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CHINA UPDATE

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QUOTES OF THE WEEK

“The stakes are very high because it’s fair to say that the dynamic that emerges between our nations will affect not just our peoples, but quite frankly, have a significant impact on the entire world. And let me be blunt: There are strong voices on both sides of the Pacific that talk about a relationship in terms of mistrust and suspicion. They still exist in both our countries. Our relationship is subject to all kinds of caricatures. I’ve heard the U.S.-China relationship described as everything from the next Cold War to the new G-2. And the truth is neither are accurate. Neither are accurate. The truth is more complicated.” – Vice President Joe Biden in opening remarks at the fifth U.S.-China Strategic & Economic Dialogue (S&ED) in Washington, DC on July 10

“The international landscape is undergoing profound and complex changes. Despite many of our differences, our common interests are also growing. For us, candid dialogue and sincere cooperation remains the right direction. We need to raise our strategic, mutual trust to new heights through dialogue, and trust starts with communication and exchanges. The more communication exchanges we have, the less misunderstanding and disagreement. We also need to forge new consensus on upholding world peace and development through dialogue.” – Chinese Vice Premier Wang Yang in opening remarks at the S&ED on July 10

“The mission of the Strategic and Economic Dialogue is to make concrete progress on the issues that matter to each and every one of us, on both sides of the Pacific and beyond. Over the past four years, we’ve made significant advances in deepening and strengthening our economic relationship with China. U.S. exports to China have doubled since early 2009, growing more than fast as exports to the rest of the world. And the RMB exchange rate has appreciated. As a result, China’s current account surplus has begun to adjust, falling from a peak of over 10 percent of GDP before this Administration took office to less than 3 percent today. While this is welcome, more progress is needed. It was clear from our discussions over the past two days that China’s leaders understand that China’s growth and development challenges of the future will not be met by China’s growth model of the past. China’s new leaders have turned to an ambitious set of reforms that will reorient China’s economy towards domestic consumption and away from exports, heavy industry, and investments.” – Secretary of the Treasury Jacob Lew on July 11 at closing statements for the S&ED

U.S.-CHINA RELATIONS

Fifth U.S.-China Strategic & Economic Dialogue (S&ED)

On July 10 – 11, the United States hosted the fifth U.S.-China Strategic & Economic Dialogue in Washington, DC. It was co-chaired by Secretary of State John Kerry and Secretary of the Treasury Jack Lew for the United States, and by Vice Premier Wang Yang and State Councilor Yang Jiechi for China.

In his opening remarks, Secretary Kerry said “When we deepen our cooperation on regional and global security issues, it helps all of our people to be safer and it projects stability across the world. And frankly, in a world where increasingly governments are failing and populations are rising up and looking for order and structure and possibilities, it is important for the two leading nations of the world to find a way to set an example for success between governments. When we work together to build trust and goodwill and understanding, it opens the door to greater collaboration.”

Opening remarks by Secretary of State John Kerry, Vice President Joe Biden, Treasury Secretary Jacob Lew, Chinese State Councilor Yang Jiechi, and Chinese Vice Premier Wang Yang can be found [here](#).

The Strategic Track of the S&ED saw the two countries agree to, among other things:

- Promote an open, cooperative, secure, and reliable cyber space
- Build healthy, stable, and reliable military-to-military ties
- Work toward shared goals on North Korea
- Call on Iran to satisfy its obligations
- Push for a peaceful solution to the crisis in Syria
- Combat climate change and protect the environment
- Support global energy security
- Enhance cooperation on global development

Additional information on specific outcomes of the Strategic Track discussions can be found [here](#).

The Economic Track of the S&ED included discussions on:

- Negotiating a high-standard U.S.-China bilateral investment treaty
- Opening China’s services market to U.S. firms
- Unlocking China’s procurement market
- Enhancing cyber security and protecting intellectual property rights
- Developing international guidelines on export finance
- Fostering energy transparency, collaboration, and reform
- Fostering participation in China’s energy sector
- Promoting legal and regulatory transparency
- Exchange rate liberalization
- Strengthening financial regulatory cooperation
- Expanding opportunities for U.S. financial services providers
- Developing China’s financial markets
- Boosting household consumption in China
- Boosting SOE dividend payouts
- Eliminating potential input pricing for SOEs

A Treasury Department fact sheet on the Economic Track can be found [here](#).

Closing statements from Deputy Secretary of State William Burns, Treasury Secretary Jacob Lew, Chinese State Councilor Yang Jiechi, and Chinese Vice Premier Wang Yang can be found [here](#).

USTR Michael Froman issued a statement on the outcomes of the S&ED that can be found [here](#).

U.S. –China Strategic Security Dialogue

On July 9, under the strategic framework of the fifth round of the S&ED, the 3rd U.S.-China Strategic Security Dialogue was also held in Washington. Chinese Vice Foreign Minister Zhang Yesui and U.S. Deputy Secretary of State William Burns co-hosted the dialogue, with Wang Guanzhong, Deputy Chief of the General Staff of the Chinese People's Liberation Army, Cui Tiankai, Chinese Ambassador to the United States, James N. Miller, U.S. Under Secretary of Defense for Policy, and Samuel J. Locklear, Commander of the United States Pacific Command (USPACOM) participating.

Statement from Ambassador Locke on Third Victim of Asiana Crash

The U.S. Embassy in Beijing issued the following statement by Ambassador Gary Locke on the death of a third Chinese passenger aboard the Asiana airline crash in San Francisco: "It is with great sorrow that I learned of the tragic passing of a third Chinese victim of the crash of Asiana Flight 214, who succumbed to her injuries on July 12. I join with the entire U.S. Mission to China in expressing my deepest condolences to her family and loved ones. I have already directed U.S. Government officials throughout China to expedite visas for the families of the deceased and injured to travel to the United States to attend to the affairs of their loved ones as quickly as possible."

ENERGY & THE ENVIRONMENT

House Hearing on Coal, Global Climate Efforts

At a July 9 House Natural Resources Subcommittee on Energy and Mineral Resources hearing on Powder River Basin coal mining, committee Republicans said climate change action is a worldwide issue and must be addressed globally. They said that while the U.S. has curbed many coal-related emissions, China and India have promoted coal-fired power plants.

S&ED Announcement on Climate Change

On July 10 at the fifth round of the U.S.-China S&ED, the two countries agreed to five joint initiatives to reduce carbon emissions: advancing carbon capture and sequestration technology, improving greenhouse gas data collection, increasing building and transportation energy efficiency, promoting smart grids, and reducing heavy-duty vehicle emissions. Participants indicated that they are gearing up to create a global climate change treaty by 2015. The announcement is a product of the U.S.-China Working Group on Climate Change which was created during Secretary of State Kerry's visit to China in April.

TRADE

Secretary of Commerce at U.S.-China S&ED

U.S. Secretary of Commerce Penny Pritzker attended last week's U.S.-China S&ED and spoke during the Trade and Investment Session about the importance of ensuring American companies have equal and fair treatment when competing with Chinese companies. She also attended the Joint Session on Climate Change, Promoting Economic Growth Session and the CEO roundtable, where she heard from American companies about the opportunities and challenges of doing in business in China.

USITC to Investigate Cranes from China

On July 11, the U.S. International Trade Commission (USITC) announced that it has voted to institute an investigation of certain crawler cranes and components. The products at issue in this investigation are mobile cranes that use variable position counterweight ("VPC") technology to improve operation and use of the cranes. The investigation is based on a complaint filed by Manitowoc Cranes, LLC, of Manitowoc, WI, on June 12, 2013. The complaint alleges violations of section 337 of the Tariff Act of 1930 in the importation into the United States, sale for importation, and sale after importation of certain crawler cranes and components thereof that infringe patents asserted by Manitowoc Cranes. The complaint also alleges violations of section 337 of the Tariff Act of 1930 in the importation into the United States, sale for importation, and sale after importation of certain crawler cranes and components thereof that threaten to destroy or substantially injure an industry in the United States or to prevent the establishment of such an industry due to misappropriation of trade secrets owned by

Manitowoc Cranes. The complainant requests that the USITC issue a limited exclusion order and cease and desist orders. The USITC has identified the following as respondents in this investigation: Sany Heavy Industry Co., Ltd., of Changsha, Hunan Province, China; and Sany America, Inc., of Peachtree City, GA. By instituting this investigation, the USITC has not yet made any decision on the merits of the case.

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