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The Washington Monitor is a product of the Japan Fair Trade Center in cooperation with the international trade practice of the U.S. law firm of Heller Ehrman LLP. All questions concerning its content should be addressed to:

Washington Monitor
Heller Ehrman LLP
1717 Rhode Island Ave. N.W.
Washington, D.C. 20036
richard.massony@hellerehrman.com

Trade Briefs

Developments in Congress May Affect Trade Legislation

As the 110th Congress nears its end, developments in the House of Representatives and Senate may affect the legislative branch's actions on the issue of trade. Last week's remarks by Senate Finance Committee Chairman Max Baucus (D-MT) as well as the steadfastness of House Ways and Means Chairman Charles Rangel (D-NY) offer insights into the future of trade legislation..

First, Senator Baucus is reported to have expressed doubts on whether any trade legislation would be passed this year.

Baucus' top priority on trade has been reform and expansion of the Trade Adjustment Assistance (TAA) program. He has specifically mentioned TAA reform as a prerequisite for the consideration of other trade issues such as the pending free trade agreements (FTA) with Colombia, Panama, and Korea. House Speaker Nancy Pelosi has echoed this stance, saying that a "robust" TAA reform bill was a necessary condition for Congress to begin to evaluate pending FTAs.

TAA is a government program that offers benefits to those who have lost jobs or lost wages as a result of competition from increased imports. The benefits include reemployment assistance, training, and income support. Baucus and Senate Finance Committee Ranking Member Charles Grassley (R-IA) have been working on compromise legislation, but the two had met an impasse over Republicans' demand for an assurance of "positive movement" on the Colombia FTA. Democrats would like TAA reform to be considered on its own merits, while Republicans fear that Democrats would find more reasons to delay passage of the Colombia FTA and are therefore reluctant to relent.

Last week, Baucus said that the Congress will not be able to pass TAA reform this month. Furthermore, he said that he does not expect a lame duck session of Congress, which would be the only remaining possibility for a vote on TAA reform.

Not everyone agrees with this assessment. Some in Congress have said that they expect a lame duck session. And pro-FTA lobbyists are still holding out hope that pending bilaterals can be passed in such a session.

However, the mere fact that Baucus has voiced such doubts is telling. Baucus is a major player in the Senate and a Democratic moderate on the trade issue. His stature dictates that he would be deeply involved in any discussions leading to votes on bilateral agreements with Colombia, Panama, and Korea. Therefore, his skepticism on the likelihood for passage of trade legislation this year is important. This bodes ill for the prospects of pending FTAs and other trade legislation being considered for ratification in 2008.

Also, in a speech to the Coalition of Service Industries on September 17, Baucus reiterated his call for a free trade agreement in services with Japan. Baucus had described this kind of agreement on September 5. He said that the U.S.-Japan services trade is enormous, with the U.S. exporting \$7 billion in services to Japan every year. U.S. service providers, and the greater U.S. economy, would immediately benefit from a service agreement. The

proposed agreement does not cover commodities like steel, but it is nevertheless an encouraging indication of Baucus' support of economic cooperation with Japan.

In the House of Representatives, Representative Rangel will not be resigning as chair of the House Ways and Means Committee, despite a rising chorus of Republicans seeking his ouster. Due to his stature in the Democratic leadership and his place on the powerful Ways and Means Committee, Rangel would be deeply involved in any trade legislation that would come to a vote on the House floor.

On September 9, House Republicans called on Rangel to resign his chairmanship of the powerful committee because of three separate and ongoing ethics controversies. At the time, Rangel said that he had no intention of resigning. Regardless, the situation triggered speculation into replacements, and the names of Representatives Pete Stark (D-CA) and Sander Levin (D-MI) were mentioned.

On September 15, Rangel met with Speaker Pelosi in order to discuss the controversies, and has since reiterated that he will not step down. On September 17, Rangel asked the House ethics committee to allow him to use campaign funds to pay a forensic auditor to examine his tax returns and financial records, a service that could cost over \$100,000.

Finally, last week, House Republicans forced a vote on the floor of the House that called for the formation of a subcommittee to investigate Rangel's finances within 10 days. The resolution was tabled, or postponed.

Republicans will continue to demand Rangel's departure, but Democrats have not indicated that they are even considering asking him to step down.

Financial Crisis May Affect Trade Debate

The collapse of investment bank Lehman Brothers and the rescue of American International Group (AIG) by the U.S. Federal Reserve have deepened already grave anxieties about the condition of the U.S. economy and have reshaped the contours of the debate between presidential candidates Senators John McCain (R-AZ) and Barack Obama (D-IL). The crisis is also likely to affect the actions of Congress as Members as they formulate a legislative response.

The presidential campaign has focused on two major issues so far: foreign policy and the economy. With violence in Iraq on the decline and the fight in Afghanistan still somewhat abstract, the economy was already rising to take priority as the primary issue for voters. Now, with the liquidation of Lehman and the rescue of AIG, the economy has become the dominant issue for Americans as they make their choice for president.

Economic issues would appear to favor Democrats over Republicans, and some assume that Obama will benefit electorally from the crisis. Polls have started to reflect a minor shift in voter attitudes, but the McCain campaign is aggressively working to position its candidate as someone who will reform Wall Street. It is likely be some time before any major adjustment in the race, assuming there is one, will be discernible.

The political rhetoric has already shifted to a more populist tone as the candidates try to portray themselves as defenders of the working class. It is possible that the candidates will sharpen their rhetoric on trade, as well. Since McCain is a staunch defender of free trade, he will likely avoid the issue. However, Obama may use trade as a wedge issue, as it is one of the areas where he and McCain's records and views stand in stark contrast. He has not used the trade issue much since the Democratic Primary, but he may find it useful to do so now.

Some Republicans have tried to use the economic troubles to push for expanded free trade. At the beginning of September, White House Press Secretary Dana Perino voiced President George W. Bush's call for passage of the Korea-U.S. Free Trade Agreement (KORUS FTA) and the Panama Free Trade Agreement. Perino said that energy and trade should be the priorities for the Congress in working to boost the economy.

However, the Congress has mostly focused on energy, passing a bill on Tuesday that opens waters to offshore drilling. Now, there does not appear to be much momentum in Congress for consideration and passage of trade legislation.

Furthermore, the Congressional calendar was already very full before the failures in the financial markets, and now Congress will be looking for ways to address the issue legislatively. The target adjournment date of Friday, September 26 leaves precious little time to draft, negotiate, consider, and vote on new bills.

Senator Chris Dodd (D-CT), Chairman of the Banking, Housing, and Urban Affairs Committee, has already called for the Senate to hold a pro forma session, a session during which no votes are held, in order to hold a hearing. Dodd would like to hear from Treasury Secretary Henry Paulson, Federal Reserve Chairman Ben Bernanke, and Securities and Exchange Chairman Chris Cox. Dodd has been asking for a second stimulus package to

address consumer difficulties with the failures of the financial system and the rising cost of energy.

Also, some Democrats are indicating off the record that the Senate is looking to pass a continuing resolution (CR) that would fund the government through November. If this were to occur, a lame duck session would be required to avoid a government shutdown.

A lame duck session would give Congress extra time, but in this environment it would probably not use such a session to consider trade legislation. Instead, it would probably use it on issues like financial regulation and perhaps on Dodd's stimulus package.

Dumping Watch

ITC to Conduct Full Reviews of AD Orders on Polyvinyl Alcohol from Japan, China, and Korea

On September 16, the International Trade Commission (ITC) gave notice that it would proceed with full five-year reviews of antidumping (AD) duty orders on polyvinyl alcohol from Japan, China, and Korea. The Korean respondents gave “adequate” response to the ITC on the issue of a five-year review, while the responses from the Japanese and Chinese respondents were deemed “inadequate.” Regardless, the ITC has decided to conduct a full review of the AD orders on all countries in the interest of administrative efficiency.

ITC Issues AD Order on Raw Flexible Magnets from Taiwan and China

On September 17, the ITC issued AD duty orders on certain raw flexible magnets from Taiwan and China. In the case of the order on Taiwan, the AD margins were between 31.20% and 38.03%. In the case of the order on China, the AD margins were between 105.00% and 185.28%.

Federal Register Notices

International Trade Administration

[A-570-863] Honey From the People's Republic of China: Notice of Amended Final Results Pursuant to Final Court Decision *73 FR 54366-54367*, September 19, 2008.

[C-570-938] Citric Acid and Certain Citrate Salts From the People's Republic of China: Preliminary Affirmative Countervailing Duty Determination and Alignment of Final Countervailing Duty Determination With Final Antidumping Duty Determination *73 FR 54367-54384*, September 19, 2008.

[A-552-802] Third Antidumping Duty Administrative Review of Certain Frozen Warmwater Shrimp from the Socialist Republic of Vietnam: Extension of Time Limit for the Preliminary Results. *73 FR 54139*. September 18, 2008.

[A-583-842] Antidumping Duty Order: Raw Flexible Magnets from Taiwan. *73 FR 53848-53849*. September 17, 2008.

[A-570-922] Antidumping Duty Order: Raw Flexible Magnets from the People's Republic of China. *73 FR 53847-53848*. September 17, 2008.

[C-570-923] Raw Flexible Magnets from the People's Republic of China: Countervailing Duty Order. *73 FR 53849-53850*. September 17, 2008.

The Manufacturing Council: Meeting. *73 FR 53407*. September 16, 2008.

[A-570-918] Steel Wire Garment Hangers From the People's Republic of China: Amended Final Determination of Sales at Less Than Fair Value *73 FR 53188-53190*, September 15, 2008.

[A-423-808] Stainless Steel Plate in Coils From Belgium: Extension of Time Limit for Final Results of Antidumping Duty Administrative Review *73 FR 53190*, September 15, 2008.

[A-580-839] Certain Polyester Staple Fiber From the Republic of Korea: Notice of Extension of Time Limit for the Final Results of the 2006-2007 Administrative Review **73 FR 53190-53191**, September 15, 2008.

[A-570-846] Brake Rotors From the People's Republic of China: Notice of Partial Rescission of Antidumping Duty Administrative Review *73 FR 53193-53194*, September 15, 2008.

International Trade Commission

[Inv. No. 337-TA-656] In the Matter of: Certain Integrated Circuits and Products Containing Same; Notice of Investigation. *73 FR 54164*. September 18, 2008.

In the Matter of: Certain Cast Steel Railway Wheels, Certain Processes for Manufacturing or Relating to Same and Certain Products Containing Same; Notice of Investigation. *73 FR 53441-53442*. September 16, 2008.

[Investigation No. 337-TA-638] In the Matter of: Certain Intermediate Bulk Containers; Notice of Commission Issuance of a Limited Exclusion Order Against Infringing Products of Respondent Found in Default; Termination of Investigation. *73 FR 53442-53443*. September 16, 2008.

[Investigation Nos. 731-TA-1014, 1016, and 1017 (Review)] Polyvinyl Alcohol From China, Japan, and Korea. *73 FR 53443-53444*. September 16, 2008.

[Investigation No. 731-TA-1013 (Review)] Saccharin From China. *73 FR 53444*. September 16, 2008.

The Week Ahead

- Today, September 23, the ITC held a hearing to discuss its plans to open an investigation into property and casualty insurance markets to address the competitive conditions in foreign markets.