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CHINA UPDATE

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QUOTE OF THE WEEK

"The challenges for the next ten years are enormous, at the national and the global level. The fiscal and taxation reforms will be more than ever necessary to ensure that growth becomes more inclusive. So far, China has had a major success in reducing the worst aspect of inequality: poverty. But additional tax reforms will be needed to reduce further inequality in disposable income and across regions, as well as to help reduce the rural-urban divide. Tax is powerful, but not omnipotent!" – Mr. Angel Gurría, OECD Secretary-General, delivered at the China Development Forum on March 24

U.S.-CHINA RELATIONS

State Department Official in China

From March 24-28, Acting Assistant Secretary of State for East Asian and Pacific Affairs Joseph Yun is traveling to China, the Republic of Korea, and Japan. During his stop in China, Yun met with senior government officials to discuss a wide range of global, regional, and bilateral issues. Moving on to Seoul, he is meeting with officials in the new Park administration to consult and coordinate on a range of bilateral and regional issues, including measures to strengthen U.S.-South Korea bilateral engagement and to deepen security and defense cooperation. Finishing his trip in Japan, Yun will meet with senior officials to build on Prime Minister Abe's recent visit to Washington and to underscore U.S.-Japanese coordination on a range of bilateral, regional, and global issues.

Former U.S. Officials Meet with Chinese Leadership

On March 25, former U.S. Secretary of Defense William Cohen met with Chinese Vice Premier Zhang Gaoli for a discussion that covered creating fair business environments in China for foreign enterprises, readjustment of the Chinese economic structure, and other issues associated with Chinese economic reform. Cohen is currently chairman and chief executive officer of the The Cohen Group.

Also on March 25, former U.S. Secretary of State Henry Kissinger met with Chinese Premier Li Qiang, and Wang Qishan, a member of the Standing Committee of the Political Bureau of the Communist Party of China Central Committee. The discussion with Li focused on the growth of U.S.-China relations over the past four decades, and the need for increased cooperation on global issues. Wang called for closer cooperation between the U.S. and China, noting that the two economies are complementary to one another. Wang also briefed Kissinger on China's efforts to fight corruption. Kissinger is a founder of Kissinger Associates, an international consulting firm.

USCC to Hold Hearing on China's Maritime Disputes

On April 4, the U.S.-China Economic and Security Review Commission will hold a hearing on "China's Maritime Disputes in the East and South China Seas." The hearing will include three panels. Panel One: China's Strategic Thinking and Regional Security will include testimony from Rear Admiral Michael McDevitt (Ret.), a Senior Fellow at Strategic Studies, and Dr. Michael Swaine, Senior Associate at the Asia Program at the Carnegie Endowment for International Peace. Panel Two: Domestic Drivers, Policy and Law will include testimony from Peter Dutton, a professor at the U.S. Naval War College, and Dr. Jessica Chen Weiss, Assistant Professor at Yale University's Department of Political Science. Panel Three: Resources and Economic Drivers will include testimony from Dr. Stephen Lewis, Fellow and Professor at Rice University's Baker Institute for Public Policy, and Lloyd Thrall, a Research Associate at RAND Corporation. The hearing will explore the security, political, and economic drivers of China's maritime disputes in the East and South China Seas. In addition, the hearing will examine the implications of the disputes for the U.S. as well as prospects for a resolution.

Senator Levin on China at Council on Foreign Relations

On March 18, Senator Carl Levin (D-MI) was the guest at a meeting of the Council on Foreign Relations where he participated in a discussion with PBS ombudsman Michael Getler. Senator Levin is Chairman of the Senate Armed Services Committee (SASC) and recently announced that he would not seek reelection to a seventh term in the U.S. Senate in 2014. Asked by a member of the audience about the biggest threat to U.S.-China military relationship, Senator Levin stated that the biggest threat is cyberattacks from China, saying that the U.S. must convince China that such activity is not in their interest or benefit. He also called on China to engage in a more robust effort of containment relative to North Korea's nuclear program. Levin also discussed a SASC investigation which showed that millions of counterfeit parts from China had entered the supply chain for American weapons systems. The transcript of the discussion can be found [here](#).

TRADE

U.S. to Impose Duties on Chinese Stainless Steel Sinks

On March 21, with all six Commissioners voting in the affirmative, the U.S. International Trade Commission (USITC) determined that a U.S. industry is materially injured by reason of imports of drawn stainless steel sinks from China. The U.S. Department of Commerce has already determined that these products are subsidized and sold in the U.S. at less than fair value. As a result of the USITC determination, the Department of Commerce will issue antidumping and countervailing duty orders on imports of these products from China. The USITC announcement can be found [here](#).

Senator Coons Issues Report on Africa, Citing Trade with China

On March 7, Senator Chris Coons (D-DE) issued a report calling for early renewal of trade benefits for Africa as part of a broader strategy to counter growing Chinese investment and influence in Africa. The report, titled “Embracing Africa’s Economic Potential: Recommendations for Strengthening Trade Relationships Between the United States and Sub-Saharan Africa” can be found [here](#). In a letter accompanying the report, Senator Coons says that “America is losing ground and ceding economic opportunities in Africa to competitors. China, which has made dramatic inroads across the continent in recent years, may undermine or even counter value-driven U.S. goals in the region, and should serve as a wake-up call for enhanced American trade and investment. This is truly a critical moment, as our Chinese competitors are securing long-term contracts that could lock American companies and interests out of fast-growing African markets for decades to come.” Senator Coons is Chairman of the Senate Subcommittee on African Affairs.

ENERGY & ENVIRONMENT

House Hearing on LNG Exports

On March 19, the House Oversight and Government Reform Subcommittee on Energy Policy, Healthcare, and Entitlements held a hearing on “The Department of Energy’s Strategy for Exporting Liquefied Natural Gas.” Witnesses included: The Honorable Chris Smith, Acting Assistant Secretary for Fossil Energy, U.S. Department of Energy; Dr. Charles K. Ebinger, Director of the Energy Security Initiative, Brookings Institute; Mr. Tom Choi, National Practice Leader for Gas, Deloitte MarketPoint LLC; and Mr. Paul N. Cicio, President, Industrial Energy Consumers of America. The purpose of the hearing was to examine the Department of Energy’s strategy for exporting LNG, specifically to non-free trade agreement countries. There was brief mention of Chinese development of natural gas with Dr. Ebinger stating that the U.S. should be watching both China and Russia to see whether they move forward with the development of natural gas. ML Strategies has a full summary of the hearing available upon request.

CHINA & THE WORLD

Chinese President in Moscow

On March 22, Xi Jinping, the new Chinese president, arrived in Moscow for his first trip outside of China since assuming his new role. He met with Russian president Vladimir Putin to discuss China-Russia cooperation. After leaving Russia, Xi was scheduled to visit Tanzania and the Democratic Republic of Congo, before going to Durban, South Africa where he will attend the fifth meeting of the leaders of the BRICS countries (Brazil, Russia, India, China, and South Africa).

OECD Reports on China

From March 21-26, the Secretary-General of the Organisation for Economic Cooperation and Development (OECD), Mr. Angel Gurría, was in Beijing to attend the China Development Forum. The Secretary-General held bilateral meetings with key representatives of China’s authorities, including: Mr. Yang Weimin, Vice Minister of the Office of the Central Leading Group on Financial and Economic Affairs of the Communist Party of China; Mr. Liu He, Vice Chairman of the Office of the Leading Group for Financial and Economic Affairs; Mr. Yuan Guiren, Minister of Education; and Mr Zhou Xiaochuan, Governor of the People’s Bank of China. Mr. Gurría delivered remarks on “Forging Ahead the Reform of Fiscal and Taxation Systems for a More Inclusive Growth” and released the third OECD Economic

Survey of China. The survey focuses on macroeconomic developments and urbanization, growth, and social inclusion as well as on reforms for a cleaner, healthier environment. The survey can be found [here](#). The OECD also contributed a report to the Forum, titled “Stepping Up the Pace of Reform and Fostering Greener and More Inclusive Growth in China.” That report can be found [here](#). In his remarks, Mr. Gurría said that the “OECD stands ready to support the Chinese government in its successful path toward achieving a ‘moderately prosperous’ and more equal society. It is doing so by sharing the experiences of its member and other partner countries. We hope this way to also learn from the Chinese policy experiences and be able, together, to support global efforts to get the world economy not only stronger, but fairer and greener.” His full remarks can be found [here](#).

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