

# Washington Trade Daily

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## ***Ex-Im – Part of Administration ‘Toolbox’***

New Secretary of Commerce Wilbur Ross – who also is in charge of directing overall US trade policy – had high praise for the US Export-Import Bank yesterday (WTD, 3/17/17).

Speaking by video to the Bank’s annual forum, the secretary said Ex-Im has been responsible for creating some 17 million US jobs over the last decade. He also assured the gathered audience of exporters and financiers that the Bank will be a major instrument in the Administration’s “trade toolbox”.

But for the past year and a half the Bank has been unable to approve big loans – over \$10 million – because it lacks a board of directors.

According to two members of Congress also speaking at the forum – Reps. Chris Collins (R-NY) and Mike Kelly (R-Pa) – President Trump has assured them along with several other House members and senators that he is “full-in” when it comes to getting Ex-Im Bank on its feet. At a White House meeting in early February with several members of Congress the President said he intended to start sending nominations to the Senate for confirmation as members of the board – including a new Chairman. But, the members, lamented they have yet to see any names emerge.

Nevertheless, as a businessman President Trump recognizes the importance of what Ex-Im Bank does to help US business remain competitive, stated Rep. Kelly. Without any hesitation the President said the Bank is “very high on his agenda,” contributed Rep. Collins.

In his opening remarks, acting Ex-Im Bank President Charles Hall said a full contingent of five board members are desperately needed now. As a result of small-loans-only constraints, the Bank last fiscal year was able to authorize only \$5 billion in financing – a record low.

Another “must have” from Congress is a comprehensive and flexible multi year reauthorization of the Bank in 2019.

Because the Bank is restrained from living up to its potential, the United States is losing the export battle with China, Mr. Hall suggested.

## ***Ex-Im Vs China***

The less-than-fully-charged US Export-Import Bank is losing out against China in expanding exports around the world – and will not be able to catch up until the White House and Congress gives the export credit agency a full contingent of board members – including a chairman, said acting Bank President Charles Hall (WTD, see related report this issue).

Without a board, the Bank is unable to approve export loans and guarantees above \$10 million. China’s three government-run export credit agencies are not under such constraints, Mr. Hall said at the opening session of the Bank’s annual conference.

Bank lending over the past year is at historical lows because of those restraints, the acting Bank President said.

Meanwhile, China’s export loan levels are skyrocketing.

Besides its limits on big loans, the United States is following export credit strictures under multilateral in addition to its own lending disciplines. For instance, Mr. Hall pointed out, the United States is a member of – and adherent to – OECD guidelines on official export credits. The US bank also is forbidden from making loans that can be handled by commercial banks.

China is not hampered by such restraints.

While the United States has a single export credit agency, China has three, with a total work

force of 10,000. Ex-Im has a lending staff of 420.

From total financing in fiscal 2015, the US Bank approved some \$10.6 in exports; China's total was \$576 billion.

What is more amazing, Mr. Hall added, is that China had no export loans as late as 2000.

The situation is all the more stunning because exports are the only variable directly tied to boosting the nation's domestic product. Without exports, economic growth will not happen.

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## ***Lighthizer***

The Senate Finance Committee yesterday opted to put off a vote on the nomination of Robert Lighthizer to be the next US Trade Representative until Congress returns from a two-week break starting today (WTD, 4/4/17).

Finance Chairman Orrin Hatch (R-Utah) and ranking Democrat Ron Wyden (Ore) both expressed optimism that they will be able to reach an accommodation by then that will pave the way for bipartisan support for Mr. Lighthizer.

Committee Democrats are insisting that the Senate approve a waiver for Mr. Lighthizer under federal ethics rules because he did lobbying work for foreign governments in the 1980s when he was in the private sector. Democrats have said they want to use that waiver as a vehicle for action on legislation to extend retirement and health benefits for mine workers. Sen. Hatch, however, has been adamant that the two issues should not be linked.

While both senators spoke of a quick resolution, they seemed to be unclear about details. "I think we've got an agreement that as soon as we come back we will pass him out," Sen. Hatch told reporters. "I don't think we will even need a waiver. The minority seems willing to cooperate on that."

But just minutes later, Sen. Wyden told reporters Mr. Lighthizer's nomination and the waiver must be voted on together by the committee. "The waiver needs to be part of the nomination going forward," he said. "He needs a waiver – it has to go together."

However, Sen. Wyden held open the possibility that Democrats would not insist on tying the mine workers bill to the Lighthizer waiver, saying he had spoken to Democratic Leader Chuck Schumer (NY) about other options.

Finance member Sen. John Thune (R-SD), who is also Republican Conference Chairman, told reporters that the miners bill is likely to be included in the continuing spending resolution that Congress must pass by the end of the month.

Until Mr. Lighthizer is confirmed, it will be difficult for the White House to move forward with plans to renegotiate the North American Free Trade Agreement. Commerce Secretary Wilbur Ross last week said he wanted to send the formal notification to Congress before the two-week break. But Senate Democrats insisted that a USTR be in place before the White House can formally consult with Congress on the renegotiation.

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## ***More on Investment and Trade***

Geneva – A coalition of five countries – Mexico, Indonesia, South Korea, Turkey and Australia – have called for urgent discussions linking trade, investment and development at the World Trade Organization, WTD has learned (WTD, 4/3/17).

In a "job document" issued Tuesday, the five countries said members should discuss issues such as facilitating trade and investment flows, mobilizing trade and investment for development and exploring where multilateral rules could be usefully strengthened or expanded.

The suggestions come close on the heels of a Russian proposal focusing on transparency and domestic regulation as part of a Multilateral Investment Facilitation vehicle.

Like the Russian plan, the latest proposal emphasizes that members must avoid "known sensitivities, particularly around investor dispute settlement and investment protections" while focusing on "investment facilitation" to complement the recently concluded Trade Facilitation Agreement and current discussions on trade facilitation for services.

Investment facilitation elements such as "transparency, predictability and non-discrimination in

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investment policies,” “efficiency and streamlining of administrative procedures to minimize investment barriers” and “international cooperation, capacity-building and technical assistance” must remain as the basis for further discussions, the sponsors stated.

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## ***More on Fisheries***

Geneva – Several World Trade Organization members yesterday urged the chair for the Doha rules negotiations, Wayne McCook, to intensify discussions on fisheries subsidies despite opposition from India that consultations can only proceed on textual proposals submitted by proponents, WTD has learned (WTD, 3/29/17).

Last week, the chair circulated questions on several elements concerning prohibited fisheries subsidies.

India objected, arguing that members must frame questions based on draft textual proposals and not what the chair wants. Except for a negotiating proposal from the European Union, there are no draft legal textual proposals on the table, India maintained.

In a sharp rebuttal to India’s objection, Peru, Panama, Colombia and New Zealand said they will co-sponsor the questions circulated by the chair.

China, Russia, the Africa/Caribbean/Pacific group of nations, least-developed countries, the United States and the EU among others supported the chair’s initiative.

A meeting is set for next Tuesday on the chair’s proposed Fisheries Management System.

At the informal meeting of the Doha rules negotiating body, members offered specific comments on issues raised by Ambassador McCook, such as the scope of the prohibition and various subsidies that are catered for illegal, unreported and unregulated fishing, subsidies adversely affecting over-fished stocks and subsidies contributing to overcapacity or overfishing.

China, which offers a range of fisheries subsidies, said it is prepared to negotiate on several issues, but any outcome must be part of an overall balanced deal covering other issues such as trade remedies.

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## ***Around the Globe***

- U.S. President Donald Trump welcomed Chinese President Xi Jinping to his Florida retreat on Thursday for face-to-face meetings where Trump will raise concerns that Beijing should rein in its trade practices and do more to curb North Korea’s nuclear ambitions, Reuters news service reported from Palm Beach (WTD, 4/6/17). Xi and his wife, Peng Liyuan, drove down a palm-lined driveway past a military honor guard to Trump’s Mar-a-Lago resort in Palm Beach, Florida. They posed for pictures with Trump and his wife Melania before going inside.

The leaders of the world’s two biggest economies were expected to spend some private time together before a dinner with their wives and others, kicking off a summit dominated by trade and foreign policy issues that is set to conclude with a working lunch on Friday. Trump promised during the 2016 campaign to stop what he called the theft of American jobs by China and rebuild the country’s manufacturing base. Many blue-collar workers helped propel him to his unexpected election victory on Nov. 8 and Trump wants to deliver for them.

“We have been treated unfairly and have made terrible trade deals with China for many, many years. That’s one of the things we are going to be talking about,” Trump told reporters traveling with him on Air Force One. Trump, a former real estate magnate, is still finding his footing in the White House and has yet to spell out a strategy for what his advisers called a trade relationship based on “the principle of reciprocity.”

He brought his top economic and national advisers to Florida for the meeting, including Defense Secretary Jim Mattis, Treasury Secretary Steve Mnuchin, and Commerce Secretary Wilbur Ross. A U.S. administration official told Reuters that Washington expects to have to use legal tools to fight for U.S. companies, such as pursuing World Trade Organization lawsuits. “I don’t expect a grand bargain on trade. I think what you are going to see is that the president makes very clear to Xi and publicly what we expect on trade,” a U.S. official told Reuters, speaking on condition of anonymity.

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- The timetable for renegotiating the North American Free Trade Agreement is slipping, and Canada has no idea when the U.S. administration will start the process, a senior Canadian official said on Thursday, Reuters news service reported from Ottawa (WTD, 4/6/17). President Donald Trump says NAFTA has been a disaster for U.S. workers and is threatening to withdraw from the pact unless major changes are made. He must give Congress 90 days' notice under trade law before beginning formal talks.

"Obviously the 90-day notice period has not been given yet so it (giving notice) is slipping somewhat. I have no idea when it will happen," said David MacNaughton, Canada's ambassador to the United States, and a key player on the file. "I keep being assured it's imminent but imminent seems to be dragging on ... we can't control the U.S. process," he told reporters after a private meeting of cabinet ministers and senior officials to discuss the talks.

U.S. Commerce Secretary Wilbur Ross said on March 30 he hoped to start the 90-day countdown by April 7. Trump though does not have a chief trade negotiator in place. In Washington, the Senate Finance Committee on Thursday delayed a scheduled vote on the president's nominee for the job and members will not be able to address the matter again until April 24 at the earliest. Canadian officials say privately they have little idea what the administration intends to do about NAFTA. Although Trump said in February he only wanted to tweak U.S.-Canadian trade, some ideas circulating among policy makers in Washington could badly harm Canada's economy, such as a border tariff and a Buy American policy.

MacNaughton said he did not think a border tax would be imposed, on the grounds that such a measure would cut U.S. jobs and hike the prices for products. Former Conservative Prime Minister Brian Mulroney, a driving force behind the 1994 trilateral deal with the United States and Mexico, said the talks would be tough, especially when it came to rules of origin and mechanisms to settle investor disputes. Asked whether the likely changes would amount to more than Trump's promised tweak, he replied: "I think so." Liberal Prime Minister Justin Trudeau has turned to Mulroney to help smooth ties with Trump and protect exports.

- Roberto Azevêdo, the director-general of the World Trade Organization said that free trade was still the best bet for the global economy and said that it was not yet clear just what policies US President Donald Trump would follow, the German newspaper Handelsblatt reported (WTD, 4/3/17). "I have heard many statements on the part of the US authorities saying trade is a fundamental part of economic policy in the US. What they are concerned about is distortive practices or unfair trade that is being practiced by others," he said in an interview with Handelsblatt. "And that goes for everybody else as well. I haven't heard any leader actually say, 'We need less trade.'"

The director-general added that too little is known about the kind of economic policy that Mr. Trump intends to pursue, noting that Mr. Trump's nominee for the US trade representative, Robert Lighthizer, hasn't even been confirmed yet. "It's one thing to tap into popular sentiment to achieve the goal of an election," he said. "It's another thing to recognize those sentiments and try to actually fix them, address them, not by rhetoric but by actions, by doing things that actually make people feel that they are being cared for."

Mr. Azevêdo said it was difficult to know what Mr. Trump meant exactly when he decried trade practices with the United States as being "unfair." Trade imbalances, he said, are not inherently negative. They are, however, often incredibly complex.

- European Union Trade Commissioner Cecilia Malmström and Australia's Minister for Trade, Investment and Tourism Steven Ciobo, in a phone call concluded discussions on the scope of a potential bilateral free trade agreement, the Commission announced. The preliminary discussions, conducted over the past year between the EU and Australia, aimed to define areas to be covered as well as the level of ambition for a future agreement.

The Commission is currently conducting its assessment of the potential impact that such a trade deal could have for the EU. The study takes into account the agreed scope, new opportunities the agreement could create for EU businesses, as well as sensitivities in the farming sector. As a next step, the Commission will ask Member States for the authorisation to launch formal negotiations and for the specific negotiating directives.

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## Australia

**European Union.** European Union statement on free trade talks with Australia. (available at: <http://trade.ec.europa.eu/doclib/press/index.cfm?id=1643> ) issued: 4/6/17.

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**European Union.** Joint US Treasury and European Union statement on financial regulatory reform forum. (available at: <https://www.treasury.gov/press-center/press-releases/Pages/sm0040.aspx> ) issued:

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**Finance.** Speech by European Union Vice President Dombrovskis on economic and

financial perspectives in the world economy and the EU. (available at: <http://europa.eu/rapid/latest-press-releases.htm> ) issued: 4/6/17.

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**Korea (North).** House debate on legislation making North Korea a sponsor of terrorism. (available in the Congressional Record of April 3 ).

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**Imports.** India report to the World Trade

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**Trade.** Statement by Rep. Kaptur on trade and jobs. (available in the Congressional Record of March 28 ).

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**Lighthizer.** Competitive Enterprise Institute statement on Robert Lighthizer as US Trade Representative. issued: 4/6/17.