
From: George Kaiser
Sent: Friday, October 29, 2010 11:14 PM
To: Steve Mitchell
Subject: RE: RE: Information re Chinese competition for Solyndra

I gained more access than I expected. The President stayed for almost two hours and they seated me next to him at the table with a total of about 18 people. We spoke about numerous subjects (he started by saying we were the national model for early childhood education) including conventional and alternative energy. I did not name Solyndra specifically and don't know how good his staff work was but I did talk to him about the Chinese subsidy over the past nine months and the effect it was having on US solar and wind manufacturers and that - even though I strongly believe in free trade - I thought that a more aggressive trade policy with the Chinese was essential. I suggested that focusing on currency was not enough or even more effective than addressing direct subsidies outright. I then indicated that, without this kind of approach, we could have structural unemployment that would make "7% the new 4%" for unemployment because of the portion of our manufacturing base that has been outsourced to China during the past 15 years. He said that structural unemployment was one of the two things that keep him up at night (the other is nuclear proliferation). He said that these issues would be addressed aggressively at the G-20.

I also spoke with Jim Messina (deputy chief of staff to both Rahm Emanuel and Pete Rouse) who was chief of staff for the 2008 campaign and will soon resign to run the next campaign. I said that I understood that the Buy American Act was being bypassed by "agencies of government" (I didn't say specifically DOD) either by buying from "American" companies which sourced their supplies from abroad or by entering into power purchase agreements with third parties who in turn sourced their equipment from non-American suppliers. He seemed quite aware of that problem and said they were preparing a directive to deal with it. I can follow up with him on that subject during a trip to DC early next year if he is still in the White House (or with Pete Rouse).

I think Ken's idea for a DOD consultant sounds like a good one.

From: Steve Mitchell
Sent: Friday, October 29, 2010 3:44 PM
To: George Kaiser
Subject: RE: Information re Chinese competition for Solyndra

George,

How was last Friday night? Were you able to discuss solar, China or Solyndra?

Steve

From: George Kaiser
Sent: Saturday, October 16, 2010 8:57 AM
To: Steve Mitchell; Robert Waldo
Subject: Information re Chinese competition for Solyndra

I will be having dinner Friday night with Majority Leader Harry Reid and President Obama and a few others. Please give me some sound bytes I can use regarding unfair Chinese competition (and even the DOD opportunities). Here is a NYT article from today:

October 15, 2010

U.S. to Investigate China's Clean Energy Aid

By SEWELL CHAN and KEITH BRADSHER

The economic tension between the United States and China escalated on Friday, as the Obama administration pledged to investigate Beijing's subsidies to its growing clean energy industries while delaying a politically volatile report on the Chinese currency.

The approach — part carrot, part stick — reflected the delicate balance the administration is trying to strike in a campaign year by taking a newly assertive posture over China's trade and commercial policies, while pursuing delicate negotiations as an alternative to confrontation.

Hours after the Office of the United States Trade Representative announced an investigation into China's support for makers of wind and solar energy products, advanced batteries and energy-efficient vehicles, the Treasury Department said it would delay its semiannual report on foreign-exchange rates, which was due Friday, and could be critical of Beijing's efforts to keep its currency artificially low.

The Treasury delayed the last such report, due April 15, until July 8.

The United States last branded China a currency manipulator, a designation that could lead to retaliatory tariffs, in 1994. Successive administrations have since declined to do so, arguing that it would be counterproductive. But as China has been blamed for a loss of American jobs, members of Congress, and now administration officials, have become increasingly critical of Beijing's reluctance to permit greater exchange-rate flexibility. In June, Beijing agreed to do so, but then balked.

Still, since early September, the renminbi has risen by about 2.5 percent relative to the dollar, and a Treasury statement on Friday "recognized China's actions since early September to accelerate the pace of currency appreciation, while noting it is important to sustain this course."

The Treasury secretary, Timothy F. Geithner, has become more pointed in his criticisms of China, warning recently that China had set off a "damaging cycle" of "competitive nonappreciation" in which countries aimed to block their currencies from rising in value to support their exporters.

In its statement Friday, the Treasury said that by stimulating Chinese consumer spending and allowing the renminbi to rise in value, "China will make a significant positive contribution to the global rebalancing effort, help reduce pressure on those emerging market economies that have more flexible exchange rates, and provide a more level playing field for trading partners around the world."

On the trade subsidy challenge, the United States trade representative, Ron Kirk, said his office would investigate a complaint filed by the United Steelworkers, one of the nation's largest unions, on Sept. 9. The complaint asserted that China had violated its obligations under the World Trade Organization.

"This is a vitally important sector for the United States," Mr. Kirk said. "Green technology will be an engine for the jobs of the future, and this administration is committed to ensuring a level playing field for American workers, businesses and green technology entrepreneurs."

A spokesman for the Chinese embassy in Washington, Wang Baodong, called the steelworkers' allegations "unwarranted and of a protectionist nature, and it's not a right step by the U.S. side to decide to probe it." He said China's green technology industries conformed to W.T.O. rules and were a big contribution to sustained global development.

The A.F.L.-C.I.O, the United Steelworkers and the American Iron and Steel Institute, a trade group, all issued statements in support of the action.

The steelworkers union said that "President Obama showed again today that fighting for U.S. workers and their jobs is his top priority."

But the announcement drew a skeptical welcome from one prominent Democrat: Senator Charles E. Schumer of New York, an advocate of legislation that would threaten China with retaliation if it does not allow its currency to appreciate more quickly.

"The Obama administration is treating the symptom, but not the disease," said Mr. Schumer. "An investigation into China's illegal subsidies for its clean energy industry is overdue, but it's no substitute for dealing with China's currency manipulation."

The House of Representatives voted overwhelmingly last month to threaten China with tariffs on a broad range of Chinese exports to the United States.

The administration's decision represents a shift toward a more confrontational policy toward China, but may not produce quick changes in Chinese policies.

The administration said that it would investigate the steelworkers union's petition for 90 days, after which it might seek bilateral consultations with China that could lead to the filing of a W.T.O. case against China. If the United States files a case, a W.T.O. panel would typically not issue a preliminary decision for more than a year. If the decision goes against China, the Chinese government could then delay any implementation of sanctions for another couple of years through appeals.

W.T.O. dispute resolution panels do not have the authority to issue injunctions while they consider a case. So the current policies could stay in place through the entire W.T.O. dispute process, which can take several years.

Charlene Barshefsky, who was the trade representative under President Bill Clinton, said in an interview last month at a conference in Chengdu, China, that the Chinese government might have misunderstood the politics of clean energy exports.

"China is under the illusion that because they are the leaders in alternative energy, whether it's batteries or wind, they will necessarily be welcome in the U.S. market because of climate change concerns," she said.

Ms. Barshefsky said by e-mail on Friday that she was not surprised that Mr. Kirk had opened an investigation, but she cautioned that the possible filing of a W.T.O. case would depend on the strength of the union's complaint.

Chinese officials have maintained that their country follows W.T.O. rules. A common tactic in W.T.O. disputes is for a country being accused of trade violations to file counterclaims.

The difficulty for China in making a counterclaim is that the United States exports relatively little in clean energy products, particularly to China. So American programs to help clean energy industries are likely to count as domestic subsidies, in contrast to the export subsidies that China is alleged to have given.

Domestic subsidies are subject to less stringent W.T.O. rules than export subsidies, according to Carolyn B. Gleason, a lawyer in Washington who has specializes in W.T.O. cases.

The lead example of unfair Chinese trade practices in the United Steelworkers' petition involved China's restrictions on the export of rare earth minerals and two other obscure minerals, tungsten and antimony. China dominates the worldwide mining of all three.

Sewell Chan reported from Washington and Keith Bradsher from Hong Kong.