

RELEASE IN PART B4,B5

From: Sullivan, Jacob J <SullivanJJ@state.gov>
Sent: Friday, August 31, 2012 2:46 PM
To: H
Subject: Fw: [redacted] call to S?

B4

Fyi

From: Sand, Maria W
Sent: Friday, August 31, 2012 02:35 PM
To: Sullivan, Jacob J; Macmanus, Joseph E (S)
Cc: S_SpecialAssistants
Subject: FW: [redacted] call to S?

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FYI, below is Embassy Beijing's readout of their meeting regarding U.S. express delivery providers.

From: Covington, Andrew K
Sent: Friday, August 31, 2012 2:26 PM
To: Sand, Maria W
Cc: Cardno, Gwendolyn J; S_SpecialAssistants
Subject: RE: [redacted] call to S?

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Maria,

The summary from the embassy is below.

We anticipate that the next step in this process is [redacted]
 [redacted] We would like the Chinese to have some time to respond to this message.

B5

Andy

(SBU) 1. SUMMARY: DCM Robert Wang and Embassy staff met with State Postal Bureau (SPB) Administrator Ma Junsheng August 30 to discuss outstanding issues related to express delivery. Wang reiterated key U.S. requests, namely that U.S. express delivery providers continue to have unrestricted access to the Chinese market through the use of domestic agents; that companies be allowed to continue normal market practices, making decisions on pricing and services according to market conditions; and that agreements on these and other issues should be formalized in writing. On the issue of agents, Ma reiterated that the requirement for companies to have the appropriate licenses was a matter of law and that affected companies should apply for correct licenses, but so far have not done so. Ma said companies would need to apply for additional permits if they wished to operate or use agents beyond the cities for which they have already received permits or where their existing operations have been grandfathered. On normal market operations during the 3-year interim licensing period, Ma said [redacted] will be allowed to conduct business as they see fit provided they 'don't create any disruptions in the industry,' but did not clarify what such disruptions might include. He also said SPB would provide a roadmap/timetable for the issuance of permits applied for by U.S. companies as the U.S. had requested. Ma rejected the assertion that the licensing requirement contradicted Chinese promises made when it acceded to the WTO to provide national treatment to foreign companies in this industry. END SUMMARY

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(SBU) 2. Ma began his remarks acknowledging Under Secretary Hormats' August 22 letter to Ministry of Finance Vice Minister Zhu Guangyao. He suggested that, based on U/S Hormats' remarks in that letter, there appeared to have been a misunderstanding of the Chinese position, and maintained that SPB had consistently sought a mutually agreeable

solution to the outstanding express delivery problems. He cited U.S.-China engagement on the issue over the last three months as evidence of China's willingness to resolve the issue.

(SBU) 3. Ma then responded point by point to U.S. proposals he received from the DCM during their July 17th meeting. He said that SPB would begin issuing permits September 1, [REDACTED]

[REDACTED] He said that 'there should be no difficulty with the proposal' to develop a roadmap or timetable for permit issuance. Concerning the request that U.S. companies be allowed to continue regular market operations during the three year interim period, Ma said that this was not a problem so long as 'their activities do not create any disruptions in the industry,' without elaborating what might constitute a 'disruption.' Finally, Ma said that SPB would help with [REDACTED] and he did not fully understand their concerns.

(SBU) 4. Regarding the use of agents, Ma said U.S. companies could continue to use them where permitted or grandfathered, and that in this regard they would be treated the same as domestic companies. If they want to contract with agents in new areas, they will be required to submit applications for new agents, he said. The DCM responded that it is critical U.S. companies be allowed to continue using agents nationwide, not just where they have permits, and that this stricture was likely to raise new problems because it would require the companies to apply for new permits outside of where they are already operating. He also noted that the condition that U.S. companies' business decisions 'not create any disruptions' during the three year interim period was likely to be problematic.

(SBU) 5. Ma then recapped his position: 1) there was 'absolutely no problem' with developing a roadmap for issuing permits; 2) that the [REDACTED] but SPB would help if it was able; and 3) that the requirement for agents to have appropriate licenses 'is firm in our laws and regulations' and that if a company wants to undertake activities beyond the scope of its present license then it must apply for a new license. Ma rejected the argument that requiring companies to acquire new licenses in any way violates its WTO accession promise to open the market. He said that if [REDACTED] he concluded.

SBU
This email is UNCLASSIFIED.

From: Sand, Maria W
Sent: Friday, August 31, 2012 1:25 PM
To: Covington, Andrew K
Cc: Cardno, Gwendolyn J; S_SpecialAssistants
Subject: RE: [REDACTED] call to S?

Andy,

[REDACTED] and that we need a new approach, [REDACTED]
[REDACTED] Would you please get a readout of the Beijing meeting for us from Bob Wang? Thanks.

Best,
Maria

From: Sand, Maria W
Sent: Thursday, August 30, 2012 6:23 PM

To: Covington, Andrew K
Cc: Cardno, Gwendolyn J; S_SpecialAssistants
Subject: Re: [redacted] call to S?

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Hi Andy,

They spoke this afternoon but we didn't monitor the call. We can ask if a readout is available.

Best,
Maria

From: Covington, Andrew K
Sent: Thursday, August 30, 2012 06:18 PM
To: Sand, Maria W
Cc: Cardno, Gwendolyn J
Subject: [redacted] call to S?

Dear Maria,

We spoke briefly this morning when you were looking for Gwen. We'd like to know if the call from [redacted] [redacted] may have come in and if any readout might be forthcoming – high or low side. Many thanks.

Andy Covington
EAP/CM – Econ Unit
x7-6798
Email: CovingtonAK@state.gov

SBU
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