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CHINA UPDATE

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QUOTE OF THE WEEK

“China is undergoing a systematic transition toward domestic consumption, and away from resource-intensive export growth. These efforts are imperative to sustain strong growth in the medium term. At the same time, China needs to move more quickly to a market-determined exchange rate and more open access to its markets. There are some signs of progress on the horizon. China’s current account surplus has fallen. Beijing has committed to pursue a high-standard bilateral investment treaty that includes all sectors with the U.S. The Shanghai Free Trade Zone pilot could lead to more open investment. We and the world will be watching closely this week as the Chinese leadership announces its new plan for reforms.” – U.S. Secretary of the Treasury Jacob J. Lew in an op-ed for November 12 edition of The Wall Street Journal Asia, referencing the Third Plenum of the 18th Party Congress

CHINA NEWS

Third Plenum of 18th Party Congress

From November 9-12, Beijing hosted the Third Plenum of the 18th Party Congress. According to a party communique, the session approved a decision on “major issues comprehensively deepening reforms.” The specifics of reform are not yet clear, but the communique indicated that while China will maintain public ownership as the dominant force in a state-owned economy, it will support and guide the non-public sector, building a united and open market system with “orderly competition.” The communique states that the market will play a “decisive” role in the allocation of resources.

China-EU High-Level Strategic Dialogue

On November 20, Beijing will host the 4th round of the China-European Union High-Level Strategic Dialogue. The talks are to be co-chaired by Chinese State Councilor Yang Jiechi and Catherine Ashton, High Representative of the EU for Foreign Affairs and Security Policy and Vice President of the European Commission.

16th China-EU Summit

On November 21, Beijing will host the 16th China-EU Summit. This is also the 10th anniversary of the establishment of the China-EU Comprehensive Strategic Partnership. Chinese President Xi Jinping will meet with Herman Van Rompuy of the European Council and President Jose Manuel Barroso of the European Commission. The two sides will map out a 5 to 10 year plan on future cooperation.

U.S.-CHINA RELATIONS

Treasury Secretary Visits China & Other Asian Nations

The U.S. Department of the Treasury announced on November 8 that Secretary Jacob J. Lew will travel to Japan, Singapore, Malaysia, Vietnam and China this week to hold discussions with his counterparts about the U.S. and regional economic outlook. Secretary Lew will also discuss policies to boost regional growth and global demand, including the objective of completing the Trans-Pacific Partnership (TPP) Agreement negotiations this year, and in China, he will discuss progress on the reform agenda and efforts to level the playing field for U.S. workers and business. The Secretary will also discuss the implementation of international economic sanctions on Iran and North Korea as well as other issues related to combating illicit finance. On Tuesday, November 12, the Secretary will arrive in Tokyo, Japan for meetings with senior government officials. He will also meet with business leaders for a roundtable discussion on the U.S.-Japan economic relationship and the global economy hosted by the American Chamber of Commerce. On Wednesday, November 13, Secretary Lew will be in Singapore for meetings with senior government officials and business leaders. In the evening, he will travel to Kuala Lumpur, Malaysia. On Thursday, November 14, the Secretary will be in Kuala Lumpur, Malaysia to meet with senior government officials and business leaders. In the afternoon, he will travel to Hanoi, Vietnam for meetings with senior government officials. In the evening, he will depart Hanoi for Beijing, China. On Friday, November 15, Secretary Lew will be in Beijing, China to meet with senior government officials. The Secretary will depart Beijing for Washington on Saturday, November 16.

Treasury Secretary Op-Ed Previewing Asia Trip

On November 12, Treasury Secretary Jacob J. Lew published an op-ed in *The Wall Street Journal Asia* in which he previews his visit this week to Tokyo, Singapore, Kuala Lumpur, Hanoi, and Beijing and discusses how advancing complementary economic reforms in Asia and the United States can help pave the way for a strong, balanced, and sustainable global economy that expands economic opportunities for citizens in both the U.S. and Asia. The full text of the op-ed can be found [here](#) on the Treasury Department website.

USCC Monthly Summary of U.S.-China Trade Data

On November 5, the U.S.-China Economic and Security Review Commission (USCC) released its monthly summary of U.S.-China Trade Data. This month's summary covers bilateral trade issues, a Third Plenum review, bilateral policy issues, a sector spotlight focused on China's rare earths policies, and a report on China's economy. According to the report, "Through August, the U.S. trade deficit with China in 2013 stood at \$208 billion, an increase of \$4.5 billion over the previous year. Although the deficit continues to widen, it is doing so at a slower rate. By contrast, in 2011-2012, the trade deficit increased by \$13.7 billion in the January to August period." The report also shows that computer and electronic products continue to be the top U.S. import from China, maintaining approximately the same share of imports as a year ago. Transportation equipment was the top U.S. export to China in August, and so far this year has accounted for one in every five dollars that U.S. exporters earn on the Mainland. Computer and electronic product exports to China have also been unusually high, offering some cause for optimism that higher value-added U.S. products will enter China in greater volumes. The report also states that the

recent debate over raising the federal debt limit in the U.S. appeared to expose China to considerable risks or at the very least rattled the nerves of China's leadership. According to the report, China's central bank holds \$3.66 trillion in reserve assets, nearly all in U.S. dollars, of which some 60 percent are parked in U.S. treasuries. The monthly report can be found [here](#).

Former Treasury Secretary Paulson Meets with Chinese Officials

Also on November 5, Chinese Foreign Minister Wang Yi met with former U.S. Treasury Secretary Henry Paulson at the Chinese Ministry of Foreign Affairs in Beijing. They exchanged views on several issues including U.S.-China relations and economic and trade cooperation between the two countries.

U.S.-China Legal Experts Dialogue

From November 7 – 8, the U.S.-China Legal Experts Dialogue took place in Charlottesville, Virginia. Acting Assistant Secretary for Democracy, Human Rights, and Labor Uzra Zeya and Acting Legal Adviser Mary McLeod lead the U.S. delegation. Supreme People's Court Senior Judge Hu Yunteng lead the Chinese delegation. This was the 6th Legal Experts Dialogue and the third since President Obama and then-President Hu Jintao agreed in 2009 on the importance of resuming the dialogue. The dialogue brings together government and non-government experts from the United States and China to discuss the benefits and practical implementation of the rule of law.

USCC Backgrounder on China's Third Plenum

On November 8, the USCC released a staff backgrounder titled "China's Third Plenum May Be More Than Just Talk." Written by the economic team at the USCC, the report states: "The 3rd Plenum of the 18th Party Congress, scheduled for November 9-12, will serve as a platform for China's new leadership to unveil economic policy changes. China's economic growth is slowing and the new leadership has adopted the shift recommended in the 12th Five Year Plan to an economic model driven more by consumption and innovation than by state-led investment and export growth. At a meeting this week with international policy-makers, President Xi Jinping pledged a "comprehensive reform plan" that will "give overall instructions on the widely deepened reform and opening up." In early October, he described the reforms to be outlined in the Plenum as a "profound revolution." Yu Zhengsheng, the fourth-ranked leader in the party hierarchy, also recently referred to the upcoming reforms as "unprecedented." The report backgrounder can be found [here](#).

6th U.S.-China Sub-Dialogue on Latin America

From November 10-13, U.S. Assistant Secretary of State for Western Hemisphere Affairs Roberta Jacobson will be in Beijing to co-chair the Sixth U.S.-China Sub-Dialogue on Latin America, an annual dialogue with China's Ministry of Foreign Affairs, to share views and policy priorities on Latin America and the Caribbean. Following the Sub-Dialogue, on November 13, she will give remarks at a symposium of Chinese academic experts on Latin America hosted by the Chinese Academy of Social Sciences. Assistant Secretary Jacobson will participate in a roundtable discussion with Latin American and Caribbean ambassadors at the U.S. Embassy in Beijing.

USCC 2013 Report to Congress

On November 20, the USCC will release its 2013 Report to Congress at a public event in room 2212 of the Rayburn House Office Building in Washington, DC. This year's report covers Chinese bilateral economic and trade issues, security developments in the U.S.-China relationship, and China's diplomatic efforts in the Asia-Pacific region and beyond. The report examines the nature of China's foreign direct investment in the U.S. and abroad, China's financial system and investor protections, and issues in agriculture trade and food safety between the U.S. and China. The report's analysis of security issues impacting the relationship between China, the U.S. and its allies in the region includes key developments over the last year, China's growing cyber

capabilities and activities, and China's maritime disputes in the South and East China Seas. This year the report also examines China's relationships with countries in the Middle East and North Africa, cross-Strait relations, and relevant economic and security issues in China's Special Autonomous Regions of Macau and Hong Kong.

ENERGY & THE ENVIRONMENT

China's Climate Negotiator Calls for Increased World Support for Developing Countries

On November 5, China's National Development and Reform Commission Vice Director Xie Zhenhua stated that developing countries should receive more assistance from developed countries in their efforts to reduce carbon dioxide emission and address the effects of global warming. Xie is China's chief climate negotiator. He called on increased commitments to the United Nations' Green Climate Fund.

TRADE

International Trade Administration Finding

On November 8, the Department of Commerce's International Trade Administration (ITA) published a notice in the Federal Register stating that Shijiazhuang Goodman Trading Co. Ltd. of China has preliminarily been found to have sold garlic in the U.S. at less than fair value.

U.S. International Trade Commission Determinations

On November 5, the U.S. International Trade Commission (ITC) determined that a U.S. industry is neither materially injured nor threatened with material injury by reason of imports of hardwood plywood from China that the U.S. Department of Commerce has determined are subsidized and sold in the United States at less than fair value. As a result of the USITC's negative determinations, no antidumping or countervailing duty orders will be issued.

On November 7, the ITC determined that revoking the existing antidumping and countervailing duty orders on circular welded carbon-quality steel pipe from China would be likely to lead to continuation or recurrence of material injury within a reasonably foreseeable time. As a result of the ITC's affirmative determinations, the existing orders on imports of this product from China will remain in place.

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