



# WASHINGTON MONITOR

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

May 5, 2009

Volume 13 Issue 18

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## Trade Briefs

### GM Announces Revised Restructuring Plan

On Monday, April 27, General Motors Corp. (GM) announced an expanded plan for restructuring that will include more layoffs, plant closings, and reductions in product lines. The new GM restructuring plan comes after an earlier restructuring plan was rejected by President Obama's auto task force. Some details have been released, but the plan has not been made public. However, there are indications that the restructuring plan could have a significant impact on the international automobile industry. Therefore, countries with large domestic automakers—like Japan—may be affected by this new development.

Toward the end of 2008, the U.S. automotive industry started to feel the effects of the global recession. Sales were declining rapidly, and the Detroit Three—Chrysler, Ford, and GM—were on the brink of insolvency. The automakers appealed to Congress for assistance, but they were denied federal loans. The Bush Administration used its authority under the Troubled Assets Relief Program (TARP) to release \$17.4 billion directly to Chrysler and GM with the understanding that they would need to furnish the incoming Obama Administration with restructuring plans. Ford, which was in much better shape due to a timely refinancing actions, was not given assistance.

After that, the economy further deteriorated, and the two distressed automakers requested over \$21 billion more in loans. The companies submitted their more detailed restructuring plans to the Treasury Department in the middle of February. These plans included cuts of entire product lines and employees, and they recognized the need to renegotiate union contracts and deal with bondholders.

At the end of March, the Administration responded to these plans with specific prescriptions for GM, Chrysler, and for a new Warranty Commitment Program. The Administration determined that the restructuring plans offered in February by GM and Chrysler were not adequate to garner more taxpayer support. The Administration said that the plans were based on assumptions that were overly optimistic.

The Administration judged that Chrysler was not likely to remain viable as a stand-alone company and said that further government assistance would be contingent on Chrysler's merger with Italian automaker Fiat.

The Administration judged that GM, on the other hand, could return to viability after a fundamental restructuring. The Administration asked for GM to take a number of steps intended to reach that goal.

The announcement of a new and more radical restructuring plan for GM is the company's response to the Administration's March comments. The changes are more substantial than previously discussed and would take place sooner. In addition to making changes to its existing structure, GM is requesting another \$11.6 billion which, if granted, would bring its total loans from the government to \$27 billion.

GM's restructuring will include the following changes:

- **Plant Closures.** By the end of 2010, GM would close 13 of its 47 plants. The plants slated for closure have not been revealed.
- **Layoffs.** By the end of 2010, GM would reduce its labor force from 61,000 hourly workers to 40,000 workers. In 2011, another 2,000 jobs would be cut.
- **Dealership Closures.** GM would ask over 2,600 of its current 6,200 independently-owned dealerships to close four years sooner than it had intended.
- **Elimination of Pontiac.** By 2010, GM would phase out its Pontiac brand. Pontiac has been underperforming, and GM is looking to consolidate its efforts behind its four major nameplates: Chevrolet, Buick, GMC, and Cadillac.
- **Exchange Stock for Bonds.** GM will try to convince bondholders to accept company stock in exchange for its bonds. This would result in the U.S. Treasury Department owning a majority of company stock and therefore having discretion to elect board members and further manage the company.

At this point, it is not clear how this new restructuring plan will be received or what the final restructuring would look like. What is clear is that GM is changing. GM is likely to emerge from this current crisis as a much smaller and more agile automaker.

### **Senator Specter Switches Parties**

In a surprise move last week, Senator Arlen Specter (R-PA) announced that he is switching parties and will seek reelection as a Democrat. This development is a serious loss for the Republican Party (GOP), and it brings Senate Democrats within one seat of a filibuster-proof majority. It changes the political dynamics in the Senate, and it also shows that the GOP is still struggling even after successive losses in recent elections.

Specter has long been considered a moderate Republican who was unafraid to contradict his party. His moderate views were often tolerated by those in his party due to his ability to win state-wide elections in Pennsylvania, a state that has recently been leaning toward the Democrats.

Party strategists calculated that his heterodoxy was worth the extra vote in the Senate. As Democrats intensified their Senate majority in recent years, there was a fear that Democrats would win a 60-vote majority. This would give Democrats the ability to pass legislation without having to win any Republican support, as 60 votes can override a filibuster. A filibuster is a procedural tactic that minority parties can use to block legislation. Keeping Specter in the Senate helped prevent a Democratic supermajority.

However, this year Specter was one of only three Senate Republicans who voted in favor of Democratic President Barack Obama's American Recovery and

Reinvestment Act (ARRA), legislation that was deeply unpopular with the GOP's base voters because of its huge government spending. This vote was seen by many in the party as unacceptable. As a result, former Pennsylvania Representative Patrick Toomey (R-PA) announced that he would challenge Specter for his Senate seat. Before leaving to pursue the Senate seat, Toomey was the president of the Club for Growth, a Republican political action committee that supports a low-tax and small government agenda. Toomey was highly critical of Specter's votes on fiscal issues, and especially his vote on Obama's ARRA.

Toomey's message seemed to be resonating with Pennsylvania Republicans. In an April 24 Rasmussen poll, Toomey appeared to be opening a wide lead over Specter, leading the incumbent 51% to 30%. The poll surprised many political pundits. It was clear that Specter would have a very difficult race to regain his party's nomination.

Last week, Specter announced that he would not run in the Republican primary against Toomey and would instead seek the Democratic nomination. He said that he did not want to be judged by the Republican primary electorate, a group that—according to polls—was not likely to grant him its nomination.

With the defection of Specter, Republicans face the prospect of a possible filibuster-proof Democratic majority. The expected seating of Al Franken—who appears to have won the most votes in Minnesota's Senate race but whose election has not been certified—would give the Democrats 60 seats in the chamber.

Theoretically, this means that Democrats can pass anything they want. In practice, though, this is not as seismic of a shift as the math makes it appear. There remain some conservative Democrats who will oppose major Democratic initiatives. Neither Senate Majority Leader Harry Reid (D-NV) nor President Obama can expect lock-step support from the Democratic Senators on every legislative issue.

Political strategists maintain that this shift is unimportant. The 60-vote majority is at the very least a psychologically significant barrier. It will not allow Democrats to remake government, but it will give them more leeway in writing legislation.

Furthermore, it is a true sign of how much trouble the GOP is in. In addition to losing the presidency, the GOP has lost seats in both the House and Senate in two successive election cycles. There are no New England Republicans in the House of Representatives. Their only remaining geographic strongholds are in the conservative South and parts of the mountain West.

According to Cato, Specter voted against trade barriers 62% of the time and voted against subsidies 29% of the time. This places him toward the "internationalist" end of the spectrum on the trade issue. It is unclear how this voting pattern will change as Specter begins to vote with Democrats. However, Specter is likely to be more sympathetic to organized labor, a constituency that is deeply skeptical of free trade. The endorsement of the AFL-CIO is hugely important in the Pennsylvania Democratic primary, and Specter may tailor his policy positions such that he does not alienate them. He is already in danger because of his admitted opposition to the labor movement's top issue: the Employee Free Choice Act (EFCA), or "card check." Therefore, he may have less room to maneuver in supporting free trade.

## Dumping Watch

### Final Results of Review of AD Duty Order on Certain Cut-to-Length Carbon-Quality Steel Plate from Korea

On Monday, April 27, the Department of Commerce (DOC) gave notice of final results of the administrative review of the antidumping (AD) duty order on certain cut-to-length carbon-quality steel plate from Korea.

In February 2000, the DOC put out an AD order on this type of steel plate from Korea. And in February 2008, the DOC gave notice of an opportunity to request an administrative review of this order. Dongkuk Steel Mill Co. (DSM) subsequently requested an administrative review. In the preliminary review, the DOC found that DSM made sales at less than normal value. The weighted-average dumping margin for DSM was calculated to be 9.27%.

On Monday, the DOC reached final results that differed from the preliminary results. The DOC corrected an error that involved the improper setting of the length of the control numbers used for matching U.S. sales to home-market sales. The error resulted in the incorrect matches of U.S. sales to home-market sales. As a result, the final dumping margin for DSM was recalculated to be 5.59%.

### Preliminary Results of Review of AD Duty Order on Ball Bearings from Japan

On Monday, April 27, the DOC gave notice of preliminary results of the administrative review of the AD duty order on ball bearings from Japan.

This duty order was originally published in 1989. In July 2008, the DOC gave notice of initiation of administrative review of three Japanese companies subject to these orders: Edwards Ltd. and Edwards High Vacuum International Ltd. (Edwards), Japanese Aero Engines Corporation (JAEC), and Sapporo Precision Inc. (Sapporo).

On April 27, the DOC reached preliminary results for these three companies, finding that sales have been made below normal value by two of the them. The DOC calculated the following weighted-average dumping margins for these firms: 73.55% for Edwards, 0.00% for JAEC, and 6.65% for Sapporo.

If these preliminary results are adopted in the DOC's final results, Customs and Border Protection (CBP) will be instructed to assess AD duties on all appropriate entries.

## Federal Register Notices

### *International Trade Administration*

**Antidumping or Countervailing Duty Order, Finding, or Suspended Investigation;**  
Advance Notification of Sunset Reviews *74 FR 20280*, May 1, 2009.

**Antidumping or Countervailing Duty Order, Finding, or Suspended Investigation;**  
Opportunity To Request Administrative Review *74 FR 20278-20280*, May 1, 2009.

**[A-570-888] Floor-Standing, Metal-Top Ironing Tables and Certain Parts Thereof From the People's Republic of China:** Extension of the Time Limit for the Preliminary Results of the Administrative Review *74 FR 20280-20281*, May 1, 2009.

**Application(s) for Duty-Free Entry of Scientific Instruments** *74 FR 20281*, May 1, 2009.

**Initiation of Five-Year ("Sunset") Review** *74 FR 20286-20287*, May 1, 2009.

**Exporters' Textile Advisory Committee;** Notice of Open Meeting *74 FR 20288*, May 1, 2009.

**Subsidy Programs Provided by Countries Exporting Softwood Lumber and Softwood Lumber Products to the United States;** Request for Comment *74 FR 20289*, May 1, 2009.

**[A-570-904] Certain Activated Carbon From the People's Republic of China:** Notice of Initiation of Changed Circumstances Review *74 FR 19934-19935*, April 30, 2009.

**[A-552-801] Certain Frozen Fish Fillets From the Socialist Republic of Vietnam:** Notice of Partial Rescission of the Fifth Antidumping Duty Administrative Review *74 FR 19933*, April 30, 2009.

**[A-475-703] Granular Polytetrafluoroethylene Resin From Italy:** Amended Final Results of Antidumping Duty Administrative Review *74 FR 19931-19933*, April 30, 2009.

**[A-549-817] Certain Hot-Rolled Carbon Steel Flat Products from Thailand:** Extension of Time Limit for Final Results of Changed Circumstances Review *74 FR 19524-19525*, April 29, 2009.

**William S. Middleton VA Hospital, et al., Notice of Consolidated Decision on Applications for Duty-Free Entry of Electron Microscopes** *74 FR 19525*, April 29, 2009.

**[A-201-822] Implementation of the Findings of the WTO Dispute Settlement Panel and Appellate Body in United States - Final Anti-Dumping Measures on Stainless Steel from Mexico:** Notice of Determination Under Section 129 of the Uruguay Round Agreements Act *74 FR 19527-19528*, April 29, 2009.

**[A-533-847, A-570-934] 1-Hydroxyethylidene-1, 1-Diphosphonic Acid from India and the People's Republic of China:** Antidumping Duty Orders *74 FR 19197-19199*, April 28, 2009.

**[A-580-816] Certain Corrosion-Resistant Carbon Steel Flat Products from the Republic of Korea:** Notice of Amended Final Results of the Fourteenth Antidumping Duty Administrative Review *74 FR 19199-19201*, April 28, 2009.

**[A-570-933] Antidumping Duty Order: Frontseating Service Valves from the People's Republic of China** *74 FR 19196-19197*, April 28, 2009.

**[C-580-818] Corrosion-Resistant Carbon Steel Flat Products from the Republic of Korea:** Extension of Time Limit for Preliminary Results of Countervailing Duty Administrative Review *74 FR 19201-19202*, April 28, 2009.

**Initiation of Antidumping and Countervailing Duty Administrative Reviews and Request for Revocation in Part** *74 FR 19042-19045*, April 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:** Preliminary

Results of Antidumping Duty Administrative Reviews and Intent To Revoke Order In Part 74 FR 19056-19064, April 27, 2009.

**[A-428-801] Ball Bearings and Parts Thereof From Germany:** Amended Final Results of Antidumping Duty Administrative Review Pursuant to a Court Decision 74 FR 19045-19046, April 27, 2009.

**[A-580-836] Certain Cut-to-Length Carbon-Quality Steel Plate Products From the Republic of Korea:** Final Results of Antidumping Duty Administrative Review 74 FR 19046-19048, April 27, 2009.

**[A-580-816] Corrosion-resistant Carbon Steel Flat Products From the Republic of Korea:** Extension of Time Limits for the Preliminary Results of Antidumping Duty Administrative Review 74 FR 19049, April 27, 2009.

**[A-560-822, A-583-843, A-552-804] Polyethylene Retail Carrier Bags From Indonesia, Taiwan, and the Socialist Republic of Vietnam:** Initiation of Antidumping Duty Investigations 74 FR 19049-19056, April 27, 2009.

**[A-533-810] Stainless Steel Bar From India:** Extension of Time Limit for the Final Results of the 2007-2008 Antidumping Duty Administrative Review 74 FR 19048, April 27, 2009.

**[A-570-601] Tapered Roller Bearings and Parts Thereof, Finished or Unfinished, From the People's Republic of China:** Extension of Time Limit for the Preliminary Results of the 2007-2008 Administrative Review of the Antidumping Duty Order 74 FR 19046, April 27, 2009.

**[C-552-805] Polyethylene Retail Carrier Bags From the Socialist Republic of Vietnam:** Initiation of Countervailing Duty Investigation and Request for Public Comment on the Application of the Countervailing Duty Law to Imports From the Socialist Republic of Vietnam 74 FR 19064-19068, April 27, 2009.

*International Trade Commission*

**[Investigation No. 731-TA-1034 (Review)] Certain Color Television Receivers From China** 74 FR 20342-20345, May 1, 2009.

**[Investigation No. AA1921-167 (Third Review)] Pressure Sensitive Plastic Tape From Italy** 74 FR 20340-20342, May 1, 2009.

**[Investigation No. 337-TA-632] In the Matter of Certain Refrigerators and Components Thereof; Notice of Commission Decision To Review in Its Entirety; A Final Initial Determination Finding No Violation of Section 337** 74 FR 20645-20346, May 1, 2009.

**[Investigation No. TA-421-7] Certain Passenger Vehicle and Light Truck Tires From China** 74 FR 19593-19594, April 29, 2009.

**[Investigation No. 332-503] Earned Import Allowance Program:** Evaluation of the Effectiveness of the Program for Certain Apparel From the Dominican Republic 74 FR 19592-19593, April 29, 2009.

**[Investigation No. 337-TA-637] In the Matter of Certain Hair Irons and Packaging Thereof; Notice of Commission Decision Not To Review an Initial Determination;** Schedule for Submissions: Extension of Target Date 74 FR 19237-19238, April 28, 2009.

**[USITC SE-09-013] Government in the Sunshine Act Meeting Notice** 74 FR 19238, April 28, 2009.

**[Investigation No. 731-TA-1148 (Final)] Frontseating Service Valves From China;**  
Determination 74 FR 19107, April 27, 2009.

*Office of the U.S. Trade Representative*

**Notice With Respect to List of Countries Denying Fair Market Opportunities for Government-Funded Airport Construction Projects** 74 FR 20015, April 30, 2009.

**[Docket No. USTR-2008-0036] Additional Delay in Modification of Action Taken in Connection With WTO Dispute Settlement Proceedings on the European Communities' Ban on Imports of U.S. Beef and Beef Products** 74 FR 19263, April 28, 2009.

### **The Week Ahead**

- On Wednesday, May 6, the ITC will hold a hearing on the five-year sunset review of the AD duty order on frozen fish fillets from Vietnam.
- On Friday, May 8, the ITC will hold votes on the final phase CVD and AD investigations into citric acid and certain citrate salts from Canada and China as well as the five-year sunset review of the AD duty order on saccharin from China.