



# WASHINGTON MONITOR

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## Contents

### Trade Briefs

- Treasury Report Assesses Currency Policy of Japan, China

### Dumping Watch

- DOC Gives Notice of Continuation of AD Orders on Polyvinyl Alcohol from Japan, Korea, and China
- AD Order Issued on Chinese Steel Threaded Rod

### The Week Ahead

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## Trade Briefs

### Treasury Report Assesses Currency Policy of Japan, China

Last week, the U.S. Treasury Department released its "Report to Congress on International Economic and Exchange Rate Policies." The report assesses global macroeconomic trends as well as exchange rate policies of specific countries, including Japan and China.

According to the Omnibus Trade and Competitiveness Act of 1988, the Treasury is required to submit biannual reports on the international economic and exchange rate policies of the United States' major trading partners. The report must consider whether U.S. trading partners are manipulating their currency's exchange rate with the dollar in order to prevent effective balance of payment adjustments or to gain an unfair advantage in international trade. In the past, these reports have charged that China, Korea, and Taiwan have manipulated their exchange rates. However, since 1994, no economy cited in these reports has been found to be manipulating its currency according to the standards prescribed in the Omnibus Trade and Competitiveness Act.

This year is no different from recent years; it was determined that no country met the standards of currency manipulation. The Omnibus Trade and Competitiveness Act's standards are quite high, though, and many of the economies discussed in the report maintain fixed exchange rate regimes or exchange rate policies that tie a home currency to a basket of currencies. The report appears to give the benefit of the doubt to nations that are moving toward greater flexibility while not actually achieving a free-floating currency.

The report offers a short assessment of the difficulties facing all U.S. trading partners during this economic crisis. The report says that every single country discussed is experiencing "substantial negative effects" and for many their growth has turned negative. The crisis has put "sharp downward pressure" on exchange rates.

Most economies in the report have joined the U.S. and taken aggressive action in the form of tax cuts or expanded spending programs to restore economic growth. Despite these efforts, the report anticipates a very difficult year for the global economy.

In terms of trade, the economic crisis is having a strong negative impact. The report cites World Trade Organization (WTO) projections that expect a nearly 10% decline in the volume of external trade in 2009. This would be the sharpest contraction in the post-World War II era. The slowing will have the effect of narrowing global imbalances, as major surplus economies face a sharp drop in positive account balances and major deficit economies face a drop in negative account balances.

In general, the report suggests that the solution to the global trade imbalances is for export-driven economies to promote domestic spending. This would balance economies like Japan and China so that they are not so dependent on other countries to feed domestic development and finance their deficits.

The report does not find that China is manipulating its currency. Domestic businesses and their champions in the Congress have long alleged that China is manipulating its currency in order to advantage its products in the U.S. market. They had hoped that the

election of President Obama would signal a harder line on U.S.-China trade imbalances. They were buoyed by Treasury Secretary Tim Geithner's confirmation testimony that specifically identified China as a currency manipulator. However, this report found that China is not manipulating its currency according to the standards in the Omnibus Trade and Competitiveness Act.

The Treasury gave a number of reasons for this conclusion:

- China has taken steps to enhance exchange rate flexibility.
- Chinese currency has appreciated by 16.6% in real terms from June 2008 to February 2009.
- Official statistics suggest that the pace of China's foreign exchange reserve accumulation slowed towards the end of 2009.
- China's fiscal stimulus spending should spur domestic demand growth and therefore rebalance China's economy, at least in part.

The report says that these developments should be "just a beginning," and that the U.S. would work along with other countries to promote greater flexibility for China's currency in the future.

Regarding Japan, the report describes the different ways that the financial crisis has affected Japan and its currency. Japan was less exposed to the so-called "toxic assets" that are faulted with starting the financial crisis. However, Japan's large equity holdings have substantially declined in value. Furthermore, Japan's dependence on exports and on its manufacturing sector has left its economy vulnerable. The Bank of Japan forecasts a drop in output by 2.0% over FY2009. There are fears that Japan could slip into deflation.

The report says that the Japanese government has used significant fiscal stimulus to counteract the economic slowdown. Also, the government has taken measures to address weaknesses in the country's financial sector.

The report details the movements of the yen in 2008 and early 2009 as it appreciated against the dollar. The yen appreciated due to a drop in capital outflows and due to the perception that the yen was a "safe haven" currency during the economic crisis. The report says that Japan maintains a floating exchange rate regime, and that the Japanese government has not intervened in the foreign exchange market since 2004.

This report's conclusions do not represent a departure from the past—no country has been newly designated as a currency manipulator. It is clear that the Administration decided not to use this opportunity to confront its trading partners.

## Dumping Watch

### DOC Gives Notice of Continuation of AD Orders on Polyvinyl Alcohol from Japan, Korea, and China

On April 13, the Department of Commerce (DOC) gave notice that it would continue the imposition of antidumping (AD) duty orders on polyvinyl alcohol (PVA) from Japan, Korea, and China.

In 2003, the DOC issued an AD duty order on PVA from Japan, Korea, and China. In June 2008, the DOC gave notice that it would conduct sunset reviews of these AD orders. The DOC found that revocation of these AD duty orders would likely lead to continuation or recurrence of dumping. The DOC then notified the International Trade Commission (ITC) of the margins likely to prevail if the orders were provoked. The dumping margins were as follows:

	<b>Manufacturers/exporters/producers</b>	<b>Margin</b>
<b>Japan</b>	Denki Kagaku Kogyo Kabushiki Kaisha	144.16
	Japan VAM & POVAL Co., Ltd.	144.16
	Kuraray Co., Ltd.	144.16
	The Nippon Synthetic Chemical Industry Co., Ltd.	144.16
	All-Others Rate	76.68
<b>Korea</b>	DC Chemical Company, Ltd.	38.74
	All-Others Rate	32.08
<b>China</b>	Sinopec Sichuan Vinylon Works	5.51
	PRC-Wide Rate	97.86

The ITC gave notice on April 2, 2009, of its determination that revocation would likely lead to continuation or recurrence of material injury to a U.S. industry.

As a result of these decisions by the DOC and the ITC, the DOC has ordered the continuation of these AD duty orders on PVA from Japan, Korea, and China. Customs and Border Protection (CBP) will therefore continue to collect AD duties.

### AD Order Issued on Chinese Steel Threaded Rod

On April 14, the DOC issued an antidumping AD duty order on certain steel threaded rod from China.

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 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.

In February 2009, 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.

The final weighted-average margins were calculated to be 55.16% to 206.00%. This represented a downward revision on the low-end, as the lowest preliminary margin was previously 77.85%. However, the high China-wide margin of 206.00% was identical to that found in the preliminary calculation, which reflects a total adverse facts available rate. Subsequently, the ITC determined that the domestic industry is injured as a result of less-than-fair-value imports of the subject merchandise. Therefore, the DOC has directed CBP to assess AD duties based on the dumping margins from the DOC's final results of this investigation.

### **Federal Register Notices**

#### *International Trade Administration*

**[A-552-801] Certain Frozen Fish Fillets from the Socialist Republic of Vietnam:**

Amended Final Results of the Fourth Antidumping Duty Administrative Review *74 FR 17816-17817*, April 17, 2009.

**[A-570-836] Glycine from the People's Republic of China:** Notice of Rescission of Antidumping Duty New Shipper Review *74 FR 17814-17815*, April 17, 2009.

**[A-357-812] Honey from Argentina:** Notice of Partial Rescission of Antidumping Duty Administrative Review *74 FR 17815-17816*, April 17, 2009.

**[A-557-813, A-549-821, A-570-886] Polyethylene Retail Carrier Bags From Malaysia, Thailand, and the People's Republic of China:** Extension of Time Limit for Preliminary Results of Antidumping Duty Administrative Reviews *74 FR 17633*, April 16, 2009.

**[A-570-827] Certain Cased Pencils From the People's Republic of China:** Extension of Time Limit for the Final Results of the Antidumping Duty Administrative Review *74 FR 17451-17452*, April 15, 2009.

**[A-552-802] Certain Frozen Warmwater Shrimp From the Socialist Republic of Vietnam:** Extension of Time Limit for Final Results of the Second New Shipper Review *74 FR 17453*, April 15, 2009.

**[A-580-809] Circular Welded Non-Alloy Steel Pipe from the Republic of Korea:** Partial Rescission of Antidumping Duty Administrative Review *74 FR 17158*, April 14, 2009.

**[A-580-816] Certain Corrosion-Resistant Carbon Steel Flat Products from the Republic of Korea:** Notice of Intent to Rescind Antidumping Duty Administrative Review, In Part *74 FR 17159-17160*, April 14, 2009.

**[A-552-802] Certain Frozen Warmwater Shrimp From the Socialist Republic of Vietnam:** Initiation of Changed Circumstances Review *74 FR 17156-17158*, April 14, 2009.

**[A-533-843] Certain Lined Paper Products from India:** Notice of Final Results of the First Antidumping Duty Administrative Review *74 FR 17149-17153*, April 14, 2009.

**[A-570-901] Certain Lined Paper Products from the People's Republic of China:** Notice of Final Results of the Antidumping Duty Administrative Review *74 FR 17160-17165*, April 14, 2009.

**[A-489-805] Certain Pasta from Turkey:** Notice of Preliminary Results of Antidumping Duty Changed Circumstances Review *74 FR 17153-17154*, April 14, 2009.

**[A-570-932] Certain Steel Threaded Rod from the People's Republic of China:** Notice of Antidumping Duty Order *74 FR 17154-17156*, April 14, 2009.

**[C-580-851] Dynamic Random Access Memory Semiconductors from the Republic of Korea:** Extension of Time Limit for Preliminary Results of Countervailing Duty Administrative Review *74 FR 17166*, April 14, 2009.

**[A-588-861, A-580-850, A-570-879] Polyvinyl Alcohol from Japan, the Republic of Korea and the People's Republic of China:** Continuation of Antidumping Duty Orders *74 FR 16834-16835*, April 13, 2009.

**[A-570-890] Wooden Bedroom Furniture From the People's Republic of China:** Amended Notice of Partial Rescission of Antidumping Duty Administrative Review *74 FR 16834*, April 13, 2009.

**Application(s) for Duty-Free Entry of Scientific Instruments** *74 FR 16835-16836*, April 13, 2009.

**[C-570-938] Citric Acid and Certain Citrate Salts From the People's Republic of China:** Final Affirmative Countervailing Duty Determination *74 FR 16836-16838*, April 13, 2009.

**California Association for Research in Astronomy dba W.M. Keck Observatory,** Notice of Decision on Applications for Duty-Free Entry of Scientific Instruments *74 FR 16836*, April 13, 2009.

**[A-570-937] Citric Acid and Certain Citrate Salts From the People's Republic of China:** Final Affirmative Determination of Sales at Less Than Fair Value *74 FR 16838-16842*, April 13, 2009.

**[A-122-853] Notice of Final Determination of Sales at Less Than Fair Value:** Citric Acid and Certain Citrate Salts from Canada *74 FR 16843-16845*, April 13, 2009.

*International Trade Commission*

**[Investigation No. 337-TA-643] In the Matter of Certain Cigarettes and Packaging Thereof;** Notice of Commission Determination To Review the Presiding Administrative Law Judge's Initial Summary Determination of Violation; Schedule for Written Submissions *74 FR 17512-17514*, April 15, 2009.

**[Investigation No. 337-TA-617] In the Matter of Certain Digital Televisions and Certain Products Containing Same and Methods of Using Same;** Notice of Commission Final Determination of Violation of Section 337; Termination of Investigation; Issuance of Limited Exclusion Order and Cease and Desist Orders *74 FR 17511-17512*, April 15, 2009.

**[Investigation Nos. 701-TA-463 and 731-TA-1159 (Preliminary)] Certain Oil Country Tubular Goods From China** *74 FR 17514-17515*, April 15, 2009.

**[USITC SE-09-012] Government In the Sunshine Act Meeting Notice** *74 FR 17515*, April 15, 2009.

**[Investigation No. 337-TA-625] In the Matter of Certain Self-Cleaning Litter Boxes and Components Thereof;** Notice of Commission Final Determination of Violation of Section 337; Issuance of Limited Exclusion Order and Cease and Desist Orders; Termination of Investigation *74 FR 16892-16893*, April 13, 2009.

*Office of the U.S. Trade Representative*

**[Docket No. USTR-2009-0010] Request for Public Comments Regarding Status of U.S. Equipment Industry Access to the European Community's (EC) Galileo Program and European Markets for Related Goods and Services** *74 FR 17548-17549*, April 15, 2009.

**[Docket No. USTR-2009-0011] Initiation of Section 302 Investigation, Determination of Action Under Section 301, and Request for Comments: Canada-Compliance With Softwood Lumber Agreement** *74 FR 17276-17281*, April 14, 2009.

**Free Trade Agreements; Invitation for Applications for Inclusion on the Dominican Republic-Central America-United States Free Trade Agreement Dispute Settlement Rosters** *74 FR 16908-16910*, April 13, 2009.

### **The Week Ahead**

- On Tuesday, April 21, the ITC will hold a hearing on the general fact-finding investigation into the effects of tariff and non-tariff measures on U.S. agricultural exports to India.
- On Thursday, April 23, the ITC will hold a vote on the final phase AD investigation into circular welded carbon quality steel line pipe from China.