



ML Strategies Update

Neal Martin, [rmartin@mlstrategies.com](mailto:rmartin@mlstrategies.com)

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ML Strategies, LLC  
701 Pennsylvania Avenue, N.W.  
Washington, DC 20004 USA  
202 296 3622  
[www.mlstrategies.com](http://www.mlstrategies.com)

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## CHINA UPDATE

### QUOTE OF THE WEEK

*“For too long, the Chinese government has blatantly sought to use cyber espionage to obtain economic advantage for its state-owned industries. The indictment announced today is an important step. But there are many more victims, and there is much more to be done. With our unique criminal and national security authorities, we will continue to use all legal tools at our disposal to counter cyber espionage from all sources.”* – FBI Director James B. Comey on the May 19<sup>th</sup> indictment of five Chinese military hackers for cyber espionage

### U.S.-CHINA RELATIONS

#### **China to Participate in RIMPAC for First Time**

On May 5, the U.S. Third Fleet issued a press release stating that from June 26 to August 1, twenty-three nations, 47 ships, six submarines, more than 200 aircraft and 25,000 people will participate in the biennial Rim of the Pacific (RIMPAC) exercise scheduled for June 26 to August 1 in and around the Hawaiian Islands. China, along with Brunei, will participate in RIMPAC for the first time.

#### **State Department on Vietnam/China: Oil Rig Operations Near the Paracel Islands**

On May 7, State Department spokesman Jen Psaki issued the following statement on Chinese oil rig operations near the Paracel Islands: “China’s decision to introduce an oil rig accompanied by numerous government vessels for the first time in waters disputed with Vietnam is provocative and raises tensions. This unilateral action appears to be part of a broader pattern of Chinese behavior to advance its claims over disputed territory in a manner that undermines peace and stability in the region. We are also very concerned about dangerous conduct and intimidation by vessels operating in this area. We call on all parties to conduct themselves in a safe and professional manner, preserve freedom of navigation, exercise restraint, and address competing sovereignty claims peacefully and in accordance with international law. Sovereignty over the Paracel Islands is disputed; this incident is occurring in waters claimed by Vietnam and China near those islands. These events highlight the need for claimants to clarify their claims in accordance with international law, and to reach agreement on appropriate behavior and activities in disputed areas.

### **Treasury Statement on Hong Kong FACTA Agreement**

On May 9, the Treasury Department issued a statement on Hong Kong joining the list of jurisdictions with FACTA agreements with the US. The statement reads: “As we move towards the July 1 launch of FATCA, Hong Kong today became the latest jurisdiction to partner with the United States in our effort to increase global tax transparency and stop tax evasion. In just the last two weeks, Singapore, Kuwait, Indonesia and Peru among others, all reached IGAs in substance with the U.S. From Africa to Asia and the Caribbean, to the Middle East and Australia, more than 60 jurisdictions around the globe have FATCA agreements considered to be in effect. Over the last few years, FACTA has become the global standard for fighting international tax evasion, and with more jurisdictions joining our efforts all the time, the support and momentum for FATCA is undeniable. With each agreement reached, we come closer to our goal of stopping tax evasion and narrowing the tax gap.” You can learn more about FATCA [here](#).

### **Treasury Secretary Visits China**

From May 11 to May 13, Treasury Secretary Jacob Lew made his third trip to China since joining the Obama Administration. In talks with Chinese Prime Minister Li Keqiang, Lew discussed the US-China economic relationship, and plans for the next Strategic & Economic Dialogue (S&ED).

### **Special Advisor for Children’s Issues Visits China & Japan**

From May 12-20, the State Department Special Advisor for Children’s Issues Ambassador Susan Jacobs is visiting China and Japan. She will travel to China to meet with non-governmental organizations and government officials to discuss the Hague Abduction Convention. She will also participate in a conference on cross border family issues. Ambassador Jacobs will then visit Japan, the newest partner in the Hague Abduction Convention, where she will meet with government officials and non-governmental organizations to discuss the Convention and cases that pre-date Japan’s accession to the Convention.

### **Strategic & Economic Dialogue Set for July**

On May 13, the Departments of State and Treasury announced that the sixth meeting of the U.S.-China Strategic and Economic Dialogue (S&ED) will be held in Beijing, China in early July. Secretary of State John Kerry and Treasury Secretary Jacob J. Lew, as President Obama’s Special Representatives, will be joined for the Dialogue by their respective Chinese co-chairs, State Councilor Yang Jiechi and Vice Premier Wang Yang, along with members of the Chinese delegation and their U.S. colleagues. The Dialogue will focus on addressing the challenges and opportunities that both countries face on a wide range of bilateral, regional and global areas of immediate and long-term economic and strategic interest, and will follow up on discussions Secretary Kerry had in Beijing in February and that Secretary Lew had with Chinese leadership this week in Beijing. Further details regarding the precise dates, press credentialing and press opportunities will be made available in the weeks ahead.

### **Vice President Biden Meets with Chinese General**

On May 15, Vice President Biden met with the People’s Liberation Army of China Chief of General Staff General Fang Fenghui at the White House. The Vice President and General Fang affirmed the importance of and the need to maintain momentum in the development of U.S.-China military-to-military relations. The Vice President underscored the United States’ serious concern about China’s unilateral actions in waters disputed with Vietnam. The Vice President reaffirmed that while the United States does not take a position on the competing territorial claims, no nation should take provocative steps to advance claims over disputed areas in a manner that undermines peace and stability in the region. The Vice President and

General Fang also discussed the importance of the U.S.-China relationship in the context of addressing a range of regional and global challenges.

### **Press Conference by General Dempsey & China's General Fang**

Also on May 15, the Joint Chiefs of Staff Chairman General Martin E. Dempsey gave a press conference with General Fang at the Pentagon Briefing Room following meetings. Discussions included the military-to-military relationship, tensions in the South China Sea, North Korea, and other topics. Another round of US-China working group meetings will be held later this year. A transcript of the press conference can be found [here](#).

### **USCC Hearing on Lessons from Tiananmen**

Also on May 15, the US-China Economic and Security Review Commission (USCC) held a hearing on "Stability in China: Lessons from Tiananmen and Implications for the United States." The hearing examined the legacy of the Tiananmen Square Massacre and the underlying economic, political, and social tensions that cause instability in China today, as well as the implications of these challenges for U.S. economic and security interests. The hearing also assessed China's response to its internal security challenges, and the use of media and information controls to contain domestic unrest and manage public opinion.

### **U.S. Charges Five Chinese Military Hackers for Cyber Espionage**

On May 19, the U.S. Department of Justice (DOJ) announced that a grand jury in the Western District of Pennsylvania (WDPA) has indicted five Chinese military hackers for computer hacking, economic espionage and other offenses directed at six American victims in the U.S. nuclear power, metals and solar products industries. The indictment alleges that the defendants conspired to hack into American entities, to maintain unauthorized access to their computers and to steal information from those entities that would be useful to their competitors in China, including state-owned enterprises (SOEs). In some cases, it alleges, the conspirators stole trade secrets that would have been particularly beneficial to Chinese companies at the time they were stolen. In other cases, it alleges, the conspirators also stole sensitive, internal communications that would provide a competitor, or an adversary in litigation, with insight into the strategy and vulnerabilities of the American entity. A DOJ press release can be found [here](#).

### **CECC Hearing on Tiananmen at 25**

On May 20, the Congressional-Executive Commission on China (CECC) will hold a hearing on "Tiananmen at 25: Enduring Influence on US-China Relations and China's Political Development." Panelists will include: the Honorable Stapleton Roy, former U.S. Ambassador to the People's Republic of China, 1991-1995; the Honorable Winston Lord, former U.S. Ambassador to the People's Republic of China, 1985-1989; Rowena He, Lecturer, Harvard University; Jeffrey Wasserstrom, Chancellor's Professor of History, University of California, Irvine; and Liane Lee, eyewitness to the June 4th events as part of the Hong Kong Federation of Students delegation

### **House Hearing on Pivot to Asia**

Also on May 20, the House Foreign Affairs Subcommittee on Asia and the Pacific will hold a hearing on "Resourcing the Pivot to Asia: East Asia and Pacific FY 2015 Budget Request." Witnesses will include: The Honorable Daniel R. Russel, Assistant Secretary, Bureau of East Asian and Pacific Affairs, U.S. Department of State; and Ms. Denise Rollins, Acting Assistant Administrator, Bureau for Asia, U.S. Agency for International Development.

## CHINA NEWS

### Chinese Leaders' Official Travel

From May 18 to May 26, China's Vice Premier of the State Council Liu Yandong will pay an official visit to Croatia and Israel, and will attend the first Israel Innovation Conference.

### Official Visits to China

From May 16 to May 19, French Minister of Foreign Affairs Laurent Fabius will pay a visit to China.

From May 18 to May 21, President of the Kyrgyz Republic Almazbek Atambayev will pay a state visit to China from and attend the 4th Conference on Interaction and Confidence Building Measures in Asia (CICA) Summit in Shanghai.

## ENERGY & ENVIRONMENT

### Chinese Voluntary Trading Market

On May 5, China's State Forestry Administration released a guidance document saying that the country will allow trading in voluntary credits from forest carbon sequestration starting June 1. The administration hopes that the trading can help reach national carbon intensity reduction targets of 40 to 45 percent based on 2005 levels by 2020.

## TRADE

### Commerce Determinations on Grain-Oriented Electrical Steel

On May 5, 2014, the Department of Commerce (Commerce) announced its affirmative preliminary determinations in the antidumping duty (AD) investigations of grain-oriented electrical steel (GOES) from China, the Czech Republic, Germany, Japan, the Republic of Korea (Korea), Poland, and the Russian Federation (Russia). As a result of the preliminary affirmative determinations, Commerce will instruct U.S. Customs and Border Protection (CBP) to require cash deposits based on these preliminary rates. Commerce is scheduled to announce its final determinations concerning Germany, Japan, and Poland on or about July 17, 2014, unless the statutory deadline is extended. Commerce is scheduled to announce its final determinations concerning China, the Czech Republic, Korea, and Russia on or about September 16, 2014, as the deadline for these determinations has been fully extended. If Commerce makes affirmative final determinations, and the U.S. International Trade Commission (ITC) makes affirmative final determinations that imports of GOES from China, the Czech Republic, Germany, Japan, Korea, Poland, and/or Russia materially injure, or threaten material injury to, the domestic industry, Commerce will issue AD orders. If either Commerce's or the ITC's final determinations are negative, no AD orders will be issued. The ITC is scheduled to make its final injury determinations in August 2014 (for Germany, Japan, and Poland) and in October 2014 (for China, the Czech Republic, Korea, and Russia).

### USITC report on Textile and Apparel Imports from China

On May 8, the U.S. International Trade Commission (USITC) today released its annual compilation of reports on textile and apparel imports from China. The report, "Textile and Apparel Imports from China: Statistical Reports, Annual Compilation 2013," was requested by the U.S. House of Representatives' Committee on Ways and Means. A USITC press release can be found [here](#), and the report can be found [here](#).

### USITC Expedites Review of Duty Orders on Chinese Products

On May 9, the U.S. International Trade Commission (USITC or Commission) voted to expedite its five-year ("sunset") reviews concerning the countervailing and antidumping duty orders on welded stainless steel pressure pipe from China, the antidumping duty order on refined brown

aluminum oxide from China, and the antidumping duty order on barium carbonate from China. As a result of these votes, the Commission 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 Uruguay Round Agreements Act requires the Department of Commerce to revoke an antidumping or countervailing duty order, or terminate a suspension agreement, after five years unless the Department of Commerce and the USITC determine that revoking the order or terminating the suspension agreement would be likely to lead to continuation or recurrence of dumping or subsidies (Commerce) and of material injury (USITC) within a reasonably foreseeable time. USITC generally does not hold a hearing or conduct further investigative activities in expedited reviews. Commissioners base their injury determinations in expedited reviews on the facts available, including the Commission's prior injury and review determinations, responses received to its notice of institution, data collected by staff in connection with the reviews, and information provided by the Department of Commerce.

### **Commerce Department Launches Investigation of Chinese Dry Containers**

On May 14, 2014, the Department of Commerce (Commerce) announced the initiation of antidumping duty (AD) and countervailing duty (CVD) investigations of imports of 53-foot domestic dry containers from China. The U.S. International Trade Commission (ITC) is scheduled to make its preliminary injury determinations on or before June 9, 2014. If the ITC preliminarily determines that there is a reasonable indication that imports of 53-foot domestic dry containers from China materially retard the establishment of the domestic industry or materially injure, or threaten material injury to, the domestic industry, the investigations will continue and Commerce will be scheduled to announce its preliminary CVD determination in July 2014 and its preliminary AD determination in October 2014, unless the statutory deadlines are extended. If the ITC's preliminary determinations are negative, the investigations will be terminated.

### **APEC Trade Ministers Meet in China**

On May 17 and 18, Asia-Pacific Economic Cooperation (APEC) held a meeting of trade ministers in Qingdao, China. The meeting was hosted by Minister Gao Hucheng of China's Ministry of Commerce. Topics covered included advancing the negotiation and implementation of comprehensive, high quality trade agreements, with a focus on the Free Trade Area of the Asia-Pacific.

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