



**ML**  
STRATEGIES

**Neal Martin**  
**David Leiter**  
rnmartin@mlstrategies.com  
djleiter@mlstrategies.com

**ML Strategies, LLC**  
701 Pennsylvania Avenue, N.W.  
Washington, D.C. 20004 USA  
202 434 7300  
202 434 7400 fax  
www.mlstrategies.com

## **CHINA UPDATE** **February 7, 2012**

### **Notable Quotes**

*“There is certainly a trust deficit between China and the United States. Each time the Sino-U.S. relationship hits problems there are voices that fundamentally doubt the relationship. There are constantly those who want to overturn this relationship that can truly be called too big to fail.”* - Chinese vice foreign minister Cui Tiangkai in a speech on February 6, 2012 (the text of the prepared speech can be found [here](#))

*“Today's report is a tremendous victory for the United States—particularly its manufacturers and workers. The Obama Administration will continue to ensure that China and every other country play by the rules so that U.S. workers and companies can compete and succeed on a level playing field.”* – USTR Ron Kirk responding to WTO Appellate Body ruling on Chinese export restrictions, January 30, 2012

*“They put a stake at the heart of efforts to resolve this conflict peacefully. The tragedy is for the people of Syria. We the United States stand with the people of Syria. Russia and China are obviously with Assad. Russia and China will, I think, come to regret this action. They have, by their actions, by their veto, dramatically increased the risk of greater violence, and you've seen manifestations of that.”* – United States Ambassador to the United Nations Susan Rice last week on the vote by China and Russia to veto a UN resolution condemning attacks on civilians by the government of Syrian president Bashar al-Assad.

### **Chinese Vice President in Washington Next Week**

Chinese Vice President Xi Jinping will arrive in the U.S. on February 13 for visits to Los Angeles, Iowa, and Washington. He is visiting the U.S. as the guest of Vice President Biden, and will also meet with President Obama at the White House on Tuesday, February 14. While the trip is meant to foster stronger ties with China and shore up the prospects of a good working relationship with Xi when he assumes the presidency later this year, it comes on the heels of China's vote against a United Nations resolution condemning attacks on civilians by the government of Syria. China was joined by Russia in blocking the resolution, and their votes were strongly condemned by U.S. Ambassador to the United Nations Susan Rice, who said the U.S. was “disgusted” by the vote.

In advance of the Xi's visit, Chinese vice premier Wang Qishan spoke on the phone with Treasury Secretary Geithner on February 2 about the U.S.-China economic relationship and the European debt crisis. On January 29, Chinese Foreign Minister Yang Jiechi met with U.S. Deputy Secretary of State Burns in Addis Ababa, Ethiopia, where they discussed various regional and international issues of interest.

After leaving the U.S., Xi will go on to visit Turkey and Ireland, returning to China on February 22.

### **WTO Appellate Body Rules in Favor of U.S. on Chinese Export Restrictions**

On January 30, the World Trade Organization (WTO) Appellate Body issued a report on the case “China – Measures Related to the Export of Various Raw Materials.” The report affirmed an existing WTO ruling which found that, as a part of its accession to the WTO in 2001, China had agreed to membership terms that prohibited them from applying export duties and export quotas on raw materials that are inputs to the steel, aluminum, and chemical industries. The report and findings can be found [here](#).

### **Brookings Institution Discussion on Low-Carbon Development in the U.S and China**

On February 2, the John L. Thornton China Center at Brookings hosted Qi Ye of the Climate Policy Initiative (CPI) and Tsinghua University. Brookings Senior Fellow Mark Muro and Casey Delhotal of the U.S. Department of Energy addressed key areas for U.S.-China cooperation on clean energy. Senior Fellow Kenneth Lieberthal, director of the John L. Thornton China Center, served as moderator. Audio and transcripts are available [here](#).

### **House Foreign Affairs Committee Hearing on Export Controls**

On February 7, the House Foreign Affairs Committee held a hearing titled “Export Controls, Arms Sales, and Reform: Balancing U.S. Interests.” The hearing focused on export control reforms generally, including the transfer of less sensitive defense articles from the U.S. Munitions List (USML) to the Commerce Control List (CCL). For products on the USML, manufacturers are required by the State Department to secure a license to sell outside the U.S. The CCL, maintained by the Commerce Department, is considered to be more flexible, and applies to “dual-use items” which may be intended for commercial use but could also have a military application. Specific attention in the hearing discussion was paid to the aerospace, electronic, and satellite industries, with several members of the Committee calling for reforms that would expedite the congressional notification process for arms sales. Industry experts also called for reauthorization of the Export-Import Bank, and there was also significant discussion on preventing the export or third-party transfer of sensitive U.S. technology to “bad actors”, notably Iran and China. Included in this discussion were aggressive intellectual property violations by China. Hearing witnesses included:

- Ms. Marion C. Blakey, President and Chief Executive Officer, Aerospace Industries Association
- Mr. Mikel Williams, Chief Executive Officer, DDi Corp.
- Ms. Patricia A. Cooper, President, Satellite Industry Association

For a full summary of the hearing, please contact ML Strategies.

### **Upcoming February 15 Event: Hearing on China’s State-Owned and State-Controlled Enterprises**

On February 15, the U.S.-China Economic and Security Review Commission (USCC) will hold a hearing on China’s State-Owned and State-Controlled Enterprises. The hearing will be held on Capitol Hill in the Dirksen Senate Office Building. Witnesses will include:

#### Congressional Perspectives

- Rep. Peter Visclosky (D-IN)
- Rep. Sue Myrick (R-NC)

#### Panel I: Detailed Overview of the State-Owned Sector in China

- Mr. Andrew Szamosszegi, Principal, Capital Trade, Inc., Washington, DC
- Dr. Adam Hersh, Economist, Center for American Progress, Washington, DC
- Dr. Roselyn Hsueh, Assistant Professor, Temple University, Philadelphia, PA

#### Panel II: The Competitive Challenges Posed by Chinese State-Owned Enterprises

- Mr. Timothy C. Brightbill, Partner, Wiley Rein, Washington, DC

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- Dr. David F. Gordon, Head of Research & Director, Global Macro Analysis, Eurasia Group, Washington, DC
- Mr. Paul T. Saulski, Adjunct Professor of Law, Georgetown University Law Center, Washington, DC

Panel III: Policy Options for Addressing Chinese State-Owned Enterprises

- Ms. Elizabeth J. Drake, Partner, Stewart and Stewart, Washington, DC
- Dr. Derek Scissors, Research Fellow for Asian Economic Policy, The Heritage Foundation, Washington, DC
- Mr. Curtis J. Milhaupt, Parker Professor of Comparative Corporate Law, Fuyo Professor of Japanese Law, Columbia Law School, New York, NY

The U.S.-China Economic and Security Review Commission was created by Congress to report on the national security implications of the bilateral trade and economic relationship between the two nations.