



Neal Martin

nmartin@mlstrategies.com

David Leiter

djleiter@mlstrategies.com

ML Strategies, LLC

701 Pennsylvania Avenue, N.W.

Washington, DC 20004 USA

202 296 3622

202 434 7400 fax

www.mlstrategies.com

JULY 10, 2012

CHINA UPDATE

Quote of the Week

“Asia does have several examples of countries that have achieved initial economic successes without meaningful political reform, but that too is a shortsighted and ultimately unsustainable bargain. You cannot over the long run have economic liberalization without political liberalization. Countries that want to be open for business but closed to free expression will find the approach comes with a cost. It kills innovation, discourages entrepreneurship which are vital for sustainable growth. Without the rule of law, people with a good business idea or money to invest cannot trust that contracts will be respected and corruption punished, or that regulations will be transparent and disputes resolved fairly, and many will end up looking for opportunities elsewhere. – Secretary of State Clinton in remarks on July 9 to the International Women’s Forum in Ulaanbaatar, Mongolia, that were widely interpreted to reference, without naming, China

China Cuts Interest Rates

Last week, for the second time in 4 weeks, the People’s Bank of China cut interest rates on one-year loans, reducing the rate to 6%, and authorized banks to discount rates by as much as 30% below that benchmark. The move was seen as a reaction to concerns about second quarter growth in China.

China Updates Immigration Policy

On June 30, China’s National People’s Congress approved an update of Chinese immigration policy, the first since 1986 that went into effect on July 1. Specifically, the updated policy creates a talent visa category, allows foreigners to apply for refugee status and remain in China while their case is reviewed, establishes fines for unauthorized work or residence, and imposes sanctions on companies employing illegal workers. Additionally, the revised policy sets some restrictions on where foreigners may work or live, and which industries are eligible to employ foreigners.

Apple Faces Another Trademark Challenge in China

As reported in last week’s [MLS China Update](#), Apple recently reached an agreement to pay \$60 million to Chinese company Proview, which claimed that it had registered the iPad name 9 years before Apple acquired worldwide rights for the name from a Taiwan affiliate of Proview. Proview said that its affiliate

wasn't authorized to sell the naming rights. Now, Apple is being challenged on the name of its "Snow Leopard" operating system by Jiangsu Snow Leopard Household Chemical Co. which claims that it has registered the Snow Leopard name as a trademark in 42 categories and is asking for \$79,000 and an apology. Reportedly, the Jiangsu company only registered the Snow Leopard name in Chinese – making the outcome of the case uncertain. The first hearing of the case is to be held today in the Shanghai Pudong New Area People's Court.

U.S. Seeks WTO Dispute Settlement Over Chinese Vehicle Duties

On July 5, USTR Ron Kirk **announced** that the U.S. has requested dispute settlement consultations with China at the World Trade Organization, challenging the imposition of antidumping and countervailing duties by China on more than \$3 billion in exports of American made vehicles. The duties were imposed by China in December 2011, in retaliation for U.S. actions on Chinese tire imports. China found that U.S.-manufactured vehicles were being sold at less than fair value and had also benefitted from subsidies.

Brazil Imposes Stiff Surcharge on Chinese Shoe Parts

On July 5, Camex, Brazil's Foreign Trade Chamber, agreed to impose a 182% surcharge on shoe parts imported from China. Chinese shoes have been subject to Brazilian antidumping tariffs since 2010, but Brazilian shoe manufacturers, charged that the Chinese were avoiding the tariff by exporting shoe parts to Brazil and having the final product assembled locally.

U.S. Business Groups Criticize Chinese Internet Rules

In a **letter** dated July 5, representatives of the National Foreign Trade Counsel and the Software & Information Industry Association wrote to the head of China's Ministry of Industry and Information Technology expressing their concerns about draft amendments to China's Internet Information Service Management Rules. According to the letter, NFTC, SIIA, and their member companies "believe the proposed regulations would limit innovation, impair the ability of business and individuals to engage productively over the internet and could serve as a barrier to electronic commerce and trade in physical goods."

Congressional Hearing on China and Human Rights

On July 9, the House Subcommittee on Africa, Global Health, and Human Rights held a **hearing** on "Continued Human Rights Attacks on Families in China." Witnesses included Pastor Bob Fu, Founder and President, ChinaAid Association; Ms. Reggie Littlejohn, Founder and President, Women's Rights Without Frontiers; Mr. Steven Mosher, President, Population Research Institute; Ms. Yanling Guo, a victim of China's population control policies; and Mr. T. Kumar, Director of International Advocacy, Amnesty International.

House Set to Vote on Rare Earths Legislation

Coming just two weeks after the U.S., Japan, and the E.U. joined to request WTO dispute consultations with China over Chinese restrictions of rare earths – of which China produces about 97% of the world's supply – the House of Representatives is set to vote this week on H.R. 4402, a bill to streamline the process for obtaining permits to mine and produce strategic and critical minerals, including rare earths. Rare earths are used in manufacturing, energy infrastructure, and defense technologies. The *National Strategic and Critical Minerals Production Act of 2012* was introduced by Rep. Mark Amodei (R-NV) and the committee report on the bill can be found **here**. The White House has issued a **Statement of Administration Policy** that says the president "strongly opposes" the legislation, without threatening a veto.

Cooling Economy Slows Chinese Reduction of Pollutants

China's slowing economy has also slowed reduction of four key pollutants which had been slated in the 12th Five Year Plan for 2011-2015 for reductions of 8-10%. According to the Chinese Ministry of Environmental Protection, during the first half of 2012 sulfur dioxide emissions decreased by 2%, chemical oxygen demand (COD) measured in wastewater decreased by 1.5%, and nitrogen oxide emissions in air and ammonia nitrogen emissions in wastewater showed no decrease. China's reduction goals had called for an 8% reduction for sulfur dioxide and COD levels, and a 10% reduction of nitrogen dioxide and ammonia nitrogen emissions. According to government officials, some regions of the country have eased their compliance with emission control policies as the Chinese economy has slowed down.

China Cited in Report on Volatility of Carbon Trading Market

A report released last week by GlobalData – titled Future of Emissions Trade: Price Volatility Will Be a Key Characteristic of the Commodity – finds that global prices in the carbon dioxide emissions trading market are projected to be volatile in both the near- and long-term due to economic and policy uncertainty. The report concludes that carbon prices will remain low in the near-term because of the European debt crisis and an oversupply of credits, but will continue to be volatile due to uncertainty about the future of the Kyoto Protocol. Carbon prices will increase if China, India, and Brazil promise to meet certain emissions targets by 2020, or if other emerging regional and national climate markets are successful.

Voluntary Emissions Trading in China

China's National Development and Reform Commission issued interim measures last week establishing exchanges for voluntary carbon dioxide emissions reduction credits trading. The commission approved a pilot scheme in 2011 for trading emissions in Beijing, Tianjin, Shanghai, Chongqing, Shenzhen, Hubei, and Guangdong. The pilot areas are said to be close to finalizing their rules. China has set a goal to reduce its carbon intensity by 40-45% by 2020.

Note on Congressional Schedule & Agenda

Congress was in recess last week for the Fourth of July and returned yesterday, July 9, for a month-long work period before the annual August recess that begins on August 6 and lasts for five weeks. ML Strategies has published a brief overview of the potential agenda for the remainder of the year that can be found [here](#).

[Click here to view ML Strategies professionals.](#)

Boston | Washington www.mlstrategies.com