U.S.-China Economic and Security Review Commission

Monthly Analysis of U.S.-China Trade Data

September 3, 2015

Highlights of this Month's Edition

- **Bilateral trade:** U.S. goods deficit in July hits $31.6 billion, the highest monthly deficit this year.
- **Policy trends in China's economy:** China devalues the RMB, then intervenes to strengthen it again; persistent volatility in China's stock market fuels investor uncertainty; commodity prices continue to fall as China's economy slows.
- **Sector spotlight – Steel:** In response to declining domestic demand for steel, China's mills export their surplus rather than limit production and lay off workers; U.S. and foreign competitors cite dumping.

Bilateral Trade

U.S. Export Drop Causes Larger Deficit

The U.S. trade deficit in goods with China measured $31.6 billion in July 2015, the highest monthly deficit this year by a small margin, registering a 0.4 percent increase month-on-month and a 2.3 percent increase year-on-year. For the first seven months of 2015, the cumulative goods deficit reached $202.3 billion, up $16.3 billion, or 8.7 percent, from 2014 (see Table 1).

Monthly change in U.S.-China goods imports and exports levels was minimal. At $9.5 billion, U.S. exports to China in July fell 1.9 percent from the previous month, while imports from China, at $41.1 billion, fell by only $68 million, or 0.2 percent, month-on-month. Compared to 2014, exports in 2015 to date were down 3.8 percent, while imports over the same period grew by 5.4 percent.

Table 1: U.S. Goods Trade with China, January–July 2015

(US$ billions)

	Jan	Feb	Mar	Apr	May	Jun	July
Exports	9.6	8.7	9.9	9.3	8.8	9.7	9.5
Imports	38.2	31.2	41.1	35.8	39.2	41.1	41.1
Balance	(28.6)	(22.5)	(31.2)	(26.5)	(30.5)	(31.5)	(31.6)
Balance YTD							
2014	(27.8)	(48.7)	(69.1)	(96.4)	(125.2)	(155.2)	(186.1)
2015	(28.6)	(51.1)	(82.4)	(108.9)	(139.3)	(170.8)	(202.3)

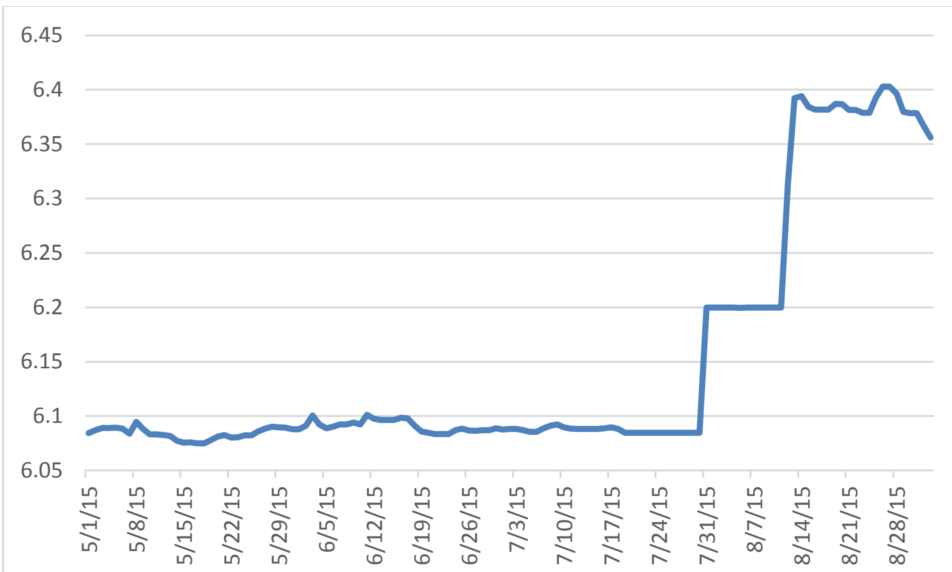
Source: U.S. Census Bureau, NAICS database (Washington, DC: U.S. Department of Commerce, Foreign Trade Division, September 2015). *http://www.census.gov/foreign-trade/balance/c5700.html.*

Policy Trends in China's Economy

China Devalues the RMB, Then Intervenes to Strengthen It Again

As China's economic growth weakened in the first half of 2015, the Chinese government stepped in to act. On August 11, the People's Bank of China (PBOC) unexpectedly devalued the RMB by 1.9 percent, followed by another 1.6 percent cut on August 12, and a 1.1 percent cut on August 13, bringing the total devaluation over three days to 4.4 percent, the biggest drop in decades (see Figure 1). Rather than relying on its traditional method of devaluing the currency—buying dollars and selling RMB—the PBOC set the RMB daily trading rate according to the closing price within its trading band from the previous day. This does not mean the RMB will now have a free-floating exchange rate, since the PBOC reserves the right to reset the exchange rate to any value each trading day.

Figure 1: RMB to U.S. Dollar Exchange Rate, May–September 2015



Source: Oanda, "Historical Exchange Rates." *http://www.oanda.com/currency/historical-rates/.*

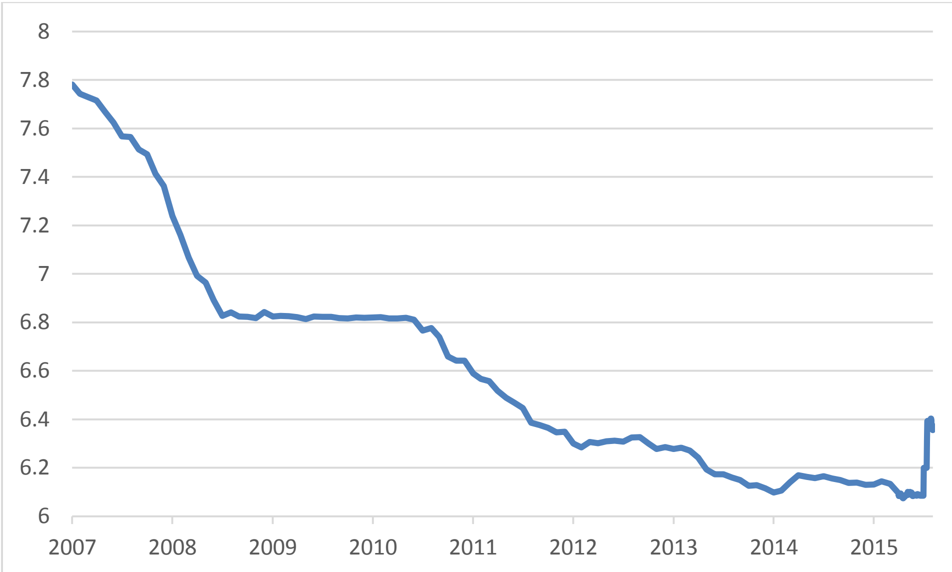
After the three-day devaluation under the new trading system prompted worries that the RMB would have a prolonged fall, the PBOC intervened on August 15, stopping the devaluation and setting the daily RMB-dollar exchange rate marginally higher (see Figure 1). By the end of August, the central bank had spent as much as $200 billion of China's foreign exchange reserves to keep the RMB from falling.[1]

The government's decision to engineer a weaker currency raises concerns among observers that the economy is slowing down much faster than previously thought. It is especially troubling given that for most of 2015, the government intervened in the foreign exchange markets to keep the RMB steady against the dollar. Since May 2015—and until the August 11 devaluation—the RMB barely moved against the dollar (see Figure 1).

Some China watchers welcomed the move to weaken the currency because it better corresponds to the overall state of China's economy. According to Nicholas Lardy, senior fellow at the Peterson Institute for International Economics, if the RMB were permitted to move based on a market-determined exchange rate, it likely would have depreciated on its own in response to China's slowdown.[2] Others, however, have warned that China's government devalued the RMB to help China's battered export sector.[3] China has a history of manipulating its exchange rate for mercantilist purposes; therefore, the burden is high on China to prove that this devaluation of the RMB is indeed a step toward a more market-determined rate and not an opportunistic way to boost competitiveness of its exports.

The RMB's devaluation comes at an awkward time for China as its leadership seeks a broader international role for its currency. In May 2015, the IMF announced that, in its view, China's currency was "no longer undervalued," citing the RMB's appreciation over the previous 12 months.[4] This announcement marked an important reversal by the IMF after more than a decade of criticizing China for tightly managing the RMB's value.

Figure 2: RMB to U.S. Dollar Exchange Rate, 2007–September 2015



Source: Oanda, "Historical Exchange Rates." *http://www.oanda.com/currency/historical-rates/*.

While acknowledging that the RMB has "made real progress" toward appreciation (after the RMB was moved to a managed float in 2005*, it appreciated about 30 percent as seen in Figure 2), the U.S. government continues to maintain that the currency remains "significantly undervalued."[5] In its latest semiannual report to Congress, the U.S. Department of the Treasury pointed to China's high current account surplus and lack of sufficient domestic rebalancing toward consumption over investment as indicators of the RMB's undervaluation. The report also highlighted that China's central bank, the PBOC, continues to intervene in the market to affect the value of the RMB.[6] Following the IMF's announcement, Treasury reiterated its view that the RMB remains significantly undervalued.[7] The only way of determining the actual value of the RMB against the dollar would be to allow the Chinese currency to be freely traded on international currency markets—something Beijing has steadfastly refused to do.

The IMF's decision comes amid China's efforts to promote the RMB for inclusion as a reserve currency in the Special Drawing Rights (SDR) basket at the IMF.† Chinese authorities have expressed strong interest in including the RMB in the SDR basket. IMF First Deputy Managing Director David Lipton said, "RMB inclusion [in the SDR basket] is not a matter of 'if' but 'when.'"[8] The IMF was expected to rule on the SDR basket in October 2015; in August, however, it indicated that the decision will be postponed.[9] A currency must be "freely usable" to be eligible for inclusion—a criterion China does not meet because it maintains strict capital controls and dictates the amount the RMB can move against the dollar.[10] The IMF reviews composition of the SDR basket every five years; therefore, if the RMB were not included in 2015, then—under normal circumstances—it would not be up for reconsideration until 2020. However, the IMF's executive board approved extending the review to September 2016.[11]

* In July 2005, China moved the RMB from a tight peg to the U.S. dollar to a managed float. A decade later, the government retains a firm grip on the currency: The PBOC sets a new value for the RMB-dollar exchange rate each trading day, while permitting fluctuations in intra-day trading within a narrow trading band.

† The SDR is an international reserve asset created by the IMF. Currently, the SDR basket is composed of the U.S. dollar, euro, pound, and yen. See International Monetary Fund, "Special Drawing Rights (SDRs)," April 9, 2015. *http://www.imf.org/external/np/exr/facts/sdr.htm*.

The Chinese government's intervention to keep the RMB steady in the first half of 2015 and in late August partly explains why China's foreign exchange reserves declined* from $4 trillion last year to $3.69 trillion in the second quarter of 2015.[12] The foreign exchange stockpile is expected to fall by an additional $40 billion a month for the remainder of 2015 as the PBOC sells dollars and buys RMB to support the exchange rate.[13] China's official holdings of U.S. Treasuries† dipped briefly in February 2015, but has since recovered, reaching $1.27 trillion in May 2015 (Japan is in second place, with $1.21 trillion).[14]

Stock Market Woes Continue

China's Mainland stock market index dropped to 2,927 in late August, the lowest point since early December 2014 and an indication of China's continuing market volatility.[15] After steep declines in June and July,‡ China's main exchange, the Shanghai Composite Index (SCI), showed signs of recovery in early August; the exchange reached 3,993 on August 17, fueling hopes of a return to market stability (see Figure 3). The selloff quickly reignited, however, as the SCI declined 8.5 percent on August 24—the biggest one-day loss since 2007.[16] The market declined by another 7 percent the following day, bringing shares below the psychologically important 3,000 level.[17] The SCI recovered in the final days of the month, mostly due to increased government buying, growing 5.3 percent on August 27 and 4.8 percent on August 28.[18] Since its peak on June 12, the SCI is still down 38.9 percent, while Shenzhen, China's smaller, tech-dominated exchange, has dropped 24.6 percent.[19] Although the SCI has lost all gains from the year, the market is still up by a third compared to August 2014.[20]

Figure 3: Shanghai Composite Index, May–September, 2015

Source: Bloomberg. *http://www.bloomberg.com/quote/SHCOMP:IND*.

Prior to the August selloff, China was expected to respond to the country's currency devaluation by cutting interest rates and stimulating bank lending. Failure to implement the measures before trading opened in the final week of August, however, disappointed investors and contributed to the market's plummet.[21] On August 25, China did cut interest rates by 0.25 percent for both the one-year lending rate and the one-year deposit rate to mitigate the stock market slide, the fifth time since November it has reduced interest rates to address slowing economic growth.[22] The

* Among other causes of the decline in China's foreign reserves is capital flight (estimates put the amount at $250 billion to $300 billion in the six months to March 2015).

† Because the Chinese government also buys unregistered Treasuries on the secondary market—purchases that do not show up in official tallies—China's actual holdings of U.S. government securities are higher than officially reported.

‡For a description of the June/July stock market crash, see Nargiza Salidjanova, "China's Stock Market Collapse and Government's Response," *U.S.-China Economic and Security Review Commission*, July 13, 2015. *http://origin.www.uscc.gov/sites/default/files/Research/China%E2%80%99s%20Stock%20Market%20Collapse%20and%20Government%E2%80%99s%20Response.pdf*.

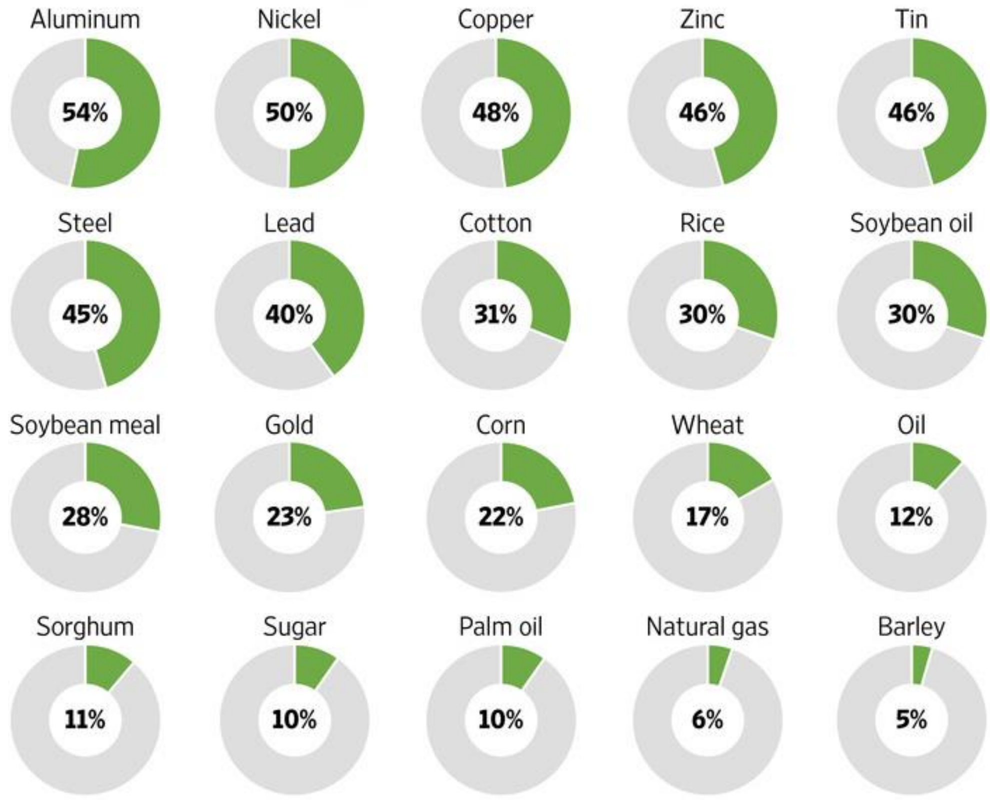
government also eased banks' reserve requirements and injected $21.8 billion into the country's commercial banks in hope of boosting economic activity and increasing confidence among investors.[23] To address destabilizing market forces, Chinese officials began investigating individuals who profited from the crash, with over twenty cases of illegal market activity referred to police. The investigations have targeted journalists, managers at Chinese investment banks, and officials at the China Securities Regulatory Commission, as a self-styled attack on "malicious" short sellers and "rumor-mongering."[24]

The impact of China's latest stock market slowdown has been felt in other Asian markets, with MSCI's index of Asia-Pacific shares declining 8.4 percent in August.[25] Japan's Nikkei stock, meanwhile, was down more than 2 percent in the last week of August.[26] Although Chinese stocks are largely isolated from the global market, U.S. and European exchanges also experienced volatility as instability in China spilled into other Asian markets.

Impact of China's Slowdown on Global Commodities

While China continues to account for a significant share of global commodity consumption (see Figure 4), its weak economic growth is shaking the fortunes of commodity-exporting countries. Surging Chinese demand—estimated to account for between 50 and 100 percent of global consumption increases over the last decade—greatly benefited commodity-rich countries and mining firms and led to major new investments in expanding global supply.[27] However, China's flagging economic growth in the first eight months of 2015 and the turbulence in the stock market since June are worsening conditions for commodity exporters. For instance, driven by demand from China, the prices of iron ore skyrocketed from $19 per ton in 2000 to $159 per ton at its peak in February 2013; mining firms began investing in new mines to meet this growing demand.[28] Iron ore prices have since fallen 66 percent from their peak to roughly $53 per ton as of August 25, 2015 due, in part, to faltering global demand and increasing supply as new mines open.[29] Citigroup also attributes the drop in commodity prices to the political uncertainty arising from President Xi Jinping's anti-corruption drive. State-owned enterprises and local government officials are fearful of being swept up by the anticorruption drive and are reluctant to begin large infrastructure projects, cutting demand for commodities. According to Citigroup, spending on power infrastructure, a state-controlled sector that requires significant copper in its construction, fell in the first seven months of 2015.[30]

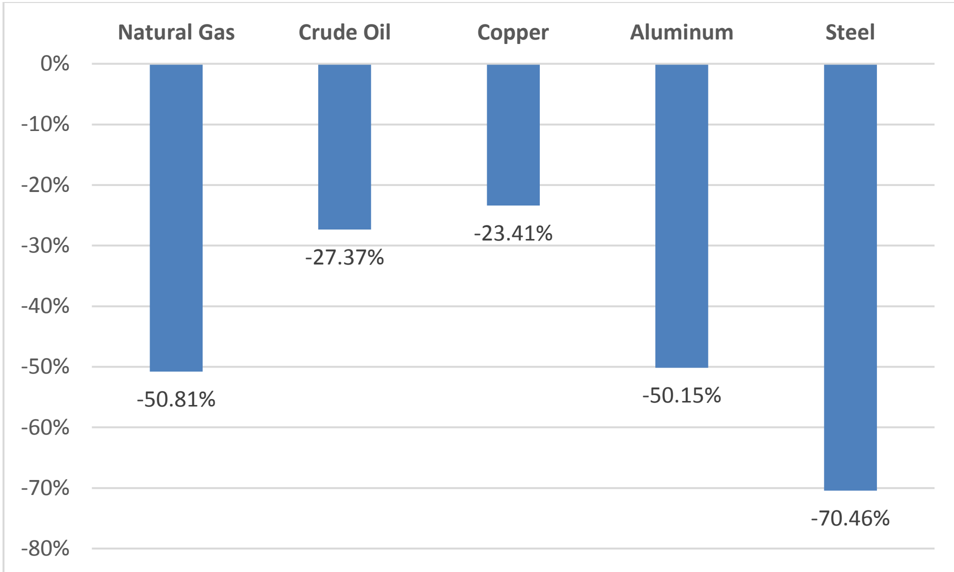
Figure 4: China's Share of World Consumption of Major Commodities



Source: Ese Erheriene and Biman Mukherji, "China Remains a Key Commodity Player, Despite Waning Appetites," *Wall Street Journal*, August 25, 2015. *http://www.wsj.com/articles/china-remains-a-key-commodities-player-despite-waning-appetites-1440534872*.

The Bloomberg Commodity Index, a basket of 22 major resource prices, has fallen nearly 30 percent in the past year.[31] Compared with prices from last September, steel prices dropped approximately 70 percent, copper prices dropped nearly 25 percent, and both aluminum and natural gas prices dropped 50 percent (see Figure 5).[32] With China accounting for the largest share of global demand for these commodities, the continued slowdown in its economy is expected to cause additional drops in commodity prices. At the same time, China is a major producer of commodities and continues to export strategic commodities such as steel (see the next section of this bulletin for more on steel).

Figure 5: Fall in Commodity Prices, September 2014 vs. September 2015



Source: Bloomberg, "Commodities Indexes." *www.bloomberg.com/markets/commodities.*

The collapse in commodity prices is reverberating across the global economy. Commodity-dependent countries are experiencing falling exports, government revenue shortfalls, and rising unemployment. Construction and investment booms financed by high commodity prices are facing cutbacks. Canada's economy, dependent on energy and mining for 17 percent of its gross domestic product (GDP) and around 36 percent of its exports in 2014, contracted in the first and second quarters of 2015.[33] Similarly, Australia, where commodities account for 8 out of its 10 largest exports and mining alone composes roughly 10 percent of its GDP, has faced slowing growth, rising unemployment, depreciation of the Australian dollar, and falling real estate prices. Real estate prices are down 40-50 percent in the mining town Karratha.[34] In Western Australia, which accounts for nearly half of the world's iron ore exports, the local government budget abruptly shifted from surplus to deficit beginning this year.[35] Falling exports and rapidly shrinking profit margins are also affecting other commodity-dependent countries such as Australia, Brazil, Chile, Peru, Venezuela, and Zambia (see Table 2 for selected countries' dependence on China in 2013, latest available).[36] In addition, firms such as the Anglo-Australian miner BHP Billiton Ltd., the world's largest miner, reported an 86 percent drop in net profit last year, and Anglo-Australian miner Rio Tinto posted an 82 percent slump in first-half profits, leading to lay-offs and reductions in investments.[37]

Table 2: Selected Countries' Export Dependence on China, 2013

Country	Importance of Commodities to Economy	China's Share of the Country's Total Exports, 2013
Australia	The world's largest bauxite and alumina (aluminum oxide) and second largest (after China) iron ore, gold, lead, and zinc producer in 2014; accounts for nearly half of the world's iron ore exports	36.1%
Brazil	The world's third largest iron ore and graphite producer in 2014; accounts for nearly 3 percent of global oil production in 2014	19.0%

Canada	Mining composed 17 percent of its GDP and around 36 percent of its exports in 2014	4.3%
Chile	The world's largest producer of copper, accounting for 31 percent of total production in 2014	24.9%
Democratic Republic of Congo	The world's largest producer of cobalt and industrial diamond and fourth largest producer of copper	43.7%
Mongolia	Mineral exports, mainly copper, coal, and gold, accounted for 89 percent of total exports in 2013	90.4%
Peru	The world's third largest producer of silver, copper, tin and zinc	17.5%
Venezuela	The world's largest proven oil reserves, estimated at nearly 18 percent of global reserves	14.0%
Zambia	The world's eighth largest producer of copper; copper accounts for 70 percent of its export earnings	38.7%

Source: U.S. Department of Interior, U.S. Geological Survey, *Mineral Commodity Summaries 2015*, January 30, 2015. *http://minerals.usgs.gov/minerals/pubs/mcs/2015/mcs2015.pdf*; Embassy of Mongolia to the United States, "Economic Overview," *http://mongolianembassy.us/about-mongolia/trade-and-economy/#.Ved60RHBzRY*; *BBC*, "Zambia's Copper Market Hit by China Turmoil," August 31, 2015. *http://www.bbc.com/news/world-africa-34104847*; BP, *BP Statistical Review of World Energy*, June 2015. *https://www.bp.com/content/dam/bp/pdf/Energy-economics/statistical-review-2015/bp-statistical-review-of-world-energy-2015-full-report.pdf*. Paolo Mauro and Jan Zilinsky, "Which Countries are Most Exposed to China?" *Peterson Institute for International Economics*, August 28, 2015. *http://blogs.piie.com/china/?p=4481*.

At the same time, the fall in commodity prices is compounding existing internal problems for these countries. High commodity prices over the past decade allowed countries like Brazil and Venezuela to put off necessary institutional reforms while increasing public spending. Expecting commodity windfalls, Brazil expanded spending on roads, ports, dams, and industries even before its commodities were out of the ground.[38] Issues such as corruption and a complex bureaucracy were largely pushed aside, but the fall in commodity prices, the announcement that over $2 billion has been stolen from the state-owned oil firm Petrobras, and the lack of diversification of the economy have worsened Brazil's economic prospects.[39]

Venezuela, dependent on oil revenue for 40 percent of its government revenue, has been running chronic budget deficits of more than 10 percent of GDP.[40] But the nearly 30 percent fall in oil prices from September 2014 to September 2015 has weakened Venezuela's ability to repay its debts and maintain government revenues.[41] Every one dollar drop in oil prices reduces Venezuela's government revenues by $700 million, a major loss for a country struggling with government debt.[42]

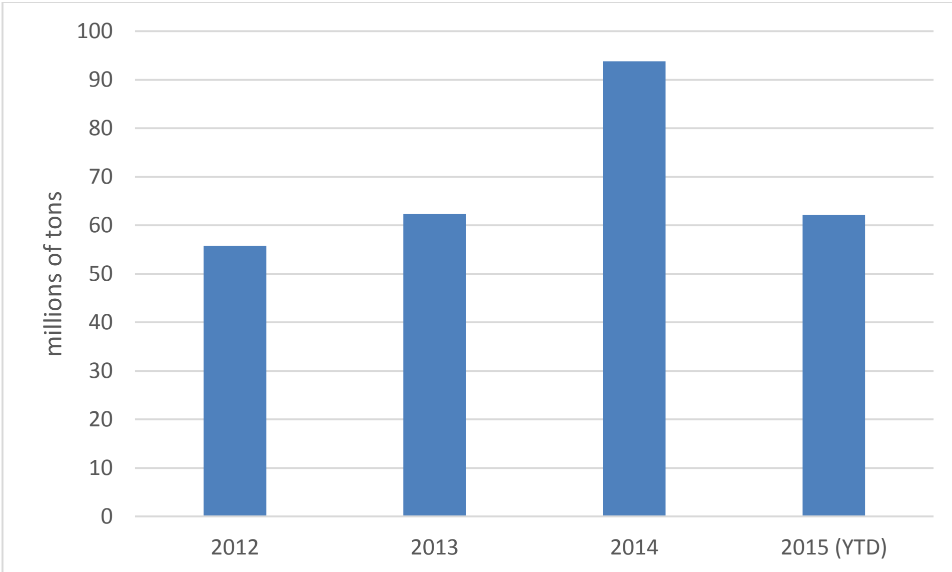
Sector Spotlight: China's Steel Industry Stuck in Overdrive

Faced with declining demand due to cutbacks in residential and commercial construction projects, China's steel industry has chosen to export its surplus steel rather than close mills and lay off Chinese workers. The result is a worldwide glut of steel, falling international steel prices, layoffs at mills in the United States and elsewhere, and growing revenue losses for publicly owned steel companies. U.S. and foreign steel companies are fighting back with antidumping cases that seek higher tariffs against imported Chinese steel, but these remedies are seldom swift or decisive.

In 2014, Chinese steel exports (by volume) grew 50 percent year-on-year.[43] For the first seven months of 2015 Steel exports from China were up by 27 percent year-on-year (see Figure 6); in July 2015 alone Chinese exports of steel rose 9.5 percent over the previous month.[44] By comparison, China's overall exports dropped 8.3 percent in July.[45]

As the global supply of steel rose, international prices fell, with U.S. steel prices hit particularly hard. The U.S. market rate for hot-rolled coil, used primarily for vehicles and buildings, fell 25 percent to $454 a ton year-to-date as of September 3, according to The Steel Index, which tracks steel prices worldwide.[46]

Figure 6: Chinese Global Steel Exports, 2012-2015YTD

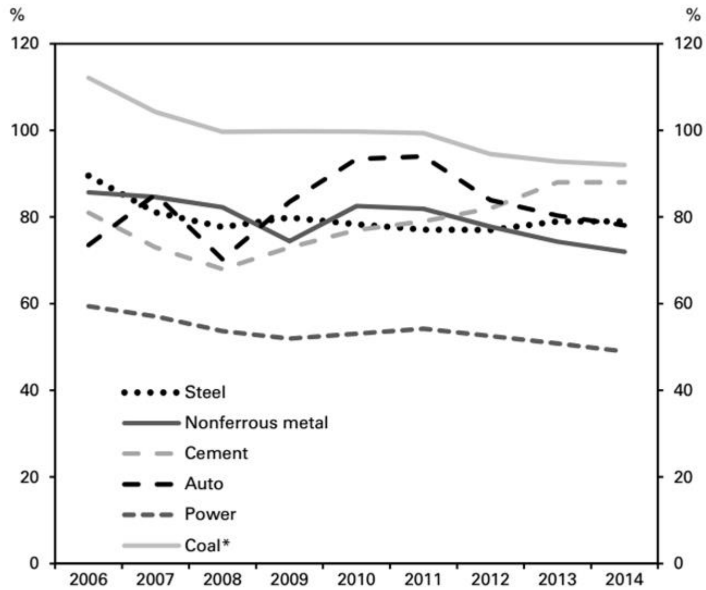


Note: The data for 2015 is through July.
Source: National Bureau of Statistics, via CEIC database.

China is the world's largest steel producer and consumer—able, until recently, to roughly match its output and consumption to about half the world's total. EUROFER, a European steel industry association, now estimates Chinese total capacity for steel at 1.1 billion metric tons. Its excess—or the amount in excess of domestic demand—is 340 million metric tons, which is double the entire European annual steel output

While housing, commercial real estate, and large infrastructure projects have contributed to job creation in the past two decades, China's subsidies to these industries have created pervasive overcapacity in related sectors, particularly steel and cement (see Figure 7).[47] For instance, an additional $60 billion in annual demand is needed to absorb China's excess supply of steel.[48] Where oversupply in a market economy would cause firms to reduce production in order to minimize losses, continued subsidies in China have created cascading oversupply.[49] This excess production has artificially lowered global prices below production costs and significantly reduced the industry's profitability.[50] In April 2015, industry estimates found nearly three-quarters of China's iron ore mines were unprofitable.[51] Rather than letting them close, the State Council reduced the iron ore resource tax 60 percent to shore up struggling producers.[52] While China's steel policies have bolstered domestic employment, they have contributed to the decline in employment levels and profitability of steel firms in the United States and other countries.[53]

Figure 7: China's Capacity Utilization Rates in Selected Sectors



Note 1: Capacity utilization is the operating rate of a firm measured by the (actual output – potential output)/potential output. The gap between the sectors' rate and full utilization (100 percent) indicates a slump in demand.
Note 2: Coal industry utilization rate is shown as over 100 percent in past years because many coal mines' production was over their respective designed production capacity.
Source: Yu Song et al., "Harnessing Global Capital to Drive the Next Phase of China's Growth," *Goldman Sachs,* February 2015, 10. *http://www.goldmansachs.com/our-thinking/our-conferences/us-china-bilateral-investment-dialogue/multimedia/papers/gir-chinas-growth.pdf*.

In response, six steelmakers with U.S. operations filed an antidumping complaint in June against China, India, Italy, South Korea, and Taiwan for the sale of a specialty anticorrosion steel. The steelmakers are United States Steel, Nucor Corp., Steel Dynamics Inc., ArcelorMittal USA, AK Steel Corp., and California Streel Industries.* In a statement, the claimants said imports have "devastated pricing in the U.S. market, increased their share of the U.S. market by undercutting U.S. producers' prices, and caused injury to U.S. producers and their workers." Pittsburgh-based U.S. Steel reported first and second quarter losses shares of the company are down 60 percent from their 52-week high.[54] The claimants in August followed up with a further petition covering hot-rolled coil steel, which has fallen more than 20 percent in price this year.[55]

Under the U.S. antidumping and countervailing duty laws, the U.S. International Trade Commission will determine whether U.S. producers have been "injured" by the sale of goods below the cost of production in the exporting country or by government production subsidies. The Commerce Department then determines the size of the penalty tariffs, if any.

U.S. producers are not alone in raising complaints about dumping by Chinese steel exporters. Earlier this year, the European Commission imposed antidumping duties on certain kinds of industrial steel from several countries, including China.[56]

For inquiries, please contact a member of our economics and trade team (Nargiza Salidjanova, *nsalidjanova@uscc.gov*; Lauren Gloudeman, *lgloudeman@uscc.gov*; Katherine Koleski, *kkoleski@uscc.gov*; Paul Magnusson, *pmagnusson@uscc.gov*; or Sean O'Connor, *so'connor@uscc.gov*).

* All are based in the United States except for ArcelorMittal, which is based in Luxembourg and London but owns mills in Indiana and elsewhere in the United States.

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* 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 supports 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 109-7. 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

1 Robin Wigglesworth, Patrick McGee, and Jamil Anderlini, "Global Stocks Sell-off as China's 'Black Monday' Darkens Markets," *Financial Times*, August 25, 2015.

2 Nicholas R. Lardy, "China's Latest Currency Actions Are Market Driven," *China Economic Watch* (Peterson Institute for International Economics blog), August 11, 2015. *http://blogs.piie.com/china/?p=4465*.

3 *Inside U.S. Trade – World Trade Online*, "China Currency Critics Blast New Devaluation, but Others See Market Shift," August 11, 2012; William Mauldin and Mark Wagnier, "U.S. Strains Mount after China Devalues Yuan," *Wall Street Journal*, August 11, 2015.

4 International Monetary Fund, "IMF Staff Completes the 2015 Article IV Consultation Mission to China," May 26, 2015. *http://www.imf.org/external/np/sec/pr/2015/pr15237.htm*.

5 U.S. Department of the Treasury, *Report to Congress on International Economic and Exchange Rate Policies*, April 9, 2015, 3. *http://www.treasury.gov/resource-center/international/exchange-rate-policies/Documents/Report%20to%20Congress%20on%20International%20Economic%20and%20Exchange%20Rate%20Policies%2004092015.pdf*.

6 U.S. Department of the Treasury, *Report to Congress on International Economic and Exchange Rate Policies*, April 9, 2015, 13. *http://www.treasury.gov/resource-center/international/exchange-rate-policies/Documents/Report%20to%20Congress%20on%20International%20Economic%20and%20Exchange%20Rate%20Policies%2004092015.pdf*.

7 Fion Li, "IMF Says Yuan No Longer Undervalued amid Reserve-Status Push," Bloomberg, May 26, 2015. *http://www.bloomberg.com/news/articles/2015-05-26/imf-says-yuan-is-no-longer-undervalued-amid-reserve-currency-bid*.

8 International Monetary Fund, "IMF Staff Completes the 2015 Article IV Consultation Mission to China," May 26, 2015. *http://www.imf.org/external/np/sec/pr/2015/pr15237.htm*.

9 William Mauldin, "IMF Signals Yuan Won't Become Reserve Currency for at Least a Year," *Wall Street Journal*, August 18, 2015.

10 William Mauldin, "IMF Signals Yuan Won't Become Reserve Currency for at Least a Year," *Wall Street Journal*, August 18, 2015.

11 William Mauldin, "IMF Signals Yuan Won't Become Reserve Currency for at Least a Year," *Wall Street Journal*, August 18, 2015.

12 Anjani Trivedi, "As Markets Swing, Beijing Steadies Yuan," *Wall Street Journal*, July 20, 2015.

13 "China Sells U.S. Treasuries to Support Yuan," Bloomberg, August 27, 2015. *http://www.bloomberg.com/news/articles/2015-08-27/china-said-to-sell-treasuries-as-dollars-needed-for-yuan-support*.

14 U.S. Department of the Treasury, *Major Foreign Holders of U.S. Treasury Securities*, July 16, 2015. *http://www.treasury.gov/ticdata/Publish/mfh.txt*.

15 Samuel Shen and Nathaniel Taplin, "China Stocks Plummet Again as Beijing Sits on Sidelines," Reuters, August 25, 2015. *http://www.reuters.com/article/2015/08/25/us-markets-hongkong-china-stocks-idUSKCN0QU04I20150825*.

16 Kit Tang, "Asian Stocks Crash to Multi-Month Lows; Shanghai Slides 8.5%", CNBC, August 24, 2015. *http://www.cnbc.com/2015/08/23/asia-braces-for-selloff-on-tanking-us-markets.html*.

17 Charles Riley and Sophia Yan, "China Stocks Extend 5-Day Losing Streak," CNN, August 26, 2015. *http://money.cnn.com/2015/08/25/investing/china-stock-market/index.html*.

18 Bauke Schram, "China Stockmarket Rebound the Result of 'Secret' Government Intervention," *International Business Times*, August 27, 2015. *http://www.ibtimes.co.uk/china-stockmarket-rebound-result-secret-government-intervention-1517303*.

19 Bloomberg, "MSCI AC Asia Pacific Index." *http://www.bloomberg.com/quote/MXAP:IND*.

20 S.R., "China's Stockmarket Keeps Plunging but Cooler Heads Prevail," *Free Exchange* (*Economist* blog), August 25, 2015. *http://www.economist.com/blogs/freeexchange/2015/08/chinas-stockmarket*.

21 Samuel Shen and Nathaniel Taplin, "China Stocks Plummet Again as Beijing Sits on Sidelines," Reuters, August 25, 2015. *http://www.reuters.com/article/2015/08/25/us-markets-hongkong-china-stocks-idUSKCN0QU04I20150825*.

22 Charles Riley and Sophia Yan, "China Acts to Boost Economy after Stocks Crash," CNN, August 25, 2015. *http://money.cnn.com/2015/08/25/investing/china-central-bank-interest-rates/?iid=EL*.

23 Charles Riley and Sophia Yan, "China Stocks Extend 5-Day Losing Streak," CNN, August 26, 2015. *http://money.cnn.com/2015/08/25/investing/china-stock-market/index.html*; Patti Waldmeir, Josh Noble, and Stephen Foley, "China Blame Game Spooks Investors," *Financial Times*, September 2, 2015. *https://www.ft.com/960a7ada-514a-11e5-b029-b9d50a74fd14*.

24 Jamil Anderlini, "Beijing Abandons Large-Scale Share Purchases," *Financial Times*, August 30, 2015. *http://www.ft.com/intl/cms/s/0/2f11ebdc-4ef3-11e5-b029-b9d50a74fd14.html#axzz3kPKf9HH1*.

[25] Bloomberg, “Shenzhen Stock Exchange Composite Index.” *http://www.bloomberg.com/quote/SZCOMP:IND*.

[26] Lisa Twaronite, “Asia Extends Global Stocks Rally as Upbeat U.S. GDP Soothes Sentiment,” *Business Insider*, August 28, 2015. *http://www.businessinsider.com/r-asia-extends-global-stocks-rally-as-upbeat-us-gdp-soothes-sentiment-2015-8*.

[27] Sam Ro, “China is the World’s Largest Consumer of Most Commodities,” *Business Insider*, August 11, 2015. *http://www.businessinsider.com/chinas-share-of-global-commodity-consumption-2015-8*.

[28] John Lyons and Paul Kiernan, “How Brazil’s China-Driven Commodities Boom Went Bust,” *Wall Street Journal*, August 27, 2015. *http://www.wsj.com/articles/how-brazils-china-driven-commodities-boom-went-bust-1440728049*; Rebecca Keenan and Helen Yuan, “China Miners’ Loss is BHP’s Gain as Iron Prices Slump 44%,” *BloombergBusiness*, June 20, 2014. *http://www.bloomberg.com/news/articles/2014-06-19/china-miners-loss-is-bhp-s-gain-as-iron-prices-slump-44-*.

[29] Vale, “Iron Ore Indices,” *http://www.vale.com/EN/business/mining/iron-ore-pellets/Pages/Iron-Ore-Indices.aspx*.

[30] Stephen Stapczynski, “China Seen Driving Commodities Lower as Uncertainty Spreads,” *Bloomberg*, September 1, 2015. *http://www.bloomberg.com/news/articles/2015-09-01/china-seen-driving-commodities-lower-as-uncertainty-spreads*.

[31] Bloomberg News, “China’s Biggest Policy Bank Readies War Chest for Resource Deals,” August 31, 2015. *http://www.bloomberg.com/news/articles/2015-08-31/china-s-biggest-policy-bank-readies-war-chest-for-resource-deals*.

[32] Bloomberg, "Commodities Indexes." *www.bloomberg.com/markets/commodities*.

[33] Kim Mackrael, Rhiannon Hoyle, and Kjetil Malkenes Hovland, “Canada Illustrates Plight of Rich but Resource-Dependent Countries,” *Wall Street Journal*, September 1, 2015. *http://www.wsj.com/articles/canada-illustrates-plight-of-rich-but-resource-dependent-countries-1441120664?mod=WSJ_article_EditorsPicks_3*.

[34] Kim Mackrael, Rhiannon Hoyle, and Kjetil Malkenes Hovland, “Canada Illustrates Plight of Rich but Resource-Dependent Countries,” *Wall Street Journal*, September 1, 2015. *http://www.wsj.com/articles/canada-illustrates-plight-of-rich-but-resource-dependent-countries-1441120664?mod=WSJ_article_EditorsPicks_3*; Ali Moore, “When a Slump Hits a Vast Iron Ore Mine in Australia,” *BBC*, August 31, 2015. *http://www.bbc.com/news/business-34082850*.

[35] Kim Mackrael, Rhiannon Hoyle, and Kjetil Malkenes Hovland, “Canada Illustrates Plight of Rich but Resource-Dependent Countries,” *Wall Street Journal*, September 1, 2015. *http://www.wsj.com/articles/canada-illustrates-plight-of-rich-but-resource-dependent-countries-1441120664?mod=WSJ_article_EditorsPicks_3*.

[36] University of Pennsylvania, Wharton School of Business, “Why Latin America Is Feeling the Brunt of China’s Slowdown,” *Knowledge@Wharton*, August 26, 2015. *https://knowledge.wharton.upenn.edu/article/why-latin-america-is-feeling-the-brunt-of-chinas-slowdown/*.

[37] Laurie Burkitt, “China Economic Upheaval Mints Winner and Losers,” *Wall Street Journal*, August 27, 2015. *http://www.wsj.com/articles/winners-losers-in-chinas-upheaval-1440630969*; BBC, “BHP Profits Tumble after Commodity Prices Plunge,” August 25, 2015. *http://www.bbc.com/news/business-34050894*.

[38] John Lyons and Paul Kiernan, “How Brazil’s China-Driven Commodities Boom Went Bust,” *Wall Street Journal*, August 27, 2015. *http://www.wsj.com/articles/how-brazils-china-driven-commodities-boom-went-bust-1440728049*.

[39] John Lyons and Paul Kiernan, “How Brazil’s China-Driven Commodities Boom Went Bust,” *Wall Street Journal*, August 27, 2015. *http://www.wsj.com/articles/how-brazils-china-driven-commodities-boom-went-bust-1440728049*.

[40] Justin Fox, “How Hugo Chavez Trashed Latin America’s Richest Economy,” *BloombergView*, August 27, 2015. *http://www.bloombergview.com/articles/2015-08-27/how-hugo-chavez-trashed-latin-america-s-richest-economy*.

[41] Bloomberg, "Commodities Indexes." *www.bloomberg.com/markets/commodities.*

[42] Lucy Hornby, “Venezuela Secures $5bn China Loan,” *Financial Times*, September 2, 2015. *http://www.ft.com/intl/cms/s/0/2aa9e8ce-5128-11e5-8642-453585f2cfcd.html#axzz3kaSyHLE6*.

[43] Mia Tahara-Stubbs, “More Pain Ahead for China Steel,” CNBC, May 7, 2015. *http://www.cnbc.com/2015/05/07/more-pain-ahead-for-china-steel.html*.

[44] Martin Ritchie and Jasmine Ng, “China Steel Flood Deepens as Mills Face Slowing Local Demand,” Bloomberg News, August 10, 2015. *http://www.bloomberg.com/news/articles/2015-08-09/china-steel-flood-deepens-cutting-earnings-fanning-trade-rows*.

[45] Martin Ritchie and Jasmine Ng, “China Steel Flood Deepens as Mills Face Slowing Local Demand,” Bloomberg News, August 10, 2015. *http://www.bloomberg.com/news/articles/2015-08-09/china-steel-flood-deepens-cutting-earnings-fanning-trade-rows*.

[46] The Steel Index. The Steel Index Price Analyser, FLAT Product/HRC/USA https://www.thesteelindex.com/en/?cid=46&sid=3.

[47] U.S.-China Economic and Security Review Commission, Chapter 1, Section 1, “Year in Review – Economics and Trade,” in *USCC 2014 Annual Report to Congress*, November 2014, 40–44; for a short overview on overcapacity, see Ryan Rutkowski, “Will China Finally Tackle Overcapacity?” *China Economic Watch* (Peterson Institute for International Economics blog), April 22, 2014.

[48] David Dollar, “China’s Rise as a Regional and Global Power: The AIIB and the ‘One Belt, One Road,’” *Horizons* Issue 4 (Summer 2015): 166.

[49] Ryan Rutkowski, “Will China Finally Tackle Overcapacity?” *China Economic Watch* (Peterson Institute for International Economics blog), April 22, 2014; Jamil Anderlini, “Chinese Industry: Ambitions in Excess,” *Financial Times*, June 16, 2013.

[50] Jamil Anderlini, “Chinese Industry: Ambitions in Excess,” *Financial Times*, June 16, 2013.

[51] Jamie Smyth and Lucy Hornby, “China Moves to Shore up Miners with Tax Cut,” *Financial Times*, April 9, 2015. *http://www.ft.com/intl/cms/s/0/a76ca0ea-de69-11e4-ba43-00144feab7de.html#axzz3hE0yCubZ*.

[52] Jamie Smyth and Lucy Hornby, “China Moves to Shore up Miners with Tax Cut,” *Financial Times*, April 9, 2015. *http://www.ft.com/intl/cms/s/0/a76ca0ea-de69-11e4-ba43-00144feab7de.html#axzz3hE0yCubZ*.

[53] American Iron and Steel Institute, “Request for Comments Concerning China’s WTO Compliance, Docket No. USTR-2014-0015,” September 17, 2014; Office of the U.S. Trade Representative, *U.S. Wins Trade Enforcement Challenge to China’s Duties on Steel*, July 31, 2015. *https://ustr.gov/about-us/policy-offices/press-office/press-releases/2015/july/us-wins-trade-enforcement-challenge*.

[54] Sandra Ward, “A Leaner, Meaner U.S. Steel Emerges,” *Barrons*, August 24, 2015.

[55] John W. Miller, “Steelmakers Lodge New Trade Gripe,” *Wall Street Journal*, August 12, 2015, B3.

[56] John W. Miller and Lisa Beilfuss, "U.S. Steelmakers Seek Antidumping Action against China, Four Others," *Wall Street Journal*, June 3, 2015. *http://www.wsj.com/articles/u-s-steelmakers-seek-antidumping-action-against-china-other-countries-1433353218*.