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Trade Briefs

Obama Talks Trade at State of the Union, House Republican Conference Retreat

On January 26, President Barack Obama gave his first State of the Union address to a joint session of Congress. On January 29, Obama visited the House Republican Conference's retreat in Baltimore, Maryland, to give a presentation on his agenda and to take questions from the opposition. Obama made reference to trade during both appearances, and he specifically addressed the pending free trade agreements (FTAs), including the Korea-U.S. Free Trade Agreement (KORUS FTA). He did not address trade with Japan directly.

State of the Union

In his State of the Union speech, Obama made specific reference to trade policy and made allusion to the pending Korea-U.S. Free Trade Agreement (KORUS FTA). But the indirect reference, rather than a direct commitment to push for ratification of the KORUS FTA, confirms that the Obama Administration—at least at present—remains unwilling to commit the political capital necessary to push for ratification of the KORUS FTA.

The State of the Union touched on a wide variety of important issues, such as a proposal for new legislation to create and save jobs, healthcare reform, energy policy, the wars in Afghanistan and Iraq, and education.

President Obama also discussed trade briefly. He announced a specific goal to double U.S. exports over the next five years. He also said that the U.S. must “seek new markets aggressively” and not “sit on the sidelines while nations sign trade deals.” Obama said that trade deals should be enforced in order for the U.S. to benefit from them, a sign that his strong use of trade remedies will continue. Obama also said that the U.S. would “continue to shape” trade agreements via the Doha Round of negotiations at the World Trade Organization (WTO). Finally, Obama specifically referenced the need to strengthen U.S. trade relations with the nations that have pending FTAs with the U.S.: Korea, Panama, and Colombia.

Although he did not mention the FTAs by name, his singling out of Korea, Panama, and Columbia for special mention clearly reflects an indirect allusion to the pending FTAs with those three countries. Obama's invocation of South Korea—and by extension, the KORUS FTA—is a positive sign for those who support ratification of the KORUS FTA. It means that the Administration recognizes these FTAs remain priorities in the trade policy arena (alongside strong enforcement of trade laws, of course). Eventually, these FTAs need to be addressed, and when other issues are not more pressing, they will be addressed.

However, State of the Union speeches are highly political documents that usually contain a nearly comprehensive list of policies and goals of the President. Therefore, it is not surprising that trade was mentioned. Furthermore, a sitting President often uses these addresses to win favor with particular constituencies and win applause. In this case, Republicans cheered the President for his mention of Korea, Panama, and Colombia. Also, leaders in Korea, Panama, and Colombia were undoubtedly happy to hear their pending FTAs get special comment in the address.

It is possible that this particular reference (to the KORUS FTA) reflected a careful political balance. President Obama mentioned the three pending FTAs, but did not commit to anything specific. By doing so, he met his diplomatic obligations while at the same time sending a signal to organized labor and those opposed to the various FTAs that he is not rushing to push them through and that they remain a secondary priority.

The extent to which President Obama took a different approach can be seen clearly when comparing his speech to the State of Union speech last year. When compared to President George W. Bush's State of the Union in 2008, it is clear that Obama is much less insistent on the passage of the pending FTAs. Bush clearly asked the Congress for approval of these agreements. Bush also made arguments about how these agreements would help Americans. Obama did not. Obama merely invoked the names of the three countries (arguably a diplomatic necessity).

In addition to his discussion of the KORUS FTA, Obama announced a goal to double exports from the U.S. over the next five years. He announced that this increase would add 2 million jobs in America. In order to do this, Obama said that he would launch a "National Export Initiative" to help farmers and small businesses increase their exports and to reform export controls "consistent with national security."

Obama did not directly address trade with Japan. However, he did mention Japan alongside Germany as a technological competitor to the U.S. He lamented that the U.S. has "fallen behind countries like Germany and Japan in producing [solar technology]." It is not clear that this has any relation to Obama's trade policy. Rather, it was aimed at encouraging energy efficiency in the U.S.

House Republican Conference Retreat

During his visit to the House Republican Conference's retreat, Obama specifically addressed trade, mentioning the KORUS FTA among other trade priorities.

The House Republican Conference is the party caucus for Republicans in the U.S. House of Representatives. The Conference holds an annual retreat, a gathering to discuss policy issues among GOP members.

Obama attended the retreat in the wake of his State of the Union and Republican Scott Brown's victory in the Senate race in Massachusetts, resulting in the loss of the Democrats' 60-seat majority in that body. While it is not unheard of for Presidents of opposing parties to attend these events, this particular visit was notable for the fact that it was televised and for the fact that there was such an extensive period—over an hour—for questions from Republicans.

During Obama's prepared statement, he spoke about his concerns over political polarization, over process concerns, over what he believes is Republican obstructionism. He addressed the wars in Afghanistan and Iraq, the healthcare reform legislation currently pending in Congress, and possible remedies for high unemployment.

Trade came up as a result of Republican questions. Rep. Peter Roskram (R-IL), in a question about Obama's bipartisanship bona fides, asked whether Obama would work

with the GOP to get the pending FTAs with Korea, Colombia, and Panama passed as “no-cost job creation.”

Obama responded by saying that there are “fissures” within the Democratic Party on the issue of trade, and he acknowledged the political difficulty of liberalizing trade in a climate of trade skepticism. Generally, Obama said that his strategy is to strictly enforce trade agreements in order to build confidence in the liberalization of trade.

On the specific issue of the KORUS FTA, Obama said that the U.S. is committed to a strong friendship and alliance with Korea. However, he allowed that the European Union (EU) may enact its FTA with Korea before the U.S. implements the KORUS FTA, a prospect that he apparently does not fear.

There is nothing new about Obama’s comments on trade policy. Indeed, his comments reflected those he made during the State of the Union. Obama’s focus on “enforcement first” has been a running theme for trade in his presidency. It is interesting, however, that Obama brought up the Korea-EU FTA issue on his own and then seemed to contend that this would not be a major problem. Therefore, it seems that Obama is not feeling pressure to finish the KORUS FTA on account of progress on the Korea-EU FTA.

Dumping Watch

AD, CVD Investigations into Chinese Drill Pipe Initiated

On January 27 and 28, the Department of Commerce (DOC) gave notice in the *Federal Register* that it was initiating antidumping (AD) and countervailing duty (CVD) investigations into imports of drill pipe from China. The DOC found that the petitioners filed on behalf of the domestic industry. The investigations will consider whether imports of Chinese drill pipe are benefitting from countervailable subsidies and whether these imports are causing or threatening to cause material injury to the domestic industry that produces drill pipe. In particular, the CVD investigation will determine whether the following programs have provided countervailable subsidies to domestic industry: preferential loans and interest rates; debt-to-equity swaps and loan forgiveness; income tax and other direct tax benefit programs; subsidies for foreign invested enterprises; indirect tax and tariff exemption programs; government provision of goods and services for less than adequate remuneration (LTAR); grant programs; and subsidies to drill pipe producers located in economic development zones. The International Trade Commission (ITC) will preliminarily determine whether there is reasonable indication that imports of drill pipe are causing or threatening to cause material injury within 25 days.

Federal Register Notices

International Trade Administration

[A-570-891] Hand Trucks and Certain Parts Thereof From The People's Republic of China: Notice of Decision of the Court of International Trade Not in Harmony 75 FR 4769-4770, January 29, 2010.

Initiation of Antidumping and Countervailing Duty Administrative Reviews, Request for Revocation in Part, and Deferral of Initiation of Administrative Review 75 FR 4770-4774, January 29, 2010.

[A-475-826] Certain Cut-to-Length Carbon-Quality Steel Plate Products From Italy: Preliminary Results of Antidumping Duty Administrative Review 75 FR 4779-4783, January 29, 2010.

[C-570-955] Certain Magnesia Carbon Bricks From the People's Republic of China: Alignment of Final Countervailing Duty Determination With Final Antidumping Duty Determinations 75 FR 4528, January 28, 2010.

[A-549-502] Circular Welded Carbon Steel Pipes and Tubes From Thailand: Final Results of Antidumping Duty New Shipper Review 75 FR 4529-4531, January 28, 2010.

[A-570-965] Drill Pipe from the People's Republic of China: Initiation of Antidumping Duty Investigations 75 FR 4531-4535, January 28, 2010.

[C-570-966] Drill Pipe from the People's Republic of China: Initiation of Countervailing Duty Investigation 75 FR 4345-4348, January 27, 2010.

[A-552-801] Certain Frozen Fish Fillets From the Socialist Republic of Vietnam: Preliminary Results of New Shipper Review 75 FR 4350-4355, January 27, 2010.

[A-351-825] Stainless Steel Bar From Brazil: Extension of Time Limit for Preliminary Results of Antidumping Duty Administrative Review 75 FR 4044, January 26, 2010.

[A-583-833] Polyester Staple Fiber From Taiwan: Initiation and Preliminary Results of Changed-Circumstances Antidumping Duty Administrative Review *75 FR 4044-4046*, January 26, 2010.

Application(s) for Duty-Free Entry of Scientific Instruments *75 FR 3895*, January 25, 2010.

Yale University, et al.; Notice of Consolidated Decision on Applications for Duty-Free Entry of Electron Microscopes *75 FR 3895*, January 25, 2010.

[A-570-851] Certain Preserved Mushrooms from the People's Republic of China: Notice of Court Decision Not in Harmony with Final Results of Administrative Review *75 FR 3896*, January 25, 2010.

[A-489-501] Certain Welded Carbon Steel Pipe and Tube from Turkey: Extension of Time Limit for Preliminary Results of Antidumping Duty Administrative Review *75 FR 3896-3897*, January 25, 2010.

International Trade Commission

[Investigation No. 332-513] Advice Concerning Possible Modifications to the U.S. Generalized System of Preferences, 2010 Special Review, Certain Sleeping Bags *75 FR 4845*, January 29, 2010.

[Inv. No. 337-TA-701] In the Matter of: Certain Electronic Devices, Including Mobile Phones, Portable Music Players, and Computers; Notice of Investigation *75 FR 4583-4584*, January 28, 2010.

[Investigation Nos. 701-TA-466 and 731-TA-1162 (Final)] Wire Decking From China *75 FR 4584-4585*, January 28, 2010. [Investigation No. 337-TA-677]

In the Matter of: Certain Course Management System Software Products; Notice of Commission Determination Not To Review an Initial Determination Terminating the Investigation on the Basis of a Settlement Agreement *75 FR 4418*, January 27, 2010.

[Investigation Nos. 701-TA-464 and 731-TA-1160 (Final)] Prestressed Concrete Steel Wire Strand From China *75 FR 4104-4105*, January 26, 2010.

Office of the U.S. Trade Representative

Free Trade Agreements; Invitation for Applications for Inclusion on Dispute Settlement Rosters for the U.S.-Chile Free Trade Agreement ("FTA"), the Dominican Republic-Central America-United States FTA, the North American FTA, and the U.S.-Peru Trade Promotion Agreement *75 FR 4607-4610*, January 28, 2010.

Generalized System of Preferences (GSP): Notice Regarding the Review of a Petition To Withdraw the Eligibility of Certain Sleeping Bags Under the GSP Program *75 FR 4133-4134*, January 26, 2010.

The Week Ahead

- On February 3, the ITC will hold a hearing on the general factfinding investigation: "ASEAN: Regional Trends in Economic Integration, Export Competitiveness, and Inbound Investment for Selected Industries."

- On February 5, the ITC will hold a vote on three sunset reviews: the CVD order on Carbazole Violet Pigment 23 from China and India; the AD order on hand trucks from China; and the AD order on natural bristle paint brushes from China.