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Commerce's Mr. Ross on TPP-2

The Administration intends to pursue "multiple" bilateral free trade agreements with Asian countries that will incorporate parts of the TransPacific Partnership, Commerce Secretary Wilbur Ross said last night (WTD, 5/24/17).

There were "good aspects" to the TPP, even though President Trump opted to withdraw the United States from the deal, the secretary said at the US-ASEAN Business Council's annual gala.

Mr. Ross told the gathering that he realized most in the room were dismayed by the President's decision to abandon TPP. But regardless of the outcome of last year's Presidential election, TPP never would have been ratified. The agreement simply did not have political support, he said.

As the Administration begins to negotiate bilateral FTAs, it will take parts of TPP as its model – and even try to improve on it, Mr. Ross said. The gains that were realized in TPP, particularly in market access, should not be rolled back in future FTAs, he added.

The Administration also intends to update existing FTAs to add areas like digital trade and improve provisions on intellectual property rights and rules of origin, the Commerce Secretary said.

Mr. Ross reiterated that the Administration's goal is for trade that is "free and fair to American workers and American businesses." Trade agreements also must reduce the US trade deficit.

Isolationism?

House Appropriations Committee chairman Rep. Rodney Frelinghuysen (R-NY) yesterday asked Secretary Ross if he knew that the United States stepping back from its international responsibilities and retreating into isolationism and protectionism simply opened the door for China to fill the economic vacuum.

The member pointed to China's recent moves to assume some of that economic leadership left vacant when the United States withdrew from TPP.

Secretary Ross was testifying on the Trump Administration budget for fiscal 2018.

Although he admitted to some program cuts in his department, Mr. Ross said the budget was an effort to prioritize and protect investments in core government functions. Even though the department census bureau was cut, it has enough to fully conduct the 2020 national census. Commerce also says there is enough money in the budget to ensure the safety and accuracy of the nation's weather satellites.

On trade Mr. Ross noted that some International Trade Administration funding was sliced, but some \$4.5 million was added to the bureau's enforcement and compliance section to beef up efforts to combat unfair trade. Mr. Ross told the panel that the funds will be directed toward self-initiation of antidumping and countervailing duty investigations.

About half the nearly 400 import actions now in effect or under investigation involve steel, Mr. Ross testified. And half of those relate to Chinese steel trade.

Mr. Ross told the committee he intends to present recommendations to the President on an rarely used Section 232 national security investigation in the steel sector. He said he anticipates getting those recommendations to the President before end of next month.

After that, Mr. Ross added, the department will conduct a similar Section 232 investigation on aluminum imports.

Commerce's bureau of industry and security gets a million dollar increase in its budget to hire 19 new special agents within its enforcement offices around the world. There are now only 120 special agents, which he suggested is not enough to do the job.

A 'Moderately Optimistic' Ambassador

Mexican Ambassador Gerónimo Gutiérrez said yesterday he is "moderately optimistic" the North American Free Trade Agreement can be renegotiated in a way that benefits all three countries (WTD, 5/24/17).

But the question of whether it is possible to renegotiate NAFTA "in a way that nobody get hurt" remains unanswered, the ambassador told a program sponsored by the Brookings Institution.

Exactly what the Trump Administration wants out of NAFTA renegotiation will become clearer over the next 90 days at the US consultation process gets underway, the ambassador commented. Private discussions with Administration officials lead him to believe there is a growing consensus that the almost 25-year-old trade pact needs an upgrade so that it includes new issues and better addresses some old ones.

The ambassador mentioned intellectual property rights, electronic commerce, labor and environmental protections, telecommunication and energy as areas that could be added or improved.

US concerns about declines in manufacturing jobs are legitimate, but the question is whether NAFTA is really the major cause of those job losses, Mr. Gutiérrez said. If there are ways to create more manufacturing jobs in North America, "by all means, let's talk about it," he added.

Three Principles

Mexico will enter into the NAFTA renegotiation talks with three principles, the ambassador said. First, it must remain a trilateral agreement. Second, it must "do no harm" – meaning keep trade and investment flows intact. Finally, negotiations should be concluded by the end of the year, before Mexico's Presidential election cycle heats up.

US-Mexico relations are at a "critical point," the ambassador said. There is a possibility of having a major setback in the relationship, but it is also possible to end up with a more "mature" relationship. Mr. Gutiérrez warned that if the bilateral political relationship deteriorates, it could be hard for his country to maintain its current level of security and drug interdiction cooperation with the United States.

Although the United States recognizes the success of NAFTA – at least for agriculture, Agriculture Department chief economist Robert Johansson suggested to the Senate Agriculture Committee yesterday that Washington is seeking more market access – especially for poultry, dairy and eggs in both nations. Canada and Mexico are the second and third largest export markets for US agriculture.

More Sanctions On Iran

The Senate Foreign Relations Committee yesterday approved legislation (S 722) to ratchet up sanctions on Iran, relating particularly to the country's ballistic missile program (WTD, 5/22/17).

The bill also cites Iran's support for terrorism, transfers of conventional weapons to or from the country and human rights violations.

Said committee Democrat Sen. Robert Menendez (NJ) – "Today's committee approval of this bipartisan legislation brings us one step closer to finally ensuring Iran's leaders understand they do not enjoy blanket impunity as the United States continues to live up to its commitments under the JCPOA. Independent of the nuclear portfolio and as President Rouhani starts his second presidential term, our broader policy towards Iran must be one that holds Tehran accountable for their destabilizing efforts in the region, illegal and dangerous missile technology development, and nefarious activities as the world's leading sponsor of terrorism."

The Countering Iran's Destabilizing Activities Act of 2017 contains the following key provisions

- new mandatory sanctions on persons involved with Iran's ballistic missile program and those that transact with them;
- new terrorism sanctions applied to the Islamic Revolutionary Guard Corps and codification of individuals who are currently sanctioned due to Iranian support for terrorism and
- a requirement that the President block the property of any person or entity involved in

specific activities related to the supply, sale or transfer of prohibited arms and related material to or from Iran.

Tool Chests and Cabinets

The International Trade Commission made a preliminary determination yesterday that there is a reasonable indication that a US industry is materially injured by reason of imports of tool chests and cabinets from China and Vietnam that are allegedly sold in the United States at less than fair value and subsidized by the government of China (WTD, 4/12/17).

As a result of the Commission's affirmative determinations, the Commerce Department will continue to conduct its antidumping and countervailing duty investigations on imports of this product with its preliminary Chinese countervailing duty determination due by July 5 and its antidumping duty determinations due by September 18.

China's Trade 'Wish List'

Geneva – China yesterday issued an upbeat report for enhancing trade and economic relations with the United States, signalling its intention to increase imports of liquefied natural gas, crude oil, refined oil, beef, soybeans, cotton, civilian aircrafts, integrated circuits and machine tools in addition to a range of services (WTD, 5/23/17).

The proposed increase in services imports from the United States would include movies, tourism, educational services and cross-border electronic commerce cooperation.

In a 117-page report – unveiled by the ministry of commerce yesterday – China said the bilateral relationship after 45 years of accelerated liberalization must be “mature, broad-minded, visionary and wise” so as to bring about “win-win cooperation.” It maintained that China’s actual trade surplus would be around \$164.8 billion – after taking into consideration the US surplus in services and the deficit in goods. “Over the past decade, the US trade deficit with China was gradually decreased,” the report maintained.

China’s “wish list” from the Trump Administration covers issues such as specific improvements in the imposition of trade remedy measures such as antidumping and countervailing duties, lifting of export-control measures on high-tech products for civilian use and fair treatment for Chinese state-owned enterprises in mergers and acquisitions in the United States.

On the antidumping front, China said the United States must treat imports of Chinese goods without using the price of alternative state system to calculate dumping margins.

Effectively, the United States must not insist on conditions such as “the priority application of domestic laws, China’s excess capacity [and] market economy status” for fulfilling World Trade Organization commitments. It called on Washington to review its 153 trade remedy measures on Chinese products – 110 antidumping and 43 countervailing duty orders.

China emphasized the importance of the WTO “as the main channel for addressing global trade and investment problems.” It suggested that if members “cast away the WTO rules in bilateral trade talks, the global economy may be led into the danger of ‘beggar-thy-neighbour’ and a ‘zero-sum game’.”

April Goods Deficit at \$67.6 Billion

The Commerce Department yesterday announced advanced trade data for April – reporting a goods trade deficit of some \$67.6 billion (WTD, 5/5/17).

The deficit was up \$2.5 billion from \$65.1 billion in March.

Exports of goods for April were \$125.9 billion – \$1.1 billion less than March exports. Goods imports for April were \$193.4 billion – \$1.4 billion more than March imports.

Around the Globe

• A smiling Donald Trump offered European Union chiefs assurances on security in Brussels on Thursday but EU officials did not conceal lingering differences with the U.S. president over Russia, trade and climate change, according to a Reuter news service report from Brussels (WTD, 5/25/17).

“The leaders discussed … shared challenges in fighting global terrorism,” the White House said in a statement. “They agreed on the need to work together to deepen our security cooperation in fighting ISIS (Islamic State), combating radicalisation and responding to other common threats.”

In talks before a summit of NATO leaders at the Atlantic military alliance’s headquarters across town, an EU source said Trump had also voiced fears that Brexit could cost U.S. jobs -- a possible sign of second thoughts on support for the British vote to leave which stunned the bloc.

And Trump also agreed to setting up a joint EU-U.S. “action plan” on trade, in an indication the new occupant of the White House is not as set on shunning free trade deals and promoting protectionism as some in Europe had feared he might. The White House said “the United States and the European Union should deepen our strong economic relationship” and spoke of a need to protect U.S. and EU industries from “unfair competition” -- a shared concern coming, notably, from China.

Nonetheless, European Council President Donald Tusk indicated, there was less than a meeting of minds on trade and other issues, despite the cordiality of Trump’s welcome.

— ***WTD*** —

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On the Web.....

Agriculture

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Trade Policy

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