**—Richard Lawless, departing senior pentagon official for Asia, raised concerns with Beijing over Chinese-made weapons being used in Iraq and Afghanistan.

**07/05/07**—According to the *Taipei Times*, Rep. Tom Lantos said that it was “impractical” for Taiwan to pursue full membership in WHO and the UN.

**07/03/07**—According to the *Washington Post*, China's General Administration of Quality Supervision, Inspection, and Quarantine released a report saying that almost 1/5 of the consumer products in the domestic market that it had tested had failed quality tests in recent months.

**07/29/07**—China passed a sweeping new labor law designed to enhance worker rights. The law was to be effective January 1, 2008.

**06/28/07**—The US FDA issued an import alert requiring 5 types of farm-raised seafood from China to be tested for banned antibiotics before allowing entry.

**06/22/07**—Radical Pakistanis connected with a religious court in Islamabad's Red Mosque took 7 Chinese nationals hostage, accusing them of running a brothel. The government negotiated their release a day later.

**06/21/07**—The *Asian Wall St. Journal* reported that the National Development & Reform Commission had overruled the weaker China State Environmental Protection Administration, saying the July 1 deadline for imposing tighter emission controls as “infeasible.”

**06/20/07**—*Reuters* reported that China had overtaken the U.S. as the world’s top emitter of carbon gases.

**06/20/07**—The U.S.-China Senior Dialogue began, hosted by Deputy Secretary John Negroponte at the State Department in Washington, with Dai Bingguo in the PRC interlocutor role. <http://www.state.gov/s/d/2007/86909.htm>

**06/16/07**—The *New York Times* reported on a growing labor scandal in China—kidnapping of hundreds of children and many adults by factory owners, who then force them to work under harsh conditions, ill-clothed, unpaid, and with little food.

**06/13/07**—In testimony before the House Armed Services Committee, Deputy Undersecretary of Defense Richard Lawless said that the United States plans to expand military exchanges with the PRC and establish a crisis hotline.

**06/13/07**—The U.S. Treasury Department released a mandated, semi-annual report to Congress on international exchange rates, concluding that China “did not meet the technical requirements for designation” [as a currency manipulator] under U.S. law.

**06/13/07**—President Bush attended the opening of the Victims of Communism Memorial in Washington D.C. China protested.

**06/13/07**—The Japanese Embassy said that PRC Defense Minister Cao Gangchuan would visit Japan later in 2007 to build trust. It would be the first such visit in a decade.

**06/13/07**—Rear Admiral Yang Yi, director of China’s National Defense University, said China needed both defensive and offensive military capabilities.

**06/12/07**—China and the EU held an annual meeting in Brussels, with China saying it could not do much to halt its increasing trade surplus with the EU.

**06/09/07**—According to the *HK Sunday Morning Post*, news leaked out that on June 3 more than 10,000 residents of Chongqing had clashed with police after a pair of flower sellers had been beaten (one later died) by city inspectors.

**06/06/07**—President Oscar Arias announced that Costa Rica had severed ties with Taiwan and established diplomatic relations with China. The move leaves Taiwan with relations with 24 countries.

**06/04/07**—China released its first ever national policy on climate change. The plan rejected mandatory caps on carbon emissions in favor of a series of environmental goals to be met by 2010. (The plan was prepared by the National March 3, 2009 Development and Reform Commission.)

**06/04/07**—The brother, sister-in-law, and nephew of Chinese-American engineer Chi Mak pled guilty to violating U.S. export-control laws.

**05/31/07**—The PRC port city of Xiamen announced it was suspending plans to build a controversial chemical plant in the city after public anger over the plant’s location in an urban area.

**05/31/07**—In the second case, according to a news account, the Commerce Department announced it was imposing additional preliminary duties — as much as 99.7% — on imports of glossy paper made in China. The first case involving tariffs on glossy paper was announced on March 30, 2007. *LATimes*, p. C-6

**05/30/07**—President Bush named Bob Zoellick to replace Paul Wolfowitz as head of the World Bank. According to one news report, Zoellick suggested that the Bank re-think providing loans to countries like China that have ready access to other capital markets.

**05/30/07**—China's State Council approved a measure requiring China's 158 state-owned-enterprises to begin paying "dividends" — a portion of their profits — to the government. The move ostensibly is an attempt to cool over-heated investment.

**05/25/07**—In Beijing, China and Japan held their 8<sup>th</sup> round of East China Sea talks.

**05/23/07**—The start of two days of talks in Washington D.C. in the U.S.-China Strategic Economic Dialogue (SED) on the U.S.-China trade imbalance and China's currency valuation.

**05/23/07**—The PRC provided Sudan with a new collection of "humanitarian assistance materials" for displaced people in Darfur. The batch was the second of four batches promised in 2005. *Xinhua* in English, 5/23/07.

**05/23/07**—The PRC said it would launch an investigation into allegations of "contaminated toothpaste" imported from China into Panama.

**05/21/07**—Steve Young, AIT Director in Taiwan, urged Taiwan to further open its economic ties with China as a way of helping to improve U.S.-Taiwan trade ties. He said also that the expiration of the Trade Promotion Authority in July 2007 means the U.S. is not in a position to consider new FTAs, including with Taiwan, at this time.

**05/19/07**—News accounts reported violence resulting in fatalities during riots in Guangxi Province (Bobai County) over "savage implementation" of family planning policies by authorities there.

**05/18/07**—According to the *LATimes*, China exported \$2.5 billion in food ingredients to the United States and other countries in 2006, making China the world's leading supplier of food ingredients, including flavorings, preservatives, and vitamins. These include: citric acid; sorbic acid; vanillin; xylitol; and folic acid.

**05/17/07**—China was reported to be beginning a program to build over 90 supertankers to carry its oil imports.

**05/17/07**—42 Members of the House, acting as the Bipartisan China Currency Action Coalition, sent a petition to USTR Susan Schwab asking that she take a WTO action against China for its currency manipulation.

**05/16/07**—The African Development Bank began its annual meeting in Shanghai, its opening session addressed by Premier Wen Jiabao. It is only the second time that the AfDB has met outside Africa.

**05/14/07**—China announced it had both built and launched into orbit a communications satellite for Nigeria — the first time China had built and launched a commercial satellite for another government. The satellite, the NIGCOMSAT-1, was launched aboard a Long March 3B rocket.

**05/14/07**—WHO rejected Taiwan's bid for full membership, voting in the World Health Assembly (WHA) 148-17 to strike discussion of the issue at the 2007 annual meeting. The U.S. and Germany voted no, but urged that Taiwan be given opportunities for "meaningful participation" in the global health system,

**05/10/07**—New U.S. Pacific forces commander Admiral Timothy J. Keating began his first 5-day visit to China as Pacific commander. He took command in his new post on March 26, 2007. He pledged to continue to improve U.S.-China military contacts and exchanges and to intensify joint exercises.



**05/10/07**—The PRC's Minister of Work Safety, Li Yizhong, acknowledged in a news briefing that the government had not done enough to improve China's bleak work safety record.

**05/09/07**—The United States and China signed an agreement to increase flights between the two countries—estimated by the U.S. to be worth an estimated \$5 billion to the industry over 6 years.

**05/09/07**—Sen. Richard Durbin and Rep. Rosa DeLauro announced they had secured agreement from PRC Ambassador Zhou Wenzhong to cooperate to improve food safety inspections between the two countries.

**05/09/07**—108 members of the House, including HFAC Chairman Tom Lantos and Majority Leader Steny Hoyer, sent a letter to PRC President Hu Jintao requesting that China use its influence with Sudan to try and halt the genocide in Darfur, linking failure to act with a tarnishing of the PRC image at the 2008 Olympics in Beijing.

**05/08/07**—According to the *New York Times*, China's quality supervision watchdog issued a statement saying that officials at two companies linked to melamine in pet food had been detained. On the same day, China's State Food and Drug Administration confirmed that the PRC company linked to 100 fatalities in Panama due to counterfeit medicine was not licensed as a pharmaceutical business. On its website, the PRC General Administration of Quality Supervision, Inspection, and Quarantine (GAQSIQ) proposed establishing a new Sino-U.S. mechanism of feed safety cooperation.

**05/04/07**—China announced that on April 30 it had begun nationwide inspections of wheat gluten to determine any chemical contamination.

**05/03/07**—St. Lucia reaffirmed that it was severing ties with China to normalize ties with Taiwan.

**04/21/07**—Hong Kong University and the China Human Rights lawyers Concern Group cosponsored a conference in Hong Kong on the challenges facing “rights protection” lawyers in China. They include Article 306 of the PRC Criminal Law, which permits imprisonment of a criminal defense attorney for forging evidence or “enticing” the witness into giving false testimony; Article 45 of the Law on Lawyers, which permits revoking of a defense attorney's license to practice if he or she “divulges state secrets” or “conceals important facts.”

**04/17/07**—China and Pakistan signed 13 agreements (and “inked another 15 deals” according to *China Daily* ?) during Pakistani Prime Minister Shaukat Aziz' visit to Beijing. Premier Wen reportedly referred to Pakistan as China's “all-weather friend.”

**04/17/07**—*The New York Time* reported on a *China Daily* report that pollution in the Yangtze River (the world's third longest) is “almost irreversible” according to a report by the Nanjing Institute of Geography and Limnology, part of CASS.

**04/16/07**—The U.S., Japan, and India held their first ever joint naval exercises off the coast of Japan. According to *AFP*, Taiwan also began a five-day computerized military exercise—part of the Han Kuang 23 maneuvers—simulating attacking a Chinese aircraft carrier.

**04/16/07**—A day-long meeting of the U.S.-China Joint Economic Committee took place in Washington D.C. In a break with the past in which senior officials chaired the meeting on either side, the talks were led by assistant treasury secretary Clay Lowery and vice finance minister Li Yong. No new proposals were tabled on China's currency valuation.

**04/14/07**—China successfully launched its fifth GPS navigation satellite, a Beidou (Compass) satellite system, from the Xichang Satellite Launch Center in Sichuan Province.

**04/11/07**—Premier Wen Jiabao began a 3-day visit to Japan. On April 12, he addressed the Japanese Diet—the first Chinese leader to address the parliament in 22 years. The visit resulted in a Japan-China Joint Press Statement addressing bilateral cooperation.

**04/11/07**—China successfully launched the Haiyang-1B (Ocean-1B) satellite, developed by the China Air Force Technology Research Institute, from the Taiyuan Satellite Launch Center in Shanxi Province.

**04/10/07**—The Council on Foreign Relations released a special report, *U.S.-China Relations: An Affirmative Agenda, a Responsible Course*, from a task force headed by Dennis C. Blair and Carla Hills.

**04/02/07**—PRC Defense Minister Cao Gangchuan, in an eight-day visit to Sudan that began April 1, 2007, offered to expand China's military cooperation with Sudan. "(We) are willing to further develop military cooperation between our two countries in all areas."

**04/02/07**—The U.S. FDA blocked wheat gluten imports from Xuzhou Anying Biologic Technology Development in Wangdien, China, as a result of recent pet food deaths in the U.S.

**04/02/07**—The deadline by which PRC citizens earning more than 120,000 yuan (\$15,500), for the first time, were required to file a personal income-tax return. Of the estimated 6-7 million eligible, the government reported that only 1.6 million had filed.

**03/30/07**—The Bush Administration announced it would impose duties on two PRC factories (10.9% and 20.35%) it says are unfairly subsidizing exports of coated (glossy) paper. The duties mark a significant departure of long U.S. practice not to impose such duties on imports from non-market economies.

**03/29/07**—Notables were cited in the *Wall St. Journal* (Mia Farrow among them) as urging that the 2008 Beijing Olympic Games be used to pressure China to end its assistance to Darfur.

**03/29/07**—Marine Corps. General James Cartwright told the Senate Armed Services Committee's strategic forces subcommittee that China is developing an "impressive" array of space weapons and is moving toward putting nuclear weapons in space.

**03/28/07**—Six migrant workers died in a tunnel collapse for a new subway being built in Beijing for the 2008 Olympics. According to press reports, rescue workers did not arrive for at least 8 hours because construction bosses sealed off the site and confiscated cell phones, forbidding workers to call for help.

**03/28/07**—Beijing announced formation of a "leading group" of top officials charged with promoting China's service sector.

**03/28/07**—China and Russia signed \$4.3 billion in trade deals during President Hu Jintao's visit.

**03/27/07**—A 16-year old boy died of avian flu in the PRC's Anhui Province, becoming the first known flu fatality in 2007 in China. Earlier, on February 27, 2007, a 44-year-old farmer in Fujian Province was confirmed to have been sickened with the disease, as was a 37-year-old farmer in Anhui Province on Jan. 10, 2007.

**03/27/07**—A Chinese-born U.S. engineer, Chi Mak, went on trial in Los Angeles for allegedly providing sensitive high-tech Navy weapons technology to China. These allegedly included details of the Navy's SPY-1 phased array radar (central to the Aegis battle management system), and the Navy's Quiet Electric Drive technology for next-generation warships.

**03/25/07**—Hong Kong's Chief Executive, Donald Tsang, was re-elected to another 5-year term by an 800-member Election Committee in Hong Kong. For the first time, there was a challenger — Alan Leong, who obtained 123 votes.

**03/22/07**—Chairman of the Joint Chiefs, Marine General Peter Pace, arrived in Beijing for a four-day official tour of China.

**03/20/07**—French Defense Minister Michele Alliot-Marie, in Beijing, said the EU arms embargo against China should be lifted.

**03/20/07**—AIT Director Steve Young, speaking at a dinner to AmCham at which President Chen and other top officials were present, urged the legislature to pass the arms procurement package, saying that the U.S. was becoming increasingly frustrated with Taiwan's divisive political partisanship. He also called for expanded Taiwan-China links.

**03/19/07**—China announced a new round of holiday charter flights with Taiwan through April 8 (coinciding with the grave sweeping festival).

**03/19/07**—Li Changchun, member of the PRC's Politburo Standing Committee, stopped in Lisbon, Portugal on his way to a Latin America tour that will take him to Mexico, Venezuela, Suriname, Peru, and the South Pacific island of Samoa.

**03/19/07**—According to the *Financial Times, London*, the US has withdrawn its opposition to China joining the Inter-American Development Bank (IADB).

**03/19/07**—National Taiwan University professor Chen Ming-tong proposed a draft constitution advocating a "second republic" for Taiwan.

**03/19/07**—The 6<sup>th</sup> round of Six-Party Talks opened in Beijing in the Fangfei Garden of the Diaoyutai State Guesthouse.

**03/19/07**—Press accounts reported that Pakistan's Foreign Minister, Khurshid Kasuri, began a two-day visit to Beijing — the first high-level visit between the two since President Hu Jintao's visit to Islamabad in November 2006. *Organization of Asia-Pacific News Agencies, OANA*.

**03/18/07**—The PRC announced that it had decided to provide seed money for an R & D program to build large passenger jets.

**03/18/07**—Taiwan announced that Joseph Wu, head of the Mainland Affairs Council and a DPP member, would replace David Lee (re-assigned to Canada) as head of TECRO in the US. He will be the first DPP official to hold that office.

**03/13/07**—Intel Corp. received government approval to build a \$2.5 billion microchip plant in Dalian, PRC, according to China's National Development and Reform Commission. According to the government's announcement, the venture appears to be a sophisticated wafer-fabrication plan.

**03/12/07**—China announced its trade surplus for February 2007 was \$23.76 billion—up 52% from a year earlier and nearly tied with the record set in October 2006.

**03/12/07**—According to a government Space Science Development Plan recently released, China announced plans to launch its first astronomy satellite in 2010 and to participate in joint space projects with Russia and France. *AP*, 3/12/07.

**03/11/07**—Halliburton announced it was moving its corporate headquarters out of the U.S. and to Dubai, in the United Arab Emirates. *LATIMES*, March 12, 2007. P. C1

**03/11/07**—*The LATimes* reported that CNN's interview with HK Chief Executive Donald Tsang on Talk Asia" was partially blacked out during a discussion of universal suffrage in Hong Kong.

**03/11/07**—Australian Prime Minister John Howard left for Japan to sign an Australia-Japan security cooperation agreement. He said the agreement would not threaten China.

**03/09/07**—The *Asian Wall St. Journal* (Asia) reported that the week's issue of *Caijing*, an influential business and finance magazine in China, was pulled from shelves. Speculation is that one or two articles—on China's impending property rights law, and on the bankruptcy of a government-controlled brokerage firm—were the cause.

**03/09/07**—The deadline for DPP presidential hopefuls to register their candidacy. Four did so: VP Annette Lu; Premier Su Tseng-chang; former Premier Frank Hsieh; and DPP Chairman Yu Shyi-kun.

**03/08/07**—In his nomination hearing (for top U.S. military commander in the Pacific) before the Senate Armed Services Committee, Admiral Timothy Keating said he would seek a robust engagement with China's navy.

**03/08/07**—After issuance of the State Department's annual global human rights report, China issued its own annual report (a regular annual occurrence since 2000) criticizing U.S. human rights and questioning the U.S. defense of democratic principles.

**03/08/07**—Taiwan held exercises with its special airborne force unit in an event that included use of U.S. equipment, including: a US-made CH47SD transport helicopter; US-made AH-1W Supercobra attack helicopters, and OH-58D Kiowa Warrior scout helicopters. (AFP)

**03/08/07**—U.S. Treasury Secretary Henry Paulson gave a speech at the Shanghai Futures Exchange saying reform of China's financial markets could help it achieve more balanced and stable growth.

**03/08/07**—The NPC passed a new Enterprise Income Tax Law to unify the disparate tax rates between foreign and domestic companies, effective January 1, 2008.

**03/07/07**—U.S. Defense Secretary Robert Gates said "I do not see China, at this point, as a strategic adversary of the United States. It's a partner in some respects, it's a competitor in other respects..." *Reuters*, 3/9/07

**03/07/07**—U.S. Treasury Secretary Henry Paulson arrived in Beijing for his third official visit in his 7-month tenure as Secretary. His visit purportedly was to discuss with his counterpart, Vice Premier Wu Yi, the second meeting (upcoming in May) of the U.S.-China strategic economic dialogue in the U.S. The Secretary reportedly urged China to open its markets more quickly. Wu Yi met him at the airport.

**03/07/07**—The U.S.S. Ronald Reagan made its second port call to Hong Kong (the first was June 2006).

**03/06/07**—The State Department released its annual Country Reports on Human Rights report.

**03/06/07**—China confirmed the appointment of Lou Jiwei (a senior Finance Minister) as deputy secretary-general of the State Council charged with overseeing development of a new agency that will actively manage China's forex reserves.

**03/06/07**—Taiwan's VP Annette Lu officially announced her candidacy for president in 2008.

**03/06/07**—Joel Brenner, head of the Office of the National Counterintelligence Executive, said that China's spy agencies, followed by Cuba's, Russia's, and Iran's, were the most aggressive in targeting sensitive U.S. information.

**03/05/07**—China's annual NPC session began, with Premier Wen Jiabao giving his work report and conceding that China was failing on its energy and pollution goals. Two key economic bills are expected to

be considered: one giving private property significant new and detailed protections, and one requiring foreign and domestic companies to pay the same tax rates. According to the *LATimes*, the NPC also will consider closing China's "reeducation through labor" prisons. *LATimes*, p. A1.

**03/05/07**—Two days of U.S.-North Korea talks began in New York on ending the DPRK's nuclear weapons program and establishing full U.S.-DPRK diplomatic relations.

**03/05/07**—State Department spokesman Sean McCormack criticized President Chen's previous day's "four wants" assertions, saying: "As is well established, the United States does not support independence for Taiwan. President Bush has repeatedly underscored his opposition to unilateral changes to the status quo by either Taipei or Beijing because these threaten regional peace and stability, U.S. national interest and Taiwan's own welfare. President Chen has repeatedly pledged that he would not alter the guarantees in his 2000 inaugural address not to declare independence, change the national title, push for inclusion of sovereignty themes in the constitution, or promote a referendum to change the status quo in regards to the questions of independence and unification. President Chen has also reaffirmed his 2004 inaugural pledge to exclude sovereignty themes from the process of constitutional reform, which would focus exclusively on good governance and Taiwan's economic competitiveness. President Chen's fulfillment of his commitments is a test of leadership, dependability and statesmanship and of his ability to protect Taiwan's interests, its relations with others, and to maintain peace and stability in the Strait. Rhetoric that could raise doubts about these commitments is unhelpful."

**03/04/07**—China announced it would be increasing defense spending by 17.8 percent in the coming year.

**03/04/07**—Taiwan's President Chen announced to a FAPA audience in Taipei the "four wants" of Taiwan: independence, a new constitution, more economic development, and an official name change to "Taiwan."

**03/03/07**—On his first official visit to Asia as Deputy Secretary of State, John Negroponte arrived in Beijing for 3 days of talks. He met with Foreign Minister Li Zhaoxing, State Councilor Tang Jiaxuan, and vice foreign ministers Dai Bingguo and Yang Jiechi. At the end of his trip, he addressed the 17.8% increase in China's military budget, saying the U.S. wanted China to clarify its "plans and intentions" for its military program.

**03/02/07**—China's Wu Yi met in Beijing with Alan Holmer, new U.S. Special Envoy for Strategic Economic Dialogue.

**03/02/07**—*The NYTimes* reported that China's National Bureau of Statistics put China's population in 2006 at 1,314,480,000, up 7 million from the previous year.

**03/02/07**—According to the *NYTimes*, the U.S. Commerce Department is contemplating imposing duties on high-gloss paper ("coated paper") from China due to illegal subsidies. (In 2 other moves, the U.S.G. said in February 2007 it would challenge PRC subsidies at the WTO [Susan Schwab, USTR] and seek WTO relief if China did not crack down on piracy and counterfeit goods.)

**03/01/07**—According to an article in *Agence France Presse*, the U.S. DOD has notified Congress of plans to sell Taiwan \$421 million in Advanced Medium Range Air-to-Air Missiles (218 AMRAAM) and Maverick missiles (235) as well as spare parts and maintenance equipment.

**03/01/07**—Fujian Province officials confirmed a human case of avian flu in the province—a 44-year old woman who developed flu-like symptoms on February 18, 2007.

**02/28/07**—According to *Renmin Ribao*, China's National Copyright Administration will increase exchanges with international copyright organizations in 2007.

**02/28/07**—According to *WSJ (Asia)*, the PRC State Council in January approved a draft regulation, Government Release of Information, designed to increase government transparency. The proposed transparency regulations were not made public.

**02/27/07**—A PRC Foreign Ministry spokesman, Qin Gang, dismissed VP Cheney's earlier criticism of China's military build-up, saying China was a global force for peace.

**02/27/07**—In a *People's Daily* article attributed to PRC Premier Wen Jiabao, communist leaders warned that political liberalization and democratization are still a distant goal. The warning was thought to be a prelude to the March opening of the National People's Congress and to this Fall's 17<sup>th</sup> Party Congress.

**02/27/07**—Chinese stocks fell 8.8 percent, their worst one-day fall in 10 years, setting off a round of losses in U.S. and global exchanges.

**02/26/07**—Taiwan's President Chen called Chiang Kai-shek a mass murderer for his role in the "228 Incident" of 1947. He said the remains of Chiang and his son, Chiang Ching-kuo, would be removed from their respective mausoleums as soon as possible and the buildings renamed.

**02/25/07**—Taiwan Premier Su Tseng-chang announced he would run for president in 2008 on the DPP ticket.

**02/23/07**—In Australia, U.S. VP Dick Cheney warned China that its swift military build-up and January 11 satellite shoot-down belied its claim to being a peaceful power. The same day, U.S. DOD Secretary Robert Gates expressed concerns over China's military spending and lack of military transparency.

**02/16/07**—*Agence France Presse* reported that PFP Chairman James Soong had won his libel suit against Taiwan President Chen Shui-bian. Chen had accused Soong of meeting secretly with a PRC official.

**02/16/07**—State Department spokesman Sean McCormack said the United States does not support administrative moves in Taiwan to remove "China" from the names of state companies.

**02/15/07**—House W&M Trade Subcommittee holds hearing on effect of subsidies in China market and their impact on competition for U.S.; and China's enforcement of intellectual property rights. (At later date TBA, hearing on impact of U.S.-China trade on U.S. jobs, wages, prices, etc.)

**02/13/07**—Taiwan's High Court filed corruption charges against Ma Ying-jeou, KMT leader.

**02/13/07**—Senate Select Committee on Intelligence holds closed hearing on China, "Intelligence Assessments."

**02/13/07**—The Six-Party Talks agreement to halt North Korea's nuclear weapons program—the "Initial Actions for the Implementation of the Joint Statement"—was signed by representatives of the six parties.

**02/12/07**—In an ongoing "name rectification" campaign for state-run companies, Taiwan stripped the name "China" from two of its most well-known companies: China Petroleum Corporation (now CPC Corp., Taiwan) and the post office, Chung-hwa Post (now Taiwan Post). The move follows the September 2006 renaming of the Chiang Kai-shek International Airport to Taiwan Taoyuan International Airport and other name changes.

**02/09/07**—In a State Department daily press briefing, Sean McCormack responded to a question about Taiwan's renaming of state enterprises this way: "...the primary interest of the United States remains the maintenance of peace and stability in the Taiwan Strait. The United States does not support Taiwan independence and opposes unilateral steps by either side that would change the status quo. As we have said many times before, we do not support administrative steps by Taiwan authorities that would appear to

change Taiwan's status unilaterally or move towards independence. The United States does not, for instance, support changes in terminology for entities administered by Taiwan authorities. President Chen's fulfillment of his commitments will be a test of leadership, dependability and statesmanship, as well the ability to protect Taiwan's interests, its relations with others and to maintain peace and stability in the Taiwan Strait."

**02/07/07**—*AFP* (English) reported that PRC president Hu Jintao told an audience in Pretoria, South Africa, that China wanted to help the country stand up to "rich bullies."

**02/07/07**—A DPP spokesman, DPP Ethnic Affairs Director Yang Chang-chen, said that the DPP Central Standing Committee that day would debate a "transitional justice" bill designed to redress past human rights violations under KMT rule.

**02/06/07**—According to the *Financial Times USA*, Beijing and the U.N. are working to establish a carbon trading exchange in Beijing to trade for carbon credits.

**02/06/07**—The *Financial Times, London* reported that PRC authorities in Henan province have placed a prominent and elderly Chinese AIDS activist, Dr. Gao Yaojie, under house arrest.

**02/05/07**—Taiwan's Mainland Affairs Council said that China had unblocked access to two major Taiwan daily newspapers—the *China Times*, and the *United Daily News*, both of which lean toward KMT views.

**02/02/07**—According to a State Department spokesman (Edgar Vasquez), the United States will need to "evaluate" future civil space cooperation with China in light of China's January 11, 2007 ASAT test. *AFP*, 2/2/07. (According to Vasquez, Hu-Bush summit meeting of April 2006 resulted in agreement to explore such cooperation; NASA Administrator Michael Griffin went to Beijing Sept. 2006 to initiate such dialogue. Nothing on DOS/NASA websites, no formal U.S. statement I can find.)

**02/02/07**—The U.S. filed its second trade case against China with the WTO, alleging that the PRC uses tax and other policies to support export-driven industries. The action triggers a 60-day period of bilateral consultations for a resolution; failing that, a WTO hearing panel will take up the case. The first U.S. WTO trade case was filed in March 2006 on U.S. auto parts.

**01/31/07**—A DPP panel passed a resolution in Taiwan calling for the removal of "China" from the names of official Taiwan state-run companies.

**01/30/07**—President Hu Jintao left for his third trip to Africa in 3 years: he will visit South Africa, Sudan, Cameroon, Liberia, Zambia, Namibia, Mozambique, and Seychelles.

**01/29/07**—According to *LA Times*, "at least" 4 H5N1 flu vaccines are in development using conventional methods: Sanofi Pasteur, GlaxoSmithKline, Novartis, and "Chinese scientists." (P. F3)

**01/29/07**—Media sources in Taiwan reported that on Education Ministry's order, the title of Taiwan's new history textbooks has been changed from "National History" to "China History." *China Times*.

**01/24/07**—*Reuters* reported that China's economy grew by 10.7% in 2006.

**01/24/07**—*Agence France Presse* reported on a new study on the U.S. surplus with China in services trade. The study was commissioned by the China Business Forum, part of the U.S.-China Business Council.

**01/24/07**—*China News Services* reported that Hu Jintao had ordered an investigation into the killing of a journalist, Lan Chengzhang, who had been investigating conditions in an illegal coal mine in Shanxi Province. The mine owner said Mr. Lan had been attempting to blackmail him.

**01/24/07**—According to the head of the PRC's National Population and Family Planning Commission, Zhang Weiqing, there were 118 boys born for every 100 girls in China in 2005, which he called “a worsening gender imbalance.” He also announced that authorities may reduce fines for poor families who have more than one child.

**01/24/07**—According to press reports, the China Internet Network Information Center announced that 137 million Chinese people were now using the Internet. *WStJ Asia*, p. 30.

**01/23/07**—Macao surpassed Las Vegas as the world's biggest gambling center, according to figures released by industry analysts. *NYT*, 1/24/07, p. 4.

**01/23/07**—A PRC Foreign Ministry spokesman, Liu Jianchao, confirmed that China had fired a missile to destroy one of its orbiting satellites.

**01/23/07**—U.S. Assistant Secretary for Commerce Chris Padilla left for Beijing to discuss export controls.

**01/22/07**—After an unusual bilateral meeting with his North Korean counterpart in Berlin the previous week, Asst. Sec. State Chris Hill told reporters he was cautiously optimistic that a new round of 6 Party Talks would be held shortly.

**01/22/07**—China and Japan announced plans to have military “port calls,” with a PRC warship possibly visiting a Japanese port in August 2007.

**01/21/07**—PRC news reports announced the deployment of 12 advanced Jian-10 fighter jets to Zhejiang Province opposite Taiwan.

**01/19/07**—*The Washington Post* reported that 5 PRC telecommunications workers kidnapped by rebels in Nigeria had been released.

**01/19/07**—The Vatican began two days of meetings on re-building relations with China, afterward issuing a cautious statement saying it wanted to pursue “a respectful and constructive dialogue” with China.

**01/19/07**—The PRC announced it had detained 22 people in a bribery investigation, including officials from foreign companies such as McDonald's, McKinsey & Company, and Whirlpool. *NYT*, 1/20/07, p. 2.

**01/18/07**—Bush Administration officials announced that China had tested its first anti-satellite weapon on January 11, reportedly noting that the U.S. had “expressed our concern regarding this action to the Chinese.” The Bush White House in the past has resisted any global treaty banning such tests, reportedly because it needs “freedom of action” in space. *NYT*, 1/19/07, p. 1. Other sources reported U.S. officials saying such a treaty was unnecessary because there is no arms race in space. *Financial Times*, 1/20/07, p. 5. The United States, Canada, Australia, the UK, and Japan reportedly protested the action, but reportedly had received no explanation yet from the PRC. *LATimes*, 1/20/07, p. A10.

**01/18/07**—The EU's external relations commissioner, Benita Ferrero-Waldner, during a speech in Beijing called for lifting the EU arms embargo against China and broadening existing Sino-EU cooperation.

**01/18/07**—According to the *Wall St. Journal Asia*, China announced that a new profits tax will take effect on February 1, 2007, on real-estate developer profits.

**01/17/07**—According to the *Wash. Times*, Army Lt. General Michael Mapes for the first time relayed DOD concerns (on Jan. 11) to the Senate Intelligence Committee that Russia and China have secret space-based weapons development programs. P. A06 (Annual Threat Assessment hearing, January 11, 2007).



**01/17/07**—China's State Council reportedly granted approval "in principle" to draft regulations designed to boost government transparency. But press reports said that State Council officials declined to offer any further details on the rules for greater openness or on when such details might be made available.

**01/16/07**—Assist. Sec. State for EAP, Chris Hill, began an unusual two days of "substantive" talks in Berlin with North Korean diplomats.

**01/16/07**—China announced a new 8-point regulation permitting state auditors to audit the People's Liberation Army.

**01/15/07**—At the EAS summit in Cebu, Philippines, China and Japan agreed that Premier Wen Jiabao would visit Japan in April 2007.

**01/15/07**—PRC Minister of Commerce Bo Xilai was reported as saying that reducing China's trade surplus would be a top priority for 2007.

**01/15/07**—According to the *Financial Times*, China recently announced a 4% cut in the retail price of gasoline and jet fuel. According to the report, the State Council approved in principle a fuel tax about 4 years ago to aid energy conservation, and the Ministry of Finance printed coupons to implement the plan, but the National Reform and Development Commission has opposed implementing the tax for fear of its hardship on consumers.

**01/15/07** — The *Washington Times*' Bill Gertz reported that China's military is delaying the planned U.S. visit of Gen. Zhiyuan, commander of China's nuclear forces, to meet with his counterpart, Marine Corps. General James E. Cartwright, at SAC headquarters. The proposed visit reportedly was raised by President Bush with President Hu Jintao in April 2005.

**01/14/07** — China and ASEAN signed a new trade agreement on services, considered a major step toward eventual completion of a Sino-ASEAN free trade agreement. The China-ASEAN signing of an agreement in 2005 to lower trade barriers increased two-way trade volume to more than \$160 billion in 2006, up 23% from 2005. *NYT*, 1/15/07, p. 2 Also at the summit, the countries agreed the region should explore expanded use of hydropower, nuclear power, and biofuels.

**01/12/07**—China and Russia vetoed a U.N. Security Council resolution, sponsored by the U.S., criticizing Burma's human rights record. 9 of the 15 members UNSC members voted for the resolution.

**01/12/07**—The U.S. special envoy to Sudan, Andrew S. Natsios, was reported as saying that China had been helping to push Sudan to resolve the Darfur conflict.

**01/12/07**—A Chinese court upheld the conviction of blind activist Chen Guangcheng who had campaigned against officials in Linyi city from pursuing coercive family planning practices. He was sentenced to 4 years, 3 months in prison.

**01/11/07**—China's currency rose to 7.8 to the U.S. dollar, its highest rate since its reevaluation to a basket of currencies in 2005.

**01/11/07**—The *Christian Science Monitor* reported on the unveiling last week of a new PRC fighter, the "Jian-10."

**01/11/07**—According to a report attributed to *Aviation Week and Space* magazine, the PRC conducted its first anti-satellite (ASAT) missile test by destroying one of its own aging weather satellites orbiting in space. The PRC gave no advance notice of the missile firing, and news of the satellite's destruction was not made public until a week later.

**01/10/07**—WHO reported the recovery of China's first human avian flu case in 6 months—a 37-year-old man from Anhui Province. He became ill on December 10, 2006.

**01/10/07**—On January 10, 2007, China's customs administration announced that China's global trade surplus for 2006 was \$177.47 billion—up from \$102 billion in 2005.

**01/08/07**—Taiwan President Chen Shui-bian left Taiwan for Nicaragua to attend President Ortega's inauguration. The United States granted him transit stops in San Francisco on the front end and Los Angeles on the back end. Mexico did not allow his plane to overfly Mexican air space.

## **Author Contact Information**

Kerry Dumbaugh  
Specialist in Asian Affairs  
kdumbaugh@crs.loc.gov, 7-7683