



# WASHINGTON MONITOR

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## Trade Briefs

### Bush's Auto Bailout May Have Trade Implications

On December 19, President George W. Bush announced that the Treasury Department would offer financial assistance to the Big Three U.S. automakers. The assistance amounts to \$17.4 billion in loans. In return for the federal bailout, the auto manufacturers must show that they are viable by March 31, 2009. This action may provide a benefit deemed unfair by the World Trade Organization (WTO), and therefore could have broad implications for global trade.

The Bush Administration had previously said that it was considering "all options" to provide aid to the U.S. auto industry. Bush had said that he would act to prevent a failure of one or more of the automakers. He said that a Chapter 7 bankruptcy, a less-orderly liquidation process, would be unacceptable in the current economic climate. However, there was some speculation that Bush would require that General Motors or Chrysler go through a pre-arranged Chapter 11 bankruptcy. While the automakers themselves and the United Autoworkers (UAW) were vehemently opposed to such an action, many industry experts believed that this would be the most efficient and powerful means for effecting the changes necessary to bring the American auto industry back to viability.

In the end, Bush did not opt for a pre-arranged bankruptcy. He announced a plan that included \$13.4 billion in short-term financing and an additional \$4 billion that would be available in February 2009. The money will come from the Troubled Assets Relief Plan (TARP). The assistance will go to General Motors and Chrysler, as Ford has said that it is not in need of immediate assistance. It is not clear how this money will be split between G.M. and Chrysler.

Some of the terms of the loans are similar to those required by the Congress, with limits on executive compensation and a prohibition on stock-holder dividends while government debts are outstanding. However, the plan is surprisingly lenient in forcing the companies to prove viability. For example, there are quantitative targets for the automakers to reach, such as a two-thirds reduction in debt, but these targets are *non-binding*. It appears that Bush has decided to leave the long-term decisions regarding assistance to the automakers to the incoming Obama Administration which will be fully in charge when the March report is due.

Despite this burst of federal money, the automakers will probably require more assistance in the future due to the grim prospects for the U.S. economy in 2009. And the Obama White House and the incoming Democratic majority congress are likely to be significantly more amenable to offering that assistance.

The loans to U.S. automakers could be shown to confer an illegal benefit to those manufacturers and consequently conflict with existing trade agreements the U.S. has with the WTO. The government-provided loans will be offered on terms that are not available in the private marketplace, thereby providing a benefit to General Motors and Chrysler. Furthermore, it is likely that these loans could cause injury to the interests of foreign manufacturers exporting to the U.S., as they do not have access to similar financing.

Experts agree that a direct WTO challenge to Bush's auto bailout is not likely, as auto manufacturers will want to avoid political conflict with the U.S., which has the world's largest market for vehicles. For example, Japanese manufacturers like Honda and Toyota have major manufacturing facilities in the U.S., and they will probably want to avoid a confrontation with their host government.

However, it is widely believed that this action by the U.S. will make other countries more comfortable providing similar bailouts to their own domestic industries. Korea, for instance, may decide to openly grant assistance to its automakers like Hyundai or Kia as the U.S. subsidies effectively provide political insulation.

## Dumping Watch

### ITC Determines Injury by Chinese Circular Welded Carbon Quality Steel Line Pipe

On December 22, the International Trade Commission (ITC) determined that a domestic industry is materially injured by the imports of circular welded carbon quality steel line pipe from China. In a unanimous vote of 6-0, the ITC determined that this line pipe from China materially injured or threatened to injure a U.S. industry. The ITC found that this product benefited from a countervailable subsidy. Three of the six commissioners based their affirmative determinations on a finding of present injury, while the other three commissioners, including Chairman Aranoff, based their determinations on a finding of *threat* of material injury. As a result of the ITC's determination, the Department of Commerce will issue a countervailing duty (CVD) order on imports of this type of line pipe from China.

### Preliminary Results of AD Review on Korean Welded SS Pipe

On December 24, the DOC gave notice of preliminary results in the administrative review of the antidumping (AD) duty order on certain welded stainless steel pipe from Korea. The AD order on this kind of stainless pipe from Korea was originally issued in December 1992. Sixteen years later, Bristol Metals LLC requested an administrative review of the AD order with respect to a specific producer: SeAH Steel Corporation (SeAH). Once the review was initiated, SeAH responded to initial and supplemental questionnaires. During the course of this review, the DOC compared the constructed export price to normal value (NV) in the home market. Based on this investigation, the DOC preliminarily determined that SeAH made sales to the U.S. at less than NV. The DOC subsequently calculated a weighted-average dumping margin of 4.10% for SeAH. The margin for all other Korean exporters of this type of SS pipe will remain at 7.00%. The DOC will issue final results of this administrative review within 120 days of the December 24 notice.

## Federal Register Notices

### *International Trade Administration*

**Notice of Allocation of Tariff Rate Quotas (TRQ) on the Import of Certain Worsteds Wool Fabrics for Calendar Year 2009** 73 FR 79049-79050, December 24, 2008.

**[A-580-810] Certain Welded Stainless Steel Pipes from the Republic of Korea: Preliminary Results of Antidumping Duty Administrative Review** 73 FR 79050-79055, December 24, 2008.

**Initiation of Antidumping and Countervailing Duty Administrative Reviews and Request for Revocation in Part** 73 FR 79055-79058, December 24, 2008.

**[A-570-941] Certain Kitchen Appliance Shelving and Racks from the People's Republic of China: Postponement of the Preliminary Determination of the Antidumping Duty Investigation** 73 FR 78721-78722, December 23, 2008.

**[A-583-833] Certain Polyester Staple Fiber From Taiwan: Correction to the Final Results of Antidumping Duty Administrative Review** 73 FR 78722-78723, December 23, 2008.

**Export Trade Certificate of Review** 73 FR 78291, December 22, 2008.

*International Trade Commission*

**[Inv. No. 337-TA-665] In the Matter of Certain Semiconductor Integrated Circuits and Products Containing Same;** Notice of Investigation 73 *FR* 79165-79166, December 24, 2008.

**[Investigation No. 337-TA-632] In the Matter of Certain Refrigerators and Components Thereof;** Notice of Commission Decision Not To Review an Initial Determination Granting in Part and Denying in Part Complainant's Motion To Amend the Complaint and Notice of Investigation 73 *FR* 78393-78394, December 22, 2008.

**The Week Ahead**

- On Thursday, January 1, the ITC will be closed for New Year's Day.