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President Changes Course, Will Impose Remaining Chinese Tariffs

In a case of political whiplash the day after U.S officials returned from a negotiating trip to Shanghai that the White House called "constructive" and "positive," the president Aug. 1 announced on Twitter he would impose 10% tariffs on almost all remaining Chinese imports that the administration first proposed in May.

> Of course, as observers were quick to note, the president could lift these threatened tariffs even before the ink on a Federal Register notice is dry, as he did with proposed duties on Mexican imports (see **WTTL**, June 3, page 1). But the threat of such tariffs amidst an ongoing trade war, however, caused global markets to sink and the Federal Reserve to lower interest rates.

"We thought we had a deal with China three months ago, but sadly, China decided to re-negotiate the deal prior to signing. More recently, China agreed to buy agricultural product from the U.S. in large quantities, but did not do so," the president tweeted. The tariffs on $300 billion of Chinese goods will go into effect Sept. 1

In response, a Chinese Ministry of Commerce (MOFCOM) spokesperson said in a statement that "the Chinese side is strongly dissatisfied and resolutely opposed. If the U.S. imposes tariff measures and implements them, China will have to take necessary countermeasures to resolutely defend the core interests of the country and the fundamental interests of the people. All the consequences will be borne by the U.S."

USTR Has No Beef with EU Quota Deal

In a fancy signing ceremony at the White House Aug. 2, the U.S. and European Union (EU) celebrated an agreement to increase the U.S.' duty-free share of the EU's beef market. Under the deal, American ranchers will have an initial tariff-rate quota (TRQ) of

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18,500 metric tons, which will increase to 35,000 metric tons over the next seven years. Under the current agreement, U.S. duty-free beef exports to the EU are 13,000 metric tons annually and "risked declines going forward," the U.S. Trade Representative (USTR) said in a statement. "American ranchers will be guaranteed a bigger share of Europe's beef market, with annual duty-free exports expected to grow from $150 million to $420 million when the agreement is fully implemented," it added.

> The EU was a bit more circumspect in its own statement. The two partners signed "an agreement reviewing the functioning of an existing quota to import hormone-free beef into the EU," the EU said. "The overall volume of the quota opened in 2009 remains unchanged, just like the quality and safety of beef imported into the EU, which will remain in compliance with the high European standards," it added. The EU Council in July approved the deal, which now moves to its Parliament for formal ratification.

EU members in October 2018 approved consultations with the U.S. to review the functioning of the existing quota to import hormone-free beef into the EU (see **WTTL**, Oct. 22, 2018, page 5). "This negotiation will not entail any changes to the level of the existing quota or the quality of beef imported into the EU," EU Agriculture Commissioner Phil Hogan said in a statement at the time.

Beef industry groups welcomed the deal. "For many years it has been difficult for us to sell our high-quality U.S. beef to European consumers because of the restrictive tariff and non-tariff barriers, but the establishment of this 35,000 metric ton duty-free quota sends the signal to America's cattle industry that Europe is ready for U.S. beef," Jennifer Houston, president of the National Cattlemen's Beef Association (NCBA), said.

Lawmakers, Industry Groups Hold Breath on Chinese Tariffs

Industry groups and lawmakers responded almost immediately and predictably to the president's Aug. 1 announcement of 10% tariffs on the remaining Chinese imports. The National Council of Textile Organizations (NCTO) welcomed the tariffs, especially the inclusion of finished goods, "which have had the most significant impact and disruption on domestic textile and apparel production, investment and jobs," the group said.

Other groups were skeptical. Scott Paul of the Alliance of American Manufacturing (AAM) tweeted: "Tariffs on more Chinese imports may well give U.S. negotiators leverage in the trade talks, but recent history shows otherwise. These talks have failed American workers. Will the new tariffs be a game changer? I'm not holding my breath, but I'd like to see progress."

Sen. Ron Wyden (D-Ore.) disagreed with the administration's action. "The tariffs announced today will raise costs on everything from computers to backpacks to clothes as kids go back to school, without any reason to think that it will make China stop stealing our technology and undercutting American jobs," he said in a statement.

The American Apparel & Footwear Association (AAFA) expressed its "deep frustration" with the move. "The fact that this tweet comes after only one meeting with the Chinese delegation following the resumption of talks is extremely concerning. It is time for Congress to step up and take back its authority to manage international trade as outlined under the U.S. Constitution," AAFA president and CEO Rick Helfenbein said.

> USTR Robert Lighthizer and Treasury Secretary Steven Mnuchin returned from Shanghai July 31, a day before the president's announcement. "The two sides discussed topics such as forced technology transfer, intellectual property rights, services, non-tariff barriers, and agriculture. The Chinese side confirmed their commitment to increase purchases of United States agricultural exports. The meetings were constructive, and we expect negotiations on an enforceable trade deal to continue in Washington, D.C., in early September," the White House press secretary said in a statement that day.

MOFCOM echoed that sentiment in its own statement. "The two sides conducted frank, efficient and constructive in-depth exchanges on major issues of common interest in the economic and trade field. The two sides also discussed that China will increase its procurement of U.S. agricultural products according to domestic needs and the U.S. will create favorable conditions for procurement," it said.

Chinese Billionaire Indicted for Evading Aluminum Antidumping Duties

A federal grand jury July 30 unsealed an indictment in Los Angeles U.S. District Court against Asia's largest aluminum extrusion company China Zhongwang Holdings Limited; Zhongtian Liu, the company's former president and chairman; and several others for evading $1.8 billion in antidumping and countervailing duties (AD/CVD) on extruded aluminum from China.

Aluminum Extrusions Fair Trade Committee (AEC) was the petitioner in the original AD/CVD case, and China Zhongwang Holdings Ltd. was the main target, though Commerce extended its investigation to all Chinese producers (see **WTTL**, July 31, 2017, page 5).

In addition to Liu and China Zhongwang, the other defendants charged in the indictment were: Chinese national Zhaohua Chen; Xiang Chun Shao, also known as Johnson Shao, most recently of Irvine, Calif., who managed the Southern California businesses that pretended to be independent third parties; Ontario-based Perfectus Aluminium Inc., which was controlled by Liu and managed by Shao; subsidiary Perfectus Aluminum Acquisitions, LLC; and four other LLCs controlled by Liu. All the individual defendants are currently at large, Justice noted.

Among other charges, the defendants are charged with "falsely inflating the volume" of China Zhongwang's exports to the U.S. and the strength of the demand in the U.S. for its products "through false representations and pretenses," including that market demand for certain aluminum products manufactured by China Zhongwang was the reason for the company's increased exports to the U.S. after the 2011 AD/CVD orders, the indictment noted. In addition, the indictment cited "the concealment of material facts, including that the Perfectus predecessor entities and defendant Perfectus's purchases from defendant China Zhongwang were not based on market demand from third-party customers and the purchased aluminum was simply being stockpiled," it said.

> In addition, the defendants fraudulently concealed from Customs and Border Protection and Treasury that aluminum that the Perfectus predecessor entities and defendants were importing into the U.S. was subject to duties imposed in 2011, thereby evading approximately $1.8 billion in duties, the indictment added.

"The Company would like to clarify that the Group has always strictly abided by in its business operation the laws and regulations of the People's Republic of China and destination countries of its exported products, and has developed overseas markets under the principle of fair and orderly competition," China Zhongwang said in a statement.

The AEC welcomed the indictment. "ZhongWang and its affiliates have been an ongoing and disruptive force in the U.S. aluminum industry, especially regarding aluminum extrusions. ZhongWang and its affiliates dumped tens of millions of pounds of aluminum extrusions into the U.S. market for months leading up to our victory in our Fair Trade Case," the group said in a statement.

Candidates Talk Trade in Democratic Debates

As expected, candidates in the 2020 Democratic presidential primary hold diverse opinions about the current president's trade policy and trade in general. During the second round of debates July 30 and 31, trade was among several topics that candidates fielded and expressed their differences.

Former Vice President Joe Biden created a bit of a stir July 31 when he said he would not automatically rejoin the Trans-Pacific Partnership (TPP), which he supported during the Obama administration. "I would not rejoin the TPP as it was initially put forward. I would insist that we renegotiate pieces of that with the Pacific nations that we had in South America and North America, so that we could bring them together to hold China accountable for the rules … as to how trade should be conducted," he said.

Biden clarified that this time he would "make sure that there's no one sitting at that table doing the deal unless environmentalists are there and labor is there," he said. "Either China is going to write the rules of the road for the 21st century on trade or we are. We have to join with the 40% of the world that we had with us," Biden added.

Several of the candidates said they would immediately lift the president's tariffs and reverse his policies. In contrast, Rep. Tim Ryan (D-Ohio) during the first night argued that the U.S. needs to rebuild its manufacturing base and suggested naming a chief manufacturing officer in his administration. “I think we need some targeted response against China. But you know how you beat China? You out-compete ‘em,” he said. On the steel tariffs specifically, Ryan said, “I would have to re-evaluate. I think some of them are effective. But he’s bungled the whole thing, obviously,” he noted. “We’ve got to fill these factories …in Detroit, in Youngstown, that used to make cars and steel. We’ve got to fill them with workers who are making electric vehicles, batteries, charging stations, make sure they’re making solar panels,” he noted.

The day before the first night, Sen. Elizabeth Warren (D-Mass.) released her trade policy. Specifically, her plan would set standards for U.S. trading partners on labor, environment and human rights. “People want access to our markets all around the world. Then the answer is, let’s make them raise their standards. Make them pay workers more. Let their workers unionize. Raise their environmental standards before they come to us and say they want to be able to sell their products,” Warren said during the first night’s debate.

Senators Play Ding Dong Ditch with USMCA Hearing

Lawmakers had one more chance to hear the pros and cons of the U.S.-Mexico-Canada trade agreement (USMCA), or as some in Congress stubbornly call it NAFTA 2.0, right before they left for the August recess. At a Senate Finance Committee hearing July 30, witnesses leaned heavily on the “pro” side, yet supporters still have an uphill climb to get the new pact approved by both houses.

> In his opening statement, Committee Ranking Member Ron Wyden (D-Ore.) repeated his concerns about enforcement of labor rights in the deal, but also noted that NAFTA will be in effect until the new deal is fully implemented. “It’s a problem when the president acts out and makes impulsive threats regarding our trade relationships. American workers and farmers have already been hurt by the president’s impulses, and more will get hurt if Trump threats and chaos cause the Congress to accept a bad deal on NAFTA,” he said.

Chairman Chuck Grassley (R-Iowa), an ardent supporter of the new deal, acknowledged the Democrats’ concern but urged Congress to approve the agreement quickly (see **WTTL**, July 22, page 3). “Every day that passes is another day that the benefits of USMCA go unrealized. Trying to reopen the whole of USMCA could risk unraveling the deal altogether, which would benefit nobody. I therefore urge House Democrats and [USTR] Lighthizer to focus on their specific concerns and to propose solutions in short order, so that we can pass USMCA,” he said.

Former Agriculture Secretary Tom Vilsack, now president and CEO of U.S. Dairy Export Council, said that American farmers are asking Congress to act quickly to pass the deal. “USMCA makes key improvements, such as new Canadian dairy market access and other upgrades, that will modernize NAFTA, boost returns to farmers and food manufacturers across the country and support the hundreds of thousands of American jobs that are reliant on North American food and agricultural trade,” he testified.

Michael Wessel spoke on behalf of organized labor in his role as staff chair of Labor Advisory Committee (LAC). "Organized labor wants NAFTA fixed. We have worked throughout the negotiations, in what we believe is a constructive, good-faith effort to find solutions, not just lodge complaints," he testified. "We want to reform the existing agreement. We remain optimistic about the ability to resolve the issues. But we will not hesitate to oppose an agreement that fails to improve NAFTA and the current trade template in meaningful ways," Wessel added.

* * * Briefs * * *

TRADE FIGURES: Merchandise exports in June fell 3.5% from year ago to $137.1 billion, Commerce reported Aug. 2. Services exports gained 0.5% to $69.2 billion from June 2018. Goods imports increased 0.3% from June 2018 to $212.25 billion, as services imports jumped 5.1% to $49.2 billion. Merchandise exports from January to June dipped 0.4% from a year ago to $834.5 billion. Goods imports increased 0.7% from 2018 to $1.27 trillion. U.S. services exports gained 0.9% to $417.4 billion from 2018, as services imports jumped 5.35% to $294.4 billion.

FCPA: Micronesian government official Master Halbert was sentenced July 29 in Hawaii U.S. District Court to 18 months in prison for role in bribery scheme to secure $8 million in engineering and project management contracts. Halbert pleaded guilty in April to conspiracy to commit money laundering. Frank Lyon of Honolulu, owner of engineering and consulting company, was sentenced May 13 in Hawaii federal court to 30 months in prison for his role in scheme to bribe Halbert to secure contracts (see **WTTL**, May 20, page 7). Lyon pleaded guilty to conspiracy to violate FCPA.

NORTH KOREA: OFAC July 29 designated North Korean trading official Kim Su Il for ties to Workers' Party of Korea (WPK). Kim Su Il works in Vietnam on behalf of WPK subordinate Munitions Industry Department (MID), agency noted. "As of early 2019, Kim Su Il was responsible for exporting anthracite coal, titanium ore concentrate, and other North Korean domestic products; importing and exporting various other goods, including raw materials, to and from North Korea; and ship chartering," OFAC said. WPK property and interests in property were blocked in 2016.

WHEELS: In 5-0 final vote Aug. 2, ITC found U.S. industry is materially injured by dumped and subsidized imports of steel trailer wheels from China. Commission also found negative critical circumstances on these imports.

HANGERS: In 5-0 "sunset" vote Aug. 2, ITC said revoking antidumping duty order on imports of steel wire garment hangers from China would renew injury to U.S. industry.

WOVEN SACKS: In 5-0 "sunset" vote Aug. 2, ITC said revoking antidumping and countervailing duty orders on imports of laminated woven sacks from China would renew injury to U.S. industry.

PERSULFATES: In 5-0 "sunset" vote Aug. 2, ITC said revoking antidumping duty order on imports of persulfates from China would renew injury to U.S. industry.

CARBON STEEL: In 4-0 "sunset" votes July 30, ITC said revoking antidumping duty orders on imports of hot-rolled carbon steel flat products from China, India, Indonesia, Taiwan, Thailand and Ukraine and countervailing duty order on imports of products from Indonesia, Taiwan and Thailand would renew injury to U.S. industry. Commissioner Meredith Broadbent did not participate in reviews.

EXPORT ENFORCEMENT: Following nine-day trial, Shan Shi of Houston was convicted July 29 in D.C. U.S. District Court of conspiracy to commit theft of trade secrets involving development of syntactic foam, dual-use marine product. Shi was originally charged in May 2017 along with six others including three U.S. citizens, Canadian and two Chinese nationals (see **WTTL**, May 29, 2017, page 9). Sentencing is set for Oct. 25. Four of Shi's codefendants previously pleaded guilty to related charges, and two testified as cooperating witnesses at trial, Justice noted.

IRAN: OFAC July 31 designated Iranian Foreign Minister Mohammad Javad Zarif for acting on behalf of country's Supreme leader. "Javad Zarif implements the reckless agenda of Iran's Supreme Leader, and is the regime's primary spokesperson around the world," said Treasury Secretary Steven Mnuchin. Zarif was chief negotiator of Iran nuclear deal, from which administration withdrew at beginning of term. In response to action, Zarif tweeted: "The U.S.' reason for designating me is that I am Iran's 'primary spokesperson around the world' Is the truth really that painful? It has no effect on me or my family, as I have no property or interests outside of Iran. Thank you for considering me such a huge threat to your agenda." President in June issued Executive Order (EO 13876) imposing sanctions on Iran's Supreme Leader and Supreme Leader's Office (see **WTTL**, July 1, page 4).

TRADE PEOPLE: In flurry of 66 voice votes before recess, Senate Aug. 1 confirmed M. Miller Baker and Timothy Reif to be CIT judges and Randolph J. Stayin and Amy Karpel to be ITC commissioners. "Karpel has the breadth and depth of experience our country needs at the ITC. I am confident that Commissioner Karpel will make sure that the ITC correctly administers U.S. trade law, which will help ensure that America's trade policies work for U.S. businesses and the workers upon which they rely," Sen. Ron. Wyden (D-Ore.) said in statement.