



# WASHINGTON MONITOR

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*A Weekly Review of U.S. Trade Policy Developments Affecting Japan*

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## Trade Briefs

### Obama Nominates Locke for Commerce Secretary

On Wednesday, February 25, President Barack Obama nominated former Governor Gary Locke (D-WA) to be Secretary of Commerce. Locke, an advocate of free trade policies, may have a significant role inside the Obama Administration in setting trade policy.

Locke was chosen after two previous nominees for the post withdrew their names from consideration. Governor Bill Richardson (D-NM) withdrew his name from consideration as Commerce Secretary because of his involvement in a New Mexico investigation into a political "pay to play" scheme involving government contracts. Then, Senator Judd Gregg (R-NH) withdrew his name shortly after being nominated due to ideological differences with the new Administration. Therefore, it was very important that the Obama Administration choose wisely with its third pick to head Commerce. Another withdrawn nomination would be seen as a sign of incompetence.

Locke is best known for his two terms as Washington State's governor, where he served from 1996-2004. He remains the only Chinese-American to ever serve as the governor of a state. Before serving as Governor, Locke served as chief executive of King County and in the Washington House of Representatives. After leaving office in 2004, Locke joined the law firm Davis Wright Tremaine LLP, where his work focused on trade issues with China.

As Governor, Locke oversaw a booming economy in Washington, and his competence and business-friendly views have made him a favorable choice for Secretary of Commerce. He conducted multiple trade missions as Governor, including three trips to China. He also pushed hard for airplane sales from Washington-based Boeing to China, an export market for aircraft that some in the industry predict will be worth well over \$300 billion in the next 20 years.

In 2006, after leaving the State House, Locke reportedly arranged for Chinese President Hu Jintao to visit Seattle and to meet with Microsoft CEO Bill Gates. The trip resulted in a multi-billion dollar software agreement between Microsoft and the Chinese Government. It also resulted in Microsoft retaining Locke's law firm for counsel.

Based on his record, it appears that Locke holds strong free trade views and is comfortable with promoting U.S.-China economic cooperation in particular. He supported the North American Free Trade Agreement (NAFTA), the Central American Free Trade Agreement (CAFTA), and China's accession to the World Trade Organization (WTO). As a result, many Democratic constituencies are not happy about his nomination. Organized labor and human rights groups are particularly wary of his views on U.S.-China trade. For example, *The Nation*, a liberal magazine, has called Locke a "militant (and misguided) free trader." On the other hand, major business constituencies represented by the U.S. Chamber of Commerce and the National Association of Manufacturers (NAM) have celebrated Locke's nomination. They point to his expertise in Asia, a crucial export market for U.S. businesses, as well as his success in attracting business to his home state of Washington.

Obama's choices for Commerce Secretary—Richardson, Gregg, and now Locke—are all in favor of free trade to a certain extent. It is possible, of course, that this was a coincidence, and that Obama's ideas for the DOC are focused mostly on issues like the 2010 Census. It is probably more likely, though, that this indicates the Administration's sympathy for business groups and for their desire for more liberalized trade.

In particular, Japanese exporters should be heartened by Locke's nomination. He clearly has an interest in Asia and a track record of promoting U.S. trade with the region. Furthermore, he comes from a state with major corporations like Microsoft, Boeing, and Starbucks who strongly back free trade policies.

However, regardless of who is running the DOC or how Obama may feel about trade policy, major trade legislation will still be difficult to move. The forces aligned against trade liberalization have more power than at any time in the recent past. Also, Locke may have trouble earning Senate confirmation. For example, his business dealings with Boeing and Microsoft could be seen as posing conflicts of interest.

### **Congressional Leaders Speak on Pending FTAs**

On Thursday, February 26, the Democratic and Republican leadership of the Senate Finance Committee and the House Ways and Means Committee said they hope to make progress on the pending free trade agreements (FTAs) with Colombia, Panama, and Korea while warning that significant obstacles remain.

The chairmen and ranking members of the two major committees held a press conference to laud the passage of Trade Adjustment Assistance (TAA) reform that was included in the American Recovery and Reinvestment Act (ARRA). The press conference also announced that the confirmation hearings for U.S. Trade Representative (USTR) nominee Ronald Kirk would be held on March 5<sup>th</sup>. Finally, the committee's leadership commented on free trade and the pending FTAs in particular.

Included were Finance Committee Chairman Max Baucus (D-MT), Finance Ranking Member Chuck Grassley (R-IA), Ways and Means Committee Chairman Charlie Rangel (D-NY), and Ways and Means Ranking Member Dave Camp (R-MI).

The Democratic chairmen, Baucus and Rangel, both expressed cautious optimism about the prospects for the pending agreements. They indicated that while there are remaining obstacles—especially in the cases of Colombia and Korea—that they hoped to be able to consider these FTAs in the future. They also addressed specific issues and/or stumbling blocks facing the individual FTAs.

The Colombia FTA, still apparently first in line, has been held up ostensibly for the Colombian Government's failure to adequately address the issue of violence against union organizers. In the press conference, Baucus said that if the "labor violence issues" are addressed by the Administration, he could see the agreement being introduced to the Congress. Rangel referred to the labor violence issues as "side issues," seeming to indicate that the actual trade impact of the FTA was uncontroversial. Obama is reportedly scheduled

to meet with Colombian President Alvaro Uribe during April's Summit of the Americas, if not before. It is possible that this meeting could result in progress on the issue.

The Panama FTA is, in the words of Baucus, "fairly ripe," as the main issue for critics of the agreement has been resolved. Many critics of the Panama FTA objected to the president of Panama's National Assembly, Pedro Miguel González Pinzón. Pinzón is considered a terrorist by some U.S. lawmakers for his part in the ambush and killing of an American soldier. However, he has stepped down from his seat.

The Korea-U.S. FTA (KORUS FTA), was also discussed. Rangel said that he knew that some hoped to reopen the agreement in order to address controversial auto trade provisions. Rangel indicated that this might not be necessary, saying that "when friendly countries want to get a job done, there's a way to do it." Baucus said plainly that the auto issue must be resolved before the KORUS FTA could be ratified, making it a clear prerequisite. He did not suggest whether this required a reopening of the agreement or the negotiation of a separate side agreement.

The Democratic chairmen also said that the introduction of these agreements, and therefore their timing for congressional consideration, was the responsibility of President Barack Obama. Obama must be the first to act, Baucus said, because "Congress cannot act unilaterally."

The Republican ranking members on these committees both pushed for a forward-leaning trade agenda, and Grassley lamented that the Obama Administration has not included trade as part of the economic recovery agenda. Both Grassley and Camp said that their priority was a vote on the Colombia FTA.

With TAA reform completed, it is possible that there will be some movement toward ratification of the pending agreements. The Panama FTA should be ratified fairly easily, were it to be introduced. It is unclear, though, whether or not Obama would contradict President Bush's policy of introducing implementing language in the order in which these agreements were signed. It is possible that Panama may have to continue to wait for Colombia's labor violence issues to be satisfactorily resolved.

The likelihood of near-term ratification of the KORUS FTA to be low. Unlike with Colombia and Panama, there remain significant trade impact issues, especially with the auto issue. With a weak U.S. economy and a struggling domestic auto sector, it is a poor environment for this legislation. Furthermore, the Obama Administration seems to be moving slowly on the trade issue. The failure to confirm a Commerce Secretary thus far will likely further delay the hiring and confirmation of various positions at the Department, including undersecretaries and assistant secretaries for international trade. Therefore, career civil servants at Commerce will be in charge for some time. When coupled with the slow-moving process of confirming USTR nominee Ron Kirk, it appears that the Obama Administration's trade policy is off to a sluggish start.

There are some more promising indications for the KORUS FTA, though. Obama's actions on the trade issue once in office seem to, at least thus far, represent a subtle shift from his rhetoric on the campaign trail. For example, during the campaign, he explicitly stated that he intended to "renegotiate" the North American Free Trade Agreement (NAFTA). Now, however, Obama says that he would like to see labor and environment provisions added

to the text of the NAFTA. This delicate modification could be a template for future movement on the KORUS FTA. As Rangel suggested, there is probably a way forward on the agreement that would not involve total renegotiation.

## Dumping Watch

### New Shipper Review of AD Duty Order on Circular Welded Non-Alloy Steel Pipe from Korea Rescinded

On Monday, February 23, the Department of Commerce (DOC) gave notice that it was rescinding a new shipper review of the antidumping (AD) duty order on circular welded non-alloy steel pipe from Korea.

On November 28, 2008, the DOC received a request for a new shipper review of the AD order on the subject merchandise from A-JU Besteel Co. Ltd. (Ajubesteel). In response, the DOC initiated such a review, and subsequently issued a questionnaire to Ajubesteel on January 6, 2009. Then, on January 13, Ajubesteel withdrew its request. The DOC can rescind a new shipper review if the requesting party withdraws its request for review within 60 days of the publication of the initiation of the review. Ajubesteel's withdrawal beat the deadline, and the DOC is therefore rescinding the new shipper review.

As a result, the all-others rate of 4.8% will remain in effect for Ajubesteel's imports of the subject merchandise during the period of review.

### DOC Finds Sales of Chinese Steel Treaded Rod at Less Than Fair Value

On Friday, February 27, the Department of Commerce (DOC) issued its final determination in the antidumping (AD) investigation of certain steel threaded rod from China.

The case background was as follows: in March 2008, the DOC received an antidumping petition from Vulcan Threaded Products, Inc. claiming that imports of threaded rod from China were being dumped in the U.S. market. Later in April 2008, the International Trade Commission (ITC) preliminarily determined that there was a reasonable indication that the U.S. industry was materially injured by subject imports. In October 2008, the DOC issued a preliminary determination that Chinese imports of steel threaded rod were being sold at less than fair value. Since then, the DOC has published an amended preliminary determination that maintained that Chinese steel threaded rod is being sold at less than fair value.

On Friday, the DOC published its final results, finding that the subject merchandise is being, or is likely to be, sold in the U.S. at less than fair value. Furthermore, the DOC made changes to its dumping margin calculations due to: changes to the margin calculations for RMB Fasteners Ltd. and IFI & Morgan Ltd. (RMB/IFI Group), a respondent; revaluation of certain surrogate values, including surrogate financial ratios, packing strips, buckles, and coal; and incorporation of post-preliminary clarifications based on a post-preliminary supplemental questionnaire and verification for the RMB/IFI Group.

The DOC received no comments on its use of India as a surrogate country, and therefore the DOC made no changes with respect to its selection of India as the surrogate country.

## Federal Register Notices

*International Trade Administration*

**[A-549-807] Certain Carbon Steel Butt-Weld Pipe Fittings From Thailand:** Final Results of Changed-Circumstances Antidumping Duty Review *74 FR 8904-8905*, February 27, 2009.

**[Application No. 08-00009] Export Trade Certificate of Review** *74 FR 8905-8906*, February 27, 2009.

**[A-570-890] Wooden Bedroom Furniture from the People's Republic of China:** Extension of Time for the Preliminary Results of the New Shipper Review *74 FR 8906-8907*, February 27, 2009.

**[A-570-932] Certain Steel Threaded Rod from the People's Republic of China:** Final Determination of Sales at Less Than Fair Value *74 FR 8907-8911*, February 27, 2009.

**[Investigation No. 337-TA-658] In the Matter of Certain Video Game Machines and Related Three-Dimensional Pointing Devices;** Notice of Commission Decision Not To Review the Administrative Law Judge's Initial Determination Granting Complainant's Motion To Amend the Complaint and Notice of Investigation *74 FR 8986*, February 27, 2009.

**[A-570-831] Fresh Garlic from the People's Republic of China:** Extension of Time Limits for Final Results of the Antidumping Duty Administrative Review and New Shipper Reviews *74 FR 8774-8775*, February 26, 2009.

**[A-570-929] Antidumping Duty Order: Small Diameter Graphite Electrodes from the People's Republic of China** *74 FR 8775-8776*, February 26, 2009.

**Initiation of Antidumping Duty Administrative Review** *74 FR 8776-8780*, February 26, 2009.

**[C-533-844] Certain Lined Paper Products From India:** Notice of Rescission of the 2007 Administrative Review of the Countervailing Duty Order *74 FR 8780-8781*, February 26, 2009.

**Application(s) for Duty-Free Entry of Scientific Instruments** *74 FR 8503*, February 25, 2009.

**Notice and Call for Applications for the Environmental and Clean Energy Technologies Trade Mission to Croatia, Italy, and Greece, March 30 to April 4, 2009** *74 FR 8503-8506*, February 25, 2009.

**Building for the Future: U.S. Building Products Trade Mission to Asia** *74 FR 8508-8510*, February 25, 2009.

**Mission Statement; European Port Infrastructure and Security Trade Mission to Germany, Belgium and Italy** May 4-8, 2009 *74 FR 8510-8512*, February 25, 2009.

**[A-570-890] Wooden Bedroom Furniture from the People's Republic of China:** Final Results of Changed Circumstances Review and Determination to Revoke Order in Part *74 FR 8506-8508*, February 25, 2009.

**[A-580-809] Circular Welded Non-Alloy Steel Pipe from the Republic of Korea:** Rescission of Antidumping Duty New Shipper Review *74 FR 8053-8054*, February 23, 2009.

**[A-580-807] Polyethylene Terephthalate Film, Sheet, and Strip from the Republic of Korea:** Extension of the Time Limit for the Preliminary Results of the 2007/2008 Administrative Review *74 FR 8054*, February 23, 2009.

**[C-357-819, C-580-862] Ni-Resist Piston Inserts From Argentina and the Republic of Korea:** Initiation of Countervailing Duty Investigations *74 FR 8054-8058*, February 23, 2009.

*International Trade Commission*

**[Investigation No. 731-TA-1143 (Final)] Small Diameter Graphite Electrodes From China** *74 FR 8568-8569*, February 25, 2009.

**[Investigation No. 337-TA-623] In the Matter of Certain R-134a Coolant (Otherwise Known as 1,1,1,2-Tetrafluoroethane);** Enforcement Proceeding; Order *74 FR 8106-8107*, February 23, 2009.

**[Investigation No. Singapore FTA-103-22] Certain Yarns and Fabrics FY 2009: Effect of Modification of U.S.-Singapore Free Trade Agreement Rules of Origin** *74 FR 8107-8109*, February 23, 2009.

*Office of the U.S. Trade Representative*

**Notice of Meeting of the Industry Trade Advisory Committee on Small and Minority Business (ITAC-11)** *74 FR 8819-8820*, February 26, 2009.

### **The Week Ahead**

- On Tuesday, March 3, the ITC will hold a hearing on the final phase antidumping investigation into 1-Hydroxyethylidene-1, 1-Diphosphonic Acid (HDEP) from China and India.
- On Thursday, March 5, the U.S. Senate Finance Committee will hold a hearing to consider the nomination of Ron Kirk for U.S. Trade Representative.
- On Friday, March 6, the ITC will hold a vote on five-year review adequacy determinations regarding the countervailing duty order on prestressed concrete steel wire strand from Brazil, India, Japan, Korea, Mexico, and Thailand.