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Trade Briefs

New Administration, Congress Take Shape

As the incoming Obama Administration and the Democratic-controlled Congress take shape, the contours of a new trade debate are becoming clearer. It is still much too early to make Japan-specific analysis, but a more trade-skeptical U.S. government is sure to have adverse effects on exporters of Japanese products.

Obama Administration

In trying to understand the incoming administration's stance on trade issues, it is useful to look at how Obama chose his advisors during the campaign. Obama surrounded himself with a diverse group of advisors on economic issues, including Republicans and Democrats, academics and businessmen. His economic advisors included centrists like Bob Rubin-protégé Jason Furman and economist Austan Goolsbee. He also sought advice from more liberal economists like Daniel Tarullo. Some advisors were formal policymakers with substantial experience in Washington like former Fed Chairman Paul Volcker and Republican former SEC Chairman William Donaldson. Larry Summers and Rubin, both Treasury Secretaries under Clinton, also advised Obama. In addition, Obama had the support of practitioners like investment mogul Warren Buffett and Google CEO Eric Schmidt. These advisors represent a wide range of economic theory and perspectives, and this group seemed to be assembled specifically to give Obama a wide range of advice.

Obama has already made a handful of appointments to important economic posts in his Administration. For Treasury Secretary, Obama has chosen Timothy Geithner, president of the New York Federal Reserve. Former Treasury Secretary Larry Summers has been chosen to direct Obama's National Economic Council. While Geithner's views on trade are not well-defined, Summers is generally supportive of free trade and opposed to trade barriers. And both figures are protégés of Rubin, a staunch advocate of free trade in the Clinton Administration.

However, the major positions with direct relevance to trade are yet to be filled, including U.S. Trade Representative (USTR). It is all but clear in which direction he will go for USTR. Tarullo and Lael Brainard of the Brookings Institution are receiving the most attention, but there are many other names mentioned. Other possible USTRs are former congressman Cal Dooley (D-CA), Deputy USTR Peter Allgeier, and WTO Deputy Director Rufus Yerxa. The Obama Transition Office has announced the leadership of the team responsible for reviewing the Office of the USTR and briefing new political appointees in that office. The team will be led by Anna Gomez, vice president of government affairs for Sprint Nextel Corp., and Peter Cowhey, associate vice chancellor and dean of the School of International Relations and Pacific Studies at the University of California, San Diego. Gomez comes from the private sector, but she has extensive experience in government, having served as Chief of Staff to the White House National Economic Council. Cowhey is an academic, but he also has worked in government at the Federal Communications Commission (FCC), negotiating new competition rules for international telecommunications services. While Gomez and Cowhey's roles will apparently not involve decision-making on the selection of political appointees, they will act as institutional guides as the appointed officials assume their roles. Therefore, they will likely have a not insignificant effect on USTR policy.

111th Congress

The new Congress will present a different—and perhaps more hostile—environment for free trade legislation.

The November elections resulted in Democratic gains in both the U.S. Senate and House of Representatives. And Democrats, by and large, are more skeptical of free trade than Republicans. But while there is the obvious effect of more power concentrated in one party, committees in the House and Senate will now be composed of new members and reflect new ratios of Democrats to Republicans. This shifting congressional landscape is also likely to affect the trade debate.

In the Senate, Majority Leader Harry Reid (D-NV) and Minority Leader Mitch McConnell (R-KY) will keep their positions. In the House of Representatives, Democrats expanded their majority to 255 Democratic seats over 175 Republican seats with five races yet to be decided. In the Senate, Democrats picked up seven seats and two races have yet to be decided. House Speaker Nancy Pelosi (D-CA) will retain her leadership role, as will House Majority Leader Steny Hoyer (D-MD) and Majority Whip Jim Clyburn (D-SC). On the Republican side, Rep. John Boehner (R-OH) preserved his position as Minority Leader in the House in a vote this week. House Minority Whip Roy Blunt (R-MO) stepped down, and Rep. Eric Cantor (R-VA) is his replacement. The leadership on both sides of the aisle will, therefore, be almost entirely intact.

Congressional committees will go through some adjustments. The ratios of Democrats to Republicans on many committees may change to reflect the overall makeup of the Congress, a move ultimately up to the majority leadership. It is expected that the Democratic leadership will follow precedent and slightly adjust the committees further in their favor. Therefore, ratios will probably not change dramatically, but there will be significant turnover as retirements and lost seats lead to vacancies. This could lead to major changes in the way that the committees actually conduct business, as single members can have an outsized effect by pushing for hearings and votes on issues important to that member's constituency. These committee appointments can also reveal the intentions of each party's leadership and reveal the intra-party politics. For example, a chairman in favor of free trade may deny membership to protectionist members of his own party in order to manage the operations of his committee.

The House Committee on Ways and Means will be at the center of any congressional action on the economy and trade. Rep. Charles Rangel (D-NY) will continue on as chairman of the committee. However, under Rangel, Ways and Means will undergo serious changes due to the recent elections and high-profile retirements. Ways and Means Ranking Member Rep. Jim McCrery (R-LA) is retiring this year, and it appears that he will be replaced by either Rep. Wally Herger (R-CA) or Rep. Dave Camp (R-MI). According to the Cato Institute, both have similar "internationalist" leanings on the trade issue, much like that of the retiring McCrery. Other retiring Republicans on Ways and Means are Rep. Kenny Hulshof (R-MO), Rep. Ron Lewis (R-KY), Rep. Jim Ramstad (R-MN), Rep. Thomas Reynolds (R-NY), and Rep. Jerry Weller (R-IL). None of these members were protectionists, and according to Cato, all of them voted against trade barriers more than 60% of the time. Two Republican Ways and Means Committee Members lost their bids for reelection: Rep. Phil English (R-PA) and Jon Porter (R-NV). English's loss was due, in part, to his support of

the Central American Free Trade Agreement (CAFTA). On the Democratic side, the retirement of Rep. Michael McNulty (D-NY) and the death of Stephanie Tubbs Jones (D-OH) leave two open slots on Ways and Means. Also, Rep. Rahm Emanuel (D-IL) has accepted President-elect Barack Obama's offer to serve as his Chief of Staff, vacating another seat.

The Senate Finance Committee is another committee that holds special significance for the trade issue. While it will likely be at the center of the debates over tax policy, healthcare reform, new financial regulations, and a new energy agenda, it will also be crucial for passage of any trade legislation. Sen. Max Baucus (D-MT) will remain as chairman of the committee, and all Democrats on the committee who were up for reelection won their bids. Republicans, however, lost two committee members. Sen. John Sununu (R-NH) lost his incumbent bid to Democrat Jean Shaheen, and Sen. Gordon Smith (R-OR) lost a tight race against Democrat Jeff Merkley, who was endorsed by labor unions and ran as a trade skeptic. There may be an expansion of Democratic membership on the Finance Committee to reflect the election of seven new Democratic senators, but there will likely be at least one vacancy for Republicans to fill. Sen. Mike Enzi (R-WY) has publicly declared his desire for an appointment to the Committee, and Sen. George Voinovich (R-OH) is another possibility. Cato designates Enzi an "internationalist" for his opposition to trade barriers and support for subsidies. Voinovich is a strong "free trader," opposing trade barriers and opposing subsidies 80% of the time.

One major change in a committee, though not directly relevant to trade, is instructive of a substantial shift going on in the whole Congress. Last week, House Democrats voted to give Rep. Henry Waxman (D-CA) chairmanship of the House Energy and Commerce Committee over incumbent Chairman John Dingell (D-MA). These committee chairs are prized positions of power, and they are almost always given out based on seniority. Dingell has been a member of Congress since 1955, and therefore had seniority over Waxman, who first won election in 1973. However, Dingell's close ties to Michigan's automotive industry often conflicted with his party's desire to curb emissions and increase vehicle fuel efficiency requirements. Waxman, a Californian, has been a champion for environmentalists, and he is likely to use his new powers to enact major climate change legislation. So while in the past seniority would have ruled, the more liberal Democratic caucus has now become powerful enough to force one of its own into a position of influence.

So while the Energy and Commerce Committee will not have much power over trade legislation, it represents the newer, more liberal Congress. The addition of more liberal members, led by Speaker of the House Nancy Pelosi (D-CA) and obviously feeling empowered, will have a strong voice on the trade issue. And by and large, they are skeptical of trade agreements and demand high standards on labor and the environment. Therefore, the recent trend against free trade is expected to continue, and perhaps intensify, as the U.S. goes through difficult economic times.

Dumping Watch

Affirmative Final Determination in CVD Investigation of Chinese Line Pipe

On November 19, the Department of Commerce (DOC) gave notice of its affirmative final determination in the countervailing duty (CVD) investigation into circular welded carbon quality steel line pipe from China. The DOC determined that Chinese

producers of this product benefited from domestic subsidies and that these subsidies were countervailable. The DOC calculated a net subsidy rate for Liaoning Northern Steel Pipe Co., Ltd. to be 40.05%. The rate for the Huludao Companies is calculated to be 35.63%. And the rate for all other Chinese producers is calculated to be 37.84%. The International Trade Commission (ITC) will make a final injury determination by January 2, 2009. If the ITC makes an affirmative injury determination, a CVD order will be issued by January 9, 2009.

ITC to Review AD Duty Order on Chinese, Russian, and Ukrainian Cut-to-Length Carbon Steel Plate

On November 20, the International Trade Commission (ITC) announced that it would conduct full five-year reviews of the antidumping (AD) duty order on cut-to-length carbon steel plate from China, Russia, and Ukraine. The ITC will review the AD duty order to determine whether revocation of the order on Chinese steel plate would likely result in continuation or recurrence of material injury to domestic industry. Also, the ITC will review whether the termination of the suspended investigations into this steel plate from Russia and Ukraine would likely lead to continuation or recurrence of injury. A full schedule for the review will be announced later.

Federal Register Notices

International Trade Administration

[A-570-601] Tapered Roller Bearings and Parts Thereof, Finished and Unfinished, from the People's Republic of China; Extension of Time Limit for Final Results of the 2006-2007 Administrative Review *73 FR 70619*, November 21, 2008.

[A-570-846] Brake Rotors From the People's Republic of China: Notice of Court Decision Not In Harmony With Final Results of Administrative Review *73 FR 70618–70619*, November 21, 2008.

Mission Statement: Building for the Future: U.S. Building Products Trade Mission to Asia, April 20-28, 2009 *73 FR 70619–70621*, November 21, 2008.

[A-570-831] Fresh Garlic from the People's Republic of China: Partial Rescission of the 13th Antidumping Duty Administrative Review *73 FR 70621-70622*, November 21, 2008.

[A-570-894] Certain Tissue Paper Products From the People's Republic of China: Extension of Time Limit for Preliminary Results of 2007-2008 Administrative Review *73 FR 70323-70324*, November 20, 2008.

[A-122-853] Citric Acid and Certain Citrate Salts from Canada: Notice of Preliminary Determination of Sales at Less Than Fair Value and Postponement of Final Determination *73 FR 70324-70328*, November 20, 2008.

[A-570-937] Citric Acid and Certain Citrate Salts from the People's Republic of China: Preliminary Determination of Sales at Less Than Fair Value and Postponement of Final Determination *73 FR 70328-70336*, November 20, 2008.

[A-489-807] Certain Steel Concrete Reinforcing Bars from Turkey; Partial Rescission of Antidumping Duty Administrative Review *73 FR 69607-69608*, November 19, 2008.

[A-570-939] Certain Tow Behind Lawn Groomers and Certain Parts Thereof From the People's Republic of China: Postponement of Preliminary Determination of Antidumping Duty Investigation 73 FR 67836-67837, November 17, 2008.

International Trade Commission

[Inv. No. 337-TA-649] In the Matter of Certain Semiconductor Chips With Minimized Chip Package Size and Products Containing Same (IV), Notice of Commission Determination Not To Review an Initial Determination Granting Motion To Amend the Complaint and Notice of Investigation and Extending the Target Date 73 FR 70670-70671, November 21, 2008.

[Investigation No. 731-TA-1145 (Final)] Certain Steel Threaded Rod From China; Scheduling of the final phase of an antidumping investigation 73 FR 70671-70672, November 21, 2008.

[Investigation No. 731-TA-1148 (Final)] Frontseating Valves From China; Scheduling of the final phase of an antidumping investigation 73 FR 70672-70673, November 21, 2008.

[Investigation Nos. 701-TA-451 and 731-TA-1126-1127 (Final)] Certain Lightweight Thermal Paper from China and Germany; Determinations 73 FR 70367-70368, November 20, 2008.

[Investigation Nos. 731-TA-753, 754, and 756 (Second Review)] Cut-To-Length Carbon Steel Plate From China, Russia, and Ukraine 73 FR 70368, November 20, 2008.

The Week Ahead

- On Thursday, November 27, the Commission will be closed for the Thanksgiving holiday.