

Vol. 37, No. 19

May 8, 2017

## Branstad Questioned on Close Ties to China's President

The long friendship between Gov. Terry Branstad (R-Iowa) and Chinese President Xi Jinping inspired confidence from some members of the Senate Foreign Relations Committee during Branstad's May 2 confirmation hearing to become U.S. Ambassador to China, but raised questions from others. The two have been friends since 1985 when Xi Jinping first visited Iowa.

"I think your on-the-ground experiences with China will serve our nation well. I think your understanding of what drives the thinking within China [will] serve our nation well," said Committee Chairman Bob Corker (R-Tenn.) during the hearing. Agriculture groups agreed, welcoming Branstad's nomination in December (see **WTTL**, Dec. 12, page 6).

Sen. Chris Coons (D-Del.) questioned how Branstad would address opening Chinese markets to U.S. products, especially in the agricultural sector. Speaking of his experience coming from Iowa, Branstad said, "I hope because Xi Jinping has some experience in that background too, then it's an area maybe we can make some connection. I've also had some very frank discussions with Minister Han [Changfu], who's their Ag Minister, on these issues."

"As an old friend, I'd tell him where he's falling short," Branstad said in an effort to reassure the committee that his friendship would not prevent him from raising tough issues with Xi. On specific trade issues, he also said it's "vital" that U.S. beef be "traded fairly and trade barriers are eliminated as well."

## Mexican Sugar Debate Still Not So Sweet

Having reached an impasse with Mexico, the U.S. will resume the collection of anti-dumping (AD) and countervailing duties (CVD) on sugar imports beginning June 5, unless

an agreement between the two countries is reached, Commerce Secretary Wilbur Ross announced May 1. “While I regret that such measures were needed, it is my hope that Mexico and the United States can reach a fair agreement before June,” said Ross.

In 2014, Commerce reached final affirmative determinations in its AD and CVD investigations regarding sugar imports from Mexico; however, agreements were signed that suspended those duties. The American Sugar Coalition petitioned Commerce in 2016 to review whether the so-called “suspension agreements” were working. Ross in March had extended the final decision date for administrative review of the agreements (see **WTTL**, March 13, page 6).

The announcement met with immediate responses from both sides of the sugar industry. “We are grateful that [Commerce] is moving to bring the Mexican sugar industry into compliance with the U.S. trade laws that they were found guilty of breaking. But, Mexico has been unwilling to take the steps necessary to fully remedy the injury they created and instead are demanding the right to continue dumping sugar onto the U.S. market,” said Phillip Hayes, spokesman for the American Sugar Alliance.

In contrast, sweetener user organizations urged the administration and Congress to overhaul the suspension agreements. “The agreements have distorted sugar markets through new constraints on supplies and higher sugar price floors than the ones Congress voted for in the last farm bill. They have also distorted the flow of raw and refined sugar from Mexico to the United States, leaving U.S. cane sugar refineries short of supplies, which means lack of supply for U.S. manufacturers,” Sweetener Users Association (SUA) said in a statement.

Reps. Mike Simpson (R-Idaho) and Alcee Hastings (D-Fla.), co-chairs of the House Sugar Caucus, along with several of their congressional colleagues, sent a letter to the White House May 2 on behalf of American sugarbeet and sugarcane farmers and workers. The members wrote that the suspension agreements have “not stopped the injury caused by dumped and subsidized Mexican sugar.” The lawmakers claimed that industry has lost \$2 billion in revenues, sugar production in Hawaii has shut down, U.S. refined sugar has collapsed, and American cane sugar refiners have not been able to source adequate supplies of raw sugar from Mexico.

In response to the Commerce announcement, Juan Cortina, president of Mexico’s National Chamber of the Sugar and Alcohol Industries, told a Mexican radio station that if a deal can’t be reached with the U.S., then his organization is going to “seek a dumping investigation against fructose.”

## **Trump Hypes More Trade Executive Orders on 100<sup>th</sup> Day**

Without a major legislative win in his first 100 days, President Trump turned to an old standby: trade. As promised, President Trump signed two executive orders (EOs) April 29

-- his 100<sup>th</sup> day in office -- on the subject. The first calls for a comprehensive review of all U.S. trade deals, and the second creates the Office of Trade and Manufacturing Policy (OTMP) to be headed by National Trade Council Director Peter Navarro.

Per the first EO, the Commerce secretary and U.S. Trade Representative (USTR), in consultation with the secretaries of Treasury and State, along with the attorney general and the OTMP director, will conduct a comprehensive performance review of all bilateral, plurilateral and multilateral trade and investment agreements, as well as all trade relations with countries governed by World Trade Organization (WTO) rules. Each performance review must be submitted within 180 days.

“As far as I can tell, there has never been a systematic evaluation of what has been the impact of the WTO agreements on the country as an integrated whole. So it’s trying to find violations and abuses,” said Ross April 28 during a White House press briefing.

“Now, why? What is it really all about? I think everyone here is generally aware that we do have a big trade deficit. It’s some \$700 billion -- not counting our trade surplus in services, just counting the trade deficit in goods; and it’s \$500 billion ...after netting out the benefits of the exported services. So that’s the general parameters,” added Ross. Trump previously signed an executive order to look at trade deficits in April (see **WTTL**, April 3, page 1).

The OTMP’s mission is “to defend and serve American workers and domestic manufacturers while advising the President on policies to increase economic growth, decrease the trade deficit, and strengthen the United States manufacturing and defense industrial bases,” the second EO noted. The EO did not clarify the difference between the new office and the existing National Trade Council.

In an editorial for CNN, Navarro defended the president’s first 100 days in office, citing the withdrawal from the Trans-Pacific Partnership, intent to renegotiate NAFTA, and slapping tariffs on Canadian lumber as examples of Trump’s tough on trade stance. “It has been a historic 100 days of action -- and we are just getting started,” wrote Navarro.

**\* \* \* Briefs \* \* \***

**TRADE FIGURES:** Merchandise exports in March jumped 7.9% from year ago to \$126.3 billion, Commerce reported May 4. Services exports gained 5.1% to record-high \$64.7 billion from March 2016. Goods imports increased 9.8% from March 2016 to \$191.8 billion, as services imports gained 4.3% to \$42.9 billion.

**FALSE CLAIMS:** Texas-based Import Merchandising Concepts L.P. (IMC) and two individuals, Glen Michaels and Alan Lewis, agreed May 1 to pay \$275,000 to settle government complaint under False Claims Act. Suit claimed company engaged in scheme to evade customs duties on imports of wooden bedroom furniture from China from 2009 and 2014 by misclassifying furniture as non-bedroom furniture on official import documents.

**WASHERS:** In 5-0 “sunset” vote May 2, ITC said revoking antidumping duty orders on helical spring lock washers from China and Taiwan would renew injury to U.S. industry.

**SHRIMP:** In “sunset” votes May 2, ITC said revoking antidumping duty orders on frozen warmwater shrimp from China, India, Thailand and Vietnam would renew injury to U.S. industry. At same time, ITC determined revoking antidumping duty orders on shrimp from Brazil would not. All votes were 5-0.

**STEEL PLATE:** In 5-0 final votes May 5, ITC found U.S. industry is materially injured by dumped imports of carbon and alloy steel cut-to-length plate from Austria, Belgium, France, Germany, Italy, Japan, Korea and Taiwan and subsidized imports of product from Korea.

**BIODIESEL:** In 5-0 preliminary vote May 5, ITC found U.S. industry may be injured by allegedly dumped and subsidized imports of biodiesel from Argentina and Indonesia.

**TRADE PEOPLE:** President Trump April 28 sent Senate nomination of Mira Radielovic Ricardel to be BIS under secretary. He announced intent to nominate Ricardel in March (see **WTTL**, April 3, page 3).

**FCPA:** SEC FCPA Unit Chief Kara Novaco Brockmeyer will join Debevoise & Plimpton LLP as partner and member of White Collar & Regulatory Defense and Strategic Crisis Response and Solutions Groups, firm announced May 1. SEC announced her departure April 4 (see **WTTL**, April 10, page 4).

**FIREARMS:** In bipartisan letters to Secretary of State Rex Tillerson and Commerce Secretary Wilbur Ross, 145 House members and 29 senators urged administration to complete export control reform, specifically USML categories I, II and III (firearms and ammunition). “Our states are home to world-class firearm and ammunition manufacturers. With streamlined regulations, these important businesses will be able to access new markets, create new jobs, and hire hard-working Americans,” Senate letter dated May 1. House letter May 3 cited controversial July 2016 State guidance on gunsmiths, which ECR completion would resolve, lawmakers said (see **WTTL**, Sept. 5, page 1).

**NORTH KOREA:** House May 4 passed in 419-1 vote Korean Interdiction and Modernization of Sanctions Act (H.R. 1644), which expands sanctions on North Korea’s nuclear weapons programs; targets those overseas who employ North Korean slave labor; cracks down on North Korean shipping and use of international ports; and requires administration to determine whether North Korea is state sponsor of terrorism (see **WTTL**, April 3, page 9). Rep. Thomas Massie (R-Ky.) was only “no” vote.

**JUSTICE:** Dana Boente April 28 was appointed acting assistant attorney general of national security division, replacing Mary McCord, who served as principal deputy assistant attorney general. Boente had been acting deputy attorney general and will continue to serve as U.S. attorney for Eastern District of Virginia.

**EXPORT ENFORCEMENT:** Feky Sumual, naturalized U.S. citizen, who lived in Dover, N.H., was sentenced May 2 in Concord, N.H., U.S. District Court to time served and two years’ supervised release for conspiracy to make false statements in connection with acquisition of firearm, to make false statements in records federal firearms licensees are required to keep, and to smuggle goods from U.S. Sumual pleaded guilty in August 2016. Sumual admitted to participating in scheme to buy numerous guns, including at least 22 9 mm handguns then smuggle them to members of Indonesian Presidential Guard. Coconspirator and Sumual’s nephew Audi N. Sumilat, of El Paso, Texas, pleaded guilty in July 2016 in Concord court to related charges (see **WTTL**, July 11, page 6). Sentencing is set for July 10.

TPP: Other 11 signatories of Trans-Pacific Partnership (TPP) met in Canada May 2-3 and agreed to move forward without U.S. Language would need to be adjusted to account for U.S. departure. Japan, at first reticent to do deal without U.S., now reportedly wants agreement reached by November's Asia-Pacific Economic Cooperation summit (see **WTTL**, April 24, page 5).

RUSSIA: Reps. Rosa DeLauro (D-Conn.) and Jan Schakowsky (D-Ill.), along with 31 other House members, wrote to Commerce Secretary Wilbur Ross May 2, urging administration to address U.S.-Russia bilateral trade relationship. "Today, the Russian Federation uses a range of illegal, unfair, and often opaque, trade and industrial policies that undermine America's manufacturers and agricultural producers with extensive barriers to the Russian market," lawmakers said. Letter follows up on January letter DeLauro and Schakowsky sent to then-President-elect Trump.

CHINA: Commerce Secretary Wilbur Ross and Treasury Secretary Steve Mnuchin May 3 spoke via phone with China's Vice Premier Wang Yang about bilateral issues related to U.S.-China Comprehensive Dialogue. Countries previously agreed to take 100 days to come up with plan to address trade relationship (see **WTTL**, April 10, page 1).

ASEAN: Secretary of State Rex Tillerson hosted Association of Southeast Asian Nations (ASEAN) leaders May 4. ASEAN officials "heard from [Tillerson] that ASEAN is quite important for the United States when it comes to economic engagement and that the United States intends to build a way forward, grow our economic relations, and that ASEAN countries can expect to see more trade and economic and commercial engagement in the very near future. To the extent we have issues to address like trade imbalances, that we'll be talking about it, and we want to hear ASEAN views on how to improve this so that all can benefit," W. Patrick Murphy, Deputy Assistant Secretary, Bureau of East Asian and Pacific Affairs, told reporters.

USTR: Senate likely will vote on U.S. Trade Representative nominee Robert Lighthizer week of May 8, Majority Leader Mitch McConnell (R-Ky.) said May 4. Lighthizer passed unanimously through Senate Finance Committee April 25 (see **WTTL**, May 1, page 5). Language waiving restrictions on lobbying and extending miners' health benefits was included in omnibus spending bill Senate passed May 4 clearing way for final Lighthizer vote.

CITRUS: European Union dropped its requirement that U.S. groves be surveyed for citrus canker, Agriculture Secretary Sonny Perdue and Acting USTR Stephen Vaughn said May 3. "The EU maintains a number of unwarranted sanitary and phytosanitary (SPS) barriers on U.S. agricultural exports, and we have long called on the EU to base its SPS measures on science. Today's action removes a longstanding and unfair barrier and will help return U.S. citrus exports to the EU to the levels we had a decade ago," Vaughn said in statement. With amended rule in place, industry estimates citrus exports will increase by 25% in first year.

DIGITAL TRADE: Reps. Suzan DelBene (D-Wash.) and Erik Paulsen (R-Minn.) May 1 launched congressional Digital Trade Caucus. Goals of new caucus include: promote free and open internet; promote free cross-border data flows; eliminate data localization requirements; ensure trading partners allow open online and cloud platforms; eliminate requirements that businesses transfer technology, source code or encryption keys; and address custom and trade facilitation barriers for e-commerce. Day later, International Trade Commission (USITC) launched second and third of three investigations "to examine uses of new digital technologies for U.S. firms and the impact of foreign policy barriers to digital trade on the competitiveness of U.S. firms in international markets" as USTR requested in January (see **WTTL**, Jan. 16, page 13).

NAFTA: Sen. Sherrod Brown (D-Ohio) May 1 outlined four-point strategy for renegotiating NAFTA: Secure anti-outsourcing and Buy America provisions up front; don't pit American workers and industries against each other; build enforcement tools that favor American workers, not foreign corporations if deal is violated; and include workers in negotiations. "By setting high standards, putting workers ahead of corporations and refusing to compromise on outsourcing, we can create the best possible deal for all American workers," said Brown in letter to President Trump.

SOFTWOOD LUMBER: In May 4 Federal Register, Commerce requested public comment on "subsidies, including stumpage subsidies, provided by certain countries [meaning: Canada] exporting softwood lumber or softwood lumber products" to U.S. between July 1 and Dec. 31, 2016. Comments are due 30 days after publication. Department announced its affirmative preliminary determination in countervailing duty (CVD) investigation of Canadian softwood lumber in April (see **WTTL**, May 1, page 4).

AGRICULTURE: Rep. Dan Newhouse (R-Wash.) and five other lawmakers May 3 introduced Cultivating Revitalization by Expanding American Agricultural Trade and Exports (CREAATE) Act (H.R. 2321), which would double funding for Market Access Program (MAP) and Foreign Market Development (FMD) program. Bill calls for phasing in additional annual MAP funding to \$400 million in fiscal year (FY) 2023, and additional annual funding for FMD to \$69 million in FY 2023. Funding for MAP has remained static since 2006, and FMD funding has remained static since 2002, while inflation has increased, bill notes.

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