

US ITC to Investigate Global Rice Trade

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In a February 5, 2024 [letter](#) to the US International Trade Commission (ITC), US House of Representatives Ways & Means Committee Chair Jason Smith (Republican-Missouri) requested that the ITC conduct a Section 332 investigation into the global rice market. The ITC will institute the investigation in the coming weeks, and it could be the first step toward future trade actions impacting trade in rice and related products.

The governments of principal rice producing and consuming nations, US rice producers, processors and exporters, corporations that are significant consumers of domestically produced or imported rice, and foreign rice producer organizations and governments would all be well advised to carefully monitor this investigation and engage in the process so they can help inform the ITC's final report.

Background on Section 332 Investigations

An investigation under Section 332 of the Tariff Act of 1930 (19 U.S.C. 1332) is a fact-finding investigation led by the ITC on any subject product or service involving tariffs or international trade, including conditions of competition between US and foreign industries. The goal of the investigation is to provide policymakers with objective and fact-based analysis to inform their decision-making process.

The ITC can launch a Section 332 investigation on its own initiative or by request from the President, the Senate Finance Committee, the House Ways and Means Committee or the US Trade Representative. The request is formally transmitted via letter and details the topics for investigation and a deadline for the final report. The ITC and the requesting party often collaborate on the contents of the letter in advance to ensure the request is both thorough and achievable.

During a Section 332 investigation, the ITC gathers and analyzes extensive data, conducts hearings and consults with stakeholders to assess the economic impact of specific trade policies, practices or market conditions. The ITC submits a report at the conclusion of its investigation describing its factual findings and analyses, but does not recommend policy changes. Likewise, a Section 332 investigation does not result directly in any trade relief. However, the results of such investigations can be, and often are, used as a precursor to further trade actions. The report that the ITC generates, and its specific findings, may ultimately be used in support of:

- Trade remedy actions (e.g., antidumping, countervailing duty investigations or safeguards)

investigation (Section 201 (Global Safeguard Investigations) of the Trade Act of 1974, in the US) cases to impose temporary duties or other trade measures

- World Trade Organization (WTO) complaints
- Bilateral initiatives by the US, including demands for improved market access or removal of barriers for US rice exports
- New legislative initiatives to improve the competitive position of the US rice industry
- Additional support for the US rice industry, including through the Market Access Program (MAP), the Foreign Market Development (FMD) program and the Agricultural Trade Promotion Program (ATP) to assist the US rice industry to open foreign markets and promote its product

This is not the first Section 332 investigation relating to the global rice market. A similar investigation was conducted in 2015, following a congressional request, and it resulted in a [report](#) that found that:

- The global rice market was characterized by heavy government intervention in both imports and exports, and that while such government intervention is generally aimed at keeping prices affordable, especially for low-income consumers, such intervention was detrimental to US producers and exporters.
- Government policies for rice in place at that time and import tariffs on rice in major US trading partners and major consuming countries had the largest impact on US production and exports.
- The US, in recent years, had lost market share in key export markets, such as Mexico, Central America, the EU, the Caribbean and West Africa. The US exported about 50% of its production.
- Countries that were both major rice consumers and surplus producers/exporters, such as India and Thailand, typically provided support for rice producers and consumers, and these countries also imposed export controls if prices rose.
- Countries that were principally rice consuming and importing countries, such as Indonesia and the Philippines, typically provided a support for rice producers and consumers, and maintained control of rice imports, generally through state trading.
- Exports only accounted for 8% of global rice production, significantly less than for other grains and oilseeds even though rice serves as a staple in the diet of more people than any other food, according to the report.

Chairman Smith Request for Investigation

Chairman Smith's letter requests that the ITC investigate and report on the following topics:

1. Recent developments in the US rice industry, as well as those of other major global rice producers and exporters, like Bangladesh, Brazil, China, India, Indonesia, Pakistan, Paraguay, Thailand, Uruguay and Vietnam
2. Trade trends and developments in the global rice market that impact both US and foreign imports and exports
3. Competitive strengths and weaknesses of US and foreign rice producers, with a focus on how those factors affect costs, product differentiation and supply chain reliability
4. A qualitative and quantitative assessment of what existing policies and programs are directly or indirectly affecting rice production and exports – including how such policies like export restrictions affect US rice production and prices, as well as food security in developing countries
5. The impact on America's rice industry from exports by other major rice producing countries to

both the US as well as traditional US export markets

In a statement, Chairman Smith indicated “that unfair subsidies and other policies in foreign countries have contributed to a decrease in US rice exports over the last decade, from \$2.2 billion in 2013 to \$1.7 billion in 2022.” He stated that American rice producers would win more customers around the world and support more American jobs if they had a “level playing field.” This language suggests Chairman Smith and other stakeholders intend that the resulting ITC report be used to pursue further trade actions. While potential antidumping and countervailing duty actions or legislative proposals from Congress will be high on the list, we expect that this investigation will focus attention on a number of other issues, including problems created by government solicitations and procurement practices in Asia, arbitrary use of phytosanitary and maximum residue levels (MRL) in some markets worldwide, and the failure or resistance of some trading partners to phase-out duties as required under free trade agreements.

The ITC’s report is due to Congress no later than 13 months from receipt of the letter. The report will be made public. Interested parties will have an opportunity to participate in a hearing at the ITC, as well as to submit written comments – this will be a crucial opportunity for interested parties to contribute to the ITC’s findings, which could lay the groundwork for future trade actions impacting global rice trade.

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