

China Flak May Keep K Street Work Flat

by Joe Crea
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The heightened anxiety felt by some in Congress over the pursuit by the China National Offshore Oil Corporation (CNOOC) to purchase the California oil company Unocal Corp. is spreading to the lobbying community, but for different reasons.

While lawmakers have universally condemned the bid by CNOOC, an oil company largely controlled by the Chinese government, a growing number of lobbyists and D.C. insiders suggest that if opinions in Congress aren't tempered and hostile rhetoric increases, potential and rising U.S. business interest in China will be compromised.

China has not been on the radar screen of many D.C. lobbyists. In the past year and a half, only a handful of lobby shops have actually engaged China. And those in the industry believe that an anti-China stance by Congress could keep the business on K Street flat.

Akin Gump Strauss Hauer & Feld and Public Strategies Inc., firms with deep ties to the Bush administration, are currently helping CNOOC pursue its \$18.5 billion bid in competition with American oil giant Chevron Corp., while Wayne Berman and Drew Maloney, lobbyists from the Republican firm the Federalist Group, represent Chevron.



(Photo by Doug Kanter/KRT)

In matters other than oil, registration reports filed with the Justice Department this May indicate that McDermott Will & Emery has served as counsel to China's Ministry of Commerce over concerns China had about the possibility the United States might impose special safeguard actions on textile imports.

And in January 2004, Blank Rome registered the China Shipping

(Group) Co., a government-controlled maritime transaction company. According to filed reports, Blank Rome was to provide legal services in the group's efforts to establish and maintain a container service in the United States and to expand its non-container U.S. operation.

But it has been the CNOOC bid that has sent alarms ringing throughout much of Congress and the nation, prompting an angry July 13 letter from Rep. Frank Wolf (R-Va.) to Akin Gump Chairman R. Bruce McLean condemning the firm's association with CNOOC. Additionally, Congress passed by overwhelming margins a resolution two weeks ago urging the White House to convene the Treasury Department's Committee on Foreign Investment in the United States to review national security concerns of any transaction CNOOC makes regarding Unocal.

Lobbyists say the anti-China rhetoric being tossed about could threaten U.S. business interest in China. While the United States and China have traditionally clashed over military and national security issues, new, emerging issues like economics, enforcement of intellectual property rights, and China's commitment to the World Trade Organization will continue as avenues for conflict, lobbyists say.

Some lobbyists also say the heated condemnation of China comes because the CNOOC situation is unusual in that it is a government-owned company, not a private corporation.

"You wouldn't see as much grief over it if it wasn't tied to the government," says one lobbyist who is involved in the CNOOC matter.

But China's desire for more acquisitions of U.S. companies is likely to increase, says William Reinsch, a former trade official in the Clinton administration who is a member of the United States-China Economic and Security Review Commission, a body created in 2000 to monitor trade and economic relationships between the United States and China.

"You will see more transactions, and I guarantee you that some of them will have national security consequences that will be incontrovertible," says Reinsch, who notes that China has been steadily buying up oil and gas production capacity all over the globe. "This is not tomorrow's barrel, and they are not doing it with just Unocal."

It is precisely these future transactions that have lobbyists concerned over how Congress may respond in the future and whether work on China's behalf will increase or disappear.

Name of Firm	Client	Purpose
Public Strategies Inc.	China National Offshore Oil Corp.	Hired June 22; assisting Akin Gump and CNOOC in developing media plan for CNOOC bid.
Akin Gump Strauss Hauer & Feld	China National Offshore Oil Corp.	Hired June 23 to lobby U.S. government about the bid to merge with Unocal Corp.
McDermott, Will & Emery	China Ministry of Commerce	Hired May 5 to work on textile import-related issues.

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