



**ML**  
STRATEGIES

**Neal Martin**  
**David Leiter**  
rnmartin@mlstrategies.com  
djleiter@mlstrategies.com

**ML Strategies, LLC**  
701 Pennsylvania Avenue, N.W.  
Washington, D.C. 20004 USA  
202 434 7300  
202 434 7400 fax  
www.mlstrategies.com

## **CHINA UPDATE**

March 13, 2012

### **Notable Quotes**

*“Renewable energy companies and high-tech and other manufacturers here in the United States are directly harmed by China’s unfair restrictions on rare earth mineral exports. China’s harsh export quotas and duties make the playing field uneven, and they’re a clear violation of the rules. Our priority is standing up for American businesses and American jobs, so we need to continue to use every tool in the box to hold China accountable and make sure it plays by the rules.”* – Senate Finance Committee Chairman Max Baucus (D-MT) in response to the USTR announcement of a WTO challenge to Chinese rare earth minerals export policy (March 13)

*“This is a worthwhile step, but more must be done to stop China’s hoarding of rare earth minerals. There are faster ways to assert leverage on China than relying on the WTO, which could take years to resolve the case. Secretary Geithner should immediately urge the World Bank to block financing for Chinese mining projects, and the Interior Department should block Chinese-funded mining projects in the United States. These two steps would get China’s attention right away and force them to reconsider their unfair practices.”* – Senator Chuck Schumer (D-NY) responding to the USTR’s announcement of a new WTO trade complaint against Chinese export policy for rare earth minerals (March 13)

*“While Americans are rightly concerned with Chinese economic policies, when asked to choose in a 2010 poll whether to undertake friendly cooperation and engagement with China rather than actively working to limit the growth of China’s power, more than two-thirds of those surveyed thought that the United States should pursue engagement.”* – Introduction to a report released by the National Security Network and the Center for American Progress Action Fund (March 13)

### **U.S. Initiates Rare Earth Minerals WTO Trade Case Against China**

Today, the office of the United States Trade Representative announced that it would challenge Chinese export restrictions for rare earth minerals used in many technologies including flat screen televisions and batteries for hybrid vehicles. The European Union and Japan are joining with the U.S. in bringing the matter to the WTO. As the first step of the process, the three challengers have asked for consultations with China which, according to WTO rules, must produce a resolution within 60 days. Otherwise, the matter will go before a dispute settlement panel. Senator Baucus (D-MT), Chairman of the Finance Committee, has said that he backs the USTR move, while Senator Schumer (D-NY) says the move is a good step but that more should be done. Meanwhile, Senator Murkowski (R-AK), Ranking Member of the Energy Committee, has said that the Obama Administration should be doing more to exploit domestic sources of these raw materials.

### **China Solar Trade Case Update**

The Department of Commerce has delayed until May 17 its preliminary determination on antidumping duties for solar cells imported from China. It had been scheduled for March 27. This follows the recent postponement of the preliminary determination of countervailing duties until March 19.

### **Countervailing Duties Legislation**

The Senate passed legislation (S. 2153) March 5 to protect American jobs and exports by ensuring the U.S. Commerce Department can continue to apply countervailing duties in cases involving non-market economy nations like China and Vietnam. The U.S. government began the practice of applying these duties in 2007, protecting an estimated 80,000 jobs across the country, but the U.S. Court of Appeals for the Federal Circuit ruled in December that Congress had never explicitly authorized the Department to do so. The House passed, 370-39, companion legislation (H.R. 4105) March 6. The bill was signed into law by President Obama today, but the debate over the application of the duties is expected to continue in the courts.

### **China-Russia Energy Venture**

The State Power Grid Company of China, the Russian Energy Agency, and the Russian Fuel Company signed an agreement February 28 establishing Green Energy International. The venture will focus on construction of bioenergy power plants, facilities for producing fuel ethanol for cellulose and biomass, production of boilers that can burn biomass, and construction of wind farms. The agreement, within the framework of the Agreement on Cooperation in the field of renewable energy and energy efficiency between Russia and China, also directs the group to establish a research center on clean energy technologies.

### **U.S. & China Delegations Meet on Asia-Pacific Region Issues**

On March 12, the third annual U.S.-China Asia-Pacific Consultations were held at the U.S. Naval Academy in Annapolis, MD. Assistant Secretary of State for East Asian and Pacific Affairs Kurt Campbell was joined by representatives from the Department of State, the Department of Defense, and the National Security Staff in hosting Chinese Vice Foreign Minister Cui Tiankai. The agenda included a discussion of the next round of the Strategic and Economic Dialogue, Strategic Security Dialogue, and People-to-People Exchange. The two delegations also discussed issues related to North Korea and Burma.

### **Report on U.S.-China Relations in Election Year**

Today, March 13, the National Security Network, a progressive non-profit foreign policy organization, and the Center for American Progress, a liberal think tank, released a **report** titled "U.S.-China Relations in an Election Year: Taking the Long View in a Season of Heated Rhetoric." The report identifies the 10 "most debated challenges" in U.S.-China relations, which they summarize as: Ensuring fair trade; Progress on currency; China owning U.S. debt; Chinese direct investment; Championing human rights; America the Pacific power; Addressing China's military; Supporting regional allies; A friend to Taiwan; and Tackling cyber security. The report counters conservative critiques of the Obama Administration's response to these challenges.