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U.S.-China Economic and Security Review Commission

Monthly Analysis of U.S.-China Trade Data January 7, 2015

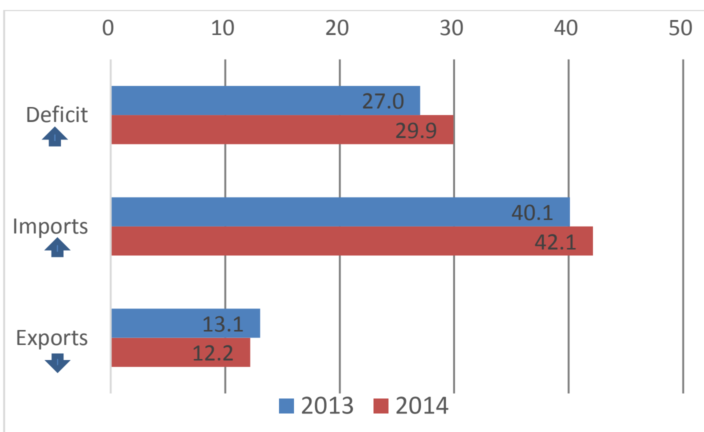
Highlights of this month's edition

- **Bilateral trade:** November trade deficit with China increases 10.7 percent year-on-year; 2014 deficit on track for another record; U.S. exports to China contract for third consecutive month.
- **Bilateral policy issues:** Vice-PM Wang Yang makes conciliatory remarks at JCCT; JCCT renders important outcomes on export controls, medical products, biotech, antitrust; China tables new GPA offer, again piecemeal; China complies early with WTO rare earths ruling.
- **Policy trends in China's economy:** Internet company TenCent launches China's first fully online private bank with Premier Li's blessing.
- **Sector spotlight:** China approves MIR 162 GMO corn trait, paving way for more U.S. corn shipments; asynchronous biotech approvals and other agricultural market barriers remain.

Bilateral Goods Trade

In November, the U.S. trade deficit in goods with China totaled $29.9 billion, a year-on-year increase of 10.7 percent (see Figure 1). The cumulative trade deficit is on track for another record in 2014, increasing by 6.8 percent year-on-year to reach $314.3 billion year-to-date (See Table 1).

Figure 1: U.S. Trade in Goods with China in November, 2014 vs. 2013
(US$ billions)



Source: U.S. Census Bureau, NAICS database (Washington, DC: U.S. Department of Commerce, Foreign Trade Division, January 2015). *http://www.census.gov/foreign-trade/balance/c5700.html.*

There is an increasing imbalance in both exports and imports with China. U.S. imports from China grew 5.0 percent year-on-year in November, compared to an 8.1 percent increase in October and 11.8 percent in September. U.S. exports to China declined for the third month running, contracting by 6.7 percent year-on-year.

Table 1: U.S. Trade in Goods with China, January-November 2014
(US$ billions; growth %)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov
Exports	10.4	9.9	10.8	9	9.2	9.4	9.3	9.6	9.3	12.7	12.2
Imports	38.2	30.7	31.2	36.3	38	39.4	40.2	39.8	44.9	45.2	42.1
Balance	-27.8	-20.9	-20.4	-27.3	-28.8	-30.1	-30.9	-30.2	-35.6	-32.5	-29.9
Total	48.6	40.6	42.1	45.3	47.2	48.8	49.4	49.5	54.2	57.9	54.3
Balance YTD											
2013	-27.8	-51.4	-69.2	-93.4	-121.2	-147.9	-178	-207.8	-238.4	-267.2	-294.2
2014	-27.8	-48.7	-69.1	-96.4	-125.2	-155.2	-186.1	-216.3	-251.8	-284.4	-314.3
yoy growth %											
Exports	10.4%	8.2%	13.6%	0.9%	5.4%	1.5%	6.5%	3.0%	-2.0%	-3.2%	-6.7%
Imports	2.7%	-6.1%	14.4%	9.6%	3.7%	9.8%	3.5%	1.7%	11.8%	8.1%	5.0%

Source: U.S. Census Bureau, NAICS database (Washington, DC: U.S. Department of Commerce, Foreign Trade Division, January 2015). *http://www.census.gov/foreign-trade/balance/c5700.html.*

Agricultural products, the leading U.S. export to China, fell by 6.4 percent year-on-year, accounting for about one-third of the drop in total exports. Among top exports, chemical products also fell 15.5 percent year-on-year, while non-electrical machinery exports declined 10.8 percent. The overall export decline was partially offset by a 7.1 percent year-on-year increase in transportation equipment shipments, illustrating China's sustained demand for U.S. automotive and aerospace products.

Bilateral Policy Issues

25th U.S.-China Joint Commission on Commerce and Trade (JCCT) Roundup

The Fact Sheet for the 25th JCCT was issued on December 29, 2014. The most important outcomes are highlighted below.[i]

- Export Controls*.* The United States agreed to implement the language of the Wassenaar Arrangement[ii] and other multilateral export control revisions which will result in "facilitated exports" to China but only if the products are for civilian end uses or users. The United States also agreed to review the applications from companies meeting Validated End User (VEU) authorization requirements[iii] in a "timely manner." Taken together, these agreements could serve to increase U.S. high-technology exports to China and result in greater bilateral technology transfer.
- Market Access for U.S. Medical Devices and Pharmaceutical Products. China presents a promising market for U.S. healthcare goods and services, but the benefits to U.S. companies have been limited thus far by China's market barriers. To improve market access, China agreed to:
  - Significantly reduce the time-to-market for innovative pharmaceutical products and medical devices, and to "make great efforts" to reduce the current backlog for new drug applications within two to three years.

[i] All information below is taken from U.S. Department of Commerce, *U.S.-China Fact Sheet on 25th Joint Commerce and Trade Commission*, December 29, 2014.
[ii] The Wassenaar Arrangement is a trade arrangement established among member countries to promote transparency and responsibility in the trade in conventional arms and dual-use goods and technologies, in an effort to prevent destabilizing accumulations. Participating states seek to ensure that their domestic policies do not contribute to the "development or enhancement" of military capabilities. Information from Wassenaar Arrangement website. *http://www.wassenaar.org/*.
[iii] Validated End User authorization eliminates the need for individual licenses on the shipment of pre-approved eligible items. VEU authorization is usually required in dual-use technologies and other sensitive, U.S. controlled sectors including super-computing and high-tech manufacturing; via U.S. Department of Commerce website.

    - Exempt more U.S. medical devices and drugs from onerous clinical trials in order to be eligible for the Chinese markets. This pledge was not substantiated by concrete deadlines or commitments to action. However, China did agree to better comply with the Regulations on Supervisory Management of Medical Devices by revising its catalogue for medical devices; allow a drug not marketed in a foreign country to concurrently conduct clinical trials in China and another country; and allow applicants to receive clinical trial waivers for drugs that have been tested in China under the Multi-Regional Clinical Trial data regime, provided their applications meet technical review requirements.
- Agricultural Biotechnology. Both sides agreed to conduct a new "Strategic Agricultural Innovation Dialogue" within the framework of the JCCT. The meetings, held at the vice-ministerial level, will include participation from the Ministry of Agriculture and Ministry of Commerce on the Chinese side and the U.S. Trade Representative and U.S. Department of Agriculture on the U.S. side. Officially aimed at creating a "mutually beneficial exchange and cooperation on agricultural innovation," the mechanism is likely intended to streamline Chinese approvals of new biotechnology traits used in U.S. crops (see Sector Focus below for further analysis).
- Food and Drug Safety Inspections. While China has voiced misgivings over the safety of U.S. biotechnology, its own poor record on food and drug safety has prompted concerns among U.S. consumers who purchase imported Chinese products. The U.S. Food and Drug Administration has a very limited presence in China, making it difficult to inspect local food and drug production facilities. At the JCCT, the two countries agreed to place food and drug safety regulatory staff in each other's country and to promote cooperation between the U.S. Food and Drug Administration and China's General Administration of Quality Supervision, Inspection and Quarantine.
- Antitrust Enforcement in China. U.S. companies face an uneven playing field in the China market. Over the past year, a pressing concern has been China's aggressive use of antimonopoly laws to punish foreign companies. At the JCCT, China clarified that its Antimonopoly Enforcement Agencies (AMEAs) will notify the accused of "facts, reasons, and basis" of the administrative penalties; notify the accused of rights they are entitled to under the AML; provide the accused with the opportunity to defend themselves; and allow the presence of representatives of foreign law firms with established offices in China at meetings with any of the AMEAs. In the interest of transparency, China also said it will "publish the final version of administrative decisions that impose a liability on a party under the AML."
- U.S.-China Climate and Clean Energy Cooperation. Building on President Barack Obama and President Xi Jinping's important climate deal in November, the two countries agreed to hold the "Smart Cities/Smart Growth Business Development Mission" in China on April 12-17 of this year. The U.S. mission will be co-led by Commerce Secretary Penny Pritzker and Energy Secretary Ernest Moniz and will be in collaboration with the Chinese Ministry of Commerce and National Energy Administration.

Vice Premier Wang Yang Makes Conciliatory Remarks at JCCT

During the JCCT, Vice Premier Wang Yang noted in his keynote speech at the Forum on Sino-U.S. Commercial Relations that "China's opening up means that we are willing to join this [U.S. led] system and basically admit these rules and we are also willing to play a constructive role in the international economic system." Wang went on to say "China does not have any ideas or capabilities to challenge the leading role of the United States [in the international economic system]." [1]

Both statements use uncharacteristically strong language about China's desire and willingness to join the U.S.-led "system and rule of the world economy." This is in part due to the MOFCOM translation of certain key terms in the Chinese version—namely "admit" and "play a constructive role." Though China is unlikely to dramatically alter its stance, it could increase its cooperation with the United States on issues that have been difficult to resolve in the past, especially in the economic realm.

China Submits New Offer to Accede to World Trade Organization's (WTO) Government Procurement Agreement (GPA)

China's latest accession offer made another incremental improvement in the scope of coverage, although other GPA parties—including the United States—still deemed it insufficient. The primary improvement in the new offer, submitted on December 22, 2014, is the addition of five provinces and new service sectors:

Sub-central coverage: China's new offer adds the provinces of Shanxi, Heilongjiang, Anhui, Jiangxi, and Hainan to the list of sub-central entities that will agree to abide by the nondiscrimination provisions of the GPA, bringing the total coverage to 15 provinces and all four municipalities.[iv] This still falls short of the U.S. request that China cover all of its 22 provinces, five autonomous regions, and four municipalities. In the latest offer, Beijing proposed that some provinces and all municipalities be covered immediately upon China's accession to the GPA, while the remaining provinces would be covered after a three-year period.

Services: China's new offer expands coverage by including five new service sectors and seven new construction services subsectors. These service sectors are more narrowly defined than the United States requested,[v] which makes coverage limited.[2]

Thresholds: The new offer also lowers the threshold above which procurement would be opened up to foreign bidders, though they will still be phased in over three years. In some cases, the thresholds are in line with those offered by other GPA members.[3] The new thresholds (from the third year) would be:

- Central government entities: 130,000 Special Drawing Rights (SDRs)[vi] for goods and services, 130,000 SDRs for supplies, and 5 million SDRs for construction services;
- Sub-central government entities: 355,000 SDRs for goods and services, 355,000 SDRs for supplies, and 15 million SDRs for construction services;
- Other government entities[vii]: 400,000 SDRs for goods and services, 400,000 SDRs for supplies, and 15,000,000 SDRs for construction services.

Despite the broadened coverage, the new offer will likely fall short of U.S. and EU demands. First, the revised offer still fails to broadly cover state-owned enterprises (SOEs); second, it continues to maintain two of the three broad exclusions from its previous offers:

- Beijing reserves the right to deviate from the national treatment principle in specific procurements for "important national policy objectives";
- China would have the right to impose requirements for technology transfer and the use of domestic content in connection with procurements.[4]

[iv] Including the new additions, the 15 provinces covered are Fujian, Guangdong, Jiangsu, Shandong, Zhejiang, Liaoning, Hebei, Henan, Hubei, Hunan, Shanxi, Heilongjiang, Anhui, Jiangxi, and Hainan. The four municipalities, whose status is equal to that of a province, are Beijing, Shanghai, Tianjin, and Chongqing.

[v] The United States has requested that China define service sectors using broad two-digit Central Products Classification (CPC) codes, while China uses the more narrow three or more digits.

[vi] One SDR, a standard of value used by the International Monetary Fund and based on a basket of major currencies, was valued at approximately $1.43 on January 6, 2015.

[vii] This category (Annex 3) typically includes SOEs, though China's submission is extremely limited.

China dropped the third exclusion, which would have limited central government entities to open procurement only to their offices in Beijing, excluding field offices located in other parts of China.

China Ends Rare Earths Quotas, Introduces Licensing System

The Chinese government announced the end of restrictive quotas on exports of rare earth minerals, tungsten, and molybdenum, which are crucial for many advanced technology industries, including clean energy and weapons guidance systems. The move was widely expected following the WTO dispute settlement body's ruling (upheld on appeal) finding China's exports restrictions on rare earths to be in violation of China's WTO obligations.[viii]

The ending of the quotas will likely have limited impact on the global rare earths market. One reason is that China's exports of rare earths—and therefore the importance of the quotas—started to decline slightly before the WTO's ruling when other nations, pressed by price shocks and limited supply, ramped up their own production or sought alternatives. According to the latest estimates, as other sources of supply became available, China's exports of rare earths started falling below levels permitted by the quota.[5]

Still, the Chinese government does not plan to relinquish control over the rare earths industry following the ending of the quotas. The announcement from China's Ministry of Commerce ending the quotas also introduced a licensing system for enterprises wishing to export rare earths. Enterprises that seek to export rare earths will need to apply for a license, though they do not require prior approval from the Ministry of Commerce.[6]

Policy Trends in China's Economy

Internet Company Launches China's First Fully Online Private Bank

China's first Internet-based private bank issued its inaugural loan on January 4, 2015, to a truck driver in Shenzhen.[7] WeBank, an online-only bank jointly launched by top Chinese Internet company Tencent Holdings (Tencent) and two other private companies, is one of five joint venture banks approved by the China Banking Regulatory Commission (CBRC) last year to start operations under a pilot program.[8] According to WeBank chairman Gu Min, "The bank will focus on financial services including deposit and loan services to individual consumers as well as micro-sized and small enterprises."[9] Prior to WeBank's launch, Minsheng Bank (established in 1996) was China's sole national privately funded bank.[10]

Several other Chinese Internet companies have ventured into financial services.[11] In September, CBRC approved the formation of Zhejiang Internet Commerce Bank, a joint venture between an affiliate of e-commerce giant Alibaba and Fosun International (Fosun), which will also "mainly satisfy the investment and financing needs of micro-companies and individual consumers, which refer to deposit products under [$32,500] and loan products under [$800,000]," according to Fosun.[12] Alibaba and Tencent both offer money market funds, while Alibaba and ecommerce competitor JD.com have set up small loan programs and credit systems for their online customers.[13]

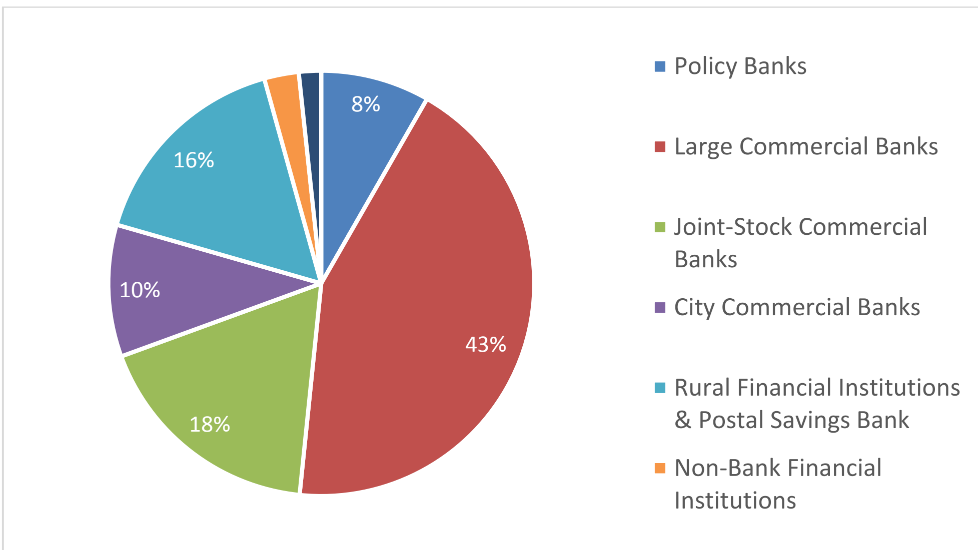
In a show of official approval, Premier Li Keqiang finalized the first loan at WeBank headquarters by pressing 'enter' on a computer keyboard, stating "Internet-based banking is a significant step in China's financial reform" as it will "help compel traditional financial [institutions] to speed up reforms."[14] China's state-owned banks traditionally favor lending to

[viii] For background on the case, see the USCC April 2014 Trade Bulletin. *http://origin.www.uscc.gov/sites/default/files/trade_bulletins/April%202014%20Trade%20Bulletin.pdf.*

larger, state-owned firms, leaving private small- and medium-sized enterprises (SMEs) and individual borrowers with limited access to credit. With increased access to capital, SMEs could add one to two percentage points to China's gross domestic product (GDP) growth, and create up to 11 million jobs, according to Jonathan Woetzel, director of the McKinsey Global Institute in Shanghai.[15]

Opening up China's state-dominated financial system to private banks will also introduce more competition. China's major commercial banks, which comprise state-owned commercial banks and state-controlled joint-stock commercial banks, represent the majority of market share among China's banking institutions (see Figure 2). With substantial access to user data, Internet banks will be able to issue loans at interest rates that are based on analysis of gender, age, education, marital status, and social network presence.[16] If China is able to achieve deregulation of interest rates—including bank deposit rates—as set forth in the Communist Party's reform agenda last year, banks would be forced to compete for deposits by seeking out riskier borrowers who are willing to pay higher rates.[17]

Figure 2: Market Share by Assets of Chinese Banking Institutions,(most state-owned) 2013



Source: China Banking Regulatory Commission, *2013 Annual Report*, p. 156. *http://www.cbrc.gov.cn/chinese/files/2014/A2726BEBE1AA406BB5CAC4ADA3875D35.pdf*.

With no physical branches, online-only banks can reduce operational costs to 10 percent of the industry average.[18] However, without the branch networks traditionally used by banks to attract deposits, small Internet banks may have to shoulder higher funding costs, resulting in higher interest rates for small borrowers.[19]

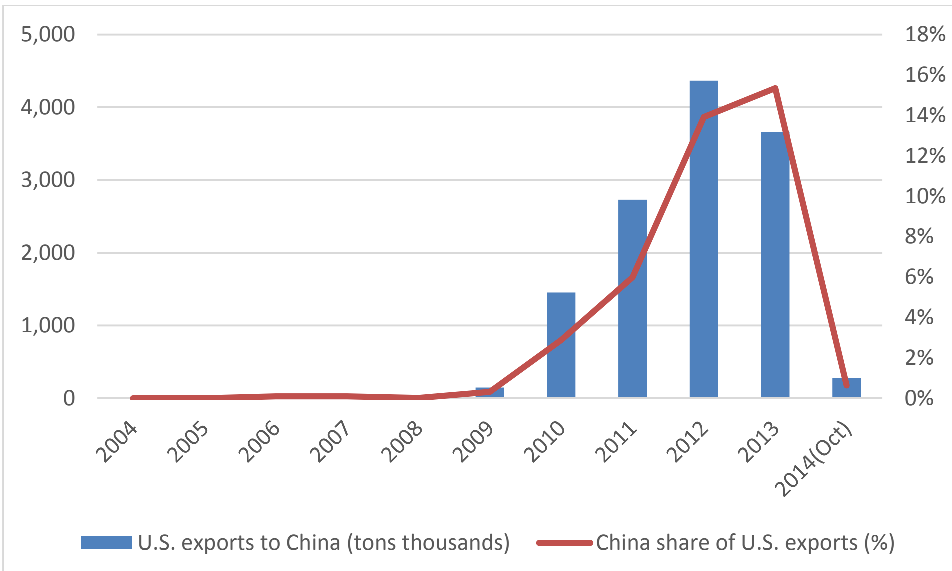
Sector Focus: China Approval of U.S. GMO Corn Only a Partial Victory

A highlight of last month's JCCT talks, announced December 19, was China's approval of MIR 162, a genetically modified corn trait widely used among U.S. corn growers.[20] The United States and China also agreed to conduct an annual Strategic Agricultural Innovation Dialogue at a vice-ministerial level.[21] Corn could now follow in the footsteps of soybeans; after Beijing approved soy biotechnology for import in 2003, soybeans became the top U.S. farm export to China.[22] (China also approved two new strains of soybeans in December.[23])

With China's billion-plus population gravitating increasingly to cities, and people adopting more protein-rich diets, food security is a pressing concern for the party leadership. While China aims to be 95 percent self-sufficient in corn and other staple crops, this policy has become difficult to sustain due to demand for feed grains in the meat sector, declines in arable land and potable water supply, and the government's refusal to grow major GMO crops domestically. In August 2013, China approved its first shipment of genetically modified corn from Argentina.[24] A month later, Xu Xiaoqing, the head of the rural department at the State Council's Development and Research Center, implied China's corn self-sufficiency could fall below 90 percent in the coming years – a marked departure from the status quo.[25]

China's newest GMO approvals may be less significant than they appear, however. China in the past approved an earlier strain of U.S. GMO corn, causing U.S. corn shipments to China to increase substantially in 2009–2012. The past two years, in turn, registered a sharp decline due to China's failure to approve MIR 162 (see Figure 3).

Figure 3: U.S. Corn Exports to China
(Metric tons thousands; share %)



Source: U.S. Department of Agriculture.

Chinese importers, eager to source feed grains for the pork and poultry industry, have resorted to importing the nearest equivalents to corn. In 2014, China accounted for about half of U.S. exports of dried distillers' grains (DDGs), a byproduct of corn-based ethanol production.[ix] These DDG shipments all came in the first half of the year; China's quarantine agency stopped issuing import permits for U.S. DDGs in June, arguing they contained traces of the unapproved GMO corn traits.[26] Although members of the Senate Agriculture Committee complained, China maintained the DDG ban.[27] Meanwhile, U.S. grain sorghum exports hit a 19-year high in 2014, with China accounting for 57 percent of those exports.[28] Sorghum was likely a "plan C" for Chinese importers who failed to access either U.S. corn or DDG products.

While China has approved MIR 162, it maintains a harmful system of "asynchronous approvals" for biotechnology products. Under this system, the government reserves the right to approve GMO traits individually (as opposed to granting equivalency to U.S. regulatory approvals) and only begins the approval process after a new trait has already been approved in the United States. Julius Schaaf, vice chairman of the U.S. Grains Council, told the U.S.-China Economic and Security Review Commission in April 2013 that China's asynchronous approvals slow the

[ix] For more information, see the USCC May 2014 Trade Bulletin. *http://origin.www.uscc.gov/sites/default/files/trade_bulletins/May%202014%20Trade%20Bulletin.pdf.*

deployment of cutting-edge seed technology in the United States, since U.S. corn growers are reluctant to use seeds not eligible in large export markets.[x]

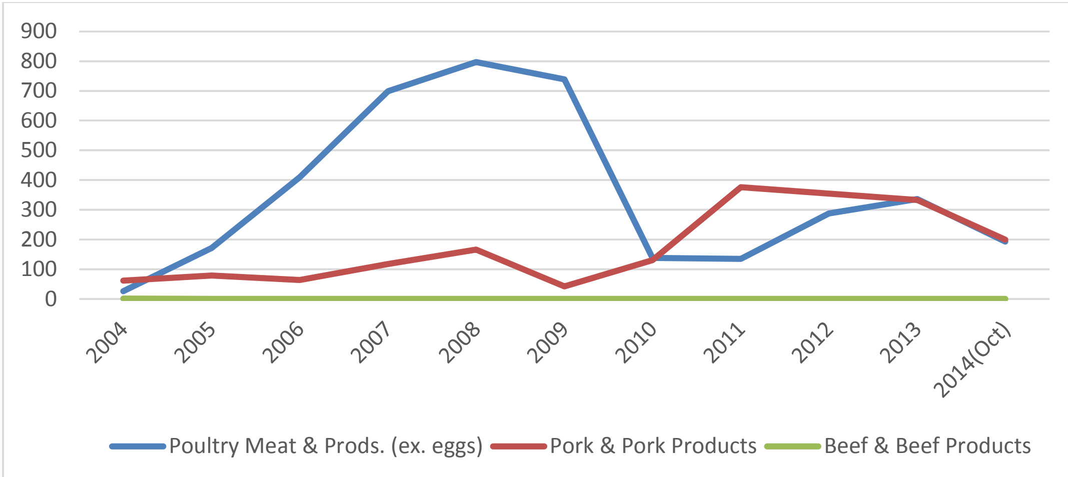
Just a week prior to China's decision to approve MIR 162, a U.S. District Court agreed to consolidate multiple lawsuits filed against Syngenta Corp., the Swiss seed company that developed and marketed the GMO corn trait. A judicial panel found that all the lawsuits, which were filed by corn farmers, exporters, and others, are predicated on the assumption made by Syngenta that the GMO strain will be approved in China.[29] China's decision to approve MIR 162 could let Syngenta off the hook; lawyers for some of the litigants expect Syngenta now to pay legal settlements rather than take the matter to court.[30] Still, similar lawsuits could arise in the future if China delays approval of next-generation corn GMO traits.

Whether the approval of MIR 162 will benefit U.S. corn exporters is questionable, as well. Current global corn stocks are in excess of demand, depressing prices and reducing investor confidence in corn futures. More important, China has not approved all GMO corn varieties grown in the United States, and so reserves the right to ban certain shipments. Another Syngenta variety, known as Agrisure Duracade, was harvested by U.S. farmers for the first time in autumn 2014 and is not yet permitted in China.[31] In addition, China has other means of preventing U.S. corn shipments to the Chinese market, such as delaying the transfer of unused tariff-rate quotas or the issuance of licenses to smaller importers.

For the U.S. farm sector as a whole, the net benefits of shipping corn and its byproducts to China are not clear cut. Meat production adds substantial value to the U.S. economy, and makes more efficient use of U.S. corn than if the crop is shipped in bulk across the Pacific to China's smaller farmers. And yet, China maintains near total self-sufficiency in pork, poultry, and beef. China in the past has stifled imports of U.S. broiler chicken products by levying antidumping duties not compliant with WTO rules. It has also specifically banned the use of ractopamine, a feed additive that accelerates pig growth, forcing U.S. pork farmers to incur significant costs to produce for the Chinese market. China is the world's largest meat consumer, yet over the past three years has accounted for only 10 percent of U.S. pork exports and 6 percent of U.S. poultry exports (in dollars) (see also Figure 4).[32]

[x] For more information on this issue, see U.S.-China Economic and Security Review Commission, *2013 Annual Report to Congress*, Chapter 1.4.

Figure 4: Volume of U.S. Meat Exports to China
(Metric tons thousands)



Source: U.S. Department of Agriculture.

China has repeatedly promised to lift its decade-old ban on U.S. beef. The original justification for the ban was a handful of cases of bovine spongiform encephalopathy (BSE), or "mad cow disease," recorded in the United States in the mid-2000s. Most countries have long since readmitted U.S. beef, which has also been declared safe by international regulatory agencies. At the December 2013 JCCT meeting, China pledged to readmit U.S. beef by July 2014. In March, however, it began to backtrack, arguing the United States had not shared information on the original BSE cases.[33] When the deadline rolled around in July, China again balked, shifting its objections from BSE to the use of cattle feed additives by U.S. beef producers.[34] To add insult to injury, China the same month lifted its ban on Brazilian beef exports, allowing Brazil to join Australia and New Zealand as major beef producers with access to the Chinese market.[35]

China's continual ban on U.S. beef casts doubt on its ability to follow through on JCCT commitments. The dialogue mechanism has had little success so far in opening China to U.S. farm goods. In this sense, China's decision to approve MIR 162 is but a small victory for the United States.

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[1] Wang Yang, "The Road of Sino-U.S. Economic Partnership Will Be Broader and Brighter," (25th Joint Commission on Commerce and Trade, Chicago, IL, December 17, 2014). http://english.mofcom.gov.cn/article/newsrelease/significantnews/201412/20141200849560.shtml

[2] *China Trade Extra*, "U.S. Sees Gains in New China GPA Offer, but Says Big Gaps Still Remain," January 6, 2015. *http://chinatradeextra.com/201501062486515/China-Trade-Extra-General/Daily-News/us-sees-gains-in-new-china-gpa-offer-but-says-big-gaps-still-remain/menu-id-428.html.*

[3] *China Trade Extra*, "U.S. Sees Gains in New China GPA Offer, but Says Big Gaps Still Remain," January 6, 2015. *http://chinatradeextra.com/201501062486515/China-Trade-Extra-General/Daily-News/us-sees-gains-in-new-china-gpa-offer-but-says-big-gaps-still-remain/menu-id-428.html.*

[4] *China Trade Extra*, "U.S. Sees Gains in New China GPA Offer, but Says Big Gaps Still Remain," January 6, 2015. *http://chinatradeextra.com/201501062486515/China-Trade-Extra-General/Daily-News/us-sees-gains-in-new-china-gpa-offer-but-says-big-gaps-still-remain/menu-id-428.html.*

[5] Chuin-Wei Yap, "China Ends Rare-Earth Minerals Export Quotas," *Wall Street Journal*, January 5, 2015. *http://www.wsj.com/articles/china-ends-rare-earth-minerals-export-quotas-1420441285.*

[6] Hongpo Shen, "China Ends 'Export Quota' System and Counters with a 'Strict Export License' to Limit the World's Supply of Rare Earths, Tungsten and Molybdenum," *InvestorIntel*, January 4, 2015. *http://investorintel.com/rare-earth-intel/china-ends-export-quota-system-counters-strict-export-license-policy-limit-worlds-supply-rare-earths-tungsten-molybdenum/.*

[7] Yinan Zhao, "Private Bank Makes First Loan," *China Daily*, January 5, 2015. *http://usa.chinadaily.com.cn/china/2015-01/05/content_19236927.htm*.

[8] Gabriel Wildau, "Tencent Launches China's First Online-Only Bank," *Financial Times*, January 5, 2015. *http://www.ft.com/intl/cms/s/0/ccc5a6dc-9488-11e4-82c7-00144feabdc0.html?siteedition=uk#axzz3Ny8Mtp1G*.

[9] Yinan Zhao, "Private Bank Makes First Loan," *China Daily*, January 5, 2015. *http://usa.chinadaily.com.cn/china/2015-01/05/content_19236927.htm*.

[10] Yinan Zhao, "Private Bank Makes First Loan," *China Daily*, January 5, 2015. *http://usa.chinadaily.com.cn/china/2015-01/05/content_19236927.htm*.

[11] U.S.-China Economic and Security Review Commission, *August 2014 Trade Bulletin*, August 6, 2014, p. 12. *http://origin.www.uscc.gov/sites/default/files/trade_bulletins/August%202014%20Trade%20Bulletin_0.pdf*.

[12] Gabriel Wildau, "Alibaba Affiliate Wins Approval for Bank License," *Financial Times*, September 29, 2014. *http://www.ft.com/intl/cms/s/0/605c26bc-47d3-11e4-ac9f-00144feab7de.html#axzz3Ny8Mtp1G*.

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