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Congressional Action on Trade and Energy Issues: Is It Enough or Too Much?

The surface finishing industry continues to face economic challenges and pressures from global markets resulting from a variety of factors such as foreign currency manipulation, regulatory requirements, energy costs, raw materials prices and labor issues. Congress has passed some legislation and is currently evaluating additional proposals to address foreign trade and currency reform and national energy policy. While some progress is being made in these areas, more *(or less)* is needed to help the surface finishing industry remain competitive in global and domestic markets.

Energy Legislation

U.S. manufacturers and consumers are looking for some relief from the high energy costs. Unfortunately, energy costs are likely to continue to increase, particularly with increased regulatory controls on the horizon to address air pollutants such as ground-level ozone, likely additional fuel taxes to fund transportation infrastructure in the wake of the Minneapolis bridge collapse, and the limited availability of domestic oil and gas reserves.

One of the most hotly debated topics in Congress is access to key domestic oil and gas reserves. Last year legislation was introduced in both the House (H.R. 4761, the Deep Ocean Energy Resources Act) and the Senate (S. 3711, the Gulf of Mexico Energy Security Act) to increase the domestic supply of oil and natural gas. The House bill increased access to key oil and gas reserves, whereas the Senate bill did not measurably increase access to oil and gas reserves that would not be accessed otherwise, through the Five-Year Outer Continental Shelf (2007-2012) Plan, but did provide a statutory requirement for the Department of Interior to open specified areas for natural gas production within one year of passage.

In December 2006, the Senate bill was incorporated into H.R. 6111, *The Tax Relief and Health Care Act of 2006*. After the House passed the bill on December 8, 2006 and the Senate passed it on December 9, 2006, President Bush signed it on December 20, 2006 and it was enacted as P.L. 109-432. The lobbying of the participants at the May 2006 Washington Forum on this legislation was part of the successful effort to pass this modest positive energy legislation to open up some much needed additional domestic oil and gas reserves.

While some progress was made with respect to efforts to increase domestic energy supplies, natural gas and electricity consumers continue to face rising energy costs. On August 4, 2007, the House passed energy legislation that would decrease the domestic supply of natural gas and increase energy costs for consumers (HR 3221 and HR 2776). The House bill specifically places an area, called Roan Plateau in Colorado, off-limits to drilling. The Roan Plateau is federal land and it contains 9 trillion cubic feet of natural gas. Because this area has already been through the environmental permitting process and is ready for natural gas drilling, it would be the best new source of natural gas in the country and the quickest way to increase domestic supplies.

Some analysts argued that consumers would be better off if Congress did nothing, because the House bill also rolls back important provisions from the Energy Policy Act of 2005 that are now beginning to increase supply of natural gas. High natural gas prices are in turn now driving up the cost of electricity across the country.

When Congress resumes its session after the August recess, this House bill will have to be reconciled with the energy legislation that was passed in the Senate (HR 6). A compromise will also have to be negotiated with the White House because President Bush has threatened to veto any legislation that decreases domestic energy production, imposes new regulations and unfairly taxes the oil industry with higher taxes.

The surface finishing industry, like other industries, cannot afford additional increases in energy costs and remain competitive in global markets. NASF members may be asked to communicate with Congress and the White House regarding how the proposed energy legislation will impact natural gas and electricity consumers and U.S. manufacturing.

Trade and Currency Reform Legislation

In light of more recent developments relating to Chinese food and drug safety requirements, leaded children's toys and a range of product quality, intellectual property and other concerns, legislative proposals to reform foreign currency and trade practices are gaining steam in Congress. These bills have been the subject of congressional hearings and national debate. Some of the key legislative proposals under consideration in Congress are summarized below.

Representatives Arthur Davis (D-AL) and Philip English (R-PA) introduced legislation earlier this year that would apply countervailing duties to non-market economies such as China (H.R. 1229). The bill, entitled *Nonmarket Economy Trade Remedy Act of 2007*, would also authorize the use of alternative methodologies to determine whether a subsidy is counter-available with respect to China. Under this legislation, the U.S. International Trade Commission would conduct a study on how China uses government intervention to promote investment, employment and exports. This would provide U.S. manufacturers with remedies to address unfair trade practices of China and other nations.

Representatives Duncan Hunter (R-CA) and Tim Ryan (D-OH) introduced a new, revised bill on June 28, 2007 to address trade imbalances and currency manipulation practices by countries such as China. The proposed legislation (H.R. 2942) entitled, *The Currency Reform for Fair Trade Act of 2007*, provides for the identification of misaligned currency, requires U.S. action to correct the misalignment, and provides other remedies for unfair trade practices. This new bill is intended to be a compromise effort to find common ground among the several legislative approaches that have been introduced in the House and the Senate to address trade reform issues, including the previous Ryan-Hunter bill (H.R. 782).

Currency manipulation by the Chinese government in conjunction with other factors is responsible for the significant increase in the U.S. trade deficit with China – from $30 billion in 1994 to a projected $230 billion in 2007. This bill would provide remedies for U.S. manufacturers to address illegal unfair trade practices under U.S. and international law. H.R. 2942 was referred to the House Ways and Means, Financial Services, and Foreign Affairs committees and was the subject of a recent hearing before the Way and Means, Trade Subcommittee on August 2, 2007.

In the Senate, Senators Jim Bunning (R-KY) and Debbie Stabenow (D-MI) introduced a bill (S 796) to address the decade long practice of illegal currency manipulation by the Chinese government. Under the Senate bill, "exchange-rate misalignment" would be considered a prohibited export subsidy for nom-market economies like China in countervailing duty cases and would also be a factor to consider in "market disruption" cases filed under the Trade Act of 1974.

Representative Duncan Hunter, a Republican candidate for President, has identified his bipartisan trade and currency reform as critical to the continued success of U.S. manufacturing. Mr. Hunter addressed these issues with the surface finishing industry at the Washington Forum in May 2007 and in an industry conference call on July 24, 2007 and continues to be strong advocate for U.S. manufacturing on the national front.

Conclusion

While global competitiveness, manufacturing, energy and trade issues are receiving more attention in Congress, they may also be a key issue in the 2008 presidential and congressional elections. Addressing these issues with a positive and productive outcome will be very important in ensuring that the surface finishing industry can continue to be competitive in global and domestic markets. The industry will need to continue its active involvement in Washington to ensure that its voice, and that of U.S. manufacturing, is heard in the key offices of Congress and the White House as well as on the political campaign fronts. *P&SF*