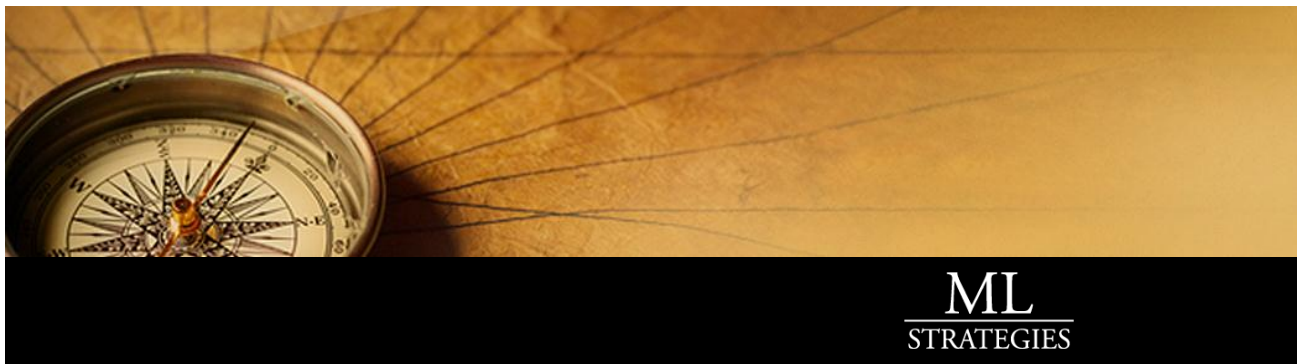




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CHINA UPDATE

February 19, 2014

QUOTE OF THE WEEK

In light of the overwhelming scientific consensus on climate change and its worsening impacts, and the related issue of air pollution from burning fossil fuels, the United States and China recognize the urgent need for action to meet these twin challenges. Both sides reaffirm their commitment to contribute significantly to successful 2015 global efforts to meet this challenge. Accordingly, China and the United States will work together, within the vehicle of the U.S.-China Climate Change Working Group (CCWG) launched last year, to collaborate through enhanced policy dialogue, including the sharing of information regarding their respective post-2020 plans to limit greenhouse gas emissions. Regarding practical cooperative actions to reduce greenhouse gas emissions and other air pollutants, the two sides have reached agreement on the implementation plans on the five initiatives launched under the CCWG, including Emission Reductions from Heavy Duty and Other Vehicles, Smart Grids, Carbon Capture Utilization and Storage, Collecting and Managing Greenhouse Gas Emissions Data, and Energy Efficiency in Buildings and Industry, and commit to devote significant effort and resources to secure concrete results by the Sixth U.S.-China Strategic and Economic Dialogue in 2014. – U.S.-China Joint Statement on Climate Change, February 15, 2014

U.S.-CHINA RELATIONS

Secretary Kerry in Beijing

February 13 to February 18, Secretary of State Kerry visited Seoul, Beijing, Jakarta, Abu Dhabi, Tunis, and Paris to meet with senior government officials and address a range of bilateral, regional, and global issues.

In Beijing, Secretary Kerry met with senior government officials and relayed the message that the United States is committed to pursuing a positive, cooperative, comprehensive relationship and welcomes the rise of a peaceful and prosperous China that plays a positive role in world affairs. The Secretary also discussed regional issues including North Korea and highlighted the importance of U.S.-China collaboration on climate change and clean energy.

On February 14, Secretary Kerry met with Chinese President Xi Jinping at the Great Hall of the People in Beijing, for a discussion that covered U.S.-China relations, the U.S.-China Strategic & Economic Dialogue (S&ED), the High-level Consultation on People-to-People Exchange, and the U.S.-China Joint Commission on Commerce and Trade (JCCT), among other issues.

Also on February 14, the Secretary gave a press conference in Beijing, where he discussed issues including the U.S.-China economic relationship, the role of the U.S. in the Asia-Pacific region, North Korea, climate change and clean energy, Iran and nuclear acquisition, human rights and the rule of law, territorial disputes in the South China Sea and East China Sea, and the situation in Syria. The full text of the press availability can be found [here](#).

On February 15, Secretary Kerry visited the Cummins-Foton clean diesel engine joint venture plant, where he was joined by outgoing U.S. Ambassador to China Gary Locke. His remarks, which focused on climate change and the environment, can be found [here](#).

CHINA NEWS

Official Visits to China

From February 20 to February 24, French Foreign Minister Laurent Fabius will pay a working visit to China.

From February 24 to February 29, Prime Minister of Trinidad and Tobago Kamla Persad-Bissessar will pay an official visit to China.

TRADE

CRS Report on China-U.S. Trade Issues

On February 10, the Congressional Research Service (CRS) released a report on “China-U.S. Trade Issues.” According to the report trade between the U.S. and China increased \$2 billion in 1979 to \$562 billion in 2013. Further, “Despite growing commercial ties, the bilateral economic relationship has become increasingly complex and often fraught with tension. From the U.S. perspective, many trade tensions stem from China’s incomplete transition to a free market economy. While China has significantly liberalized its economic and trade regimes over the past three decades, it continues to maintain (or has recently imposed) a number of state-directed policies that appear to distort trade and investment flows. Major areas of concern expressed by U.S. policy makers and stakeholders include China’s relatively poor record of intellectual property rights (IPR) enforcement and alleged widespread cyber espionage against U.S. firms by Chinese

government entities; its mixed record on implementing its World Trade Organization (WTO) obligations; its extensive use of industrial policies (such as financial support of state-owned firms, trade and investment barriers, and pressure on foreign-invested firms in China to transfer technology in exchange for market access) in order to promote the development of industries favored by the government and protect them from foreign competition; and its policies to maintain an undervalued currency.” The CRS report can be found [here](#).

GAO Report on U.S.-China Trade

On February 11, the U.S. Government Accountability Office (GAO) released a report identifying 298 trade and investment commitments made by China in the U.S.-China Joint Commission on Commerce and Trade (JCCT)—184 since 2004—and the U.S.-China Strategic and Economic Dialogue (S&ED) and its predecessor—114 since 2007. The commitments range from affirmations of open trade principles to sector-specific actions. GAO identified 11 issue areas to characterize the content of each commitment. The prominence of issue areas, measured in number of commitments associated with an issue area, differs between the dialogues, reflecting differences in the dialogues' structure and focus. Intellectual property rights commitments are among those most common in the JCCT and investment commitments are among those most common in the S&ED. According to the GAO, China is the largest destination for U.S. exports outside North America and also the source of the largest U.S. bilateral trade deficit. The GAO recommends that, in order to improve understanding of progress through the bilateral dialogues in increasing access to China's markets, USTR, in conjunction with the Departments of Commerce and the Treasury, should work to improve reporting on China's implementation of JCCT and S&ED trade and investment commitments. In written comments, USTR and Commerce did not directly agree or disagree with the recommendation, but raised several concerns. USTR maintained that current reporting is comprehensive and Commerce noted resource constraints. The full GAO report can be found [here](#), and highlights can be found [here](#).

USBC Priorities on U.S.-China Commercial Relationship

Also on February 11, in advance of Secretary of State Kerry's visit to Beijing, The U.S.-China Business Council (USBC) board of directors released a statement on priorities in the U.S.-China commercial relationship. This is the third priorities statement from the USBC and is divided into 6 issue areas: 1) further solidify the foundation of mutually beneficial commercial relations; 2) ensure fair and open investment environments that create jobs; 3) reduce trade barriers and enforce globally accepted trade rules; 4) ensure competitive neutrality and improve transparency; 5) provide consistent, strong intellectual property rights (IPR) protection; and 6) adhere to mutually beneficial innovation policies. The USBC statement of priorities can be found [here](#).

Commerce Department Duty Determination

On February 12, the Department of Commerce announced its affirmative preliminary determination in the countervailing duty (CVD) investigation of imports of chlorinated isocyanurates from China. As a result of the preliminary affirmative determination, Commerce will instruct U.S. Customs and Border Protection to require cash deposits based on these preliminary rates. Commerce is scheduled to announce its final determination on or about July 1, 2014. If Commerce makes an affirmative final

determination, and the U.S. International Trade Commission (ITC) makes an affirmative final determination that imports of chlorinated isocyanurates from China materially injure, or threaten material injury to, the domestic industry, Commerce will issue a CVD order. If either Commerce's or the ITC's final determination is negative, no CVD order will be issued. The ITC is scheduled to make its final injury determination in August 2014.

USITC Determination on Crystalline Silicon PV Products from China

On February 14, the USITC determined that there is a reasonable indication that a U.S. industry is materially injured by reason of imports of certain crystalline silicon photovoltaic products from China and Taiwan 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 Department of Commerce will continue to conduct its investigations on imports of these products, with its preliminary countervailing duty determination due on or about March 26, 2014, and its antidumping duty determinations due on or about June 9, 2014.

ENERGY & ENVIRONMENT

China Agencies Identify Cities and Provinces for Pilot Programs

On February 12, China's National Energy Administration (NEA) announced that eight industrial parks and 81 cities have been selected as new energy pilot cities.

On February 14, China's National Development and Reform Commission (NDRC) announced that 42 cities and provinces have been selected to join a national low-carbon emissions pilot program that has been in place since 2010 with the participation of 10 cities and provinces. The long-term goal of the pilot program is a two-phase regulatory approach toward reduction of carbon emissions.

Wilson Center Discussion on Moving China Toward Renewable Energy

On February 19th, the Woodrow Wilson Center's China Environment Forum (CEF) and the WWF hosted a panel discussion on how China can remove coal from its electricity mix. The discussion was centered on the release of a new WWF and Energy Transition Research Institute (Entri) report titled "China's Future Generation: Assessing the Maximum Potential for Renewable Power Sources in China to 2050." The report, which assesses the scenarios at which China can technically transition to majority renewable electricity over the next 36 years, can be found [here](#).

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