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MARCH 12, 2013

CHINA UPDATE

QUOTE OF THE WEEK

“As President Obama has said many times, the United States welcomes the rise of a peaceful, prosperous China. We do not want our relationship to become defined by rivalry and confrontation. And I disagree with the premise put forward by some historians and theorists that a rising power and an established power are somehow destined for conflict. There is nothing preordained about such an outcome. It is not a law of physics, but a series of choices by leaders that lead to great power confrontation. Others have called for containment. We reject that, too. A better outcome is possible. But it falls to both sides – the United States and China – to build a new model of relations between an existing power and an emerging power.” – Tom Donilon, National Security Advisor to President Obama, in remarks at The Asia Society on March 11

US-CHINA RELATIONS

Senior Obama Administration Official Remarks on US-China Relations

In remarks delivered to The Asia Society in New York City on March 11, President Obama’s National Security Advisor Tom Donilon discussed “The United States and the Asia-Pacific in 2013.” Mr. Donilon noted that the leadership transition in China will be completed this week during its annual National People’s Congress and said that President Obama and members of his national security team have had “constructive conversations” with each incoming leader. His remarks touched on the US pivot to Asia, the US-China relationship with North Korea, and said that a pillar of the US Asia-Pacific strategy is building a constructive relationship with China. With regard to the US-China relationship, Mr. Donilon addressed the issues of cyber security, military-to-military dialogue, and the increasing interdependence of the two economies. Mr. Donilon’s remarks can be found [here](#).

Hagel Confirmed as US Secretary of Defense

On February 27, the US Senate confirmed former Senator Chuck Hagel to be the US Secretary of Defense. In a recent interview on PBS, Hagel had this to say about China: "China is going to emerge and grow. It should; we should welcome that. They're going to be competitors; they are now, as are India, Brazil, and other nations. That's OK. Trade, exchanges, relationships, common interests; all those emerging nations and economic, and strengths are all captive to basically the same kinds of things: stability, security, energy resources, resources, [and] people. Everything that we have to have in our country to prosper, so do the Chinese. The Chinese have bigger problems though. They've got huge problems, starting with the fact that they've got 1.3 billion people, and hundreds of millions of them live in abject poverty....They've got energy issues they're going to be living with. They are a communist, authoritarian, opaque government. There's no transparency. What they have and what they don't have, we're not quite sure. They've made tremendous strides. They are a great power today, and they're going to continue to be a great power – and that's okay. But we shouldn't cower in the wake of that, or we shouldn't be concerned that they're going to take our place in the world."

China's Role in North Korea Deterrence

At a March 7 hearing at the Senate Foreign Relations Committee on US policy toward North Korea, committee Ranking Member Bob Corker (R-TN) noted the failure of decades of US attempts to convince North Korea to abandon its nuclear program and urged consideration of a new approach to counter the North Korean threat, while still emphasizing the importance of China's role and maintaining a robust US nuclear deterrent to protect American allies in the region. Noting that China remains North Korea's primary means of support, accounting for nearly 60 percent of all North Korean trade, Corker also urged the US to "redouble our efforts" to persuade China that the costs of its "continued support for Pyongyang far outweigh the perceived benefits." Witnesses at the hearing included: Glyn Davies, Special Representative for North Korea Policy, U.S. Department of State; Stephen W. Bosworth, Dean, The Fletcher School of Law and Diplomacy at Tufts University; Robert G. Joseph, Senior Scholar, National Institute for Public Policy; and Joseph DeTrani, President, Intelligence and National Security Alliance.

TRADE

China Among Top 5 Importers of Used Electronics Products from the US

In a report released on March 8, the US International Trade Commission (USITC) says that China is among the top five importers of used electronic products (UEP) from the United States. The report, titled "Used Electronic Products: An Examination of US Exports," provides an overview of the US UEP industry and says that the top five destinations for US UEP products in 2011 were a group of Asia-Pacific countries (primarily Korea and Japan), Mexico, India, Hong Kong, and China. Together, those countries accounted for 74% of UEP exports from the US. A press release from USITC can be found [here](#), and the report can be found [here](#).

USCC Report on Trade Data With China

On March 8, the US-China Economic and Security Review Commission (USCC), a congressional created commission tasked with monitoring and reporting on the national security implications of the bilateral trade economic relationship between the US and China, released its "Staff Report on Monthly Trade Data With China." The report finds that the US trade deficit in goods with China in January 2013 was \$27 billion, \$1.7 billion higher than at the same point a year earlier. Further, it finds that US exports to China in January grew by 12.1 percent over the previous year, compared to 4.4 percent in 2011-2012. According to the report,

“Trade with China continues to outpace US trade with the world, which registered much slower growth in January 2013 than a year ago. At this rate, China continues to supplant other US trade partners in importance.” The USCC report can be found [here](#).

Trade Discussed at China’s National People’s Congress

On March 8 at the annual meeting of China’s National People’s Congress, Chen Deming, the head of China’s Ministry of Commerce (MOFCOM), expressed open-mindedness about the ongoing trade talks on the Trans-Pacific Partnership (TPP), as well as potential free trade agreements with Japan and South Korea. He also called on the Committee on Foreign Investment in the United States (CFIUS) to be more transparent.

World Trade Organization Appoints Panel on US-China Trade Dispute

On March 5, the Director-General of the World Trade Organization (WTO) appointed a panel of trade law experts tasked with ruling on China’s complaint regarding a US law confirming the authority of the Department of Commerce to impose countervailing duties on nonmarket economies. The dispute panel will be chaired by Jose Graca Lima, Brazil’s consul general in Los Angeles, who will be joined by Donald Greenfield, former director of the Department of Trade and Industry’s Multilateral Trade Division in New Zealand, and Arie Meir Reich, former chairman of the Trade Levies Commission in Israel. The US law was passed after the US Court of Appeals for the Federal Circuit ruled, in [GPX International Tire Corp. v. United States](#), that the Commerce Department was not authorized to apply countervailing duties on imports from nonmarket economy countries.

US Court Affirms Duty Orders on Citric Acid and Citrate Salts from China

On March 7, affirming a ruling by the US Court of International Trade, the US Court of Appeals for the Federal Circuit ruled in favor of the US Department of Commerce in [Global Commodity Group LLC v. United States](#). At issue was the department’s interpretation of the scope of antidumping and countervailing duty orders on Chinese citric acid and citrate salts. Global Commodity Group had filed an appeal to the Court of International Trade ruling which supported a finding from the department that, at 35 percent, Global Commodity Group’s merchandise that consisted of citric acid from China fell within the antidumping and countervailing duty orders.

ENERGY & ENVIRONMENT

Pew Climate Releases Report on US-China Clean Energy Technology Trade Relationship

On March 6, The Pew Charitable Trusts released a report titled “Advantage America: The US-China Clean Energy Technology Trade Relationship in 2011.” The report focuses on trade in solar energy products, trade in wind energy products, and trade in energy smart technologies such as light emitting diodes (LEDs), advanced lithium-ion batteries, electric vehicles, and smart meters. The report concludes that clean energy markets are global, the US has a \$1.63 billion clean energy trade surplus with China, US firms have an advantage resulting from national leadership in innovation and entrepreneurship, US companies are more active overseas than their Chinese counterparts, China’s strength is more narrowly based on assembly and high-volume manufacturing, and uncertainties surrounding US clean energy policies are likely to have the greatest impact on domestic manufacturing in the clean energy industry. The full report can be found [here](#).

EU Solar Panel Import Registration

Following a March 1 announcement by the EU executive body that it was opening an antidumping

investigation into Chinese solar glass imports, the European Commission announced that it will impose registration requirements on all solar panel imports from China. The data will be used to impose retroactive antidumping and anti-subsidy duties if the ongoing investigation determines that the Chinese have benefitted from illegal support.

China's Environmental Protection Law Amendments

As the annual National People's Congress meets in Beijing this week, the Environment and Resources Protection Committee is said to have sent draft amendments to the Environmental Protection Law to the State Council's Legislative Affairs Office.

New Energy Vehicles Slow to Catch On In China

On March 7, while attending the annual National People's Congress in Beijing, Wang Gang, the head of the Chinese Ministry of Science and Technology, said that only 4,400 new energy vehicles have been sold to private owners in China. NEVs include hybrid, all-electric, and other alternative fuel vehicles. The slow adoption of NEVs in China comes despite a government policy to provide as much as \$9,600 in subsidies per vehicle.

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