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CHINA UPDATE

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QUOTE OF THE WEEK

“On behalf of President Obama and the people of the United States, I am delighted to extend our best wishes and congratulations to the people of China as you celebrate your National Day on October 1. The relationship between our countries has grown by historic measures since President Nixon’s visit to China forty-one years ago. We have worked together to forge a mature relationship, one that recognizes that economic prosperity is not a zero sum game, that a prosperous China is good for the United States, and a prosperous United States is good for China. The candid and productive discussions this year at Sunnylands, the Strategic & Economic Dialogue, and the G-20 are meaningful steps in expanding our positive and comprehensive cooperation, including by elevating our shared interest in cooperation on climate change and sustainable energy. Equally important are the strong bonds between our students and scholars, our scientists, and our business communities. On this 64th National Day, please know that the United States wishes you a joyous holiday celebration with friends and family.” – Secretary of State John F. Kerry in a statement released on September 27

U.S.-CHINA RELATIONS

Pentagon Officials Visit China

On September 24, Air Force Chief of Staff Gen. Mark A. Welsh III and other Air Force leaders arrived in as part of a weeklong visit to China. Accompanied by Pacific Air Forces Commander Gen. Herbert “Hawk” Carlisle and Chief Master Sgt. of the Air Force James A. Cody, Welsh is the first Air Force chief of staff in 15 years to visit China. Welsh met with his Chinese counterpart, Gen. Ma Xiaotian and other Chinese military officials as part of his first full day in the country, and then met with Gen. Xu Qiliang, vice chairman of the Central Military Commission. Defense Secretary Chuck Hagel announced the trip

recently as one of several reciprocal visits by senior U.S. and Chinese military leaders this year and next, saying "The China-U.S. relationship is important for stability and security in the Asia-Pacific [region], and achieving security and prosperity for our two nations in the 21st century. A sustained, substantive military-to-military relationship is an important pillar for this strong bilateral relationship."

China's Role in U.S.-Iranian Nuclear Discussions

On September 24, President Obama addressed the 68th General Assembly of the United Nations. While his speech did not focus on the U.S.-China relationship, he did include China in his remarks about the U.S. response to newly-elected Iranian president Rouhani's comments on nuclear cooperation. Mr. Obama stated that he is "directing [Secretary of State] John Kerry to pursue this effort with the Iranian government in close cooperation with the European Union -- the United Kingdom, France, Germany, Russia and China."

State Department Remarks on Illicit Trade

On September 26, Mr. David M. Luna, Director for Anticrime Programs at the State Department's Bureau for Narcotics and Law Enforcement Affairs, delivered remarks at the Euro-Asia Economic Forum in Xi'an, China, one of the Four Great Ancient Capitals of China. According to Mr. Luna, the purpose of the speech was to "shed light on one aspect of economic growth that is fundamental to all others: preventing corruption and illicit trade from limiting the potential of open markets and a sustainable future." The remarks covered: Navigating Current Global Risks and Challenges; Regional Integration, Economic Partnerships, and Shared Prosperity; Corruption Undermines a Growth and Prosperity Agenda; Illicit Trade: Shutting Down Illicit Markets and Building New Investment Frontiers; Protecting Our Environment; and concluded with Working Together to Build Sustainable Futures. Mr. Luna concluded his remarks by saying, "The United States and China are at the crossroads of a high-tech, digital age and e-commerce frontiers that are powering today's international trade and economic growth. Together and in collaboration with our partners here today, we will work together to preserve and protect our earth, our world heritage, our human capital, and our capital markets to invest the dividends of peace towards a more global community of prosperity." The prepared remarks can be found [here](#).

Treasury Remarks on Chinese Foreign Direct Investment

On September 25, Assistant Secretary of the Treasury for International Markets and Developments Marisa Lago delivered remarks on "the U.S. Regulatory and Institutional Environment for Chinese Foreign Direct Investment." In her remarks, Assistant Secretary Lago said, "The President and the Treasury Department place great importance on the U.S.-China economic relationship, and recognize that investment is an increasingly important part of that relationship. Discussion of policies and practices that affect investment in the United States and China and ways to promote a healthy investment relationship between our two countries have played an important role in high-level meetings, such as the Strategic and Economic Dialogue (S&ED) and the U.S.-China Investment Forum. Robust two-way investment is a source of tremendous benefits to the people of both of our countries. Our cooperation and support for an open investment policy is central to creating jobs and to bringing about strong, sustainable, and balanced global growth." The full remarks can be found [here](#).

ENERGY & THE ENVIRONMENT

China Seeks Public Comment on Catalogue of Hazardous Chemicals

On September 26, a draft revision of the Catalogue of Hazardous Chemicals was released by China's State Administration of Work Safety. The government agency is asking for public comment with a deadline of October 31.

U.K.-China MoU on CCUS

On September 27, the UK Carbon Capture and Storage Research Centre (UKCCSRC), Scottish Carbon Capture and Storage (SCCS), Guangdong Low-carbon Technology and Industry Research Centre (GDLRC) and the Clean Fossil Energy Development Institute (CFEDI) signed a ten-year Memorandum of Understanding (MoU) on research, development, and demonstration of carbon capture, utilization and storage (CCUS) technologies.

China to Offer Tax Breaks to Solar Industry

On September 29, China's Ministry of Finance released a statement indicated that the government there would offer tax breaks to solar manufacturers as a means to help its domestic industry address challenges related to oversupply and a decreased demand for export of product. According to the statement, the Chinese government will refund 50% of value-added taxes to manufacturers of solar power products, with an expiration of the break set for the end of 2015.

China Mentioned as Leader in Wind Energy at House Hearing

On October 2, the House Oversight and Government Reform Subcommittee on Energy Policy, Health Care, and Entitlements held a hearing on "Oversight of the Wind Energy Production Tax Credit." During the hearing Representative Tammy Duckworth (D-IL) stated that wind energy can help the U.S. become more energy independent, while noting that China and India have supported wind energy. Hearing witness Dan Reicher, Executive Director of the Steyer-Taylor Center for Energy Policy and Finance at Stanford University, in comments on the competitiveness of the global wind industry, noted that Asian and European countries have invested in the industry, and that China has taken significant steps. ML Strategies has a summary of this hearing available upon request.

TRADE

Senators Write to Lew/Froman on Currency Manipulation

On September 24, sixty Senators signed a letter to Treasury Secretary Lew and USTR Froman, urging them to address foreign currency manipulation during negotiations over the Trans-Pacific Partnership (TPP). While China is not yet a member of the TPP, discussions are ongoing for its entry into negotiations of the free trade agreement, and Chinese currency manipulation has long been a concern of the U.S. The letter reads in full: "We agree with the Administration's stated goal that the Trans-Pacific Partnership (TPP) has "high standards worthy of a 21st century trade agreement." To achieve this, however, we think it is necessary to address one of the 21st century's most serious trade problems: foreign currency manipulation. Currency is the medium through which trade occurs and exchange rates determine its comparative value. It is as important to trade

outcomes as is the quality of the goods or services traded. Currency manipulation can negate or greatly reduce the benefits of a free trade agreement and may have a devastating impact on American companies and workers. A study by the Peterson Institute for International Economics found that foreign currency manipulation has already cost between one and five million American jobs. A free trade agreement purporting to increase trade, but failing to address foreign currency manipulation, could lead to a permanent unfair trade relationship that further harms the United States economy. As the United States negotiates TPP and all future free trade agreements, we ask that you include strong and enforceable foreign currency manipulation disciplines to ensure these agreements meet the "high standards" our country, America's companies, and America's workers deserve.

WTO Sides with U.S. on Dispute with China Over Chicken Products

On September 25, United States Trade Representative (USTR) Michael Froman announced that the World Trade Organization (WTO) adopted an August 2, 2013 [dispute settlement panel report](#) in favor of the United States in a major trade dispute with China, proving that China's imposition of duties on U.S. chicken "broiler" products violates international trade rules. With the report now formally adopted by the WTO Dispute Settlement Body, China must bring itself into compliance with its WTO obligations.

WTO Ruling on U.S.-China Dispute Over Auto Imports Expected in March 2014

Also on September 25, former Canadian trade minister Pierre Pettigrew, the chairman of a WTO dispute panel, announced that it will issue a ruling in March 2014 on the U.S. complaint against antidumping and countervailing duties levied by China on American auto imports.

Chinese Proposal to Jump Start ITA Negotiations

On September 25, at negotiations in Geneva of the World Trade Organization's Information Technology Agreement (ITA), China indicated that it is prepared to submit to the WTO a revised list of sensitive products in order to jump start negotiations on the expansion of duty-free treatment of high-tech goods under the ITA. Negotiations of the ITA were suspended in July, and the meeting of ITA trade ambassadors last week was the first since that time.

China Launches Shanghai Free Trade Zone

On September 29, China launched the new China (Shanghai) Free Trade Zone, with government officials saying it is a means to revive the faltering 12th Five-Year Plan, which runs from 2011 through 2015.

U.S. to Evaluate China's Bid for Trade in Services Agreement

On October 1 in Geneva, USTR Froman told reporters that China's interest in joining the Trade in Services Agreement (TISA) will be reviewed by the U.S., along with its TISA partners, to determine whether China is willing to accept the agreement as it is currently understood by participants. Mr. Froman raised concerns about China's previous unwillingness to make significant concessions during the Doha Round negotiations.

MISCELLANEOUS

Chinese Foreign Minister Meets With Syrian Counterpart

On September 27, Chinese Foreign Minister Wang Yi met with the Syrian Deputy Prime Minister and Foreign Minister Walid Muallem at the United Nations General Assembly in New York.

Washington Post on Xi Jinping

On October 1, the Washington Post published an article stating that, despite early hopes that China's new president Xi Jinping would be a reformer, he "appears to be more of a Putin than a Gorbachev."

Asia-Pacific Economic Cooperation (APEC) 2013

October 2 – 8, Indonesia will host the 21st APEC Economic Leaders' Meeting, with the theme of "Resilient Asia-Pacific, Engine of Global Growth." President Obama is scheduled to attend the meeting, although on October 2 it was announced that his trip to the region has been shortened due to the shutdown of the federal government, and therefore he will not also visit Malaysia and the Philippines as planned. Secretary of State Kerry will instead lead a U.S. delegation to those countries. While in Indonesia, the host country for APEC 2013, President Obama is scheduled to meet with Indonesian president Bambang Yudhoyono, and will also host a meeting of with leaders of Trans-Pacific Partnership countries. Mr. Obama will then travel to Brunei for a meeting of the U.S.-Association of Southeast Asian Nations Summit and the East Asia Summit. Chinese president Xi Jinping will also attend the APEC meeting in Bali, Indonesia and will travel to Malaysia.

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