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**Neal Martin**

[nmartin@mlstrategies.com](mailto:nmartin@mlstrategies.com)

**David Leiter**

[djleiter@mlstrategies.com](mailto:djleiter@mlstrategies.com)

**ML Strategies, LLC**

701 Pennsylvania Avenue, N.W.

Washington, DC 20004 USA

202 296 3622

202 434 7400 fax

[www.mlstrategies.com](http://www.mlstrategies.com)

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## CHINA UPDATE

### Notable Quotes

*“Export and investment-oriented growth may have catapulted China to where it is today, but it is not sufficiently people-centered. Prosperity can only endure when it is shared more broadly among the Chinese people. And the same is true for social stability.”* – International Monetary Fund managing director Christine Lagarde in [remarks](#) at the China Development Forum in Beijing on March 18

*“When visiting the United States, Hu Jintao is invariably referred to as “China’s President,” rather than “General Secretary of the Chinese Communist Party” – the office that carries the ring of true power. The CCP cloaks itself in the outer garb of the government; although foreign observers often fail to look critically beyond China’s formal state structure, few Chinese citizens would be so fooled. In the People’s Republic of China, it is the Party that rules both state and society.”* – USCC report on the next-generation leaders of the Chinese Communist Party

### USCC Issues Report on Next-Generation of Chinese Leaders

The U.S.-China Economic and Security Review Commission (USCC) released a [report](#) on March 23 titled “The Chinese Communist Party and Its Emerging Next-Generation Leaders.” The report is the first in a series of three reports from the USCC China Rising Leaders Project Research Report Series. The remaining two reports are “China’s Emerging Leaders in the People’s Liberation Army” (to be released in June 2012) and “China’s Emerging Leaders in State-Controlled Industry” (to be released in August 2012).

The report notes that, when the National Congress of the Chinese Communist Party (CCP) convenes later this year, likely in August, seven of the nine politburo members are expected to retire and a new “paramount leader” will be selected. The transition to the next generation of leaders will represent the first time that this change is made without being controlled by the revolutionary generation. The series of reports from the USCC are intended to help readers understand the new

slate of leaders that will govern China for the next decade – and the impact they will have on US-China relations.

### **President Obama Meets with Hu Jintao**

President Obama is in South Korea this week for a [2012 Seoul Nuclear Security Summit](#). Yesterday, March 26, the president held a bilateral meeting with Chinese president Hu Jintao that focused on containing the nuclear ambitions of North Korea and Iran. Specifically, President Obama asked that China use its influence with the government in Pyongyang to discourage its planned rocket launch to place a satellite in space next month.

### **GAO Report on Counterfeit Chinese Parts in DoD Supply Chain**

At the request of the Senate Armed Services Committee, the Government Accountability Office has prepared a [report](#) demonstrating that counterfeit electronic parts from China can easily enter the DoD supply chain, compromising American national security. The report does not make recommendations on how to resolve the problem, but focuses on the ease with which a fictitious company, created by GAO, was able to gain membership to two internet platforms providing access to vendors selling military-grade electronic parts. According to the report, every single counterfeit part purchased by the fictitious company came from China.

### **Commerce Makes Final Determination on Brightening Agents**

On March 20, the Department of Commerce issued its [final determination](#) in the antidumping investigations of stilbenic optical brightening agents from China and Taiwan. The U.S. International Trade Commission is scheduled to make its final determination no later than May 3, 2012.

### **China, Japan and South Korea Agree on Investment Treaty**

On March 20, the chief Cabinet secretary of Japan, Osamu Fujimura, announced that the three nations had agreed on a tripartite investment protection treaty. Negotiations began in 2007 and the agreement represents the first economic tripartite agreement between the nations. The treaty is viewed as laying the groundwork for negotiations on a free trade agreement between the three nations to commence later this year.

### **U.S. & Australia Further Expand Military Relationship**

In response to the growing threat of China's military and economic rise in the Asia-Pacific region, the U.S. and Australia will expand upon the previous announcement that the Pentagon will deploy 2,500 Marines to Darwin, Australia. Also a part of the U.S. pivot to the Asia-Pacific region, in response to China's growing international stature, the U.S. is working to finalize an agreement with Singapore to station four warships there, and will also seek to increase military relations with other Asian nations including Brunei, Indonesia, Thailand, and Vietnam.

### **Guangdong Emissions Targets**

The Chinese province of Guangdong's 12th Five Year Plan (2011-2015) pledges an 18% reduction of energy consumption per unit of gross domestic product (GDP) by 2015, a 14.8% reduction in sulfur dioxide emissions, a 12% reduction in chemical oxygen demand in wastewater, a 13.3% reduction in ammonia nitrogen levels in water, and a 16.9% reduction in atmospheric nitrogen oxides emissions,

all compared with 2010 levels. No figure for carbon intensity was announced, but vehicle tailpipe emissions were also tightened. By 2015, the province wants all gasoline fuel up to China V standards and all diesel fuel up to China IV standards.

### **China Releases Gas Plans**

On March 19, China's National Development and Reform Commission unveiled its plans to run pilot exploration and production programs to tap shale natural gas deposits during the current Five-Year Plan (2011–2015), with full-scale development during the 13th Five-Year Plan (2016–2020). The commission is aiming to produce 6.5 billion cubic meters of shale gas by the end of 2015, and between 60 billion and 100 billion cubic meters annually by 2020.

### **China's Efficiency Audit Guidelines**

On March 19, China's National Development and Reform Commission published an energy efficiency evaluation and auditing handbook for fixed-asset projects, for use by all levels of government and business.

### **Upcoming Events**

- On Wednesday, March 28, the House Foreign Affairs Subcommittee on Oversight and Investigations will hold a hearing titled “The Price of Public Diplomacy with China.” Witnesses include: Steven Mosher, President, Population Research Institute; Kai Chen, Chinese freedom activist; and Greg Autry, co-author of “Death by China”; and Robert Daly, Director of the Maryland China Initiative at the University of Maryland.
- On Wednesday, March 28, the House Foreign Affairs Committee will hold a hearing on “Investigating the Chinese Threat, Part One: Military and Economic Aggression.” Panelists will include: Dean Cheng, Research Fellow at The Heritage Foundation’s Asia Studies Center; John Tkacik, Senior Fellow and Director of the Future Asia Project at the International Assessment and Strategy Center; Larry Wortzel, Commissioner at the U.S.-China Economic and Security Review Commission; and Taylor Fravel, Associate Professor of Political Science in the Security Studies Program at the Massachusetts Institute of Technology.
- On Thursday, March 29, the House Foreign Affairs Subcommittee on Africa, Global Health and Human Rights will hold a hearing on “China’s Role and Influence in Africa.” Panelists will include: Donald Y. Yamamoto, Principal Deputy Secretary of State for the Bureau of African Affairs; Carolyn Bartholomew, Commissioner with the U.S.-China Economic and Security Review Commission; Stephen Hayes, President and CEO of the Corporate Council on Africa; J. Peter Pham, Director of the Michael S. Ansari Africa Center at the Atlantic Council; and David H. Shinn, adjunct professor at the Elliott School of International Affairs at George Washington University.

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