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CHINA UPDATE

QUOTE OF THE WEEK

“Our engagement with China today deals with a wide range of the most pressing challenges and the most exciting opportunities. And when we began looking at ways to make our exchanges with China more productive, we of course ramped up our diplomatic engagement. We took delegations of investors and entrepreneurs to China. We institutionalized the Strategic and Economic Dialogue. We are very clear that what we’ve tried to build, an architecture that will stand the test of time regardless of what is going on in either of our countries, has been an essential effort.” Secretary of State Hillary Clinton at the January 24 launch of the 100,000 Strong Foundation

U.S.-CHINA RELATIONS

Confirmation Hearing for Senator John Kerry as Secretary of State

On January 24, the Senate Foreign Relations Committee held a confirmation hearing for Senator John Kerry, the president’s nominee for Secretary of State. Numerous questions related to China were asked of Senator Kerry, dealing with the United States’ engagement with the Asia-Pacific region and the Trans Pacific Partnership, China’s relationship with Africa, global energy needs, and other issues. ML Strategies has a full summary of the hearing available upon request.

State Department Launches 100,000 Strong Foundation

On January 24, Secretary of State Clinton hosted an event celebrating the launch of the 100,000 Strong Foundation – an independent nongovernmental organization. The Foundation was first announced in 2009 by President Obama in 2009 and has been a part of the State Department as the 100,000 Strong Initiative. The Foundation will work to achieve the goal of having 100,000 American students in China by 2014. The launch event with Secretary Clinton underscored the importance of study abroad in China and the benefits of the U.S. strategic relationship with China as well as the personal benefits participating students will receive through the experience. In celebration of the launch of the Foundation, Under Secretary of State for Public

Diplomacy and Public Affairs Tara Sonenshine attended a dinner hosted by Chinese Ambassador to the United States Zhang Yesui at his residence in Washington, DC. The text and video of Secretary Clinton's remarks at the launch event can be found [here](#). The website for the Foundation can be found [here](#).

State Department Official Remarks on China – North Korea Relations

On January 25, U.S. Special Representative for North Korea Policy Glyn Davies arrived in Beijing for meetings with senior Chinese government officials, including Special Representative for Korean Peninsula Affairs Wu Dawei and Vice Minister of the Central Committee International Department Liu Jievi. The U.S. delegation also included Special Envoy for the Six-Party Talks Clifford Hart and National Security Council Director for Korea Sydney Seiler. At a press conference at the Beijing Four Seasons Hotel, Ambassador Davies held a press conference where he took a series of questions focused on North Korea and its relationship with China. A transcript of the press conference can be found [here](#).

Congressional Delegation Visits China

On January 24, a delegation from the congressional U.S.-China Working Group departed Washington for a 7 day visit to China. The delegation includes Representatives Rick Larsen (D-WA), Jim Costa (D-CA), Leonard Lance (R-NJ), Michael Turner (R-OH), and Billy Long (R-MO). On January 29, the delegation met with Chinese Vice Premier Wang Qishan for a discussion of U.S.-China relations and the world economy.

Chinese State Councilor Talks with Secretary Clinton

The Chinese Embassy in Washington DC reports that on January 29 State Councilor Dai Bingguo engaged in a telephone conversation with Secretary of State Clinton, during which he said that the two countries should further advance bilateral relations, and Secretary Clinton reported as saying that the U.S. is willing to strengthen its exchanges, dialogue and cooperation with China and work together with China in building a new type of relationship based on the progress made in U.S.-China relations over the previous four years.

Ambassador Locke Addresses the Economist China Summit

On January 17, U.S. Ambassador to China Gary Locke addressed the Economist China Summit at a session titled "Change – China and America." In his remarks, the Ambassador said, "There should be no lingering doubt that a prosperous China is good for America and a prosperous, strong healthy economy in America is good for China." He discussed the Trans-Pacific Partnership trade agreement, noting that the negotiations will conclude this year and that the agreement is a good example of increased U.S. engagement with the Asia-Pacific region. Ambassador Locke's full remarks can be found [here](#).

TRADE

USITC Institutes Section 337 Investigations

On January 25, the United States International Trade Commission instituted two Section 337 investigations involving Chinese manufacturers: an investigation of certain mobile handset devices and related touch keyboard software; and an investigation of certain cases for portable electronic devices. A statement on the handset device investigation can be found [here](#), and a statement on the portable device case investigation can be found [here](#).

U.S.-China Business Council Report on Trade Agenda

On January 23, the U.S.-China Business Council released a report seeking to advance an agenda for U.S. policymakers based on American companies' concerns about doing business with China. The report, "China and the U.S. Economy: Advancing a Winning Trade Agenda," outlines its top agenda items as intellectual

property protection, the reduction of regulatory and market access barriers, and the removal of favoritism toward Chinese companies that can make it difficult for foreign companies to compete on an even playing field.

CFIUS Approves Sale of American Battery Maker to Chinese Group

On January 29, the Committee on Foreign Investment in the United States (CFIUS) announced that it would approve the sale of U.S. battery manufacturer A123 to China-based Wanxiang Group. In response, Senators Chuck Grassley (R-IA) and John Thune (R-SD) have expressed their concern over the sale. In a press release issued by Senator Grassley, Senator Thune is quoted as saying, "Technology produced by A123 and funded by U.S. taxpayers should not simply be shipped off to China so that the military applications for these materials can be reproduced abroad. Senator Grassley and I remain concerned about the national security implications of this transaction and have called on CFIUS for a full briefing of the review. We will continue to press for answers regarding our national security and taxpayer interests." The press release can be found [here](#).

ENERGY & ENVIRONMENT

U.S. Senator Introduces GHG Reduction Legislation Focused on China

On January 28, Senator David Vitter (R-LA) introduced a bill to prohibit any U.S. regulation regarding carbon dioxide or other GHG emissions reduction in the U.S. until China, India, and Russia implement similar reductions. The bill is cosponsored by Senator Jim Inhofe (R-OK). A press release from Senator Vitter can be found [here](#).

Hong Kong Official to Discuss Environmental Issues at New York Event

On February 7, Christine Loh, Under Secretary for the Environment in the Hong Kong Special Administrative Region Government, will discuss recent developments in Hong Kong along with environmental issues in Hong Kong and Guangdong Province at an event co-hosted by the National Committee and United States-China Relations and the Hong Kong Economic and Trade Office. Details can be found [here](#).

Chinese GHGs Highest on Record

On January 14, the China Meteorological Administration published its first Greenhouse Gas Bulletin, showing that CO₂ levels were at their highest in 2011 since the agency began collecting data in 1990. Average annual concentrations of CO₂, CH₄, and NO_x for 2011 were higher than global averages, with readings of 38.2 ppm for CO₂, 1,861 ppb for CH₄, and 324.7 ppb for NO_x.

Chinese GHG Accounting and Reporting Regulations

On January 15, Shanghai's Development and Reform Commission announced that it has published rules for GHG emissions accounting and reporting for nine industries that will be included in pilot programs for emissions monitoring and trading. The nine industries are aerospace, building materials, electricity, ground transportation, large buildings, non-ferrous metals, paper, steel, and textiles. Shanghai will launch pilot carbon trading in 2013 and have a fully operational market by the end of 2015. Shanghai is further ahead than six other nationally designated pilot areas.

Chinese Shale Gas

On January 22, China's Ministry of Land and Resources awarded exploration rights to 16 companies for 19 shale gas blocks in the country. All but two of the winners are state-owned enterprises, and no foreign joint ventures were involved in the winning bids.

China Releases Energy Development Plan

On January 23, China's State Council released a development plan establishing non-binding targets for renewable energy and limiting total energy demand to the equivalent of 4 billion MT of coal by 2015 in the hope of keeping the annual average electricity growth rate at 8 percent. By 2015, installed capacity of wind will total 100GW, nuclear power will reach 40GW, solar power will reach 21GW, and biomass power will reach 1.3GW. The share of energy from coal-fired generation is expected to decrease from 68 percent to 65 percent while the share from natural gas will increase by 7.5 percent. China will soon announce a plan to put hydropower on par with the price of coal-fired power.

China Claims Compliance with WTO Ruling on Export Restrictions

On January 28, China told a meeting of the Dispute Settlement Body (DSB) at the World Trade Organization (WTO) that it has complied with a WTO ruling regarding export restrictions by China on a number of products including bauxite, coke, fluorspar, magnesium, manganese, silicon metal, and zinc. The DSB had imposed a deadline of December 31, 2012 and the Chinese will tell the panel that they issued compliance notices to take effect on January 1, 2013. In response, the U.S., Mexico and European Union said that they welcomed China's efforts, but expressed concern that China's continued imposition of licensing requirements on exports could act as a barrier to trade.

MISCELLANEOUS

Cato Institute Event on U.S.-China Relations

On January 25, the Cato Institute hosted an event on "The Pivot to Asia and the Future of U.S.-China Relations." The event was moderated by Laura Odatto, Director of Government Affairs at the Cato Institute, and featured: Daniel J. Ikenson, Director of the Herbert A. Stiefel Center for Trade Policy Studies at the Cato Institute; and Justin Logan, Director of Foreign Policy Studies at the Cato Institute. A forty-minute video of the event can be found [here](#).

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