
**DEPARTMENT OF ECONOMIC AND COMMUNITY DEVELOPMENT
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WORLD TRADE ORGANIZATION

- The WTO upheld the Obama administration's decision last year to impose tariffs of up to 35% on auto and light-truck tires from China, rejecting a Beijing complaint that the punitive duties violated international agreements. China can appeal the panel's findings to the WTO's appellate body within 60 days.

MANUFACTURING

- Pratt & Whitney says Airbus will offer buyers of its A320neo jetliner the option of outfitting them with Pratt's geared turbofan engine, starting with spring 2016 deliveries.
- A 2,000-page Senate spending bill included \$450 million to continue work on a second engine for the Lockheed Martin fighter plane, a program the Pentagon has tried for years to cancel. The Pentagon wants to save money by canceling the F136 engine being built by General Electric and Britain's Rolls Royce Group as an alternate to an engine built by Pratt & Whitney. But lawmakers, arguing that maintaining competition between the engine teams will save money in the longer term, have continued to fund the controversial program in recent years. Defense Secretary Robert Gates has repeatedly told lawmakers that he will recommend that President Barack Obama veto any measure that funds the second engine program.

TRADE

- The U.S. International Trade Commission will consider a claim that Rolls-Royce is violating a patent owned by Pratt & Whitney, a dispute that may slow deliveries of Boeing's 787 Dreamliner. Pratt & Whitney claims that Rolls-Royce's Trent 900 and Trent 1000 engines infringe a patent for a swept-fan blade. The Trent 1000 has been designated by Boeing for its Dreamliner.
- New draft export control regulations were issued by the Obama administration. The guidelines will help officials decide which items should be subject to export controls and when an export license must be obtained. The proposed process would establish three tiers into which so-called "dual-use" items will be placed to "distinguish the types of items that should be subject to stricter or more permissive levels of control," according to the fact sheet. The highest tier would include "critical" military and intelligence technology that is available almost exclusively from the U.S. A second tier would include items that "provide a substantial military or intelligence advantage to the United States" but can be bought from U.S. companies and those of Washington's allies. The third tier is for technology that is widely available. For these items, the license requirement might be waived. Additionally, the reform package would establish a "bright line" between the lists run by the State and Commerce departments, making it clearer on which list an item is grouped. The lists would allow for controlled items to easily be grouped, "potentially," on a master list of controlled items, states the fact sheet. The administration also wants to make the U.S. Munitions List (USML), overseen by the State Department, less "open-ended," "subjective" and "broad," according to the fact sheet. The intent is to "end jurisdictional disputes and ambiguities that hinder our current system," it states. Under the proposed framework, once an item is placed into one of the three tiers, a licensing policy will be assigned to it. The administration says the idea is to focus agency scrutiny on the most sensitive systems. For the top tier, a license likely will

always be needed. For the middle grouping, exports would be cleared to U.S. allies under license exemptions. For the third tier, a license would be needed for “some, but not all, destinations,” the White House states.

- Boeing’s chief executive Jim McNerney called for the passage of more free-trade agreements in order to meet the Obama administration’s goal of doubling U.S. exports by 2015.
- The Obama administration released a statement announcing the successful resolution of outstanding issues, particularly in the auto and beef markets, surrounding the U.S.-Korea Free Trade Agreement. The agreement is now pending Congressional approval. If ratified, the agreement will eliminate tariffs on 95% of industrial and consumer goods within 5 years.
- Government officials met in Paris to discuss a proposal that would limit export subsidies for new aircraft. Many big U.S. and European carriers back the change, because they are largely ineligible for loan guarantees under the so-called home country rule, meaning their cost of borrowing is higher. Boeing and Airbus, however, have long benefited from loan guarantees that make their planes more affordable for buyers outside the U.S., U.K., France, Germany and Spain. Meanwhile, global airlines currently eligible for the export assistance have urged that the home country rule be dropped, allowing all airlines to benefit equally from loan guarantees.
- The U.S. international trade deficit decreased to \$38.7 billion in October from \$44.6 billion (revised) in September, as exports increased and imports decreased. The increase in U.S. exports in October reflected a rise in sales of a variety of goods abroad, mostly industrial supplies and materials; food, feed and beverages; and automotive vehicles, parts and engines.

REGIONAL

CONNECTICUT

- Connecticut added 2,500 jobs in November, and unemployment fell to 9% from 9.1%, according to a report by the Department of Labor. Education and health was the strongest job sector.

NORTH AMERICA

- The U.S. economy added just 39,000 jobs in November, and the unemployment rate rose to 9.8%, according to the Department of Labor.

EUROPEAN UNION

- France and Germany rejected calls to introduce euro-zone bonds as a means of deterring speculators and protecting the euro, as leaders of both countries joined forces to keep the issue from gaining ground at a summit meeting of E.U. leaders. Referring to calls by some E.U. leaders to consider having the euro zone issue its own bonds in order to curb speculators, French President Nicolas Sarkozy said the public in France and Germany “would not be pleased if they had to share in paying for the debts of other countries.” Analysts said France and Germany were opposed to euro-zone bonds because borrowing rates for their strong economies would increase, while enabling weaker euro-zone countries to link with stronger economies to borrow money instead of being exposed alone when they issued national bonds to raise cash.

ASIA

- China’s top leaders announced that the country will tighten monetary policy next year, a sign that the leaders are increasingly concerned about inflation and an overheated economy even as other nations, including the U.S., continue to grapple with a global recession. The announcement was made in an article by Xinhua, China’s official news agency. The Xinhua article did not discuss the implications of a tighter monetary policy for the value of the renminbi. But one reason China’s monetary policy has been loose for the last several years has been the central bank’s

large-scale issuance of renminbi so as to buy dollars. This currency market intervention has kept the renminbi weak and has made Chinese exports more competitive in foreign markets while making foreign goods more expensive in China. The U.S., Europe and some developing countries have become increasingly concerned by what some politicians say is the transfer of jobs and economic growth to China that the relative weakness of the renminbi has caused.