



ML
STRATEGIES

Neal Martin

[nrmartin@mlstrategies.com](mailto: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

CHINA UPDATE

July 25, 2013

QUOTES OF THE WEEK

"We are exploring the areas in which cooperation between the U.S. and China, two major economies, can make a positive and practical impact both on the wellbeing and the lives of the citizens of both of our countries, but also in the region and in the global economy and in the global context. We are also working hard to develop a candid dialogue on areas of disagreement, and there are areas of disagreement, and to make sure that we understand the motivations and the objectives of the other side. The – this was the spirit in which President Obama invited President Xi Jinping to an unprecedented and historic extended, informal meeting in Sunnylands Estate in California early in June, and frankly this is the spirit in which we engaged in the S&ED....and it's what allows us to cover a broad spectrum of issues....So the U.S. and China don't agree on everything, of course, but we talk about everything. ...It is clearly my belief and my impression that maintaining good lines of communication between Washington and Beijing is a priority also for the other countries in the region. It is clear – and I've heard this directly, repeatedly – that the countries throughout the region expect and want the U.S. and China to maintain a level of high-level dialogue and practical cooperation that will help generate positive results." – Assistant Secretary of State Daniel J. Russel at the Washington Foreign Press Center on July 22

U.S.-CHINA RELATIONS

S&ED Breakout on Wildlife Trafficking

On July 16, the State Department issued a media note stating that during the recent U.S.-China Strategic & Economic Dialogue (S&ED) Under Secretary of State for Economic Growth, Energy, and the Environment Robert D. Hormats and Administrator Zhao Shucong of the Chinese State Forestry Administration led a breakout session on wildlife trafficking. Experts from multiple agencies met to review efforts to combat the global illegal trade in wildlife and identify areas for increased cooperative efforts. According to the State Department, "The United States is committed to working with China to address this global challenge. In recognition of the economic and security consequences of burgeoning illicit trade networks, the two nations committed to pursue more effective mechanisms for cooperation; strengthen enforcement at the national, regional and global level, including enhanced cooperation among law enforcement agencies; efforts to eliminate the supply and demand for illegal wildlife products; the development of innovative technologies to advance such efforts; and

strengthening international cooperation in wildlife conservation and protection.”

Overview of U.S. Policy in the East Asia and Pacific Region

On July 22, Mr. Daniel R. Russel, Assistant Secretary, Bureau of East Asian and Pacific Affairs, State Department, delivered remarks at the Washington Foreign Press Center in Washington, DC. The remarks and questions during the Q&A covered a broad range of topics. Relative to China, he discussed the U.S.-China relationship, territorial disputes in the South China Sea and East China Sea, and tensions between Japan and China. A transcript of his remarks and the Q&A can be found [here](#).

House Hearing on China and Cyber Security

On July 23, the House Foreign Affairs Subcommittee on Asia and the Pacific held a hearing titled “Asia: The Cyber Security Battleground.” Witnesses included Phyllis Schneck, Ph.D., Vice President and Chief Technology Officer, Global Public Sector, McAfee, Inc.; James Lewis, Director and Senior Fellow, Technology and Public Policy Program, Center for Strategic and International Studies; and Karl Frederick Rauscher, Chief Technology Officer and Distinguished Fellow, EastWest Institute. In his opening remarks, Subcommittee Chairman Steve Chabot (R-OH), said that “The cyber powers in Asia include the U.S., China, Taiwan, South Korea, North Korea, and Australia. Just like many other issues in Asia, the growth of cyber capabilities in these countries and other Asian nations revolves around China’s strength and growing desire for influence. China has been called by numerous high-level officials in the Obama Administration an advanced cyber actor and an aggressive practitioner of economic espionage against the U.S., and no doubt, our allies in Asia as well. The instances in which China was behind cyberattacks or intrusions into U.S. government systems and companies are endless.” The full texts of remarks by Chairman Chabot and the witnesses can be found [here](#).

ENERGY & THE ENVIRONMENT

China V Sulfur Content Proposed

The Chinese National Energy Administration proposed on July 12 to limit sulfur content to 10 parts per million by 2018 in China V gasoline. China III gasoline limited sulfur to 150 ppm while China IV limited it to 50 ppm. Public comment will be accepted on the proposal through July 22.

MEF Meeting Held

A meeting of the Major Economies Forum on Energy and Climate was held on July 15 in Krakow where representatives from the 17 member nations prepared for the U.N. negotiations in Warsaw in the fall. Representatives from nations including China, India, and the U.S. discussed possible legal paths for the Warsaw agreement. A climate agreement is expected to be finalized in 2015.

Developing Countries Green Building Certification Proposed

The International Finance Corporation and the World Green Building Council proposed the Excellence in Design for Greater Efficiencies, a green building certification system for developing countries on July 16. The program, designed to be a building code minimum standard, will be piloted in Brazil, China, India, and South Africa; it will be expanded to 20 countries over the course of the year.

Stern on Climate Strategy

U.S. Special Envoy for Climate Change Todd Stern praised President Obama’s climate strategy on July 18, saying the announcement generated global confidence in the U.S. as a climate change leader. He continued that further bilateral agreements like the recent U.S.-China Strategic and Economic Dialogue could be reached this year; the U.S. and India are currently in negotiations.

Kerry on U.S.-China Climate Relationship

Secretary of State John Kerry advocated for a strong U.S.-China relationship on climate action in a July 19 [op-ed](#). Explaining that the two countries produce 40 percent of global greenhouse gas emissions, Secretary Kerry said the two countries must be world leaders on climate change action. He listed vehicle emissions and coal use as the two major areas of focus.

U.S. EIA Releases International Energy Outlook 2013

Citing rising prosperity in China and India as a major factor in the outlook for global energy demand, the U.S. Energy Information Administration released a report on July 25 projecting that world energy consumption will increase 56% by 2040. According to the report, "In contrast to the OECD nations, developing non-OECD economies, particularly in non-OECD Asia, have led the global recovery from the 2008-2009 recession. China and India have been among the world's fastest growing economies for the past two decades. From 1990 to 2010, China's economy grew by an average of 10.4 percent per year and India's by 6.4 percent per year. Although economic growth in the two countries remained strong through the global recession, both slowed in 2012 to rates much lower than analysts had predicted at the start of the year. In 2012, real GDP in China increased by 7.2 percent, its lowest annual growth rate in 20 years. India's real GDP growth slowed to 5.5 percent in 2012." The report, International Energy Outlook 2013 (IEO2013), can be found [here](#).

TRADE

EU, China Antidumping Talks Imminent

The European Commission announced on July 17 that Trade Commissioner Karel De Gucht will meet with Chinese Commerce Minister Gao Hucheng on an undetermined date to discuss the Chinese solar panel antidumping duty case. The European Commission rejected on July 12 a Chinese proposal to prevent the 47.6 percent rise in antidumping duties. The talks are seen as a final attempt to solve this issue before the August 6 deadline.

U.S. & China Seek Role in EU-Russia WTO Dispute Consultation

The U.S., along with China and Japan, have requested a seat in World Trade Organization (WTO) dispute consultations between the EU and Russia regarding Russia's recycling fee on imported vehicles. In its July 23 request to participate in the consultations, China cited its export of automobiles and auto parts totaling more than \$48 billion last year.

USITC to Investigate Chinese Silicon Microphone Packages

On July 23, the U.S. International Trade Commission (USITC) voted to institute an investigation of certain silicon microphone packages and products containing same. The products at issue in this investigation are small silicon microphone packages and certain electronic devices containing the same, including earphones, ear buds, headsets, and headphones. The investigation is based on a complaint filed by Knowles Electronics, LLC, of Itasca, IL, on June 21, 2013. The complaint alleges violations of section 337 of the Tariff Act of 1930 in the importation into the United States and sale of certain silicon microphone packages and products containing same that infringe patents asserted by the complainant. The complainant requests that the USITC issue a limited exclusion order and cease and desist orders. The USITC has identified the following as respondents in this investigation: GoerTek, Inc., of Weifang, China; and GoerTek Electronics, Inc., of Sunnyvale, CA.

EU & China Agree on Compliance of WTO Ruling on X-Ray Equipment

Also on July 23, the World Trade Organization (WTO) announced that the European Union (EU) and China have agreed to a deadline for Chinese compliance with a WTO rule critical of the imposition of Chinese antidumping duties on European X-ray security inspection equipment. China has agreed to implement the WTO dispute panel recommendations by February 19, 2014.

MISCELLANEOUS

IMF Concludes Article IV Consultations with China

On July 17, the International Monetary Fund (IMF) concluded its annual Article IV consultation discussions with China. Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. A staff team visits the country, collects economic and financial information, and discusses with officials the country's economic developments and policies. On return to headquarters, the staff prepares a report, which forms the basis for discussion by the

Executive Board. At the conclusion of the discussion, the Managing Director, as Chairman of the Board, summarizes the views of Executive Directors, and this summary is transmitted to the country's authorities. According to the IMF, "China's economy is expected to grow at around 7¾ percent this year, notwithstanding a moderate slowdown during the first half, with resilient domestic demand offsetting lingering weakness in the external environment. Inflation has continued its downward path, and with persistently high investment contributing to excess capacity in many sectors, is likely to remain subdued around 3 percent this year and next." A press release from IMF on the consultation can be found [here](#), and the transcript of a conference call on the Article IV review can be found [here](#).

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