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CHINA UPDATE

January 23, 2012

Notable Quotes

“And what we’ve tried to say to them (China) very clearly is, Look, you guys have grown up. You’re already the most populous country on earth, depending on how you measure it, the next or next-largest economy in the world and will soon be the largest economy, almost inevitably.” – President Barack Obama

“China ain’t a patch on our jeans.” – Vice President Biden

“President Obama and I are committed to our 21st century partnership with the people of the Asia-Pacific region, and we will continue to deepen ties with our allies and partners, while strengthening lasting bonds of friendship and cooperation.” – Secretary of State Clinton in a written statement to those around the world celebrating the Lunar New Year on January 23

January 26 Hearing by U.S. – China Economic and Security Review Commission

On Thursday, January 26, the U.S. – China Economic and Security Review Commission will hold a [hearing](#) on “China’s Global Quest for Resources and Implications for the United States.” The hearing will cover: water resources; oil, gas, and minerals; and China’s international fishing activities. After hearing testimony from invited Members of Congress, the Commission will receive testimony from: Dr. David Menzie, Chief of Global Minerals Analysis for the U.S. Geological Service; Dr. Jennifer Turner, Director, China Environment Forum, Woodrow Wilson International Center for Scholars; Dr. Elizabeth Economy, Director of Asia Studies, Council on Foreign Relations; Ms. Grace Mang, China Global Programs Coordinator, International Rivers; Dr. Mikkal Herberg, Research Director, Energy Security Program, National Bureau of Asian Research; Ms. Sarah Forbes, Senior Associate, World Resources Institute; Mr. Jeff Green, President and Founder, J.A. Green & Company; Dr. Lyle Goldstein, Director, China Maritime Studies Institute, U.S. Naval War College; Dr. Patrick Cronin, Senior Advisor and Senior Director of the Asia-Pacific Security Program, Center for a New American Security; Ms. Tabitha Mallory, PhD candidate, Johns Hopkins School of Advanced International Studies. The Commission will receive written testimony from Dr. Brahma Chellaney, Professor of Strategic Studies, Centre for Policy Research; and the Environmental and Development Desk, Central Tibetan Administration.

ML Strategies will provide a summary of the hearing later this week.

The Commission, created by Congress in 2000, is tasked with the “mandate to monitor, investigate, and submit to Congress an annual report on the national security implications of the bilateral trade and economic relationship” between the U.S. and China, and where appropriate, to provide recommendations on legislative and administrative action.

Department of Commerce Wind Investigations Initiated

Following a petition from a coalition of wind tower manufacturers that alleged unfair pricing, the Department of Commerce [announced](#) January 18 that it is initiating investigations into utility-scale wind towers in China and Vietnam. The International Trade Administration is initiating antidumping investigations into utility-scale wind turbine towers from the two countries, as well as a countervailing duty investigation into towers from China. Additionally, the International Trade Commission will make preliminary injury determinations around February 13, and if it determines that there is reasonable indication that imports from the two nations are materially injuring, or threatening material injury to, the domestic market, the investigations will continue. The four wind tower manufacturers comprising the coalition are Broadwind Energy, DMI Industries, Katana Summit, and Trinity Structural Towers.

Chinese Air Quality Guidelines

China’s Ministry of Environmental Protection recently announced plans to upgrade air quality guidelines and to have cities and provinces monitor fine particulate matter. Hong Kong is now under pressure to follow suit. On January 9, it was reported that implementation would begin in 2016, and that Beijing, Tianjin, Shanghai, Guangzhou, and other municipalities would monitor PM-2.5 and release information to the public during the Chinese New Year; 113 cities across the country would monitor PM-2.5 by the end of 2013, and all cities above the county level would be required to monitor PM-2.5 by the end of 2015.

Chinese GHG Trading Tested

China’s National Development and Reform Commission announced January 13 that pilot carbon emissions trading programs will begin in seven geographical areas to determine which model will work best nationally. Beijing, Tianjin, Shanghai, Chongqing, Guangdong, Hubei, and Shenzhen will start hiring employees, arranging funding, and ironing out details for managing regional trading, with basic models established by the end of the year, and trading beginning by the end of 2013.

WTO Establishing Dispute Panels on China Antidumping Measures

At the request of the United States, the Dispute Settlement Body (DSB) of the World Trade Organization (WTO) on January 20 agreed to create a panel to rule on antidumping and countervailing measures by the Chinese government on American chicken broiler products. The DSB also agreed to a request from the European Union to establish a panel to rule on an antidumping duty by the Chinese on European X-ray security inspection equipment. Both requests had been submitted last December but were blocked by China. According to WTO rules, however, a second request for the establishment of a panel can only be blocked if all DSB members in attendance agree to reject the request. The US and EU will now work with the Chinese to select the three member panels, which will then have 6 to 9 months to make a ruling. The US is expected to also seek WTO action on the decision by China last December to impose antidumping and countervailing duties on vehicles produced by General Motors and Chrysler, as well as vehicles manufactured in the U.S. by BMW, Daimler, and Honda. More details on the auto duties can be found in the [December 20, 2011 MLS China Update](#).

Canadian-Chinese Trade Conflict

On January 18, the Canadian Chamber of Commerce released a report titled [Advancing Our Economic Ties With China: Three priorities for Canadian Business](#), with “three elements for making Canada’s relationship with China more profitable: implementing a strategy of political engagement with China; removing barriers and irritants to more trade and better trade with China; and, improving the investment relationship with China.” More specifically, the Chamber found that the Canadian government should negotiate sector-specific agreements with China aimed at eliminating restrictions that blocked increased Canadian access to Chinese markets. China is bound under the World Trade Organization to conform to trade norms, but while it has made progress in eliminating tariff and non-tariff barriers, concerns remain that China significantly understates remaining barriers, including ongoing subsidies to business and state-owned enterprises.