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**Welcome!** *The Center for US-China Policy Studies (CUSCPS) is a research unit based in the College of Behavioral and Social Sciences (BSS) at San Francisco State University. The Center seeks to advance knowledge of China and deepen understanding of US-China relations. It 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 facilitates 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](mailto:cuscps@sfsu.edu) if you would like to make a connection with us.*

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**International/Regional Issues**

**People’s Daily Opinion Piece Lauds Decision to Postpone Vote on Schumer-Graham**

BEIJING, Oct. 1 – In an opinion piece, the *People’s Daily* lauded the decision by American Senators Charles Schumer and Lindsay Graham to postpone a vote on their bill which would have levied a 27.5 tariff against Chinese goods in response to perceived manipulation of the renminbi by the Chinese government. The *People’s Daily* derided the bill as “a gross interference in China’s internal affairs” and a threat to Sino-American trade. Citing various sources, it opined that the bill would not resolve the huge U.S. trade deficit with China since this was a structural matter. The opinion piece recognized that “the revaluation (appreciation) of the RMB is an inevitable trend.” However, changes in the rate had to be done in tandem with reforms in China’s banking system, financial risk management systems, and so on. The piece closed by stating that the just established bilateral strategic economic dialogue mechanism and the premature end of the Schumer-Graham tariff showed that “win-win” bilateral cooperation “is the ‘right track’ in the fundamental interests of both nations and their people” (Source: People’s Daily Online).

### **U.S. Suspends F-16 Sale to Taiwan Over Taiwanese Budgeting Delays**

TAIPEI, Oct. 2 – The U.S. has temporarily blocked the sale of 66 advanced F-16C/D fighter planes to Taiwan because of the failure of the latter's parliament to approve moneys for their purchase. The planes represent part of an arms sale package that Taiwan negotiated with the U.S. in 2001 which included 8 diesel-electric submarines, a dozen anti-submarine aircraft, and Patriot anti-missile systems. However, opposition forces in Taiwan blocked a special budget for the arms saying they are unnecessary and expensive (Source: Reuters).

### **China and North Korea Open a Boundary Area**

Oct. 3 – According to China's Xinhua News Agency, China and North Korea have opened a "Green Passage" with a streamlined customs process in order to relieve clearance congestion in the border area. The "Green Passage" links Ssanhur Jin of Jilin Province with Hwereoung City of North Hamkyong Province in North Korea. This passage is the second passage opened between Jilin and Hamkyong. The purpose of the special passages is to facilitate the trade of Chinese manufactured goods for North Korean mineral resources. To speed trade, customs officials also will experience an increase in work from 8 to 12 hours (Source: The Dong-A Ilbo).

### **China Satellite Jamming Test Alarms the U.S.**

WASHINGTON, D.C., Oct. 5 – The U.S. Defense Department reported that China beamed a ground-based laser at U.S. spy satellites over its territory, though it would not state what satellite was involved or when the incident occurred. Donald Kerr, the Pentagon's National Reconnaissance Office Director, said the action did not materially damage the U.S. satellite's ability to collect information, but "makes us think." Loren Thompson, a defense analyst with the Lexington Institute, stated "space is a much bigger part of [the U.S.] military posture than it used to be, so any effort by the Chinese...to jam our satellites is potentially a big deal." Theresa Hitchens of the Center Defense Information said the incident should not be exaggerated as no one had developed the ability to disable a satellite with a laser (Source: Reuters).

### **Taiwan, Yunnan to Strengthen Agricultural Cooperation**

YUNNAN, Oct. 5 – Visiting Chinese Kuomintang (KMT) Honorary Chairman Lien Chan said Wednesday that Taiwan and Yunnan Province can strengthen cooperation in agriculture and many other areas. Yunnan has a good environment and rich natural resources, and its agriculture and industry are experiencing vigorous development, said Lien during a meeting with Bai Enpei, secretary of the Yunnan Provincial Committee of the Chinese Communist Party. Lien said that he and his delegation would promote the cooperation between Taiwan and Yunnan in agriculture and other areas through their visit. They would encourage Taiwan business people to invest in Yunnan, Lien said. Bai said that it would contribute to the common prosperity and growth of Yunnan and Taiwan for the two sides to enhance exchanges and cooperation (Source: Xinhua).

### **Chinese president meets Japanese PM**

BEIJING, Oct. 8 - Chinese President Hu Jintao met with Japanese Prime Minister Shinzo Abe in the Great Hall of the People Sunday afternoon, soon after Abe's talks with Premier Wen Jiabao.

Shortly afterwards, top legislator Wu Bangguo will meet with Abe, who arrived here earlier Sunday and will fly to Seoul early Monday. Abe, who took office September 26, is the first Japanese postwar prime minister who chose China as the destination of his first official overseas trip. He is also the first Japanese leader visiting China in five years. Prior to his visit to China and the ROK, Abe told a session of the House of Representatives Budget Committee on Thursday that frank exchanges of views, goals and ideals are the first step in building the "relations of trust" among the Asian neighbors. He once pledged to improve relations with Japan's Asian neighbors (Source: Xinhua).

### **China and Japan issued a joint communiqué**

BEIJING, Oct. 9 - China and Japan have agreed that bilateral relations are one of the most important diplomatic priorities for both countries, according to a joint press communique issued Sunday. The communique was issued as Japanese Prime Minister Shinzo Abe began a visit to Beijing. Both sides agreed to make efforts to build a mutually beneficial relationship based on common strategic interests and to realize the goals of peaceful co-existence, friendship, mutually beneficial cooperation and common development, the communique says. In order to make East China Sea "sea of peace, cooperation and friendship", both sides agreed to speed up consultation and settle relevant disputes through dialogues and consultations, the communique says. The two countries also pledge to deepen mutual-beneficial cooperation in the pivotal areas such as energy, environmental protection, finance, information technology and the protection of intellectual property rights. According to the communique, scholars of the two countries will start joint research of the history within this year. China and Japan will also promote ministerial-level dialogues in the economic field, and enhance mutual trust in the security field through security dialogues and defense exchanges. As the year 2007 marks the 35th anniversary of the normalization of China-Japan ties, both sides vow to take the chance to increase friendly feelings between the two peoples through holding China-Japan Year of Culture and Sports as well as youth exchanges, the communique says. According to the communique, both countries are in favor of "necessary" and "reasonable" reform of the United Nations including its Security Council. (Source: Xinhua).

### **Invasions "caused great damage"**

BEIJING, Oct. 9 – Visiting Japanese Prime Minister Shinzo Abe admitted yesterday that his nation's past acts of aggression had caused "tremendous damage and suffering" to the peoples of invaded countries, noting that "this feeling will not be changed in the future." But Abe, speaking to reporters at the end of a day of meetings in Beijing, was unclear on whether he would visit the Yasukuni Shrine in the future. He said that the visits had been turned into "a diplomatic and political issue" and he "should not elaborate on it." But he promised to "address the matter appropriately." On bilateral relations, he said that China and Japan should promote stronger political and economic ties. The two countries agreed to "elevate" relations to a higher level, developing mutually beneficial co-operation (Source: China Daily).

## **Politics**

### **CPC Plenum to be conveyed in October 8-11**

BEIJING, Oct. 7 - The Sixth Plenary Session of the 16th Central Committee of the Communist

Party of China (CPC) will be convened in Beijing from October 8 to 11. The sixth Plenum would be the last before the 17th Party Congress of the CPC next year, which could see some leadership changes. Corruption in top echelons and over-heated Chinese economy are expected to top the agenda of Communist Party leaders when they meet here during the weekend for the annual Plenum. The meeting would discuss suggestions on the country's 11th Five-Year Plan (2006-2010) for national economic and social development (Source: Xinhua).

### **CPC opens session to discuss “social harmony”**

BEIJING, Oct. 8 - The Sixth Plenary Session of the 16th Central Committee of the Communist Party of China (CPC) opened in Beijing on Sunday morning. A major item of the agenda is to study the issue of building a harmonious socialist society and deliberate a draft of the "Resolutions of the CPC Central Committee on Major Issues regarding the Building of a Harmonious Socialist Society". The session will last through Wednesday, according to a statement issued by a Sept. 25 meeting of the Political Bureau of the CPC Central Committee, presided over by Hu Jintao, General Secretary of the CPC Central Committee. The statement said the draft document should provide guidelines for the Party and the nation on building a harmonious socialist society. Earnest efforts must be made to coordinate urban and rural development, regional development, economic and social development, harmonious development with nature, domestic development and opening-up, harmonious relationship between reform, development and stability. The Party must play a core leading role in accordance with the principle of governing for the people (Source: Xinhua).

## **Economy**

### **China's Crude Oil Imports Reach New Highs**

BEIJING, Oct. 1 – China has imported 95.8 million tons of crude oil in the first 8 months this year, up 15.3% from the same period last year, according to the National Development and Reform Commission (NDRC), on September 29. NDRC said China has produced 122.93 million tons of crude oil, 1.8% more than in the same period last year. It has processed over 199 million tons of crude oil, 5.7% more than last year; 3.8% more gasoline and 5.7% more diesel fuel was processed (Source: People's Daily Online).

### **People's Bank of China estimates China's 2006 Growth Rate to reach 10.5%**

BEIJING, Oct. 1- China's economy is expected to grow by 10.5% and the consumer price index by 1.5% in 2006, according to the latest report published by a research group under the People's Bank of China. The report also projects the country's gross domestic product (GDP) to grow by 9.5% in the first half of 2007, with the CPI up 1.8%. China's economy will continue to maintain a steady and fast growth, though the growth rate might slow down, the report said. The country's consumption will keep a fast growth in the future; the growth rate of domestic investment will slow down; the growth rate of export will gradually fall and net export will decrease for reasons of slowing global economy and rising trade frictions. Since the second half of last year, the government has striven to cool the economy. The growth rate of fixed assets investment dropped 5.9 percentage points from July to 21.5% in August (Source: Xinhua).

## **Non-Performing Loan (NPL) Ratios at China's Commercial Banks Fall**

BEIJING, Oct. 4 – China's commercial banks saw their NPL ratio drop 1.1 percentage points to 7.5% from January to June, according to the China Banking Regulatory Commission (CBRC). The fall indicated the banking industry had improved its ability to fend off risks, said the CBRC. By the end of June, non-performing loans stood at 1.28 trillion yuan (160 billion U.S. dollars), 43.5 billion yuan down from the beginning of the year. State-owned commercial banks had bad loans of 1.055 trillion yuan, 16.5 billion yuan less than the start of the year, with their NPL ratio falling 1% to 9.5%. The CBRC has instructed banks to increase their reserve funds to cushion against possible losses caused by bad loans. By the end of June, 12 major commercial banks had reserve funds that could cover all possible loan losses (Source: Xinhua)

## **China Threatens to Retaliate after the EU Imposed Tariffs on Chinese Shoe Imports**

BEIJING, Oct. 4 – China challenged an EU decision to impose a 16.5% special tariff on leather shoes imported from China because of alleged Chinese dumping of shoes at prices less than market prices. China criticized the tariff as “defective” and a violation of global trade rules. Chong Quan, a spokesman for China's Ministry of Commerce, said the tariff did not have “any legal or factual basis and damage the Chinese companies' legitimate rights.” Chong added that China would review the situation and reserved the right to take “corresponding measures.” China, which exports 1 billion shoes to EU countries, hinted that it might take the matter to the World Trade Organization. Italy led the charge to impose the special tariff on Chinese shoes, arguing that China's unreasonably cheap imports were hurting its footwear industries and threatening jobs (Source: BBC News).

## **Society**

### **Family tree of Confucius branches out to include women**

BEIJING, Sept. 29 - It has taken almost 2,557 years, but the family tree of Confucius, the philosophical father of Asia's male dominated society, is finally going to acknowledge women. Female descendants will be recognized in a new lineage chart of the Chinese sage's family - forecast to grow to more than three million people by the time the survey is complete in 2007. A fifth of the new members will be women. The change, announced ahead of today's birthday celebrations in Confucius's hometown of Qufu, reflects a growing move to reinterpret and apply the ancient teachings. To create a harmonious society, Confucianism emphasizes the need for a strict hierarchical order: women should obey men, the young obey the old, and subjects their ruler. Confucian temples are being rebuilt, school textbooks include increasing references to the teachings, at least 18 universities have started offering courses in Confucian studies, and the government is using the sage's name to project China overseas through a \$10bn (£5.2bn) program to establish 100 Confucius Institutes worldwide by 2010 (Source: Guardian).

### **Last People's Commune in China**

BEIJING, Oct. 8 – In Zhoujiazhuang, Hebei Province, China's last people's commune, all the land and labor is owned by the township. Such obsolete terms as “work points or scores” and “grain rations”, used during the planned economy era, are still very much a part of the village life in Zhoujiazhuang. Zhoujiazhuang people's commune survived in spite of the adoption in 1982 of

the agricultural household contract responsibility system across China's rural areas where production and management rights were transferred to farmers under long-term contracts. The collective economy is still practiced today in Zhoujiazhuang because the township achieved great economic success. Figures for the 2005 fiscal year show that the per capita net income of Zhoujiazhuang villagers was 5,018 yuan (US\$632), almost 52 percent higher than the national average of 3,255 yuan (US\$412). However, free enterprise is allowed in Zhoujiazhuang. Commune members are obliged to make contributions to the public accumulated fund because they are also covered under the welfare system (Source: China.org.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 their accuracy and any such information should be checked independently by the reader.*

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