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A Weekly Report for Business Executives on
U.S. Trade Policies, Negotiations, Legislation,
Trade Laws and Export Controls

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Obama Officials Deny Softening Export Controls on Human Rights

Two Obama administration officials denied claims that export control reforms will loosen export controls applied for human rights and counterterrorism reasons (see **WTTL**, April 8, page 1). In a letter to the editor June 7 to *Arms Control Today*, published by the Arms Control Association, Rose Gottemoeller, acting under secretary of state for arms control and international security, and Eric Hirschhorn, Bureau of Industry and Security (BIS) under secretary, said the prioritization of export controls “does not mean that the administration is lowering its standards for ensuring that export controls prevent human rights abuses or that it is weakening U.S. arms embargoes.”

The two officials stressed that export control reform is a national security initiative and is unrelated to President Obama’s National Export Initiative. They also rejected claims that the administration has not put forward any proposal to ease restrictions on the export of small arms. BIS and State have delayed plans for proposing transfers of arms and ammunition on the U.S. Munitions List (USML) to the Commerce Control List (CCL).

The administration “is considering some consolidation of duplicative requirements that exist today, but this consolidation would not remove the requirement for an export license, regardless of which agency has licensing jurisdiction,” the pair wrote. “Possible consolidation into one set of requirements is a commonsense approach that would make more efficient use of government resources and would ensure greater consistency and visibility for all agencies involved in the licensing and enforcement process,” they wrote.

Administration officials claim information in the previous article in *Arms Control Today* contained incorrect information and suggested it was authorized by the American Bar Association Center for Human Rights, which it was not. The premise of the article claimed “we only deny licenses for human rights reasons if they are subject to the Foreign Assistance Act. That’s just wrong. We have denied Commerce license applications for human rights reasons for decades,” one senior official told **WTTL**.

Obama Requests Fast-Track Authority, Froman Announces

Michael Froman, President Obama’s nominee to be the next U.S. Trade Representative (USTR), came prepared with answers on trade issues to his June 6 confirmation hearing

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before the Senate Finance Committee. His most important answer, according to committee staffers, was his statement that the president was now formally asking Congress to renew his fast-track negotiating authority, also known as Trade Promotion Authority (TPA).

“Does this mean the president himself is requesting renewal of Trade Promotion Authority?” Finance Chairman Max Baucus (D-Mont.) asked. “Yes, Mr. Chairman,” Froman responded. Later, Froman declined to say whether the White House would submit its own TPA bill with its own views on the legislation. Instead, he said the administration wants to “engage” with lawmakers on the content of a new fast-track bill.

While almost all the members of the committee, including Ranking Member Orrin Hatch (R-Utah), said they support Froman’s nomination, Hatch opened the hearing with a dig at President Obama’s “hypocrisy” in criticizing Mitt Romney’s offshore bank accounts and Wall Street bonuses. He noted that Froman has money in a Cayman Island investment fund and received \$5 million in bonuses while working for Citigroup during the financial crisis. Froman said the account is a investment partnership fund in which all gains and losses are passed on to investors through a K-1 statement. “I pay every penny of taxes due on that fund. I am not aware of any tax benefit I have received by virtue of investment in that fund,” Froman told the committee.

Among the many issues Froman addressed at the hearing were:

USTR Staff Morale: “It will be a very high priority, if I am confirmed,” Froman said. “My experience is that staff tend to have high morale when they feel they are working on something important and their work is valued,” he observed. Trade talks with the Pacific, Europe and in the World Trade Organization (WTO) will give them “a sense of mission” and “an opportunity to make improvements in morale,” he added.

Textiles: In talks on the Trans-Pacific Partnership (TPP), “the yarn-forward rule is a central part of our approach on textiles,” he said. “We have made clear that in regard to textiles, we have clear rules of origin, we have yarn-forward at the center, we also need mechanisms to insure there is no transshipment,” Froman told Sen. Richard Barr (R-N.C.).

Solar Energy: Froman confirmed that the U.S. is having discussions with the European Union (EU) and China on a global agreement to deal with trade in solar energy products and that he supports a global settlement on trade in these products and the use of trade retaliation. “There have been some initial discussions with both the European market and China on how to deal with this on a global basis,” Froman told Sen. Ron Wyden (D-Ore.). Wyden told Froman: “I want you to own these negotiations.”

Financial Services: Froman made clear that regulation of financial services will not be part of the Trans-Atlantic Trade and Investment Partnership (TTIP) negotiations, while market access will be. “There is nothing that we are going to do in free trade agreements to weaken our financial services regulations or roll back Dodd-Frank or to roll back the efforts of the administration and Congress worked on in the last four years to reform our financial regulatory system,” Froman declared. “Obviously, financial services are a key part of our economic relationship. There are market access issues and there are regulatory issues. We believe market access issues should be part of the negotiations,” he said. Negotiations, led by Treasury, among several international financial regulators “ought to continue in parallel, not in the [TTIP] negotiations, but in parallel alongside the negotiations,” he said. At the end of the TTIP negotiations, the results of the parallel talks then can be reviewed, he added.

India: Committee members raised concerns about India’s protectionist policies in such areas as drug patents, indigenous innovation, investment and intellectual property rights, with some suggesting that India lose its eligibility for the General System of Preferences (GSP). “There are a number of concerning developments regarding the innovation and investment environment,” Froman admitted. “These are issues we need to pursue at every level,” he said. Froman, however, said India’s GSP status should be discussed after the GSP program, which expires July 31, is renewed. The committee’s questions came as 17 trade groups wrote to President Obama June 6 to complain about India’s “unacceptable” policies.

China: Compared to India, China got little attention from committee members. “We have no greater issue on our trade agenda than our relationship with China,” Froman said. He also addressed concerns about Beijing’s manipulation of its currency. Currency “obviously is high on the agenda,” he said.

Japan: Froman faced questions about Japan’s participation in the TPP and specifically about the sharp depreciation of the yen in the last nine months. Sen. Rob Portman (R-Ohio) noted that the yen has depreciated 30% since October, giving \$30,000 Japanese cars in the U.S. market a \$6,000 price advantage. “No one cares more about the health of the U.S. auto industry than President Obama,” Froman said. He said Washington and Tokyo addressed the issue before the U.S. agreed to welcome Japan into the TPP talks and separate parallel negotiations will continue with Japan on market access issues, including on insurance.

Twenty Countries Still Exempt from Iran Sanctions

Just days after the Obama administration tightened sanctions on Iranian petrochemical and auto industries and more firms, Secretary of State John Kerry renewed exceptions from Iranian sanctions June 5 for nine countries that have reduced their oil purchases from Iran. The exceptions for China, India, Malaysia, South Korea, Singapore, South Africa, Sri Lanka, Turkey, and Taiwan were “based on additional significant reductions in the volume of their crude oil purchases from Iran or for reducing those purchases to zero and remaining there,” he said in a statement (see related story below).

Kerry applied Section 1245 of the National Defense Authorization Act (NDAA) to continue exceptions that have been in place since the statute went into effect in 2012. His action precludes sanctions on financial institutions in those countries for a potentially renewable period of 180 days.

Earlier this year, Kerry renewed the exception for 11 other countries -- Japan, Belgium, the Czech Republic, France, Germany, Greece, Italy, Netherlands, Poland, Spain, and the United Kingdom. The European countries qualified for the exception “because they have not purchased Iranian oil since July 1, 2012, pursuant to a decision made by the whole of the European Union in January 2012,” Kerry said March 13.

While China’s exception was renewed the U.S. still has concerns about Chinese purchases of Iranian oil. At a Senate Banking Committee hearing June 4 on Iran sanctions, Under Secretary of State for Political Affairs Wendy Sherman said China’s purchases of Iranian oil will be on the agenda for a meeting President Obama will have with Chinese President Xi in California June 7-8 (see **WTTL**, March 26, 2012, page 3).

Executive Order Targets Iranian Auto Sector, Rial Trade

The U.S. is moving to make the Iranian currency, the rial, unusable anywhere in the world. New sanctions that are part of an executive order (E.O. 13645) that President Obama issued June 3 would hit any foreign financial institution that knowingly conducts or facilitates transactions in rials or maintains rial accounts. The order also aims to block auto production in Iran and would authorize sanctions against any person that materially aids any Iranian person on Treasury’s list of Specially Designated Nationals or Blocked Persons. The new sanctions will go into effect July 1.

Among the sanctions that may be imposed under the order on anyone that violates the restrictions on supporting Iran’s auto industry are: denial of Export-Import Bank loans or insurance; the prohibition on export or reexport licenses for goods or technology to sanc-

tioned persons; the barring of foreign financial institutions from being primary dealers of U.S. bonds; ending eligibility for U.S. government procurement; and denying visas for officers, principles or shareholders with controlling interest in sanctioned person. Separately, Treasury issued new sanctions May 31 and June 4 against Iran's petrochemical industry and a network of front companies controlled by the Iranian government.

Concern about foreign participation in Iran's auto industry was raised by human rights groups at a House hearing in May 2012 (see **WTTL**, May 21, 2012, page 3). Witnesses cited General Motors, which owns a share of France's Peugeot, an auto maker that still does production in Iran, as well as Nissan, which manufactures cars in Iran.

"While the rial has lost half of its value since the beginning of 2012 as a result of our comprehensive sanctions, this is the first time that trade in the rial has been targeted directly for sanctions," said a White House statement announcing the new executive order. The sanctions would hit those that knowingly engage in significant financial or other transactions for the sale, supply or transfer to Iran of significant goods or services used in connection with Iran's automotive sector and build on "sectoral sanctions in the Iran Freedom and Counter-Proliferation Act of 2012 (IFCA) that target Iran's shipping, shipbuilding, and energy sectors," it noted.

At a Senate Banking Committee hearing June 4 on Iran sanctions, Under Secretary of State for Political Affairs Wendy Sherman urged caution on legislation that would aim to bring Iranian oil exports to zero. "We have to be thoughtful" in drafting such a bill because drastic sanctions might weaken foreign support for reducing oil trade with Iran. "We have to keep the coalition together," she told the committee. She said the administration also opposes proposals that would sanction natural gas exports from Iran, saying it would be disruptive to Iran's neighbors, Turkey, Turkmenistan, Azerbaijan and Armenia. More information on the impact of such a proposal is classified, she said.

At the hearing, David Cohen, under secretary of Treasury for terrorism, defended his department's prosecution of banks that violate Iranian sanctions and its use of deferred prosecution agreements (DPAs). Sen. Elizabeth Warren (D-Mass.) cited e-mails she had obtained from Ralph Nader's Public Citizen that suggested the DPA with HSBC Bank was rushed to beat out a potential prosecution by the New York State Department of Financial Services and that Treasury was concerned about the "atmospherics" of the case. Cohen called the e-mails "inaccurate."

White House Patent Initiative Includes Section 337 Proposals

A White House initiative announced June 4 to prevent abusive litigation by Patent Assertion Entities (PAEs) or "patent trolls" includes provisions that would change procedures the International Trade Commission (ITC) follows in the enforcement of unfair trade practices under Section 337 of the Trade Act. The plan includes a combination of five executive measures the president intends to take and seven proposals for legislation. The White House also released a joint report by the National Economic Council and the Council of Economic Advisers, "Patent Assertion and U.S. Innovation," detailing the "challenges posed and necessity for bold legislative action." One executive step aims to strengthen the ITC's enforcement process for exclusion orders and improving coordination with Customs and Border Protection. "Implementing these orders present unique

challenges given these shared responsibilities and the complexity of making this determination, particularly in cases in which a technologically sophisticated product such as a smartphone has been successfully redesigned to not fall within the scope of the exclusion order,” a White House statement noted. “To address this concern, the U.S. Intellectual Property Enforcement Coordinator will launch an interagency review of existing procedures that CBP and the ITC use to evaluate the scope of exclusion orders and work to ensure the process and standards utilized during exclusion order enforcement activities are transparent, effective, and efficient,” it said.

Two legislative proposals would “change the ITC standard for obtaining an injunction to better align it with the traditional four-factor test in *eBay Inc. v. MercExchange*, to enhance consistency in the standards applied at the ITC and district courts” and “ensure the ITC has adequate flexibility in hiring qualified Administrative Law Judges.”

The report from the two White House councils cites several other reports that tried to measure the cost of defending high-technology patents. “Between \$15-20 billion was spent on patent litigation and patent purchases in the smartphone industry from 2010-2012,” it noted. “And in 2011, spending by Apple and Google on patent litigation and patent acquisitions exceeded spending on research and development of new products, according to public filings,” it cited from another report. “Indeed, Google’s \$12.5 billion purchase of Motorola, according to its own statements, was undertaken in large part to prevent patent suits from competitors,” it said, quoting a third report.

The report also cited recommendations in a policy statement that Justice and the Patent and Trademark Office issued in January 2013 on ITC’s handling of Section 337 cases where a patent holder has voluntarily agreed to license the patent on reasonable and non-discriminatory (RAND) terms or fair, reasonable, and non-discriminatory (FRAND) terms while participating in standards-setting activities at a standards-developing organization.

The ITC’s approach to handling patents covered by F/RANDs that are “essential to a standard will be important to the continued vitality of the voluntary consensus standards-setting process and thus to competitive conditions and consumers in the United States,” the Justice-PTO paper said. “In an era where competition and consumer welfare thrive on interconnected, interoperable network platforms, the DOJ and USPTO urge the USITC to consider whether a patent holder has acknowledged voluntarily through a commitment to license its patents on F/RAND terms that money damages, rather than injunctive or exclusionary relief, is the appropriate remedy for infringement,” the report recommended.

After applying its “public interest” mandate, the ITC may conclude “that exclusion orders are inappropriate in the circumstances described in more detail above. Alternatively, it may be appropriate for the USITC, as it has done for other reasons in the past, to delay the effective date of an exclusion order for a limited period of time to provide parties the opportunity to conclude a F/RAND license,” it added. “Finally, determinations on the appropriate remedy in cases involving F/RAND-encumbered, standards-essential patents should be made against the backdrop of promoting both appropriate compensation to patent holders and strong incentives for innovators to participate in standards-setting activities.”

The same day the initiative was launched, the ITC issued a limited exclusion order prohibiting Apple from importing “wireless communication devices, portable music and data processing devices, and tablet computers that infringe” Samsung’s patent and a cease

and desist order against Apple, “prohibiting the sale and distribution within the United States” of those articles. The orders cover AT&T models of the iPhone 4, iPhone 3GS, iPhone 3, iPad 3G, and iPad 2 3G, and now go to President Obama for review. The orders also are likely to face appeal to the Court of Appeals for the Federal Circuit if they do go into effect.

Bali Proposals Need to Make Progress by End of July, Lamy Warns

Some but not enough progress is being made in WTO negotiations on the three main proposals to be presented at the WTO ministerial conference (MC9) in Bali, Indonesia, in December, WTO Director-General Pascal Lamy warned June 3. “Since our April meeting, the continuous intensive process in negotiating groups has started to bear some incremental progress,” he told an informal meeting of the WTO Trade Negotiations Committee (TNC). “But on the negotiating mode, we are yet to see the kind of flexibilities that are needed in an end-game negotiation,” he said.

“We have about 40 working days left before the end of July, which I see as the last petrol station before the Bali highway. We must make substantive advances in this period if we are to have any chance of successfully delivering in Bali and preparing a post Bali roadmap,” Lamy said.

Lamy reported that more flexibility is being shown in talks on a proposal from less developed countries (G-33) on food security, a proposal the U.S. has strongly opposed (see **WTTL**, April 1, page 5). While “elements of political convergence” have begun to surface a communique on the subject, views on amendment or interpretation of existing agriculture disciplines “span a range of different options, none of which is the subject of any consensus at this stage,” Lamy said.

Although some progress is being made on a proposal to address trade facilitation and a batch of brackets have been removed from a draft text, “the progress that is being made is still not fast enough to provide assurance that we are on track to produce a good result for MC9,” he said. “The key issue is how to build consensus, especially on those areas which require a higher level of political intervention such as customs cooperation and transit, as well as on other issues such as pre-shipment inspection, customs brokers and consularization fees,” he reported.

Lamy said work has intensified on the application of “special and differential treatment” for less developed countries in meeting obligations, but negotiators “need to show similar progress in the six Agreement-specific proposals, relating to the Sanitary and Phytosanitary Measures Agreement and the Import Licensing Procedures Agreement to present a credible development package to Ministers in Bali,” he said.

Lamy also commented on a proposal circulated May 31 by less developed countries on a package for Bali to address four areas: implementation of the Hong Kong DFQF (duty-free, quota-free) Decision; preferential rules of origin; cotton; and continuation of the LDC Services Waiver. He said consultations will begin on the proposal.

Lamy also noted a new proposal that advanced developing countries (G-20) recently submitted on agriculture export competition. “The preliminary and varying reactions to this proposal indicate that a more in-depth exchange of views to seek to identify the way

forward is urgently required and the Chair will be working in this direction,” he said. In the proposal and “in a spirit of flexibility and pragmatism,” the G-20 has “decided to endorse an ‘incremental approach’ for the progressive elimination of all forms of export subsidies, whereby an intermediate commitment will be taken as a ‘down payment’ before full implementation,” the group said.

A stronger reaction to the G-20 proposal came from the EU Ambassador to the WTO, Angelos Pangratis. “The EU remains concerned by the situation and particularly by the decision of some members to add one more difficult element to the puzzle, which is very seriously overloading the boat to Bali and could easily sink it,” he said at the TNC meeting.

“The G-20 proposal on Export Competition comes at a very bad time and it is extraordinarily unbalanced in a way that is difficult to comprehend. I take note of the statement of the G-20 of today, but from what we can understand now, they again do not seem to address the issue of profound imbalance. This being said, the EU remains ready to explore ways of emphasizing at MC9 the importance of addressing Export Competition issues in the broader framework of agriculture negotiations,” Pangratis said.

UN Opens Arms Trade Treaty for Signature

The U.S. was not among the 67 United Nations (UN) members that signed the Arms Trade Treaty (ATT) at a UN special event June 3 to mark the opening of the pact for signature. “The United States welcomes the opening of the Arms Trade Treaty for signature, and we look forward to signing it as soon as the process of conforming the official translations is completed satisfactorily,” said Secretary of State John Kerry in a statement. “The ATT will not undermine the legitimate international trade in conventional weapons, interfere with national sovereignty, or infringe on the rights of American citizens, including our Second Amendment rights,” he declared.

The ATT, which was adopted April 2, “is not a perfect treaty – as no multi-lateral treaty can ever be perfect,” said Angela Kane, UN High Representative for Disarmament Affairs, at the signing event. “But it certainly is a robust treaty. It covers a wide array of weaponry, including small arms. It includes ammunition as well as parts and components within the treaty,” she noted.

“It clearly prohibits exports of arms and ammunition in violation of Security Council arms embargoes or that could be used against civilians and in the commission of serious violations of international law,” she said. “It requires states to regulate arms brokering and to assess the risk that exports of arms and ammunition would be used in the commission of grave violations of international humanitarian law or human rights law. And it encourages international cooperation and assistance in order to ensure that all States Parties will have the information and the capacity to implement the Treaty,” Kane stated.

Industry Groups Call for Reform to Sugar Program

Legislation to reform the U.S. sugar program is needed to address higher prices and excess supply, according to a report released June 3. The proposed “Sugar Reform Act” (H.R. 693/S. 345), introduced in both houses of Congress, was defeated when offered in the

Senate as an amendment to the pending 2013 Farm Bill May 22 (see **WTTL**, May 27, page 7). “We have our work cut out for us to tell our story,” said Tom Earley, vice president of Agralytica, a Virginia-based food research firm that wrote the report. “We’ve always been more optimistic in the House,” he told reporters June 3.

“Changes to the sugar program in the 2008 farm bill made a bad program even worse and have destabilized the US sugar market,” the report asserted. “The bill increased price supports, restricted USDA’s ability to adjust import quotas, and guaranteed that taxpayers would subsidize the disposal of any surpluses that arose by converting them to fuel ethanol,” said the report, sponsored by the Coalition for Sugar Reform, an alliance of consumers, food and beverage manufacturers, environmentalists and trade associations.

“We need a sugar policy that rolls back the changes made in the 2008 bill and strikes a fair balance between the interests of consumers and the interests of producers,” the report noted. The proposed bills would repeal unnecessary trade restrictions, including the setting of import quotas; repeal the Feedstock Flexibility Program; eliminate higher price support levels; reform domestic supply restrictions to provide more flexibility to the Agriculture Department to administer quotas.

U.S. Sanctions on Iranian Front Companies, Petrochemical Firms

In addition to an executive order hitting Iran’s financial and auto sectors, the Obama administration continued its efforts to put the squeeze on Iranian front companies, petrochemical and aircraft firms that do business with designated entities. Treasury June 4 blocked 37 companies that operate under the umbrella of the Execution of Imam Khomeini’s Order (EIKO) (see related story page 3).

EIKO oversees a labyrinth of 37 “ostensibly private businesses, many of which are front companies,” Treasury noted. “Even as economic conditions in Iran deteriorate, senior Iranian leaders profit from a shadowy network of off-the-books front companies,” said Under Secretary for Terrorism and Financial Intelligence David S. Cohen in a statement.

Three days earlier, the administration imposed sanctions on evaders, eight petrochemical firms and airline suppliers. Treasury and State imposed concurrent sanctions May 31 on Cyprus and Ukraine-based Ferland Company Limited because it has “facilitated deceptive transactions for or on behalf of” the National Iranian Tanker Company, which Treasury identified as a Government of Iran entity in July 2012. The deceptive actions included the ship-to-ship transfers of oil between three oil tankers at sea to hide the origin of the oil.

Under the Treasury sanctions, transactions with Ferland that are subject to U.S. jurisdiction are generally prohibited, including transactions by U.S. persons, wherever located. The State sanctions against Ferland prohibit: U.S. visas for corporate officers, loans from U.S. financial institutions, financial transactions subject to U.S. jurisdiction, transactions with respect to property and interests in property under U.S. jurisdiction, and foreign exchange transactions subject to U.S. jurisdiction, the department said.

Treasury also identified eight Iranian petrochemical companies that are owned or controlled by the government of Iran. At the same time, it designated four companies in

Kyrgyzstan, Ukraine and the United Arab Emirates (UAE) for leasing and selling aircraft to Mahan Air and Iran Air in an “attempt to circumvent sanctions and support Iran’s worldwide illicit activities,” Treasury noted. The sanctions cover Kyrgyz Trans Avia, Ukrainian-Mediterranean Airlines and Bukovyna Airlines and Sirjanco Trading LLC.

Ecuador Still Hoping for Renewal of Trade Preferences

Ecuadorian farmers handed out free roses a few blocks from the U.S. Senate as part of a lobbying campaign to win congressional renewal of the Andean Trade Preferences Act (ATPA), which is set to expire July 31. The farmers said they recognize the effort might be futile due to their country’s legal battle against Chevron on oil pollution and enmity caused by anti-American statements by its president, Rafael Correa Delgado. Congressional sources say there is no expectation that Congress will renew the ATPA. Ecuador is the last ATPA beneficiary, with Peru and Colombia, its previous participants, now enjoying free trade agreements with the U.S.

As an alternative to ATPA, the rose growers say they hope roses from Ecuador could become eligible for GSP treatment, a less attractive approach since that could mean more competition from new suppliers. Ecuador’s GSP status is under review by the USTR’s office (see **WTTL**, March 25, page 2).

To support renewal of ATPA, Ecuador has launched a public relations campaign called, “Keep Trade Going,” with a website that urges visitors to sign a petition to Congress to renew the law. “Tell Congress not to let special interests put our future at risk,” the website says. “Special interests are threatening American jobs and security by seeking to end U.S.-Ecuador trade preferences on July 31, 2013. U.S. trade with Ecuador is good for jobs, good for women, and good for security.” it asserts. As part of the campaign, Ecuadorian rose growers donated 140,000 roses for distribution at Arlington National Cemetery on Memorial Day.

Ecuador’s ambassador to the U.S., Nathalie Cely, also is pressing for ATPA renewal. At the Harvard Club in New York City May 20, she stressed the growth of Ecuador’s economy in the last four years and its continuing trade with the U.S. Bilateral trade in 2012 totaled \$17.15 billion and more than doubled in the last four years. “The growth of Ecuador’s economy since 2008 is superior to Colombia, Chile, México, and Brazil,” she said, according to an embassy press release. “We are ready to compete on the global stage... and go back to financial markets,” Cely declared.

Obama-Xi Meeting Seen as “Tone-Setter,” Business Group Says

The U.S. business community was expecting “few deliverables” from a weekend meeting June 7-8 between President Obama and Chinese President Xi Jinping in California. US-China Business Council (USCBC) President John Frisbie told reporters June 6 the summit could be “important as a tone-setter.” The meeting is “50% successful already just by scheduling it and being there, but the other 50% is clearly also important,” Frisbie said. “The other 50% is how the conversation goes,” he clarified.

“There will be few deliverables, but the meeting will allow more to be delivered in the future,” Frisbie said. “Even if this weekend sees few deliverables, however, I expect the

conversations will likely tee up some of the deliverables that we may see a month later at the S&ED [Strategic and Economic Dialogue]. I sort of view this meeting of the presidents and the S&ED as a package when we look at what might result,” he said. Frisbie said U.S. business hopes the presidential meeting and the S&ED will discuss investment barriers, such as ownership restrictions, cybersecurity, intellectual property rights, Beijing’s auto initiative, a variety of market access issues, import tariffs, government procurement and how U.S. firms can compete with Chinese companies.

House Urges Obama to Include Currency Efforts in TPP

Japan’s devaluation of the yen has become as much a focus of congressional ire as China manipulation of its currency. Complaints about currency manipulation stepped up a notch June 6 when 230 House members sent a letter to President Obama, insisting that on new rules against currency manipulation be included in the Trans-Pacific Partnership (TPP) negotiations. Now that Japan is part of those negotiations, the depreciation of the yen in the last nine months has become even more important.

“Undervalued exchange rates allow other countries to boost exports of their products and to impede exports of ours. They also contribute to trade imbalances and market access limitations that make it difficult for U.S. companies to compete in foreign countries,” the letter said.

The letter “has sent a clear message that there is no point in negotiating a TPP agreement to eliminate import duties if countries are allowed to effectively reimpose those duties by manipulating their currencies, even before the ink is dry on the agreement text,” House Ways and Means Committee Ranking Member Sander Levin (D-Mich.) said in a statement. Levin reintroduced his Currency Reform for Fair Trade Act (H.R. 1276) in March with 100 cosponsors. That bill would amend the Trade Act to allow countervailing duties to be imposed to retaliate against subsidies based on the “fundamentally undervalued currency” of any foreign country. So far, Ways and Means Chairman Dave Camp (R-Mich.) has blocked the legislation from moving through his committee.

Froman Promises Decision on Bangladesh GSP in June

At his Senate Finance Committee confirmation hearing June 6 to be the next USTR, Michael Froman said the USTR’s office intends to issue a decision by the end of June on a petition that has been pending since 2007 to strip Bangladesh of its eligibility for the Generalized System of Preferences (GSP). The petition is now the subject of interagency discussions, he said. As Froman was testifying, Assistant USTR for Labor Lewis Karesh was testifying a few floors away at a Senate Foreign Relations Committee hearing on Bangladesh. Karesh also promised a decision on the country’s GSP status this month.

Even before the death of 1,000 garment workers in the collapse of Rana Plaza building, the USTR’s office had stepped up work on the AFL-CIO petition, which alleged serious shortcomings in the government of Bangladesh’s recognition of worker rights. “Despite our many efforts with Bangladesh, beginning in late 2012 the USTR-led GSP Subcommittee grew increasingly concerned that the worker rights situation in Bangladesh was in fact deteriorating and concluded that the situation warranted consideration of possible withdrawal, suspension, or limitation of Bangladesh’s trade benefits under GSP,” Karesh said

in his prepared statement. In January, the USTR published a Federal Register notice seeking comments on the country's GSP eligibility and held a public hearing March 28 (see **WTTL**, Jan. 14, page 6). Although the U.S. imported \$4.9 billion in merchandise, mostly clothing, from Bangladesh in 2012, only \$35 million was subject to GSP benefits. Leading GSP-covered imports include tobacco, ceramics, plastic products, sporting equipment, and non-apparel textiles such as national flags and rugs. Apparel isn't eligible for GSP.

U.S. officials are working with Bangladesh to seek a resolution of the GSP issue. "The United States, through our trade relationship and trade programs, and through our diplomatic and development policies, has an important interest in seeing Bangladesh succeed in addressing the labor challenges it faces and continuing to grow and prosper economically. The Administration is committed to working with the government of Bangladesh and other stakeholders to achieve these goals," Karesh said.

*** * * Briefs * * ***

TRADE FIGURES: U.S. merchandise exports in April increased 0.6% from year ago to \$131.1 billion, Commerce reported June 4. Services exports increased 4.25% to \$56.3 billion from April 2012. Goods imports went down 2.2% from April 2012 to \$189.7 billion, as services imports gained 2.8% to \$38 billion.

EXPORT ENFORCEMENT: Six Thai and U.S. citizens were arrested weekend of June 1 for conspiracy to violate Arms Control Export Act (AECA) and attempting to violate AECA by exporting more than 240 shipments of restricted firearms parts, including magazines for .45 caliber handguns, to Thailand without licenses. Indictment of Nares Lekhakul, Naris Lekhakul, Witt Sittikornwanish, Wimol Brumme, Sangsit Mowanna, and Supanee Saenguthai was unsealed June 3 in Seattle U.S. District Court.

STEEL RAIL TIE WIRE: In 6-0 preliminary vote June 7, ITC determined imports of allegedly dumped prestressed concrete steel rail tie wire from China, Mexico and Thailand may be injuring U.S. industry.

EX-IM BANK: Senate Banking Committee voted 20-2 June 6 to approve nomination of Fred Hochberg for second term as chairman and president of Export-Import Bank (see **WTTL**, May 13, page 5). Two no votes came from Sens. Tom Coburn (R-Okla.) and Pat Toomey (R-Pa.).

TRADE PEOPLE: Candace Goforth has left State, where she was director of DDTC's Defense Trade Control Policy Office, to become managing director at Goforth Trade Advisors LLC. She can be reached at Candace@goforthandexport.com or (703) 722-8116.

BALL BEARINGS: CIT Judge Timothy C. Stanceu issued ruling June 6, upholding in part and remanding in part ITA's 21st administrative review of antidumping duty order on tapered roller bearings (TRBs) and parts from China (slip op. 13-72). "The court orders a second remand to address another issue in this case, which is whether Commerce acted lawfully in determining that certain TRBs processed in Thailand using Chinese-origin parts should be considered to be merchandise subject to the antidumping duty order," Stanceu wrote.

KAZAKHSTAN: Chairman of Working Party on Kazakhstan's WTO accession urged group June 5 to "accelerate the pace of technical and substantive work" to deliver accession by Bali ministerial. "Collectively, we need to build on the progress under way, redouble our efforts and focus on tying up the remaining loose ends as quickly as possible," he said. Russia also called for working party to establish timeline for completion. At meeting, Working Party identified areas for further improvements, including bilateral market access negotiations on services and goods.