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## **CHINA UPDATE**

March 6, 2012

### **Notable Quotes**

*"China doesn't get a free pass to violate the rules at the expense of American jobs. We need to maintain these countervailing duties and strongly enforce our trade laws to level the playing field for U.S. businesses and workers."* – Senate Finance Committee Chairman Jeff Bingaman upon passage of bill allowing continued imposition of duties on imports from non-market economies on March 5

*"China presents a unique opportunity because of their explosive growth," he said. "We will continue to engage them to get them to recognize, respect the rule of law, [and] enforce intellectual property rights, particularly combat piracy and counterfeit goods."* – USTR Ron Kirk following the announcement of the new Interagency Trade Enforcement Center on February 28

*"We are ready to work with the United States and other countries in this region to develop an Asia Pacific that enjoys greater stability and development. At the same time we hope the United States will respect China's core interests and concerns."* – Chinese Foreign Minister Yang Jiechi in a news conference at the National People's Congress on March 5

### **Department Commerce Decision on China Solar Trade Case**

The Department of Commerce has postponed until March 19 the release of its preliminary determination in the countervailing duties investigation on solar cells from China. This is the third and last available extension. Should DOC find in favor of the petitioner – SolarWorld – the effective date of duties under its critical circumstances finding would be in late December 2012.

The preliminary anti-dumping duty ruling is still scheduled for March 27.

### **Congress Approves Legislation Allowing Duties on Imports from Non-Market Economies**

Today, the House of Representatives approved **H.R. 4105** by a vote of 370-39. The bill authorizes the Department of Commerce to impose duties on imports from non-market economies, including China. The Senate approved a similar bill, **S. 2153**, by Unanimous Consent on Monday, March 5. The bills were introduced and quickly approved in response to a December 2011 court decision that said Congress must give DOC specific authority to apply countervailing duties. The House and Senate bills were strongly supported by the White House.

### **President Obama Signs Executive Order Creating Trade Enforcement Center**

On February 28, President Obama issued an **Executive Order** creating the Interagency Trade Enforcement Center, which will serve as the primary forum within the federal government for the U.S. Trade Representative and other agencies to coordinate enforcement of U.S. trade rights under international trade agreements and enforcement of domestic trade laws; coordinate among federal agencies the exchange of information related to potential violations of international trade agreements; and conduct outreach to U.S. workers, businesses, and other interested persons to foster greater participation in the identification and reduction or elimination of foreign trade barriers and unfair foreign trade practices. This is a proposal the president unveiled during his State of the Union address earlier this year. The new trade enforcement office is essentially designed to target China-related trade issues, and will coordinate trade related activities at the Departments of State, Treasury, Justice, Agriculture, Commerce, and Homeland Security, as well as with the Office of the Director of National Intelligence.

### **WTO Rules in Favor of U.S. in Challenge to Chinese Duties**

The WTO dispute panel has issued a preliminary ruling in favor of the U.S. which had challenged antidumping and countervailing duties imposed by China on the import of U.S. grain-oriented flat-rolled electrical steel (GOES). The final ruling is expected in May 2012.

### **China Advances Low-Carbon Pilot Areas**

On February 28, the climate change department for the National Development and Reform Commission announced that the five provinces of Guangdong, Liaoning, Hubei, Shaanxi, and Yunnan, and the eight cities of Tianjin, Chongqing, Shenzhen, Xiamen, Hangzhou, Nanchang, Guiyang, and Baoding are proceeding ahead as pilot low-carbon development areas, with a focus on the transportation and building efficiency sectors. The project is part of China's 12th Five-Year Plan blueprint, and will help the country reduce, from 2005 levels, emissions per unit of gross domestic product, by 17% by 2015, and by 40-45% by 2020.

### **Report Shows Increased Hiring & Investments in China**

On February 28, the American Chamber of Commerce in South China released its annual **white paper** on the "Business Environment in China." According to the white paper, American businesses surveyed remain profitable and are anticipating an increase in their investments by as much as 20% over the next year, with business expansion primarily focused on the Yangtze River Delta area around Shanghai, northern China, the Pearl River Delta, and Sichuan province.

### **House Ways & Means Hearing on Administration Trade Agenda**

Last week, the House Ways & Means Committee held a hearing on the trade agenda of the Obama Administration, with testimony from USTR Ambassador Ron Kirk, whose prepared testimony can be found [here](#). Anyone wishing to submit comments for the record can do so [here](#).

### **CNP Event on "China's Coming Slowdown"**

Today, the Center for National Policy held a discussion on "China's Coming Slowdown." Participants included: Nicholas Lardy, Anthony M. Solomon Senior Fellow at the Peterson Institute for International Economics; and Albert Keidel, Former Deputy Director of the Office of East Asian Nations at the U.S. Treasury Department. The discussion included the potential, not for the bursting of a housing bubble in China, but a significant slowdown, and the implications of such a disruption to the Chinese economy overall. There was also a discussion of how the Chinese, in response to the world economic crisis, differed in their stimulus from the U.S. – with nearly 100% of their stimulus dollars going toward expenditures while in the U.S. a portion of the stimulus was in the form of tax cuts which individuals used to pay down their debt, but not invest back into the economy.

### **Chinese National People's Congress Underway**

The National People's Congress is holding its annual meeting this week in Beijing. The Congress is comprised of nearly 3,000 delegates making it the largest parliament in the world. In his opening remarks Chinese Premier Wen Jiabao projected a GDP growth rate of 7.5% for 2012, a drop from the official target of 8 percent per year over the past several years. Wen also said that the government will set out reforms for the tax system, the financial sector, and social security.

The congress will receive three reports, which the WSJ has provided to its readers in English translations:

- **Report on the Work of the Government**
- **Report on the Implementation of the 2011 Plan for National Economic and Social Development and on the 2012 Draft Plan for National Economic and Social Development**
- **Report on the Implementation of Central and Local Budgets for 2011 and on Draft Central and Local Budgets for 2012**

### **Chinese Efficient Buildings Plan**

Shortly after the annual meeting of the National People's Congress, China's Ministry of Housing and Urban-Rural Development will release the final version of its "Building Energy Efficiency Plan" as a key building efficiency component of the 12th Five-Year Plan (2011-2015). The plan, a draft of which was made available for public comment on January 30, calls for 10 percent reductions in energy consumption per square meter in public buildings by 2015, with 15 percent reductions mandated for buildings larger than 20,000 square meters. The reductions are baselined from levels set in the 11th Five-Year Plan, which ended in 2010. As part of the plan, the PRC is aiming for 1.18 billion square meters of new urban, green building floor space by 2015.

### **CECC Hearing on China's Repatriation of North Korean Refugees**

On Monday, March 5, the Congressional-Executive Commission on China (CECC) held a hearing to address the predicament of North Korean refugees who have been detained by Chinese authorities in recent weeks. Witnesses included: Suzanne Sholte, President of the Defense Forum Foundation and Chairman & Founding Member of the North Korea Freedom Coalition; Songhwa Han, former North Korean refugee detained in China, repatriated to North Korea, and detained in North Korea; Jinhye Jo, former North Korean refugee detained in China, repatriated to North Korea, and detained in North Korea; T. Kumar, Director, International Advocacy for Amnesty International USA; Michael Horowitz, Senior Fellow, Hudson Institute; and Greg Scarlatoiu, Executive Director of the Committee for Human Rights in North Korea. Chairman Smith stated that China is in clear violation of its obligations under international law, noting that North Korean refugees are entitled to protection of they are to be threatened or executed upon repatriation. Representative Royce, noting that there was great urgency in the hearing, cited State Department studies regarding major human rights violations occurring in North Korea. ML Strategies has a full summary of this hearing, so please contact us if you are interested in receiving it.

### **Upcoming Events**

- ❖ On March 7, the U.S. Institute of Peace will hold a U.S.-China Conference with Secretary of State Clinton speaking. Panel discussions include: Changing the Cold War World; Coping With An Economic Juggernaut; China's Domestic Evolution: From Mao Zedong to Deng Xiaoping to the 21<sup>st</sup> Century; Changing Public Perceptions of China from Nixon to Obama; and The Future of U.S.-China Relations. More information can be found [here](#).