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Aircraft Engine Firms Seek Change to MTCR Controls

Manufacturers of commercial aircraft engines are preparing to seek a change in Missile Technology Control Regime (MTCR) rules to ease restriction on exports of large pre-certified propulsion engines. Members of the Bureau of Industry and Security's (BIS) Transportation Technical Advisory Committee (Transtac) say a change to MTCR requirements about five years ago produced "unintended consequences" by adding these engines to the regime's control list.

> Because pre-certified engines are controlled under the MTCR, U.S. engine makers need to obtain licenses for their export to foreign aircraft manufacturers for flight testing prior to their certification. Pratt & Whitney (P&W), which produces such engines both in the U.S. and Canada, needs to obtain licenses for shipments to its own factories in Canada, according to Transtac Chairman Ari Novis, who is P&W's technology-export compliance manager.

It also needs licenses from Canada for exports to other countries. The engines also need licenses for exports to airplane producers such as those in France, Brazil and Canada. Besides P&W, other engine makers, including GE and Rolls-Royce, face similar problems. At their March 4 meeting, Transtac members said most pre-certified engines are the same as certified engines, which are not subject to MTCR licensing requirements. They acknowledge, however, that some pre-certified engines may warrant MTCR controls. "We need to identify what engines are and which engines should remain under control," Novis said. "Some engines are worthy to be in MTCR," he conceded.

When the regime changed its rules, it deleted several modifying words that defined controlled engines. Without those modifications, most large pre-certified engines have gotten caught by the requirements. "We are trying to find a way to put the genie back in the bottle but at the same time not break it," Novis said. A Transtac working group is preparing information to submit to BIS to get the agency to support taking a proposal to the MTCR to change the restrictions.

What Is Old May Be New Again in Doha Tariff Talks

The effort to find a shortcut to cutting tariffs in World Trade Organization (WTO) Doha Round talks on non-agriculture market access (NAMA) has proved to be no shortcut at all and has prompted proposals to go back to the old "request-offer" approach to tariff negotiations. At a March 2 meeting of the Doha NAMA negotiating group, chairman Remigi Winzap, the Swiss ambassador to the WTO, conceded "what's today on the table, as it stands, cannot fly," according to one source at the meeting.

> NAMA talks have tried to use a formula approach, known as the "Swiss formula," to cutting tariffs using different reduction percentages or "modalities" for developed, developing and least developed countries. The U.S. has complained that the last proposed cuts in 2008 weren't deep enough for advanced developing countries such as China, India and Brazil. Developing countries have complained the percentage for developed countries still left key tariffs, such as for apparel, too high.

At the NAMA meeting, Argentina proposed going back to the request-offer approach that had been used in previous multilateral rounds of trade negotiations. Under the request-offer process, countries negotiate bilaterally with each other, identifying specific tariffs that are important to their exporters and requesting cuts in those duties. In response, countries make offers on what tariffs they are willing to reduce. With 160 WTO members and thousands of tariff lines, the process was seen as too slow and complicated. After 13 years of negotiations, the formula approach hasn't moved any faster.

The Argentine proposal reportedly drew mixed reactions from members, some wanting to stick to the formula approach, others suggesting combining the two ideas, and some supporting the proposal. A U.S. representative said the U.S. looked forward to seeing the details of the Argentine plan. No decision was reached at the meeting. "Most members are in general showing a certain openness to envisage alternative approaches to the Swiss formula," Winzap reportedly said.

He also noted that the NAMA negotiations still have to address non-tariff barriers (NTB) to trade and be tied to progress in talks on agriculture and services. He said the 2008 proposal, known as Rev 3, "is not obsolete" but presents difficulties for some countries and those problems have to be addressed to get everybody on board. He encouraged members to bring new proposals to try to found a common ground.

Obama's Trade Agenda Draws Yawns

President Obama's annual trade report and agenda report, released March 4, met with almost complete silence from trade supporters and critics because it said little new. As expected, the top agenda items for 2015 are the Trans-Pacific Partnership (TPP) and Transatlantic Trade and Investment Partnership (TTIP), along with three sectoral talks in services, information technology and environmental goods. The agenda also touted the "critical role" the U.S. played in the "first fully multilateral trade agreement in the history of the World Trade Organization (WTO), the Trade Facilitation Agreement."

The report used slightly different wording to refer to fast track trade promotion authority (TPA). "To further strengthen America's ability to lead on trade, President Obama has called on Congress to work with him to secure approval of bipartisan Trade Promotion Authority," it said. Last year's report said the administration was "working with Congress to support broad bipartisan passage" of TPA. In a nod to domestic trade critics, the report said the administration "is committed to working with Congress to renew the

Trade Adjustment Assistance (TAA) programs, which expired on December 31, 2013, to provide critical support for Americans facing short-term trade-related transitions." Sen. Sherrod Brown (D-Ohio) and Reps. Sander Levin (D-Mich.) and Adam Smith (D-Wash.) introduced Trade Adjustment Assistance Act (S. 568/H.R. 1088) Feb. 25 to extend the TAA program through 2020 (see **WTTL**, March 2, page 9).

> To the possible dismay of Democrats who are pushing to include currency manipulation in ongoing trade talks, the word "currency" is not found in the 354 pages of the agenda and annual report. In a briefing to foreign reporters March 3 Under Secretary of State Catherine Novelli explained why the administration consistently has punted the currency issue to Treasury.

"We feel very strongly that we would not want to be in a situation where we would have our own independent Federal Reserve Bank, for example, being subjected to binding international dispute settlement about decisions it makes," she said. That is why "we have been resisting having currency as part of the binding obligations of the TPP."

Novelli also tackled questions about other countries such as Turkey joining the TTIP. "Given the things that we have on our plate on TTIP, we really do have to focus on that before we think about what's next and who would be next and if anybody would be next, and that just wasn't part of the contemplation when we started it, but it doesn't mean that that can't be part of the contemplation once we're finished," she said.

USTR Drop Alibaba Unit from Notorious Market List

The U.S. Trade Representative's (USTR) office dropped from its annual Notorious Markets report March 5 a unit of Alibaba, China's giant online retailer. The report said it took Taobao.com off the list because of its "efforts to address rights holder and consumer complaints." In addition, Alibaba filed comments with the office, explaining its efforts to remove illegal products from its websites, trade officials said.

> The fifth annual name-and-shame report includes other Chinese websites and physical markets that sell counterfeit and pirated goods and says China continues "to facilitate the distribution of significant quantities of counterfeit merchandise for consumption in China and abroad." Some Chinese markets "offer an extensive catalogue of products, and will arrange for on-demand manufacture and worldwide shipping of counterfeit products," it reports.

Nonetheless, the report praises Chinese efforts to close down some markets. "A number of online markets in China have been the subject of deterrent enforcement actions in China's courts, and in many cases Chinese authorities do engage in routine enforcement actions in physical markets as well. The United States welcomes these efforts and recommends their expansion to combat more effectively the scale of the reported problem both in China and worldwide," it says.

The USTR puts new emphasis on domain name registrars that "reportedly are playing a role in supporting counterfeiting and piracy online." It says it is critical for rights holders to be able to enforce their rights through Internet Corporation for Assigned Names and Numbers procedures and policies. "However, the IPR enforcement system can break down when the tools available to rights holders become ineffective, due to, among other things, the failure of domain name registrars or other similarly situated entities to follow rules intended to help combat illicit activity." The Notorious Markets report is an offshoot of the USTR's annual Special 301 report on foreign enforcement of intellectual property rights (IPR). It is based on public comments submitted to the USTR's office and publicly available information.

> "The List does not purport to reflect findings of legal violations, nor does it reflect the U.S. Government's analysis of the general IPR protection and enforcement climate in the country concerned," the report states. Although it identifies notorious markets in 11 countries, including in Mexico, Brazil, Ukraine, Canada and Poland, it claims countries where some markets were identified in the past have worked to shut them down. In other cases, some sites have closed down on their own for various reasons.

"The listing process works, commanding the attention of marketplace operators and responsible governments. This year's report again mentions markets removed from the list, either because they were shut down by law enforcement or because the market operators have taken appropriate steps to ensure their market is not used for piracy," said International Intellectual Property Alliance Counsel Steven J. Metalitz in a statement.

Chinese Investment in U.S. Outpaces U.S. Investment in China

Chinese investment in U.S. mergers and acquisitions from 2011 to 2013 exceeded U.S. investment in China, according to a new report from the staff of the U.S.-China Economic and Security Review Commission (USCC). While the report says it is too early to tell whether this is a permanent shift, it says inward investment is being fueled by state governments that have established offices in China to entice investment to their states.

> USCC staff counted 25 states with offices in China. Among these, states from the South, such as Georgia and the Carolinas, conduct very active outreach. Chinese investments are going into a wide range of industries large and small, including "operations that capitalize on cheap U.S. energy and farm goods, to corporate acquisitions in the automotive sector and research and development-driven projects in healthcare and pharmaceuticals."

The report, based on a survey of about a dozen state government programs, also found state governments helping Chinese investors take advantage of the EB-5 visa program, which gives "green cards" to foreign investors who make $1 million investments in the U.S. or $500,000 investments in areas of high unemployment. "Although EB-5 investors can act on their own, they often turn to Immigrant Investor Regional Centers (Regional Centers) to help identify and vet projects that qualify for the EB-5 program, and to seek assistance with domestic and international compliance work," the staff found.

"The applicants' investments are certified by authorities at the local level, and the resulting certificates are used to apply for a conditional green card at the federal level with U.S. Citizenship and Immigration Services (USCIS). The program has been flooded by Chinese applicants, to the extent that the applicant vacancies were filled prematurely in fiscal year 2014. Instances of fraud and lax regulation have cast doubt on the ability of local authorities to screen Chinese EB-5 investors properly," the staff reported. The report says "Chinese investments merit closer consideration by U.S. policymakers." It says the regulation of the EB-5 visa program "could be improved in view of the rapid influx of Chinese investors and repeated instances of poorly executed and fraudulent EB-5 projects." The report also calls for federal programs to "better assist local governments in identifying opportunities for China-focused investment promotion, as well as in assessing risks to critical infrastructure and technologies."

Teamsters Ask USTR to Broach Trucking Debate in TPP Talks

A month after the Transportation Department allowed Mexican truckers to operate across the U.S. border despite objections from U.S. labor unions and its own internal audit, Teamsters President Jim Hoffa asked USTR Michael Froman to revisit the issue through ongoing TPP talks. In his Feb. 24 letter to Froman, Hoffa offered "all the resources of the Teamsters Union to help you make the case to the Mexican government and to the American people that highway safety trumps foreign commercial and investment interests, as a matter of U.S. trade policy" (see **WTTL**, Jan. 19, page 6).

> Transportation's Federal Motor Carrier Safety Administration (FMCSA) defended the safety of participating Mexican truckers but acknowledged that an internal Inspector General's report reached a different conclusion.

"Given the paramount importance of safe highways throughout the continental United States, and given the illegitimacy of the pilot program data and the consequent failure of the DOT to meet its statutory obligations... and given the excessive and unfair Mexican retaliation in the past, it is clear the Administration has no better option than to reopen negotiations with the Mexican government in the context of the TPP talks," Hoffa wrote.

Domestic trucking associations and unions have long fought the pilot program and allowing Mexican truckers beyond the commercial zone. The D.C. U.S. Circuit Court refused to review the pilot program in an April 2013 decision in a suit brought by the Teamsters and the Owner-Operator Independent Drivers Association.

More Exports Good for Business, BRT Survey Discovers

A Business Roundtable (BRT) survey of its members discovered that more exports are good for business. The survey released March 3 of first-quarter industry plans for spending, hiring and sales asked: "If my company could sell more goods and services to foreign markets the impact on my company would" (fill in the blank). Eighty-one percent of respondents said that more sales would "help my company grow and be more competitive globally." The other 19% didn't see the benefits because they don't export, explained BRT Chairman Randall Stephenson, chairman and CEO of AT&T.

The BRT results come as U.S. forests face endangerment due to the reams of paper being used for letters to Congress and the president for and against fast-track trade promotion authority (TPA) and TPP. The latest missives were sent by former chairs of the White House Council of Economic Advisors (CEA) and 60 union presidents. The ex-CEA chairs from both Repubican and Democratic administrations wrote to House and Senate leaders March 5, urging passage of TPA, completion of TPP and TTIP negotiations. "Trade is beneficial for our society as a whole, but the benefits are unevenly distributed and some people are negatively affected by increased global competition," said the letter whose signers included Martin Feldstein, Michael J. Boskin, Laura D'Andrea Tyson and Ben Bernanke. Nonetheless, the economy-wide benefits of trade provide resources for "important social goals, including helping those who are adversely affected," they wrote.

> "It is not desirable for trade agreements to include provisions aimed at so-called currency manipulation," they said. "This is because monetary policy affects the value of currencies. Attempts to penalize countries for supposedly manipulating exchange rates would thus impose constraints on U.S. monetary policy, to the detriment of all Americans," they asserted.

The union leaders took a different view in a March 3 letter to members of Congress. "Fast-track deals mean fewer jobs, lower wages and a declining middle class," they argued. TPP is "sold as job creating but it is written largely by and for the world's largest corporations," they wrote. "It's time to stop believing the fairy tale that passing one more fast-track trade deal is going to have different results," the leaders said.

Meanwhile, Commerce issued new estimates March 4 on jobs created by exports in goods and services in 2014. It claims exports supported 11.7 million jobs, up from 11.3 million in 2013. Despite increase in exports in 2014, the number of manufacturing jobs tied to exports remained unchanged at 7.1 million, fewer than in 1990. The job growth was all in services exports, where jobs increased to 4.6 million from 4.2 million in 2013. The main areas of services increases last year were in transportation and tourism.

* * * Briefs * * *

VEU: In March 5 Federal Register BIS updated authorization for Validated End User (VEU) Samsung China Semiconductor Co. Ltd. in China. Specifically, agency added two Export Control Classification Numbers (ECCNs), 2B006.a and 2B006.b.1.d, that may be exported, reexported or transferred (in country) to company's eligible facilities.

TRADE FIGURES: Merchandise exports in January fell 3.85% from year ago to $128.7 billion, dropping to lowest level since October 2012, Commerce reported March 6. Services exports gained 3.1% to $60.7 billion from January 2014. Goods imports dipped 1.4% from January 2014 to $190.3 billion, as services imports gained 5.7% to $40.8 billion. Exports of industrial supplies and materials ($37.5 billion) were lowest since December 2010. Commerce cites drop in oil and petroleum prices, along with aircraft sales, as main cause for decline in trade.

UNCOATED PAPER: In 5-0 preliminary vote March 6, ITC found U.S. industry may be injured by dumped imports of uncoated paper from Australia, Brazil, China, Indonesia and Portugal and subsidized paper from China and Indonesia. Commissioner F. Scott Kieff did not participate.

COMPOSITE MATERIALS: BIS Transportation Technical Advisory Committee working group has submitted white paper to agency and asked for advisory opinion on whether group's interpretation of how scrap produced during production and end-of-life recycled composite materials should be classified is also agency's interpretation.

IRAN SANCTIONS: In March 9 Federal Register, State ended sanctions against Belarusneft, Belarus state energy company, because it "is no longer engaging in sanctionable activity... and ...has provided reliable assurances that it will not knowingly engage in such activities in the future." State imposed sanctions in March 2011 (see **WTTL**, May 2, 2011, page 1).