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## **CHINA UPDATE**

December 20, 2011

### **Notable Quotes of the Week**

*“Over the past 10 years, China has sought to sidestep and reshape the WTO to benefit China, at our expense. That’s not competing – that’s cheating. We must act now, while we still have a chance.”*

– Senator Sherrod Brown (D-OH), Co-chairman of the Congressional-Executive Commission on China

*“The world today is an open one. Only by adhering to reform and opening can we make continued progress to solve the problems in the course of development.”* – Chinese President Hu Jintao on the 10<sup>th</sup> anniversary of China’s accession to the World Trade Organization (WTO)

*“The demand for solar energy across the country is going up, and that increased demand should benefit US companies rather than Chinese companies who refuse to play by the rules.”* – Senator Robert Casey (D-PA) in a letter to the Securities and Exchange Commission

*“On a micro basis there’s always a reason to criticize another country for something that impacts a company in your district but ultimately cooler heads need to prevail. [Ticking] off the Chinese isn’t going to bring American solar manufacturing to the fore; it’s just going to reduce downstream jobs in the US.”*

– Jigar Shah, President of the Coalition for Affordable Solar Energy

### **Senator Casey Asks SEC to Investigate Chinese Access to US Capital Markets**

In a letter sent a [letter](#) to Securities and Exchange Commission chairwoman Mary Schapiro on December 15, Senator Robert Casey (D-PA) asked for an investigation into how Chinese companies are gaining access to capital markets in the US. The Senator’s request comes after reports that China is using offshore holding companies to get around legal barriers to American capital markets.

### **December 13 Hearing on China and WTO**

Last week, the Congressional-Executive Commission on China held a [hearing](#) titled “Ten Years into the WTO: Has China Kept Its Promises?” to discuss China’s involvement in the WTO and to assess whether China has followed the rules of the WTO since its accession. Hearing witnesses included: Claire Reade, Assistant US Trade Representative for China; Grant Aldonas, Principal Managing Director, Split Rock International, former Under Secretary of Commerce for International Trade ((2001-2005); Alan Price,

Partner and Chief of the International Trade Practice, Wiley Rein LLP; and Clyde Prestowitz, Jr., Founder and President, Economic Strategy Institute.

The Committee members and witnesses agreed that despite China's initial progress made by implementing a set of sweeping reforms in order to meet WTO commitments, the overall picture of China's actions to implement its policy commitments remains complex, given a troubling trend in China toward intensified state intervention in the Chinese economy over the last five years. Chairman Chris Smith (R-NJ) and commission member Rep. Marcy Kaptur (D-OH) requested that the United States Trade Representative (USTR) conduct a comprehensive report on China's major trade violations and to include topics on labor right issues and dumping issues with respect to various competing industries, such as the solar energy industry.

Ms. Reade identified four areas of concern for the US: intellectual property rights; industrial policies, including "indigenous innovation" requirements; transparency in agriculture regulation; and services-related discrimination against US companies.

### **China Imposes New Tariffs on US Autos**

As further evidence of the mounting trade war between the US and China, last week the Chinese Ministry of Commerce announced new antidumping and countervailing duties on the importation of American-made sport utility vehicles (SUVs) and mid-size and large cars. The duties will mainly apply to General Motors, Chrysler, BMW (South Carolina manufactured SUVs), and Daimler (Alabama manufactured Mercedes SUVs), but ultimately the number of vehicles subject to the new duties will be small since the number of affected vehicles currently imported there only number in the hundreds or thousands. The duties were effective as of December 15. China's Minister of Commerce Chen Deming argued that the duties are allowable under WTO rules, although USTR Ron Kirk criticized the Chinese move as retaliation for recent US investigations into Chinese practices.

### **China Expands Agricultural Assistance to Africa**

Chinese Minister of Commerce Chen Deming has announced that China will provide technical and financial assistance totaling \$20 million to Benin, Burkina Faso, Chad, and Mali to assist the cotton growers in those nations. The assistance will be delivered over a period of three years and was announced on the same day that the USTR **announced** assistance in the amount of \$16 million to promote US imports of cotton from those same four nations.

### **Department of Commerce Launches Anti-Dumping Investigation into Chinese Honey**

On December 13, the Department of Commerce **announced** that it is initiating an anticircumvention inquiry to determine whether certain imports are circumventing the antidumping duty order on honey from China. The inquiry is in response to a petition filed by the American Honey Producers and the Sioux Honey Association.