



ML
STRATEGIES

Neal Martin

rnmartin@mlstrategies.com

David Leiter

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

CHINA UPDATE

April 2, 2013

QUOTE OF THE WEEK

"We need to hold countries like China accountable so that they don't exploit an unfair advantage through currency manipulation and other trade subsidies. The Currency Reform for Fair Trade Act will keep our manufacturing sector thriving and keep the United States competitive in the global marketplace. We owe it to the American people to take action on the currency imbalance we have with China. This legislation has bipartisan support, will address our trade imbalance, and help create the jobs we need here at home."

– Rep. Tim Ryan (D-OH) in a statement at the announcement of bipartisan legislation on March 20

U.S.-CHINA RELATIONS

State Department Official Travel to China

Robert Hormats, Under Secretary of State for Economic Growth, Energy, and the Environment, will travel to Vancouver, Canada from April 2 through April 4, 2013 to address the Pacific Energy Summit and to meet with government and business leaders from Canada and the Asia Pacific region. Under Secretary Hormats will then travel to Hainan, China from April 5 through April 7, where he will participate in the Bo'ao Forum for Asia – an event which will include government and private sector participants from China and the region – and to Beijing, China from April 8 through April 9, 2013 for bilateral consultations with Chinese officials and to deliver the keynote address at the U.S.-China Internet Industry Forum. Finally, he will travel to Tokyo, Japan from April 10 through 11, to engage Japanese Government officials and private sector representatives on a wide range of economic, energy, and environment issues.

U.S. Trade Official in China

Starting on Monday, April 1, Under Secretary for International Trade Francisco Sánchez will travel to Guangzhou and Beijing, China and Mongolia for a five-day trip. He will be meeting with foreign leaders about opportunities for American businesses to be involved in large infrastructure projects.

Department of Commerce Honors President of American Chamber of Commerce in South China

On April 1, U.S. Secretary of Commerce for International Trade Francisco Sanchez announced nine organizations and individuals as recipients of the International Trade Administration's 2012 Peace through Commerce Medal Award. Among the recipients was Harley Seyedin, President of The American Chamber of Commerce in South China. A press release from the ITA can be found [here](#).

Senate Delegation in China

Senate Foreign Relations Committee Ranking Member Bob Corker (R-TN) led a delegation of committee members on a trip to China last week. The visit was at the invitation of the Foreign Affairs Committee of the National People's Congress, and included a meeting with Wang Chen, vice chairman and secretary-general of the standing committee of the National People's Congress.

San Francisco Mayor Meets with Chinese Vice President

On April 2, San Francisco Mayor Edwin Lee met with Chinese Vice President Li Yuanchao in Beijing. According to the Chinese embassy in Washington, DC, Li told Lee that the new Chinese leadership attaches great importance to its relationship with the U.S. and hopes that the two nations will respect one another, increase mutual trust, and manage and control their disparities. Lee is reported to have discussed exchanges and cooperation between the U.S. and China in the fields of science and culture.

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.

TRADE

China Concludes First Round Trade Negotiations with Japan and South Korea

On March 28, China, Japan, and South Korea completed the first round of negotiations on a tripartite free trade agreement, identifying ten areas for further negotiation: trade, trade rules, technical barriers to trade, customs cooperation, competition policy, rules of origin regulations, dispute arbitration policies, investment, services, and sanitation.

House Democrats Urge Designation of China on Trade Secrets Theft

On March 27, House Ways and Means Committee Ranking Member Sandy Levin (D-MI) and Trade Subcommittee Ranking Member Charlie Rangel (D-NY) sent a letter to Acting United States Trade Representative Demetrios Marantis urging that the Administration designate China a "Priority Foreign Country" for alleged trade secrets theft. The letter references a report from the information security

firm Mandiant which linked cyber theft of trade secrets to the Chinese government and says that the U.S. has “known for some time that the Government of China does not do enough to enforce the intellectual property of U.S. innovators in China. But government-sponsored theft of trade secrets would put China in an entirely different category. Given the evidence of this egregious conduct, the corresponding damage to our businesses, and the fact that China is in breach of its WTO obligations, we urge you to consider designating China a Priority Foreign Country for Special 301 purposes.” Under the Trade Act of 1974, within 30 days after a PFC is designated, USTR generally must initiate a Special 301 investigation, which can ultimately lead to the President taking “appropriate action” such as the imposition of additional import duties. If USTR determines that the act, policy, or practice is unjustifiable and burdens or restricts U.S. commerce (or violates a U.S. trade agreement) the USTR is required to take action. In the case of a WTO violation, that action generally involves bringing a WTO case. The letter can be found [here](#).

Currency Manipulation Bill Introduced in House of Representatives

On March 20, House Ways and Means Committee Ranking Member Sandy Levin (D-MI) was joined by a Reps. Tim Murphy (R-PA), Tim Ryan (D-OH), and Mo Brooks (R-AL) in announcing a bipartisan bill aimed at holding currency manipulators accountable. The bill is titled the Currency Reform for Fair Trade Act of 2013 and would “seeks to level the playing field for American workers and businesses by providing the administration the necessary tools to address the issue of undervaluation of currency by our trading partners.” The bill has 38 cosponsors and is nearly identical to legislation introduced in the previous congress which eventually had 234 cosponsors but did not see final passage.

ENERGY & ENVIRONMENT

China Energy Saving Procurement

On March 7, the Chinese State Administration of Taxation released a notice listing energy saving products that qualify for government procurement. The products include certain air conditioning units, LED lighting, printers, and water-saving technologies. A new list will be released in July.

China’s Suntech Bankruptcy

On March 20, Suntech, a Chinese solar manufacturing company, declared bankruptcy. Questions have arisen on how the country’s solar industry will now cope with overcapacity issues which stem from a decline in demand from Europe. The declaration comes a week after the company announced it had defaulted on \$541 million of bonds.

China to Tax Polluting Products

On March 21, Economic Information Daily reported that the Chinese Ministry of Finance, the State Administration of Taxation, and the Budget Committee of the National People’s Congress are currently evaluating a revision to include highly polluting products in China’s consumption tax. “High risk” items that could qualify include detergents, disposable dishes and utensils, fertilizers, lead-acid batteries, ozone-depleting substances, pesticides, plastic bags, and products with either excessive packaging or high concentrations of heavy metals.

China to Improve Green Credit

On March 22, the *People’s Daily*, the official newspaper of the Communist Party of China, reported that the China Banking Regulatory Commission expects to finish its analysis of its “green credit” practices in April. The programs will help banks differentiate borrowers based on environmental performance, with the aim of giving green companies better access to credit while limiting credit for notorious

polluters.

Chinese Climate Change Mitigation and Adaption Report

On March 22, The Climate Group and the Research Center for Climate and Energy Finance at China's Central University of Finance and Economics issued a report that projects China will need \$243 billion of additional funds per year by 2020 to mitigate and adapt to climate change. The report, "Shaping China's Climate Finance Policy," was prepared for the National Development and Reform Commission, China's top planning body. The forecast represents 2 percent of China's annual gross domestic product.

China Pollution Costs

On March 25, the China Academy for Environmental Planning, an academy under the purview of the Ministry of Environmental Protection, found that pollution damage costs in the country totaled \$247 billion in 2010, accounting for about 3.5 percent of gross domestic product (GDP).

Potential Chinese Carbon Tax

On March 25, the Chinese National Development and Reform Commission's Climate Change Department website reported that, according to new Chinese Finance Minister Lou Jiwei, new financial and tax reforms could include new resource and carbon taxes. The proposed environmental resource tax laws are currently being developed by the Ministry of Finance and the Ministry of Environmental Protection, but there is no current timetable for finalization.

Presidential Order Challenged

On March 21, the Federal government advised the U.S. District Court for the District of Columbia to dismiss a complaint by Ralls Corp., a company owned by Chinese nationals that attempted to acquire wind farms in the U.S. Two presidential orders regarding the company were released in September 2012: one to prevent the acquisition of four wind farm companies by Ralls and one to order the divestment by Ralls of the wind farm companies. The company claims the President should, under the Due Process clause, disclose the information he uses when issuing the presidential orders. An earlier decision dismissed most of the complaint except the due process question.

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