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CHINA UPDATE

U.S. Exempts China from Penalties Related to Iranian Oil

On June 28 the State Department **announced** that China had made sufficient efforts to reduce its purchase of Iranian oil to be exempted from sanctions required by a provision in the *National Defense Authorization Act of 2012* intended to reduce Iran's ability to export oil. The statement from Secretary of State Clinton notes that Singapore has also been exempted from the sanctions, bringing to twenty the number of nations that have qualified for an exemption.

Hong Kong Swears in New Chief Executive

Leung Chun-ying was sworn in as the Chief Executive of Hong Kong on July 1, the 15th anniversary of the handover of Hong Kong from the United Kingdom to China. The post is filled by a voting bloc made up of 1,200 business elites, with registered voters having no say. Leung's career has been in real estate development and he also serves as the International Economic advisor for China's Hebei Province. Leung is the third person to hold the position of Chief Executive for Hong Kong since its return to China.

Congressional Report on CCS & China

The Congressional Budget Office (CBO) released a report on June 28 titled "Federal Efforts to Reduce the Cost of Capturing and Storing Carbon Dioxide" that says the U.S. should focus on targeted subsidies and leave R&D and demonstration efforts for carbon capture and storage (CCS) to countries like China and India.

The report was prepared at the request of the Senate Energy and Natural Resources Committee and finds that CCS is still prohibitively expensive to be commercially viable, despite a federal investment of \$6.9 billion from the Department of Energy since 2005 to develop and demonstrate the technology. The Obama administration argues that in the next 4 years, 6 CCS projects will be in operation, and the technology will make economic sense within 10 years. The report from CBO concurs with the administration, but only if the

CCS is adopted on a sufficiently large scale and that, according to the report, seems unlikely because using CCS at a coal-fired electrical generating plant would raise costs by an average of 75%. A carbon tax or emissions trading scheme are the only policy mechanisms that might make the technology feasible.

Copyright Treaty Negotiations Finalized

At a meeting of the World Intellectual Property Organization's (WIPO) Diplomatic Conference on the Protection of Audiovisual Performances, negotiations were finalized on the Beijing Treaty on Audiovisual Performances. The treaty is the first multilateral agreement on copyright adopted by WIPO since 1996 and was signed by 140 delegations from more than 50 nations. The treaty updates the international legal framework for audiovisual performers to provide rights and protections and includes provisions requiring national treatment for audiovisual performers in other countries, various rights for audiovisual performers, and measures for technological protection.

United Technologies Faces Criminal Charges for China Software Sales

The Department of Justice announced last week that United Technologies and two of its subsidiary companies face federal charges for violation of U.S. export laws related to the sale of military software to China that was used in the development of China's first attack helicopter. The company has acknowledged that it covered up the sale of the technology and will join with Pratt & Whitney Canada and Hamilton Sundstrand Corp. to pay a fine of more than \$75 million.

U.S. Join EU and Japan to Request WTO Dispute Panel on Rare Earths

The U.S., the European Union, and Japan joined together earlier this year to request World Trade Organization (WTO) consultations with China on the issue of Chinese restrictions on the exports of rare earths. The four nations met in late April for talks but were unable to come to a settlement. As a result, on June 27, the U.S., the E.U., and Japan announced that they are seeking the establishment of a WTO dispute panel to rule on whether China's export of the materials is in violation of global trade rules. The WTO Dispute Settlement Body (DSB) will consider the request when they meet on July 10.

China Pushes for Increased Trade with South America

On June 25, Chinese Premier Wen Jiabao said during a video conference with the leaders of Argentina, Brazil, and Uruguay, that China wants to initiate talks on a trade agreement with the South American Common Market (Mercosur) and that his nation seeks to double trade with the region within 4 years. China already enjoys robust trade with South America, but any potential trade agreement with Mercosur faces a significant hurdle in the fact that Paraguay – the fourth member of Mercosur along with Argentina, Brazil, and Uruguay – does not maintain diplomatic ties with China and recognizes Taiwan as a sovereign jurisdiction.

Chinese Firm and Apple Settle Dispute over iPad Name

China's Guangdong High People's Court announced recently that Apple and Chinese firm Proview have reached a settlement on the rights to the iPad name, with Apple transferring \$60 million to the court's account. Proview claims that it had registered the iPad name in 2000, nine years before Apple says it acquired worldwide rights for the name by paying \$55,000 to Proview's Taiwan affiliate. Proview says that their affiliate did not have the right to sell iPad naming rights for China.

Secretary Clinton to Attend ASEAN Regional Forum

Secretary of State Clinton travels to Cambodia this week for a meeting of the Association of Southeast Asian

Nations (ASEAN) in Cambodia. China will be represented by Foreign Minister Yang Jiechi. The ongoing dispute over the South China Sea is expected to be among the topics discussed by Clinton and Yang.

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