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## CHINA UPDATE

December 6, 2013

### QUOTE OF THE WEEK

*“The United States and China have a robust economic relationship, and as the world’s two largest economies, we have a stake in each other’s success and prosperity. Building on President Barack Obama and President Xi Jinping’s shared commitment to create a new model of major country relations, Vice President Joe Biden discussed with President Xi and senior Chinese officials ways to strengthen U.S.-China cooperation to benefit the citizens of both of our countries and address global challenges. They decided to expand U.S.-China cooperation in addressing climate change, enhancing transparency and resilience in global energy markets, and ensuring safe and well-regulated bilateral trade in food and pharmaceuticals. In addition, both countries reaffirmed their commitment to fully implement the measures pledged by each country during the Economic Track of the U.S.-China Strategic & Economic Dialogue (S&ED), to further support strong domestic and global growth, promote open trade and investment, enhance international rules and global economic governance, and foster financial market stability and reform.” – Excerpt from a Fact Sheet released by the Office of the Vice President on December 5.*

### CHINA NEWS

#### **Official Travel by Chinese Representatives**

From December 5 – 9, Chinese State Councilor Yang Jiechi will travel to Cape Town, South Africa to attend the Fourth Meeting of BRICS High Representatives for Security Issues and then pay a visit to Iran.

From December 3 – 9, Ambassador Wu Sike, China’s Special Envoy on the Middle East Issue, will visit Egypt and then travel to Bahrain to attend the Ninth Manama Dialogue. He will exchange views with relevant parties on China-Egypt relations, Middle East

Peace Process, Security in the Gulf region and other issues.

December 10 – 11, Vice Premier Liu Yandong of the State Council will attend the opening ceremony of the 27th Southeast Asian Games in Myanmar.

On December 12, Vice Chairman Wan E'xiang of the Standing Committee of the National People's Congress will go to Kenya as the special envoy of President Xi Jinping to attend the celebration marking the 50th anniversary of Kenyan independence.

### **Official Visits to China**

This week, British Prime Minister David Cameron is in China with a delegation that includes the UK Secretary for Health; the UK Secretary of State for Environment, Food, and Rural Affairs; the UK Secretary of State for Culture, Media, and Sport; the UK Minister of State for Universities and Science; the UK Minister of State for Trade and Investment; and the UK Minister of State at the Foreign and Commonwealth Office.

On December 2, Cameron met with Chinese President Xi Jinping. A press release on the meeting from the Chinese embassy in Washington can be found [here](#).

Also on December 2, Cameron did a joint press appearance with Premier Li Keqiang of the State Council. A press release can be found [here](#).

Also on December 2, Vice Premier Wang Yang of the State Council and Prime Minister David Cameron jointly attended the opening ceremony of the China-UK Business Summit in Beijing. A press release can be found [here](#).

On December 6 and 7, Australian Foreign Minister Julie Bishop will pay an official visit to China. During the visit, the two foreign ministers will hold the first round of China-Australia Diplomatic and Strategic Dialogue.

## **U.S.-CHINA RELATIONS**

### **Vice President Biden in China**

December 1<sup>st</sup> through 8<sup>th</sup>, Vice President Biden is traveling in Asia, with stops in China, Japan, and South Korea. The Vice President is in China December 4<sup>th</sup> and 5<sup>th</sup>. According to the White House Office of the Press Secretary, the trip is intended to “underscore the administration’s strong commitment to the rebalance, and to our enduring role as a Pacific power.” The Vice President was scheduled to meet with Chinese officials yesterday and today in Beijing, with discussions covering a broad range of issues, including: territorial issues in the East China Sea and South China Sea, China’s recently declared Air Defense Identification Zone (ADIZ), North Korea and Iran, freedom of the press, human rights, and U.S.-China economic relations.

On December 4, senior administration officials gave a background briefing in Beijing on the Vice President’s trip. The transcript of that briefing can be found [here](#).

On December 5, the Office of the Vice President released a “U.S. Fact Sheet on Strengthening U.S.-China Economic Relations.” The fact sheet is focused on 1) working

together to combat climate change, 2) enhancing energy market transparency and security, and 3) enhancing food and drug safety. It can be found [here](#).

### **China's Air Defense Identification Zone**

On November 23, the State Department issued the following statement regarding China's recently declared Air Defense Identification Zone (ADIZ): "The United States is deeply concerned about China's announcement that they've established an "East China Sea Air Defense Identification Zone." This unilateral action constitutes an attempt to change the status quo in the East China Sea. Escalatory action will only increase tensions in the region and create risks of an incident. Freedom of overflight and other internationally lawful uses of sea and airspace are essential to prosperity, stability, and security in the Pacific. We don't support efforts by any State to apply its ADIZ procedures to foreign aircraft not intending to enter its national airspace. The United States does not apply its ADIZ procedures to foreign aircraft not intending to enter U.S. national airspace. We urge China not to implement its threat to take action against aircraft that do not identify themselves or obey orders from Beijing. We have urged China to exercise caution and restraint, and we are consulting with Japan and other affected parties, throughout the region. We remain steadfastly committed to our allies and partners, and hope to see a more collaborative and less confrontational future in the Pacific."

At a November 27 State Department press briefing, the spokesperson was asked if there was any specific guidance or information the U.S. is giving to American carriers operating in the ADIZ. The spokesperson responded, saying: "Freedom of overflight and other internationally lawful uses of sea and airspace are essential to prosperity, stability, and security in the Pacific. We remain deeply concerned by China's November 23 declaration of an 'East China Sea Air Identification Zone.' The U.S. government generally expects that U.S. carriers operating internationally will operate consistent with NOTAMs (Notices to Airmen) issued by foreign countries. Our expectation of operations by U.S. carriers consistent with NOTAMs does not indicate U.S. government acceptance of China's requirements for operating in the newly declared ADIZ."

The spokesperson was also asked for a readout of Secretary Kerry's call with Japanese Foreign Minister Kishida regarding the ADIZ, responding by saying: "U.S. Secretary of State John Kerry and Japanese Foreign Minister Fumio Kishida spoke by telephone yesterday morning to discuss China's November 23 establishment of an Air Defense Identification Zone (ADIZ) and Iran. Secretary Kerry reiterated his own and Secretary Hagel's recent statements on China's ADIZ designation expressing concern about this action. FM Kishida congratulated Secretary Kerry on the P5+1 agreement with Iran on its nuclear program, and both expressed support for continued coordination on Iran."

### **Panda Naming Ceremony at the National Zoo**

On December 1, Kerri-Ann Jones, Assistant Secretary of State at the Bureau of Oceans and International Environmental and Scientific Affairs, and Ambassador Cui Tiankai, China's ambassador to the U.S., delivered remarks at the Smithsonian National Zoological Park (the National Zoo) at the naming ceremony for the zoo's baby panda, Bao Bao. The remarks by Jones can be found [here](#).

## **U.S.-China Legal Exchange**

On December 6, the U.S. Department of Commerce and the Chinese Department of Commerce are hosting the U.S. –China Legal Exchange at Suffolk Law School in Boston, MA. This event allows the U.S. business, legal, and academic communities to hear directly from Chinese officials about new and important developments in China’s commercial legal and regulatory landscape. This year, high-level government officials from China, led by Assistant Minister of Commerce Zhang Xiangchen, will present to public audiences in Washington, Boston, and Irvine for a full day on two areas of China’s commercial law regime: 1) Chinese Energy Conservation and Renewable Energy Law, and 2) Legal Aspects of Entrepreneurship in China, including Private Equity and Venture Capital.

## **ENERGY & THE ENVIRONMENT**

### **IEA Multilateral Cooperation Framework Released**

The International Energy Agency held its ministerial meeting November 19 and 20, and the meeting resulted in an [agreement](#) between the agency and six countries to create a multilateral cooperation framework. China, Brazil, India, Indonesia, South Africa, and Russia would be allowed under the agreement to fully participate in agency meetings. The agreement also expressed support for four energy policies including energy efficiency targets and highly efficient coal-fired power plants.

### **Shanghai Launches Carbon Dioxide Emissions Trading Program**

On November 26, the Shanghai Environmental and Energy Exchange (SEEE) launched a program for carbon dioxide emissions trading. This is the second of seven planned pilot programs.

### **Brookings Discussion on Insuring China’s Energy Security**

On December 3, the John L. Thornton China Center at the Brookings Institution hosted a panel discussion on “Insuring China’s Energy Security,” featuring Øystein Tunsjø and other China energy experts who examined the effectiveness of these strategies and offer insights into the future trajectory of China’s energy policy. The panel focused on Mr. Tunsjø’s book *Security and Profit in China’s Energy Policy*. Panelists agreed that when the Chinese government isn’t working on securing more oil, it is developing nuclear and natural gas energy production. A summary of the discussion by ML Strategies is available upon request.

### **EPA Administrator to Visit China Next Week**

December 9 – 12, U.S. Environmental Protection Agency Administrator Gina McCarthy will be in China to discuss U.S.-China cooperation on air quality, climate pollution and environmental issues. She will travel to Beijing, Shanghai and Hong Kong during her four-day visit and will deliver remarks at the International Workshop on Fuel Desulfurization, attend the U.S.-China Joint Committee on Environmental Cooperation, deliver a keynote speech at Tsinghua University, attend the China Council Green Business Roundtable on Corporate Social Responsibility, and participate in a media availability with Christine Loh, Under Secretary for the Environment in the Hong Kong Special Administrative Region. A press release from EPA can be found [here](#).

## TRADE

### **Senators Urge Continuation of Duties on Chinese Steel Pipe Imports**

On November 25, U.S. Senators Sherrod Brown (D-OH) and Rob Portman (R-OH) wrote to Commerce Secretary Penny Pritzker urging the administration to protect Ohio-based companies like U.S. Steel from Chinese trade practices by maintaining anti-dumping duties (AD) and countervailing duties (CVD) on Chinese steel pipe imports. A press release and text of the letter can be found [here](#).

### **ITC Expedites Review on Duties for Chinese Off-the-Road Tires**

On November 20, the U.S. International Trade Commission (ITC) voted to expedite its five-year ("sunset") reviews concerning the antidumping and countervailing duty orders on certain off-the-road tires from China. As a result of these votes, the ITC will conduct expedited reviews to determine whether revocation of these orders would be likely to lead to continuation or recurrence of material injury within a reasonably foreseeable time. The ITC's notice of institution in five-year reviews requests that interested parties file with the Commission responses that discuss the likely effects of revoking the order under review and provide other pertinent information. Generally within 95 days from institution, the ITC will determine whether the responses it has received reflect an adequate or inadequate level of interest in a full review. If responses to the notice of institution are adequate, or if other circumstances warrant a full review, the ITC conducts a full review, which includes a public hearing and issuance of questionnaires.

### **USITC Determination on Chinese Non-Oriented Electrical Steel**

On December 2, the U.S. International Trade Commission (ITC) determined that there is a reasonable indication that a U.S. industry is materially injured by reason of imports of non-oriented electrical steel from China, Germany, Japan, Korea, Sweden, and Taiwan that are allegedly sold in the United States at less than fair value and that are allegedly subsidized by the governments of China, Korea, and Taiwan. As a result of the ITC's affirmative determinations, the U.S. Department of Commerce will continue to conduct its investigations on imports of this product, with its preliminary countervailing duty determinations due on or about January 10, 2014, and its preliminary antidumping duty determinations due on or about March 26, 2014.

### **Shanghai Free Trade Zone Guidelines**

On December 2, the People's Bank of China released a list of 30 guidelines for the recently launched Shanghai Free Trade Zone. The guidelines cover a range of issues including currency issues, free trade accounts, and cross-border investment flows. Following up on the Third Plenum meeting of Chinese leadership last month and its announcements regarding increased allowance of an open-market system, the Shanghai Free Trade Zone will be viewed as a pilot for the new policies.

### **Commerce Initiates Investigation of 1,1,1,2-tetrafluoroethane from China**

On December 3, the Department of Commerce announced the initiation of antidumping duty (AD) and countervailing duty (CVD) investigations of 1,1,1,2-tetrafluoroethane from China. The U.S. International Trade Commission (ITC) is scheduled to make its preliminary injury determinations on or before December 13, 2013. If the ITC

determines that there is a reasonable indication that imports of 1,1,1,2-tetrafluoroethane from China materially injures, or threatens material injury to, the domestic industry, the investigations will continue and Commerce will be scheduled to make its preliminary CVD determination in February 2014 and its preliminary AD determination in April 2014, unless the statutory deadlines are extended. If the ITC's preliminary determinations are negative, the investigations will be terminated. In 2012, imports of 1,1,1,2-tetrafluoroethane from China were valued at an estimated \$53.2 million.

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