



CHINA

REPORT

Congressional Delegation Trip
October 12-19, 2015

INTRODUCTION

As the world's most populous nation, China plays an important role in world affairs. Recently, Congressman Robert Pittenger (NC-9) led a Congressional delegation to China to meet with leaders and dialogue about important issues facing the United States and China. Below is a list of officials and organizations that we met with on our trip:

- Ambassador Max Baucus - U.S. Ambassador to China
- Lu Kang - Director-General, Department of Information; Ministry of Foreign Affairs
- Vice Chairman Cao Weizhou - Standing Deputy Secretary General; Foreign Affairs Committee
- Chairman James Zimmerman - American Chamber of Commerce
- Minister Lu Wei - Office of Cyberspace Affairs; Cyberspace Administration of China
- Vice President Chen Naiqing - Chinese People's Institute of Foreign Affairs
- Da Wei - China Institutes of Contemporary International Relations
- Vice Minister Jiang Jianyong - State Administration for Religious Affairs
- Vice Minister Zhu Guangyao - Ministry of Finance
- President Ken Jarrett - American Chamber of Commerce
- Gong Guijun - Deputy Director General of Xi'an Municipal Foreign Affairs
- Shenzhen Christian Church
- Xu Qin - Mayor of Shenzhen
- World Presidents' Organization



Congressman Pittenger serves as Chairman of the Congressional Task Force on Terrorism and Unconventional Warfare, Vice Chairman of the Financial Services Task Force to Investigate Terrorism Financing, Member of the Congressional-Executive Commission on China, and is also a member of the House Financial Services Committee.

Enclosed is a record of dialogues with Chinese and other officials we had in Beijing, Shanghai, and Shenzhen regarding important issues including monetary policy, terrorism financing, cyber security, and freedoms of conscience. As a major world power, it is vital that we maintain an open dialogue with China as we address these important issues facing our nations.

Robert Pittenger
Member of Congress
North Carolina's 9th District

U.S. Ambassador to China Max Baucus

“We are making headway on cyber war. Five to six months ago they [China] wouldn’t admit to commercial and government cyber threats, but now they do.”

- Ambassador Max Baucus



- Almost \$600 billion in trade between China and U.S. last year
- China invests more money in the U.S. than the U.S. does in China
- China is the world’s largest importer of coal & oil

Ambassador Baucus: “For years, the Chinese couldn’t care less about climate change. Now, they do because it allows for the opportunity for them to push back in regard to other reforms.”

- Ambassador Baucus believes the Chinese Communist Party will stay in power for a long period of time.

Pittenger: “In your opinion, what do you believe will be the outcome of the agreement with Iran? There will be \$100 billion in repatriated oil profits. Will China be complacent? Where is China on terrorism?”

Baucus: “They do see themselves as a target. They have also helped lead the Asia Pacific Alliance for FATF. China is cooperative, but more worried about Western China and inner-terrorism than outside threats.”

Pittenger: “How should we follow-up with cyber war while here?”

Baucus: “Constructive questions—we are making headway on cyber war. Five to six months ago they wouldn’t admit to commercial and government cyber threats, but now they do.”

Pittenger: Human rights issues: “Why does China continue to jail lawyers and their people? If you look at Christianity and people who practice faith, in most cases, these are people with morals and integrity; people who could be an integral part of their culture.”

Baucus: “To answer that simply, they are afraid of things getting out of hand.” (E.g. Protests, riots, etc.)

Baucus: “When dealing with the Chinese, I like to use the 3 P’s: Patient, Positive, and Persistent. At this point in time, it is now about deeds not words. The Chinese need to show us their intentions rather than telling us.”

Pittenger: “American banks are very appealing to them, and China is very interested in the U.S.’ best practices because they see the success.” How do we make the Chinese more accountable?”

Baucus: “They are not complacent, but have more important interests. For example, 80% of their time is focused on anti-corruption.”

Pittenger: “Will China be a conduit for Iran money?”

Baucus: “When sanctions are eased, they will have less reason to care. It will be interesting to see how they react to this. We all know how important trade and the relationship between Iran and China are. We will find out a lot about China as this agreement unfolds.”

Pittenger: “How would you deal with BRICS*?”

Embassy: “Not sure if they actually need a policy. The countries involved in BRICS are not threatening alone; therefore, they try to attach themselves to China for greater clout.”

Pittenger: “Do we let them run their course? Is it a threat to our influence?”

Embassy: “You let them do their best efforts. If they fail, they will be completely embarrassed and the Chinese hate being embarrassed.”

*BRICS is an acronym for the five major emerging national economies: Brazil, Russia, India, China, and South Africa

Lu Kang

Director-General, Department of Information, Ministry of Foreign Affairs



Pittenger: “What are your thoughts on the Iran agreement? Does China see Islamic terrorism as a threat? Will they be helpful in tracking this money?”

Kang: “Negotiations are the only lasting solution. With this agreement, we have brought Iran back to the IAEA guidelines. As for Islamic terrorism, or any terrorism, China will stand out against it.”

Pittenger: “Regarding human rights and oppression of people with religious liberties, positive forces of Christians and people of faith within your economy and culture are battling corruption.”

Kang: “Mr. Pittenger, we would like to maintain our focus on the 1.3 billion people living in China. These questions you ask are regarding 30-50 million people. As you mentioned earlier, America has their faults as well.”

Pittenger: “I would like to send you more of these reports.”

Kang: “We still believe the people of China have

much more freedom than they ever have.”

Pittenger: “Bills to suppress people. We don’t have laws on expressing oneself.”

Kang: “We are doing things all other governments have already done.”

Pittenger: “What are your thoughts on China’s role with Taiwan?”

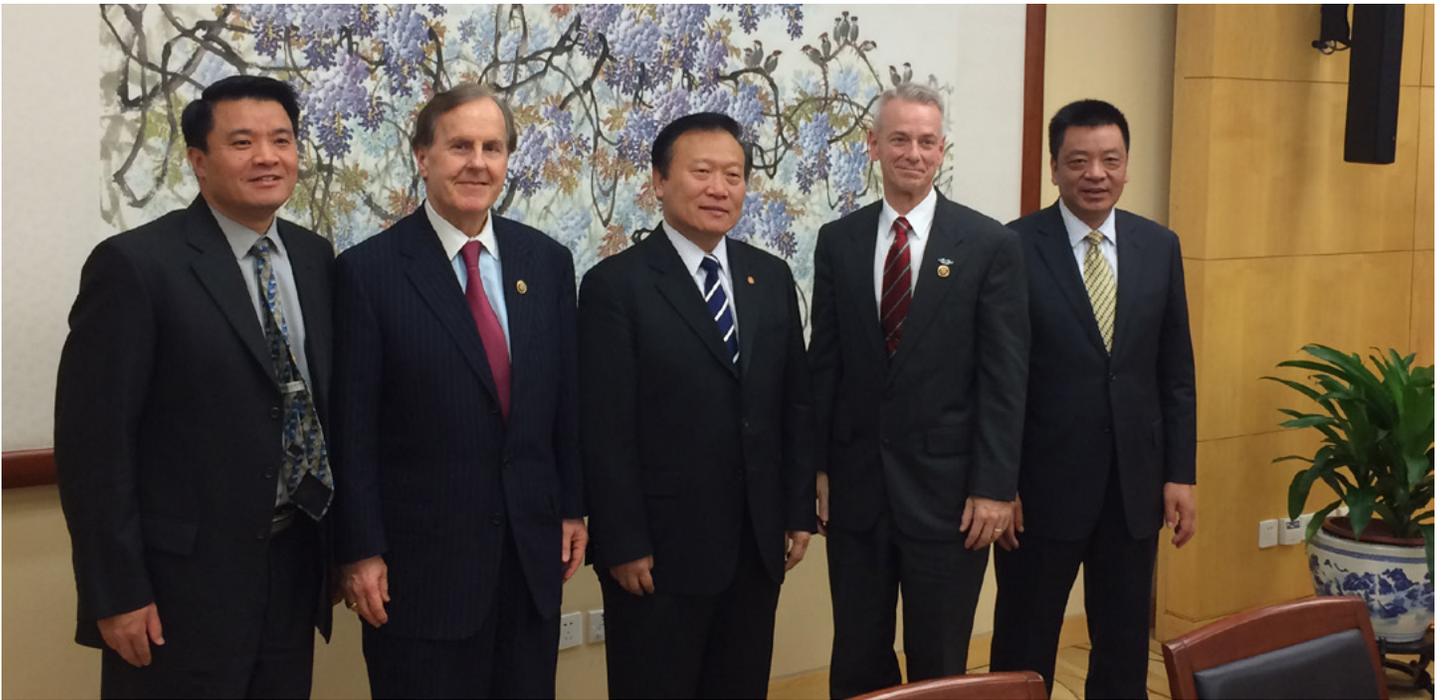
Kang: “We believe the issue should be handled by the people. We know that Taiwan will care more about the United States’ opinion, and we hope you will facilitate negotiations.”

Pittenger: “We have stepped back in the Middle East. What counsel would you give to the United States about our role?”

Kang: “Can you give me one success of conflict that has succeeded since the Cold War? We should look at the roots (local people) rather than imposing militaristic solutions.”

Vice Chairman Cao Weizhou

Standing Deputy Secretary General, Foreign Affairs Committee



Pittenger: “What do you think will be the basis of the cyber agreement signed in Washington? Do you think there will be compliance on both sides?”

Weizhou: “The United States has the strongest military and best economic situation in the world. This includes cyber-inventing most of the technologies regarding cyber in the world. China is a country who worships freedoms, and believes government should not impose on others if you do not wish to be imposed on yourself. There has been substantial progress between our two legislative bodies.”

Pittenger: “Chairman Cao, what are your thoughts on the Iran agreement and \$100 billion of repatriated oil profits?”

Weizhou: “Congressman, we do not conduct research on individual cases. We provide oversight.”

Pittenger: “As you view the world, where do you see it 10 years from now?”

Weizhou: “Time flies. I don’t believe there will be a large difference. The two challenges after WWII

and the Cold War were peace and development. Development will maintain a high priority due to the poverty levels in the world as of now.

- “A hotspot issue right now is the refugee crisis in Europe. Not only an issue of development, but an issue of stability.”
- “Our countries must respect and trust each other to provide good beneficial initiatives around the world.”
- “An example of this is the bi-lateral trade agreements. Our economies are very much intertwined. Both countries have said they will use their wealth and resources to promote good rather than cause conflicts.”
- “We can mutually benefit through bi-lateral trade.”
- “1.3 billion Chinese deserve the kind of lives Americans have and this is what China is moving toward.”

Chairman James Zimmerman

American Chamber of Commerce

The Chinese government wants to make sure religion is managed.”

- Chairman James Zimmerman



Pittenger: Iran & Banks: “Will China help in tracking the \$100 billion?”

Zimmerman: “China is in learning mode on how to be someone making a contribution without being part of the problem.”

- China could do a better job.
- Non-governmental organization (NGO) law in regards to Cyber: China’s intentions were to allow NGO’s to come in.
- The American Chamber is not part of the NGO law.

Pittenger: “People who have religious perspective tend to be good for culture and usually are people with integrity. How do we make this statement so it is meaningful to the Chinese?”

Zimmerman: “The Chinese government wants to make sure religion is managed.”

- Government has actually made investments to

state-sponsored churches.

- The Chinese government has a very hard time separating church and state.
- Chinese governments are trying to control NGOs internally.
- Over the last 30 years, there has been a relaxation in China.
- China is upset that the United States has not congratulated the Party for their accomplishments.

Pittenger: “How will rules-based monetary policy be in the future of China?”

Zimmerman: “It has been a learning curve for the Chinese. If they want to get what they desire, they will have to commit to a rules-based economy.”

- Debt interest in China is a little cheaper because of entering the stock market in 2008.

Minister Lu Wei

Office of Cyberspace Affairs, The Cyberspace Administration of China



Pittenger: “What responsibilities are there for the State? Do you think in three to five years from now we will have full compliance from the State?”

Wei: “Both China and the U.S. need to play a positive role in advancing the world’s development.”

- “China has many poverty stricken areas, which is still a major focus for the State.”

Pittenger: “I want to talk about China and cyberspace. Would you care to share your thoughts on this?”

Wei: “Well, the Internet was invented by the United States, which was a great invention by you all. No other country is as influential as the United States, but I don’t believe there is one country that is in full control of cyberspace.”

Pittenger: “Would you prosecute individuals who are not State sponsors (unaffiliated rogue hackers)?”

Wei: “Hackers are not allowed in China, so this is the difference between China and the United States.”

- “Yes, the U.S. media has said some hackers originate in China, but we do not believe this is true.”
- “OPM hack was developed years ago and the tool used was sold around the world.”
- “You can relate this to the mass shootings in the United States—the person who commits the crime didn’t make the gun.”

Pittenger: “You mentioned that you had countermeasures prepared in the event that the U.S. imposes sanctions. Can you be more specific?”

Wei: “That would be pouring oil on fire.” (i.e. No, he is not willing to give details.)

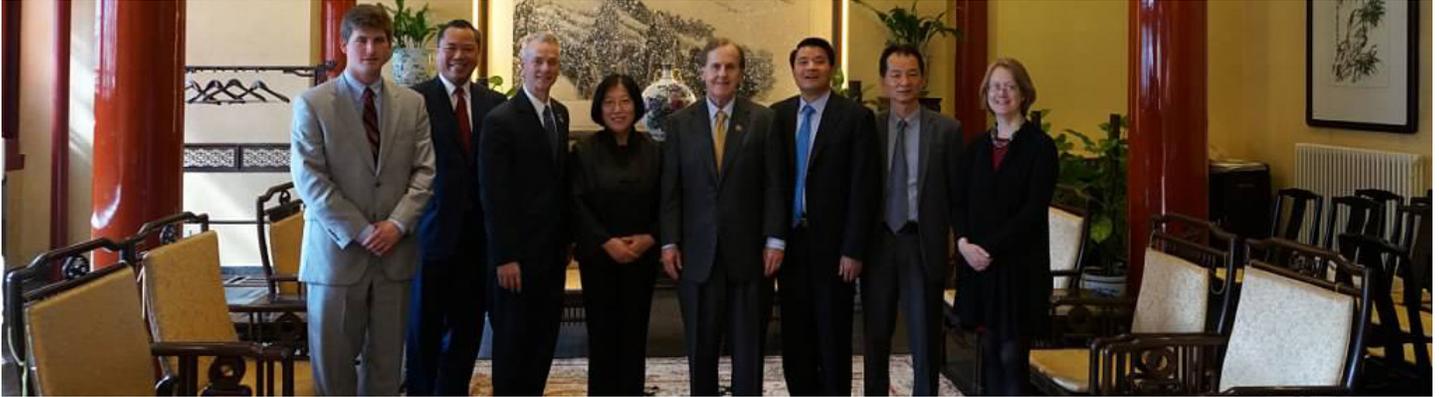
Pittenger: “There is backup data relating these hacks back to China.”

Wei: “I cannot give you 100% confidence that this attack was not from China. If you give me evidence, I will do a full investigation. I think our two governments should agree to not attack the other. The Internet was invented by the Americans. This was a major contribution by Americans to mankind. In cyber, no one can compete with the Americans. In another 20 years, China still won’t compare. In China, we have over 600 million Internet users. Over 700 million are still not users. Can you imagine the size of this market? China has 3,000 townships (Zhen) that are undergoing urbanization. How big is this market? The United States has no big market. Because you are capitalist, you are the most developed. You have everything. Your countryside is already urbanized. Why is God so unequal to the U.S. and China? Why does he give so much to the United States? But he sends blessing to us, too. You have technology; we have the market. This situation will continue for 50 to 100 years.”

- “I believe our cooperation will grow to be better and better. I think it would be wise for our two countries to join together.”
- “When you feel sleepy, I will give you the pillow.”
– Regarding the China and U.S. relationship.

Vice President Chen Naiqing

Chinese People's Institutent of Foreign Affairs



Informal discussion over lunch regarding the United States role with China. Key points included:

Pittenger: "Where do you see flaws with China's human rights?"

Naiqing: "We believe China has made incredible strides within our country to address human rights issues, and we believe many in China are proud of what we've done."

Pittenger: "I sit on the Speaker's Commission on China. We receive reports all the time of children that lose their fathers and families torn apart due to the lack of freedom of speech and religion. Can you explain these situations and why people are killed or

jailed because of a specific belief? And may I add that the United States is not without our own flaws due to our history of slavery, racism, pornography, violence, etc."

Naiqing: "Mr. Pittenger, we respect what the U.S. has done, and we understand every country has their faults. I would like to point out to you that you seem to be addressing only a few hundred people where these instances have taken place. When you look at China as a country with 1.3 billion people, we believe we have made great strides overall."

- The Iran deal was touched upon: Naiqing believed China would be cooperative.

Da Wei

China Institutes of Contemporary International Relations

- Majority of the questions were from CICIR to Congressman Pittenger on political issues in the United States
- CICIR is a government-funded think tank
- 370 on staff; 180 are researchers

Pittenger: "How do you all view the Middle East collapse, the Iran Agreement, and China's financing capabilities?"

Wei: "China's economy is slowing down. We believe the North Korea issue is more important to China because it hits closer to home than the Middle East. Regarding the Iran deal, I tend to view the deal from another perspective. By lifting sanctions on Iran, maybe we can give the world a chance to see if the change can happen or not. I think this is kind of a chicken or the egg issue."



Vice Minister Jiang Jianyong

State Administration for Religious Affairs

Mr. Jianyong spoke at length for over 40 minutes speaking from a prepared speech; Pittenger interrupted:

Pittenger: “Speaker Boehner has a commission on human rights in China. The objective of the commission is to review freedoms on people who came seeking religious freedoms. We tend to hear countless reports in our monthly hearings of young girls whose fathers are imprisoned for expressing religious liberty—as many as 50 million are afraid to come out and live their faith in public. Can you explain this?”

Jianyong: “Religious activities must be conducted in registered religious sites. Home is okay for small-scale, but only up to a certain number of people; otherwise, they would interfere with neighbors’ lives.”

- There are no specific number of regulations regarding religion.

Russell: “If they want to buy a plot of land to build a

church, can they?”

Jianyong: “Land is owned by the state. They can have usership rights. Churches are owned by the church. No one has been arrested for their beliefs; it must have been for other reasons.”

Pittenger: “Historically, the Christian church has grown through persecution. I am a follower of Jesus. He is my Savior. The people who do follow Him are people of honesty and integrity. Most Christian people just want to live out their faith. You allowing these people to have greater freedom will be a benefit to your country, not a threat.”

Jianyong: “There are those who believe and those who don’t; their difference in religion is minor. They share an interest in country, principle of solidarity in political sense, and mutual respect in economic development.”

- “Of the five religions, Christianity now has more than 30 million followers. If we restricted Christianity, how could it develop so quickly?”

Vice Minister Zhu Guangyao

Ministry of Finance



Pittenger: Questions regarding the Iran deal, \$100 billion, etc.

Guangyao: “Since 9/11, we have expanded our anti-terrorism cooperation. We understand this is a crucial time for implementation and we hope the deal reached will be extremely well implemented. The Middle East is a very difficult situation for all countries, and I believe we need close cooperation in dealing with them.”

Pittenger: “Iran cannot absorb \$100 Billion in their economy. Our two nations can do a great deal to restrict flow.”

Guangyao: “Leave it to us to coordinate this issue. As for the financial side, we don’t see a problem at all in coordination on Iran.”

Pittenger: Question regarding the reform status in China.

Guangyao: “Since 1979, [China has had] roughly 9.7% growth every year. We must intensify the effort on environment and energy saving. You can see people have big complaints about dirty air. This is the reason why many Chinese support the Obama/Xi agreement on climate change.”

- “The most important thing at this point is clean water and clean air.”
- “Our goal for peoples per capita is \$10,000 per year. Right now, it is at \$7,200. While total GDP should be \$100 trillion.”
- “Our growth rate next year is expected to be 6.5%.”

- “Next year is our 13th five-year plan to 2020. Very crucial time to reach target set by Chinese government.”
- “Easy for China to roughly keep GDP up, but wanting to improve quality is the key issue.”
- “Xi and Obama agenda includes international finance architecture. The key being AIIB and new development banks. China wants U.S. support and sees it as a supplementary role to the existing system.”
- This time, both presidents agree to support and modernize the existing system and China supports a high standard.

Pittenger: “How do you view the Iran Deal? Specifically, with the lifting of sanctions and China’s role in tracking the \$100 billion through repatriated oil profits?”

Guangyao: “Middle East is a hostile area. We have no problem with coordination with the United States to ensure a responsible solution with following the money.”

Pittenger: “What is China’s Objective for internationalization of the RMB?”

Guangyao: “We had a frank discussion with U.S. Colleagues, Treasury, and the President and his team. We follow existing IMF criteria. Based on that, China agrees with the U.S. that IMF reforms need to be made, and we hope to finish the reform agenda soon.”



President Ken Jarrett

American Chamber of Commerce

- Bank of America is doing well in China.
- 3 branches in Beijing, Shanghai, and Guangzhou with enormous growth in the past five years.
- Economy has done great until this year.
- Clients are more cautious on the investment side. Demand is coming down on the loan perspective side, but clients are still investing in China.
- Risk is very good in China because of economic slowdown.
- Because of economic slowdown, the government has done a much better job now than in 2010 with the huge stimulus. This time, they are focused on certain industries: high tech, green, and innovative health care.

Pittenger: “Do you believe the \$4 trillion in Chinese government stimulus was effective?”

Jarrett: “Important, but overdone. Created a lot of overcapacity for the last two years. China has a lot of local government debt, which could be problematic in the next few years. They owe a lot of money this year, but have restructured many of these loans. In the next 12 months or so, these loans should be under control.”

- China has also cut the interest rate four times in the last 12 months while cutting deposit reserve 3 times.
- We are expecting another rate cut and deposit reserve cut this year, which is still a losing monetary policy.

Pittenger: “Are there restrictions on international banks coming in?”

Jarrett: “The foreign banks are growing more. Market share of foreign banks are less than 2%. Also, our own issues such as the financial crisis and regulations from the Fed and OCC put a lot of pressure on international expansion. The pressure is to not expand too fast, especially in emerging markets.”

Pittenger: “You have an exceptional security department (Bank of America), oversight and the transfer of money is very supportive of the U.S. Working with FinCen, do you see the Chinese government cooperating and working with financial

institutions in tracking funds? Do they have the capacity and the commitment?”

Jarrett: “Definitely improving. The Chinese government is actively going to each bank, Chinese and foreign, for inspections. A couple years ago, there was almost no focus on this. Online financing has also brought attention to those firms now.”

Pittenger: “My goal is to remove impediments so financial institutions can share data. Does the Chinese government have capacity for data sharing? Do they want to?”

Jarrett: “There is an effort from various agencies. The government tries to work with banks; however, it is usually a one way street. They want something, they come get it from us—we get very little data from the government.”

Pittenger: “Are there any obstacles the U.S. is creating to deter Chinese investment?”

Jarrett: “The biggest challenge is adapting their organizations to investing in a foreign company. The bidding process is a challenge for Chinese companies. It’s just not the way they are used to doing business, whether it be internal structure, or art of negotiations.”

Pittenger: “Regarding the financial regulations, how has the Dodd-Frank regulatory environment affected you?”

Jarrett: “For example, MetLife is a 50/50 joint venture. We have increased our lobbying to increase our percentage, but have been unsuccessful. There is no signal of change in the near future. For us, it usually takes 12 to 18 months to get one license. Chinese firms apply for three licenses at a time and receive them quickly.”

Cyber Issues:

- China has proposed a mandate of use for certain technology in the banking industry, but would have negative implications for foreign players. There has been a lot of push back because of this.
- Xi said publicly, no cyber espionage for commercial gain.
- Important step, but how can you monitor and enforce this?



Gong Guijun

Deputy Director General of Xi'an Municipal Foreign Affairs

Informal Dinner in Xi'an. Key points included:

Pittenger: "I would like to get your opinion on human rights in China; specifically, the one child per family law. Your thoughts on this are much appreciated."

Guijun: "Mr. Pittenger, let me tell you a story about why this law makes sense to the Chinese people. Prior to this law, China had many issues where the poorest of the poor and uneducated continued to have children. One family had as many as five children, none of whom were cared for the way they deserved. The government noticed this trend and implemented this law. The Chinese government believes each child should have a fair chance, and permitting families one child allows for the attention to be tightly focused."

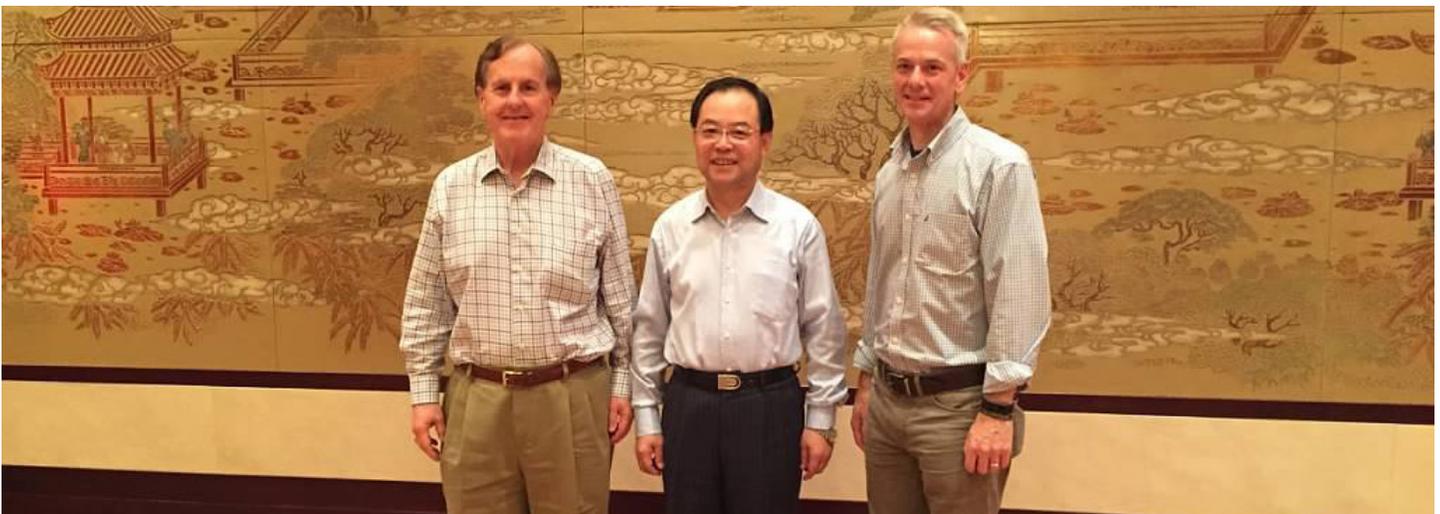
(America believes family should have choices and make those decisions, because children should not

be considered works of the state. After the trip, China changed the law to allow two children per family.)

Pittenger: "Your thoughts on America?"

Guijun: "Obviously America is a remarkable place. My son actually lives in Raleigh— not far from your district. I do think the violence and gun rights have had a major effect on society. For example, in China, if you need something from your neighbor at midnight you can go knock on the door and rest assured you will not be shot. With the laws in America, you run a risk of being shot if you were to knock on a door at midnight."

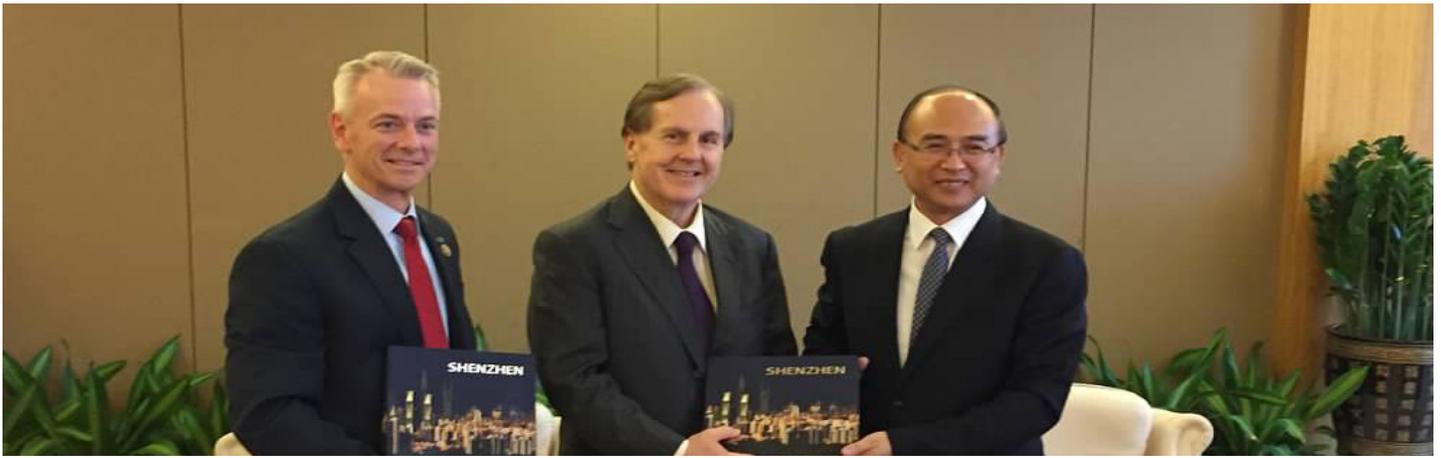
Pittenger: "Well, I don't believe most Americans see it this way. We do believe in the 2nd Amendment, which is something that cannot be taken away by the government."



Shenzhen Christian Church



- Founded in 1898 as a Rhenish church, the SCC used to be located in Luohu.
- Number of attendees to the Sunday service topping 3,500.
- In 1998, the government granted a 4,400-sq.m land (including the green space) to the SCC to build a new church building on the foot of Huaguo Mountain in Meilin. The church broke ground on July 3, 1999, was built in Aug. 2000, and put into use on Dec. 9, 2001. 90% of the RMB's 30-million construction spending was contributed by believers in the city.
- It has seven ministers, 15 employees, and some 1,000 lay leaders.
- Congressman Pittenger spoke in two meetings sharing his Christian faith.



Mayor Xu Qin

Mayor of Shenzhen

- Advancing to be an international city obtaining friendship city relations with over 70 cities, including five in the U.S.: LA, Houston, Atlanta, Dallas, and Seattle.
- Carries out dynamic exchanges, cooperation, investments, and trade with the United States.
- Shenzhen is advocating construction of a major bay area economy covering Guangdong, Hong Kong, and Macao. They would like to learn from the San Francisco Bay and New York Bay area economies.

Pittenger: "President Xi's visit could be a turning point for our relationship. Verbal commitments

were made that we will understand better in time, and building trust in fulfilling verbal commitments could enable future partnerships. I would make one recommendation: we would welcome a relationship with Shenzhen in Charlotte, as we are both very important to our nation's financial industries."

Xu Qin: "I'd be delighted to establish friendship or a sister city relationship with Charlotte. We understand Charlotte is the second largest financial sector in the country. We would like for the Mayor of Charlotte to visit Shenzhen at an appropriate time. I also know that North Carolina is a high tech state, so I believe we have a lot to discuss in these fields."



CHINA SUMMIT 2015

SHENZHEN, CHINA 18-20 OCTOBER 2015



World Presidents' Organization (WPO) Speech

Speech to over 75 presidents and CEOs from around the world.

Pittenger's key points:

- "I think the largest problem in Washington is the argument of two world views."
- "Regardless of the issue, there are some out there who believe in centralized planning—where the government knows best and the bigger the government the better. Then, there are some, such as myself, who believe in markets. I believe the people know best and the markets work when the government stays out of it."
- "You look at this U.S. Administration and what they have done to businesses in regards to regulation... Whether it is the Affordable Care

Act, Dodd-Frank, or EPA overreach, government overreach has put us at 2.3% economic growth.

- "As a member of the Financial Services Committee, I see what the Dodd-Frank act has done firsthand. There are over 400 new regulations, which have destroyed financial growth and access to capital. Most banks and financial firms are spending more money on compliance than development and loan officers."
- "The only thing Dodd-Frank has been good for is regulatory lawyers."
- "No one is saying regulation is not needed; it is. But Dodd-Frank went way too far and has affected community and regional banks the most."

Pittenger mentioned his experience on the bank board and how they knew, without government interference, the best practices regarding loans.

pittenger.house.gov