

# U.S.-China Economic and Security Review Commission

Economics and Trade Bulletin



**January 9, 2017**

## Highlights of this Month's Edition

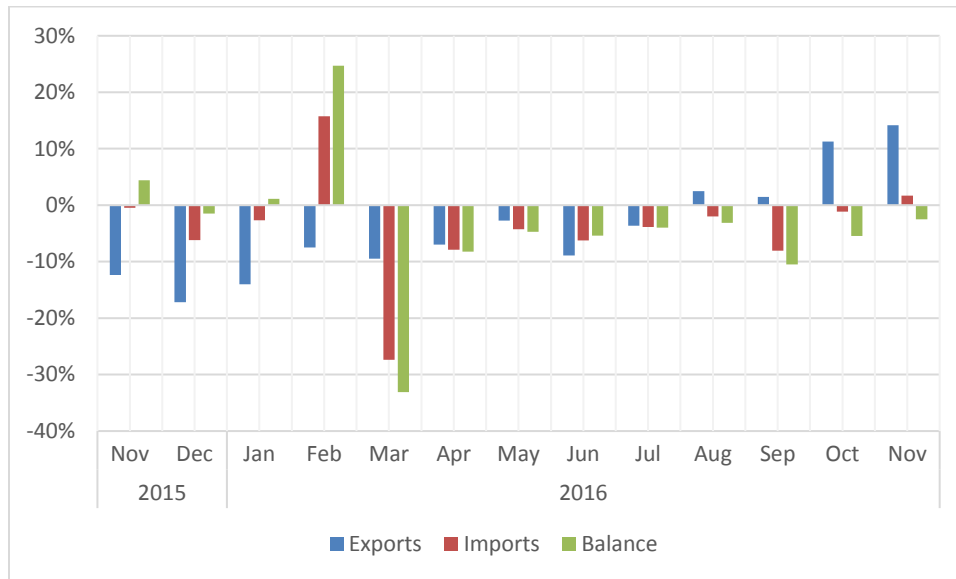
- **Bilateral trade:** U.S. exports to China rise 14.1 percent year-on-year in November 2016, the largest increase since December 2013. Cumulative yearly trade with China and the U.S. goods trade deficit continue to decline year-on-year.
- **Bilateral policy issues:** China launches complaint at the WTO against the United States and EU over market economy status; the United States challenges Chinese grain tariff rate quotas at the WTO; WTO talks to finalize the Environmental Goods Agreement collapsed, due in part to China's last-minute submission of a new product list.
- **Policy trends in China's economy:** Capital outflows continue, forcing the Chinese government to spend down reserves and reinstitute capital controls to maintain the exchange rate; a new directive issued by the Chinese government prohibits social media sites from streaming videos on current events from non-government-approved sources.

## Bilateral Trade

### U.S. Exports to China Grow 14.1 Percent Year-On-Year

In November 2016, the U.S. goods deficit with China totaled \$30.5 billion, a 2.5 percent decrease year-on-year. This decrease was driven primarily by a 14.1 percent year-on-year increase in U.S. goods exports to China from \$10.6 billion in November 2015 to \$12.1 billion in November 2016, the highest year-on-year increase since December 2013. As seen in Figure 1, the U.S. trade deficit in goods declined every month in 2016 on a year-on-year basis since March, mostly due to declining imports and, since August, growing U.S. exports. In November, Chinese exports to the United States increased year-on-year for the first time since February, growing 1.7 percent from \$41.9 billion in 2015 to \$42.6 billion in 2016.

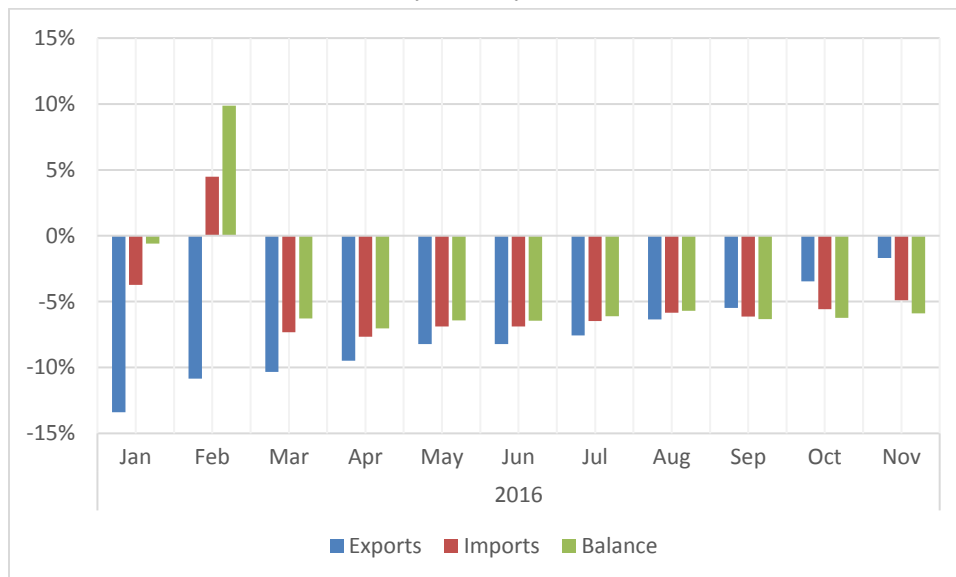
**Figure 1: U.S. Goods Trade with China, November 2015–November 2016**  
(year-on-year)



Source: U.S. Census Bureau – U.S. Department of Commerce, Foreign Trade Division, *NAICS Database*, January 2017. <http://www.census.gov/foreign-trade/balance/c5700.html>.

The cumulative deficit for the first 11 months of the year totaled \$319 billion, a 5.9 percent decrease from the same period in 2015. As seen in Figure 2, cumulative yearly trade with China has declined 4.3 percent year-on-year in November, with cumulative imports down 4.9 percent and cumulative exports down 1.7 percent despite increases in U.S. exports to China in October and November.

**Figure 2: Year-to-Date U.S. Goods Trade with China, January 2016–November 2016**  
(year-on-year)



Source: U.S. Census Bureau – U.S. Department of Commerce, Foreign Trade Division, *NAICS Database*, January 2017. <http://www.census.gov/foreign-trade/balance/c5700.html>.

---

## Bilateral Policy Issues

### China Brings Market Economy Status Dispute to the World Trade Organization

On December 12, China launched a legal challenge in the World Trade Organization (WTO) after the United States and European Union (EU) maintained China’s status as a nonmarket economy (NME).<sup>1</sup> Beijing believes the United States and EU are obligated to grant it market economy status (MES) following the expiration of section 15(a)(ii) of its WTO Accession Protocol on December 11.<sup>2</sup> It likely will take two to three years for the cases to be resolved in the WTO as they make their way through the complicated dispute settlement process.<sup>3</sup> China’s complaint at the WTO was long anticipated, as many trade lawyers in the United States and EU predicted a legal battle if China was not granted MES when the relevant WTO provision expired.<sup>4</sup>

In China’s 2001 WTO accession agreement, Beijing agreed to provisions allowing its trade partners to automatically treat it as an NME for the purposes of antidumping (AD) enforcement for 15 years.<sup>5</sup> This agreement allowed countries to use values from a third country in a similarly situated economic position—not Chinese prices or costs—for AD calculations, unless China could demonstrate market economy conditions prevailed in the relevant industry.<sup>6</sup> Beijing had hoped it would be recognized as a market economy following the provision’s expiration, despite repeated instances of artificially reducing the price of exports with government subsidies—a practice known as “dumping.”<sup>7</sup>

U.S. representatives told Chinese officials during a WTO meeting in July 2016 that the expiration of the accession provision would not be viewed by the United States as a requirement for automatic conferral of MES to China.<sup>8</sup> Instead, the U.S. Department of Commerce and EU Commission would rule on whether to grant China MES.<sup>9</sup> Under the U.S. AD law in the Tariff Act of 1930, the Department of Commerce is responsible for determining whether a country is a market economy for the purposes of AD investigations, and whether MES will apply to the whole country or on a sector-by-sector basis.<sup>†</sup> According to the U.S. AD statute, a “nonmarket economy country” is any foreign country that does not operate on market principles of cost or pricing structures, leading to sales that do not reflect a product’s fair value.<sup>10</sup>

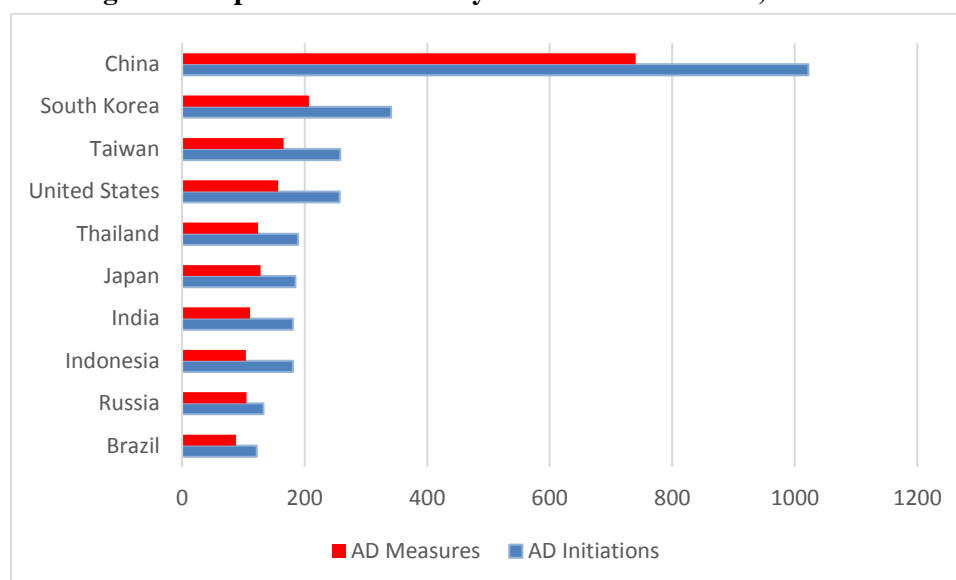
As one of the world’s leading perpetrators of dumping, China does not qualify as a market economy under the Department of Commerce test.<sup>11</sup> In 2016 the United States launched 57 AD and countervailing duty (CVD) investigations against China, 86 percent of the total number of cases it brought in the year.<sup>12</sup> Globally, between 1995 and 2014, 1,052 AD cases were initiated against China—759 of which resulted in the imposition of AD duties—the most of any country and over 700 cases more than were initiated against South Korea, the second-highest AD recipient (see Figure 3).<sup>13</sup> Chinese industries with excess capacity are the most common targets of trade remedy investigations, with 80 percent of the world’s AD and CVD cases against China concentrated in base metals, chemicals, machinery and equipment, textiles, rubber, plastics, stone, cement, and glass.<sup>14</sup>

---

\* For more on China’s MES, see U.S.-China Economic and Security Review Commission, Chapter 1, Section 2, “State-Owned Enterprises, Overcapacity, and China’s Market Economy Status,” in *2016 Annual Report to Congress*, November 2016, 114–119.

† The Department of Commerce uses a six-step test to determine whether a country qualifies as a market economy. The test considers the extent to which the currency of the foreign country is convertible into the currency of other countries, the extent to which wage rates in the foreign country are determined by free bargaining between labor and management, the extent to which joint ventures or other investments by firms of other foreign countries are permitted in the foreign country, the extent of government ownership or control of the means of production, the extent of government control over the allocation of resources and over the price and output decisions of enterprises, and such other factors the administering authority considers appropriate. Tariff Act of 1930, Pub. L. No. 103–465, 1930, codified at 19 U.S.C. § 1677(18).

**Figure 3: Top Ten Economies by AD Actions Received, 1995–2014**



Source: Rui Fan, “China’s Excess Capacity: Drivers and Implications,” *Stewart and Stewart*, June 2015, 12.

If the United States were to grant China MES in the future, the margins of dumping duties imposed on Chinese exports would be significantly reduced, further injuring U.S. companies harmed by China’s anticompetitive activities.<sup>15</sup> Most recently, the United States imposed AD tariffs on Chinese-made washing machines (\$1.1 billion worth of imports in 2015) and announced the launch of an AD investigation into plywood imports from China (more than \$1 billion worth of imports in 2015).<sup>16</sup> The United States’ reliance on AD duties and other punitive tariffs to offset unfair Chinese practices has served to highlight the need for further reform before China can be considered a market economy. In an interview with the *Financial Times*, an unnamed U.S. government official stated, “China has not made the reforms necessary to operate on market principles,” before going on to explain that “the United States is prepared to defend its right at the WTO to protect American workers and firms from the damaging effects of persistent distortions in the Chinese economy.”<sup>17</sup>

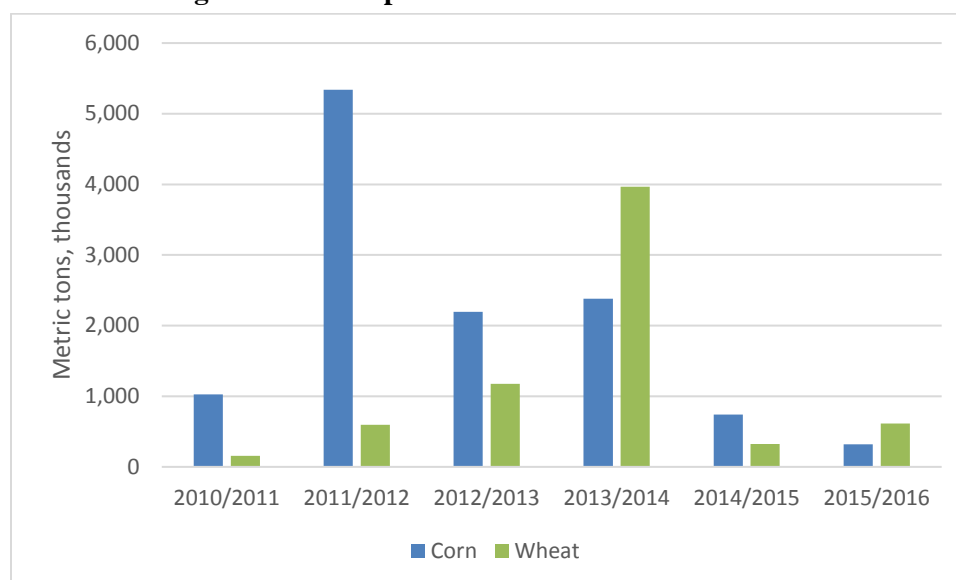
## United States Challenges at the WTO Chinese Tariff Rate Quotas for Rice, Wheat, and Corn

On December 15, 2016, the United States brought a complaint against China’s “opaque and unpredictable” management of tariff rate quotas (TRQs) for rice, wheat, and corn,\* which “breaches China’s WTO commitments and undermines American farm exports.”<sup>18</sup> In its WTO accession agreement, China agreed to apply low tariff rates to imports of grain until total imports have reached a specific quota (5.32 million metric tons for rice, 9.636 million metric tons for wheat, and 7.2 million metric tons for corn). After the quota is reached, the imports are assessed a 65 percent tariff.<sup>19</sup> The Office of the U.S. Trade Representative (USTR) alleges “China’s application criteria and procedures are unclear, and China does not provide meaningful information on how it actually administers the tariff-rate quotas.”<sup>20</sup> The USTR also argues that China maintains “impermissible restrictions on importation, and [fails] to provide notice of the total quantities permitted to be imported and changes to the total quantity permitted to be imported,” which prevents exporters from gaining fair access to China’s market.”<sup>21</sup>

China is an important market for U.S. agricultural exports (see Figure 4), though these volumes would be much higher if China permitted imports in adherence to its WTO commitments. According to the U.S. Department of Agriculture, China’s TRQs for wheat, rice, and corn “were worth over \$7 billion in 2015. If the TRQs had been fully used, China would have imported as much as \$3.5 billion worth of additional crops” in that year.<sup>22</sup>

\* For a discussion of Chinese policies supporting the rice, wheat, and corn industries and their impact on U.S. farmers, see U.S.-China Economic and Security Review Commission, *Economics and Trade Bulletin*, October 7, 2016. <http://www.uscc.gov/trade-bulletin/october-2016-trade-bulletin>.

**Figure 4: U.S. Exports to China of Corn and Wheat**



*Note:* All data presented in Trade Years (TY): wheat is July/June; and coarse grains, corn, barley, sorghum, oats, and rye are Oct/Sept. Rice is not a significant U.S. export to China.

*Source:* U.S. Department of Agriculture, Production, Supply and Distribution.

<https://apps.fas.usda.gov/psdonline/app/index.html#/app/advQuery>.

In September, the USTR brought a separate case against Chinese domestic subsidies for rice, wheat, and corn,<sup>\*</sup> which the USTR estimates to be \$100 billion in excess of China's WTO commitments.

## Environmental Goods Agreement Negotiations Stall

WTO talks to finalize the Environmental Goods Agreement (EGA) collapsed in December, due in part to China's last-minute submission of a new product list that diverged from the positions of the other negotiating members.<sup>23</sup> The deal, which has been under negotiation since July 2014, was expected to be concluded at the December 3–4 EGA ministerial meeting.<sup>24</sup> The agreement aims to reduce or eliminate tariffs on a range of environmental goods, including products for clean and renewable energy, air pollution control, energy efficiency, and environmental monitoring and analysis.<sup>25</sup>

Under the agreement, tariff reductions apply to all WTO members based on the Most Favored Nation principle once countries representing a "critical mass"<sup>†</sup> of global trade in environmental goods back the deal.<sup>26</sup> The agreement builds on an Asia-Pacific Economic Cooperation (APEC) environmental initiative, where APEC members agreed to cut tariffs on 54 environmental goods to 5 percent or less by 2015.<sup>27</sup> Global trade in environmental goods amounts to almost \$1 trillion annually; in 2015, the United States' environmental goods exports totaled \$130 billion.<sup>28</sup> While U.S. tariffs on environmental goods are low, other countries charge tariffs as high as 35 percent.<sup>29</sup> Key roadblocks in the negotiations have included disagreements over product coverage<sup>‡</sup> and tariff phase-out lengths.<sup>30</sup>

<sup>\*</sup> For more on this case, see U.S.-China Economic and Security Review Commission, *Economics and Trade Bulletin*, October 7, 2016. <http://www.uscc.gov/trade-bulletin/october-2016-trade-bulletin>.

<sup>†</sup> EGA participants currently include the United States, Australia, Canada, China, Costa Rica, the EU, Hong Kong, Iceland, Israel, Japan, Korea, New Zealand, Norway, Singapore, Switzerland, Liechtenstein, Taiwan, and Turkey. Altogether, they account for most of global trade in environmental goods. EGA participants have not agreed on the exact percentage that would constitute a "critical mass" of global trade. World Trade Organization, "Progress Made on Environmental Goods Agreement, Setting Stage for Further Talks," December 4, 2016. [https://www.wto.org/english/news\\_e/news16\\_e/ega\\_04dec16\\_e.htm](https://www.wto.org/english/news_e/news16_e/ega_04dec16_e.htm).

<sup>‡</sup> Negotiating countries have had to weigh their commercial interest in protecting domestic industries against having an environmentally credible agreement. The inclusion of bicycles and their components in the product list has been a major sticking point, with China supporting and the EU opposing their inclusion. Tom Miles, "EU Blames China for WTO Environmental Trade Talks Collapse," Reuters, December 4, 2016. <http://www.reuters.com/article/us-trade-environment-idUSKBN13TOMX>.

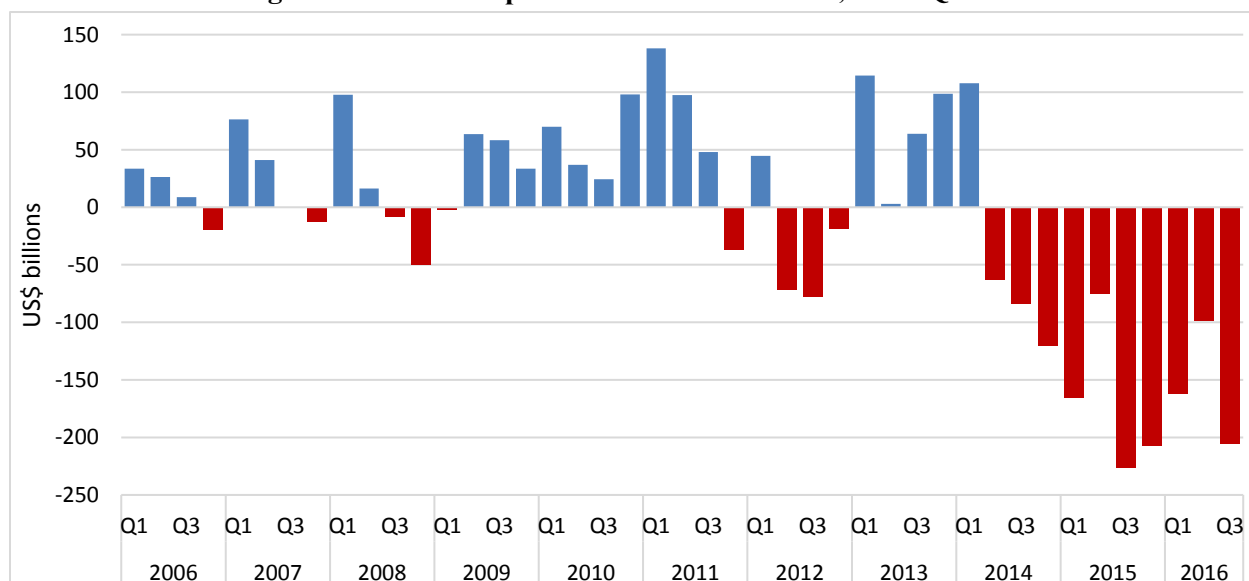
EU trade commissioner Cecilia Malmström faulted China for the breakdown in talks, stating that on the last day of the ministerial, “China came in with their list, bringing in totally new elements of perspective, which was very late in the process.... [T]his made it impossible to find an agreement.”<sup>31</sup> According to media reports, China’s proposal was less ambitious than the APEC product list.<sup>32</sup> Chinese Vice Minister of Commerce Wang Shouwen countered that the product lists presented at the ministerial “failed to reflect the balance of interests of all participants and [were] unable to form the basis for negotiation, putting the discussions into an impasse,” and China had submitted its late product list “to break [the] impasse.”<sup>33</sup> A joint statement by the ministerial co-chairs Malmström and U.S. Trade Representative Michael Froman noted, “The Chairs issued documents designed to stabilize the text of the agreement and produced a revised products list that balances priorities and sensitivities. The participants will now return to capitals to consider next steps.”<sup>34</sup>

## Policy Trends in China’s Economy

### China Capital Outflows Continue

Pursuit of higher returns abroad, expectations of a renminbi (RMB) depreciation, and rising concerns over China’s economic slowdown fueled high levels of capital outflows in 2016.<sup>35</sup> Based on data from the State Administration of Foreign Exchange, capital outflows\* totaled \$303.2 billion in the first three quarters of 2016 compared with \$319.7 billion in the first three quarters of 2015.<sup>36</sup> With the inclusion of “errors and omissions,” a proxy for the amount of unofficial capital flows by investors circumventing China’s tight capital controls,<sup>37</sup> capital outflows totaled \$466.5 billion in the first three quarters of 2016, roughly equal to the amount of outflows in the first three quarters of 2015 (see Figure 5).<sup>38</sup> Such high outflows of financial assets slow economic growth by reducing the availability of domestic capital and generally signal a loss of confidence in a country’s economic strength.

**Figure 5: China’s Capital Inflows and Outflows, 2006–Q3 2016**



Note: Data incorporate errors and omissions.

Source: State Administration of Foreign Exchange via CEIC.

According to the “impossible trinity,” a central bank cannot simultaneously maintain an independent monetary policy,<sup>†</sup> a fixed (or managed) exchange rate, and free international capital flows. Capital outflows have placed significant pressure on the RMB to devalue, forcing the People’s Bank of China (PBOC) to either raise interest

\* In closed capital accounts like China, balance of payments are a proxy to estimate net capital flows. Institute of International Finance, “Capital Flows to Emerging Markets,” January 19, 2016, 14.

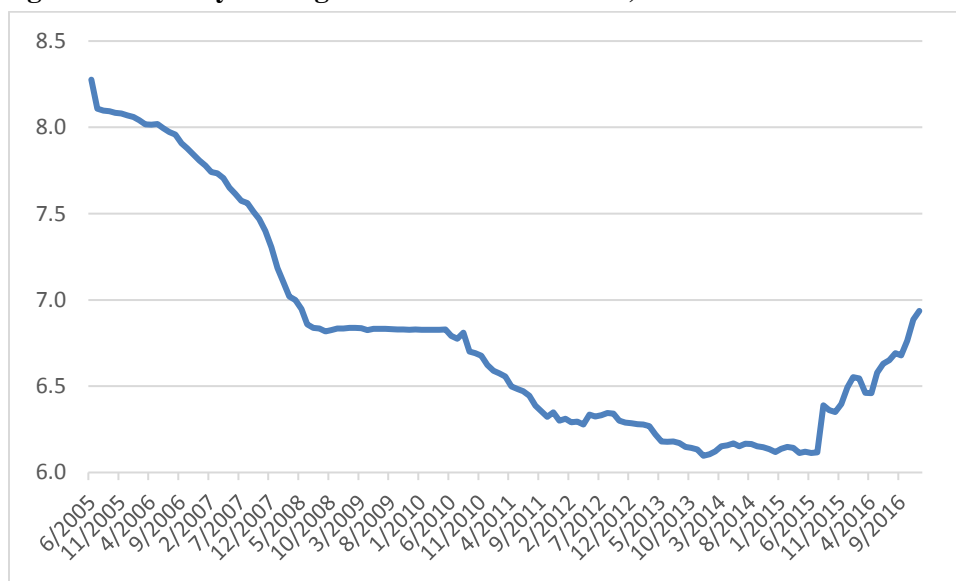
† A government uses reserve requirements for banks, the interest rate charged by the Federal Reserve for lending to other banks, and the sale and purchase of government securities to implement its monetary policies. Federal Reserve Education, “Monetary Policy Basics.” <https://www.federalreserveeducation.org/about-the-fed/structure-and-functions/monetary-policy>.

rates, allow the currency to devalue, or defend the currency with its reserves. Thus far, the PBOC has been unwilling to raise interest rates to attract capital inflows (which would offset devaluation pressure on the RMB) because the higher lending costs would slow economic growth. Instead, the PBOC has sought to maintain the RMB's value at the cost of nearly \$1 trillion in foreign reserves since June 2014.<sup>39</sup> In addition, the State Administration of Foreign Exchange (SAFE) has sought to slow the pace of RMB leaving the country by tightening controls on outflows.<sup>40</sup> But this approach has stalled the RMB's international usage and lowered the attractiveness of China for foreign capital inflows.<sup>41</sup> Based on the data from the Society of Worldwide Interbank Financial Telecommunications, the RMB remained only the fifth-most active currency for global payments, accounting for 2 percent of global payments as of November 2016 compared with the U.S. dollar at 41.1 percent and the euro at 31.6 percent.<sup>42</sup>

### China's Exchange Rate Weakens

The RMB continued to weaken against the U.S. dollar, reversing a decade's worth of appreciation.\* In December 2016, the RMB's monthly average exchange rate devalued to RMB 6.94 per U.S. dollar, an eight-year low (see Figure 6).<sup>43</sup> Investors expect the RMB to weaken as Chinese citizens and global investors move their assets toward higher returns outside China.<sup>44</sup> Chinese citizens are likely to use their \$50,000 annual cap on foreign currency early in 2017 to prevent the devaluation of the RMB from further eroding the value of their assets.<sup>45</sup>

**Figure 6: Monthly Average of RMB to U.S. Dollar, June 2005–December 2016**



Source: People's Bank of China via CEIC.

### Foreign Reserves Fall

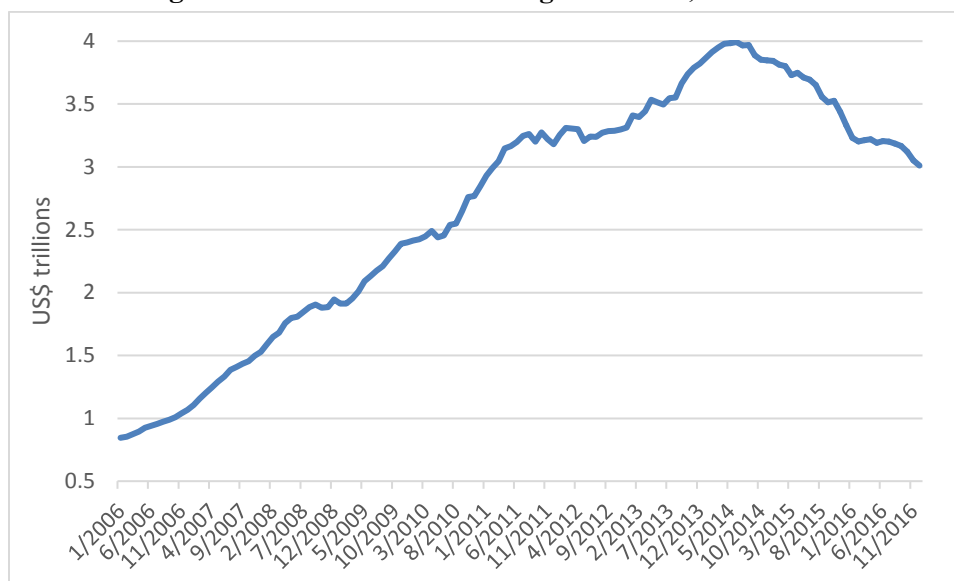
Rather than let market forces determine the RMB exchange rate, the PBOC has been buying up RMB with its foreign reserves to artificially create demand, thus supporting the value of the currency.<sup>46</sup> The PBOC is seeking to manage the volatility of RMB's exchange rate in order to prevent a destabilizing devaluation of the RMB and reassure global and domestic investors about the stability of China's state-led economic growth.<sup>47</sup>

But this policy comes at a significant cost. China's foreign reserves have fallen \$982.7 billion from their \$3,993.2 billion peak in June 2014 to \$3,010.5 billion in December 2016 (see Figure 7).<sup>48</sup> Efforts in early 2016 to stem

\* For more information of China's exchange rate regime, see Eswar S. Prasad, "China's Efforts to Expand the International Use of the Renminbi" (prepared for the U.S.-China Economic and Security Review Commission), February 4, 2016, 27–39. <http://origin.www.uscc.gov/sites/default/files/Research/China%27s%20Efforts%20to%20Expand%20the%20Internationalization%20of%20the%20RMB.pdf>.

outflows by squeezing liquidity in Hong Kong—a major center for onshore and offshore RMB trading—proved successful.<sup>49</sup> The reserves drawdown slowed to \$320 billion in 2016 compared with the \$483.1 decline of reserves in 2015.<sup>50</sup> The Chinese government has been steadily selling its U.S. Treasury securities to support the value of the RMB.<sup>51</sup> From October 2015 to October 2016, China’s holdings of U.S. Treasury securities fell \$139.1 billion, an 11.1 percent year-on-year decline.<sup>52</sup> SAFE has also suggested that some state-owned enterprises convert their foreign currency holdings into RMB to boost RMB demand, and may order such conversions, as necessary, in the future.<sup>53</sup>

**Figure 7: China’s Official Foreign Reserves, 2006–2016**



Source: People’s Bank of China via CEIC.

The PBOC is seeking to reduce further pressure on its foreign exchange reserves by delinking the value of the RMB from the appreciating U.S. dollar. In December 2015, the PBOC made a first step to weaken this linkage by announcing the China Foreign Exchange Trade System RMB Index, which measures the value of the RMB against a basket of 13 currencies.<sup>54</sup> In December 2016, the PBOC widened this basket to 24 countries and further reduced the weight of the U.S. dollar in determining the value of the RMB from 26.4 percent to 22.4 percent.<sup>55</sup> This change allows the RMB more flexibility to devalue, lessening pressure on the PBOC to prop up the value of the RMB with its foreign reserves.

### SAFE Tightens Controls on Capital Outflows

Over the last year, SAFE has tried to curb pressure on the RMB by tightening controls on outflows while gradually loosening restrictions on capital inflows.<sup>56</sup> In early 2016, SAFE sought to close existing loopholes that Chinese citizens and companies have used to move money abroad, and slow the speed of capital outflows by:<sup>57</sup>

- Limiting Chinese citizens’ ability to move assets abroad:* In September 2015, the state-owned China UnionPay set a RMB 100,000 (\$14,451) limit on overseas withdrawals by its cardholders in 2016.<sup>58</sup> In February 2016, China UnionPay announced it would enforce the \$5,000 limit per transaction spent on overseas insurance products.<sup>59</sup> Chinese citizens had previously used the weak enforcement of this \$5,000 limit by swiping their credit cards multiple times to purchase insurance and related investment policies abroad (primarily in Hong Kong), which offered higher returns or better medical coverage.<sup>60</sup> In the first three quarters of 2016, Chinese purchases of Hong Kong insurance and related investment policies reached \$6.3 billion (HKD 48.9 billion) more than double the \$2.7 billion (HKD 21.1 billion) purchased in the first three quarters of 2015.<sup>61</sup> In October 2016, China UnionPay further constrained Chinese citizens’ access to overseas insurance products by permitting the purchase of only accident or medical-related insurance products.<sup>62</sup> Chinese citizens quickly switched to using credit cards from Visa and MasterCard to get around



these restrictions until SAFE implemented a \$5,000 transaction limit on these cards in December 2016.<sup>63</sup> That same month, SAFE also announced additional disclosure requirements for Chinese citizens when using their \$50,000 annual cap on foreign currency, creating an extra burden on foreign investments.<sup>64</sup>

- *Increasing scrutiny of cross-border exchange transfers for illicit transfers:* In early 2016, SAFE increased requirements on foreign currency monitoring requirements for Chinese banks, slowing money transfers for both individuals and companies.<sup>65</sup> In December 2016, Chinese banks lowered the reporting threshold for the amount of money corporations could transfer abroad of foreign currency or RMB from \$50 million to around \$5 million; SAFE will review all transfer requests for over \$5 million.<sup>66</sup> This greater scrutiny is more likely to uncover illicit transfers and slow the overall speed of capital outflows. Later that month, the PBOC tightened financial institutions' reporting requirements of cross-border transactions. Beginning in July 2017, any cross-border transaction valued at RMB 200,000 (\$28,818) or more must be reported to the PBOC.<sup>67</sup>
- *Squeezing liquidity in Hong Kong:* In January 2016, the PBOC expanded reserve requirements on Hong Kong-based RMB deposits from just mainland banks to all offshore banks, thus reducing the availability of RMB funds by around \$23 billion (RMB 150 billion).<sup>68</sup> The PBOC also pressured mainland banks to raise interest rates for Hong Kong-based bank loans, effectively killing the offshore RMB-lending business with higher borrowing costs.<sup>69</sup> Throughout 2016, the PBOC periodically used these policies to raise overnight interbank rates, discouraging speculators that bet the RMB will devalue through prohibitively higher borrowing costs. In January 2017, the PBOC again directed Chinese banks to withhold lending to other banks in order to drive up overnight interbank rates, which increased from 17 percent to 61 percent, the highest rate since last January.<sup>70</sup> This liquidity squeeze has created a shortage of RMB in the Hong Kong market, forcing the Hong Kong Monetary Authority to step in and provide short-term liquidity.<sup>71</sup>

The PBOC and SAFE also sought to attract greater capital inflows by loosening foreign access to China's bond and equity markets. In February 2016, the PBOC expanded access to China's interbank bond market to commercial lenders, insurance banks, securities firms, asset managers, and pension and charity funds, and in April 2016 removed limits for foreign central banks and sovereign wealth funds on the size of investment and ability to remit funds in and out of China.<sup>72</sup> In February 2016, SAFE further loosened restrictions on foreign investors to trade in RMB-denominated securities on China's stock exchanges by easing filing procedures for quotas and restrictions on remitting funds in and out of China.<sup>73</sup> While such policies are a positive step forward, Imrad Ahmad, investment director for emerging market fixed income at Standard Life Investments in London, noted the Chinese government's "assumption has been that they could open up the capital account to foreigners and suddenly money would flow in. That certainly hasn't been the case. Why would institutional investors want to hold renminbi assets when there is this embedded exchange-rate depreciation trend, on top of concerns about growth and financial stability?"<sup>74</sup> The Chinese government will need to permit greater liquidity to attract more capital inflows, enhance auditing and accounting standards, and strengthen regulatory frameworks and corporate governance—reforms the Chinese government has, thus far, been unwilling to implement.<sup>75</sup>

## **Chinese Government Introduces New Ban on Sharing “Unofficial” Videos**

In December 2016, China's State Administration of Press, Publication, Radio, Film and Television (SAPPRFT) banned the posting of some types of videos to online social media. SAPPRFT stated in a notice that only videos from government-licensed providers should be allowed. The directive also states that "Weibo, WeChat and other online social media are not allowed to disseminate user-generated audio or video programs about current events."<sup>76</sup> This policy is the latest in a series of efforts by the Chinese government to increase its control of the rapidly expanding digital landscape in China, particularly the explosive growth over the past couple years in live-streaming and user-generated video services. Credit Suisse predicts China's personal live-streaming market alone will reach \$5 billion in 2017, up from about \$2 billion in 2016.<sup>77</sup> Indeed, the economic interest in online video media extends beyond content-sharing websites and into the e-commerce sphere. Two of China's biggest online shopping sites, Alibaba's Taobao and JD.com, have launched their own live-streaming platforms through which they can promote products sold on their e-commerce sites.<sup>78</sup> Strict control of video content would not only significantly limit U.S.

---

tech companies' access to the estimated 300 million Chinese social media users, but also potentially close one of the few channels of independent political and social reporting available to Chinese netizens.<sup>79</sup>

Under the December directive, SAPPRFT requires that social media sites only circulate news-related audio and video from state-approved providers. The ban specifically applies to videos on “current events,”<sup>80</sup> and seems to be designed to limit the influence of citizen journalists—who upload videos in response to disasters or political scandals—as well as foreign news sources.<sup>81</sup> It is not yet clear how broadly SAPPRFT will interpret the category of “current events,” but the restriction sends yet another signal to social media sites that they need to “strengthen management” of audio visual content.<sup>82</sup>

SAPPRFT's directive adds to the hurdles U.S. social media and e-commerce companies trying to enter the Chinese market already face. The new Cybersecurity Law, published in November 2016, requires all social media companies to store their information for six months, placing a large financial burden on an industry that traffics massive quantities of data; the Cybersecurity Law also holds Internet companies liable if the content shared on their platforms violates information control laws, effectively requiring them to censor themselves.<sup>83</sup> In December 2016, the Cyberspace Administration of China began requiring that all video content providers obtain regulatory accreditation and establish rules for monitoring their own data.\*<sup>84</sup>

The pressure to self-censor is apparent in how social media companies have changed their operations. In April 2016, more than 20 Chinese live-streaming companies responded to government criticism by signing content regulation agreements.<sup>85</sup> The agreements require the storage of user-generated content for 15 days, a real-name registration of users, and the blacklisting of any users who stream content involving politics, guns, drugs, violence, or pornography.<sup>86</sup> U.S. companies, too, have started working on specific content censorship tools in order to avoid government penalties. Facebook, for example, developed software to suppress posts from appearing in people's news feeds in specific geographic areas, and is planning to partner with a Chinese company that can oversee content control.<sup>87</sup> Apple recently agreed to remove the *New York Times* application from its app store (access to the *New York Times* is blocked in China by the Great Firewall).<sup>88</sup>

The overall effect of increased regulatory control of video news content on U.S. firms is uncertain, as the scope and depth of the restrictions are not known.<sup>89</sup> However, taken together, the registration, reporting, and censorship burdens resulting from various laws and restrictions will most likely increase operating costs and create substantial uncertainty about what constitutes allowable content. That two Chinese firms are specifically mentioned in the December 2016 directive, and the formation of the self-regulating group of 20 companies are both indicators that China's government is consolidating video content control, in part by relying on large domestic Internet companies like Tencent and Sina to enforce new restrictions.<sup>90</sup> Increased regulatory burdens could box out small and medium companies, while government-led consolidation likely will further pressure U.S. companies to rely on or partner with their Chinese competition.<sup>91</sup>

---

For inquiries, please contact a member of our economics and trade team (Nargiza Salidjanova, [nsalidjanova@uscc.gov](mailto:nsalidjanova@uscc.gov); Bart Carfagno, [bcarfagno@uscc.gov](mailto:bcarfagno@uscc.gov); Michelle Ker, [mker@uscc.gov](mailto:mker@uscc.gov); Katherine Koleski, [kkoleski@uscc.gov](mailto:kkoleski@uscc.gov); Sean O'Connor, [soconnor@uscc.gov](mailto:soconnor@uscc.gov); or Matt Snyder, [msnyder@uscc.gov](mailto:msnyder@uscc.gov)).

---

\* To receive accreditation, a streaming company is required to hire a news editor to screen all news-related videos before publication. In August 2016, the Cyberspace Administration of China ordered firms to employ teams to constantly review live video content. Chen Na, “China Tightens Rules Covering News Broadcasts on Live Streaming Sites,” *Caixin*, November 4, 2016. <http://english.caixin.com/2016-11-04/101004157.html>.

**Disclaimer:** The U.S.-China Economic and Security Review Commission was created by Congress to report on the national security implications of the bilateral trade and economic relationship between the United States and the People's Republic of China. For more information, visit [www.uscc.gov](http://www.uscc.gov) or join the Commission on Facebook!

This report is the product of professional research performed by the staff of the U.S.-China Economic and Security Review Commission, and was prepared at the request of the Commission to support its deliberations. Posting of the report to the Commission's website is intended to promote greater public understanding of the issues addressed by the Commission in its ongoing assessment of U.S.-China economic relations and their implications for U.S. security, as mandated by Public Law 106-398 and Public Law 113-291. However, it does not necessarily imply an endorsement by the Commission, any individual Commissioner, or the Commission's other professional staff, of the views or conclusions expressed in this staff research report.

## Endnotes

- <sup>1</sup> World Trade Organization, *United States – Measures Related to Price Comparison Methodologies*, Dispute DS515, December 12, 2016. [https://www.wto.org/english/tratop\\_e/dispu\\_e/dispu\\_status\\_e.htm](https://www.wto.org/english/tratop_e/dispu_e/dispu_status_e.htm); World Trade Organization, *European Union – Measures Related to Price Comparison Methodologies*, Dispute DS516, December 12, 2016. [https://www.wto.org/english/tratop\\_e/dispu\\_e/dispu\\_status\\_e.htm](https://www.wto.org/english/tratop_e/dispu_e/dispu_status_e.htm)
- <sup>2</sup> Xinhua, “Refusal to Drop Surrogate Country Approach Puts Trade Ties at Risk,” December 12, 2016. [http://europe.chinadaily.com.cn/business/2016-12/12/content\\_27640870.htm](http://europe.chinadaily.com.cn/business/2016-12/12/content_27640870.htm).
- <sup>3</sup> Lucy Hornby and Shawn Donnan, “China Fights for Market Economy Status,” *Financial Times*, May 9, 2016. <https://www.ft.com/content/572f435e-0784-11e6-9b51-0fb5e65703ce>.
- <sup>4</sup> Lucy Hornby and Shawn Donnan, “China Fights for Market Economy Status,” *Financial Times*, May 9, 2016. <https://www.ft.com/content/572f435e-0784-11e6-9b51-0fb5e65703ce>.
- <sup>5</sup> World Trade Organization, “Accession of the People's Republic of China,” November 23, 2001.
- <sup>6</sup> Alan Price, Timothy Brightbill, and Scott Nance, “The Treatment of China as a Non-Market Economy Country after 2016,” *Wiley Rein LLP*, September 15, 2015, 2.
- <sup>7</sup> Xinhua, “Refusal to Drop Surrogate Country Approach Puts Trade Ties at Risk,” December 12, 2016. [http://europe.chinadaily.com.cn/business/2016-12/12/content\\_27640870.htm](http://europe.chinadaily.com.cn/business/2016-12/12/content_27640870.htm); Christian Tietje and Karsten Nowrot, *Myth or Reality? China's Market Economy Status under WTO Anti-Dumping Law after 2016*, Policy Papers on Transnational Economic Law No. 34 (Transnational Economic Law Research Center, December 2011). <http://tietje.jura.uni-halle.de/sites/default/files/telc/PolicyPaper34.pdf>.
- <sup>8</sup> *China Trade Extra*, “U.S. to China: Non-Market Economy Status Doesn't Automatically End in December,” July 14, 2016. <http://chinatradeextra.com/daily-news/us-china-non-market-economy-status-doesnt-automatically-end-december>.
- <sup>9</sup> Gary Clyde Hufbauer and Cathleen Cimino-Isaacs, “The Outlook for Market Economy Status for China,” *Peterson Institute for International Economics*, April 11, 2016. <https://piie.com/blogs/trade-investment-policy-watch/outlook-market-economy-status-china>.
- <sup>10</sup> Tariff Act of 1930, Pub. L. No. 103-465, 1930, codified at 19 U.S.C. § 1677(18).
- <sup>11</sup> Ian Talley, “U.S. Won't Grant China Market Economy Status, Senior Administration Official Says,” *Wall Street Journal*, December 9, 2016. <http://www.wsj.com/articles/u-s-wont-grant-china-market-economy-status-u-s-senior-official-says-1481318577>. Christian Tietje and Karsten Nowrot, *Myth or Reality? China's Market Economy Status under WTO Anti-Dumping Law after 2016*, Policy Papers on Transnational Economic Law No. 34 (Transnational Economic Law Research Center, December 2011). <http://tietje.jura.uni-halle.de/sites/default/files/telc/PolicyPaper34.pdf>.
- <sup>12</sup> U.S. International Trade Commission, *Antidumping and Countervailing Duty Investigations*. [https://www.usitc.gov/trade\\_remedy/731\\_ad\\_701\\_cvd/investigations.htm](https://www.usitc.gov/trade_remedy/731_ad_701_cvd/investigations.htm).
- <sup>13</sup> Rui Fan, “China's Excess Capacity: Drivers and Implications,” *Stewart and Stewart*, June 2015, 12.
- <sup>14</sup> U.S.-China Economic and Security Review Commission, *Hearing on China's Shifting Economic Realities and Implications for the United States*, oral testimony of Alan Price, February 24, 2016.
- <sup>15</sup> Tom Miles, “U.S., China Clash over Market Economy Status at WTO,” *Reuters*, July 15, 2016. <http://www.reuters.com/article/us-china-usa-trade-idUSKCN0ZUIVU>.
- <sup>16</sup> Shawn Donnan, Lucy Hornby, and Arthur Beesley, “China Challenges EU and US over Market Economy Status,” *Financial Times*, December 12, 2016. <https://www.ft.com/content/6af8da62-bf5d-11e6-9bca-2b93a6856354>.
- <sup>17</sup> Shawn Donnan, Lucy Hornby, and Arthur Beesley, “China Challenges EU and US over Market Economy Status,” *Financial Times*, December 12, 2016. <https://www.ft.com/content/6af8da62-bf5d-11e6-9bca-2b93a6856354>.
- <sup>18</sup> Office of the U.S. Trade Representative, *United States Challenges Chinese Grain Tariff Rate Quotas for Rice, Wheat, and Corn*, December 15, 2016. <https://ustr.gov/about-us/policy-offices/press-office/press-releases/2016/december/united-states-challenges-chinese>.
- <sup>19</sup> United States Department of Agriculture, *China's Growing Demand for Agricultural Imports*, February 2015, 10. <http://www.ers.usda.gov/media/1784488/eib136.pdf>
- <sup>20</sup> Office of the U.S. Trade Representative, *United States Challenges Chinese Grain Tariff Rate Quotas for Rice, Wheat, and Corn*, December 15, 2016. <https://ustr.gov/about-us/policy-offices/press-office/press-releases/2016/december/united-states-challenges-chinese>.

- <sup>21</sup> Office of the U.S. Trade Representative, *United States Challenges Chinese Grain Tariff Rate Quotas for Rice, Wheat, and Corn*, December 15, 2016. <https://ustr.gov/about-us/policy-offices/press-office/press-releases/2016/december/united-states-challenges-chinese>.
- <sup>22</sup> Office of the U.S. Trade Representative, *United States Challenges Chinese Grain Tariff Rate Quotas for Rice, Wheat, and Corn*, December 15, 2016. <https://ustr.gov/about-us/policy-offices/press-office/press-releases/2016/december/united-states-challenges-chinese>.
- <sup>23</sup> International Centre for Trade and Sustainable Development, “Ministerial Talks to Clinch Environmental Goods Agreement Hit Stumbling Block,” December 8, 2016. <http://www.ictsd.org/bridges-news/bridges/news/ministerial-talks-to-clinch-environmental-goods-agreement-hit-stumbling>.
- <sup>24</sup> *Inside U.S. Trade—World Trade Online*, “EGA Ministers Fail to Reach Anticipated Deal Following Negotiations,” December 4, 2016. <https://insidetrade.com/daily-news/ega-ministers-fail-reach-anticipated-deal-following-negotiations>.
- <sup>25</sup> Tom Miles, “WTO Environmental Trade Talk Fails,” Reuters, December 4, 2016. <http://in.reuters.com/article/trade-environment-idINL5N1DZ0IJ>.
- <sup>26</sup> European Commission, “Report from the 15th Round of Negotiations for an Environmental Goods Agreement (EGA),” August 2016. [http://trade.ec.europa.eu/doclib/docs/2016/august/tradoc\\_154835.pdf](http://trade.ec.europa.eu/doclib/docs/2016/august/tradoc_154835.pdf).
- <sup>27</sup> Office of the U.S. Trade Representative, *Environmental Goods Agreement*. <https://ustr.gov/trade-agreements/other-initiatives/environmental-goods-agreement>.
- <sup>28</sup> Office of the U.S. Trade Representative, *Statement by U.S. Trade Representative Michael Froman on G-20 Ministerial: Key Outcomes on Environmental Goods, Excess Capacity*, July 2016. <https://ustr.gov/about-us/policy-offices/press-office/press-releases/2016/july/statement-us-trade-representative>.
- <sup>29</sup> Office of the U.S. Trade Representative, *Statement by U.S. Trade Representative Michael Froman on G-20 Ministerial: Key Outcomes on Environmental Goods, Excess Capacity*, July 2016. <https://ustr.gov/about-us/policy-offices/press-office/press-releases/2016/july/statement-us-trade-representative>.
- <sup>30</sup> *Inside U.S. Trade—World Trade Online*, “EGA Deal Would Not Require Congressional Approval, But Final Talks Grow Difficult,” November 22, 2016. <https://insidetrade.com/daily-news/ega-deal-would-not-require-congressional-approval-final-talks-grow-difficult>.
- <sup>31</sup> Tom Miles, “EU Blames China for WTO Environmental Trade Talks Collapse,” Reuters, December 4, 2016. <http://www.reuters.com/article/us-trade-environment-idUSKBN13T0MX>.
- <sup>32</sup> *Inside U.S. Trade—World Trade Online*, “Key Lawmaker, EU and Industry All Blame China for Torpedoing EGA Deal,” December 7, 2016. <https://insidetrade.com/daily-news/key-lawmaker-eu-and-industry-all-blame-china-torpedoing-ega-deal>.
- <sup>33</sup> International Centre for Trade and Sustainable Development, “Ministerial Talks to Clinch Environmental Goods Agreement Hit Stumbling Block,” December 8, 2016. <http://www.ictsd.org/bridges-news/bridges/news/ministerial-talks-to-clinch-environmental-goods-agreement-hit-stumbling>; *China Daily*, “China Makes Positive Contributions to WTO Negotiation on Environmental Products: Vice Minister,” December 6, 2016. [http://www.chinadaily.com.cn/bizchina/2016-12/06/content\\_27583780.htm](http://www.chinadaily.com.cn/bizchina/2016-12/06/content_27583780.htm).
- <sup>34</sup> Office of the U.S. Trade Representative, *Statement of Ambassador Michael Froman and Commissioner Cecilia Malmström on WTO Environmental Goods Agreement (EGA) Ministerial*, December 2016. <https://ustr.gov/about-us/policy-offices/press-office/press-releases/2016/december/statement-ambassador-michael>.
- <sup>35</sup> Saumya Vaishampayan and Lingling Wei, “Yuan Weakness Spurs Fresh Surge in China Outflows,” November 7, 2016. <http://www.wsj.com/articles/yuan-weakness-spurs-fresh-surge-in-china-outflows-1478520675>.
- <sup>36</sup> State Administration of Foreign Exchange via CEIC.
- <sup>37</sup> Institute of International Finance, “Capital Flows to Emerging Markets,” January 19, 2016, 3.
- <sup>38</sup> State Administration of Foreign Exchange via CEIC.
- <sup>39</sup> People’s Bank of China via CEIC.
- <sup>40</sup> Bloomberg News, “China Gets Strict on Forex Transactions to Stop Money Exiting Abroad,” January 2, 2017. <https://www.bloomberg.com/news/articles/2017-01-03/china-drills-down-into-forex-transactions-as-money-exits-abroad>.
- <sup>41</sup> Gabriel Wildau and Tom Mitchell, “China: Renminbi Stalls on Road to Being a Global Currency,” *Financial Times*, December 11, 2016. <https://www.ft.com/content/e480fd92-bc6a-11e6-8b45-b8b81dd5d080>.
- <sup>42</sup> Society for Worldwide Interbank Financial Telecommunications, “RMB Tracker,” December 2016.
- <sup>43</sup> China Foreign Exchange Trading Center via CEIC; People’s Bank of China via CEIC.
- <sup>44</sup> Saibal Dasgupta, “China Sells off Stock of US Treasury Securities to Protect Yuan,” *Voice of America*, December 30, 2016. <http://www.voanews.com/a/china-sells-united-states-treasury-securities-protect-yuan/3657528.html>; Saumya Vaishampayan and Lingling Wei, “Yuan Weakness Spurs Fresh Surge in China Outflows,” November 7, 2016. <http://www.wsj.com/articles/yuan-weakness-spurs-fresh-surge-in-china-outflows-1478520675>.
- <sup>45</sup> Saumya Vaishampayan and Lingling Wei, “Yuan Weakness Spurs Fresh Surge in China Outflows,” November 7, 2016. <http://www.wsj.com/articles/yuan-weakness-spurs-fresh-surge-in-china-outflows-1478520675>.
- <sup>46</sup> People’s Bank of China via CEIC; Gabriel Wildau and Tom Mitchell, “China: Renminbi Stalls on Road to Being a Global Currency,” *Financial Times*, December 11, 2016. <https://www.ft.com/content/e480fd92-bc6a-11e6-8b45-b8b81dd5d080>.
- <sup>47</sup> Saibal Dasgupta, “China Sells off Stock of US Treasury Securities to Protect Yuan,” *Voice of America*, December 30, 2016. <http://www.voanews.com/a/china-sells-united-states-treasury-securities-protect-yuan/3657528.html>; Bloomberg News, “China Dilutes Dollar Role in Currency Basket, Adds 11 More,” December 29, 2016. <https://www.bloomberg.com/news/articles/2016-12-29/china-reduces-dollar-weighting-in-currency-basket-adds-11-more>.
- <sup>48</sup> People’s Bank of China via CEIC.
- <sup>49</sup> Lingling Wei, “China Sharpens Efforts to Halt Money Outflow,” *Wall Street Journal*, January 27, 2016. <http://www.wsj.com/articles/china-sharpens-efforts-to-halt-money-outflow-1453898254?tesla=y>.
- <sup>50</sup> People’s Bank of China via CEIC.
- <sup>51</sup> Saibal Dasgupta, “China Sells off Stock of US Treasury Securities to Protect Yuan,” *Voice of America*, December 30, 2016. <http://www.voanews.com/a/china-sells-united-states-treasury-securities-protect-yuan/3657528.html>.

- <sup>52</sup> U.S. Department of Treasury via CEIC.
- <sup>53</sup> Bloomberg News, “China Considers Options to Back Yuan, Curb Outflows,” January 3, 2017. <https://www.bloomberg.com/news/articles/2017-01-04/china-said-to-consider-options-to-support-yuan-curb-outflows-ixid9ico>.
- <sup>54</sup> Fion Li, “China’s New Yuan Index: Here’s What the Market Needs to Know,” Bloomberg, December 14, 2015. <https://www.bloomberg.com/news/articles/2015-12-14/china-s-new-yuan-index-here-s-what-the-market-needs-to-know>.
- <sup>55</sup> Bloomberg News, “China Dilutes Dollar Role in Currency Basket, Adds 11 More,” December 29, 2016. <https://www.bloomberg.com/news/articles/2016-12-29/china-reduces-dollar-weighting-in-currency-basket-adds-11-more>.
- <sup>56</sup> Bloomberg News, “China Gets Strict on Forex Transactions to Stop Money Exiting Abroad,” January 2, 2017. <https://www.bloomberg.com/news/articles/2017-01-03/china-drills-down-into-forex-transactions-as-money-exits-abroad>.
- <sup>57</sup> Saumya Vaishampayan and Lingling Wei, “Yuan Weakness Spurs Fresh Surge in China Outflows,” *Wall Street Journal*, November 7, 2016. <http://www.wsj.com/articles/yuan-weakness-spurs-fresh-surge-in-china-outflows-1478520675>.
- <sup>58</sup> Grace Zhu, “China Caps Overseas Cash Withdrawals,” *Wall Street Journal*, September 29, 2015. <http://www.wsj.com/articles/china-caps-overseas-cash-withdrawals-1443520794>.
- <sup>59</sup> Wei Gu, “China UnionPay Clamps down on Foreign Insurance Purchases,” *Wall Street Journal*, February 3, 2016. <http://www.wsj.com/articles/chinese-credit-card-firm-clamps-down-on-foreign-insurance-purchases-1454487192>.
- <sup>60</sup> Chen Dong, “Why Mainlanders Prefer to Buy Insurance in Hong Kong,” *EJInsight*, August 11, 2016. <http://www.ejinsight.com/20160811-why-mainlanders-prefer-to-buy-insurance-in-hong-kong/>.
- <sup>61</sup> Hong Kong Office of the Commissioner of Insurance, *Market Performance of Hong Kong Insurance Industry for First Three Quarters of 2015*, November 30, 2015. [http://www.oci.gov.hk/download/pr\\_20151130.pdf](http://www.oci.gov.hk/download/pr_20151130.pdf); Hong Kong Office of the Commissioner of Insurance, *Market Performance of Hong Kong Insurance Industry for First Three Quarters of 2016*, November 30, 2016. [http://www.oci.gov.hk/download/pr\\_20161130.pdf](http://www.oci.gov.hk/download/pr_20161130.pdf).
- <sup>62</sup> Yifan Xie, “China’s UnionPay Restricts Buying of Overseas Insurance Policies,” *Wall Street Journal*, October 31, 2016. <http://www.wsj.com/articles/chinas-unionpay-restricts-buying-of-overseas-insurance-policies-1477799779>.
- <sup>63</sup> Bloomberg News, “Chinese Buying Insurance in Hong Kong Said to Face Further Curbs,” December 17, 2016. <https://www.bloomberg.com/news/articles/2016-12-18/chinese-buying-insurance-in-hong-kong-said-to-face-further-curbs>.
- <sup>64</sup> Bloomberg News, “China Gets Strict on Forex Transactions to Stop Money Exiting Abroad,” January 2, 2017. <https://www.bloomberg.com/news/articles/2017-01-03/china-drills-down-into-forex-transactions-as-money-exits-abroad>.
- <sup>65</sup> Wei Gu and Chuin-Wei Yap, “China, Fighting Money Exodus, Squeezes Business,” *Wall Street Journal*, March 8, 2016. <http://www.wsj.com/articles/china-fighting-money-exodus-squeezes-business-1457475908>.
- <sup>66</sup> James T. Areddy and Lingling Wei, “Foreign Companies Face New Clampdown for Getting Money out of China,” *Wall Street Journal*, December 1, 2016. <http://www.wsj.com/articles/foreign-companies-face-new-clampdown-for-getting-money-out-of-china-1480604271>.
- <sup>67</sup> Bloomberg News, “China Tightens Anti-Money Laundering Regulations for Banks,” December 30, 2016. <https://www.bloomberg.com/news/articles/2016-12-30/china-tightens-anti-money-laundering-regulations-for-banks>.
- <sup>68</sup> Lingling Wei, “China Sharpens Efforts to Halt Money Outflow,” *Wall Street Journal*, January 27, 2016. <http://www.wsj.com/articles/china-sharpens-efforts-to-halt-money-outflow-1453898254?tesla=y>.
- <sup>69</sup> Lingling Wei, “China Sharpens Efforts to Halt Money Outflow,” *Wall Street Journal*, January 27, 2016. <http://www.wsj.com/articles/china-sharpens-efforts-to-halt-money-outflow-1453898254?tesla=y>.
- <sup>70</sup> Saumya Vaishampayan, Lingling Wei, and Carolyn Cui, “Yuan Reverses Course, Soars against Dollar,” *Wall Street Journal*, January 5, 2017. <http://www.wsj.com/articles/offshore-yuan-borrowing-rate-jumps-to-second-highest-level-1483595388?tesla=y>.
- <sup>71</sup> Saumya Vaishampayan, Lingling Wei, and Carolyn Cui, “Yuan Reverses Course, Soars against Dollar,” *Wall Street Journal*, January 5, 2017. <http://www.wsj.com/articles/offshore-yuan-borrowing-rate-jumps-to-second-highest-level-1483595388?tesla=y>.
- <sup>72</sup> People’s Bank of China, *People’s Bank of China Announcement (2016) Number 3*, February 24, 2016. Staff translation. <http://www.pbc.gov.cn/goutongjiaoliu/113456/113469/3021203/index.html>; Karen Ip et al., “New Rules Broaden Foreign Access to Chinese Interbank Bond Market,” *Herbert Smith Freehills LLP*, March 2, 2016. <http://www.herbertsmithfreehills.com/insights/legal-briefings/new-rules-broaden-foreign-access-to-chinese-interbank-bond-market>; Nicholas Borst, “China’s Bond Market: Larger, More Open, and Riskier,” *Federal Reserve Bank of San Francisco*, May 20, 2016. <http://www.frbsf.org/banking/asia-program/pacific-exchange-blog/china-bond-market-growth-openness-risk/>.
- <sup>73</sup> Karen Ip et al., “China Relaxes QFII Control,” *Herbert Smith Freehills LLP*, February 22, 2016. <http://www.herbertsmithfreehills.com/insights/legal-briefings/china-relaxes-qfii-control>.
- <sup>74</sup> Gabriel Wildau and Tom Mitchell, “China: Renminbi Stalls on Road to Being a Global Currency,” *Financial Times*, December 11, 2016. <https://www.ft.com/content/e480fd92-bc6a-11e6-8b45-b8b81dd5d080>.
- <sup>75</sup> Gabriel Wildau and Tom Mitchell, “China: Renminbi Stalls on Road to Being a Global Currency,” *Financial Times*, December 11, 2016. <https://www.ft.com/content/e480fd92-bc6a-11e6-8b45-b8b81dd5d080>; U.S.-China Economic and Security Review Commission, “Chapter 1, Section 3: China’s 13th Five-Year Plan,” *2016 Annual Report to Congress*, November 2016. [http://origin.www.uscc.gov/sites/default/files/Annual\\_Report/Chapters/Chapter%201%2C%20Section%203%20-%2013th%20Five-Year%20Plan.pdf](http://origin.www.uscc.gov/sites/default/files/Annual_Report/Chapters/Chapter%201%2C%20Section%203%20-%2013th%20Five-Year%20Plan.pdf).
- <sup>76</sup> Benjamin Haas, “China Restricts Sharing of ‘Unofficial’ Videos on Social Media,” *Guardian*, December 20, 2016. <https://www.theguardian.com/world/2016/dec/21/china-restricts-sharing-of-unofficial-videos-on-social-media>.
- <sup>77</sup> Ben Moshinsky, “Chinese Millennials Have Created a \$5 Billion Industry in Their Search for 15 Minutes of Fame,” *Business Insider*, September 15, 2016. <http://www.businessinsider.com/credit-suisse-note-on-chinese-livestreaming-industry-2016-9?r=UK&IR=T>.
- <sup>78</sup> Qian Chen, “China’s Live-Streaming Explosion: A Game Changer for All?” *CNBC*, December 1, 2016. <http://www.cnn.com/2016/12/01/chinas-live-streaming-explosion-a-game-changer-for-all.html>.
- <sup>79</sup> Cindy Chiu, Chris Ip, and Ari Silverman, “Understanding Social Media in China,” *McKinsey and Company*, April 2012. <http://www.mckinsey.com/business-functions/marketing-and-sales/our-insights/understanding-social-media-in-china>; Benjamin Haas,

- “China Restricts Sharing of ‘Unofficial’ Videos on Social Media,” *Guardian*, December 20, 2016.  
<https://www.theguardian.com/world/2016/dec/21/china-restricts-sharing-of-unofficial-videos-on-social-media>.
- <sup>80</sup> State Administration of Press, Publication, Radio, Film and Television, *A Notice from the General Administration: Weibo and WeChat Need to Have Relevant Licensing for Video Content*, December 20, 2016.  
<http://www.sapprft.gov.cn/sapprft/contents/6580/311203.shtml>.
- <sup>81</sup> Qiao Long, “China Bans User-Made, ‘Unlicensed’ Video, Audio from Social Media,” *Radio Free Asia*, December 19, 2016.  
<http://www.rfa.org/english/news/china/video-ban-12192016103336.html>; and Benjamin Haas, “China Restricts Sharing of ‘Unofficial’ Videos on Social Media,” *Guardian*, December 20, 2016. <https://www.theguardian.com/world/2016/dec/21/china-restricts-sharing-of-unofficial-videos-on-social-media>.
- <sup>82</sup> Qiao Long, “China Bans User-Made, ‘Unlicensed’ Video, Audio from Social Media,” *Radio Free Asia*, December 19, 2016.  
<http://www.rfa.org/english/news/china/video-ban-12192016103336.html>.
- <sup>83</sup> Lotus Ruan, “What Does China’s New Cybersecurity Law Mean for Chinese Internet Companies?” *Diplomat*, November 10, 2016.  
<http://thediplomat.com/2016/11/what-does-chinas-new-cybersecurity-law-mean-for-chinese-internet-companies/>.
- <sup>84</sup> Celia Chen, “Live-Streaming Platforms at Risk as Regulators Tighten Rules,” *South China Morning Post*, December 15, 2016.  
<http://www.scmp.com/business/companies/article/2054864/live-streaming-platforms-risk-regulators-tighten-rules>.
- <sup>85</sup> Lotus Ruan, “What Does China’s New Cybersecurity Law Mean for Chinese Internet Companies?” *Diplomat*, November 10, 2016.  
<http://thediplomat.com/2016/11/what-does-chinas-new-cybersecurity-law-mean-for-chinese-internet-companies/>; Catherine Cadell, “China Internet Authority Formalises Regulations for Live-Streaming Industry,” Reuters, November 4, 2016.  
<http://www.cnbc.com/2016/11/04/reuters-america-china-internet-authority-formalises-regulations-for-live-streaming-industry.html>
- <sup>86</sup> Catherine Cadell, “China Internet Authority Formalises Regulations for Live-Streaming Industry,” Reuters, November 4, 2016.  
<http://www.cnbc.com/2016/11/04/reuters-america-china-internet-authority-formalises-regulations-for-live-streaming-industry.html>
- <sup>87</sup> Mike Isaac, “Facebook Said to Create Censorship Tool to Get Back into China,” *New York Times*, November 22, 2016.  
<http://www.nytimes.com/2016/11/22/technology/facebook-censorship-tool-china.html>.
- <sup>88</sup> Katie Benner and Sui-Lee, “Apple Removes New York Times Apps from its Store in China,” *New York Times*, January 4, 2017.  
<http://www.nytimes.com/2017/01/04/business/media/new-york-times-apps-apple-china.html>.
- <sup>89</sup> Benjamin Haas, “China Restricts Sharing of ‘Unofficial’ Videos on Social Media,” *Guardian*, December 20, 2016.  
<https://www.theguardian.com/world/2016/dec/21/china-restricts-sharing-of-unofficial-videos-on-social-media>.
- <sup>90</sup> Lotus Ruan, “What Does China’s New Cybersecurity Law Mean for Chinese Internet Companies?” *Diplomat*, November 10, 2016.  
<http://thediplomat.com/2016/11/what-does-chinas-new-cybersecurity-law-mean-for-chinese-internet-companies/>; Celia Chen, “Live-Streaming Platforms at Risk as Regulators Tighten Rules,” *South China Morning Post*, December 15, 2016.  
<http://www.scmp.com/business/companies/article/2054864/live-streaming-platforms-risk-regulators-tighten-rules>; Catherine Cadell, “China Internet Authority Formalises Regulations for Live-Streaming Industry,” Reuters, November 4, 2016.  
<http://www.cnbc.com/2016/11/04/reuters-america-china-internet-authority-formalises-regulations-for-live-streaming-industry.html>; Benjamin Haas, “China Restricts Sharing of ‘Unofficial’ Videos on Social Media,” *Guardian*, December 20, 2016.  
<https://www.theguardian.com/world/2016/dec/21/china-restricts-sharing-of-unofficial-videos-on-social-media>.
- <sup>91</sup> Celia Chen, “Live-Streaming Platforms at Risk as Regulators Tighten Rules,” *South China Morning Post*, December 15, 2016.  
<http://www.scmp.com/business/companies/article/2054864/live-streaming-platforms-risk-regulators-tighten-rules>.