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Trade Briefs

This week the European Commission's Directorate General for Trade released its sixth report on trade restrictive measures. The study was taken during the economic downturn between November 2009 through April 2010 and focuses specifically on the trade protections in force or about to be in the first quarter of 2010. While much of the developing world has emerged from the economic downturn, developed countries are still experiencing trade flow imbalances as measures put into place by national governments continue to violate the laws of open and fair trade. The study focuses on 29 different countries outside the European Union in sectors such as textiles, agriculture, raw materials, steels and metals, automobiles, and others. Its purpose is to measure the economic impact trade protective measures have had both during and after the global recession.

As it stands trade volumes are on the ascent as world trade has increased by 1.8 percent in the three months to February and almost 5.3 percent from the preceding six months. According to the International Monetary Fund, trade will continue to grow at a rate of 7 percent in 2010 and taper off to 6 percent in 2011. While trade has rebounded in the stronger emerging markets it has struggled to recover from the economic crisis in the more industrialized nations. Trade activity remains 7 percent below the peak period in 2008. The report notes that while volume is 16 percent above the lowest points in 2009, trade protective measures are barriers to future growth and job creation.

The Commission's reports have shown an increasing trend upwards of trade restrictive measures since the start of the crisis. Overall 278 measures have either been implemented or will be since the study began in October of 2008. Out of the 278, only seventeen have been lifted or removed thereby threatening a "risk of entrenchment and institutionalization of trade restrictive measures in the post crisis period." For those countries that remain heavily dependent on trade, this poses serious problems for their recovery efforts in both the short and long term as national governments work to protect domestic industry while also relying on external demand. Despite the moderate increase in protectionist measures, the figures for trade flows mentioned above suggest that they are having less of an effect on global trade. The report highlights that the measures put into place after November 2009 target only one percent of all tradable goods. The World Trade Organization states that only 0.7 percent of all G20 imports have been negatively affected between September 2009 and February 2010.

Since November 2009, seventy-three measures have gone into effect, which have targeted some sectors (steel, automobiles, textiles, and agriculture) disproportionately. Argentina, Indonesia, and Russia continue to introduce or maintain the majority of these measures.

- **Argentina:** has introduced 61 measures, the second highest, throughout the period. Its willingness to harmonize external trade tariffs with those of its Mercosur partners' accounts for part of this increase but it continues to make use of import licenses and reference prices.

- **Indonesia:** has introduced 48 measures, the third highest. It has mostly extended those already in force but has chosen to introduce new import licensing requirements and tightened pre-shipment inspections and restricted imports.
- **Russia:** has introduced over 69 measures, the highest since October 2008 largely due to the consolidation of its temporary duty increases with Belarus and Kazakhstan within the Single Customs Tariff of the Customs Union. This consolidation has not only increased tariff rates but also expanded and widened trade restrictions to include those of all three countries.

The report highlights four different types of measures:

- **Border Measures:** the most prominent and common of trade protective instruments. These types are used by emerging economies through the increase of import/export duties, stringent customs valuation practices, and import licensing as mentioned in the countries listed above.
- **Behind-The-Border-Measures:** these types of measures are often exercised through government procurement programs by which national governments grant preferential treatment to domestic industries as a way of boosting the local economy. During the study period only three measures were introduced, but China's Indigenous Innovation Product Accreditation System has been singled out as the most damaging due to its short timeframe for application and strict application criteria which suggests a disadvantage for foreign companies.
- **Stimulus Packages:** this type was used during the crisis to avoid a collapse in demand for goods and to limit the effects on supply. Most of these measures have already been introduced and exhausted, but the option to provide more stimulus is still present despite the absence of public resources. There has been a shift in stimulus funds to varying sectors such as automobiles (South Korea and Japan) and pharmaceuticals (China and US).
- **Trade Defense Instruments:** half of all measures (thirty-one) imposed in the post crisis period have come from this area alone. This includes the imposition of anti-dumping and countervailing duties. This category will serve as a country's strongest defense in terms of trade protection as other measures subside during the recovery period.

The report notes that while the world economy is recovering it also states that countries continue to impose trade barriers which ultimately stifle export growth and demand. It recommends the monitoring and removal of trade restrictive measures adopted during the crisis and highlights the role of the European Commission in reporting the activities of others so as to not fuel protectionist tendencies.

Dumping Watch

Institution of Second Five Year Reviews Concerning the Countervailing and Antidumping Duty Orders on Stainless Steel Sheet and Strip

The International Trade Commission (ITC) has given notice that it will institute reviews to determine whether revocation of the countervailing (CVD) and antidumping (AD) duty orders on stainless steel sheet and strip from Germany, Italy, Japan, Korea, Mexico and Taiwan will lead to a continuation or recurrence of material injury to U.S. domestic producers. In July of 1999 the Department of Commerce (DOC) issued AD and CVD duty orders on imports of stainless steel sheet and strip from France, Germany, Italy, Japan, Korea, Mexico, Taiwan and the United Kingdom. On July 25, 2005 the DOC issued a continuation of the CVD duty orders from both Italy and Korea and AD duty orders on Germany, Italy, Japan, Korea, Mexico and Taiwan. The ITC will conduct second five year reviews to determine whether these duties shall be revoked in one or more of the aforementioned countries or likely cause domestic material injury in the foreseeable future.

Federal Register Notices

International Trade Administration

[A-560-802] Certain Preserved Mushrooms from Indonesia: Notice of Rescission of Antidumping Duty Administrative Review 75 FR 31426, June 3, 2010.

[A-570-965] Drill Pipe from the People's Republic of China: Postponement of Preliminary Determination of Antidumping Duty Investigation 75 FR 31425-31426, June 3, 2010.

[A-570-912] Certain New Pneumatic Off-The-Road Tires from the People's Republic of China: Notice of Decision of the Court of International Trade Not in Harmony 75 FR 31422-31423, June 3, 2010.

[A-570-962] Certain Potassium Phosphate Salts from the People's Republic of China: Final Determination of Sales at Less Than Fair Value and Termination of Critical Circumstances Inquiry 75 FR 30377-30380, June 1, 2010.

[C-570-963] Certain Potassium Phosphate Salts from the People's Republic of China: Final Affirmative Countervailing Duty Determination and Termination of Critical Circumstances Inquiry Review 75 FR 30375-30377, June 1, 2010.

[A-552-801] Certain Frozen Fish Fillets from the Socialist Republic of Vietnam: Extension Time Limit for Final Results of the Fifth New Shipper Review 75 FR 30374, June 1, 2010.

[A-570-905] Certain Polyester Staple Fiber from the People's Republic of China: Extension of Preliminary Results of Antidumping Duty Administrative Review 75 FR 30373-30374, June 1, 2010.

[C-570-959] Certain Coated Paper Suitable for High-Quality Print Graphics Using Sheet-Fed Presses from the People's Republic of China: Amended Affirmative Preliminary Countervailing Duty Determination 75 FR 30370-30371, June 1, 2010.

International Trade Commission

[USITC SE-10-018] Sunshine Act Meeting Notice 75 FR 31815, June 4, 2010.

[Investigation No. 731-TA-394-A & 399-A (Second Review)] Ball Bearings From Japan and the United Kingdom; Notice of remand proceedings 75 FR 30856-30857, June 2, 2010.

[Investigation No. 337-TA-719] In the Matter of Certain Lighting Products; Notice of Investigation 75 FR 30855-30856, June 2, 2010.

[Investigation No. 701-TA-382 and 731-TA-798-803 (Second Review)] Stainless Steel Sheet and Strip from Germany, Italy, Japan, Korea, Mexico, and Taiwan; Institution of five year reviews concerning the antidumping and countervailing duty orders 75 FR 30437-30440, June 1, 2010.

[Investigation No. 701-TA-376 and 379 and 731-TA-788, 790-793] Stainless Steel Plate from Belgium, Italy, Korea, South Africa, and Taiwan; Institution of five year reviews concerning the antidumping and countervailing duty orders 75 FR 30434-30437, June 2, 2010.

[Investigation No. 731-TA-1087] Carboxymethylcellulose from Finland, Mexico, Netherlands, and Sweden; Institution of five-year reviews concerning the antidumping duty orders 75 FR 30431-30434, June 1, 2010.

[Investigation No. 337-TA-695] Certain Silicon Microphone Packages and Products Containing the Same; Notice of Commission Determination to Review in Part an Initial Determination Denying Temporary Relief and on Review to Take No Position on Likelihood of Success on the Merits 75 FR 30430-30431, June 1, 2010.

The Week Ahead

- On June 15th and 16th, the ITC will hold a hearing on Intellectual Property Right Infringement in China.