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Report Cites Link between Chinese Military and Hackers

The Chinese People's Liberation Army (PLA) isn't running the massive hacking emanating from China, but it is clearly playing a supporting role, according to a report released Oct. 22 by the U.S.-China Economic and Security Review Commission. The report on China's cyber-warfare capabilities says the PLA has made enhancement of information warfare one of its main goals and is getting help from the hacker community and from Chinese high-tech companies.

The report, "Capability of the People's Republic of China to Conduct Cyber Warfare and Computer Network Exploitation, was prepared for the commission by Northrop Grumman under contract and relied on publicly available information. "Increasingly, Chinese military strategists have come to view information dominance as the precursor for overall success in a conflict," the report states.

"Little evidence exists in open sources to establish firm ties between the PLA and China's hacker community, however, research did uncover limited cases of apparent collaboration between more elite individual hackers and the PRC's civilian security services," the report states. Nonetheless, the resources necessary to target the U.S. and other countries coupled with the extremely focused targeting of defense engineering data, U.S. military information and China-related policy information "is beyond the capabilities or profile of virtually all organized cyber criminal enterprises and is difficult at best without some type of state-sponsorship," it asserts.

"China's long-term investment in its high-technology sectors is paying dividends for the PLA as they have access to increasing numbers of domestic firms able to design, build and service advanced IT systems" in support of the PLA's computer requirements, the report notes. "The ability to recruit these employees into militia units is only one benefit that the government is deriving from the growth of the IT sector in China," it says. The report cites several Chinese firms that "provide increasingly sophisticated platforms and technology to the PLA and government security organizations." Among mentioned firms were Huawei, Venus Technologies, Zhongxing, Datang and ZTE Corp.

New Japanese Government to Keep Steady Trade Policy

As the U.S. tries to calibrate its relationship with the new Japanese government since the upset elections in September brought a new party to power for the first time in sixty years, a senior Japanese trade official tried to give assurances that Tokyo's trade policies have not changed with the shift in government. Teruhiko Mashiko, senior vice minister of energy, trade and



investment, told a conference Oct. 13 that “in terms of trade and the relationship that we are taking, there is no big difference from the previous administration.” Mashiko said the administration of the new Democratic Party of Japan (DPJ) led by Prime Minister Yukio Hatoyama is interested in the integration of the economies of East Asia, including China, India and Indonesia. It is also interested in free trade agreements. Still, it considers “the most important and fundamental pillar is the relationship between the United States and Japan,” he said.

“Basically, right now with every sector, what we are doing is we are inheriting the policies of the previous administration at this point,” Mashiko told the Global Services Summit through a translator. “We still hold the fundamental view that at basic level we would like to continue the policies of the previous administration vis a vis trade and services,” he said. “And, of course, we view the relationship between the United States and Japan is very important and we need to keep it very close,” he declared.

Trouble Getting Doha Mini-Ministerial Meeting Organized

An effort by Brazil to organize a mini-ministerial of trade officials just before the World Trade Organization’s (WTO) full ministerial Nov. 30 is having trouble gaining traction as many countries are showing disinterest in another meeting where no consensus can be achieved. Brazilian Foreign Minister Celso Amorim has been sounding out other ministers for two or three weeks; however, nothing firm has yet emerged, one official said. There has been talk about holding the mini-ministerial in Geneva the weekend before the full meeting. Trade diplomats in Geneva are checking with their capitals to determine whether a critical mass of high-ranking trade officials can make such a meeting, one ambassador told WTTL.

Ministerial and other high-level meetings are “inevitable” in the run-up to a regular WTO ministerial, another source in Geneva said. The uncertainty is over the format; whether it should be similar to the mini-ministerial in New Delhi in September or like meetings of the various Doha groupings, he said (see **WTTL**, Sept. 7, page 2). Trade ministers from least developed countries met in early October in Dar es Salaam, Tanzania, and agreed to press for duty-free, quota-free access to world markets by 2010. Meetings are also expected of African countries and the G-20 group of countries supporting agriculture reform in the WTO.

Several sources in Geneva say they are still waiting to see signs from Washington that the U.S. is ready to get engaged in the negotiations. They say they recognize that the Obama administration has higher priorities, particularly with health-care legislation, but are afraid other issues, including Afghanistan, could also delay active U.S. participation in the round.

After a week of meetings of senior-level officials in Geneva the week of Oct. 19, diplomats complained to Director-General Pascal Lamy that they didn’t have enough to do and the meetings weren’t structured well, reported one developing country ambassador. “This week, some senior officials didn’t really know what meeting to go to,” he said. A report on the talks at an Oct. 22 green room meeting held by Lamy characterized them as showing “quiet progress” or “little progress.” The next day, Lamy told negotiators he hasn’t seen backsliding in the meetings but also hasn’t “seen tangible progress” either. “I would say that the current speed with which we are advancing is too slow to arrive at modalities latest by early next year as we need to do to be in a position to wrap this round next year. This is the reality,” Lamy said.

Meanwhile, the WTO General Council Oct. 20 agreed the ministerial will have one plenary session where ministers will give speeches all day long, plus two parallel working sessions that will offer ministers the opportunity to discuss the Doha Work Program on the first day and the WTO’s contribution to recovery, growth and development on the second day. The only substantive issues on the agenda deal with intellectual property rights and e-commerce. “This ministerial conference will be a different sort of gathering of ministers compared to large-scale and week-long events that have taken place since 1998,” Lamy told the council. “As we

established a long time ago, [the conference] is on a separate track from the ongoing Doha Round negotiations,” he said; adding that the goal will be to address “a few key themes, regarding the WTO and the multilateral trading system, the ‘big picture’ so to say.”

Anti-WTO Critics to Hold Protests Ahead of Ministerial

Swiss, French and other European farmers are expected to hold demonstrations in Geneva during the coming WTO ministerial Nov. 30-Dec. 2, but WTO critics say they won't be holding the kind of massive protests that have marred previous WTO and G-8 meetings. Instead, Doha Round opponents are planning a series of demonstrations in the home countries of WTO members and “house parties” around the world to bring together other critics of the trade talks.

“The global WTO campaign through ourworldisnotforsale.org decided that this time around we are going to focus on our own countries, our own capitals,” said Lori Wallach, director of Ralph Nader's Global Trade Watch. “Rather than have everyone go to Geneva – particularly because the official ministerial is not a negotiating ministerial and the mini-ministerial where certain decisions will be taken will include only certain countries – folks from the negotiating countries will have people there, but otherwise we are sticking to national capitals,” she told a press briefing on the launching of a campaign to block the WTO talks.

Wallach's group and Citizen's Trade Campaign, with financial backing from the United Steelworkers, will be organizing rallies in WTO countries before trade ministers leave for Geneva. The campaign against the Doha Round is being called “WTO Turnaround” and has its own website, www.wtoturnaround.org, where it is collecting signatures on a petition asking President Obama to pause the talks and reconsider their objectives. When the WTO scheduled the ministerial to begin on the tenth anniversary of the ill-fated Seattle ministerial, WTO critics “heard that as a rallying cry,” said Andy Gussert, director of the campaign. “It motivated our activists to celebrate the spirit of Seattle and call for a WTO turnaround,” he said.

U.S.-China Talks Unlikely to Produce Major Policy Changes

The Obama administration's desire to keep the lid on confrontations with China will be evident again at the Oct. 28-29 meeting of the Joint Commission on Commerce and Trade (JCCT) in Hangzhou, China. Co-chaired on the U.S. side by Commerce Secretary Gary Locke and U.S. Trade Representative (USTR) Ron Kirk and on the Chinese side by Chinese Vice Premier Wang Qishan, the meeting's agenda includes the same laundry list of irritants that have been discussed at previous JCCT sessions, which have mainly produced promises to keep talking.

Topics to be discussed this time include implementation of measures to strengthen protection of intellectual property rights, China's negotiations to join the WTO Government Procurement Agreement, access to the Chinese telecommunications and insurance sectors and increased transparency and reduced testing requirements for the approval of pharmaceuticals and medical devices. U.S. officials also expect to get questions from the Chinese on how the Obama administration will implement pending legislation that will provide a process for reopening the U.S. market to processed chicken from China, as well as an earful on Obama's decision to impose tariffs on Chinese tire imports.

Overshadowing trade issues with China for now is Washington's interest in getting Beijing to be more accommodating on climate change issues and in dealing with Iran and North Korea. The climate issue was the subject of a phone call between President Obama and Chinese President Hu Oct. 20. “They exchanged views on bilateral issues and climate change,” a White House statement reported. “Both leaders acknowledged each is taking significant actions to confront climate change and reduce emissions. President Obama noted the importance of working toward a successful outcome at the December Copenhagen Conference and the

importance of leadership from the United States and China in that regard,” it added. “To that end, the two presidents committed to having their teams redouble efforts to work with each other and other countries to achieve success at Copenhagen,” the statement said.

Importers Want Customs Bill to Rationalize Growing Burdens

Importers hope that pending legislation (S.1631) to enhance the role of trade at Customs and Border Protection (CBP) will not only restore balance between the agency’s trade and security functions but also will bring some rationalization to the growing number restrictions placed on legitimate importing. Industry representatives complain that a series of new laws and policies, including the Lacey Act, the Consumer Product Safety Improvement Act and proposed changes in the first-sale rules have added burdens on importers but have offered no benefits to firms that have adopted tighter security and supply-chain controls.

The timetable for Senate action on the bill, which is co-sponsored by Senate Finance Committee Chairman Max Baucus (D-Mont.) and Ranking Member Charles Grassley (R-Iowa) is unclear. After an Oct. 20 hearing on the measure, Baucus told reporters he has no plans yet for moving the legislation.

Witnesses at the hearing applauded the bill’s provisions calling for the creation of a new CBP post for a principle deputy commissioner responsible for trade functions in the agency and creation of a new office of trade. They also praised provisions to enhance anticounterfeiting measures at the borders and other efforts to improve trade facilitation. But they had numerous complaints about the current operations of Customs and its emphasis on security issues since it became part of the Department of Homeland Security (DHS). Among those complaints are the delay in the full implementation of the Automated Commercial Environment (ACE), the neglect of the Account Management Program and the lack of benefits for trusted importers and participants in the Customs-Trade Partnership Against Terrorism (C-TPAT).

* * * Briefs * * *

EXPORT ENFORCEMENT: Two Singaporean businessmen were sentenced Oct. 8 in Minneapolis U.S. District Court for attempted export of carbon-fiber material to China. Jain Wei Ding was sentenced to 46 months in prison and Kok Tom Lim was sentenced to just over one year. Both face two years’ supervised release after prison. Ping Cheng of Manhasset, N.Y., was sentenced to one year of probation because he cooperate with investigators, Justice Department said (see **WTTL**, Nov. 10, 2008, page 4).

USTR: Sign that Obama administration may be gearing up for trade legislation came in Oct. 23 promotion of Luis Jimenez to be assistant USTR for congressional affairs from deputy. He fills post of Daniel Sepulveda, who has gone back to Senate to work for Sen. John Kerry (D-Mass.). Before joining USTR, Jimenez was legislative director for Democratic Caucus, which was chaired by then-Rep. Rahm Emanuel (D-Ill.). He also served as Emanuel’s primary advisor for trade issues on Ways and Means Committee.

BUTT-WELD FITTINGS: CIT Judge Judith Barzilay is still not happy with ITA remand determination on final antidumping ruling on stainless steel butt-weld pipe fittings from Taiwan and remanded case back to agency second time Oct. 20 (slip op. 09-119). ITA supports its new conclusion “with an accounting principle instead of supplying evidence from the record, leaving the court unable to discern some connection between the facts and the agency’s conclusion,” Barzilay stated. She rejected ITA’s argument that respondent must point to evidence showing ITA methodology is not applicable. “It is well-established that Commerce, and not an interested party, bears the burden of proof in these proceedings,” she declared.

PISTON RINGS: ITC Oct. 19 by 6-0 vote made final determination that U.S. industry is not being injured by subsidized imports of ni-resist pistons from Argentina, thus terminating case. Earlier, in parallel case, ITA found no subsidies being paid to piston makers in South Korea and closed that case.

TRADE PEOPLE: At Census, Harvey Monk promoted to associate director for economic programs and William Bostic Jr. to assistant associate director for economic programs. Bostic will still hold post of director of foreign trade division on acting basis until successor is named....Amy Porges, formerly with Sidley Austin and USTR’s legal staff, has opened her own law office. She is at 202-495-1740.