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Japan Machinery Center for Trade and Investment
Tokyo, Japan 105-0011
August 29, 2005

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President George W. Bush signs H. R. 1, the Medicare Prescription Drug, Improvement and Modernization Act of 2003 on Dec. 8, 2003.



Internship Opportunities
Committee on Ways and Means Internship Opportunities

The Hon. E. Clay Shaw
1236 Longworth House Office Building
Washington, DC 20515
Fax: 202-225-8398

Dear Chairman Shaw:

On behalf of the Board of Directors of the Japanese Machinery Center for Trade and Investment (JMC) and its 300 member corporations, I write to express our strong support for the inclusion of H.R. 1121, legislation to repeal the Continued Dumping and Subsidy Offset Act (CDSOA), in the 2005 miscellaneous trade bill. We sincerely appreciate your initiative to include this important provision among the bills that the Subcommittee will consider.

JMC is a non-profit organization of Japan's major electronics and machinery manufacturers, trading companies and engineering companies. JMC's activities emphasize multilateral trade and investment rules, bilateral Free Trade Agreements, environmental protection regulations, national industrial policies, trade related security measures, and trade insurance. In 2004, the Japanese machinery sector accounted for \$103.6 billion in U.S. exports, representing over 80 percent of total Japanese exports to the United States during that year.

JMC supports repeal of the CDSOA (the "Byrd Amendment") because the law is inimical to U.S. credibility in the multilateral trading system, to U.S. and non-U.S. businesses and to consumers:

- **U.S. International Leadership and the Multilateral Trading System.** The United States is the WTO's most important member, and thus U.S. compliance with the WTO Dispute Settlement Body's ruling on the Byrd Amendment is indispensable for the integrity of the multilateral trade regime. The United States' leadership among the global community is faltering in light of several adverse WTO rulings with which the United States has, thus far, refused to comply. In the eyes of the United States' international trading partners, the Byrd Amendment is the most important of these outstanding measures. Its repeal would send a positive signal to the international trading community just before the WTO's Hong Kong Ministerial – a meeting critical to the success of not only the "Doha Round," but also the multilateral trading system as a whole.
- **U.S. Exporters and the World Economy.** The failure of Congress to repeal this WTO-illegal measure has triggered the imposition of retaliatory measures from the United States' major trading partners, harming U.S. exporting interests and disrupting world trade. In recent months, the European Union, Canada, Japan and Mexico announced that they will impose retaliatory tariffs against U.S. imports totaling almost \$130 million. The EU, Canada and Mexico have already begun collecting these duties, and Japan will begin to do so on September 1. Brazil, Chile, India and Korea are not far behind. These measures will cause significant harm to U.S. exporting interests and lead to massive market disruptions.
- **Foreign Exporters and the U.S. Economy.** According to a 2004 U.S. Congressional Budget Office (CBO) study, the distributions mandated by

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CDSOA are detrimental to foreign exporters and the United States' overall economic welfare: (1) they encourage the filing of more antidumping and countervailing-duty (AD/CVD) cases, resulting in more duties that, on balance, harm the economy; (2) they subsidize the firms receiving them, preventing resources from flowing to higher-value activities in other firms and industries; and (3) they increase the private and public cost associated with the operation and implementation of the laws. Higher litigation costs and more tariffs on foreign goods cause direct harm to foreign exporters. This includes some of JMC's members, many of whom have subsidiaries in the United States. Indeed, in 2003 Japanese investment in the United States was approximately \$165 billion, and Japanese manufacturing companies employed about 334,300 Americans in 2002. The failure of Congress to repeal the Byrd Amendment would injure not only their economic well-being, but also the excellent relationships that our member firms have established and maintained in the United States over the last several decades.

Given the serious economic harm that the Byrd Amendment causes, and its concomitant harm to foreign exporters, U.S. trade relations and the multilateral trading system as a whole, JMC respectfully urges members of the Trade Subcommittee to support the inclusion of H.R. 1121 in the 2005 miscellaneous trade bill and to work for the ultimate repeal of the Byrd Amendment as soon as possible. The law is a blemish on the United States' strong record of leadership in the international trading community. It harms the United States' general economic welfare and its largest trading partners. We ask the U.S. Congress to act now before the Byrd Amendment causes further damage.

Sincerely yours,

Osamu Morimoto
Executive Managing Director
