



**REQUEST FOR PROPOSALS  
February 7, 2011**

**PERIOD OF PROPOSAL SUBMISSION ENDS:  
5:30 PM, February 28, 2011**

The U.S.-China Economic and Security Review Commission (hereafter “the Commission”) invites submission of proposals to provide a one-time unclassified report on the status of state-owned enterprises (SOEs) and trends in the development of state capitalism in the People’s Republic of China (PRC), and the potential impacts on future U.S. economic and national security.

ABOUT THE COMMISSION. The Commission was established by Congress in 2000 to monitor and report to Congress on the economic and national security dimensions of the United States’ trade and economic ties with the PRC. Further details about the Commission are available on its website at: [www.uscc.gov](http://www.uscc.gov) .

The Commission solicits this research pursuant to its Congressional mandate (contained in 22 U.S.C. 7002), which states that “The Commission... shall investigate and report exclusively on...

“ECONOMIC TRANSFERS.—The qualitative and quantitative nature of the transfer of United States production activities to the People’s Republic of China, including the relocation of high technology, manufacturing, and research and development facilities, the impact of such transfers on United States national security, the adequacy of United States export control laws, and the effect of such transfers on United States economic security and employment.

...

“ENERGY.—The effect of the large and growing economy of the People’s Republic of China on world energy supplies and the role the United States can play (including through joint research and development efforts and technological assistance) in influencing the energy policy of the People’s Republic of China.

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“WORLD TRADE ORGANIZATION COMPLIANCE.—The compliance of the People’s Republic of China with its accession agreement to the World Trade Organization (WTO).”

ABOUT PROPOSALS. The Commission solicits proposals from contractors capable of providing a one-time unclassified report on the status of state-owned enterprises (SOEs) and trends in the development of state capitalism in the People’s Republic of China (PRC), and the potential impacts on future U.S. economic and national security.

Key issues and questions to be addressed by the report are:

1. Provide a comprehensive overview of the role of SOEs in China's economy.<sup>1</sup> What percentage of China's economy/GDP is composed of SOEs? How does this compare to the private sector? How does China define the private sector? Which sector (public/private) is seeing the fastest growth? And, have these trends changed over time? Also, provide an estimate as to macro-level employment and production statistics for SOEs relative to the statistics for the private sector.
2. Differentiate, as much as possible, between SOEs that are owned by the central government and those that are owned by provincial, municipal, or county governments in China. Are there any broad distinctions between these categories of state enterprises in terms of their business and investment activity? How responsive is each category to central government planning and direction?
3. Provide assessments/clarifications on terminology: What constitutes an SOE in China? What is the distinction between a company that is "state-owned" vs. one that is "state-controlled", "state-invested" or "state-influenced"? How do U.S. regulatory agencies (such as the Securities and Exchange Commission and the Federal Trade Commission) define levels of state ownership and control? Also, what influence does the state exert over companies that claim that they are "private," but which may have significant linkages to the state (i.e., Lenovo, Huawei, etc.)?
4. Past research by the USCC has identified those economic sectors that the Chinese government treats as "strategic" or "heavyweight,"<sup>2</sup> and has also discussed the Chinese government's industrial policy to support favored companies and economic sectors.<sup>3</sup> Provide a comprehensive list of the SOEs most prominent in the "strategic" and "heavyweight" sectors, to include an analysis of the estimated market share (in China's domestic economy, by sector) for each company.
5. How do China's most prominent and influential economists discuss the roles of the public and private sectors relative to one another in the macroeconomy? Is there a preferred theoretical model – and if so, what is it? Similarly, is there such an economic model that it predominant among PRC officials?

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<sup>1</sup> For the purposes of this project, the definition of "state-owned enterprises" will include companies owned by local and regional governments in the PRC, as well as those controlled by the central government.

<sup>2</sup> U.S.-China Economic and Security Review Commission, *Annual Report to Congress 2009* (Washington, DC: U.S. Government Printing Office, November 2009), p. 59. See also USCC Staff and Reperi LLC, *The National Security Implications of Investments and Products from the People's Republic of China in the Telecommunications Sector* (USCC staff report), January 2011. For the underlying source of the information, see U.S.-China Economic and Security Review Commission, *Hearing on the Extent of the Government's Control of China's Economy, and Implications for the United States*, written testimony of Barry Naughton and George Haley, May 24, 2007.

<sup>3</sup> U.S.-China Economic and Security Review Commission, *Annual Report to Congress 2009* (Washington, DC: U.S. Government Printing Office, November 2009), chap. 1 sec. 3, "China's Industrial Policy and its Impact on U.S. Companies, Workers, and the American Economy."

6. As data is available (from anti-subsidy or countervailing duty petitions, etc.), explicate the supports provided by the Chinese government to each of the major SOEs identified per item #2 (i.e., favorable tax policies, below-market purchase costs for raw materials, subsidies, etc.). What preferential treatments do SOEs receive relative to private companies competing in the same sector?
7. Utilizing public disclosure forms under U.S. security laws for SOEs that list on U.S. exchanges, what information is available on the support that those companies receive from the Chinese government?
8. Analyze and assess the relationships between state-owned banks and state-owned enterprises in the PRC. What are the supports offered by state-owned banks to SOEs (favorable financing rates, loans that are not repaid, etc.), and how do they compare to the policies of state-owned banks towards private companies – i.e., are private companies competitively disadvantaged by a lack of financing from state-controlled banks, and/or by advantageous terms granted to SOEs?
9. Insofar as data is available, provide estimates on the share of PRC government procurement, and of U.S. government procurement, that are sourced to Chinese SOEs.
10. Assess the role of SOEs as actors state supporting the macroeconomic and industrial development goals laid out in the PRC's Five-Year Plans. What changes, if any, are identified in how China intends to utilize Chinese firms – SOEs or otherwise – in achieving the goals of the government's plans under the soon-to-be-released 12<sup>th</sup> five-year plan?
11. Assess the role of SOEs as state actors in facilitating technology transfer from foreign companies through joint ventures. Are there identifiable patterns in these transfers – i.e., are there any patterns to indicate that particular fields of technology are being targeted?
12. Assess the present and likely future impacts of SOE institutional interests on U.S. and other foreign firms in the Chinese market – i.e., what do the interests of SOEs mean for foreign competitors seeking full market access, “national treatment,” freedom from regulatory discrimination, etc.?
13. What are the impacts and/or distortions that SOEs have on the functioning of a free market in China, and what are the potential implications for foreign firms operating in China? What identifiable roles, if any, do corruption and rent-seeking behavior (i.e., nepotism, bribery, illegal land seizures, etc.) play in the operations of China's SOEs?
14. Assess the role played by SOEs in supporting the PRC's foreign policy goals. Which companies have been selected as “national champions” by the government, and what is the role of SOEs in the PRC's “Going Out” strategy? Describe the role of SOEs in the PRC's overseas resource acquisitions, particularly as it pertains to the energy and mineral sectors. Are there indications that Chinese SOEs are being directly employed in pursuit of PRC state interests, or do they appear to be acting independently in pursuit of

- their own interests? Are their actions compatible with those of “market-based” principles?
15. Explicate the process by which senior managing officials are appointed to SOEs. Who are the actors in the CCP and in PRC government ministries who make these personnel decisions? Explicate the relationships among the hierarchy in upper levels of SOE management – which is to say, what are the dynamics of authority between the company board, the company president and/or CEO, and the company’s CCP Party Secretary? For SOEs that have publicly traded stock, how do these dynamics of authority relate to the fiduciary responsibilities of the board to look out for shareholder interests?
  16. Provide an assessment as to the status of SOEs as domestic political actors within China. Are SOEs firmly subordinated to party/state control, or do SOEs and their senior officials exert influence on government policy-making? If the latter, by what means and to what extent are they able to influence the policy process?
  17. What policies have been pursued by the Chinese government in international negotiations that impact upon SOEs? Specifically, identify how SOEs would have been treated under the PRC’s most recent submission to the World Trade Organization regarding its participation in the Government Procurement Agreement. In addition, identify how China has proposed that its SOEs be treated under ongoing negotiations with the U.S. government on a bilateral investment treaty. How would Chinese SOEs be treated under proposed approaches that have been discussed in APEC or other relevant negotiations? What implications do these international negotiations have on SOEs and on U.S. interests?
  18. Following from the previous questions, provide discussion and assessment as to the place of state capitalism within China’s economy. What are the future prospects for state capitalism in China – both domestically and abroad – and is its role likely to increase or diminish? What does the Chinese Communist Party (CCP) mean when it refers to a “socialist market economy,” or to “capitalism with Chinese characteristics?” What are the prospects for China’s emergence as a “market economy” as commonly understood in relation to WTO accession? And, how is the PRC’s practice of state capitalism likely to impact the United States in the future?

Additional Requirements of the Commission:

1. Prior to the award of any contract, the contractor must be registered in the federal Central Contractor Registry (CCR).
2. Once a contractor has been selected for this project by the Commission and a contract signed, public notice of this will be made on the Commission’s website.
3. The Commission’s goal is to have a report prepared for review in a timely fashion. In ordinary circumstances, once a contractor has been selected by the Commission and a contract signed, a draft of the report must be submitted to the Commission for review

no later than 120 days from the date of contract confirmation. The Commission will then endeavor to provide comments and requests for adjustments within 30 days; subsequently, the final report must be submitted within 30 days of formal receipt of the Commission's comments. The Commission recognizes that, under certain circumstances, a contractor may wish to have more time to prepare the first draft of the report under the contract. The contractor, in their initial submission, should stipulate the time frame for submissions of the initial review draft. It is to be understood, however, that time is of the essence in completing research contracts for the Commission.

4. As work on the report progresses, the Commission's Research Coordinator shall act as a representative of the Commission in monitoring the progress, quality, and responsiveness of the report to the major issues of concern identified in the RFP. The Research Coordinator shall, on request to the contractor, be entitled to informal briefings on the status of the research work and to readings of the draft in progress.
5. The contract shall be subject to termination if the Commission deems that the work is of unsatisfactory quality.
6. At the Commission's discretion, the report procured via this Request for Proposal may be posted on the Commission's website.
7. Each organization or individual responding to this request must warrant that it/he/she will perform this work solely for the Commission, and that the resulting report will not be shared with other parties without the prior written consent of the Commission.
8. The Commission expects contractors to identify all personnel working on the contract, and that there not be any delegation of responsibilities to other parties without prior written approval of the Commission.
9. After completion of the report, the Commission staff, in consultation with the Contractor, will prepare a short summary of the research for posting on the Commission's web site and other media. The Commission staff shall consult with the contractor in preparing said document.
10. At the discretion of the Commission, the contractor will be expected to participate in activities relating to the dissemination of a final report. This could include, but not necessarily be limited to, briefing the content of the research to Commissioners and Commission staff, appearance as witnesses before hearings held by the Commission, and briefing the contents of the research to staff members of committees of the U.S. Congress. Briefing requests will be reasonable and will be subject to mutual agreement.

Primary Selection Criteria:

1. The Commission will determine which organization or individual responding to this request will be awarded the contract based on a comprehensive "best value" analysis of

the proposals received, to include costs, technical value, and ability to complete the work satisfactorily and on time.

2. The primary weighting criterion in selection shall be the assessed qualifications and ability of an organization or individual to address the fundamental research points enunciated above (“key issues and questions to be addressed by the report”).
3. The cost and amount of time necessary to complete the report will also be considered as criteria in the selection process.

Proposal submissions should include:

1. A statement of the applicant’s relevant qualifications to satisfy the terms of this request for proposals (RFP), to include curricula vitae for personnel intended for work on the project;
2. A description of the research methodology the applicant proposes to employ. In describing methodology, the submission should provide detailed descriptions of the sources and methods that will be used to research the report’s topic and the extent to which Chinese language sources, if any, and other primary materials will be used;
3. An estimate of the time the applicant will need to complete the required work;
4. The price the applicant will charge to the Commission to complete the work set forth in this RFP.

Firms and individuals wishing to submit a proposal in response to this Request for Proposal must ensure that the response arrives at the following location by **5:30 PM on February 28, 2011** or it will not be accepted or considered.

Electronic submissions are acceptable.

Proposals, as well as any other correspondence related to this matter, should be directed to:

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