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## CHINA UPDATE

### QUOTE OF THE WEEK

*"China's stunning economic growth over the past three decades has lifted hundreds of millions of Chinese out of poverty and thrust China into global markets as the second-largest economy and world's leading exporter. China's foreign trade has grown over six-fold since joining the WTO in 2001, due in large part to its "Going Out" strategy, which was launched in 1999 to encourage investment abroad. The United States welcomes a strong, prosperous, and successful China that plays a key role in world affairs and adheres to international standards. And we are counting on China's leadership to help meet the many challenges confronting the global economy. It is worth noting that when President Nixon first visited China forty years ago, the U.S.-China economic relationship was nonexistent. China's economic policies were of little or no consequence to our domestic economy – nor did our economic policies have any effect on theirs. Today the situation is very different. In 2011, the United States imported \$399 billion in goods from China and exported \$103 billion to China – a nearly four-fold increase in imports and a five-fold increase in exports in the 10 years since China joined the WTO in 2001. And while the United States and China share many common interests – and the relationship has produced a number of mutual benefits – we must also recognize the several areas on which our positions diverge and where we do not prioritize the same values. What drove growth in China over the past 40 years is not likely to drive it over the next 40 years, so to address differences, and build on common interests, our economic relations over the next 40 years may need to be framed differently than in the past 40 years. Importantly, we must identify areas where U.S. interests and China's interests converge." – U.S. Under Secretary for Economic Growth, Energy, and the Environment at the Hopkins-Nanjing Center in Nanjing, China on December 6, speaking on "The Future of U.S.-China Economic Relations."*

### U.S.-CHINA RELATIONS

#### Treasury Official Meets with Chinese Vice Premier

On December 11 Treasury Under Secretary for International Affairs Lael Brainard met with Chinese Vice Premier Wang Qishan in Beijing to discuss U.S.-China economic relations and the world economic situation.

#### China Again Exempted on Iranian Crude Oil Sanctions

On December 7 Secretary of State Clinton, in a press statement, announced that, based on additional

reductions in the volume of crude oil purchases from Iran, China – along with India, Malaysia, the Republic of Korea, South Africa, Sri Lanka, Turkey, and Taiwan – has again qualified for an exception to sanctions outlined in Section 1245 of the *Fiscal Year 2012 National Defense Authorization Act*. The press statement can be found [here](#).

### **State Department Official on U.S.-China Economic Relations**

On December 6, Robert D. Hormats, Under Secretary for Economic Growth, Energy, and the Environment, delivered remarks at the Hopkins-Nanjing Center in Nanjing, China on “The Future of U.S.-China Economic Relations.” In his remarks, Under Secretary Hormats identified several areas where stronger bilateral cooperation would be mutually beneficial, including intellectual property rights, environmental collaboration, Chinese investment in the United States, agricultural trade, product safety, financial sector reform, and opening of the service sector in China to U.S. firms. He also, reflecting “an American perspective,” identified five areas where the U.S. and China will need to work to address differences, calling on China to open up its business sectors to foreign competition and investment, end restrictions on access to information, ensure that its trade policies are consistent with basic principles of an open trading system, and to comply with global norms with regard to labor practices, environmental concerns, and other aspects of good corporate governance. Under Secretary Hormats’ full remarks can be found [here](#).

### **State Department Statement on Tibetan Self-Immolations**

On December 5 Maria Ortero, Under Secretary for Civilian Security, Democracy, and Human Rights, and United States Special Coordinator for Tibetan Issues, issued a statement regarding the recent self-immolations by Tibetans, saying that the United States has “consistently urged the Chinese government to address policies in Tibetan areas that have created tensions. These policies include increasingly severe government controls on Tibetan Buddhist religious practice and monastic institutions; education practices that undermine the preservation of Tibetan language; intensive surveillance, arbitrary detentions and disappearances of Tibetans, including youth and Tibetan intellectual and cultural leaders; escalating restrictions on news, media and communications; and the use of force against Tibetans seeking peacefully to exercise their universal human rights.” Self-immolations of Tibetans protesting Chinese rule have recently increased, with 28 occurrences in November. There have been 92 recorded self-immolations since 2009, with at least 75 persons dying from their injuries. China has protested the statement from Under Secretary Ortero. The statement was posted on [humanrights.gov](http://humanrights.gov) – the official U.S. government website for human rights related information – and can be found [here](#).

### **U.S. Ambassador to China on International Human Rights Day**

On December 10, International Human Rights Day, U.S. Ambassador to China Gary Locke issued a statement celebrating the 64<sup>th</sup> anniversary of the Universal Declaration of Human Rights, saying that the “promotion of human rights remains at the forefront of American diplomacy worldwide, including in China.” Ambassador Locke notes that China has made great strides in developing its economy, but says that the U.S. is concerned about recent developments in China. The statement can be found [here](#).

### **U.S.-Asia Institute Events**

The U.S.-Asia Institute, a private, United Nations-associated nongovernment organization located in Washington, DC, is leading its 88<sup>th</sup> Congressional Staff Delegation to China December 4-13, with stops in Beijing, Nanjing, Shanghai, and Wuxi. The delegation is hosted by the Chinese People’s Institute of Foreign Affairs.

On December 10 the Institute hosted a Capitol Hill forum titled “Leadership in Transition: China.” The forum was moderated by Susan Lawrence of the Congressional Research Service and featured Dr. Jeffrey A. Bader, the John C. Whitehead Senior Fellow at The Brookings Institution. The purpose of the forum was to explain the Chinese political system and to discuss how changes in leadership at the Politburo Standing

Committee could affect U.S.-China relations, as well as China policy domestically and regionally.

## **TRADE & BUSINESS**

### **U.S.-China JCCT Set for Mid-December**

On December 10 United States Trade Representative Ron Kirk and Acting Commerce Secretary Rebecca Blank announced that they will host Chinese Vice Premier Wang Qishan in Washington on December 18 and 19 for the 23<sup>rd</sup> session of the U.S.-China Joint Commission on Commerce and Trade (JCCT). Agriculture Secretary Tom Vilsack will also participate in discussions on key agriculture trade concerns. In a press release from the Office of the USTR, Ambassador Kirk said “The JCCT is critical to resolving important trade and investment issues for American stakeholders and to moving our trade relationship with China forward. This year we’ve focused on delivering meaningful results on issues including enforcement of intellectual property rights, combating pressures to transfer technology, eliminating trade-distortive industrial policies, and removing key obstacles to our exports.” The USTR press release can be found [here](#).

### **U.S. Chamber Report on China’s Utility Model Patent System**

The U.S. Chamber of Commerce has released a report titled “China’s Utility Model Patent System: Innovation Driver or Deterrent” that provides an analysis of Chinese patent law and makes 10 recommendations for restructuring the Chinese system to incorporate best practices in other jurisdictions that allow utility model patents. The report can be found [here](#).

### **Chinese Investors to Buy Stake in AIG Plane Unit**

Investors with the International Lease Finance Corp. have negotiated the acquisition of an 80.1% stake in the American International Group (AIG) plane-leasing unit. Valued at \$4.23 billion, it is the largest acquisition of an American company. ILFC includes investors from New China Trust Co., China Aviation Industrial Fund, and P3 Investments Ltd.

### **U.S. Launches Antidumping Investigation of Chinese Silica Bricks**

On December 6 the Department of Commerce announced that it has initiated an antidumping investigation of imports of silica bricks and shapes (silica bricks) from China. The U.S. International Trade Commission (ITC) is scheduled to make a preliminary determination by December 31, 2012. If the ITC determines that there is reasonable indication that imports of the product from China materially injure, or threaten material injury, to the domestic industry, the investigation will continue, and Commerce will be scheduled to make its preliminary determination in April 2013, unless the determination is extended. A Fact Sheet from the International Trade Administration can be found [here](#).

## **ENERGY & ENVIRONMENT**

### **Chinese Purchase of A123 Batteries Assets Challenged**

Chinese-based investor Wanxiang Group has announced that a \$256.6 million assets purchase of A123 Systems, an American manufacturer of advanced lithium batteries and systems. Senators John Thune (R-SD), ranking member of the Senate Subcommittee on International Trade, and Senator Charles Grassley (R-IA), a senior member of the Senate Finance Committee and member of the International Trade Subcommittee, issued a statement saying “Given the important national security interests at stake, we expect a full review of the bankruptcy transaction by the Treasury Department.” Thune and Grassley have taken the lead on challenging the Obama Administration on federal funding provided to A123 Systems. The full statement on the Wanxiang Group move can be found [here](#).

### **COP/MOP Concludes**

On December 8 negotiators at the 18<sup>th</sup> Conference of the Parties to the Framework Convention on Climate Change in Doha, Qatar signed an agreement to extend the terms of the Kyoto Protocol through 2020. The

agreement requires no CO2 reductions from the U.S., China, Russia, Canada, or Japan, but member countries are hoping for a global, legally binding treaty in 2015 based on CO2 reductions within each country.

## TRANSPORTATION

### Asian Development Bank

On December 10 the Asian Development Bank announced that it would provide a \$150 million loan to improve the waterway transport system in Hunan Province, China, by making the Xiang River more navigable for larger vessels, improving cargo terminals along the river, and providing landing berths for rural communities. The ADB press release can be found [here](#).

## MISCELLANEOUS

### CECC Hearing on Chinese Detentions

On December 12 the Congressional-Executive Commission on China will hold a Capitol Hill hearing titled “Two Years Later: The Ongoing Detentions of Nobel Peace Prize Laureate Lau Xiaobo and His Wife Liu Xia.” Witnesses will include Carl Gershman, President of the National Endowment for Democracy, Dr. Yang Jiani, President of Initiatives for China, Patrick Griffith, a program attorney at FreedomNow, Yu Jie, an independent author and associate of Liu Xiaobo, and Liu Min, a friend of Liu Xiaobo and Liu Xia. The hearing announcement, with background information on the detentions, can be found [here](#).

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