



# WASHINGTON MONITOR

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

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## **Trade Briefs**

On July 8, 2010 the Department of the Treasury, Office of International Affairs, released its Report to Congress on International Economic and Exchange Rate Policies. The report was written into law under the Omnibus Trade and Competitiveness Act of 1988 which requires the Secretary of the Treasury to release semiannual reports on the exchange rate policies of America's major trading partners. The act specifically states that the report must identify "whether countries manipulate the rate of exchange between their currency and the United States dollar for purposes of preventing effective balance of payments adjustments or gaining unfair competitive advantage in international trade." The report was supposed to be released in mid-April but was delayed by the Administration in order to negotiate a fair exchange rate for the Chinese renminbi. It covers the period of July 1, 2009 to December 31, 2009 with some information included from the first quarter of 2010. The Treasury has come to the conclusion that none of America's major trading partners meet the standards outlined in Section 3004 of the Act during the period of review.

### ***Economic Outlook***

The report focuses first on economic growth during the period of review. The United States is currently in its fifth quarter of economic growth and is averaging a rate of 3.5 percent on an annualized basis. This is above the 2.4 percent average of the remaining G-7 countries. It also points out that the return to growth and the reduction of stimulus measures will help reduce the federal deficit from 10.6 percent of gross domestic product to roughly 4 percent by the year 2013. America will continue to suffer from high levels of unemployment (currently 9.5 percent), however, sustained economic prosperity will lead to minor reductions over time.

The study notes that emerging markets in Asia and Latin America have recovered far more quickly than their Western counterparts. For instance, China alone saw a 13 percent increase in domestic demand which generated 1.6 percentage points in global demand. This is specifically important because U.S. exports to China grew at a rate of 15 percent while exports to the rest of the world were declining by a rate of 13 percent. The Chinese market provided an important buffer for U.S. exports at a time when other developed countries were instituting trade protective measures to shield themselves from the global downturn.

The developed world on the other hand will take longer to recover. The International Monetary Fund projects 2010 growth at 1.0 percent for the Euro area and 2.4 percent for Japan. It also noted that this growth will be export-driven as domestic demand remains weak. Financial markets will continue to be unpredictable as Europe continues to suffer from unstable budget deficits and sovereign debt levels. The European Financial Stability Facility (EFSF) has eased worries by providing loans upwards of 440 billion euros to euro countries with financial stress.

### ***Exchange Rates***

As mentioned before, the Treasury report found all major trading partners to be in compliance with Section 3004 of the Act for the overall period. It analyzed seventeen different

currencies of which three were fixed to the dollar (the Saudi Arabian Riyal, the Venezuelan Bolivar, and the Chinese Renminbi). Out of the seventeen, only China's currency was flagged as undervalued and will be monitored closely for the Fall Report.

### *Japan*

Japan is continuing to emerge from the recession with five percent GDP growth in the first quarter of 2010. It maintains an export driven economy and its current account surplus stands at 3.8 percent of GDP. The Japanese government has introduced five stimulus measures through fiscal year 2009 which has also led to a federal deficit of 11 percent of GDP. While the government lacks a specific plan to reduce the deficit, Prime Minister Naoto Kan has suggested raising taxes as an inevitable reality of Japan's fiscal difficulties.

The Japanese yen appreciated by 3.4 percent against the dollar in late 2009, but depreciated by 0.4% in the first quarter of 2010 only to rise by an additional 2.1 percent in June. The report states that investor reaction on the yen is a direct result of the change in "political dynamics" as 2009 ushered in Democrat rule after the Liberal Democrats dominated Japanese politics for almost fifty years. Uncertainty followed the election of Prime Minister Hatoyama until his departure in May 2010. Japan has maintained a floating exchange rate with the dollar and has not chosen to intervene in the markets since March 2004. Japan's foreign exchange reserves stand at \$984.6 billion as of May 2010.

### **Dumping Watch**

#### **Notice of Antidumping Duty Order for Pre-stressed Concrete Steel Wire Strand from the People's Republic of China:**

The Department of Commerce (DOC) and International Trade Commission (ITC) gave notice that they are issuing an antidumping duty order on pre-stressed concrete steel wire strand from the People's Republic of China (PRC).

The DOC published the final determination in May 2010 of sales at less than fair value in the antidumping (AD) investigation of pre-stressed concrete steel wire strand from the PRC. The DOC also found that the products which were exported and produced by Xinhua Metal Products Co. Ltd. ("Xinhua Metal") were benefitting from an export subsidy in the Final Affirmative Countervailing Duty determination. In addition, the voluntary respondent, Wuxi Jinyang Metal Products Co. Ltd (WJMP) was not individually examined by the Department and therefore will receive the average-weighted margin associated with the "All Others" category. Fasten Group Import & Export Co. Ltd ("Fasten I&E"), a separate rate company, will receive the same rate as Xinhua Metal in the AD duty order.

On June 22, 2010 the ITC notified the DOC of its final determination that an industry in the United States is materially injured by reason of less than fair value of imports and AD duties will be assessed on entries on or after December 23, 2009. The Department has calculated a “PRC-wide” average-weighted margin of 193.55% which is to be applied to all exporters not listed in the order. In addition Xinhua Metal and Fasten I&E will both receive a margin of 175.94% while WJMP’s rate stands at 42.97%.

### **Institution of A Five-Year Review Concerning the Antidumping Duty Finding on Polychloroprene Rubber from Japan**

The International Trade Commission (ITC) has instituted a review in order to determine whether the revocation of the antidumping (AD) duty on polychloroprene rubber from Japan would lead to the continuation of material injury to U.S. domestic producers. Interested parties must submit information by August 2, 2010 and comments on the adequacy of the responses may be filed with the ITC on September 14, 2010.

On December 16, 1973 the Department of the Treasury issued an antidumping finding on imports of polychloroprene from Japan. The Department of Commerce (DOC) issued a continuation of the AD order in August 1999 after the five year reviews. The DOC issued a second continuation on August 4, 2005 and now the ITC is initiating a third review in order to determine whether to conduct a full or expedited review.

### **Federal Register Notices**

#### *International Trade Administration*

**[A-570-101] Greige Polyester Cotton Printcloth from the People’s Republic of China:** Final Results of Sunset Review and Revocation of Order *75 FR 38463*, July 2, 2010.

**[A-570-951] Certain Woven Electric Blankets from the People’s Republic of China:** Final Determination of Sales at Less Than Fair Value *75 FR 38459-38463*, July 2, 2010.

**[A-570-909] Certain Steel Nails from the People’s Republic of China:** Rescission of New Shipper Review *75 FR 38080-38081*, July 1, 2010.

**[A-583-841] Polyvinyl Alcohol from Taiwan:** Postponement of Preliminary Determination of Antidumping Duty Investigation *75 FR 38079-38080*, July 1, 2010.

**[A-533-838] Carbazole Violet Pigment 23 from India:** Final Results of Antidumping Duty Administrative Review *75 FR 38076-38077*, July 1, 2010.

**[A-549-821] Polyethylene Retail Carrier Bags from Thailand:** Extension of Time Limit for Preliminary Results of Antidumping Duty Administrative Review *75 FR 36359-36360*, June 25, 2010.

**[A-552-802] Frozen Warmwater Shrimp from Vietnam:** Initiation and Preliminary Results of Changed-Circumstances Review *75 FR 37757-37759*, June 30, 2010.

**[A-552-802] Frozen Warmwater Shrimp from the Socialist Republic of Vietnam:** Notice of Extension of Time Limit for the Final Results of the 2008-2009 Administrative Review *75 FR 37757*, June 30, 2010.

**[C-475-819] Certain Pasta from Italy:** Final Results of the 13<sup>th</sup> (2008) Countervailing Duty Administrative Review *75 FR 37386-37388*, June 29, 2010.

**[A-570-945] Prestressed Concrete Steel Wire Strand from the People's Republic of China:** Notice of Antidumping Duty Order *75 FR 37382-37384*, June 29, 2010.

**[A-552-802] Certain Frozen Warmwater Shrimp from the Socialist Republic of Vietnam:** Rescission of New Shipper Review *75 FR 36635-36637*, June 28, 2010.

**[A-549-502] Circular Welded Carbon Steel Pipes and Tubes from Thailand:** Rescission of Antidumping Duty Administrative Review *75 FR 36635*, June 28, 2010.

**[A-570-900] Diamond Sawblades and Parts Thereof from the People's Republic of China:** Initiation of Antidumping Duty New Shipper Review *75 FR 36632-36633*, June 28, 2010.

**[A-570-892] Carbazole Violet Pigment 23 from the People's Republic of China:** Final Results of Antidumping Duty Administrative Review *75 FR 36630-36632*, June 28, 2010.

**[A-570-888] Floor-Standing, Metal-Top Ironing Tables and Certain Parts Thereof from the People's Republic of China:** Continuation of the Antidumping Duty Order *75 FR 36629-36630*, June 28, 2010.

**[A-570-007] Barium Chloride from the People's Republic of China:** Continuation of Antidumping Duty Order *75 FR 36629*, June 28, 2010.

*International Trade Commission*

**[Investigation No. 731-TA-1043-1045] Polyethylene Retail Carrier Bags from China, Malaysia, and Thailand;** Determinations *75 FR 36679*, June 28, 2010.

**[Investigation No. 731-TA-1043-1045] Polyethylene Retail Carrier Bags from China, Malaysia, and Thailand;** Determinations *75 FR 36679*, June 28, 2010.

**[Investigation No. 731-TA-1043-1045] Polyethylene Retail Carrier Bags from China, Malaysia, and Thailand;** Determinations *75 FR 36679*, June 28, 2010.

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**[Investigation No. 731-TA-1043-1045] Polyethylene Retail Carrier Bags from China, Malaysia, and Thailand;** Determinations *75 FR 36679*, June 28, 2010.

**[Investigation No. AA1921-129] Polychloroprene Rubber from Japan;** Institution of a five year review concerning the antidumping duty order *75 FR 38119-38121*, July 1, 2010.

**[Investigation No. 731-TA-282 (Third Review)] Petroleum Wax Candles from China;** Institution of a five-year review concerning the antidumping duty order *75 FR 38121-38124*, July 1, 2010.

**[Investigation No. 337-TA-693] In the Matter of Certain Foldable Stools;** Notice of a Commission Determination Not to Review an Initial Determination Terminating the Investigation as to All Respondents Based on Withdrawal of the Complaint *75 FR 38124*, July 1, 2010.

**[Investigation No. 337-TA-724] In the Matter of Certain Electronic Devices With Image Processing Systems, Components thereof, and Associated Software;** Notice of Investigation *75 FR 38228-38119*, July 1, 2010.

**[Investigation No. 731-TA-1043-1045] Polyethylene Retail Carrier Bags from China, Malaysia, and Thailand;** Determinations *75 FR 36679*, June 28, 2010.

**[USITC SE-10-023] Government in the Sunshine Act Meeting Notice;** *75 FR 37463*, June 29, 2010.

**[Investigation No. 701-TA-464 and 731-TA-1160] Prestressed Concrete Steel Wire Strand from China;** Determinations *75 FR 36678-36679*, June 28, 2010.

**[Investigation No. 731-TA-1043-1045] Polyethylene Retail Carrier Bags from China, Malaysia, and Thailand;** Determinations *75 FR 36679*, June 28, 2010.

**[Investigation No. 337-TA-697] In the Matter of Certain Authentication Systems, Including Software and Handheld Electronic Devices;** Notice of Commission Decision Not to Review an Initial Determination Terminating the Investigation Based on a Settlement Agreement *75 FR 36678*, June 28, 2010.

**[Investigation No. 337-TA-711] In the Matter of Certain Inkjet Ink Cartridges with Printheads and Components Thereof ;** Notice of Commission Determination Not To Review an Initial Determination Terminating the Investigation Based on A Withdrawal of the Complaint *75 FR 36677-36678*, June 28, 2010.

### **The Week Ahead**

- On July 15<sup>th</sup>, the ITC will hold a hearing on the final phase antidumping and countervailing duty investigations for Narrow Woven Ribbons with Woven Selvedge from China and Taiwan