



# WASHINGTON MONITOR

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Washington Monitor  
Winston & Strawn L.L.P.  
1700 K Street, N.W.  
Washington, D.C. 20006  
[rmassony@winston.com](mailto:rmassony@winston.com)

## Trade Briefs

### The American Recovery and Reinvestment Act and its Effect on Japan-U.S. Trade

The American Recovery and Reinvestment Act of 2009 ("ARRA"), stimulus legislation passed by the Congress this year, is expected to have significant effects on the U.S. economy as well as on major trading partners like Japan. The ARRA's commitment to spend such a large sum of money—over \$780 billion in total—over a relatively short time period will substantially alter the economic landscape.

Japanese companies have specific strengths and weaknesses in this new environment. There are also opportunities and threats for Japanese companies looking to take advantage of the new spending.

Japan's competitive strengths in the U.S. with the ARRA are not very different from its natural strengths in the global marketplace. Japan's ability to manufacture high-quality consumer goods is a great strength, especially in areas like consumer electronics. These goods—especially items like cellular telephones—are becoming necessities for American consumers. Their sales are likely to rebound fairly quickly when compared with other items that consumers are willing to forego in a crisis like automobiles and video games.

In addition to Japanese industry's technical ability to produce quality goods, Japanese industry is able offer these goods at competitive prices. Japan has wisely invested in its people, its infrastructure, and in science. Furthermore, a conservative economic culture based on hard work and discipline has created a favorable environment for companies seeking mobilize a motivated workforce while remaining very competitive. The combination of these factors has made the Japanese manufacturing sector especially cost-competitive, especially when compared to Western economies like the U.S. and Europe. With the ARRA basically opening a faucet of new demand, Japan's ability to efficiently produce goods should be rewarded.

Japanese companies have some inherent weaknesses when trying to take advantage of the ARRA. Most obviously, Japanese companies are foreign competitors to U.S. firms, and protectionist provisions in the ARRA such as the "Buy American" provision indicate a strong political imperative to prevent foreign groups from directly or significantly benefiting from the federal outlays. Although legislative obstacles like "Buy American" are not insurmountable, they reveal a strong prejudice against the participation of foreign businesses in the stimulus.

The overall opportunity created by the ARRA is clear: the U.S. government is spending a massive amount of money in a short period of time, and this money has to go somewhere. Also, assuming that it has the intended effect, the ARRA will offer significant benefits for Japanese industry. The stimulus legislation is intended to stem growing job losses and general economic deterioration through an infusion of capital into the American economy and through targeted tax cuts. The Obama Administration expects the ARRA to save or create as many as 2.5 million jobs and to generally ameliorate the economic downturn. Japanese businesses at large, and especially those that engage in cross-border trade with the U.S., would stand to benefit from the improvement of the U.S. economy. When the U.S. economy rebounds, when the credit crunch is alleviated, and when American consumers

begin to borrow and spend again, the vigorous U.S. marketplace for Japanese imports like electronics and automobiles will return. Therefore, it is in Japan's and America's collective interest to see that the stimulus succeeds and the U.S. economy rebounds.

In addition to short-term stimulus, the ARRA is intended to appropriate funds for long-term investments in things like infrastructure and research. These investments will presumably make the U.S. more competitive in the long term, improve long term prosperity, and reestablish the U.S. as a prosperous nation of consumers. For Japanese companies that rely on exports to the U.S., this is a positive outcome.

The major threat posed by the ARRA to Japan—or rather, posed by Japanese companies' pursuit of ARRA funds—is of political backlash. Protectionist provisions like Buy American may not be popular with free traders and companies engaging in substantial cross-border transactions, but they are generally very popular with the American public. The idea that domestic firms should benefit first from U.S. tax dollars seems logical to Americans, and arguments about retaliatory trade laws and international agreements seem abstract. If, for example, Japanese companies were seen to be reaping huge benefits from ARRA, this could lead to a populist backlash. Even assuming that no law had been broken, that the Japanese firm had been completely forthright, it could be dangerous for that company and for others.

The recent political firestorm over bonuses handed out to AIG executives shows how relatively small and completely legal actions can explode into a far greater problem. AIG, an insurance provider and financial services firm, has been receiving large infusions of federal bailout money to keep it afloat. Recently, it was discovered that the firm had given out over \$160 million in bonuses to top executives even as the firm was being propped up by the government. This was seen by many Americans as an outrage, and the Congress has moved swiftly toward imposing a punitive tax on the bonuses meted out to executives at a number of companies receiving federal assistance. Although AIG may have acted legally and in a way that they believed would most benefit their interests—the bonuses were described as "retention payments" to keep talented employees from leaving—their actions have damaged their entire industry. Were a Japanese company to be found reaping considerable benefits from the ARRA, a similar backlash against Japanese industry could emerge.

Another example of the perverse way that foreign trade is viewed in this environment is the treatment of Korea's LG Chem for its partnership with General Motors (GM) in supplying the advanced battery for the hybrid Chevrolet Volt. This partnership would seem like a clear "win-win" for all parties involved: LG Chem wins a large contract, GM obtains access to crucial technology for its new vehicle platform, and American consumers will soon have access to an efficient and affordable product. Unfortunately, this partnership was rewarded with a critical mention in President Obama's recent address to the joint session of Congress. Obama condemned the need to outsource America's technology needs, saying that he "does not accept a future where the jobs and industries of tomorrow take root beyond our borders." Despite the clear benefits of the partnership for all involved, Obama decided to tap into populist angst about foreign competition.

The scope of opportunities is important to understand, as well. The ARRA does include over \$780 billion in spending and tax cuts. However, much of that will not be available for Japanese or other foreign companies.

According to the Center for American Progress (CAP), the rough allocation of the \$787 billion can be broken down into the following categories:

- **Tax cuts (32%).** These are tax cuts aimed at low- and middle-income families.
- **Investments: Transportation, utility, health care, education, broadband, etc. (23%).** These are investments in infrastructure.
- **Green investments (18%).** This includes funding for investments in green technology and energy independence.
- **Help for those most in need (16%).** This includes items like food stamps and unemployment insurance.
- **Aid for states and localities (11%).** This includes transfer payments to sub-federal governments for the purpose of off-setting budgetary shortfalls.

Out of these categories, there are areas where Japanese companies will clearly have no stake. For example, transfer payments and tax cuts will not directly benefit Japanese business.

Realistically, infrastructure spending and green investments hold the most opportunity, but they represent much less than 50% of the whole. Also, much of the spending on infrastructure will be protected under the Buy American provision, and a substantial portion of spending in green technology will be in the form of research grants to American institutions. Thus, in the eyes of Japanese exporters, the ARRA will not offer the opportunities that the astronomical government spending programs seem to suggest.

This is not to say that there is no opportunity, or that it is not worth investigation. Rather, it is simply important to understand that the plan will not present anywhere near \$787 billion of opportunity for Japanese companies.

## Dumping Watch

### Final Results of Reviews of AD Orders on Prestressed Concrete Steel Wire Strand from Brazil, India, Japan, Korea, Mexico, and Thailand

On Thursday, March 26, the Department of Commerce (DOC) gave notice that it had reached final results of the expedited sunset reviews of the antidumping (AD) duty finding/orders on prestressed concrete steel wire strand from Brazil, India, Japan, Korea, Mexico, and Thailand.

On December 1, 2008, the DOC gave notice of the initiation of sunset reviews of the AD orders on the subject merchandise. The DOC subsequently received substantive responses from domestic interested parties, but it did not receive substantive responses from any of the respondent interested parties. Therefore, the DOC conducted an expedited sunset review.

The DOC determined that revocation of the AD duty orders on prestressed concrete steel wire strand from Brazil, India, Japan, Korea, Mexico, and Thailand would likely lead to continuation or recurrence of dumping at the following weighted-average percentage margins:

<b>Brazil</b>	Belgo Bekaert Arames S.A.	118.75
	All Others	118.75
<b>India</b>	Tata Iron and Steel Co., Ltd.	102.07
	All Others	83.65
<b>Japan</b>	Shinko Wire Co., Ltd.	13.30
	Suzuki Metal Industry Co., Ltd.	6.90
	Tokyo Rope Manufacturing Co., Ltd.	4.50
	All Others	9.76
<b>Korea</b>	Dong-Il Steel Manufacturing Co., Ltd.	54.19
	Kiswire Ltd.	54.19
	All Others	35.64
<b>Mexico</b>	Aceros Camesa S.A. de C.V.	62.78
	Cablesa S.A. de C.V.	77.20
	All Others	62.78
<b>Thailand</b>	Siam Industrial Wire Co., Ltd.	12.91
	All Others	12.91

## **Federal Register Notices**

### *International Trade Administration*

**[A-549-502] Circular Welded Carbon Steel Pipes and Tubes from Thailand:** Extension of Time Limit for Preliminary Results of New Shipper Antidumping Duty Review *74 FR 13414-13415*, March 27, 2009.

**[A-552-801] Certain Frozen Fish Fillets From the Socialist Republic of Vietnam:** Initiation of Antidumping Duty New Shipper Review *74 FR 13415-13416*, March 27, 2009.

**[A-552-802] Certain Frozen Warmwater Shrimp from the Socialist Republic of Vietnam:** Initiation of Antidumping Duty New Shipper Review *74 FR 13416*, March 27, 2009.

**[A-570-890] Second Amended Final Results of Antidumping Duty Administrative Review:** Wooden Bedroom Furniture from the People's Republic of China *74 FR 13417-13419*, March 27, 2009.

**[A-427-801, A-428-801, A-475-801, A-588-804, A-412-801] Ball Bearings and Parts Thereof from France, Germany, Italy, Japan, and the United Kingdom:** Partial Rescission of Antidumping Duty Administrative Reviews *74 FR 13190-13192*, March 26, 2009.

**[A-552-802, A-570-893] Notice of Initiation of Administrative Reviews and Requests for Revocation in Part of the Antidumping Duty Orders on Certain Frozen Warmwater Shrimp From the Socialist Republic of Vietnam and the People's Republic of China** *74 FR 13178-13189*, March 26, 2009.

**[A-351-837, A-533-828, A-588-068, A-580-852, A-201-831, A-549-820] Prestressed Concrete Steel Wire Strand from Brazil, India, Japan, the Republic of Korea, Mexico, and Thailand:** Final Results of the Expedited Sunset Reviews of the Antidumping Duty Finding/Orders *74 FR 13189-13190*, March 26, 2009.

**University of Colorado, et al.; Notice of Consolidated Decision on Applications for Duty-Free Entry of Electron Microscopes** *74 FR 13192*, March 26, 2009.

**University of Colorado, et al.; Notice of Consolidated Decision on Applications for Duty-Free Entry of Electron Microscopes** *74 FR 13192*, March 26, 2009.

**[A-549-822] Certain Frozen Warmwater Shrimp from Thailand:** Initiation of Antidumping Duty Changed Circumstances Review *74 FR 12308-12310*, March 24, 2009.

**[A-570-890] Notice of Correction to the Final Results of Changed Circumstances Review and Determination to Revoke Order in Part:** Wooden Bedroom Furniture from the People's Republic of China *74 FR 12308*, March 24, 2009.

**North American Free-Trade Agreement, Article 1904 NAFTA Panel Reviews;** Request for Panel Review *74 FR 12310*, March 24, 2009.

**Initiation of Antidumping and Countervailing Duty Administrative Reviews and Requests for Revocation in Part** *74 FR 12310-12313*, March 24, 2009.

**Quarterly Update to Annual Listing of Foreign Government Subsidies on Articles of Cheese Subject to an In-Quota Rate of Duty** *74 FR 12313*, March 24, 2009.

**[A-533-848]Commodity Matchbooks from India:** Notice of Extension of Time Limits for Preliminary Determination of Antidumping Duty Investigation *74 FR 12112*, March 23, 2009.

**[A-580-825] Oil Country Tubular Goods, Other Than Drill Pipe, from Korea:** Amended Final Results of the Administrative Review Pursuant to Final Court Decision *74 FR 12112-12113*, March 23, 2009.

*International Trade Commission*

**[Investigation Nos. 701-TA-460-461 (Preliminary)] Ni-Resist Piston Inserts from Argentina and Korea; Determinations** *74 FR 12898-12899*, March 25, 2009.

**[USITC SE-09-010] Government in the Sunshine Act Meeting Notice** *74 FR 12899*, March 25, 2009.

**[USITC SE-09-011] Government in the Sunshine Act Meeting Notice** *74 FR 12899*, March 25, 2009.

**[Inv. No. 337-TA-671] In the Matter of Certain Digital Cameras;** Notice of Investigation *74 FR 123377-12378*, March 24, 2009.

**[Investigation No. 332-506] Advice Concerning Possible Modifications to the U.S. Generalized System of Preferences, 2008 Review of Competitive Need Limit Waivers** *74 FR 12148*, March 23, 2009.

**The Week Ahead**

- On Monday, March 30, the Obama Administration announced its plan for restructuring two U.S. automakers: General Motors and Chrysler.