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NOVEMBER 13, 2012

CHINA UPDATE

QUOTE OF THE WEEK

"We never actually left Asia; we've always been here and been a presence here. We consider ourselves a Pacific power. But in the 21st century, it's important that we make absolutely clear we are here to stay. And how we think about the Asia Pacific or the Indo Pacific region is going to be critical to our future as well as yours....Now of course, we're living in a region that is changing to quickly, and there are other countries whose interests and profiles are equally important for each of us. We look for ways to support the peaceful rise of China, to support China becoming a responsible stakeholder in the international community, and hope to see gradual but consistent opening up of a Chinese society and political system that will more closely give the Chinese people the opportunities that we in the United States and Australia are lucky to take for granted."

– Secretary of State Hillary Rodham Clinton in remarks at the launch of the Western Australia – United States & Asia Center (USAC) at the University of Western Australia, Perth Australia on November 13

U.S.-CHINA RELATIONS

Chinese President Congratulations President Obama on Reelection

On November 7 Chinese President Hu Jintao extended his congratulations to President Obama on his reelection, saying that over the past four years U.S.-China relations have seen positive progress and noting that he and President Obama have reached consensus on building a China-U.S. cooperative partnership based on mutual respect and mutual benefit, and on exploring the construction of new relations between big powers. Hu also noted that the Strategic and Economic Dialogue (S&ED), along with the High-level Consultation on People-to-People Exchange, have produced good results. Hu added that China is willing to work with the U.S. for the future and strive for new progress in China-U.S. cooperative partnership in order to bring greater benefits to the two peoples as well as the people of the world, according to a statement from the Chinese Embassy in Washington, DC.

Chinese Leadership Transition

As reported in last week's ML Strategies China Update, more than two thousand delegates are meeting at the Great Hall of the People in Beijing this week for the 18th National Congress of the Communist Party of China

to begin the decadal transition of leadership for the country. President Hu Jintao is expected to be succeeded by Xi Jinping, currently the Vice President. The meeting will also decide new members of the ruling Politburo, possibly reducing the size of the Politburo from nine members to seven. The leadership changes will be announced this Thursday, November 15.

USCC Issues Report on Chinese Investment in the U.S.

On November 7 the U.S.-China Economic and Security Review Commission (USCC) released a report entitled "An Analysis of Chinese Investments in the U.S. Economy." The report details, by sector and region, Chinese foreign direct investment (FDI), economic benefits for the U.S. economy, and U.S. regulation and oversight. The report can be found [here](#).

The USCC was created by Congress in October 2000 with the legislative 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 United States and the People's Republic of China, and to provide recommendations, where appropriate, to Congress for legislative and administrative action.

USCC to Release 2012 Report to Congress

On November 14 the USCC will release its 2012 Report to Congress, addressing recent developments in the U.S.-China trade and economic relationship, the role of state-owned enterprises in China, the U.S.-China trade and investment relationship, recent developments in China's military, China's cyber capabilities, developments in China's nuclear and strategic abilities, China in the South China Sea, Taiwan, Hong Kong, China in Europe, China's demand and control of global resources, China's efforts to become a more innovative society, and the Chinese political transition. The report is said to claim that China is within two years of deploying submarine-launched nuclear weapons, and labels China as "the most threatening" power in cyberspace, presenting a threat to the U.S. supply chain. Further, the report will call on the U.S. to engage with China on arms control talks, and will urge Congress to impose sanctions that penalize companies engaging in industrial espionage, defining industrial espionage as inclusive of illegal subsidies subject to countervailing duties.

World Affairs Council of America Names China Among Top National Security Concerns

On November 8 at an event in Washington, DC the World Affairs Council of America released its national network leadership survey results identifying the "Six Top National Security Issues Facing the U.S. for 2013." The issues were: U.S. Economic Competitiveness, U.S. Education: Competing Globally, Middle East, Afghanistan/Pakistan, China, and U.S. Energy Policy. The survey was conducted in March 2012 and asked the council leadership from almost 100 nonpartisan, non-profit educational World Affairs Councils from across the country to determine the Six Top National Security Issue areas that need to be debated and discussed in 2013. Additional information can be found [here](#).

TRADE

USITC Launches Investigation into Portable Electronic Devices

On November 9 the U.S. International Trade Commission (ITC) voted to launch an investigation of portable electronic devices, specifically protective cases for smartphones and tablets. Based on a complaint filed by Speculative Product Design, LLC of Mountain View, CA, the investigation will look into alleged violations of section 337 of the *Tariff Act of 1930* in the importation of such devices and names seven respondents, five of which are located in China and Hong Kong. The ITC press release can be found [here](#).

USITC Continues Investigation of Hardwood Plywood from China

Also on November 9 the ITC determined that there is reasonable indication that the U.S. hardwood plywood industry is materially injured by reason of imports of the product from China. Following the ITC vote, which was unanimous with all six Commissioners voting in the affirmative, the Department of Commerce will

continue to conduct its investigation on imports of hardwood plywood, with a preliminary countervailing duty determination due on or about December 21, 2012, and the preliminary antidumping duty determination due on or about March 6, 2012.

ENERGY & ENVIRONMENT

European Commission Launches Investigation of Chinese Solar Imports

On November 8 the European Commission launched an investigation into Chinese solar panel imports to determine if manufacturers are benefitting from illegal subsidies. The move comes less than one week after the Chinese government filed similar complaints against European Union-produced solar panels exported to China. The investigation is separate from a September EU antidumping inquiry into Chinese imports.

Chinese Environmental Protection Law

An October 31 open letter from China's Ministry of Environmental Protection called for significant changes to Environmental Protection Law revisions that it was instrumental in drafting. The letter raised 34 objections to the draft and proposed additions such as a double punishment mechanism that would penalize businesses and their leaders for environmental infractions, and language regarding liability insurance requirements, public interest litigation, environmental impact statements, emission and discharge permits, market-based mechanisms for addressing pollution, and rules on public discourse of pollution information.

CONGRESS

The House of Representatives and Senate return to Washington today to begin the post-election lame duck session of congress.

The new 113th Congress next year will see some changes at the House Foreign Affairs Subcommittee on Asia and the Pacific. Chairman Donald Manzullo (R-IL) was defeated earlier this year in the Republican primary and will therefore not be returning. Rep. Dan Burton (R-IN) is retiring this year, as is Rep. Gary Ackerman (D-NY). Rep. Ben Chandler (D-KY) was defeated for reelection. At the Senate Foreign Relations Committee, Ranking Member Richard Lugar (R-IN) was defeated earlier this year in the Republican primary and will not be returning next year. Senator Jim Webb (D-VA), Chairman of the Subcommittee on East Asian and Pacific Affairs, did not seek reelection.

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