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CHINA UPDATE

Quote of the Week

"This decision will help U.S. companies and increase American jobs as a more efficient credit and debit payment system in China enables consumers to buy more goods, including quality, made-in-America products. The WTO panel agrees that China's pervasive and discriminatory measures deny a level playing field to American service providers, which are world leaders in this sector. The panel also found that China has entrenched the market dominance of its own company, China Union Pay (CUP), and distorted competition in China to the detriment of U.S. providers. Open financial services markets are critical, and China should honor its WTO commitments and eliminate this discrimination." – USTR Ron Kirk, on July 16, responding to the WTO decision in favor of the U.S. challenge to Chinese electronic payment services

WTO Rules Against China in U.S. Credit Card Challenge

On July 16 the World Trade Organization ruled against China in a U.S. case charging that China discriminates against U.S. credit card companies. The U.S. had charged that China excluded foreign firms from the Chinese market for electronic payment services (EPS) paid in Chinese currency, and that non-Chinese WTO members could only supply EPS facilities for payment card transactions in foreign currency. The report and summary material on the case – "China – Certain Measures Affecting Electronic Payment Services" – can be found [here](#). A statement from the USTR can be found [here](#).

China Energy & Environmental Policy Developments

On July 9 the State Council announced more specifics in China's plan to increase production of energy efficient, electric, and hybrid vehicles. The plan aims for annual production for 500,000 "new energy" vehicles by 2015, and 2 million annually by 2020 and offers support for the development and consolidation of the battery industry. China will offer subsidies to producers and buyers of the vehicles, representing one of seven key strategic industries the country aims to promote through 2020.

On July 4 the Chinese city of Shifang, located in Sichuan Province, announced that, after widespread protests, it was halting construction of a \$1.64 billion refinery for copper molybdenum. Locals were concerned

that the refinery could lead to heavy metal poisoning.

China & Other Asian Nations Pressed on GHG Mitigation

On July 11 the Asian Development Bank Institute (ADBI) released a study finding that Asia's developing countries must expand their approach to climate change mitigation because isolated or sector-focused policies will not be sufficient to switch to a low-carbon, environmentally sustainable path. The study – "Climate Change Mitigation and Green Growth in Developing Asia" – overviews domestic policy for mitigation and environmental sustainability in China, India, Indonesia, Thailand, and Vietnam, and points to the rapidly growing economies as major sources of future emissions. The emission surge reflects the enormous rise in income, economic activity, and consequent energy consumption. Developing Asian countries account for nearly 1/3 of global emissions today, with 2035 estimations rising to 42%. The report can be found [here](#).

China Trade Policy Developments

On July 3 a public notice was jointly released by China's Ministry of Commerce and Ministry of Finance announcing a new government policy allowing companies to apply for refunds for duties paid on critical technology components – including those used for wind and solar – during the previous calendar year. The value of eligible goods is capped at \$4.7 million per company.

China Rare Earth Policy Developments

On July 4, China's Ministry of Finance announced that it will subsidize 42 research projects on rare earth, rare metal, and new materials as part of its effort to strengthen its position as an industry leader. China will launch a spot-trading platform for rare earths on August 8 in order to improve price discovery of 17 key metals used in the electronics, defense, and renewable energy industries. The announcement comes as the European Union, Japan, and the United States criticize China's export duties, quotas, and other restrictions on rare earths, calling on June 27 for the establishment of a World Trade Organization dispute panel to rule on whether China's export restrictions violate global trade rules. With 23% of the world's rare earth resources and accounting for more than 90% of total world output last year, China produces more than 400 varieties of rare earth products in more than 1,000 specifications.

On July 13 the European Union, Japan, and the United States submitted a second request to the World Trade Organization's July 23 Dispute Settlement Body agenda asking that it establish a panel to rule on whether China's restrictions on rare earth exports are in violation of global trade rules. Under WTO rules, the second request can only be blocked if all attending members, including the 3 complainants, reject the request. The U.S., E.U., and Japan have charged that China's export duties, quotas, and other measures violate global trade rules, as well as specific commitments made by China upon its 2001 accession to the WTO.

Hearings & Briefings

On July 12 & 13 the Carnegie Endowment for International Peace held a two day conference on "The Prospects and Challenges of Cross-Strait Relations" with several panels comprised of Chinese, American, and Taiwanese thinkers and leaders. Background on the event can be found [here](#).

Today, July 17, the Economic Policy Institute is holding a hearing on "The China Syndrome: Local Labor Market Effects of Import Competition in the United States." The featured presenter is David Autor, a professor of economics at MIT and a faculty research associate at the National Bureau of Economic Research. He is joined by Gary Burtless of the Brookings Institution, Thea Lee of the AFL-CIO, and Robert Scott of the Economic Policy Institute. More information on this event can be found [here](#).

Administration News

Today, July 17, Nicole Lamb-Hale, International Trade Administration Secretary for Manufacturing and Services, departs for China to represent the Department of Commerce at the U.S.-China Investment Cooperation forum.

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