

Washington Trade Daily

Volume 28, Number 188

Thursday, September 19, 2019

Optimism on USMCA

House Ways and Means Committee Chairman Richard Neal (D-Mass) indicated he is optimistic about reaching an agreement with the Administration on the US-Mexico-Canada Agreement in a meeting yesterday with senior Democrats, according to Democratic Leader Steny Hoyer (Md).

Democrats still have concerns about language in the USMCA, including on enforcement and biologics, Mr. Hoyer told reporters.

"But we want to get to 'yes,' he said. "We think getting to "yes" is possible. I think our labor friends think that as well. And we're going to be very careful on the enforcement end of it."

Discussions continue between House Democrats and US Trade Representative Robert Lighthizer. Mr. Lighthizer last week presented Democrats with an offer on proposed changes to the deal. Describing the USTR as an "honest broker," Mr. Hoyer said that "we think he's dealing with us in a very forthright way. He has made steps that I think were useful and positive."

Enforcement remains the biggest issue for Democrats, Mr. Hoyer said.

The only reason for Democrats to vote against the USMCA would be to keep President Trump from having a legislative win, Agriculture Secretary Sonny Perdue said yesterday at the annual United Fresh conference.

Separately, the National Foreign Trade Council announced yesterday the formation of the Tariff Reform Coalition, a broad-based organization dedicated to working with Congress to ensure greater Congressional oversight and review of Presidential use of tariff authority.

Members of the coalition include auto, retail, agro-food and manufacturing associations. The group wants to work with Congress on legislation to restore some Congressional authority over tariffs.

Senate Finance Committee Chairman Chuck Grassley (R-Iowa) said yesterday that he continues to work on legislation that would give Congress more say on whether tariffs are imposed on imports on national security grounds under Section 232.

Short-Term ExIm Reauthorization on CR

The House is including a seven-week reauthorization extension for the US Export-Import Bank in its version of a continuing resolution to keep the federal government open in the absence of completion of spending bills.

The House is slated to vote on the continuing resolution today. The bank's authorization is otherwise set to expire at the end of this month.

The seven-week extension – to November 21 – will give lawmakers time to come up with a bipartisan long-term reauthorization bill, House Majority Leader Steny Hoyer (D-Md) told reporters yesterday.

Mr. Hoyer said he would like to see the bank permanently reauthorized.

An effort earlier this year by House Financial Services Committee Chairman Maxine Waters (D-Calif) and ranking Republican Patrick McHenry (NC) fell apart when committee Democrats representing districts in which Boeing has operations objected to the language.

Mr. Hoyer said he is optimistic agreement can be reached on a compromise bill before November 21.

On the Senate side, supporters of the Bank are on board with the short-term extension being included on the continuing resolution.

More Iran Sanctions Coming

President Trump warned yesterday that sanctions on Iran are about to “substantially increase,” in the wake of an attack over the weekend on Saudi oil sites.

The President first raised the threat on Twitter yesterday morning, writing that “I have just instructed the Secretary of the Treasury to substantially increase Sanctions on the country of Iran!”

Speaking to reporters later in the day, Mr. Trump said he will be announcing “very significant sanctions” on Iran within the next 48 hours.

There are “many options” for how to deal with Iran’s action, the President said. The “ultimate option” would be military action against Iran.

Injury from Thai Glycine

The International Trade Commission announced its determination yesterday that a US industry is materially injured by reason of imports of glycine from Thailand that the Commerce Department has determined are sold in the United States at less than fair value.

As a result of the USITC’s affirmative determination, Commerce will issue an antidumping duty order on imports of this product from Thailand.

US imports of glycine from Thailand were valued at \$4.6 million last year.

Separately, the Commerce Department announced its affirmative preliminary determinations in the antidumping duty investigations of imports of acetone from Belgium, South Africa and South Korea.

Commerce found dumping rates of 28.17 percent for Belgium, 45.85 percent for South Africa and 7.67 percent to 47.70 percent for South Korea.

In 2018, imports of acetone from Belgium were valued at an estimated \$51.1 million, South Africa at \$21.8 million and South Korea at \$61.2 million.

Commerce is scheduled to announce the final determinations around December 3. If Commerce’s final determinations are affirmative, the ITC will be scheduled to make its final injury determinations around January 16, 2020.

Cotton Countries Want WTO Action

Geneva – The four cotton-producing West African countries – Benin, Burkina Faso, Mali and Chad – have called for a ministerial agreement at the World Trade Organization for reducing trade-distorting domestic subsidies granted to cotton producers in major industrialized countries such as the United States and developing countries, WTD has learned.

Ahead of the Doha agriculture negotiating body meeting next week, the Cotton-four (C-4) countries circulated a draft ministerial decision on cotton expressing sharp concern that despite the direction given by trade ministers to address cotton “ambitiously, expeditiously and specifically” at the WTO’s sixth ministerial meeting in Hong Kong in 2005, there has been no decision on cotton until now.

Without naming the United States and several other countries that continue to provide trade-distorting cotton subsidies, the C-4 countries stated that “domestic support for cotton by certain WTO Members distorts prices and disrupts international cotton markets, with severe consequences for the economy and society in African cotton-producing countries, in particular the LDCs.”

The C-4 countries proposed draft modalities for sharp reductions in most trade-distorting amber box subsidies based on the current levels of subsidies among WTO member countries. Countries that are currently providing more than \$2 billion aggregate measurement of support (AMS or most trade-distorting support) towards cotton must reduce by 40 percent, while countries with AMS between \$2 billion and \$1 billion must reduce by 35 percent, the C-4 countries proposed.

As regards reduction commitments for developing countries, the C-4 countries proposed that developing countries must reduce by two thirds of the reduction applicable to developed country Members.

On the de minimis payments for cotton, the C-4 countries proposed that “developed and

developing Members shall not grant an accumulated amount of AMS support and support falling within the scope of Article 6(5) of the Agreement on Agriculture to cotton producers exceeding the limit on the monetary amount that is derived from application of de minimis rights established by virtue of Article 6(4) of the Agreement on Agriculture."

The United States and the European Union, who provide blue box (minimally distorting subsidies) support, must reduce "2/3 of the average level of support for this category over the past three (3) years," the C-4 countries said.

Around the Globe

● European Commission President Jean-Claude Juncker said on Wednesday that the risk of a no-deal Brexit on Oct. 31 is now "palpable," sparking a drop in the pound, Bloomberg news service reported. Juncker, speaking to the European Parliament in Strasbourg, France, after a meeting with U.K. Prime Minister Boris Johnson on Monday, said the main sticking point continued to be the so-called backstop to avoid a hard Irish border and demanded that the U.K. provide its proposals for an alternative in written form as soon as possible.

Johnson has said he'll take the U.K. out of the EU at the end of October whether he's obtained a new deal with the bloc or not. But talks have been sluggish and the EU is skeptical about whether the British government can come up with a solution that doesn't breach the bloc's red lines and that can get U.K. parliament approval. The government wants to replace the backstop – which the EU says is necessary to protect peace on the island of Ireland – with new measures that avoid the U.K. staying in a customs union with the bloc. But with only six weeks to go, the government hasn't put forward any formal proposals, EU officials said.

"I called on the prime minister to come forward with operational proposals in writing," Juncker said. "Until such time as those proposals are presented, I will not be able to tell you, looking you straight in the eye, that any real progress has been achieved." A British official said on Tuesday the government is sounding out the bloc on its ideas for the Irish border before submitting its plans in written form.

● The Associated Press news service reported that Britain's top trade envoy said Wednesday that she expected to strike a free trade deal with Australia within months of leaving the European Union. British International Trade Secretary Liz Truss met with Australian Trade Minister Simon Birmingham to lay the foundations for a bilateral trade deal to follow Britain's departure from the E.U. in October.

Asked about the time frame for such a deal, Truss told reporters: "I would definitely say months rather than years." While Australia has taken years to negotiate each of its 15 bilateral and multi-lateral free trade deals, Birmingham was keen to fast-track a new pact with Australia's former colonial master. "We stand absolutely ready to work with the U.K. at the moment they are ready to do so," Birmingham said. Britain is giving priority to negotiating trade deals with the United States, Japan, Australia and New Zealand. Britain is also considering joining the Trans-Pacific Partnership multi-nation trade bloc.

Britain has been part of Australia's negotiation of a free trade deal with the E.U., which began in 2015.

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On the Web.....

Agriculture

Trade Mitigation. House Agriculture Committee ranking Republican Conaway statement on Democrats holding up funding for trade mitigation payments to farmers. (Available at: <http://www.conaway.house.gov>) issued: 9/18/19.

Report. Center for Strategic and International Studies report on the World Trade Organization at a crossroads. (Available at: https://www.csis.org/analysis/wto-crossroad?utm_source=Press&utm_campaign=85ca326b1f-EMAIL_CAMPAIGN_2019_09_18_03_28&utm_medium=email&utm_term=0_7623d157be-85ca326b1f-137094669) issued: 9/18/19.

Imports

Acetone. Commerce Department determination on acetone from Belgium, South Africa and South Korea. (Available at: <http://www.commerce.gov>) issued: 9/18/19.

Thailand. International Trade Commission determination on glycine from Thailand. (Available at: <http://www.usitc.gov>) issued: 9/18/19.

Trade Policy

Tariffs. National Foreign Trade Council announcement of new coalition on tariff reform. (Available at: <http://www.nftc.org>) issued: 9/18/19.

World Trade Organization

Costa Rica. World Trade Organization trade policy review of Costa Rica. (Available at: https://www.wto.org/english/tratop_e/tpr_e/tp492_e.htm) issued: 9/18/19.

Costa Rica. US statement on World Trade Organization trade policy review of Costa Rica. (Available at: <https://geneva.usmission.gov/2019/09/18/u-s-statement-at-the-trade-policy-review-of-costarica/>) issued: 9/18/19.