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

Editor & Publisher: Samuel M. Gilston • P.O. Box 5325, Rockville, MD 20848-5325 • Phone: 301-570-4544 Fax 301-570-4545

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BIS PLANS TO EASE EXPORT LICENSING REQUIREMENTS FOR INDIA

The Bureau of Industry and Security (BIS) plans to reduce licensing requirements for exports to India to support the growth of trade to the South Asian nation, BIS Assistant Secretary Chris Padilla says. The agency also intends to move ahead independently with the establishment of a Verified End-User (VEU) program for trusted customers in India, if current plans for creating the VEU program as part of the China catch-all regulation are delay, he told reporters Feb. 21.

BIS staffers are currently reviewing the Export Administration Regulations (EAR) to identify leftover Cold War controls on India. Many of these restrictions, particularly those imposed for Regional Stability (RS) and Crime Control (CC) reasons, will be among the first dropped, Padilla said. The changes are months away and still face interagency review, he noted. Among items already identified are heavy trucks, certain shotguns and medical kits.

A second phase of liberalization, which would ease restrictions on items covered by nuclear (NP) and Missile Technology (MT) controls, will depend on India implementing new export controls that match restrictions imposed by the Nuclear Suppliers Group (NSG) and the Missile Technology Control Regime (MTCR). New Delhi is supposed to adopt those new controls as part of the nuclear cooperation agreement it reached with Washington last year.

In addition to their own review of the EAR, BIS officials will consider a list of items that Indian officials have identified and presented to U.S. officials during a Feb, 22-23 meeting of the U.S.-India High Technology Cooperation Group in Washington. At the meeting, the countries agreed to have an experts' group meet to review India's existing control lists to find where there are gaps with the four major multilateral export control regimes.

President Bush committed the U.S to applying the VEU program to India during his meeting with Indian Prime Minister Singh last year. BIS is examining licensing data to identify products and Indian customers that might be initial candidates for VEU treatment. Among the most-licensed items are semiconductors and semiconductor manufacturing equipment, chemicals and aerospace items, including composite materials. Chemical exports that may be early candidates for VEUs are those on which India already has controls, Padilla said.

U.S.-KOREA FTA TALKS SET TO INCLUDE HIGHER LEVEL OFFICIALS

With a March 30 deadline looming by which the White House must notify Congress of its intention to enter a free trade agreement (FTA) with South Korea to ratify the deal under fast-

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track legislative procedures, U.S. and Korean negotiators will be bringing higher level trade and political leaders into the talks in March. "You'll see more senior level engagement across the board," said Assistant USTR Wendy Cutler, who will lead the team of U.S. negotiators back to Korea for another round of talks starting March 8. Ahead of that meeting, Korea's Deputy Agriculture Minister Min Dong-Seok will come to Washington March 5 for talks with USTR Chief Agriculture Negotiator Richard Crowder.

Cutler said she and Korean Trade Minister Kim Kyun-Cheong will play a more direct role in each of the negotiating groups that will meet in Korea. "We will structure the round a little differently to make as much progress as possible," she explained. "Kim and I will be a lot more involved in the outstanding issues and a lot of the negotiating groups," Cutler explained. Joining the talks will be USTR Chief Textile Negotiator Scott Quesenberry.

"We'll have a clear picture after these negotiations of the handful of issues that need to be elevated further," Cutler said. Those higher-level talks will include USTR Susan Schwab and Deputy USTR Karan Bhatia. The talks have been dogged by disagreements over agriculture, autos, pharmaceuticals, textiles and U.S. trade laws. Lawmakers warned Schwab during hearings in mid-February that a Korean FTA won't get approved unless these issues are resolved.

During the Senate Finance Committee hearing Feb. 15, Sen. Debbie Stabenow (D-Mich.) urged Schwab to negotiate an agreement with Korea on U.S. auto sales similar to the 1991 U.S.-Japan Semiconductor Agreement, which established "expectations" for the future U.S. share of the Japanese semiconductor market. Stabenow suggested the benefits of the FTA should not go into effect for Korea until that goal was achieved. Schwab argued that the semiconductor deal was not a formal trade agreement and didn't include any government commitment to meet certain market shares. The 20% goal in that deal merely reflected industry projections of what the U.S. share of the market should have been, she responded. The U.S. share of the Japanese chip market eventually exceeded those targets.

U.S., JAPAN NOT READY FOR FTA TALKS, CUTLER SAYS

The U.S. and Japan are not ready to start talks on a free trade agreement (FTA) or economic partnership agreement (EPA) despite support for such negotiations among business groups in both countries, said Assistant U.S. Trade Representative Wendy Cutter. Cutler identified five hurdles that would have to be overcome in any trade deal and suggested the two countries aren't ready to face with them. Primary among those difficulties are Japan's protection of its agriculture sector, the U.S. refusal to address Tokyo's demands for changes in U.S. antidumping rules, nontariff barriers in the Japanese regulatory system, and the resistance of the Japanese bureaucracy to change. In addition, a prerequisite would be strong political leadership that could overcome the other hurdles, she said.

"These five challenges are very real and they lead me to conclude that we are not ready for an FTA with Japan right now," Cutler told a Carnegie Endowment conference Feb. 22. "Conditions could change," she conceded. "I'm not saying it's impossible, but I just don't see it happening in the short term," Cutler said.

While the U.S. isn't ready to enter FTA talks with Japan, it does plan to propose an expansion of the current Economic Partnership for Growth initiative, which the Bush administration entered with Japan six years ago. Such new areas could include working toward greater transparency in Japanese regulatory agencies, the reduction of regulatory barriers, and efforts to secure trade. She also said the U.S. and Japan could work more closely together in the Asia-Pacific Economic Cooperation Forum and in Doha Round negotiations.

While there has been talk for many years about a trade pact between the two countries, which together account for 40% of the world's GDP, the idea got a new push in January when the U.S. Business Roundtable and Japan's Keidanren, the country's leading trade association, issued a

joint statement calling for a study to set the groundwork for an EPA. The two groups said they believe an EPA, which would be an FTA-plus, holds tremendous potential for the U.S. and Japanese economies and the world's. They said they "urge their governments to begin discussion toward a framework for negotiations of such an agreement as soon as possible."

U.S. RAISES ANTIBOYCOTT CONCERNS WITH IRAQ

Iraq's increasing implementation of the Arab League boycott of Israel was one of the topics Commerce Under Secretary Frank Lavin raised in talks with Iraqi trade officials in Irbil, Iraq, Feb. 19-20. "It's a matter Iraq has to be mindful of," Lavin told reporters on a teleconference call from the Kurdish capital. "The United States takes the antiboycott legislation very seriously and we think it's in Iraq's best interest for them to take it seriously as well," Lavin said. He said the U.S. wasn't looking for any commitment on the issue from Iraq in the talks. "We thought the issue was important enough for us to register it with the Iraqis," he added.

In the fiscal year that ended Sept. 30, 2006, U.S. firms reported receiving 31 boycott-related requests from Iraqi customers. This compares to eight requests reported the year before. Most of the requests sought information on a U.S. company's relations with Israel, the origin of imported goods and the carrier.

Lavin was joined in Irbil by representatives of the U.S. Chamber of Commerce, Nortel and Case New Holland. During the meetings the U.S.-Iraq Business Dialogue was launched to create a forum for companies in both countries to discuss business and investment opportunities. Although trade with Iraq has been restrained by the war, there is a much different picture in the Kurdish part of the country, Lavin reported. Irbil and other Kurdish cities are marked by construction cranes and an expanding economy. A new airport was just constructed in Irbil and international flights now arrive there from Dubai, Istanbul, Amman and Vienna, he reported. U.S. and Iraqi officials also established a new program called Iraqi Gateway, which is intended to use the safer and economically stronger Kurdish region as the entry point for business in Iraq. This is a "more attractive place to start" trade with Iraq, Lavin said.

SERVICE INDUSTRIES SEEKING WAY TO DEAL WITH MODE 4 IN DOHA TALKS

Groups representing the service industries in the U.S. and abroad are looking for a way to offer service workers from developing countries, particularly India, more access to industrialized countries in an effort to break the logjam in services talks in the Doha Round. India has made the temporary movement of service workers – so-called Mode 4 in the services talks – its key demand in the negotiations. Service industry representatives, who were in Geneva the week of Feb. 19 to talk with negotiators, said they were cautiously optimistic about the chances for reaching a Doha agreement, but they warned that they could not support a final deal that didn't include new business opportunities in services. They also said it was "high time" that ministers got involved in the services negotiations (see **WTTL**, Feb. 12, page 3).

India has been the most vocal about Mode 4. "So far, the U.S. has not been able to make an offer on such services, therefore, we're in something of an impasse with the Indians," Robert Vastine, president of the Coalition of Service Industries, told reporters in Geneva Feb. 21. Indian Commerce & Industry Minister Kamal Nath sent a signal during the World Economic Forum meeting in Davos, Switzerland, in January that he may be more flexible on Mode 4, talking about shorter-term permits, rather than trying to secure longer-term permits, Vastine reported.

While there has been no movement with India, service industry executives said they expect new offers to come from Brazil and China. "China has clearly indicated they are going to move at the next round," said Christopher Roberts, chairman of the policy committee of the European Services Forum. "They have a revised offer ready and they have told us something will come. They want to give a good signal to services investors. I don't think we can expect too much

out of China, but I think we will get more than what we have on the table so far," he added. "We're very happy that the Brazilians have taken that message very seriously and in addition to being eager to achieve results in ag, seem ready to make concessions in critical services as well," Vastine noted. "We distinctly got that impression from the Brazilians," he said.

The U.S. services industry is supporting legislation that would create a new form of temporary visa for service workers. CSI has "drafted a legal bill that's been introduced in the House and will shortly be introduced in the Senate which does provide for a new kind of visa," Vastine said. The visa would permit contractual service suppliers to enter the U.S. for up to 18 months with no extensions. There would be no quota on the number of visas. Vastine conceded that getting congressional backing to bind such visas to a WTO deal would be difficult. He said the Indians like the proposal, but it's unclear if they can live with it as part of the Doha negotiations. Indians and other countries eager for this sort of entry should "indicate to us what it is they would compensate us with, what they'd trade. And we've had no indication," Vastine said.

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TRANSSHIPMENTS: BIS in Feb. 26 Federal Register will issue call for comments for filling in blank Country Group C in EAR with names of countries considered diversion risks.

REBARS: Rebar Trade Action Coalition filed series of briefs with ITA week of Feb. 19 in administrative reviews and new shippers reviews of steel concrete reinforcing bars from Turkey urging agency to throw out previous determinations because Turkish government has found steel bar producers in Turkey were fixing prices. Coalition also asked for changed circumstances review of one producer, ICDAS, which had dumping order revoked. Industry claims Turkish respondents failed to disclose material information in earlier reviews. Ankara's findings from 2005 were only recently found on Turkish government website.

EXPORT ENFORCEMENT: After filing voluntary self-disclosure, SCP Global Technologies of Boise, Idaho, agreed to pay \$264,000 civil fine to settle BIS charges that it exported pump and valve parts to Taiwan, China and Israel without approved licenses. BIS cited 45 unlicensed exports and added 15 charges of exporting with knowledge. Agency said company knew licensing requirements because it had requested commodity classification for parts and also had received warning letter before.

BIS: New director of congressional and public affairs is Erik Heilman. He formerly was on staff of Rep. Rob Simmons (R-Conn.), who lost reelection bid in November.

NAFTA: Transportation Department Feb. 23 announced one-year pilot program to allow up to 100 Mexican trucks that pass inspection to drive beyond current 20 mile limit. Program will also allow 100 U.S. trucks into Mexico. Cross-border trucking was supposed to have been implemented after adoption of NAFTA, but was blocked by political and legal challenges. Congress in 2001 imposed new inspection criteria. Transportation says it has added 500 inspectors and improved border facilities to conduct required testing.

ZEROING: ITA Feb. 23 implemented new zeroing policy for new antidumping investigations after delaying changes to consult with Congress (see **WTTL**, Jan. 29, page 4).

CUBA: U.S. unsealed criminal complaint against two men, Victor Vazquez and David Margolis, in Miami federal court Feb. 22. Government claims they filed false statements when applying for travel license to take religious groups to Cuba for tours. Separately, Rep. Jerry Moran (R-Kans.) has introduced legislation (H.R. 1026) to ease payment restrictions on U.S. farm sales to Cuba and visas (see **WTTL**, Jan. 22, page 3).

VSDs: BIS Deputy Assistant Secretary Wendy Wysong has posted on BIS website three years of data on discounts BIS has given exporters who have voluntarily self-disclosed alleged export control violations.

DOHA ROUND: New Zealand Ambassador Crawford Falconer, who chairs Doha agriculture talks, said he intends to circulate new paper in coming weeks reflecting latest proposals for farm agreement. At informal talks in Geneva Feb. 23, Cairns Group said it plans to offer new proposal on "sensitive products" that would provide two levels of deviations from tariff-cutting formulas. G-20 representatives said they are also preparing new papers but might not make new proposals. G-20 insisted cuts in domestic subsidies have to come from "applied levels" not just permitted levels. Meeting also found governments eager to have farm talks return to multilateral forum from bilateral "quiet conversations" that have been going on for several months.

OFAC: Agency Feb. 20 added Lebanon's Jihad Al-Bina construction company to SDN list. Firm operates under various alias, including Construction for the Sake of Holy Struggle.