Welcome

The Center for US-China Policy Studies (CUSCPS) is a newly created research unit housed in the College of Behavioral and Social Sciences (BSS). The CUSCPS links faculty in the College of BSS and other academic units at San Francisco State University (SFSU) to each other as well as to the larger community interested in US-China policy issues. The Center promotes research, teaching, training, and outreach on US-China domestic and international policy issues in all areas. It provides policy research, data collection, analysis, and consultation to interested government agencies, non-profit organizations, community groups and businesses. It promotes academic exchange and serves as a bridge and a base for collaboration between the college and the university and any other institutions or organizations, particularly in China. Please contact us at cuscps@sfsu.edu if you are interested in the US-China relations and would like to make a connection with us.

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International/Regional Issues

Sino-Japan Talks

TOKYO, Aug. 7 - Japan reported that Mitsuo Sakaba, Press Secretary/Director General for Press and Public Relations, Ministry of Foreign Affairs, will hold consultations with Mr. Liu Jianchao, the Director-General, Information Department, Ministry of Foreign Affairs on ways they could help to develop Sino-Japanese relations (Source: The Ministry of Foreign Affairs of Japan).

Japan states that China has not begun full-fledged production in the East China Sea

TOKYO, Aug. 8 - At a news conference, Japanese Vice Foreign Minister Shotaro Yachi stated that there “is no truth” to Japanese media reports that China had begun full-fledged production at the contested Chunxiao gas field in the East China Sea. Japanese media had reported this
after seeing a statement of such on the website of the China National Offshore Oil Corp. (Source: The Japan Times).

**U.S. Treasure Secretary Pushes China to liberalize its financial systems**

WASHINGTON, Aug. 9 - Recently appointed Treasury Secretary Henry M. Paulson has been working to develop a new plan to push China to liberalize its financial systems, bolster domestic consumption, and appreciate the renminbi. Paulson, who visited China frequently when he was Chairman of Goldman Sachs is feeling pressure from Congress, which, in turn, is concerned about the election, the leverage that China's huge holdings of U.S. government securities give it, and China's poor intellectual property rights regime. According to certain commentators, what might ease Paulson's quest is China's overheating economy and the desire of Chinese leaders to do something about it (Source: New York Times).

**Hu Jintao meets with Ted Stevens, acting president of the U.S. Senate, in Beijing**

BEIJING, Aug. 12 – Chinese President Hu Jintao on Saturday met with Ted Stevens, acting president of the United States Senate in Beijing and pledged to further Sino-U.S. ties.

The nine-member high ranking US congress delegation that has been in China this week spoke with Chinese lawmakers on a range of bilateral relations and other regional and international topics of common concern, including China-US relations, the Taiwan issue, China's peaceful development, bilateral trade, North Korea, Iran, energy security and clean energy, public health, environmental protection, humanitarian assistance and sustainable development.

Stevens said, "I do think that they're making progress and I at least am one to urge that we use caution in trying to put up roadblocks." The NPC and the US Senate set up a regular meeting mechanism in 2004, which made the Chinese legislative body the fifth partner of such an exchange mechanism with the US Senate. The other four US partners are Britain, Canada, Mexico and the North Atlantic Treaty Organization. NPC statistics showed that in 2005 alone over 20 delegations with more than 100 US senators and congressmen paid official visits to China (Source: China Daily)

**Politics**

**The Chinese government will directly fund privately-owned arms manufacturing**

BEIJING, Aug. 5-6 – To improve the quality of its equipment and the efficiency of weapons production, the Chinese government will directly fund privately-owned arms manufacturing companies. Such companies, though, will not produce heavy armaments like warships or tanks. Such production still must be done by state-owned firms. It was only last year that China put in place a system for licensing private defense companies and foreign invested firms to supply the People's Liberation Army with equipment. There are concerns among such analysts that this new policy will enhance China's military capabilities (Source: Financial Times).

**An editorial of People's Daily hailed the publishing of Jiang Zemin's works**
BEIJING, Aug. 11 - As the three-volume publication began to be distributed to bookstores nationwide yesterday, the People's Daily acclaimed the works of Jiang Zemin as a new valuable addition to the treasure house of the Party's guiding theories and as a powerful weapon for steering the study of the important thought of the Three Represents and the building of socialism in line with the country's realities; it is also a great spiritual power inspiring the Party and the Chinese people to push forward in building an overall well-off society in the coming decades (Source: China Daily)

**Economy**

**Chinese government will limit investments in sectors that consume excessive energy and are heavily polluting**

BEIJING, Aug. 9 – The Chinese Ministry of Commerce recently said that it welcomed foreign investment in high-valued added areas that consumed less energy. It stated that it would limit investments in sectors that consumed excessive energy and/or were heavily polluting. It also encouraged foreign investors to pour money into western, central, and northeastern China. Lastly, it emphasized its desire for companies to set up regional headquarters and research and development centers in China. According to the Ministry, foreigners have invested more than $US 650 billion in China since the late 1970s (Source: Xinhua).

**Chinese government attempts to slow down the country's rapid economic growth**

BEIJING, Aug. 10 – An editorial in the People's Daily announced that China’s’ State Council (cabinet) would send special teams to inspect regions and industries to ensure lower-level officials were implementing administrative policies such as limitations on fixed-asset growth that Beijing had enacted to slow down the country’s rapid economic growth. The editorial remarked, “The center's policy directives and dispositions must not be left as merely the content of meetings and talks.” This followed a series of speeches in July by Chinese Premier Wen Jiabao who argued that the economy was growing too rapidly and that strong measures were needed to contain it (Source: Financial Times).

**Trade surplus hits record high in July**

SHANGHAI, Aug. 10 – The Shanghai Securities Journal says that the trade surplus is one of the most important indices for judging the macro economy in the first half of the year. An insider recently reported that Customs statistics showed that in July, trade surplus reached 14.61 billion yuan, most probably a record high. In the same month, export volume reached 80.34 billion yuan, 22.6% higher than last year. Import volume was 65.72 billion yuan, up 19.7% from last year. According to him, these statistics are just a rough calculation and have not yet been confirmed by Customs (Source: Chinanews.cn).

**China's largest oil refiner is significantly bolstering its domestic natural gas exploration and production activities**

BEIJING, Aug. 10 – Sinopec, a state-owned integrated energy and chemical company, and China’s largest oil refiner is significantly bolstering its domestic natural gas exploration and production activities in order to diversify away from costly and riskier production elsewhere. In
2006, Sinopec plans to spend a total of $3.7 billion on oil and gas exploration, a 29.6 percent increase over the previous year. Sinopec intends to concentrate much energy on expanding its production operations at the Pugang gas field in Sichuan from which a pipeline eventually will take gas to Shandong, where demand is forecast to grow to nearly 8-10 billion cubic metres by 2020 (Source: Asia Times Online).

**Exchange rate expected to play an important role in macro economy**

BEIJING, Aug. 11 – “We should make exchange rate play its special role in realizing economic balance, adjusting economic structure and changing economic developmental strategies.” The statement appeared in the latest report released by the People’s Bank of China on the implementation status of the monetary policy for the second quarter of 2006. This statement means that related departments have some new understanding about the role of exchange rate. It can be expected that in the next phase, the exchange rate will play a much more important role in adjusting the macro economy (Source: Chinanews.cn).

**China’s investment in power production has fallen significantly**

BEIJING, Aug. 11 – The Asia Times reported that China’s investment in power production had fallen significantly when comparing statistics from the first half of 2006 (a 16.6 percent growth rate year over year) versus the first half of 2005 (when there was a 37.4 percent growth rate YOY). The apparent reason for the falling investment seems to be the fact that energy supply is getting more and more balanced with energy demand. The article states that “given the improvement in the power supply and demand in the first half of 2006 against a backdrop of a more equitable balance between power generation and demand, it is unlikely that China will invest heavily in the power industry in the next few years” (Source: Asia Times).

**Chinese official claims that China will liberalize the capital account**

BEIJING, Aug. 11 – Hu Xiaolian, director the State Administration of Foreign Exchange (SAFE), told attendees at a symposium that China confronted a serious problem in the form of an imbalance in international payments and that it was a hard task to reach a balance. Hu said that China was trying to deal with the issue by encouraging business to export capital into diverse venues in an orderly way. He stated that the renminbi should be reformed even more to allow all full convertibility on the capital account (Source: Xinhua).

**People’s Bank forecasts that the Chinese economy would slow in the second half**

BEIJING, Aug. 11 – In its second quarter report, the People’s Bank of China forecast that the Chinese economy would slow in the second half of 2006 as a result of the administrative and monetary steps the Chinese government had taken to cool the rapidly growing economy. While inflationary pressures would increase, the Bank stated that China would employ a variety of measures beyond currency adjustments (e.g., adjusting foreign investment policies) to prevent the economy from overheating while also striving to boost domestic demand, enhance structural economic adjustments, and readjust international payment imbalances (Source: People’s Daily Online).
Society

China will have over 125 mega-cities by 2010.

BEIJING, Aug. 7 – The Chinese Academy of Urban Planning & Design, part of the Chinese International Center for Economic and Technical Exchanges, recently released a study representing the joint efforts of dozens of experts and the United Nations Development Program. This study, entitled “City Planning, Management and Development in the 21st Century,” detailed the rapid urbanization of China. The study estimated that China would have over 125 mega-cities (defined as a city having more than 2 million people) by 2010. The report identified a number of concerns about China’s mega-cities including that they make a relatively lower contribution to China’s national income than do mega-cities in developed nations, have excess population density, and have relatively low labor productivity (Source: People's Daily Online).

China aims to more than double the number of foreign students at its universities

BEIJING, Aug. 8 - Cao Guoxing, Director-General with the International Cooperation and Exchanges Department of the Ministry of Education told a conference that China aimed to more than double the number of foreign students at its universities by 2020. As of 2005, China had 140,000 foreign college students from over 190 countries with much of the strong interest in China emanating from China’s “booming economy.” Cao added that the Chinese government planned to increase the number of scholarships for foreign students from around 7,000 per year to 10,000 (Source: Xinhua).

English training: a booming industry in China

SHANGHAI, August 7 - According to statistics from the Social Survey Institute of China, the gross value of English training market in China is nearly 15 billion yuan, which is the annual output value of a medium-sized city. Currently there are more than 50 thousand English training centers in China, and the number is still growing very fast. Experts believe that the gross value of English training market in China will grow to 30 billion yuan in 2010. China’s entry into the WTO and the forthcoming of the XXIX Olympiad and Shanghai 2010 World Expo will all fuel the growth of the market. Besides its fast growth the market’s structure is also changing rapidly. English learners in China tend to select professional courses like commercial English, oral translation and oral English. Courses in English like management, financing and marketing are also very popular in cities (Source: Chinanews.cn).

Other

The Editors have prepared this newsletter using publicly-released media and research accounts that are believed to be reliable. The Editors, the CUSCPS, and San Francisco State University do not guarantee the accuracy, and any such information should be checked independently by the reader.

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