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## **CHINA UPDATE**

**March 21, 2014**

### **QUOTE OF THE WEEK**

*"I look forward to travel all around China and represent the U.S. in every corner of this country. It's brave words today since I just arrived. I will do all my best to get around the country, I will to meet with people, see people, schools, coffee houses just to get a sense of this country." Ambassador Baucus in remarks to the press on March 18 in Beijing*

### **U.S.-CHINA RELATIONS**

#### **Ambassador Baucus Arrives in Beijing**

On March 17, the new U.S. Ambassador to China Max Baucus arrived in Beijing. The following day he visited the Ministry of Foreign Affairs to present his credentials.

#### **U.S.-Philippines Talks Include South China Sea Dispute**

On March 6-7, the Republic of the Philippines and the United States held their fourth Bilateral Strategic Dialogue (BSD) on March 6-7 in Washington, D.C. The Dialogue continued the two allies' close consultation and exchange of views on a broad range of bilateral, regional, and global issues that reflect common values, mutual respect, and converging interests. During the BSD, two sides expressed concern over recent developments in the South China Sea, and emphasized the importance of upholding peace and stability, respect for international law, unimpeded lawful commerce, and freedom of navigation and overflight. The two sides reiterated that international disputes in the South China Sea should be settled in accordance with international law and through diplomatic or other peaceful means, such as through the use of arbitration.

The two sides expressed concern over the ambiguity and potential breadth of some claims and agreed on the importance of all claimants clarifying their territorial and maritime claims. They underscored that maritime claims in the South China Sea must be derived from land features in accordance with the international law of the sea, as reflected in the United Nations Convention on the Law of the Sea (UNCLOS). Both sides expressed hope for the expeditious conclusion of a meaningful Code of Conduct (COC) on the South China Sea between ASEAN and China. Both sides expressed opposition to unilateral measures that aim to alter the status quo and that escalate tensions in the region and called on all parties to exercise self-restraint.

### **USCC Report on China's Navy**

On March 14, the U.S.-China Economic and Security Review Commission (USCC) released a staff report titled "China's Navy Extends Its Combat Reach To The Indian Ocean." According to the USCC, "In early 2014, a Chinese surface action group carried out a sophisticated training exercise spanning the South China Sea (SCS), eastern Indian Ocean, and Philippine Sea. The People's Liberation Army (PLA) Navy used the 23-day deployment to improve operational proficiencies for antisubmarine warfare, air defense, electronic warfare, and expeditionary logistics; train to seize disputed islands and reefs in the SCS; enhance its ability to conduct integrated and multi-disciplinary operations; and demonstrate to the Indo-Pacific region that China's combat reach now extends to the eastern Indian Ocean." The full report can be found [here](#).

### **USCC Preparing for Report on China's Civilian and Military Space Programs**

The USCC is soliciting proposals for a research report on "China's Civilian and Military Space Programs," until April 9, 2014, at 5:30pm EST. The solicitation can be found [here](#).

### **First Lady Michelle Obama in China**

The First Lady will travel to China from March 19-26. She will be visiting Beijing from March 20-23, Xi'an on March 24, and Chengdu from March 25-26. During her trip, the First Lady will meet with Madame Peng, the wife of China's President Xi Jinping, and will visit a university and high school in Beijing and a high school in Chengdu. As on previous international trips to Africa, Asia, Europe and Latin America, the First Lady will be focusing on the power and importance of education, both in her own life and in the lives of young people in both countries. A statement announcing the trip from the Office of the First Lady can be found [here](#), and her daily schedule during the trip can be found [here](#). On March 21, Mrs. Obama met with Chinese President Xi Jinping in Beijing. A transcript of remarks by the First Lady and President Xi can be found [here](#). Also on March 21, Mrs. Obama met with Madame Peng, China's First Lady, for a visit to the Beijing Normal School. A transcript of remarks by First Lady Obama and Madame Peng can be found [here](#).

### **State Department on Death of Chinese Rights Activist**

On March 15, the State Department released the following statement on the death of Chinese activist Cao Shunli: "The United States is deeply disturbed by reports that rights activist Cao Shunli has passed away at a hospital in Beijing. We offer our condolences to her family. Chinese authorities detained Cao Shunli in Beijing on September 14 while she was on her way to participate in civil society meetings in preparation for China's

Universal Periodic Review last October. We have repeatedly raised our concerns about Cao Shunli's detention, including her deteriorating health, with Chinese authorities. We continue to be concerned about the human rights situation in China and will continue to urge Chinese authorities to guarantee all Chinese citizens the protections and freedoms to which they are entitled under China's international human rights commitments."

## **CHINA NEWS**

### **Official Visits to China**

On March 18, China's Premier Li Keqiang of the State Council Foreign Minister Wang Yi and other leaders met with Uganda's Minister of Foreign Affairs Sam Kutesa.

On March 19, Chinese President Xi Jinping met with Prime Minister John Key of New Zealand at the Great Hall of the People in Beijing.

From March 20 to March 26, Liviu Dragnea, Vice Prime Minister and Minister of Regional Development and Public Administration of Romania, will pay an official visit to China.

## **TRADE**

### **USITC Votes to Expedite Review of Duty Orders on Chinese Pipe**

On March 7, the U.S. International Trade Commission (USITC or Commission) voted to expedite its five-year ("sunset") reviews concerning the antidumping and countervailing duty orders on circular welded carbon quality steel line pipe 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.

### **Tapping the Chinese Tourist Market**

On March 12, the State Department Bureau of Economic and Business Affairs conducted "Direct Line" call on "Tapping the Chinese Tourist Market." According to the Department, "China's growing middle class has embraced international travel in a big way. Already, China is one of the top sources of foreign tourists to the U.S. Chinese nationals made almost 1.5 million trips to the U.S. last year, and this number is increasing rapidly. The U.S. Department of Commerce estimates that each of these tourists spends approximately \$6,000 per person, per trip. But Chinese are also increasingly aware of the variety of overseas destinations available and many have already made a first trip to the U.S. The webchat focused on how to appeal to this market and keep them coming back again and again. Led by Charge d'Affaires Dan Kritenbrink, it featured Mavis Zheng

of Brand USA and Mark Lewis of the Embassy's Global Markets team.

### **ITA Report on U.S. Renewable Energy Exports**

According to a newly released report from the U.S. Commerce Department's International Trade Administration (ITA), Canada, China, Brazil, Chile, and Mexico will be the top five markets for U.S. renewable energy exports during the next two years, and the wind sector will overtake the solar sector as the largest exporter of renewable energy products. The 2014 [Renewable Energy Top Markets Report](#) provides rankings of renewable energy export opportunities for 75 different markets through 2015. Acting Under Secretary of Commerce for International Trade Ken Hyatt issued the report as part of ITA's [Renewable Energy and Energy Efficiency Export Initiative](#), a multi-agency effort to significantly increase renewable energy and energy efficiency exports.

### **USITC Determination on Imported Chinese Alloy Steel Wire Rod**

On March 14, the United States International Trade Commission (USITC) determined that there is a reasonable indication that a U.S. industry is materially injured by reason of imports of carbon and certain alloy steel wire rod from China that are allegedly subsidized and sold in the United States at less than fair value. As a result of the Commission's affirmative determinations, the U.S. Department of Commerce will continue to conduct its investigations on imports of these products, with its preliminary countervailing duty determination due on or about April 28, 2014, and its antidumping duty determinations due on or about July 10, 2014.

### **Commerce Determination on Non-Oriented Electrical Steel from China**

On March 19, 2014, the Department of Commerce (Commerce) announced its affirmative preliminary determinations in the countervailing duty (CVD) investigations of imports of non-oriented electrical steel (NOES) from China and Taiwan, and its negative preliminary determination in the CVD investigation of NOES from the Republic of Korea (Korea). As a result of the preliminary affirmative determinations for Taiwan and China, Commerce will instruct U.S. Customs and Border Protection (CBP) to require cash deposits based on these preliminary rates. Because of the negative preliminary determination, no cash deposit will be required for imports from Korea. On February 25, 2014, the domestic industry filed allegations of critical circumstances in the China and Korea cases. For China, Commerce found that critical circumstances exist for all companies; therefore, the agency will instruct CBP to impose provisional measures retroactively on entries of subject NOES 90 days prior to the publication of the determination. For Korea, Commerce made a negative critical circumstance determination for all companies. Commerce has aligned the CVD investigation with the concurrent antidumping duty investigation, and is scheduled to announce its final determinations on or about July 30, 2014; unless the statutory deadline is extended. If Commerce makes affirmative final determinations, and the U.S. International Trade Commission (ITC) makes affirmative final determinations that imports of NOES from China, Korea, and/or Taiwan materially injure, or threaten material injury to, the domestic industry, Commerce will issue CVD orders. If either Commerce's or the ITC's final determinations are negative, no CVD orders will be issued. The ITC is scheduled to make its final injury determinations in September 2014.

## **ENERGY & ENVIRONMENT**

### **Biofuel Export Promotion**

On February 28, Agriculture Secretary Tom Vilsack told the Commodity Classic that the agency will begin to include biofuels among the agriculture commodities it promotes as exports. The agency will send a trade mission this spring to China, where it will begin promoting biofuel exports, with similar efforts to follow in India and China.

### **China's UNFCCC Submission**

China [submitted](#) its 2014 priorities March 6 to the United Nations Framework Convention on Climate Change, saying that developed countries should take the lead in a 2015 climate treaty. The country's stance, at odds with the United States and European Union, means that it could be difficult to sign a global accord in Paris late next year.

### **CCS Critical for China Energy Strategy**

Department of Energy Deputy Assistant Secretary for Clean Coal Julio Friedmann said on March 12 that carbon capture and sequestration technology will be an important component of China's long term energy strategy. The Clean Air Task Force reiterated that Chinese investment in the technology would require either economic incentives or pressure from the United States government.

### **U.S.-China Bilateral Meetings on Climate Change & Environmental Issues**

From March 17-18 a delegation of senior Chinese officials visited Washington for bilateral meetings with Administration officials on climate change and other environmental issues.

Special Envoy for Climate Change Todd Stern and Vice Chairman Xie Zhenhua of the Chinese National Development and Reform Commission chaired an inter-sessional meeting of the U.S.-China Climate Change Working Group (CCWG) at the State Department. The two sides assessed ongoing collaboration and discussed next steps in advance of this summer's U.S. - China Strategic and Economic Dialogue (S&ED). Established during Secretary Kerry's first trip to Beijing on April 14, 2013, the CCWG aims to catalyze cooperative efforts to address climate change by the United States and China. CCWG participants will assess progress and discuss next steps on: reducing emissions from heavy-duty and other vehicles; increasing carbon capture, utilization, and storage (CCUS); increasing energy efficiency in buildings, industry, and transport; improving greenhouse gas data collection and management; and promoting smart grids. Special Envoy Stern and Vice Chairman Xie also discussed ongoing cooperation to reach a global climate change agreement in 2015 as well as ongoing efforts to phase down hydrofluorocarbons (HFCs).

On March 18, Dr. Kerri-Ann Jones, Assistant Secretary of State for Oceans and International Environmental and Scientific Affairs, Jonathan Elkind, Assistant Secretary of Energy for Policy and International Affairs, and Vice Chairman Xie Zhenhua co-chaired the ninth meeting of the U.S.-China Ten-Year Framework for Energy and Environment Cooperation (TYF). Established in June 2008, the TYF facilitates the exchange of

information and best practices to foster innovation and develop solutions to challenges in the areas of air, water, wetlands, nature reserve protection, as well as clean and efficient transportation, electricity, and energy efficiency. In addition to other efforts, subnational-NGO EcoPartnerships contribute to TYF goals. There are currently 20 active EcoPartnerships between U.S. and Chinese organizations, and more will be selected and announced this summer.

U.S. agencies participating in the two meetings included the Departments of State, Agriculture, the Interior, Commerce, Energy, and Transportation, as well as the Environmental Protection Agency, the Trade and Development Agency, and the Federal Energy Regulatory Commission. Participating agencies for China included the National Development and Reform Commission, the National Energy Administration, Industry and Information Technology, and the Ministries of Finance, Environmental Protection, Science and Technology, and Foreign Affairs.

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