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CHINA UPDATE

Quote of the Week

“A vigorous America is good for China and a successful China is good for the United States.” – former Hong Kong Chief Executive C.H. Tung in an April 11 speech at the Economic Club of New York

Cato Institute Briefing on U.S.-China Trade Relations

On April 11, the Cato Institute held a briefing with panelists Dan Ikenson of the Cato Institute and Erin Ennis of the U.S.-China Business Council. The purpose of the briefing was to identify solutions that provide benefits to both the U.S. and China in order to avoid increasing trade tensions, and to discuss the findings from Ikenson’s [paper](#) titled “Trade Policy Priority One: Averting a U.S.-China Trade War.”

During the discussion, Ms. Ennis noted that the U.S.-China relationship has improved over the past three decades, but that more work is needed in order to fully develop commercial ties, tackle unresolved issues, and bring greater benefits to the two economies. She also said that there is a need for improvement in: ensuring fair and open investment environments that create jobs; reducing trade barriers and enforcing globally accepted trade rules; providing strong, consistent intellectual property rights protection; and adhering to mutually beneficial innovation policies. Mr. Ikenson noted that the term “trade war” is no longer taboo, and said that while China is accountable for increased trade tensions through dumping, forms of subsidization, and forced technology transfer, politics and attitudes in the U.S. have also contributed to bilateral tension.

Congressional Letter on Possible Chinese Assistance to North Korea

Representative Mike Turner (R-OH), Chairman of the House Subcommittee on Strategic Forces, sent a letter on April 17 to Secretary of State Hillary Clinton and General James Clapper, Director of National Intelligence, asking the Administration to investigate allegations that a missile unveiled at a military parade in Pyongyang honoring Kim Il Sung, the founder of the communist dictatorship in North Korea, is an intercontinental missile (ICBM) built with technological help from China. According to Chairman Turner, such assistance would be “in violation of international obligations and a threat to the security interest of the United States.” The letter comes after warnings from former Defense Secretary Gates and the Commander of the U.S. Pacific

Command that North Korea was likely developing an ICBM and an April 15 letter from Mr. Richard Fisher, a Senior Fellow at the International Assessment and Strategy Center, claiming that the “transporter-erector-launcher” for the new missile was likely based on Chinese design, and perhaps even manufactured in China. The Turner and Fisher letters can be found [here](#).

Last week North Korea went forward with a long-range missile launch despite worldwide warnings about the implications for such an action and the launch was quickly condemned by the United Nations Security Council, with China backing the unanimous statement of condemnation.

Chinese Government Moves on Yuan

As evidence that the Chinese government believes the yuan is close to market value, effective April 16, it has doubled the trading range of the currency. The move by the People’s Bank of China will allow the yuan, also known as the renminbi, to fluctuate within a range of 1% above or below a set rate. Until now, the fluctuation range was 0.5%. The bank’s announcement can be found [here](#). This move is seen as a positive step toward resolving international concerns about China’s currency policies, with many arguing that the yuan is undervalued.

Report on Chinese Reactions to Taiwan Arms Sales

Yesterday, the U.S.-Taiwan Business Council and the Project 2049 Institute released a [report](#) titled “Chinese Reactions to Taiwanese Arms Sales.” The report provides an “in-depth look into the history of U.S. arms sales to Taiwan, and examines the correlation between such arms sales and the reactions and subsequent retaliatory responses – if any – by the People’s Republic of China.”

Taiwan Holds Military Drill

Beginning today, Wednesday, April 18, Taiwan is holding a 5 day military drill simulating an enemy invasion of the capital city of Taipei. The drill, called Han Kuang (Han Glory) No. 28, will test the island nation’s defense capabilities against China, which has claimed sovereignty over Taiwan since its founding in 1949.

U.S. and Philippines Hold Joint Naval Drill

In the midst of a territorial dispute between the Philippines and China over the Scarborough Shoal in the South China Sea, American and Filipino troops have launched a two-week naval drill involving up to 7,000 troops. While internationally known as the Scarborough Shoal, the territory is known as Panatag Shoal by the Filipinos and as Huangyan Island by the Chinese. China and the Philippines have been in a stand-off over the territory since last week, although they have agreed to settle the matter through diplomatic means.

Upcoming Events

Tomorrow, April 19, the U.S.-China Economic and Security Review Commission will hold a [hearing](#) titled: “China-Europe Relationship and Transatlantic Implications.” The event will be held in the Capitol Visitor’s Center. Panelists will include: Rep. Dana Rohrabacher (R-CA); Andrew Small, Transatlantic Fellow at the German Marshall Fund of the United States; May-Britt Stunbaum, of the Free University of Berlin; Oystein Tunsjo, of the Norwegian Institute for Defense Studies; Christina Lin, of the Paul H. Nitze School of Advanced International Studies at Johns Hopkins University; Gudru Wacker, of the German Institute for International and Security Affairs; Jonathan Holslag, of the Brussels Institute for Contemporary China Studies; and Michel Meidan, of the Eurasia Group providing written testimony only.