A Newsletter About Trade Issues Affecting the Retail Industry

RETAIL Trade Issues

September 2006

Inside...

CONGRESS PASSES DR-CAFTA FIXES, MISCELLANEOUS TARIFF LEGISLATION

Before leaving for the August recess, Congress passed the "Pension Protection Act of 2006" which contains several trade provisions impacting retailers, including changes to the Dominican Republic-Central America Free Trade Agreement (DR-CAFTA) and some miscellaneous tariff provisions. President Bush signed the bill into law on August 17.

The Act grants the president limited proclamation authority through December 31, 2007 to make changes to DR-CAFTA's rules of origin. Those changes are necessary to implement concessions the United States has agreed to in order for the other DR-CAFTA parties to accept amended rules of origin for "pocket bag fabric." (In an effort to gain wider Congressional support from Members from textile districts for the DR-CAFTA last year, the United States asked to change the rules of origin for apparel to require that the fabric used in pockets be made in the United States or the DR-CAFTA region.)

To date, the United States has negotiated concessions with Guatemala, El Salvador, Honduras, and Nicaragua (*see the box below for more information on the specific concessions granted*). The pension bill also grants the president the authority to implement future changes to the DR-CAFTA that would result from ongoing negotiations with the Dominican Republic and Costa Rica (*see related*

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article, this issue). Until the proclamations are issued, apparel made with pocketing made from third-country fabric in the four DR-CAFTA countries that have approved the Agreement continue to qualify for duty-free treatment when imported into the United States

The concessions could go into effect as early as September if the Administration can make all the necessary changes to the DR-CAFTA in one presidential proclamation, which it prefers for bureaucratic reasons. However, negotiations are complete so far for only four of the six DR-CAFTA countries. If implementation of the Agreement for the Dominican Republic and Costa Rica remains delayed, the Administration would need to issue two proclamations, one for the four countries and another later for the Dominican Republic and Costa Rica. In any event, authority to proclaim the changes expires at the end of 2007, placing a firm deadline on negotiations with the two remaining countries.

Another provision in the Act grants the president the authority to reduce the tariff preference level (TPL) granted to Nicaragua for certain trousers made with third-country fabrics. The president could use this authority if Nicaragua fails to increase its purchases of U.S. trouser fabric in quantities equal to its use of third-country trouser fabric under the TPL.

The Act makes a technical change to the DR-CAFTA applying benefits retroactively to apparel co-produced in a country that has already implemented the Agreement, and a country that has yet to do so, but still receives preferences from the United States under the Caribbean Basin Trade Partnership Act (CBTPA). This fixes an unintended problem stemming from the staggered implementation of the DR-CAFTA, which resulted in some apparel entering the United States without benefits under either the Agreement or CBTPA.

Despite efforts by Representative Robert Aderholt (R-AL), the Act does not include changes to the rules of origin for socks. Aderholt sought to change the rules so that socks would have to be knit to shape in the United States and sewn shut in the DR-CAFTA countries to qualify for duty-free treatment. Instead, the Act

DR-CAFTA Concessions Granted for Pocketing Changes

El Salvador: Duty-free treatment for infants' cotton dresses, women's and girls' cotton coats, and women's and girls' man-made fiber suits made with third-country fibers, yarns, and fabrics.

Guatemala: Duty-free treatment of women's and girls' cotton coats and suits made with third-country threads, yarn, and fabrics.

Honduras: Duty-free treatment for certain men's cotton dress shirts made with third-country fibers, yarn, and fabric.

Nicaragua: Duty-free treatment, within a tariff preference level (TPL), for men's wool sport coats made with carded wool and a limited amount of third-country fabric. The TPL for these sport coats is 1.5 million square meter equivalents (SMEs) within the overall TPL negotiated with Nicaragua. Nicaragua is also able to increase its overall TPL by 100 million SMEs each year in years six through nine of the DR-CAFTA.

includes a requirement that the Office of the U.S. Trade Representative (USTR) submit a report to Congress on the status of negotiations with the DR-CAFTA countries and any proposed amendments that would change the treatment of socks. Any amendments proposed by the United States would have to be first submitted to the House Ways and Means Committee and the Senate Finance Committee.

However, it is unclear whether this provision will ever take effect. When President Bush signed the pension bill into law, the White House issued a "signing statement" challenging the constitutionality of this provision. In the statement the President reserved the right to withhold information from Congress if it could impair foreign relations.

Finally, the Act includes several miscellaneous tariff provisions previously passed by the House. These include a suspension on duties for ceiling fans through 2009. The miscellaneous tariff provisions also extend the duty suspensions for certain worsted wool fabrics and extend a wool trust fund that provides grants to manufacturers of worsted wool. In addition, the Act suspends duties on certain footwear and reduces the duties on basketballs.

USTR ANNOUNES REVIEW OF 13 GSP BENEFICIARIES AND ALL CNL WAIVERS

On August 8, the Office of the U.S. Trade Representative (USTR) announced that the inter-agency Trade Policy Staff Committee (TPSC) would begin a review to consider the eligibility of 13 leading beneficiaries of the U.S. Generalized System of Preferences (GSP) program and 83 current competitive need limit (CNL) waivers. The countries under review are India, Brazil, Indonesia, Thailand, Philippines, Argentina, Russia, Romania, Turkey, Venezuela, Croatia, South Africa, and Kazakhstan.

The TPSC selected the 13 countries using two criteria: U.S. imports under GSP from each had totaled at least $100 million in 2005, and either the World Bank has classified the country as an upper-middle-income country in 2005 (per capita income of $3,466 to $10,725), or the country accounted for more than 0.25 percent of world exports. That said, it is common knowledge that the real objects of the review are India and Brazil. The review is meant to convince Senator Charles Grassley (R-IA), Chairman of the Senate Finance Committee, and Rep. Bill Thomas (R-CA), Chairman of the Ways and Means Committee, that USTR already has the authority (and the will) to administer the program in a way that ensures that the benefits are focused on developing countries that need them. If it is successful, USTR may be able to forestall renewal legislation that mandates the graduation of India and Brazil from the GSP program, a real possibility given the blame both Grassley and Thomas place with India and Brazil for the collapse of the Doha talks in July.

Eliminating most of these countries would be particularly troublesome to retailers, who import billions of dollars worth of consumer goods each year from the countries under review. One major product of concern is jewelry, whose CNL waiver for imports from India is also up

for review. Not only did retailers sell approximately $1.6 billion at cost in jewelry from India in 2005, but another $570 million from Thailand and $280 million from Turkey, respectively.

GSP benefits for electronics products are also important for retailers. For example, in the first six months of 2006, imports under GSP of televisions with DVD/VCR players nearly doubled over 2005 levels to $143 million. Over the same period, imports from non-GSP beneficiaries declined 8.2 percent, implying that the tariff savings (3.9 percent), particularly on traditionally expensive items, affect sourcing decisions by retailers.

The GSP Subcommittee requested comments on whether to limit, suspend, or withdraw benefits for the 13 countries, or whether any of the 83 CNL waivers are no longer necessary, by September 5. The comments represent the primary means for retailers to express publicly their concerns about withdrawing benefits from certain countries, as USTR will neither hold public hearings nor will the U.S. International Trade Commission conduct a formal economic impact study. After the deadline for comments has closed, the inter-agency GSP Subcommittee will meet to determine whether to "graduate" certain beneficiaries in whole or in part, or withdraw CNL waivers.

The GSP Subcommittee expects to announce its decisions in early November. Any revoked CNL waivers will become effective immediately upon publication of a Presidential Proclamation, meaning that retailers may have to pay duties on goods already in transit. Any country graduations will become effective 60 days after the publication of the Presidential Proclamation. For more information about submitting comments, see the August 8, 2006 *Federal Register* (pp. 45079-45080).

CONTAINER FEES GATHER SPEED IN SACRAMENTO

Throughout August, debate on container fees heated up in the California Assembly. Despite all attempts on the part of the Assembly leadership to stall a container fee proposal, State Senator Alan Lowenthal, the proposal's primary sponsor, remains intent on moving the Assembly to consider his bill.

Last year, Lowenthal introduced S.B. 760, a bill that would impose a $60 container (feu) fee on all shipping containers transiting the ports of Los Angeles and Long Beach. Fee revenue would pay for a list of undefined transportation projects, clean air and port security programs. Over the past year, the bill gained strength as a host of national environmental groups, including the American Lung Association and the Sierra Club, endorsed the funding mechanism to respond to environmental concerns and vocal community groups endorsed the approach to build new roads in congestion-ridden southern California. NRF has been involved in several efforts to actively oppose this bill.

Despite the fact that the bill moved quickly out of the California Senate in 2005, S.B. 760 languished for almost a year before the Assembly Committee on Appropriations. Assembly leaders, along with Appropriations Committee members,

agreed to keep the bill in the "suspense file"-- a list of controversial revenue-generating bills that leadership and the Committee decide to markup during the last few weeks of the legislative session. On August 17, Assembly leaders and the Appropriations Committee agreed to keep S.B. 760 in the suspense file, effectively killing the bill for this legislative year since it would not move out of Committee for consideration on the Assembly floor.

However, Lowenthal had one procedural option – the "gut and amend" strategy. The rules of the California Senate allow the sponsor of a bill pending a vote on the Assembly floor to strip the entire text of the bill and insert new language before the bill is scheduled for debate. Lowenthal stripped the language of another of his bills pending before the Assembly –- S.B. 927 –- and inserted the text of S.B. 760.

The Assembly is scheduled to consider the new container fee proposal the week of August 28. Sacramento insiders have given no indication as to the likely outcome of a vote on the Assembly floor. Some believe that the bill will not pass since Assembly leadership, including the powerful pro-business Speaker, Fabian Nunez, agreed to kill the original S.B. 760. Still others believe that there is growing support among rank-and-file Assembly Democrats. By a party line vote, all Assembly Democrats voted to allow Lowenthal to bring his redrafted S.B. 927 before the Assembly for a vote, sending a strong signal that there is support for the proposal.

Once again, it is not clear if the governor will sign the bill if it reaches his desk. On the positive side, the governor has, in the past, stated his contempt for legislation that moves out of the Assembly through the "gut and amend" process and has used his veto power accordingly. However, a growing list of state and national special interest groups, including the powerful California Nurses Association, are backing the bill and sending a strong message of political support for container fees.

If the governor does sign the bill into law, retailers moving containerized goods through the ports of Los Angeles and Long Beach would face an enormous increase in freight rates. For example, an average retailer moving 10,000 containers (feu) through Los Angeles and Long Beach terminals would pay $600,000 in container fees. Much if not all of this revenue would fund transportation and clean air projects not tied to the movement of international commerce.

ADMINISTRATION NOTIFIES CONGRESS OF ITS INTENTION TO SIGN COLOMBIA TPA

On August 24, the Bush administration formally notified Congress of the President's intent to sign a free trade agreement with Colombia, which has been dubbed the Colombia Trade Promotion Agreement (CTPA). The notification is another step in the "trade promotion authority" (TPA) process. It begins a 90-day waiting period: the soonest the President can sign the agreement would be November 23.

It is not expected, however, that Congress will take up the CTPA this year. Although Congress is likely to be in ses-

sion in mid-November and even into December (in a "lame duck" session), the Administration is unlikely to have the implementing legislation ready for introduction in Congress by then, and an insufficient number of days would remain in 2006 for the relevant committees and then the full House and Senate to take up the agreement for a vote. More importantly, the CTPA is controversial with Democrats and when it is put on the Congressional calendar promises to be another difficult trade vote for all Members.

'SNAPBACK' PROVISION IN U.S.-CHILE FTA LEADS TO HIGHER TARIFFS FOR SOME AGRICULTURAL PRODUCTS

On August 16, the Office of the U.S. Trade Representative (USTR) announced that apple, quince, and pear pastes and purees from Chile would lose duty-free access available under the U.S.-Chile Free Trade Agreement (FTA) because their value had exceeded threshold limits in the FTA. Under the FTA, imports of certain products automatically lose duty-free access if U.S. imports exceed $110 million, or if more than 50 percent of all U.S. imports come from Chile. In 2005, Chilean apple, quince, and pear pastes and purees accounted for $1.2 of million of the total $2.2 million worth of imports.

As a result of the snapback provision, imports from Chile will face a tariff of 7.5 percent, effective October 1. The tariff will decrease by 1.5 percentage points until it is completely phased out on January 1, 2011. Snapback provisions apply to only a limited number of agricultural products, including certain cucumbers, strawberries, and peppers.

CONGRESS SUSPENDS 'NEW SHIPPER PROVISION'

Congress passed legislation in early August changing the "new shipper provision" under U.S. trade laws. The legislation was among various trade provisions included in the Pension Protection Act of 2006 that President Bush signed into law on August 17 (*see related article, this issue)*.

The new provision temporarily suspends the practice of allowing importers of goods from new shippers to post bonds in lieu of cash deposits on imports of goods subject to antidumping and countervailing duties. The suspension will last for three years.

This provision is aimed at fixing problems the Bureau of Customs and Border Protection has had collecting duties on imports from China. Certain Chinese producers have allegedly used the new shipper provision to evade paying millions of dollars on antidumping and countervailing duties.

The language passed by Congress was identical to language contained in the "United States Trade Enhancement Act," sponsored by Senate Finance Committee Chairman Charles Grassley (R-IA) and Ranking Member Max Baucus (D-MT). The Grassley-Baucus bill mostly deals with currency manipulation (*see the April 2006* **Retail Trade Issues**).

The suspension of the new shipper provision is effective April 1, 2006 through June 30, 2009.

CHINESE POLYESTER STAPLE FIBER DUMPING INVESTIGATION MOVES FORWARD

The U.S. International Trade Commission (ITC) determined August 7 that U.S. producers are materially injured or threatened with material injury by imports of certain polyester staple fiber (PSF) from China. As a result, the case moves to the Department of Commerce. which should issue a preliminary dumping determination on or about November 30.

PSF is known as a "fiber for fill" and is generally used as stuffing in sleeping bags, mattresses, ski jackets, comforters, pillows, and furniture. It is similar in appearance to cotton or wool fiber when baled, but is physically different from other polyester staple fibers, such as those in carpets or used in spinning. Dumping duties imposed on PSF could increase the final costs of these end-products.

DAK Americas LLC, Na Ya Plastics Corp., and Wellman, Inc. petitioned the ITC in June alleging that imports of PSF are being sold at less than fair market value.

FRIST SEEKS EXTENSION OF AGOA THIRD COUNTRY FABRIC PROVISION

Senate Majority Leader Bill Frist (R-TN) wants to extend the third country fabric provision of the African Growth and Opportunity Act (AGOA) this year. Under that provision, limited amounts of apparel made in certain AGOA beneficiary countries with third country fabric can qualify for duty-free treatment. On October 1, the cap on apparel made with third country fabric will be reduced by half and the entire provision expires on September 30, 2007.

Frist, who has a long-standing personal interest in Africa, wants to see the provision extended before he leaves Congress at the end of this session. He wants the third country fabric provision extended as far into the future as possible, although no specific timeframe has been given.

It is unclear what chances this legislation has to pass this year. Any third country fabric extension will likely face opposition from Ways and Means Committee Chairman Bill Thomas (R-CA), who has stated that he feels it encourages only "cut and sew" apparel operations in sub-Saharan Africa, rather than integrated textile and apparel industries. Thomas opposed the previous extension of the third country fabric provision, but Frist teamed up with Ways and Means Ranking Member Charlie Rangel (D-NY) to secure its passage.

ADMNISTRATION EXPLORING NEW PREFERENCE PROGRAM FOR PAKISTAN

The Bush administration is exploring the likely impact of establishing a new preference program for Pakistan that is designed to encourage new business in regions of the country in close physical proximity to Afghanistan. Similar to the qualified industrial zone program available

in some Middle East countries and territories that co-produce products with Israel, a "Reconstruction Opportunity Zone" (ROZ) would allow duty-free access to the United States for goods co-produced in the zone between Pakistan and Afghanistan.

The U.S. Agency for International Development is studying the feasibility of the project not only from an economic perspective but also from security and infrastructure perspectives. Products eligible for duty-free treatment could include apparel. The Administration hopes to conclude its research by next spring.

NEW YORK SENATORS BLAME CHINA FOR U.S. RULE OF ORIGIN REQUIREMENT

In a classic case of Washington spin, Senators Charles E. Schumer (D-NY) and Hillary Rodham Clinton (D-NY) charge that Chinese manufacturers are "not playing by the rules" and are "circumventing" U.S. quotas affecting textile window blinds and hurting a New York producer, Comfortex. How? By adhering to U.S. textile rules of origin, which stipulate that the country of origin of products like window blinds is the origin of the fabric used to make them.

That Chinese manufacturers are playing by U.S. rules has not stopped the Senators from claiming otherwise and advocating legislation, introduced by Senator Jim DeMint (R-SC), S. 3556, that would change those rules. "Everyone knows that when it comes to trade matters, the Chinese don't always play by the rules," said Schumer. "This is yet another example of an Upstate New York company being devastated by China's unfair trade practices. It is vitally important that the Department of Commerce support this legislation that will once and for all close this loophole." And Clinton added, "We cannot continue to allow Chinese companies to use unfair trade practices to get around U.S. trade rules. Jobs in New York are being threatened each day we allow this loophole to go unnoticed. I will continue to fight to ensure local manufacturers like Comfortex can be protected from foreign companies who don't follow the rules," Senator Clinton said.

The Senators' own press release acknowledges that currently, Chinese manufacturers can purchase fabric in Taiwan and ship it to China where approximately 70-80 percent of the value of the finished shade is added in multiple, complex manufacturing steps. The fabric is folded, pleated, and glued into "cellular" or "honeycomb" shapes, then attached to metal or plastic rails with a system of cords to raise and lower the shade. These production steps take place in China. The finished window blinds and shades are then shipped to the United States as "Products of Taiwan." This allows the merchandise to avoid – or in their words, "completely circumvent" -- the quota on Chinese textile window blinds and shades.

S. 3556, introduced by DeMint in June, would exempt knit man-made fiber window shades or window blinds (Harmonized Tariff System numbers 6303.12.00.10 and 6303.92.20.30 from the so-called "Breaux-Cardin" textile rules of origin. The bill was referred to the Finance Committee.

UPDATES . . .

. . . ON U.S.-CANADA SOFTWOOD LUMBER DEAL. Canadian Prime Minister Stephen Harper had given Canadian lumber producers until August 21 to come around to supporting the softwood lumber dispute settlement he had negotiated with the United States in April (the broad framework) and July (the legal text). The three weeks in August leading up to the Harper deadline were fraught with criticism of the deal from a large number of Canadian lumber producers and some Canadian provincial governments, and raising the required support from within Canada looked bleak. The agreement stipulated that the deal be supported by 95 percent of the industry and that all litigation be dropped. Ultimately, Harper got the United States to agree that less support than 95 percent would be acceptable, and that not all litigation need be dropped.

As a result, on August 22 Harper announced that a "clear majority" of the Canadian softwood lumber industry and provincial governments supported the deal, and that he would therefore submit legislation to Parliament's House of Commons in September to implement it.

Harper has not specified what percentage of Canadian producers constitutes a "clear majority" or how that majority was calculated (based on number on companies? weighted by exports?) but he has said that he will stake the future of his minority government on the deal by making the vote in the House of Commons a motion of confidence. The minority Conservatives do not have enough seats in the Parliament to pass the legislation without support from opposition parties. A defeat would force a general election. But such an election is thought to be unlikely as the Bloc Quebecois will likely support the agreement because the Quebec lumber industry ultimately came around to supporting it. The Bloc's support reportedly would ensure the passage of the legislation.

The British Columbia provincial government, originally a high-profile critic of the deal, backed the deal in mid-August after the U.S. Government indicated in a side-letter that the United States would accept BC's market-based pricing system for raw timber; that it would provide six month's notice of any intention to terminate the agreement, but not before the agreement had been in effect for 18 months; and that there would be a one-year standstill in litigation if the agreement is terminated by the United States, or if the agreement reaches its scheduled termination and is not renewed. The United States also agreed to review the treatment of lumber produced from timber on privately-owned land, to be conducted by a joint softwood lumber working group or the binational panel to be established under the agreement. The United States agreed to review the "running rules" for day-to-day operation of the agreement by the binational panel to ensure that the agreement functions in a commercially viable way.

. . . ON DR-CAFTA IMPLEMENTATION. The United States continued discussions with Costa Rica and the Dominican Republic on what concessions it will grant in return for a change to the rules of origin for trouser pockets under the Dominican Republic-Central America Free Trade Agreement (DR-CAFTA). Negotiations have

concluded with the other four DR-CAFTA partners (*see related article, this issue*).

The Dominican Republic is the largest exporter of trousers to the United States in the DR-CAFTA area and will be the most affected by the change to the pocketing rules. The DR tabled a proposal that would allow it to ship trousers containing pockets made with third country fabric as long as it shipped a greater quantity of trousers containing pockets made of U.S. or DR-CAFTA fabric. Under the proposal, for every dozen pairs of trousers shipped with third country pockets, the DR would ship two-dozen pairs of trousers with U.S. pockets and those trousers would be subject to 50 percent of the most favored nation tariff rate. Alternatively for every dozen pairs of trousers shipped with third country fabric pockets, the DR could ship three dozen pairs of trousers with U.S. pockets and those trousers would be duty-free.

Textile producers as well as U.S. importers oppose the DR proposal, claiming that it would be too hard to implement and difficult for Customs to monitor. The textile producers also feel that it would set a bad precedent for other negotiations.

With regard to Costa Rica, it appears that country will not approve the DR-CAFTA until December at the earliest. Costa Rica's president has delayed two bills dealing with privatization of the telecommunications and insurance industries that the congress must approve before it can fully implement the DR-CAFTA. These are the most controversial pieces of legislation needed in order to implement the DR-CAFTA. The president is waiting for the next extraordinary session of the Congress to start in December before taking up these bills. The executive branch sets the legislative priorities in the extraordinary sessions.

. . . ON EU FOOTWEAR DUMPING INVESTIGATION. On August 3, European Union member states rejected the European Commission's second proposal in as many weeks to establish permanent anti-dumping duties on leather footwear from China and Vietnam (see the August 2006 Retail Trade Issues). Fourteen of 25 member states voted against the second proposal, which would have imposed ad valorem duties of 10.0 percent and 16.5 percent on imports from Vietnam and China, respectively.

Despite its previous rejection, the Commission resubmitted the August 3 proposal for debate at the September 7 meeting of trade ministers. After two unsuccessful attempts at drafting a compromise, EU Commissioner Peter Mandelson encouraged member states in favor of the duties to try to win over those that opposed the proposal in August. If member countries cannot reach agreement, the duties will lapse as scheduled on October 6.

. . . ON AGOA IMPLEMENTATION. The Office of the U.S. Trade Representative (USTR) certified Burkina Faso as eligible for textile and apparel benefits under the African Growth and Opportunity Act (AGOA), effective August 4, 2006. USTR determined that Burkina Faso has adopted, or is making steps towards adopting, an effective visa system and related proce-

dures to prevent the use of counterfeit documents and illegal transshipments with regards to shipments of textiles and apparels.

. . . ON SHORT SUPPLY. The Committee for the Implementation of Textile Agreements (CITA) announced the filing of several short supply petitions in August.

On July 21, 2006, the Government of the United States received a request for consultations from the Government of Mexico under the North American Free Trade Agreement (NAFTA) to modify the NAFTA rules of origin with regard to filament yarn of cellulose acetate, classified in heading 5403 of the Harmonized Tariff Schedule of the United States (HTSUS). On August 21, CITA requested public comments on whether filament yarn of cellulose acetate of HTSUS 5403 can be supplied by the domestic industry in commercial quantities in a timely manner. CITA requests public comments by September 20, 2006.

On August 17, CITA received a request from Lido Industries in El Salvador under the Dominican Republic-Central American Free Trade Agreement (DR-CAFTA). The petition alleges that certain two-way stretch fabrics, containing spandex and classified under HTSUS 5515.11.00, cannot be supplied in commercial quantities in a timely manner. Public comments were due to CITA by August 31.

. . . ON CHINA CURRENCY BILL. Senators Lindsey Graham (R-SC) and Chuck Schumer (D-NY) stated that they would push to vote on a bill imposing a 27.5 percent tariff on all imports from China by September 30, barring significant progress by China to revalue the renminbi. However, a visit to China by new Treasury Secretary Hank Paulson around that time could serve as the latest justification to delay the vote. It would be the fifth time Graham and Schumer agreed to postpone action.

. . . ON SCHOOL LINED PAPER TRADE REMEDY INVESTIGATIONS. On August 1, the Department of Commerce issued its affirmative final determination in the antidumping and countervailing duty investigations on lined paper products imported from India. Commerce issued antidumping margins of 3.91 percent to 23.17 percent and countervailing duty margins of 1.67 percent (*de minimis*) to 10.24 percent. The box below details the antidumping and countervailing duty margins for each company. The investigation now returns to the U.S. International Trade Commission, which is scheduled to issue its final injury determination on or about September 13.

In addition, on August 10, Commerce announced its affirmative final determinations in the antidumping and countervailing duty investigations on lined paper products imported from Indonesia. Commerce determined that Indonesian producers received a net subsidy of 40.55 percent and issued antidumping margins of 97.85 percent. In addition, Commerce issued an antidumping margin of 118.63 percent for producer PT. Pabrik Kertas Tjiwi Kimia Tbk., based on the company's failure to cooperate to the best of its ability.

Lined paper products are typically school supplies featuring horizontal and/or vertical lines on 10 or more sheets of paper, including single- and multi-

subject notebooks, composition books, wireless notebooks, loose-leaf or glued filler paper, graph paper, and laboratory notebooks. The subject products are classified under subheadings 4820.10.2050, 4810.22.5044, 4811.90.9090, 4820.10.2010, and 4820.10.2020 of the U.S. Harmonized Tariff Schedule.

DEVELOPMENT OF NOTE. President Bush nominated John Veroneau to serve as Deputy U.S. Trade Representative. Veroneau previously served as USTR's general counsel and assistant USTR for congressional affairs. The Senate will likely take up his nomination sometime in September.

Final Countervailing Duty and Antidumping Rates on Lined Paper Products Imported from India

Aero Exports
Net Subsidy Rate: 7.05%
Dumping Margin: 23.17%**

Kejriwal Paper Ltd.
Net Subsidy Rate: 1.67% (*de minimis*)*
Dumping Margin: 3.91%

Navneet Publications (India) Ltd.
Net Subsidy Rate: 10.24%
Dumping Margin: 23.17%**

All Others
Net Subsidy Rate: 9.42%
Dumping Margin: 3.91%

* The subsidy rate for Kejriwal Paper Ltd. is *de minimis* (below 2%); therefore this company will be excluded from any countervailing duty order on lined paper products.

** These high antidumping margins are based entirely on adverse inferences, as the respondents did not cooperate to the best of their ability with Commerce's requests for information.

The National Retail Federation is the nation's largest trade group which speaks for the retail industry. The organization represents the entire spectrum of retailing, including the nation's leading department, chain, discount, specialty and independent stores, several dozen national retail associations and all 50 state retail associations. The Federation's membership represents an industry that encompasses 1.1 million U.S. retail establishments, employs over 24 million people and registered sales in excess of $4.2 trillion in 2005. The National Retail Federation also has a sizable international membership of 1,000 stores in 50 nations abroad. For information about membership, contact Denise Brassé, Vice President, Membership, at (202) 783-7971.

Retail Trade Issues is a monthly newsletter prepared by The Trade Partnership for members of the National Retail Federation. Subscriptions for non-members are available at a cost of $250 a year. Address all comments and inquiries to Erik Autor, Vice President and International Trade Counsel, at (202) 783-7971.

National Retail Federation
325 7th Street, NW, Suite 1100
Washington, D.C. 20004
(202) 783-7971