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Trade Briefs

Obama Announces New Team, Plan for Economic Stimulus

On November 24, President-elect Barack Obama announced his economic team for his new administration. Obama named Timothy Geithner as Secretary of the Treasury, Larry Summers as Director of the National Economic Council, Christina Romer as Director of the Council of Economic Advisors, Melody Barnes as Director of the Domestic Policy Council, and Heather Higginbottom as Deputy Director of the Domestic Policy Council. Also, Obama laid out general plans for a substantial economic stimulus package that he plans to sign into law on the day of his inauguration. The high-level appointments and ambitious economic strategy are of general interest to those involved in the global economy and of direct interest to Japanese companies seeking to understand the future of U.S. economic and trade policy.

As widely reported, Timothy Geithner has been tapped by Obama to be the Treasury Secretary. Geithner, currently the president of the New York Federal Reserve, is a career public servant and has worked in government for over 20 years. He is widely respected in both academia and on Wall Street, and he has worked under both Democratic and Republican presidents. He is a protégé of Former Treasury Secretary Robert Rubin. Like Rubin, he is considered to be a centrist with moderate views on regulation, trade, and budgetary policy. Also, as president of the New York Fed, Geithner has been directly involved in the federal response to the financial crisis, including the bailouts of Bear Stearns, Merrill Lynch, the American International Group (AIG), and, now, Citigroup. He was also in that position when Treasury Secretary Henry Paulson declined to bail out Lehman Brothers, a move many believe accelerated the crisis. Therefore, many have intuited that Obama chose Geithner because, at least in part, he would offer some continuity with the strategy put in place by the current administration.

When news of his appointment leaked to the press on Friday, November 21, Wall Street responded enthusiastically and the Dow Jones Industrial Average leaped up nearly 500 points. However, some are concerned that he has never held a job with such vast political and intellectual demands, and Geithner has often been confined to advisory roles where he was soft-spoken and cautious. On the other hand, it is just these qualities that some believe will serve him well at Treasury where there is a need for a steady hand. Apparently, Geithner has not spoken at length and in public about his views on trade, and it is unclear how he would advise Obama on the trade issue.

Unlike Geithner, Obama's selection to serve as Director of his National Economic Council (NEC) is not known for his bureaucratic or diplomatic composure. Larry Summers served as staff on President Ronald Reagan's Council of Economic Advisors in the early 1980s. In the early 1990s, he was the World Bank's Chief Economist. He rose to Treasury Secretary under President Bill Clinton after having served as Clinton's Undersecretary of International Affairs and Deputy Treasury Secretary. Since leaving government, he has spent much of his time at Harvard University, serving as president and as a professor. The mercurial Summers is considered to be one of America's sharpest economic minds, and many believed that he was in line to reprise his role at Treasury under Obama. However, he may have been denied appointment as secretary because of a number of

controversies from his time at Harvard, where his brusque manner likely led to his eventual resignation.

In addition to courting criticism for his interpersonal skills, Summers has been critiqued by some Democrats for his role under Clinton in supporting de-regulation and trade agreements like the North American Free Trade Agreement (NAFTA). Indeed, his tendencies under Clinton appear to have been to favor the free markets, free trade, and fiscal hawkishness. He is, after all, another protégé of Rubin.

Recently, however, he has been leading the charge for massive stimulus and for increased regulation. Also, he has championed trade protections for workers in order to compensate for the sometimes destructive economic effects of international trade. And he has said that labor standards have a prominent place in trade negotiations and should not be dismissed out of hand as disingenuous reasons for slowing trade integration. Summers has not completely reversed himself, and it is unlikely that he would approve of outright protectionist policies. Then again, his appointment as Director of the NEC does not automatically signal a return to Clinton-era trade policy.

The NEC was created by Clinton in 1993 as an executive agency tasked with the coordination of economic policy advice for the president and to ensure programmatic continuity and consistency. Summers' role as Director will give him close access to President Obama. Some have speculated that Summers will formulate policy with President Obama while Geithner will implement that policy via the Treasury.

Obama has chosen Christina Romer to direct his Council of Economic Advisers (CEA). Romer is an economics professor at the University of California-Berkeley. She is considered one of the top experts on the causes of the Great Depression, an expertise that is of special relevance due to the current economic problems facing the U.S. In addition to her professorship, Romer is co-director of the Program in Monetary Economics at the National Bureau of Economic Research and a member of the Business Cycle Dating Committee. The CEA is part of the Executive Office of the President and provides the economic policy of the White House. It is composed of academics and statisticians. The CEA is responsible for crafting the annual Economic Report of the President. As with Geithner, Romer has not addressed the trade issue at length and in public, and her views on the issue are not clear.

Melody Barnes and Heather Higginbottom have been tapped to serve as Director and Deputy Director of the Domestic Policy Council, respectively. Barnes has a background with the liberal think tank the Center for American Progress and was co-director of the Agency Review Working Group for the Obama-Biden Transition Team. She was also the Senior Domestic Policy Advisor to Obama for America. Higginbottom also has experience in the think tank world, having founded the national security-oriented American Security Project. And like Barnes, she worked for Obama for America, where she was Policy Director. Neither Barnes nor Higginbottom have a background in international trade nor have they spoken extensively about the topic in public. Regardless, their purview will be mostly limited to domestic issues.

The high placement of Geithner and Summers, both protégés of Rubin, has led some to ask whether the Obama Administration's policies will reflect the views of the former Treasury Secretary. However, many believe that the policies of so-called "Rubinomics" championed by Rubin under President Clinton do not ideologically bind these new appointments to repeat the policies of the past. As Larry Summers himself has indicated, changing circumstances call for different economic remedies. Rather, the key concept linking this new team of advisors appears to be pragmatism. They are expected to attempt policies that can work rather than conforming to the Rubin dogma of balanced budgets, deregulation in financial markets, and free trade.

After announcing his new economic team, Obama said that they would be tasked with authoring an ambitious economic recovery plan so that such a plan can be enacted when he takes office on January 20, 2009. The plan, expected to cost as much as \$1 trillion, would include funds to stabilize the financial system, to thaw the current credit freeze, to prevent more home foreclosures, to invest in alternative energy technology, and to build up infrastructure such as roads and bridges and schools and thereby create jobs. Obama has set a goal to create 2.5 million jobs by 2011. Also, Obama signaled that he may put off the tax increases on high-income Americans he proposed during the campaign. Instead, he may simply wait until the Bush tax cuts expire after 2010. Raising taxes at a time of economic crisis is generally assumed to be poor economic policy, even with soaring deficits. With massive public investment, it is possible that Obama can inspire confidence and help the country dig out of the deep consumer recession. This would certainly be beneficial to Japanese companies that rely on exporting to the U.S. However, these programs could take a long time to be effective, and any recovery will likely take place over months and years. In the interim, it is expected that domestic industries will undergo serious difficulties.

Dumping Watch

ITC Schedules Final Phase AD Investigation into Chinese Steel Threaded Rod

On November 26, the International Trade Commission (ITC) scheduled the final phase of the antidumping (AD) investigation into certain steel threaded rod from China. The Department of Commerce (DOC) preliminarily determined that Chinese imports of this type of steel threaded rod are being sold in the U.S. at less than fair value. As a result, the ITC has scheduled the final phase investigation into this product. A public version of the prehearing staff report will be available shortly after February 5, 2009. The ITC will then hold a hearing on the final phase of this investigation on the morning of February 25, 2009.

DOC Issues AD Duty Order on Lightweight Thermal Paper from China, Germany

On November 24, the DOC issued antidumping (AD) duty orders on lightweight thermal paper from China and Germany. The ITC had determined that there was a threat of material injury to domestic producers, but this determination was not accompanied by a finding that injury would have resulted but for imposition of suspension of entries since the preliminary determination. Therefore, the DOC has instructed Customs and Border Protection (CBP) to assess duties on entries of lightweight thermal paper from China and Germany entered or withdrawn from warehouse for consumption on or after the date of the

final determination of threat. The weighted-average dumping margins for Chinese producers ranged from 19.77% to 115.29%. The margin for German producers was calculated to be 6.50%.

Federal Register Notices

International Trade Administration

[A-570-896] Magnesium Metal from the People's Republic of China: Notice of Rescission of the 2007-2008 Administrative Review of the Antidumping Duty Order 73 FR 72448, November 28, 2008.

[A-570-851] Certain Preserved Mushrooms from the People's Republic of China: Amended Final Results Pursuant to Final Court Decision 73 FR 72448-72449, November 28, 2008.

[C-580-851] Dynamic Random Access Memory Semiconductors From the Republic of Korea: Extension of Time Limit for Final Results of the Countervailing Duty Administrative Review 73 FR 72449-72450, November 28, 2008.

[A-570-904] Certain Activated Carbon from the People's Republic of China: Extension of Time Limits for Preliminary Results of the Antidumping Duty Administrative Review 73 FR 72026, November 26, 2008.

[A-201-834] Purified Carboxymethylcellulose from Mexico: Final Results of Antidumping Duty Administrative Review 73 FR 72026-72027, November 26, 2008.

[A-533-824] Polyethylene Terephthalate Film, Sheet, and Strip from India: Final Results of Antidumping Duty Administrative Review 73 FR 71601-71603, November 25, 2008.

[A-823-808] Certain Cut-to-Length Carbon Steel Plate From Ukraine: Preliminary Results of Full Sunset Review of the Suspension Agreement 73 FR 71603-71604, November 25, 2008.

[C-570-921] Lightweight Thermal Paper from the People's Republic of China: Notice of Amended Final Affirmative Countervailing Duty Determination and Notice of Countervailing Duty Order 73 FR 70958-70959, November 24, 2008.

[A-428-840, A-570-920] Antidumping Duty Orders: Lightweight Thermal Paper From Germany and the People's Republic of China 73 FR 70959-70961, November 24, 2008.

[C-570-936] Circular Welded Carbon Quality Steel Line Pipe from the People's Republic of China: Final Affirmative Countervailing Duty Determination 73 FR 70961-70963, November 24, 2008.

Initiation of Antidumping and Countervailing Duty Administrative Reviews 73 FR 70964-70965, November 24, 2008.

[A-533-848] Commodity Matchbooks from India: Initiation of Antidumping Duty Investigation 73 FR 70965-70968, November 24, 2008.

[C-533-849] Commodity Matchbooks From India: Initiation of Countervailing Duty Investigation 73 FR 70968-70971, November 24, 2008.

[C-570-940] Certain Tow-Behind Lawn Groomers and Certain Parts Thereof 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 70971-70981*, November 24, 2008.

International Trade Commission

[Investigation No. 337-TA-604] In the Matter of Certain Sucralose, Sweeteners Containing Sucralose, and Related Intermediate Compounds Thereof; Notice of Commission Determination To Review a Final Initial Determination of the Administrative Law Judge *73 FR 72526-72527*, November 28, 2008.

[Investigation No. 731-TA-1145 (Final)] Certain Steel Threaded Rod From China *73 FR 71680-71681*, November 25, 2008.

[Investigation No. 332-502] Sub-Saharan African Textile and Apparel Inputs: Potential for Competitive Production *73 FR 71681-71682*, November 25, 2008.

[Investigation No. 337-TA-648] In the Matter of: Certain Semiconductor Integration Circuits Using Tungsten Metallization and Products Containing Same; Notice of Commission Decision Not To Review an Initial Determination Granting, In-Part, a Motion To Amend the Complaint and Notice of Investigation *73 FR 71044-71045*, November 24, 2008.

[USITC SE-08-033] Government in the Sunshine Act Meeting Notice *73 FR 71045*, November 24, 2008.

The Week Ahead

- On December 2, the Commission will hold a vote on the five-year sunset review of the AD duty order on steel concrete reinforcing bar from Turkey.