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## CHINA UPDATE

### Quote of the Week

*"The U.S.-China trade relationship remains one of the most important in the world, but the relationship must be fair, balanced, and mutually beneficial. We will continue to push China to take concrete steps that open its markets to and level the playing field for U.S. goods and services, to ensure that these principles guide our bilateral trade ties."* Undersecretary of Commerce for International Trade Francisco Sanchez at a meeting of the U.S.-China Joint Commission on Commerce and Trade (JCCT) on July 27 in Washington

### WTO Sets Up Dispute Body on Chinese Rare Earths Policy

On July 23, the World Trade Organization's (WTO) Dispute Settlement Body (DSB) agreed to set up a panel to determine whether China's export restrictions on rare earth minerals are in violation of global trade rules, and in violation of commitments made by China upon their accession to the WTO in 2001. The complaint was brought to the WTO by the U.S. the European Union, and Japan. The DSB is expected to rule within six to nine months.

### Senator McCain Speaks out on South China Sea

Senator John McCain (R-AZ), Ranking Member of the Senate Armed Services Committee, released a statement on July 24 regarding China's actions in the South China Sea. It reads: "The decision by China's Central Military Commission to deploy troops to islands in the South China Sea, which are also claimed by Vietnam, is unnecessarily provocative. Similarly, China's appointment of legislators to govern all of the islands and waters that China claims in the South China Sea only reinforces why many Asian countries are increasingly concerned about China's expansive territorial claims, which have no basis in international law, and the possibility that China will attempt to impose those claims through intimidation and coercion. China's actions in this case are disappointing and not befitting a responsible great power. We must continue to urge all parties with territorial claims in the South China Sea to seek a peaceful, multilateral resolution that is based on international law and upholds the principle of freedom of navigation in international waters."

### IMF Says China Economy in for "Soft Landing"

A report released by the International Monetary Fund on July 24 says that the Chinese economy, with a 2012 growth rate of 8%, appears headed for a "soft landing." The report urges China to continue with its economic

reforms and to address its undervalued currency. The report can be found [here](#).

### **Democrats Oppose Chinese Acquisition of Canadian Oil Company**

In a letter dated July 30, Rep. Ed Markey (D-MA), Ranking Member of the House Natural Resources Committee, urged Treasury Secretary Geithner to oppose the acquisition of Canadian oil company Nexen Inc. by the Chinese National Offshore Oil Corporation (CNOOC), a state-owned corporation, until China agrees to pay royalties on all U.S.-based production. Mr. Geithner is also chairman of the Committee on Foreign Investment in the United States (CFIUS) which will review the proposed purchase. In his letter, Congressman Markey says that "Giving valuable American resources away to wealthy multi-national corporations is wasteful, but giving valuable American resources away to a foreign government is far worse; it has the potential to directly undermine American economic and national security. On many different fronts, Chinese domestic and foreign policies come into direct conflict with American policy and the interests of American citizens." The letter can be found [here](#). Senator Chuck Schumer (D-NY) also wrote to Secretary Geithner urging that he block the acquisition. That letter can be found [here](#).

### **U.S. and China Review JCCT Commitments**

On July 27, Undersecretary of Commerce for International Trade Francisco Sanchez and Deputy USTR Demetrios Marantis, heading the U.S. delegation, met with China's Vice Minister of Commerce. Wang Chao, in Washington to discuss commitments made on the last round of talks under the U.S.-China Joint Commission on Commerce and Trade (JCCT) in 2011 during a meeting in Chengdu, China, and to prepare for the 2012 JCCT meeting to be held in the U.S. later this year. A press release from the International Trade Administration can be found [here](#). Established in 1983, the JCCT is the primary venue for U.S.-China discussion of bilateral trade concerns and promoting commercial opportunities between the two nations. Throughout the year, working groups meet to discuss an array of issues including agriculture, environment, information technology, intellectual property rights, pharmaceuticals and medical devices, statistics, and tourism.

### **ITA Makes Affirmative Preliminary Determinations in Chinese Investigations**

On July 31, the Department of Commerce announced its affirmative preliminary determination in the countervailing duty (CVD) investigation of imports of drawn stainless steel sinks from China. A final determination is expected on October 15, 2012. If the final determination is affirmative, and the International Trade Commission (ITC) makes an affirmative final determination that imports of drawn stainless steel sinks from China materially injure, or threaten material injury to, the domestic industry, Commerce will issue a CVD order. If either determination is negative no CVD order will be issued. ITC is expected to make its final determination in November 2012. A fact sheet can be found [here](#).

On July 31, the Department of Commerce announced its affirmative preliminary determination in the antidumping (AD) investigations of imports of utility scale wind towers from China and Vietnam. A final determination is expected in December 2012. If the final determinations are affirmative, and the ITC makes affirmative final determinations that imports of utility scale wind towers from China and/or Vietnam materially injure, or threaten material injury to, the domestic industry, Commerce will issue AD orders. If either determination is negative, no AD orders will be issued. ITC is expected to make its final determination in February 2013. A fact sheet can be found [here](#).

### **U.S. Treasury Sanctions Chinese Bank**

Today, July 31, the Treasury Department announced that it is imposing sanctions under the Comprehensive Iran Sanctions, Accountability, and Divestment Act of 2010 (CISADA), against two financial institutions for "knowingly facilitating significant transactions and providing significant financial services for designated Iranian banks." The sanctions institutions are Bank of Kunlun in China and Elaf Islamic Bank in Iraq. A press release from Treasury can be found [here](#).

## **China Expands VAT Reform**

On July 25 China's State Council announced that it will expand value-added tax (VAT) reform from Shanghai to ten more cities and provinces by year's end. The expansion will include Beijing, Tianjin, Jiangsu, Zhejiang, Anhui, Fujian, Hubei, Guangdong, Xiamen, and Shenzhen starting August 1. Other regions and provinces will be included next year. The program, which was begun on January 1, 2012, is intended to address issues related to double taxation under China's current tax structure, which includes a value-added tax and a business tax. The reforms create a single tax system.

## **House Hearing on Human Rights in China**

On July 25 the House Foreign Affairs Committee held a [hearing](#) titled "Investigating the Chinese Threat, Part Two: Human Rights Abuses, Torture and Disappearances." Witnesses included: Jared Genser, Founder, Freedom Now; Rebiya Kadeer, Uyghur Democracy Leader; Hai Li, Falun Gong Practitioner; Bhuchung Tsering, Vice President, International Campaign for Tibet. Witnesses prepared statements and an archived webcast of the hearing can be found [here](#).

## **USCC to Meet for Discussion of 2012 Annual Report to Congress**

The U.S.-China Economic and Security Review Commission (USCC) will meet in Washington on August 1 and 2, September 12 and 13, October 11 and 12, and October 23 and 24 to consider drafts of material for its 2012 Annual Report to Congress. The meetings are open to the public and will be held in The Hall of States on North Capitol Street. Additional information can be found [here](#).

## **State Department Issues 2011 Country Reports on Terrorism**

Today, July 31, the State Department issued its 2011 Country Reports on Terrorism. The report is required by Congress and provides an opportunity to review counterterrorism events worldwide. The report and related material can be found [here](#), with China under the link for East Asia and Pacific Overview. According to the overview: "China cooperation with the United States on counterterrorism issues was marginal with little reciprocity in information exchanges. China conducted joint counterterrorism training exercises with Pakistan, Belarus, Kyrgyzstan, Tajikistan, and Indonesia. China's domestic counterterrorism efforts remained primarily focused against the East Turkestan Islamic Movement (ETIM) in the Xinjiang Uighur Autonomous Region (XUAR) of northwest China."

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