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CHINA UPDATE

QUOTE OF THE WEEK

"The relationship between the United States and China has never been more important to our collective future. As part of our enduring strategy of rebalancing toward the Asia-Pacific region, the United States is deepening our engagement in this part of the world, which incorporates diplomacy, trade, economy, and defense. And a key to that rebalancing is a positive, cooperative and comprehensive relationship with China. The United States has long been a Pacific power. We have always tried to promote greater security and prosperity in the Asia-Pacific region and recognize that our interests are inextricably linked to Asia's. Cooperating with China to realize shared goals is important to the maintenance of peace and security in the Asia-Pacific region and central to our approach." – Secretary of the Navy Ray Mabus in a statement on his trip to Beijing, November 27

U.S.-CHINA RELATIONS

Statement on China's Sentencing of Chen Kegui

On November 30 Rep. Christopher Smith (R-NJ) and Senator Sherrod Brown (D-OH), Chair and Co-Chair of the Congressional-Executive Commission on China (CECC), issued a statement on the trial and sentencing of Chen Kegui, the nephew of Chen Guangcheng, the Chinese legal activist who came to the U.S. earlier this year seeking asylum. In their statement, which can be found [here](#), Smith and Brown say "Today we are deeply dismayed to learn that authorities have sentenced Chen Kegui, nephew of renowned legal advocate Chen Guangcheng, to more than three years in prison, in a trial marred from the beginning to end by glaring procedural violations. Authorities' treatment of this case raises serious questions about the rule of law in China."

Joint U.S.-China Training of Afghan Diplomats

On December 3 the State Department hosted a welcome reception in Washington for the U.S. part of the Joint U.S-China Training Program for Afghan Diplomats. Attending the reception were U.S. Deputy Secretary of State William J. Burns, Chinese Ambassador to the U.S. Zhang Yesui, and Charge d'Affaires of the Afghan

Embassy Meerwais Nab.

Former U.S. Treasury Secretary Meets with Chinese Vice Premier

On December 3 Henry Paulson, who served as Treasury Secretary in the George W. Bush administration, met with Chinese Vice Premier Wang Quishan in Beijing. Mr. Paulson is in China to attend a seminar on the sustainability of Chinese cities as a part of his work with The Paulson Institute, which he founded in 2011 to promote sustainable economic growth and a cleaner environment. In their discussion, Mr. Paulson said that he will work closely with China on the sustainable development of cities, energy, environmental protection, and agriculture and water resources.

Chinese Military Officials to Visit the Pentagon

At the invitation of the U.S. Department of Defense, on December 12, Qi Jianguo, deputy chief of the People's Liberation Army General Staff, will lead a delegation to the U.S. for the 13th defense consultation between the U.S. and China. The U.S. and China will discuss issues including U.S.-China military ties, maritime military security, international and regional matters, and other topics of mutual concern.

Chinese Official Calls on U.S. Entrepreneurs to Contribute to Bilateral Ties

On November 27 at a meeting with American business executives in Beijing, Chinese Vice Premier Li Keqiang urged entrepreneurs from the U.S. to exert more influence over bilateral ties and economic and trade exchanges. Li said "If China and the United States, the two major economies, handle their own business well and enhance mutual trust, it will lead to a feel-good factor in the world economy....We hope U.S. entrepreneurs have long-term perspectives, exert influence in order to contribute more to the bilateral ties and economic and trade exchanges." The American business leaders were in China for the annual dialogue of the U.S.-China business leaders' cooperation plan.

U.S.-China Defense Officials Meet in Beijing

On November 27 U.S. Secretary of the Navy Ray Mabus met with Chinese Defense Minister Liang Guanglie and People's Liberation Army Deputy Chief of Staff Rear Admiral Zhang Jianchang in Beijing. Secretary Mabus visited China to discuss the United States' new defense strategy, deepening U.S.-China military-to-military engagements, rebalancing toward the Pacific, and fostering a positive, cooperative, and comprehensive relationship with China. A statement from Secretary Mabus can be found [here](#).

TRADE

USCC Report on U.S.-China Trade Patterns

On November 29 the U.S.-China Economic and Security Review Commission (USCC) released a staff research report titled "Patterns in U.S.-China Trade Since China's Accession to the World Trade Organization." According to the report, trade data for 2000-2011 demonstrate several patterns in U.S. trade since China's accession to the WTO: 1) U.S. exports to China have more than quintupled in value but are dwarfed by the surge of Chinese imports into the United States, resulting in a steadily growing bilateral trade deficit; 2) A dramatic rise in the levels of non-manufactured goods (particularly agricultural products, raw materials, and mined natural resource products) exported by U.S. producers to China, to the extent that there is now a U.S. trade surplus with China in non-manufactured goods; 3) A dramatic rise in imports of Chinese-made manufactured goods into the United States, and a significant decrease in U.S. exports of manufactured goods to China as a share of total exports; and 4) A steady move up the value chain for Chinese imports into the United States – most noticeably in computers and consumer electronics. However, in this latter category China often serves as an assembly and export platform for multinational corporations of components manufactured elsewhere in world, a fact that may not be clearly reflected in trade statistics.

The USCC was created by Congress 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.

U.S. Treasury Declares China is Not a Currency Manipulator

On November 27 the U.S. Treasury Department released the “Semi-Annual Report to Congress on International Economic and Exchange Rate Policies” covering international economic and foreign exchange developments for the first half of 2012. While stating that China is not manipulating the value of its currency to keep it artificially low, the report does say that the Chinese currency is undervalued and urges China allow further appreciation of the renminbi (RMB). The report outlines actions taken by China to appreciate its currency and move toward a more market determined exchange rate, and finds that China has not met the threshold of labeling as a currency manipulator in the *Omnibus Trade and Competitiveness Act of 1988* which requires the semi-annual report. The report can be found [here](#).

China Rejects Brazilian WTO Proposal on Currency Misalignments

On November 26 China rejected a proposal offered by Brazil for the World Trade Organization for discussion of measures to address the trade impact of currency misalignments. The Brazilian proposal includes the use of trade remedy measures. U.S. and European Union officials at the WTO also expressed concern about the proposal from Brazil, particularly related to any new trade remedy mechanism to address currency misalignments, arguing that the proper form for discussions about exchange rate issues is the International Monetary Forum and not the WTO.

WTO Appoints Panelists in U.S.-China Countervailing Complaint

On November 27 the World Trade Organization appointed three dispute panelists to rule on a complaint by China against countervailing duty orders imposed on 22 imported Chinese products by the U.S. The dispute was initiated by China on May 25 based on charges that the U.S. inappropriately concluded that state-owned suppliers of goods to Chinese manufacturers constitute “public bodies” according to WTO rules, thereby providing manufacturers with government financial support.

U.S. and China Agree on WTO Ruling Regarding Electronic Payments

On November 26 the U.S. and China announced to World Trade Organization members that they have agreed that China will have until July 31, 2013 to comply with a WTO panel ruling regarding Chinese barriers to foreign service providers in its electronic payments market. The ruling, issued in July 2012, sided with the U.S. and found that China maintained measures that discriminate against American credit card firms by imposing requirements that modified the conditions of competition so that they unfairly favored UnionPay, the Chinese national bank card association.

Congressional Leaders on Upcoming JCCT

On November 29 Representatives Dave Camp (R-MI) and Sandy Levin (D-MI), Chair and Ranking Member of the House Committee on Ways and Means, and Senators Max Baucus (D-MT) and Orrin Hatch (R-UT), Chair and Ranking Member of the Senate Finance Committee, wrote to Acting Commerce Secretary Rebecca Blank and U.S. Trade Representative Ron Kirk expressing their concerns in advance of the upcoming U.S.-China Joint Commission on Commerce and Trade (JCCT). The letter can be found [here](#).

The letter opens by expressing concern that “China continues to move away from market-based reforms and is more deeply embracing an economic model dominated by state-owned enterprises (SOEs), World Trade Organization-inconsistent subsidies, and economic protectionism. While noting that “incremental progress has been made” they say that their “list of concerns remains troublingly similar year-to-year.” Among their concerns: 1) China fails to effectively enforce intellectual property rights (IPR) and has not put in place proper institutional arrangements to show a serious commitment to protecting IPR; 2) China’s regulatory system remains opaque, burdensome, and discriminatory; 3) China’s systematic currency misalignment continues to impair China’s economic rebalancing; 4) China’s WTO-inconsistent retaliation against U.S. companies; and 5)

China also continues to maintain sanitary and phytosanitary standards (SPS) that are not supported by science and severely limit – and in some cases prohibit – exports of U.S. agricultural products.

The Department of Commerce and the Office of the U.S. Trade Representative co-host the annual meetings of the JCCT but have not yet announced the date of the next meeting. The previous meeting was held in November 2011 in Chengdu, China.

WTO Issues Preliminary Conclusions on EU Challenge to Chinese Antidumping Orders

On November 28 the World Trade Organization dispute panel issued an interim report to China and the European Union upholding the EU challenge to China's antidumping order on imports of x-ray security inspection equipment from the EU. Both sides will now be allowed to comment on the report – although it is unlikely that the final ruling will differ from the interim conclusions – and a final ruling is expected in January. Should the final ruling be unfavorable to China they will have 60 days to appeal.

USITC Ruling on Folding Gift Boxes from China

On November 27 all six commissioners of the U.S. International Trade Commission (USITC) voted in the affirmative in determining that revoking the existing antidumping duty order on folding gift boxes from China would likely lead to continuation or recurrence of material injury within a reasonably foreseeable time. The action comes under the five-year (sunset) review process required by the *Uruguay Round Agreements Act*. A USITC press release on the determination can be found [here](#).

U.S. Rejects First Request from China on WTO Dispute Panel

On November 30 the U.S. rejected a first request from China for a panel on the dispute “United States – Countervailing and Anti-Dumping Measures from China.” The dispute is related to legislation passed in the U.S. reestablishing the authority of the Department of Commerce to impose antidumping and countervailing duties on non-market economies. China argues that the legislation, which has become law, is in violation of WTO rules. A press release from the WTO can be found [here](#).

ENERGY & ENVIRONMENT

Indian Solar Anti-dumping Investigation

On November 23 India's Directorate-General of Anti-Dumping agency stated that it found evidence of dumping and has launched anti-dumping investigations against solar cells produced in or exported from China, Taiwan, Malaysia, and the United States. The investigation will cover all solar cell exports from these countries between January 1, 2011 and June 30, 2012.

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