

Vol. 37, No. 29

July 17, 2017

## Siemens Takes Action over Russia Sanctions Violations

Responding to media reports that Siemens turbines made their way to Crimea in violation of European sanctions, Siemens AG announced it has taken several actions, including filing suit against a Russian partner Technopromexport (TPE) in Moscow court July 10.

“Siemens has received information from reliable sources that at least two of the four gas turbine sets, which were delivered for the project in Taman, Southern Russia, have been moved to Crimea against our will. This development constitutes a clear breach of Siemens’ delivery contracts, which clearly forbid our customer from making deliveries to Crimea. Over the last few months, our customer has confirmed to us numerous times in writing that a delivery to Crimea would not occur,” the company wrote in a statement.

“Siemens will initiate criminal charges against the responsible individuals. Furthermore, Siemens will file lawsuits for a halt of any additional deliveries to Crimea and a removal of the already dispatched equipment back to its original destination, Taman. Alternatively, Siemens will push for a reversal of the transaction,” it added. While its partner was not named in the official statement, Siemens filed a lawsuit against TPE in Moscow’s Arbitration Court July 10.

“Siemens insists categorically on full compliance with all export control restrictions for itself and also at its partners and customers. In addition, Siemens is evaluating what additional actions are possible,” the company said. “Siemens has expanded the investigations by its internal taskforce to all of its Russian-based entities and relevant partners to ensure that no equipment will be dispatched nor any services rendered that could violate export control restrictions,” it added.

## Administration Seeks KORUS Renegotiation

Not satisfied just to renegotiate one major trade agreement, U.S. Trade Representative (USTR) Robert Lighthizer July 12 called for a special joint committee meeting under the

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U.S.-Korea Free Trade agreement (KORUS) to consider “possible amendments and modifications” to the five-year-old trade deal. The meeting and any follow-up negotiations would “review progress on the implementation of the Agreement, resolve several problems regarding market access in Korea for U.S. exports, and most importantly, address our significant trade imbalance,” Lighthizer wrote to Dr. Joo Hyunghwan, Korea’s Minister of Trade, Industry and Energy.

“As our two Presidents committed to ‘foster expanded and balanced trade while creating reciprocal benefits and fair treatment’ at the June U.S.-Korea Summit, it is imperative that we work together to ensure that the economic partnership between our two countries is not only strong and vibrant, but also fair, and that KORUS Agreement benefits the U.S. economy as much as it does that of Korea,” Lighthizer wrote.

During a conversation with a White House pool reporter, partial transcripts of which were released July 13, President Trump touched on KORUS. “We have a bad deal with South Korea. We’re just starting negotiations with South Korea. South Korea, we protect, but we’re losing \$40 billion a year with South Korea on trade. We have a deficit of \$40 billion. The deal just came up,” said Trump. According to USTR figures, from 2011 to 2016, the U.S. goods trade deficit with Korea rose from \$13.2 billion to \$27.6 billion.

But Korea has to agree to renegotiations. Yeo Han-Koo, Korea’s director-general for trade policy at its trade ministry, told multiple news outlets after the announcement that the two countries should first research the trade deficit issue and see if there are solutions other than a renegotiation.

KORUS Article 22.2 provides for a joint committee to supervise the deal’s implementation and can be used to resolve disputes and consider amendments or modifications to the trade agreement that entered into force in March 2012.

## **Industry Torn over Ex-Im Bank Nominee**

While industry has been pushing for two years to fill the Export-Import (Ex-Im) Bank’s board quorum, it doesn’t like this particular nominee to be Ex-Im president. Manufacturing industry groups are urging the president to withdraw the nomination, while other groups are pushing to fill the open board seats and unlock billions of dollars in export financing.

The controversial nomination of former Rep. Scott Garrett (R-N.J.) to be Ex-Im president was sent to the Senate June 19 after two months’ delay (see **WTTL**, June 26, page 9). Garrett previously voted against reauthorizing the bank’s charter twice in the House. At the same time, the president nominated former Rep. Spencer T. Bachus II (R-Ala.) to the Ex-Im board. In addition, the terms of the other three current members of the board will expire later in 2017.

Jay Timmons, president and CEO of the National Association of Manufacturers (NAM), called the nomination a “disappointment” in a Wall Street Journal opinion piece July 11. “Garrett’s confirmation would be a terrible trade deal for our country. His record of aggressively undermining the Ex-Im Bank is tantamount to a vicious trade war against American manufacturing workers,” Timmons wrote.

At the same time, the Aerospace Industries Association said it was “encouraged that President Trump has begun the process of appointing Directors to the Ex-Im Bank’s Board to restore the Bank to full functionality. We would like to see a full quorum at Ex-Im so we can level the playing field and give U.S. companies the best chance to attract new customers and sign new deals,” Kelvin Stroud, AIA international affairs director, wrote in a blog post July 7.

John Hardy, chairman of the Coalition for Employment through Exports (CEE), an industry advocacy group, said his group would support NAM's position. Garrett “is not the best person for the job,” Hardy told WTTL. Since the president has been very clear in support of a strong Ex-Im Bank, CEE would encourage him to pick someone with a “background more consistent with that position.”

As to whether Garrett would actively undermine the bank's mission, as has been argued against other Cabinet-level nominees, Hardy said, “we would hope not.” At the same time, Garrett's past statements have been “extremely negative.” He said he was not aware of the status of confirmation hearings for the two nominees, but he heard that Senate Banking Committee Chair Mike Crapo (R-Idaho) would like to have hearings for all five at once. We are “forever hopeful,” Hardy said.

Acting Bank Chairman Charles Hall previously said that three other board members are being considered and he expects that all the nominees will be submitted to the Senate Banking Committee by the end of July, prior to Congress’ August recess (see **WTTL**, July 10, page 4).

## **G-20 Countries Find Consensus on Trade**

The administration made its mark at the Group of 20 (G-20) meeting in Hamburg July 7-8, particularly on trade. Treasury Secretary Steve Mnuchin told reporters on the trip back to Washington that the final communiqué built on “an incredible consensus.” Based on previous trade meetings, many observers could see this consensus as a surprise.

The final G-20 communiqué noted the importance of trade and investment. “We will keep markets open noting the importance of reciprocal and mutually advantageous trade and investment frameworks and the principle of non-discrimination, and continue to fight protectionism including all unfair trade practices and recognize the role of legitimate trade defense instruments in this regard. We will strive to ensure a level playing field, in particular by promoting a favorable environment for trade and investment in this regard,” it said.

This consensus is in contrast to previous meetings, such as the Asia-Pacific Economic Cooperation (APEC) trade ministers' meeting in May where a planned joint statement was scrapped over U.S. objections to language pushing back on "protectionist trends" (see **WTTL**, May 29, page 6). Even at the G-20, the U.S. refused to join a group statement affirming efforts against climate change, which the other 19 countries signed.

The administration often uses the terms "reciprocal trade," particularly in calling out countries with which the U.S. has a trade deficit. The world leaders also reaffirmed the importance of the World Trade Organization, UN Conference on Trade and Development, and the Organization for Economic Cooperation and Development (OECD).

On excess capacity, the leaders' statement takes a hard line. "We urgently call for the removal of market-distorting subsidies and other types of support by governments and related entities. Each of us commits to take the necessary actions to deliver the collective solutions that foster a truly level playing field," reads the statement. The leaders called on the members of the Global Forum on Steel Excess Capacity to fulfill their commitments outlined at the Hangzhou Summit by August 2017 and to deliver a "substantive report with concrete policy solutions" by November 2017.

## **Senators, Agriculture Groups Await Steel Decision**

For more than an hour July 13, Commerce Secretary Wilbur Ross briefed members of Senate Finance Committee senators on the ongoing Section 232 steel investigation. Though he would not confirm to reporters when the final report would be released, Ross left senators with the impression that the report could be out in a matter of days.

"I would assume we're talking weeks, maybe days, but it's close," Sen. Pat Roberts (R-Kan.) told reporters after the meeting. Sen. Sherrod Brown (D-Ohio) likewise said that in a separate meeting with Ross, the Commerce secretary had "pretty much committed" to finalizing the report in the coming days. Ross had initially set the deadline for the report for the end of June, but the decision was delayed until after the G-20 meeting (see **WTTL**, July 10, page 3).

President Trump also discussed the investigation with reporters during his flight to Paris July 12. "Steel is a big problem. Steel is – I mean, they're dumping steel. Not only China, but others. We're like a dumping ground, okay? They're dumping steel and destroying our steel industry, they've been doing it for decades, and I'm stopping it. It'll stop." He said dumping could be stopped by quotas or tariffs. "Maybe I'll do both," he said.

Separately, agriculture groups voiced their fears about retaliation should import restrictions be enacted as a result of the Section 232 investigation. "U.S. agriculture is highly dependent on exports, which means it is particularly vulnerable to retaliation. Many countries that export steel to the United States are also large importers of U.S.

agriculture products,” the groups, including the American Farm Bureau Federation, National Cattlemen’s Beef Association, National Pork Producers Council and U.S. Grains Council, wrote to Ross July 11.

“The potential for retaliation from these trading partners is very real. Short of explicit retaliation, these countries may also stall efforts to resolve current trade issues if they believe they have been unfairly targeted over legitimately traded products,” they noted. “Undermining that system through an extraordinarily loose application of national security exceptions would be a short-sighted mistake. We urge ... Commerce to consider the consequences to the rest of the U.S. economy and avoid igniting a trade war through new restrictions on steel or aluminum trade under Section 232,” the letter concluded.

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

NDAAs: House passed FY 2018 National Defense Authorization Act (NDAA) (H.R. 2810) July 14 in 344-81 vote. Bill maintained language addressing climate change as national security issue. “This bill takes an important step in acknowledging those concerns and providing support to assess the effects of climate damage and calculate the costs to mitigate them,” Rep. Jim Langevin (D-R.I.), who authored language, said in statement.

CITRIC ACID: In 4-0 preliminary votes July 14, ITC found U.S. industry may be injured by allegedly dumped imports of citric acid and certain citrate salts from Belgium, Colombia and Thailand and subsidized imports from Thailand.

POLYESTER: In 4-0 preliminary votes July 14, ITC found U.S. industry may be injured by allegedly dumped imports of fine denier polyester staple fiber from China, India, Korea and Taiwan and subsidized imports from China and India.

PIPE FITTINGS: Cast Iron Soil Pipe Institute July 13 filed countervailing and antidumping duty petitions at ITA and ITC against imports of cast iron soil pipe fittings from China.

ALCOHOL: In 4-0 “sunset” vote July 12, ITC said revoking antidumping duty order on imports of furfuryl alcohol from China would renew injury to U.S. industry.

PIPE AND TUBE: In 4-0 “sunset” vote July 12, ITC said revoking antidumping duty order on imports of light-walled rectangular pipe and tube from Taiwan would renew injury to U.S. industry.

AGOA: USTR in Federal Register July 11 announced initiation of annual eligibility review of sub-Saharan African countries to receive AGOA benefits. Notice identified eligibility criteria and listed sub-Saharan African countries that are currently eligible and ineligible for AGOA benefits. Comments are due Aug. 4 and public hearing will be held Aug. 23.

CARIBBEAN BASIN: USTR in Federal Register July 11 requested public comments on operation of Caribbean Basin Economic Recovery Act (CBERA) for annual report to Congress. Comments are due Sept. 15. Report also will examine initiative’s “effect on the volume and composition of trade and investment between the United States and the CBI beneficiary countries and on advancing U.S. trade policy goals,” notice said.

USTR: Dennis Shea July 11 was nominated to be deputy USTR in Geneva, replacing Michael Punke. Shea is vice chairman of U.S.-China Economic and Security Review Commission and has been commission member since 2007. He is principal and founder of Shea Public Strategies in Alexandria, Va. Earlier in his career, he was deputy chief of staff and counsel to then-Senate Majority Leader Bob Dole.

JAPAN: Senate July 13 confirmed William Hagerty to be U.S. ambassador to Japan in 86-12 vote.

TRADE PEOPLE: Former Deputy USTR Robert W. Holleyman II joined C&M International, Crowell & Moring LLP's international policy and regulatory affairs affiliate, as president and CEO, firm announced July 10. He was also named partner in firm's international trade group. Holleyman served as deputy USTR from 2014-2017.

INSURANCE: Treasury and USTR announced July 14 intent to sign bilateral agreement with EU on insurance and reinsurance "in the coming weeks." Administration will issue U.S. policy statement on implementation. Obama administration announced completion of negotiations for covered agreement in January (see **WTTL**, Jan. 16, page 12).

CHINA: July 16 marks 100<sup>th</sup> day of U.S.-China Economic Cooperation 100-day plan administration unveiled in May (see **WTTL**, May 15, page 2). Agriculture Department (USDA) continues to work on issue of Chinese-origin cooked poultry. USDA Food Safety and Inspection Service in June proposed amending poultry products inspection regulations to allow processed poultry products from birds slaughtered in China. Comments on proposed rule are due Aug. 15. Currently China can export to U.S. processed poultry products derived from poultry slaughtered in U.S. or other approved countries.

SUDAN: One day before deadline, White House July 11 extended review period by three months for revocation of Sudan sanctions (EO 13761) issued in January. OFAC general license remains in place (see **WTTL**, Jan. 16, page 13). In response, Sudanese President Omar al-Bashir halted work of committee formed with U.S. until Oct. 12. Government "has yet to demonstrate fully that humanitarian aid can reach the parts of the country that need it most and that those delivering the aid can do so safely," Rep. Steny Hoyer (D-Md.) said in statement ... Working Party on Sudan's WTO accession met July 14 in Geneva.

TPP-11: Remaining 11 Trans-Pacific Partnership (TPP) countries met in Hakone, Japan, July 12-14 to discuss moving ahead with trade deal. "I think we have reached a rough picture of what it will be like," Japan's chief negotiator Kazuyosi Umemoto told reporters. Negotiators reportedly will meet in Australia in August or early September with the goal of concluding prep work by November.

RUBBER: Commerce announced July 11 affirmative final determinations in antidumping (AD) investigations of imports of emulsion styrene-butadiene rubber (ESB rubber) from Brazil (19.61%), Korea (9.66%), Mexico (19.52%) and Poland (25.43%). Mandatory Korean respondents Daewoo International Corporation and Kumho Petrochemical Co, Ltd. did not participate and were assigned 44.3% margin using adverse facts available. Petitioners are Lion Elastomers LLC of Texas and East West Copolymer LLC of Louisiana. ITC expected to make final determination Aug. 24.

NAFTA: Two U.S. and Canadian autoworker unions, UAW and UNIFOR, representing 245,000 workers, July 11 released priorities on NAFTA renegotiation. USTR is due to release negotiating objectives July 17 (see **WTTL**, July 3, page 5). Unions said four priorities must be addressed:

strengthening labor standards and raising wages; balanced trade; real “Made in North America” rules; and fair share of benefits for workers. They also want elimination of Chapter 11 investor-state dispute settlement, higher environmental standards, and to address currency manipulation and immigration policy, among many issues. “Using the Trans Pacific Partnership as a model and/or making minor ‘tweaks’ or slight ‘modifications’ will fail to accomplish any of these goals,” reads statement. AFL-CIO President Richard Trumka urged “bold changes” in separate statement. “Small changes around the edges—or the insertion of disastrous Trans-Pacific Partnership provisions—are not acceptable and would be the ultimate in hypocrisy.” ... House Ways and Means trade subcommittee will hold hearing on NAFTA modernization July 18.

**RUSSIA:** Rep. Eliot L. Engel (D-N.Y.), House Foreign Affairs Committee Ranking Member; House Democratic Leader Nancy Pelosi (D-Calif.); and House Democratic Whip Steny Hoyer (D-Md.) July 13 introduced House version of Russia-Iran sanctions bill (H.R. 3203). Identical Senate version passed in 98-2 vote in June but has been stalled in House (see **WTTL**, June 19, page 4)... Day before, Sen. Jeanne Shaheen (D-N.H.) took to Twitter to voice frustration over delay. “The Trump admin needs to stand-down on its opposition to bipartisan Russian sanctions [legislation] & the House should finally vote,” she tweeted. “Time to finally punish the Kremlin for interfering in our democracy. Speaker Ryan, let’s put this sanctions bill on President’s desk NOW.”

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