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CHINA UPDATE

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Notable Quotes of the Week

“Decisions about the global economy made in Washington, London or Paris that do not take account of developments in this region are doomed to failure. This puts China in an important but difficult position. By virtue of its sheer size, no major global public policy issue will be capable of resolution without China.”
– Dr. Martin Parkinson, Australian Treasury Secretary, at Peking University

“Some European countries are facing a debt crisis and hope to convert their assets to cash and would like foreign capital to acquire their enterprises. We will be closely watching and pushing ahead with this effort.” – Chinese Commerce Minister Chen Diming

Senator Schumer Urges Independent Watchdog to Deregister Chinese Auditors

In a [letter](#) to the Chairman of the Public Company Accounting Oversight Board (PCAOB), Senator Schumer (D-NY) urged the PCAOB – a private sector, non-profit organization created by Congress to oversee the auditors of public companies – to deregister Chinese accounting firms that are unwilling undergo inspection of their work for US-traded firms. According to the Senator’s [press release](#), his call for action by the PCAOB comes after “24 companies doing business in China reported auditor resignations and accounting irregularities in a two-month span earlier this year.”

China Responds to US Trade Case Against Solar Manufacturers

With the US International Trade Commission (USITC) and the Department of Commerce (DOC) having initiated anti-dumping (AD) and countervailing duty (CVD) investigations of crystalline silicon photovoltaic cells from China, two important developments are underway that could have a significant impact on the outcome of the investigation and the future of the solar PV industry in the US.

- Chinese solar manufacturers have consulted with trade lawyers and are said to be pessimistic about the likelihood of the ITC and DOC siding with them. In response, Chinese manufacturers are gearing up to relocate some of their solar PV production capacity to the US, Taiwan, and South Korea. The new plants would likely be dedicated to the final two steps of building a solar module – turning polycrystalline silicon wafers into solar cells with the addition of electrical

currents, and final assembly of solar cells into a solar panel. By moving final assembly to sites outside of China, the companies may be able to avoid any new tariffs imposed as a result of the ITC/DOC investigations.

- Chinese solar manufacturers, under the umbrella of the China Photovoltaic Industry Alliance, in response to the US investigation, have asked their government to conduct its own investigation into US sale of polysilicon, the raw material used to manufacture solar PV cells, into China, arguing that the sale of the material into China has caused Chinese domestic production of the material to be halted. China's Ministry of Commerce announced last Friday that they will move forward with the investigation and will not limit it to polysilicon, but will also include hydro and wind energy products. The Chinese investigation is scheduled to be completed by May 25, 2012.

SolarWorld Preparing European Effort to Combat China Trade Practices

SolarWorld, which lead six other US solar PV manufacturers in submitting a trade complaint against China with the USITC and DOC last month, is gathering signatures for a similar effort with the European Union Commission. According to a spokesman for SolarWorld, they need 25% of the continent's solar producers to sign the petition but are aiming for 50%.

European Economic Woes Impacting China

Last week the World Bank issued its [2011 East Asia and Pacific Economic Update](#), in which it lowered its forecast for economic growth in China to 9.1% this year and 8.4% for 2012. This downgrade was made in light of the negative impact the European debt crisis is having on the Chinese economy – which exports one-fifth of its product to Europe. In 2010, the Chinese economy grew by 10.4%.

China Strengthens Military Ties to Myanmar

Secretary of State Clinton departed Washington today for South Korea and Myanmar – the first [visit](#) by a top American official to that nation in more than 50 years. In advance of Secretary Clinton's arrival in Myanmar, the Chinese Vice President Xi Jinping met in Beijing with General Min Aung Hlaing, head of Myanmar's military, ostensibly to discuss the safety of shipping on the Mekong River. The Chinese government would not say whether or not the meeting was scheduled in response to Secretary Clinton's trip to Myanmar, but Xi Jinping did use the occasion to suggest that their two countries "enhance, exchange, and deepen cooperation."

United Nations Climate Change Summit

The 17th Conference of the Parties to the UN Framework Convention on Climate Change is meeting in Durban, South Africa November 28 – December 9. Although there is no expectation that the summit will produce a binding agreement, many feel that the meeting will result in incremental progress, but with continued friction between the US and China – the world's two largest producers of greenhouse gas emissions – with the US wanting all countries to take action to reduce GHG emissions and China supporting a call for the world's thirty industrialized nations to be required to take action.

Legislative Activity & Congressional Hearings

The House and Senate were in recess last week for the Thanksgiving holiday.