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CHINA UPDATE

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QUOTE OF THE WEEK

"China has just completed its leadership change and this is a moment to renew ties, take stock of events in the world and assess how we can best move forward and work together. The world needs more stability and our leadership – in areas of mutual interest where we can make a difference through joint efforts – can be a significant positive force in this respect." Catherine Ashton, E.U. High Representative of the Union for Foreign Affairs and Security Policy/Vice President of European Commission, ahead of her April 25-28 visit to China.

U.S.-CHINA RELATIONS

Chinese Official in Washington

On April 23, Under Secretary of State for Political Affairs Wendy Sherman met with China's Special Representative for Korean Peninsula Affairs Wu Dawei at the Department of State. The meeting was a part of diplomatic efforts to calm the recent escalation of rhetoric from North Korea.

Dueling Reports on Human Rights

On April 19, the U.S. Department of State issued its annual "Country Reports for Human Rights Practices." In his introduction, Secretary of State Kerry says that the report documents "the often difficult march forward of human freedom around the world. Significant progress is being made in some places, but in far too many others governments fall short of the Universal Declaration of Human Rights' vision of a world where people live "free and equal in dignity and rights." The report covers the human rights records of 190 countries. On China, the report says that "As in previous years, citizens did not have the right to change their government, and citizens had limited forms of redress against the

government. Other human rights problems during the year included: extrajudicial killings, including executions without due process; enforced disappearance and incommunicado detention, including prolonged illegal detentions at unofficial holding facilities known as “black jails”; torture and coerced confessions of prisoners; detention and harassment of lawyers, journalists, writers, dissidents, petitioners, and others who sought to exercise peacefully their rights under the law; a lack of due process in judicial proceedings; political control of courts and judges; closed trials; the use of administrative detention; restrictions on freedom to assemble, practice religion, and travel; failure to protect refugees and asylum seekers; pressure on other countries to forcibly return PRC citizens to China; intense scrutiny of and restrictions on nongovernmental organizations (NGOs); discrimination against women, minorities, and persons with disabilities; a coercive birth-limitation policy that in some cases resulted in forced abortion (sometimes at advanced stages of pregnancy) or forced sterilization; trafficking in persons; prohibitions on independent unions and a lack of protection for workers’ right to strike; and the use of forced labor, including prison labor. Corruption remained widespread.”

The Country Report on China (including Tibet, Hong Kong, and Macau) can be found [here](#).

In response to the U.S. Country Report on China, the government of China has issued its annual response on the human rights record of the United States in the previous year. China’s report, found on [xinhuanet.com here](#), saying that the “Human Rights Record of the U.S. in 2012 is hereby prepared to reveal the true human rights situation of the U.S. to people across the world by simply laying down some facts.” The Chinese report contains sections on life and personal security, civil and political rights, economic and social rights, racial discrimination, the rights of women and children, and violations of human rights against other nations.

U.S. Response to Chinese Earthquake

On April 20, in response to the earthquake in China’s Sichuan Province that killed 189 people, Secretary of State Kerry issued a statement saying “I join the American people in expressing our sincere condolences for the loss of life and devastation wrought by today’s earthquake in Sichuan Province. The United States stands ready to support the international response to this disaster. To those affected by this tragedy and to all the people of China, we send our heartfelt sympathies.”

Chairman of Joint Chiefs in China

Martin Dempsey, Chairman of the U.S. Joint Chiefs of Staff, is in China this week for a five day visit that will include meetings with senior officials from the Chinese military. On April 23, he met with Vice Chairman of the Central Military Commission Fan Changlong and Defense Minister Chang Wanquan. On April 24, Dempsey visited Chinese army aviation forces and the University of National Defense. Dempsey is visiting China at the invitation of Fang Fenghui, chief of the general staff of the Chinese People's Liberation Army. In his meetings, Dempsey says he asked the Chinese to “put their brightest and best minds to seek a level of collaboration and transparency with the U.S.” on cybersecurity. With regard to the situation on the Korean peninsula, Dempsey said that he will leave China “with the belief that the Chinese leadership is as concerned as we are with North Korea’s march toward nuclearization and ballistic missile technology.”

Deputy Secretary of State Burns in China

Deputy Secretary of State William Burns is traveling to Japan, China, Kazakhstan, Republic of Korea, and Mongolia, April 22-29. In Tokyo April 23-24, Deputy Secretary Burns is meeting with senior Japanese officials to further the United States’ close and long-standing cooperation with Japan on a wide range of bilateral and regional issues. April 24-25 in Beijing, Deputy Secretary Burns will meet with senior Chinese officials to discuss bilateral, regional, and global issues of mutual concern. April 26, he will

travel to Almaty to lead the U.S. delegation to the “Heart of Asia” Conference and meet with senior officials and representatives from a number of participating governments, including Afghanistan and Kazakhstan. This is the third ministerial-level meeting of the Istanbul Process, which was established 18 months ago to foster greater regional political, security, and economic cooperation. Deputy Secretary Burns will arrive in Seoul April 27 where he will meet with senior South Korean officials and discuss a wide range of global, regional, and bilateral issues, including North Korea. He will lead the U.S. delegation to the seventh Ministerial of the Community of Democracies April 28-29, in Ulaanbaatar.

Seminar on U.S.-China-Taiwan Relations

On April 23, the Center for Northeast Asian Policy Studies at Brookings and the Freeman Chair in China Studies at the Center for Strategic and International Studies hosted a public seminar featuring senior experts from the U.S., China and Taiwan. Panelists analyzed the domestic forces influencing cross-Strait relations; prospects for developments in the political, security and regional economic arenas; and possible roles for the U.S. Raymond Burghardt, chairman of the board of the American Institute in Taiwan, delivered a keynote address.

CSIS Event on Xi Jinping’s First Trip Abroad

On April 24, the Center for Strategic and International Studies held an event on “Interpreting Xi Jinping’s First Trip Abroad: Glimpses of a Diplomatic Strategy?” with opening remarks from Dr. Zbigniew Brzezinski – the former National Security Advisor to President Carter and current counselor and trustee at CSIS.

TRADE

Treasury Secretary Speaks at IMF Financial Committee Meeting

On April 19, Treasury Secretary Jack Lew spoke before the International Monetary Fund Financial Committee (IMFC) meeting in Washington. With regard to China and the transition to stronger and more sustainable global growth, Lew said “Some progress has been made. China already recognizes the need to transition away from excessive reliance on domestic investment and exports to a new model with Chinese consumers playing a growing role in driving demand. China’s current account surplus has fallen from 10.1 percent of GDP in 2007 to 2.3 percent in 2012. Exchange rate appreciation has played an important role in reducing China’s surplus. But the process of exchange rate adjustment in China remains incomplete and more progress is needed. Sustaining this progress will require further efforts to boost household demand and reinvigorate the move to market determination of the exchange rate and interest rates.” His full remarks can be found [here](#).

Treasury Alleges Money Laundered Through China

On April 23, the Treasury Department named two Lebanese exchange houses, Kassem Rmeiti & Co. For Exchange (Rmeiti Exchange) and Halawi Exchange Co. (Halawi Exchange), as foreign financial institutions of primary money laundering concern under Section 311 of the USA PATRIOT Act (Section 311) – the first time the Department has used Section 311 against a non-bank financial institution. Treasury says that Halawi Exchange, through its network of established international exchange houses, initiated wire transfers from its bank accounts to the U.S. without using the Lebanese banking system in order to avoid scrutiny associated with Treasury’s designations of Hassan Ayash Exchange, Elissa Exchange, and its Lebanese Canadian Bank Section 311 Action. Money was then wire transferred via Halawi’s banking relationships indirectly to the U.S. through countries that included China, Singapore, and the UAE, which were perceived to receive less scrutiny by the U.S. Government. A statement from Treasury can be found [here](#).

ENERGY & ENVIRONMENT

Chinese Companies to Co-Invest in Renewables Projects

On April 10, China Wind Power and CNNC Rich Energy, a renewables subsidiary of China National Nuclear Corporation, signed a Strategic Cooperation Agreement to provide 700 MW of renewable capacity by 2015. The goal of the agreement is to provide China with 500 MW of wind energy and 200 MW of solar energy. China Wind Power already has projects with 28 GW of wind and 5 GW of solar capacity.

Global Wind Energy Report Released

On April 17, the Global Wind Energy Council (GWEC) released its report *Global Wind Report Annual Market Update 2012*, examining global installed wind power capacity. The report found that by the end of 2012 global capacity was 282.5 gigawatts. The leaders in new capacity additions were the United States with 13.12 gigawatts, China with 12.96 gigawatts, and the European Union with 11.9 gigawatts. It is the first year since 2009 that the U.S. surpassed China in capacity additions. The report cited climate change mitigation, energy security, local economic development, local pollution issues, and price stability as to why wind power has excelled. However, the report warned that policy uncertainty could harm the wind industry; the study pointed to the European Union carbon price and U.S. production tax credit as two such examples.

WTO China Rare Earths Ruling Due in November

The World Trade Organization (WTO) announced its dispute panel will release a ruling on a case involving rare earths exports from China by November 21. The U.S., the European Union, and Japan petitioned the WTO, saying Chinese export duties, export quotas, and restrictions for rare earths violate international trade rules and the country's 2001 WTO accession agreement. China responded to the July 2012 allegation that the restrictions improve economic development and protect natural resources. These resources are often used in manufacturing, especially for energy efficient lighting, hybrid car batteries, and wind turbines. A previous WTO ruling on a case filed by the U.S., the European Union, and Mexico found China at fault for raw material restrictions.

Pew Clean Investment Study Released

On April 17, the Pew Charitable Trusts released its report *Who's Winning the Clean Energy Race: 2012 Edition* which studied the clean energy investment trends by G-20 nations. The study found that the world installed 88 gigawatts of capacity in 2012 despite global clean energy investment being down 11 percent from the year before. In the Americas, clean energy financing totaled \$50.3 billion in 2012, down 31 percent from 2011 levels. The U.S. specifically had \$35.6 billion in investment in 2012. The report identified China as the clean energy investment leader with \$65.1 billion.

MISCELLANEOUS

E.U. Representative Visiting China

On April 24, Catherine Ashton, Representative of the Union for Foreign Affairs and Security Policy/Vice President of European Commission, departed for an official visit to China and Mongolia. In China from April 25-28, Ashton will lead the E.U.'s first high-level meetings with the new Chinese leadership. The visit comes at an important moment in the development of EU-China relations: China has recently completed its leadership change and both sides are intent on taking the EU-China relationship forward. Ashton's visit to China comes at the invitation of Foreign Minister Wang Yi. Ashton will have meetings with Politburo Standing Committee Member and Chairman of the Chinese People's Political

Consultative Conference Yu Zhengsheng, State Councillor Yang Jiechi, Minister of Foreign Affairs Wang Yi and State Councilor and Defense Minister General Chang Wanquan. Her agenda will focus on international strategic challenges including those relating to Iran, Syria, North Korea and Afghanistan.

China Continues Military Build Up With New Carrier

On April 23, China's Xinhua news service reported that a senior official with the People's Liberation Army (PLA) has said China intends to build a second, larger aircraft carrier with the capability to carry more fighter jets. China's current sole carrier is the Liaoning, a retrofitted Russian-manufactured carrier that is considered to be technologically inferior to U.S. carriers.

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