

ALBER & GEIGER
AG
Advocacy in Legislation

Bringing an understanding of the Chinese Industry into the EU

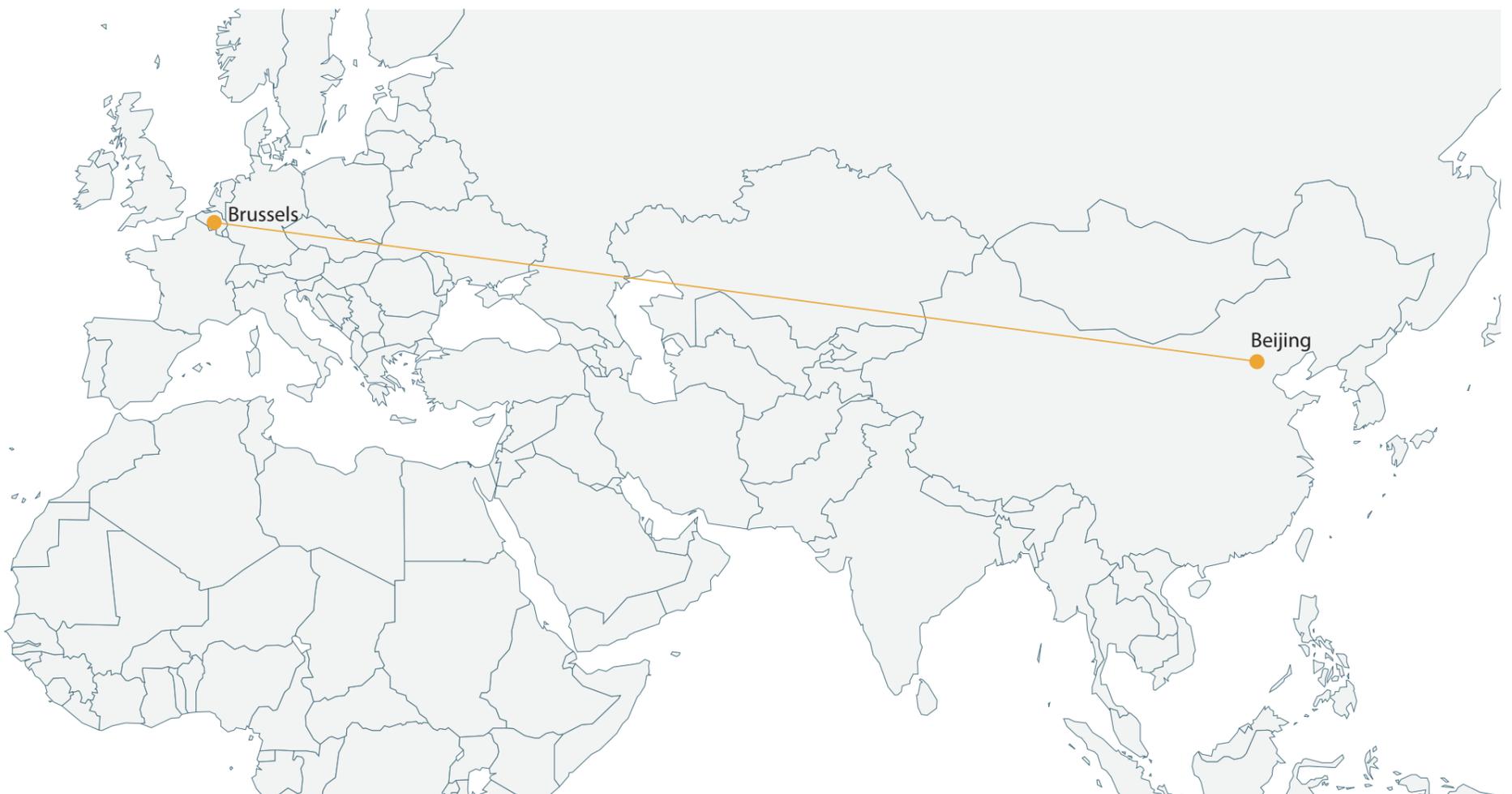
REPAIRING THE SILK ROAD



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BRINGING AN UNDERSTANDING OF THE CHINESE INDUSTRY INTO THE EU

When two giants meet there can be accidents. The miscommunication between Brussels and Beijing has become costly. The pace of trade has been too fast for institutions to absorb. Alber & Geiger is providing client support strategies to stop this loss. Alber & Geiger has continued to enjoy success in its project of building trust between the European and Chinese markets. In doing so, we have given our clients long-term, sustainable economic results.



TRADE WAR TREMORS

At the start of the millennium the Peoples Republic of China faced great scrutiny. There was strong international sentiment that China was responsible for breaching transnational anti-dumping norms. This international consensus threatened to grossly undermine trade between China and the West. It imposed great costs on competitive multinational entities. By December 2006 the European Commission had initiated several huge anti-dumping proceedings against China bringing the EU and China to the brink of a trade war. One of those cases concerned Chinese polyvinyl alcohol (PVA) imports. The Commission had launched an anti-dumping investigation on the PVA worth more than USD 33 million. It had



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heavily invested, in its conclusion that China was responsible for unlawful dumping. Similar pressure was coming from the USA. Solutia, a US Fortune 500 company and Monsanto spin-off, was in need of PVA to produce Polyvinyl Butyral (PVB), a material used in the glass, construction and auto industries. It sought Alber & Geiger's help to address this substantial threat to its profitability, to its shareholders and to its position on the global market.

THE CHALLENGE — TIME, COMPLEXITY AND INTERNATIONAL PRESSURE

The challenge entailed a need to understand the scientific political economy, which underlay the PVA market in China. We had to find out how this interacted with the European Commission's approach to trade and competition law. Alber & Geiger was challenged with a global political consensus that included the EU and the US. Persuading the trade and competition law experts in the European Commission to completely reconsider the conclusions that they came to after their expensive investigation. We also only had five month's notice. The multi-disciplinary scope of this mandate required new depth of advocacy. Alber & Geiger would need to produce a narrative that included a sophisticated understanding of the Chinese economy at that particular moment in the business cycle. It also called on us to have knowledge of the PVA chemical components and those of other materials in markets concerned. Simultaneously, we needed to conduct our political strategy in a way that did not further harm investor confidence for our clients.

” *Meaningful results in an expeditious manner.*

– Nanette Lockwood,
Director Government Affairs, Solutia Inc.



THE MESSAGE — EMPATHY AND CONTEXT SPECIFIC ANALYSIS, SHOWING THE TRADE DYNAMICS

The message was engineered to achieve an enhanced political communications channel between the EU institutional framework



and Chinese industry and government, demonstrating the possible trade war consequences the EU was facing. It showed that there was a lapse in communication between the European economic mindset and that of economic entities with decades of experience in China. It demonstrated the relatively limited and only slightly increasing market share of the dumped imports from mainland China. It put forward that the dumping was a natural consequence of China's macro-economic situation and production pressures. It showed that other market factors had contributed to the EU economic injury. It put forward that the Commission had not shown a causal link between the detriments suffered by the EU market and dumped imports from mainland China. Moreover, it cast doubt on the way the Commission had defined the market of PVA in light of the broader range of uses of the PVA. Most importantly, it encouraged a better culture of empathy between the Commission and the East Asian economic climate.

STRATEGY — BUILDING NEW TRADE DYNAMICS, CONSTRUCTING A CONTEXT FOR GREATER MARKET CERTAINTY

Our strategy has laid a concrete groundwork for the long term reconciliation of the European Commission's economic policy, and good faith public and private activity coming from the Chinese market. It was a multi-faced approach that combined law, economics and science into a technical adversarial context. In this regard, we deployed the signature cross-disciplinary advocacy that makes our firm unique. It showed that the trade dynamics were wider than those considered by the Commission's narrow albeit costly investigation. It framed a fundamentally different methodological approach that considered these dynamics. Communications were

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dispatched at the right times on the business calendar to reshape the Commission's mindset at appropriate phases. It substantiated that the market for PVA had not been properly demarcated. At the same time, it brought to the Commission's attention the reality that Chinese producers had little or no excess capacity and focused on their huge fast growing domestic market, on elsewhere in Asia as well as on Europe where demand far outstrips production. The nature of the Chinese domestic market put downward price pressure on the PVA. This was a key reason for the price difference that the euro-centric approach of the Commission did not account for.

OUR IMPACT — A PARADIGM SHIFT AND COMMUNICATIONS OF SCALE

The impact of our efforts was to help the European Commission build a better working relationship with the Chinese business community and with multi-national firms working in China. We also raised awareness of the costs, market pressures and challenges facing them and how these change in diverse domestic and foreign markets. It was the start of our ongoing initiative to create a paradigm shift in the European Commission's approach that will benefit our Chinese clients. We will continue to guide this shift for a broad range of transcontinental industries based in China, to fulfill the ongoing necessity of keeping communication levels up to par with economic progress.



SUCCESS

Alber & Geiger's lobbying activity lead to the Commission revising its preliminary tariff decision. We were able to successfully get the Commission to completely understand Solutia's position and the Chinese situation in general. This success was achieved despite the heavy political animosity from the US and the EU against the PVA export industry in China. We were able to steer the Commission into making a complete U-turn from its entrenched position. This success was due to the years spent developing the cross-disciplinary adversarial mechanics of our firm. It is the result of the unique knowledge and skills infrastructure. That includes everything from the composition of the staff, the type of clients we have taken on and the knowledge accrued from our high profile mandates. This infrastructure is being increasingly orientated towards the multi-jurisdictional trade dynamics between the EU and China.