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FEBRUARY 26, 2013

CHINA UPDATE

QUOTE OF THE WEEK

"We welcome Chinese travelers with open arms and offer some of the best tourist destinations as well as universities in the world, and we know that visitors to America will find our national parks to be of unparalleled beauty, our cities to be full of great entertainment, and our shops and restaurants to provide high quality, affordable customer experiences. So whether you plan to visit the United States as a tourist, as a business person, or as a student, you will feel most welcome." – US Ambassador to China Gary Locke in remarks announcing a revamp of the visa application process for Chinese nationals on February 20

U.S.-CHINA RELATIONS

White House Issues Fact Sheet on Manufacturing

On February 13, the White House issued a Fact Sheet on "The President's Plan to Make America a Magnet for Jobs by Investing in Manufacturing." With regard to China, the Fact Sheet says: "The President has aggressively enforced trade rules to ensure that American workers are competing on a level playing field with firms from around the world, doubling the rate of the WTO challenges against China compared to the previous Administration, and applying the "Section 421" against China to address a surge in Chinese tires. Last year, the President launched an Interagency Trade Enforcement Center (ITEC) with resources devoted exclusively to ensuring our trading partners are playing by the rules, and he is calling for dedicated funds beyond existing resources to provide the support needed by ITEC to ensure American workers are competing on a level playing field." The Fact Sheet can be found [here](#).

US Embassy in Beijing Revamps Visa Process

On February 20, US Ambassador to China Gary Locke announced that the US Embassy in Beijing would launch a new application system to streamline the way visa applicants experience the visa process, provide better customer service, and reduce costs for Chinese visa applicants. In his remarks, Ambassador Locke said that this “is great news for the United States and China because anything that helps streamline the exchange between our two countries is good for our peoples, our bilateral relationship, our economies, and most importantly, cultural understanding.” The Ambassador’s remarks can be found [here](#). Additional information on the new visa process can be found [here](#).

Secretary of State Includes China in Remarks at UVA

On February 20, Secretary of State Kerry delivered remarks at the University of Virginia that he said were intended to “underscore that in today’s world, there is no longer anything foreign about foreign policy. More than ever before, the decisions that we make from the safety of our shores don’t just ripple outward; they also create a current right here in America. How we conduct our foreign policy matters more than ever before to our everyday lives.” Included in his remarks, were two references to China, saying that before “Nixon’s bold opening with China, no one would have imagined that today it would be our second-largest trading partner,” and also noting that China has understood that seven of the ten fastest growing countries are on the African continent, and is “already investing more than we do there.” Secretary Kerry’s full remarks can be found [here](#).

US National Security Advisor Meets with Chinese Official in DC

On February 25, Tom Donilon, the president’s National Security Advisor, met in Washington with Chinese State Councilor Liu Yandong. According to a press release from the Chinese embassy in Washington, found [here](#), both sides called for further development of bilateral relations.

Chinese Ambassador’s Farewell to Washington

On February 22, the Chinese embassy in Washington hosted a farewell reception for Ambassador Zhang Yesui and Mme. Chen Naiqing. Representing the US at the event were Deputy Secretary of State William Burns, Under Secretary of State Patrick Kennedy, Under Secretary of Agriculture Catherine Woteki, US Chief of Protocol Capricia Marshall, Chair of the National Committee on US-China Relations Carla Hills, former US ambassadors to China. Also in attendance were heads of foreign missions in the US, members of the Chinese community, the American business community, think tanks, and media agencies. An embassy press release can be found [here](#).

Chinese Travel to the US To Increase by 135 Percent by 2016

According to the U.S. International Trade Administration, 2012 was a record year for international travel and tourism to the United States. In a press release dated February 22, the USITA says that US exports in the travel sector hit a record \$168.1 billion in 2012. The report also says that the “importance and impact of the Travel and Tourism Industry will continue to grow as Brazil, China, and India see record amounts of newly-formed middle class citizens vacationing around the globe. These countries represent more than 40 percent of the world’s population and by 2016 the number of travelers from Brazil, China, and India is expected to increase by 274 percent, 135 percent, and 50 percent respectively.” The press release can be found [here](#).

US Finds Dumping & Subsidization of Chinese Drawn Stainless Steel Since From China

On February 20, the Department of Commerce announced its affirmative final determinations in the antidumping (AD) and countervailing duty (CVD) investigations of imports of drawn stainless steel sinks from China. Commerce determined that the products have been sold in the US at dumping margins ranging from 27.14 percent to 76.53 percent. Commerce also determined that the products have received countervailable subsidies ranging from 4.80 percent to 12.26 percent. The US International Trade Commission is expected to make its final injury determination on or before April 5, 2013. If the ITC makes an affirmative final determination that imports of drawn stainless steel sinks from China materially injure, or threaten to injure, the domestic industry, Commerce will issue AD and CVD orders. If the ITC makes a negative determination of injury for China, the investigations will be terminated.

Japanese Prime Minister at White House

On February 22, Japanese Prime Minister Shinzo Abe visited the White House for bilateral talks with President Obama on Japan's territorial disputes with China, North Korea's nuclear test, economics, energy, and cybersecurity. PM Abe asked President Obama to approve US natural gas exports to Japan, as Japanese government officials continue to lobby the Administration and Congress for approval of domestic liquefied natural gas (LNG) exports to Japan to help offset the loss of nuclear power generation following the 2011 Fukushima nuclear disaster. White House Deputy National Security Advisor for International Economic Affairs Michael Froman reiterated on February 21 that the US Department of Energy is in the middle of a public comment period for two economic studies examining the impacts of LNG exports on natural gas exports and US businesses.

TRADE

EU-China Solar Trade Case

On February 21, the European Union confirmed that it will consider a request by EU solar panel manufacturers for the registration of Chinese solar panel imports as part of an ongoing antidumping investigation, while reiterating that countervailing duties are not necessarily imminent. The confirmation came one day after China delayed a preliminary determination of tariffs on polysilicon from the EU, South Korea and the US that it began investigating last November. Citing an independent study from the Swiss economic institute Prognos, the Alliance for Affordable Solar Energy said on February 19 that a punitive 60 percent tariff on Chinese solar panel imports could kill 193,700 jobs in the region, but ProSun, which filed the complaint, insists that the report's methodology is flawed.

State Department Issues 2013 Investment Climate Statement for China

The State Department's Bureau of Economic and Business Affairs has issued the 2013 Investment Climate Statement for China, covering: Openness to, and Restrictions Upon, Foreign Investment; Conversion and Transfer Policies; Expropriation and Compensation; Dispute Settlement; Performance Requirements and Incentives; Right to Private Ownership and Establishment; Protection of Property Rights; Transparency of the Regulatory System; Efficient Capital Markets and Portfolio Investment; Competition from State-Owned Enterprises; Corporate Social Responsibility; Political Violence; Corruption; Bilateral Investment Agreements; OPIC and Other Investment Insurance Programs; Labor; Foreign Trade Zones/Free Trade Zones; and Foreign Direct Investment Statistics. According to the report: "China attracted USD 124 billion in foreign direct investment (FDI) in 2011, second only to the United States. China's sustained high economic growth rate and the expansion of its domestic market help explain its attractiveness as an FDI destination." The full report can be found [here](#).

WTO Establishes Dispute Panel on US-China Auto Case

On February 13, the World Trade Organization issued a notice announcing that it would appoint three experts in trade law to rule on a US complaint regarding China's antidumping and countervailing duties on US automobiles manufactured by General Motors and Chrysler, and the US-based subsidiaries of Honda, Mercedes-Benz, and BMW. The three panelists are to be Pierre Pettigrew, former trade minister for Canada; Andrea Marie Brown, executive director of the Jamaican government's Anti-Dumping and Subsidies Commission; and Enie Neri, a national of Venezuela working in the Caracas office of Baker McKenzie. The panel was established on October 23, 2012. Such panels typically have between six and nine months to issue a ruling.

WTO Issues Report on EU-China Dispute Over X-Ray Security Equipment

On February 26, the WTO issued the dispute panel report in the case "China- Definitive Anti-Dumping Duties on X-Ray Security Inspection Equipment from the European Union." The report can be found [here](#).

ENERGY & ENVIRONMENT

Chinese Combustion Engine Standards

On February 17, China's State Council released a policy document regarding the implementation of future requirements related to energy savings and emissions for internal combustion engine manufacturing. The requirements would establish limits on oil consumption in combustion engines running on gasoline and diesel fuel and provide technical standards for energy savings and emissions reductions.

Chinese Support for LED Lighting

On February 17, China's National Development and Reform Commission, along with six other ministries, announced a plan to boost LED lighting's share of China's lighting market to 20 percent by 2015. The plan is targeted toward upgrading technology, supporting consolidation of the LED industry, and controlling overcapacity of production. By 2015, China's LED lighting industry is expected to reach \$72 billion.

Chinese Environmental Tax Reform

On February 18, China's Ministry of Finance placed environmental tax reform – including a carbon tax – on the list of tax reform policies the country will seek to implement over the next five years. Such reforms have been under discussion since the 11th Five Year Plan.

Chinese Emissions Standards

China's Ministry of Environmental Protection (MEP) plans for implementation of stricter emission control policies appear to be proceeding. Starting March 1, any proposed projects in thermal power, iron, steel, petrochemicals, chemicals, non-ferrous metals, and coal-fired industrial boilers within key control areas must have environmental impact assessments that take into account the emission requirements of MEP's plan.

China Pollution Livability Guidelines

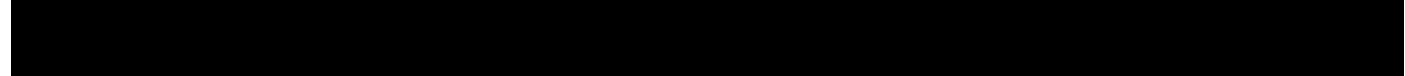
On February 21, China's MEP and the China Insurance Regulatory Commission (CIRC) announced the first set of guidelines for a mandatory pollution liability insurance pilot program in China.

MISCELLANEOUS

On February 18, China's Security Regulatory Commission issued a notice that it will allow brokerages,

insurers, and private equity funds to sell mutual funds to the public. According to the notice, the rules are aimed at promoting “the sustained and healthy development of the fund industry and the capital markets.” Companies wishing to apply must meet certain eligibility requirements and can begin the process starting June 1, 2013.

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