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CHINA UPDATE

November 21, 2011

Notable Quotes of the Week

"The United States is a Pacific power, and we are here to stay." – President Obama in Australia

"As the world's two largest economies, the US and China have an important commercial relationship....I intend to help strengthen our ties by working to open markets and create a level playing field for American companies in China, promote the growth of US exports to China and invite Chinese investment into the United States."— Commerce Secretary Bryson to the American business community in Beijing

"China's rapidly growing economic and military strength entitles it to play a significantly larger role in the international system." – William Reinsch, Chairman of the US-China Economic and Security Review Commission

US-China Joint Commission on Commerce & Trade

Secretary of Commerce Bryson and United States Trade Representative Kirk traveled to Chengdu, China last week to co-chair the 22nd session of the US-China Joint Commission on Commerce & Trade (JCCT). Secretary Bryson and Ambassador Kirk were joined by Secretary of Agriculture Vilsack, US Ambassador Locke, and numerous government representatives from the US and China.

In advance of the JCCT, members of the House Ways & Means Committee, including Chairman Camp (R-MI) and Ranking Member Levin (D-MI), [wrote](#) to Secretary Bryson and Ambassador Kirk urging them to use the meeting as an opportunity to discuss a long list of concerns, including currency manipulation, Intellectual Property rights, and indigenous innovation issues.

Specific [outcomes](#) of the JCCT were focused on: Technology and Innovation Policies; Intellectual Property Rights; Strategic, Newly Emerging Industries; Medical Devices; Pharmaceuticals; Smart Grid Technologies; Standards and Conformity Assessment; Telecommunications Goods; Telecommunications Services; and Travel and Tourism. Further, the US and China agreed to several future and ongoing Cooperative Activities focused on: Online Counterfeiting; Online and Library Copyright Protection; Broadcast Tariff Rates; Bad Faith Trademark Filings; Patent Quality; Cloud

Computing; Motorcycles; Specialty Automotive Products; APEC Life Sciences Innovation Forum; Express Delivery; Remanufacturing; and Agriculture. There was also an agreement to create an Intellectual Property Rights Working Group and a Commercial Law Working Group.

The previous session was held in Washington, DC last year and resulted in [commitments](#) from China to improve Intellectual Property rights enforcement, revise its indigenous innovation policies, and to accelerate completion of commitments it made upon accession to the World Trade Organization.

Prior to their arrival in Chengdu, Secretary Bryson and Ambassador Kirk visited [Beijing](#) where they met with members of the American business community, including the American Chamber of Commerce and the US-China Business Council.

US Announces Expansion of Military Presence in Australia

During his visit to Australia last week, President Obama announced that the US will establish a permanent military presence there; sending 250 Marines next summer with the ultimate goal of rotating through 2,500 troops, who will conduct training and amphibious exercises. The US will not establish new bases in Australia, but instead, the American troops will be housed on Australian bases. In his announcement of the new US-Australia partnership, President Obama said, referring to Asia: "We are here to stay. This is a region of huge strategic importance to us." So far, the Chinese response has been measured, but a Foreign Ministry spokesman did say that "It may not be quite appropriate to intensify and expand military alliances and may not be in the interest of countries within this region."

President Obama at East Asian Summit

On the heels of last week's APEC event in Honolulu and his visit to Australia, President Obama attended the East Asia Summit (EAS), held in Indonesia. This is an annual event and the US and Russia participated for the first time this year.

After irking China with the announcement of the US-Australia military partnership, the president went a step further in staking out a leadership role for the US in the region by insisting on a discussion of the South China Sea, parts of which are claimed by China along with Vietnam, the Philippines, Taiwan, Malaysia, and Brunei. The US joined these nations in pressing China to resolve the sovereignty issue of the South China Sea, which is a major trade route moving \$5 trillion in product annually and believed to be rich in natural resources. Wen Jiabao, the Chinese Premier, objected to any discussion of this maritime issue and said that "outside forces," such as the US, should not involve themselves in what is a regional dispute. Despite the maritime disagreement, President Obama did hold a surprise meeting with Wen Jiabao to discuss various issues in the US-China relationship, including trade, Intellectual Property Rights, and currency manipulation.

As a part of the president's high profile role at the EAS, the White House [announced](#) that trade transactions had been reached with Indonesia, Singapore, and Brunei totaling more than \$25 billion and supporting 127,000 US jobs. These transactions were for Boeing 737s to Indonesia, Boeing 777s to Singapore, GE engines to Indonesia, and Sikorsky helicopters to Brunei.

Possible European Solar Trade Case Against China

SolarWorld, the German-based solar manufacturer with a strong presence in the US, following up on its petition to the International Trade Commission and Department of Commerce for anti-dumping and countervailing duties against Chinese solar imports to the US, is said to be considering a similar

complaint to the European Union Commission. The ITC announced on November 8 that it would initiate an investigation into Chinese practices and is expected to make a preliminary injury determination by December 5.

Renewables 2011 Global Status Report Policy Briefing

On November 15, the Renewable Energy Policy Network held an event for the US release of the “[Renewables 2011 Global Status Report](#),” pointing out that in 2010 renewable fuels made up 10.9% of the energy produced in the US and nuclear power accounted for about 11.3%. Speaking at the unveiling, Rep. Rush Holt (D-NJ) lamented America’s lethargic clean energy investments relative to the rest of the world – particularly China. In 2010, China and Germany invested \$50 billion and \$41 billion in renewable energy, respectively, with the US lagging behind both with only \$30 billion. Others participating in the US launch of the report, which was unveiled in Paris earlier this year, were Rep. Ed Markey (D-MA); Mohamed T. El-Ashry, Senior Fellow, UN Foundation and Facilitator of the Global Leadership for Climate Action (GLCA); and Alexander Ochs, Director of Climate and Energy, Worldwatch Institute.

US-China Economic and Security Review Commission

On Wednesday, November 16, the commission released its [2011 Report to Congress](#), covering the US-China economic relationship, China’s State-Owned Enterprises, Intellectual Property rights violations, forced technology transfers to China, Chinese military modernization and strategy, and the increased space capabilities of China. 2011 marks the tenth anniversary of China’s accession to the World Trade Organization, and in his opening [remarks](#) at the release of the report, commission chairman William Reinsch detailed the many ways in which China has failed to live up to the trade liberalization and other commitments made upon accession.

Congressional-Executive Commission on China Hearing on the Internet and Social Media

On Thursday, November 17, the Congressional-Executive Commission on China held a [hearing](#) on Capitol Hill titled “China’s Censorship of the Internet and Social Media: The Human Toll and Trade Impact.” Providing testimony at the hearing were: Alex Li, college student and son of Li Yuanlong, who served two years in prison for commenting on the Communist Party online; Pastor John Zhang, Christian political dissident who was imprisoned for two years following the 1989 Tiananmen protests and who currently assists families of Chinese political prisoners; Xiao Qiang, Adjunct Professor, Graduate School of Journalism, University of California at Berkeley; Founder and Editor-in-Chief of China Digital Times; Gil Kaplan, Partner, King & Spalding; President of the Committee to Support U.S. Trade Laws; and Edward Black, President and CEO, Computer & Communications Industry Association. Issues discussed included the human toll from online censorship as well as the ability of trade remedies to address Chinese censorship of the Internet which results in diminished US access to the online marketplace in China.

The commission was created by Congress to monitor human rights and the development of rule of law in China. It is chaired by Rep. Chris Smith (R-NH) with Senator Sherrod Brown (D-OH, serving as co-chair.

Legislative Activity

- Senator Cornyn (R-TX) has offered his bill S 1539, the *Taiwan Air Power Modernization Act*, as an amendment to the 2012 *National Defense Authorization Act* (NDAA) to provide Taiwan with

critically needed U.S.-built multirole fighter aircraft to strengthen its self-defense capability against the increasing military threat from China. This legislation is identical to HR 2992 (see below). Senator Cornyn offered the same amendment to a trade bill earlier this year but it was defeated. The Senator has [written](#) to President Obama, threatening to place a hold on the nomination of Mark Lippert to serve as Assistant Secretary of Defense for Asian and Pacific Affairs if the sale is not approved.

House Foreign Affairs Committee Hearings

- On November 15, the Subcommittee on Asia and the Pacific held a hearing titled “Feeding the Dragon: Reevaluating US Development Assistance to China.” Providing testimony was the Honorable Nisha Desai Biswal, Assistant Administrator for Asia, the United States Agency for International Development. Subcommittee members were united in decrying USAID work in China, specifically programs dealing with environmental regulation and rule of law training. The programs were cited as wasteful and counterproductive because they constituted a wealth transfer from the US to China. Biswal defended the programs as being in the best interest of the US, arguing that the environmental problems of China affect ecological conditions and air quality in the US, and that US firms regularly encounter problems due to China’s undeveloped rule of law.
- On November 17, 2011, the committee marked up HR 2918, the *Taiwan Policy Act*, and HR 2992, the *Taiwan Air Power Modernization Act*. Committee members attending the mark up included Chairman Ileana Ros-Lehtinen (R-FL), Ranking Member Howard Berman (D-CA), Rep. Edward Royce (R-CA), and Rep. Steve Chabot (R-OH). A statement from Chairman Ros-Lehtinen can be found [here](#).