



ML
STRATEGIES

Neal Martin

rnmartin@mlstrategies.com

David Leiter

djleiter@mlstrategies.com

ML Strategies, LLC

701 Pennsylvania Avenue, N.W.

Washington, DC 20004 USA

202 296 3622

202 434 7400 fax

www.mlstrategies.com

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CHINA UPDATE

QUOTES OF THE WEEK

"...the simple fact is that we need China, and China needs us. We have to get this relationship right. After all, we are talking about our connection to one-sixth of humanity. The most serious problems we face today, from nuclear proliferation to climate change, can't be solved alone. And, economically, our futures are deeply intertwined and will remain so." – Secretary of State nominee Senator John Kerry at a 2010 Center for American Progress event on U.S.-China relations

U.S.-CHINA RELATIONS

Chinese Vice Premier Meets with President Obama

On December 20, 2012 Chinese Vice Premier Wang Qishan met with President Obama at the White House to discuss bilateral ties. Wang was in Washington to help lead the 23rd JCCT (see below). Wang also met separately with Treasury Secretary Timothy Geithner and National Security Advisor Tom Donilon.

U.S.-China Joint Liaison Group on Law Enforcement Cooperation

On December 17 and 18, 2012 Assistant Secretary of State for International Narcotics and Law Enforcement Affairs William R. Brownfield and Deputy Assistant Attorney General Bruce Swartz led the U.S. delegation to the 10th Plenary Session of the U.S.-China Joint Liaison Group on Law Enforcement Cooperation in Guangzhou, China. Delegates discussed ways to address the pressing transnational threats that affect both countries. The talks resulted in a commitment to target chemical precursors to illicit drugs as well as to cooperate on combating firearms smuggling and internet child pornography. Also discussed was how the U.S. and China could combine efforts to combat wildlife trafficking.

China in the U.S. National Defense Authorization Bill

On January 2 President Obama signed the 2013 National Defense Authorization Act (NDAA), an annual bill authorizing U.S. defense activities and spending. Section 1068 of the NDAA requires the Secretary of Defense, in consultation with the Chairman of the Joint Chiefs of Staff, to conduct a comprehensive review of the national defense strategy with regard to the shift to the Asia-Pacific region and details what is to be included in the review. The findings are to be reported to Congress within one year of enactment. Section 1271 of the NDAA outlines additional items for inclusion in the Defense Department report on China's military and security developments, including its cyber warfare and electronic warfare capabilities, counter-space programs, nuclear programs, intelligence, and maritime law enforcement.

TRADE

23rd Joint Commission on Commerce and Trade

On December 19, 2012 the 23rd Joint Commission on Commerce and Trade concluded after making meaningful progress on key elements of the U.S.-China trade relationship. The JCCT was led by U.S. Trade Representative Ron Kirk, Acting Secretary of Commerce Rebecca Blank, and Chinese Vice Premier Wang Qishan, with Agriculture Secretary Tom Vilsack participating. Other participants included U.S. Ambassador to China Gary Locke, U.S. Trade and Development Agency Director Leocadia Zak and representatives from the State and Treasury Departments. Senior Chinese officials from 25 ministries and agencies also attended.

Key results from the 23rd JCCT addressed: Copyright (State-Owned Enterprise Software Legalization); Judicial Interpretation on Intermediary Liability; Localization of Intellectual Property and Technology; Government Procurement; Regulatory Obstacles; Trade, Agricultural, and Investment Issues; and Cooperative Activities.

The Department of Commerce fact sheet providing details on JCCT outcomes can be found [here](#).

The U.S. and China also signed agreements related to enhancing understanding and measurement of bilateral trade, and increasing the numbers of reverse trade missions which support China's continued development while creating more U.S. exports and jobs.

USITC Determination on Silica Bricks from China

On December 28, 2012 the U.S. International Trade Commission (USITC) determined that there is a reasonable indication that silica bricks and shapes from China are allegedly sold in the U.S. at less than fair value and cause material injury to the domestic industry. The determination means that the Department of Commerce will continue its investigation on imports of silica bricks and shapes, making its preliminary antidumping duty determination by April 24, 2013. Additional details can be found in the USITC press release [here](#).

Commerce Department Action in Xanthan Gum Investigation

On January 4 the International Trade Administration (ITA) announced that the Department of Commerce has made an affirmative preliminary determination in the antidumping investigation of xanthan gum from China. The department made a similar finding on the product from Austria. As a result of the determination, the department will instruct U.S. Customs and Border Protection (CBP) to require cash deposits based on the preliminary rates set in the determination. Commerce will make its final determination in May 2013. If the department makes an affirmative final determination, and USITC also makes an affirmative determination that imports of the product cause material injury to the U.S. industry, Commerce will issue antidumping orders. If either determination is negative, no antidumping orders will be issued. The ITA fact sheet can be found [here](#).

Commerce Department Makes Final Determination on Chinese Wind Towers

On December 18, 2012 the ITA announced that the Department of Commerce has made affirmative final determinations in the antidumping (AD) and countervailing duty (CVD) investigations of imports of utility scale wind towers from China (AD/CVD) and Vietnam (AD). As a result of the AD determinations, Commerce will instruct CBP to collect cash deposits equal to the applicable weighted-average dumping margins. As a result of the CVD determination, the department will order the resumption of the suspension of liquidation and require a cash deposit equal to the final net subsidy rates if the USITC issues a final affirmative injury determination. The USITC is scheduled to make its determination by January 31, 2013. If the USITC finds in the affirmative, Commerce will issue AD/CVD orders. However, if the finding is negative the investigations will be terminated. The ITA fact sheet can be found [here](#).

Court Upholds Law on Commerce Authority to Impose Countervailing Duties

On January 7 the U.S. Court of International Trade, in GPX International Tire Corp. V. United States, upheld the law passed by Congress and signed by President Obama providing the Department of Commerce the authority to impose countervailing duties on nonmarket economies, including China. The case grew out of a Commerce Department investigation into GPX-manufactured pneumatic off-the-road tires and the imposition of countervailing duties. The imposition of the countervailing duties departed from a long-standing policy that such duties could not be applied to nonmarket economies.

Court Rules Against Commerce Department in Sawblade Case

On December 10 the U.S. Court of International Trade, in Advanced Tech. & Materials Co. v. United States, ordered the Department of Commerce to reconsider its decision, based on its finding that the manufacturer is not government controlled, to grant separate rate status to a Chinese diamond sawblade manufacturer.

USTR Report to Congress on China's WTO Compliance

On December 21, 2012 the Office of the U.S. Trade Representative (USTR) released its 2012 USTR Report to Congress on China's WTO Compliance. This is the 11th annual report to Congress on this matter and is submitted pursuant to Section 421 of the *U.S.-China Relations Act of 2000*. According to the report, there are numerous concerns among U.S. trade and investment stakeholders, including: China's export restraints; government subsidization; inappropriate use of trade remedy laws; indigenous innovation policies; technology transfer initiatives; enforcement of intellectual property rights; and China's failure to accede to the WTO Government Procurement Agreement. The report can be found [here](#).

Japan Launches WTO Complaint Against China

On December 20, 2012 Japan initiated a World Trade Organization complaint that challenges the decision by the Chinese government to impose antidumping duties on imports of high-performance stainless steel seamless tubes from Japan. Japan claims that the imposition of the duties was not done in compliance with global trade rules. The two countries have 60 days to seek a negotiated settlement. If they do not reach an agreement, Japan can ask that WTO establish a dispute panel to rule on its complaint.

China Calls on U.S. To Recommit to Doha Round

On December 18, 2012 China's ambassador to the World Trade Organization Yi Xiaozhun, speaking at the biennial trade policy review of the U.S. in Geneva, called on the U.S. to adopt a more "proactive approach" toward the Doha Round of trade talks, which have become stalled. Yi said that "When strong leadership of the U.S. is most needed at the multilateral front, the U.S. seemed to have deviated from the policy orientation it has stated. Regional and bilateral initiatives obviously have priority over multilateral initiatives." During the

review, the U.S. stated that it “remains committed to preserving and enhancing the WTO’s irreplaceable role as the primary forum for multilateral trade liberalization, for the development and enforcement of global trade rules, and as a key bulwark against protectionism.”

MISCELLANEOUS

USCC Report on 18th National Congress of the Chinese Communist Party

On December 21, 2012 the U.S.-China Economic and Security Review Commission (USCC) issued a staff report titled “Outcomes of the 18th National Congress of the Chinese Communist Party.” The report can be found [here](#).

Focusing on the Chinese leadership transition, the report states that “This leadership transition is remarkable on multiple levels: It provides one of the very few examples of an authoritarian state successfully engineering a peaceful, institutionalized political succession; and it is only the second such transition that has occurred in China since the death of paramount leader Deng Xiaoping.” However, the report concludes that “The outcomes of the 18th Party Congress were disappointing for advocates of reform in China. The new senior leadership of the CCP is a conservative group, with few apparent inclinations to either liberalize state control over the economy, or to loosen the CCP’s unitary hold on political power. Furthermore, these new leaders will likely continue to be restrained both by the continued influence of Party Elders, and the policy preferences of powerful interest groups – such as the military and security forces, and state-owned industry – within the Party. The result will likely be significant policy continuity in the near to intermediate term, with contentious decisions on structural economic, social, and political issues further deferred into the future.”

USCC Report on China-Iran Relations

On December 20, 2012 the USCC also released a report titled “China-Iran: A Limited Partnership.” The report can be found [here](#). The report finds that “analysts in both Iran and China have questioned the strength of the two countries’ mutual commitments and the value and risks of developing closer ties. While the PRC government praises the bilateral relationship and promotes a robust series of economic, educational, and cultural exchanges with Iran, some Chinese analysts are beginning to view a closer partnership with Iran as carrying too many risks for Beijing.”

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