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CHINA UPDATE

QUOTE OF THE WEEK

“On behalf of President Obama and the people of the United States, I am delighted to send best wishes to the people of China as you celebrate your National Day this October 1. The United States and China share close ties between our students, business leaders, scientists and scholars, and their ideas, talent, and energy strengthen our cooperation in ways large and small. As we continue to expand our work on the consequential issues of our time, we must continue to build on this historic opportunity to deepen our relationship, because a thriving China is good for America and a thriving America is good for China. As you celebrate this day with family, friends, and loved ones, I wish the people of China continued prosperity and a joyous National Day.” – Secretary of State Clinton

TRADE

ITA Issues Affirmative Preliminary Determination in Chinese Steel Sinks Investigation

On September 28 the International Trade Administration (ITA) at the Department of Commerce announced its affirmative preliminary determination in the antidumping duty (AD) investigation of imports of drawn stainless steel sinks from China. As a result of the preliminary determination, the Department of Commerce will instruct U.S. Customs and Border Protection (CBP) to require a cash deposit based on the preliminary rates set by ITA. The final determination is expected in February 2013. The ITA fact sheet on the preliminary determination can be found [here](#)

Congressional Letter to Commerce on China Solar Trade Case

On September 27 Senators Ron Wyden (D-OR), Jeff Merkley (D-OR), and Sherrod Brown (D-OH) and Representatives Sandy Levin (D-MI), Suzanne Bonamici (D-OR), Ed Markey (D-MA), Earl Blumenauer (D-OR), and Diana DeGette (D-CO) wrote to Acting Secretary of Commerce Rebecca Blank regarding the scope of the antidumping and countervailing duty investigation on Crystalline

Silicon Photovoltaic (CSPV) Cells and Modules from China. According to the letter, “The Department’s preliminary determination would, from the outset, exclude from the scope of the investigation Chinese panels that are produced from non-Chinese cells, notwithstanding that China is alleged to subsidize the manufacture of these panels, and Chinese producers are alleged to be dumping these panels in a manner that is causing injury to U.S. manufacturers. The letter expresses concern that the scope could undermine trade remedy laws. The letter can be found [here](#).

The U.S. International Trade Commission (USITC) will hold a hearing on the case tomorrow, Wednesday, October 3, and the Department of Commerce is expected to release its final determination on October 10. USITC will make the final determination on whether duties are applied, and that decision should come shortly after the Commerce determination.

WTO Establishes Dispute Panel for U.S. Duties on Chinese Exports

On September 28 the World Trade Organization’s Dispute Settlement Body (DSB) agreed to establish a panel on U.S. duties on exports from China. China first sought the panel in late August, but that effort was blocked. China argued that the U.S. acted “inconsistently with WTO rules and rulings in many aspects” when making determinations on countervailing duties on 22 Chinese exports, including solar panels, wind towers, thermal paper, steel grating, steel wire, oil country tubular goods, and steel pipe. The U.S. and China will now meet to select 3 panelists who will rule on the complaint. At the September 28 DSB meeting, China rejected a request by the U.S. for the establishment of a panel to review China’s antidumping and countervailing duties on U.S. automobiles. The WTO press release can be found [here](#).

European Trade Complaint on Chinese Solar Panels

On September 25 ProSun, a trade group of 25 European solar panel manufacturers, filed a trade complaint with the European Commission (EC) seeking duties on solar panel products from China. The EC has 45 days to determine whether it will initiate an investigation. If it does, this would be the second probe following up on an earlier complaint filed in July. ProSun says that Chinese government aid has led to a production capacity that is 20 times larger than the total domestic Chinese consumption and more than twice the global demand. If the EC does investigate, they will have 9 months to reach a decision on antidumping duties, with European Union (EU) member states having thirteen months to decide whether they will impose permanent antidumping duties.

CFTC Imposes Monetary Sanctions on Shanghai Companies

On September 25, the U.S. Commodities Futures Trading Commission (CFTC) announced that 2 Shanghai companies, Weidong Ge and Sheenson Investments Ltd., had agreed to pay a disgorgement of \$1 million and a \$500,000 civil monetary penalty to settle CFTC charges that they had exceeded speculative position limits in Soybean Oil and Cotton No.2 futures contracts. The CFTC press release can be found [here](#).

ENERGY

Obama Administration Blocks Chinese Ownership of U.S. Wind Farms

On September 28, President Obama directed Ralls Corp. to divest its interest in the four wind farms it purchased earlier this year near the Naval Weapons Systems Training Facility Boardman’s restricted airspace in Oregon. The move was made on the recommendation of the Committee on Foreign

Investment in the United States (CFIUS), which is chaired by Treasury Secretary Geithner, and includes as members the Secretaries of State, Defense, Commerce, Energy, and Homeland Security, the Attorney General, the Director of the White House Office of Science and Technology Policy, and the U.S. Trade Representative. Ralls Corp. is owned by Chinese nationals and is affiliated with a Chinese construction equipment company that manufactures wind turbines. The Treasury Department has said that the decision does not represent a precedent for evaluations of future foreign direct investment from China; however, there is a belief among some that the decision was a result of the ongoing U.S.-China trade disputes over renewable energy. On September 26 Ralls Corp. had filed a suit in the District Court for the District of Columbia against the Committee on Foreign Investment, challenging restrictions imposed on it while the transaction was under review, and on October 1 the company filed a suit in the same court against President Obama and CFIUS, claiming that the move was made in an “unlawful and unauthorized manner” and that CFIUS and the President have “unconstitutionally deprived Ralls of its property absent due process.” A statement from the Treasury Department on the decision to order the divestment can be found [here](#).

DEFENSE

Senior DoD Official to Speak on Book on China’s Military Challenge

On October 3 the Woodrow Wilson Center will host the release of “Strategic Asia 2012-13: China’s Military Challenge” – a book by the National Bureau of Asian Research. The event will include a keynote by Deputy Secretary of Defense Ashton Carter. The book offers an assessment of China’s growing military capabilities, regional responses to China’s increasing military strength, and the implications for U.S. interests in the Asia-Pacific.

China Launches First Aircraft Carrier

On September 24 China launched its first aircraft carrier, a refurbished former Soviet ship purchased from Ukraine. The launch of the ship was attended by President Hu Jintao and Premier Wen Jaibao in Liaoning province. The ship is named *Liaoning* after the province where it was retrofitted. In comparison, the U.S. has eleven Nimitz class carriers – 6 of which are based in the Pacific. The *Liaoning* is expected to see use only for training and testing for now, and the launch of the ship, in the midst of the ongoing territorial dispute with China over islands in the East China Sea, is generally viewed as a symbolic move by China. The launch also came one week before China’s National Day – a time of intense patriotism.

FINANCE

China’s Five-Year Plan for the Financial Sector Approved

On September 17 China’s State Council announced approval of the 12th Five-Year plan for the financial sector. The plan was prepared by the People’s Bank of China, the China Banking Regulatory Commission, the Chinese Securities Regulatory Commission, the China Insurance Regulatory Commission, and the State Administration of Foreign Exchange. The plan calls for China to deepen financial reforms, make market-oriented reforms to interest rates, and move toward convertibility of the renminbi (RMB), the Chinese currency.

STATE

United Nations General Assembly

As reported in last week's MLS China Update – found [here](#) – Secretary of State Clinton was in New York last week for the United Nations 67th General Assembly. While there, she met with Chinese Foreign Minister Yang Jiechi. The discussion covered a wide range of topics including the Chinese-Japanese tensions over the Senkaku Islands (known as the Diaoyu Islands in China), issues in the South China Sea, issues related to the Democratic People's Republic of Korea (North Korea), and the situation in Syria. The State Department briefing on the meeting between Secretary Clinton and Minister Yang can be found [here](#).

ASEAN Ministerial Meeting

On September 27 Secretary of State Clinton attended a Ministerial Meeting of the Association of Southeast Asian Nations (ASEAN) in New York. In her remarks Secretary Clinton focused on the Administration's 3 priorities for the region: disaster relief, nonproliferation, and maritime security. Noting that the ASEAN maritime forum will be held in Manila next week, Secretary Clinton's remarks on maritime security focused on the ongoing territorial dispute in the South China Sea, saying that "the United States does not take a position on competing territorial claim over land features, but we do have a national interest in the maintenance of peace and stability, respect for international law, freedom of navigation, and unimpeded lawful commerce in the South China Sea." Secretary Clinton's prepared remarks can be found [here](#).

CONGRESS

The House of Representatives and Senate are both in recess until after the November 6 elections.

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