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) at San Francisco State University (SFSU). The CUSCPS links faculty in BSS with other academic units at SFSU as well as 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. 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 other institutions or organizations, particularly in China. Please contact us at cuscps@sfsu.edu if you would like to make a connection with us.

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International/ Regional Issues

U.S. Treaty Secretary Paulson Calls on China to Show Currency Flexibility

WASHINGTON, D.C., Aug. 12-13 – During an interview with the business channel CNBC, Hank Paulson, the U.S. Treasury Secretary, said that China needed, in the short term, “to show much more flexibility on the renminbi.” Over the longer term, Paulson asserted, China needed a market-based currency, open financial systems, and open competition. He also proclaimed that China needed to move from an export-oriented economy to one that relied more on domestic consumption. Paulson challenged China to improve its intellectual property rights regime, arguing that China was “not going to be able to move from being a low-cost manufacturer to moving up the value-added chain until they have an enforcement regime that protects intellectual property.” Paulson’s remarks follow in the wake of an increasing number of signs that China might be willing to accept greater renminbi flexibility (Source: Financial Times).
China Criticizes Koizumi Visit to Yasukuni Shrine

BEIJING, Aug. 15 – In response to Japanese Prime Minister Koizumi Junichiro’s visit to the Yasukuni Shrine on the anniversary of Japan’s defeat in the Second World War, the Chinese Foreign Ministry issued a strong protest. It stated that Koizumi’s visit “challenges international justice and tramples the conscience of mankind.” It also pointed out that Koizumi’s action damages the political basis of Sino-Japanese relations whose sound growth is in the fundamental interest of the Chinese and Japanese peoples and conducive to peace and stability in Asia and the world at large. It emphasized that Japan needed to correctly understand and treat a time in history when China suffered badly from Japanese militarism, including the decisions of 14 Class A war criminals who are enshrined at Yasukuni (Source: Xinhua).

Chinese Foreign Minister Li Zhaoxing Protests Koizumi Visit to Yasukuni

BEIJING, Aug. 16 – Chinese Foreign Minister Li Zhaoxing lodged a strong protest with Japanese Ambassador to China Miyamoto Yuki, stating that “on behalf of the Chinese Government and People, I express strong indignation and severely condemn the visit.” Moreover, Li added that Koizumi’s visit had “severely hurt the feelings of the people of the victim countries, and undermined the political foundation of China-Japan relations.” Li further called upon “Japanese leaders to remove political barriers and push the Sino-Japanese ties back to the normal development track at an early date” (Source: Xinhua).

China Encourages Iran to Respond Positively to Six-Nation Nuclear Package

TEHRAN, Aug. 16 – In Tehran, Chinese Assistant Foreign Minister Cui Tiankai met with Iranian chief nuclear negotiator Ali Larijani and encouraged Iran to respond positively to an offer of incentives from the five permanent members of the United Nations Security Council plus Germany in return for Iran suspending its uranium enrichment program and satisfying other international concerns about its nuclear programs. In remarks given to Chinese media after his meeting with Larijani, Cui stated that “China is always in favor of a peaceful solution to Iran’s nuclear issue by diplomatic negotiations and calls on all sides concerned to resume talks as soon as possible” (Source: Xinhua).

China’s Ambassador to the United Nations in Geneva Tells U.S. to “Shut Up”

LONDON, Aug. 17 – Challenging American criticisms of China’s arms buildup, Chinese Ambassador to the United Nations in Geneva Sha Zukang told the British Broadcasting Service that no one should worry about China’s military development because “China basically is a peace-loving nation.” Sha stated, “It’s better for the U.S. to shut up.” After all, China’s military buildup was not threatening anyone” (Source: San Francisco Chronicle).

Politics

China Will Develop Funding for 22 Million Relocated for Dams and Reservoirs

BEIJING, Aug. 14 – The State Council recently released its “Subsidy Policies for People Who Were Relocated to Make Way for Dams and Reservoirs.” The policy involved the raising of
electric power rates in order to generate compensation of 600 yuan (approximately 75 dollars) per year for 20 years for 22 million people who were relocated to make way for dams and reservoirs. Interestingly, the subsidy is to be directly deposited into individual accounts and the central government is to review other mechanisms for improving the life of those who were relocated including better water, transportation, and telecommunication facilities (Source: Xinhua).

**China Appoints New Official for Taiwan Affairs**

BEIJING, Aug. 16 - China's State Council has recently appointed a new high-ranking official for its Taiwan Affairs Office. Ye Kedong, 46, was appointed the deputy director of the Taiwan Affairs Office of the State Council. Li Bingcai and Wang Zaixi were removed from their posts as deputy directors of the office. Ye graduated from Sun Yat-Sen University in Guangzhou City in 1982 and served in the Taiwan Affairs Office of the State Council in the early 1990s. He was the deputy head of the Taiwan Affairs division of the Hong Kong branch office of Xinhua News Agency (the central government's Hong Kong liaison office) before 1997 (Source: Chinanews.cn).

**China Mulls New Regulations for Online Video Broadcasters**

BEIJING, Aug. 16 - China is to issue new regulations against websites which broadcast short films without state permission, according to the State Administration of Radio, Film and Television (SARFT). The administration has listed the websites of Sina, Sohu and Netease as authorized providers of online video programs. But others face an uncertain fate as the administration will inspect the online video content they release. SARFT has emphasized strict measures will be enforced to prevent any malpractice. The new regulations will be unveiled in late August or September (Source: Xinhua).

**Regional Officials Get Tough Message from State Council**

BEIJING, Aug. 17 - In an unusually tough message, the State Council has warned regional officials that any attempt to dilute the effects of macro-economic policies would not be tolerated. At an executive meeting chaired by Premier Wen Jiabao on Aug. 16, the State Council sternly reprimanded top officials in the Inner Mongolia Autonomous Region for their role in an unauthorized project which caused fatal accidents. The region's chairman, Yang Jing, and vice-chairmen Yue Fuhong and Zhao Shuanglian, were ordered to write self-criticisms to the State Council. Seven other officials were also disciplined, and another two face prosecution (Source: China Daily).

**China Moves to Curb False Statistics**

BEIJING, Aug. 18 - The National Bureau of Statistics (NBS) of China has set up a special department responsible for investigating false statistics. An NBS spokesperson said that some officials have asked statisticians to fabricate figures in order to enhance their performance, while some statisticians are doing it to please their superiors. According to media reports, China's annual economic growth rates issued by the NBS have always been lower than those calculated by the local governments of the 31 provincial areas of the Chinese mainland. In the first half of this year, the NBS reported an economic growth rate of 10.9 percent for China.
But figures from provincial governments indicated a much higher growth rate. All the 31 provinces reported double-digit growth rates, with 23 of them reporting growth rates above 12 percent. NBS officials said they have always had to readjust figures from local authorities according to their own data in order to make national figures more accurate (Source: Xinhua).

**China Sacks 34 Police Officials for Misconduct in first half of 2006**

BEIJING, Aug. 18 – A spokesman from the Ministry of Public Security (MPS) told Xinhua that China had sacked 34 police officials in the first six months of the year for violating the "Five Bans", a code of conduct for police released in 2003 which banned illicit firing of guns, drinking while carrying firearms, drunk driving, and on-duty drinking and gambling. Police records show that 967 police officials had been sacked for violating the "Five Bans" since it came into effect in January 2003 with 353 fired last year (Source: Xinhua).

**Economy**

**World Bank Forecasts Strong Chinese Growth in 2006**

BEIJING, Aug. 15 – The World Bank's quarterly report released in Beijing forecast a 10.4 percent growth rate for China in 2006 and a 9.3 growth rate in 2007. The report did not highlight any near term worries about the Chinese economy overheating. Still, there were concerns over the longer term given China's rapid investment growth. The report pointed out that a significant amount of investment growth flowed from private sector profits rather than central investment as well as that local governments were having a significant influence over the country's rapid rate of fixed asset investment growth. The World Bank also noted that China's domestic consumption was becoming more important, that processing trade had fallen in relative importance versus the previous year, and that inflationary pressures seemed relatively contained. Despite the positive trends, the World Bank emphasized that China still needed to rectify certain imbalances such as excessive energy consumption (Source: Xinhua).

**China’s Industrial Output Grows by almost 17 Percent YOY in July**

BEIJING, Aug. 15 – According to numbers from China's National Bureau of Statistics, industrial output in July surged 16.7 percent year-over-year (YOY), driven by strong production growth in iron ore, steel, and coal. Some analysts were heartened by the fact that the growth rate represented a decrease from the annual growth rate registered in June, seeing it as evidence that the Chinese government's efforts to slow the economy were working. Prakash Sakpal, an economist at ING Barings, told the BBC News, “there are some signs that the central bank tightening...which has been in place for the last few months, is showing some effect” (Source: BBC News).

**Chinese and Indian State-Controlled Oil Giants Jointly Buy Stake in Columbia Oil Producer**

HONG KONG, Aug. 15 – Sinopec and India's Oil and Natural Gas Company (ONGC) are jointly buying a 50 percent stake in Columbia Oil producer Omimex de Colombia, a subsidiary of Omimex Resources, a US-based oil explorer and producer. The deal is a concrete manifestation of the cooperation that Chinese and Indian leaders hoped to foster when they
signed five memorandums of understanding allowed collaboration between Chinese and Indian oil and gas companies. China and India signed the MOUs in order to avoid bidding wars that only benefited others at the expense of China and/or India. In February ONGC and the China National Petroleum Corporation undertook a joint takeover of oil assets in Syria from PetroCanada. In the view of some analysts, the deal was a sign of budding Sino-Indian trust while other analysts saw it as nothing more than doing what already was in the interests of each country (Source: Financial Times).

People’s Bank of China Raises Deposit Reserve Ratio by 0.5%

BEIJING, Aug. 15 – The PBOC raised the deposit reserve ratio of banks by 0.5 percent in order to dampen bank lending. The increase brings the reserves that most banks are required to deposit with the central bank to 8.5 percent. The rise follows a 0.5 percentage point increase in June. A statement on the PBOC website noted “the move aims to tighten up banks’ liquidity management, curb the excessive growth of money and credit and maintain the development of the economy.” The increase follows data which shows that new lending grew at a faster rate in July after having fallen in June. Some economists such as Tang Min, with the Asian Development Bank, said that China needed to increase its interest rates (Source: Xinhua).

China Finds it Difficult to Control Credit and the Money Supply

HONG KONG, Aug. 16 – Total bank lending surged 16.3 percent YOY in July, feeding a huge growth in the money supply. One of the reasons for the growth was China’s strong export machine which brought in huge amounts of foreign currency which the People's Bank of China (PBOC) was obligated to buy and which, in turn, increased China’s money supply by double-digit rates. The PBOC’s purchases of foreign currency resulted in its total reserves totaling around $940 billion at the end of July. The growth of bank lending and the money supply occurred despite PBOC mandated increases in lending rates and reserve ratios. The figures are leading some to call for more aggressive measures such as higher interest rates, higher reserve ratios, or a revaluation of the yuan. It is the opinion of some commentators that Chinese leaders would prefer an appreciation of the renminbi rather than higher interest rates since the latter could slow economic growth and thus job creation (Source: Asia Times Online).

Venezuela to Boost Oil Sales to China

CARACAS, Aug. 16 – Rafael Ramirez, the Oil Minister of Venezuela, announced that Venezuela planned to boost its sales to China from 150,000 barrels per day to 200,000 barrels per day by the end of the year. This compares against only 12,300 barrels per day in 2004. Ramirez also reported that China that Venezuelan President Hugo Chavez would visit Beijing this month to purchase 12 Chinese-made oil drills and to sign an agreement for the assembly of 12 others at a joint factory in Venezuela. Beyond this, Ramirez commented that China National Petroleum Corporation would help Venezuela develop oil fields in eastern Anzoategui state (Source: San Francisco Chronicle).

Shanghai Automotive Industry Corp. Buys Rover Brand from BMW

LONDON, Aug. 16 – The Shanghai Automotive Industry Corp. (SAIC) has purchased the Rover Brand from BMW, the German car maker. SAIC already had bought design rights from MG
Rover, whose bankruptcy administrators had previously sold the name MG and a factory in Birmingham to China’s Nanjing Automotive. SAIC paid $21 million for the Rover name, seeing this as a cheaper way to reach customers than trying to build a new brand (Source: Financial Times).

**China’s Currency Records its Largest Daily Move against the Dollar**

BEIJING, Aug. 17 – The renminbi moved by .24 percent against the dollar on August 16, its largest one-day rise since Beijing decided to end its 10-year old peg of 8.28 renminbi to the dollar in 2005. While the move did not exceed the maximum 0.3 percent daily fluctuation limit established by Chinese authorities, it was seen as a sign that China might be willing to countenance a more flexible currency in order to address various domestic and international economic and political imperatives. Overall, the renminbi has increased by 3.8 percent in value against the dollar since China broke its fixed peg (Source: Financial Times).

**China has the Most Franchise Systems in the World**

SHANGHAI, Aug.17 – The China Chain Store & Franchise Association revealed on Wednesday that in 2005 China had 2,320 franchise systems thus giving China the most franchise systems in the world. Currently more and more service industries have embraced franchise systems, including supermarket chains, education, and home renovations. Several outstanding Chinese brands such as Hualian Supermarket Group, Quanjude Roast Duck Group, and Fornet Laundry Group have set up branches abroad in recent years (Source: Chinanews).

**China Solicits Opinions on Regulation concerning Foreign Banks in China**

BEIJING, Aug. 17 – The China Banking Regulatory Commission recently distributed for comment a revised edition of its regulation on foreign banks management in China. The regulation stipulates that foreign banks that want to launch RMB retail services in China, such as deposit service and the issue of credit cards, must first establish a local company in China. Foreign banks can only open fixed deposit business in China and the amount of fixed deposit should be at least one million yuan. In order to carry out China’s commitment to WTO, China will open its RMB business to foreign banks by the end of this year. However, this does not mean that all the 103 foreign branch banks that currently conduct RMB business with local enterprises can obtain a license to operate RMB retail business directly. They first will have to register as a local company and become an independent legal entity (Source: Chinanews).

**National Bureau of Statistics ranks top 500 Manufacturers**

BEIJING, Aug. 20 - Two hundred and twenty of the top 500 Chinese manufacturing companies, ranked according to sales revenues, are state-owned, said the National Bureau of Statistics (NBS) on Saturday. More than 75 percent of the top 500 are located in east China, with the highest number in Jiangsu province. Five of the top ten manufacturing companies are in the steel sector and two in the automobile sector. Legend Holdings Ltd. and Haier Group Corporation are two electronic companies in the top ten list and their annual sales revenues last year both topped 100 billion yuan. The other three companies with sales revenues of over 100 billion yuan last year are BaoSteel, China First Automobile Group, and Dongfeng Motor Co., Ltd. The 500 companies are selected according to their sales revenues in 2005. (Source:
Society

China Will Forbid Airing of Foreign Cartoons during Primetime

August 14 – The BBC News reported that China will ban the airing of foreign cartoons such as the Simpsons and Mickey Mouse during Primetime, apparently out of concern over the huge popularity of such characters in China. Such regulations, if promulgated, will follow on a ban on programming which mix animation and live characters and government regulations issued in 2004 whereby Chinese cartoons had to represent almost two-thirds of cartoons shown in prime time (Source: BBC News).

Iris Chang’s The Rape of Nanking to be Made into a Movie

BEIJING, Aug. 15 – China’s Jiangsu Cultural Industry Group in Nanjing and Hollywood’ entertainment firm Viridian, supported by Chinese, American, and British funding will turn Iris Chang’s The Rape of Nanking into a movie, which an anticipated release date of December 13, 2007, the 70th anniversary of the Nanjing massacre. Gerald Green, the American producer of the movie, said “We hope we can make the film a classic on a massacre in the Second World War, must like the Shrindler’s List about the miserable experience of Jewish people during the War.” Professor Zhang Xianwen, a historian with Nanjing University, remarked that the “movie will expose atrocities committed by the Japanese invaders in China” (Source: Xinhua).

10% Floating of China’s Population is Floating

BEIJING, Aug. 19 – According to Reports on China’s Population and Labor No.7: Demographic Transition and Its Social and Economic Consequences, published on August 16, China is experiencing an unprecedented population shift. The floating population now represents more than 10% of China’s total population, forming the largest migrant group ever in the world (Source: Chinanews).

Cultural Officials "not optimistic" about Piracy Fight

BEIJING, Aug. 19 - A Chinese cultural official called for an all-out war against piracy on Friday, saying the ongoing 100-day crackdown campaign is "fruitful" but the overall situation "not optimistic." China's culture authorities have been searching for pirated CDs, VCDs and computer software in audio-video product shops and warehouses all over the county in a 100-day campaign against piracy which started on July 14 (Source: Xinhua).

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 their accuracy and any such information should be checked independently by the reader.

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