

The Impact of Antidumping and Countervailing Duty Proceedings on Brazilian Exports to the United States

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Three Main Questions

- How do imports react to AD and CVD procedures?
- Why do imports behave that way?
- What is the impact of AD and CVD procedures on imports?

Methodology

- Examined last 14 years of data (1989-2002);
- Found 33 investigations (AD and CVD), involving 21 Brazilian products;
- Compiled U.S. import data on those products for the 14-year period;
- Grouped import data according to the type of decision made in each case;
- Arranged data in Tables by year or month in which investigation occurred;
- The resulting totals of each table were indexed and plotted in a graph; and
- On the behavior of imports, reviewed theoretical and empirical work done since 1981.

The Import Data Groups

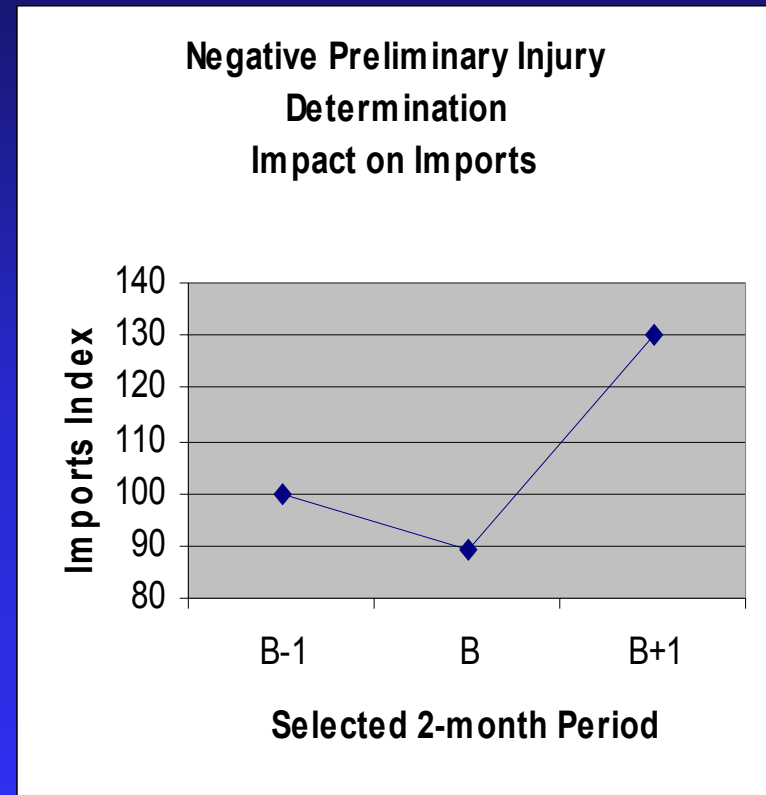
- Group 1: Products for which investigations concluded in 60 days or less (2);
- Group 2: Products for which investigations concluded in approximately one year with no imposition of duties (6);
- Group 3: Products for which investigations concluded in approximately one year with AD/CVD duties imposed (13).

Group 1

Length of Investigation => 45 days

Result => No AD/CVD Duties

- Combines monthly data of all products in the group
- B = bi-month in which investigation occurred
- B-1 = same bi-month in the previous year
- Imports fall in B (11%) due to uncertainty factor and recover when uncertainty ceases
- Importers are uncertain about final cost of imports (2 kinds of buyer)
- Price-sensitive and relation-building buyers. Former reacts faster to petition
- V-shaped graph is also a characteristic in graphs for individual products
- Main point: Export loss even with no imposition of duties

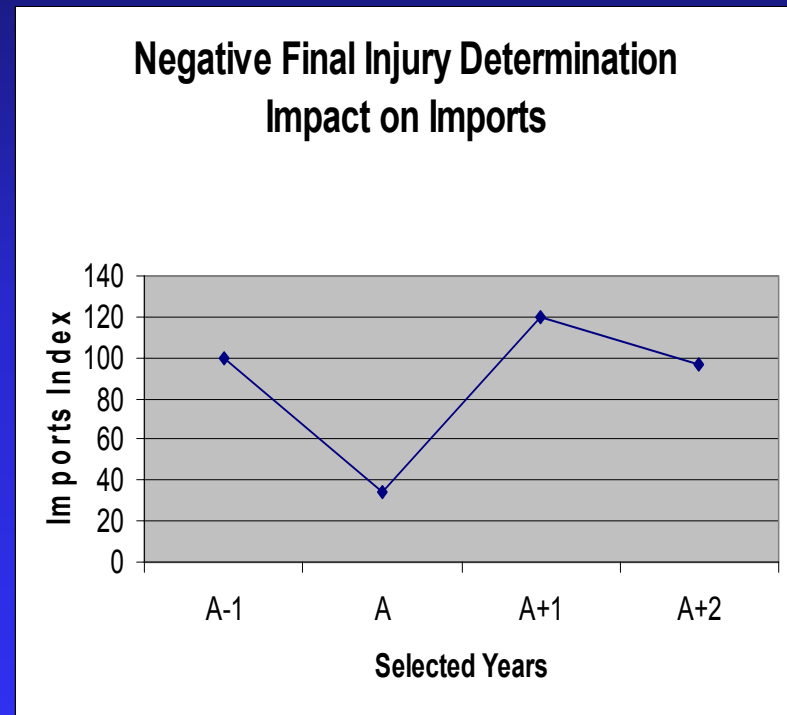


Group 2

Length of Investigation $\Rightarrow \pm 1$ year

Result \Rightarrow No AD/CVD Duties

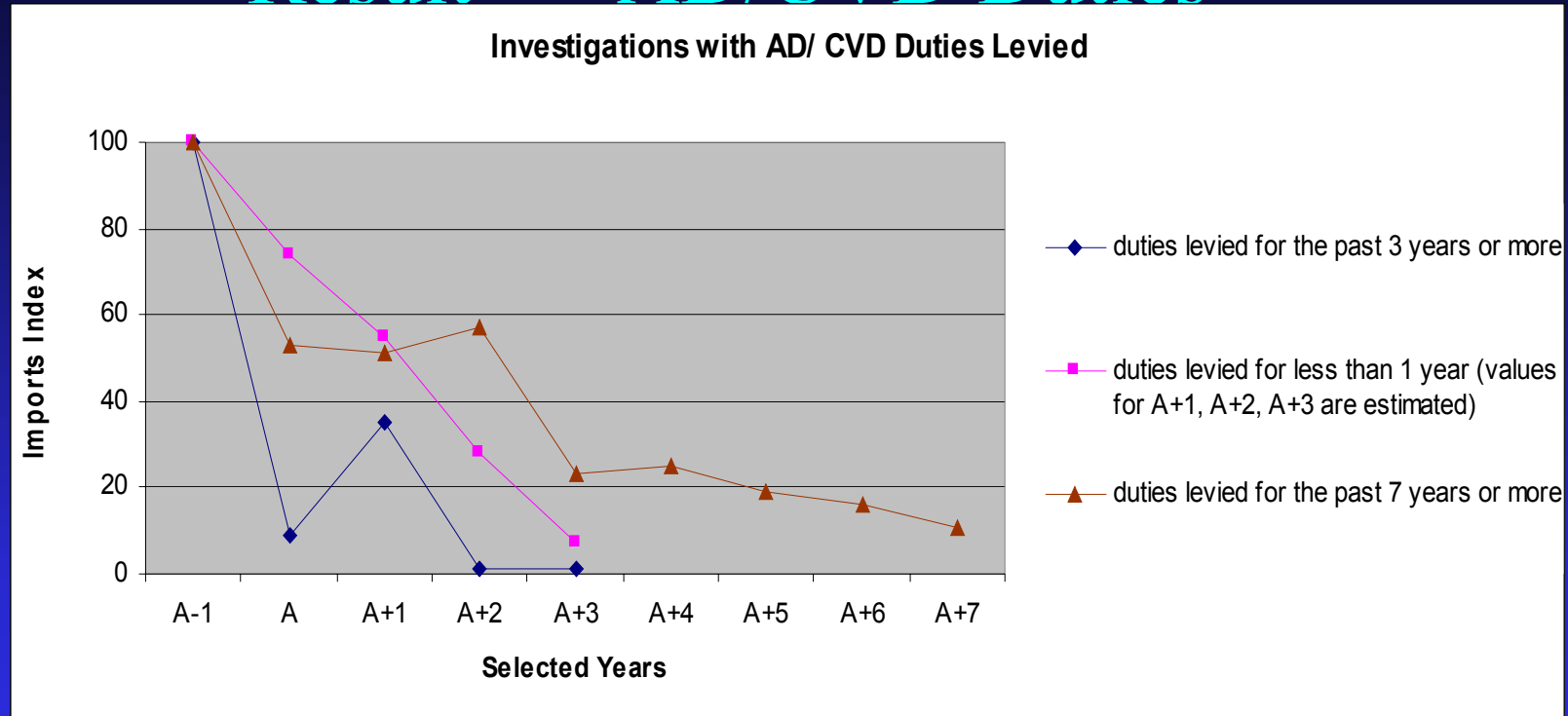
- Combines import data of the six products in the group
- A = Year (annum) when investigation occurred
- Fall at A more pronounced than in Group 1 because uncertainty factor prevails for a longer period
- Loss of US\$ 205 million on A even when exporters win
- Finding supports '*process filers*'
- Bump at A+1 explained as inventory rebuilding by relationship-sensitive buyers
- Inverted N shape characteristic for individual products also
- Main point: a more significant export loss, despite favorable judgement



Group 3

Length of Investigation $\Rightarrow \pm 1$ year

Result \Rightarrow AD/CVD Duties



- Combines data of 13 products
- Imports fall just like in other cases (up to 91% in A)
- Once imposed, AD/CVD duties tend to perpetuate
- The uncertainty factor ultimately forces importers to shift to other sources, causing targeted imports to disappear over time

Export Losses

- Group 1 \$ 300,000.00
- Group 2 \$ 205,000,000.00
- Group 3 \$ 1,800,000,000.00
- Overall (1991-2002) = \$ 2,000,000,000.00
- While AD/CVD duties remain in place losses shall continue at an estimated annual rate of \$ 165 million.

Steel Sector

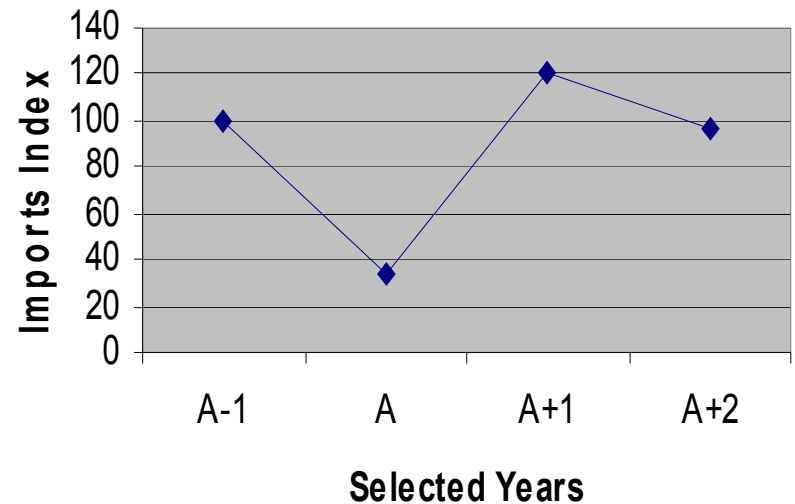
- Accounted for 76% of all investigated Brazilian products (1989-2002)
- For every 4 AD/ CVD petitions filed in the U.S. against Brazil, 3 targeted Brazilian steel products

Steel Sector Investigations

Final Decision, No Duties

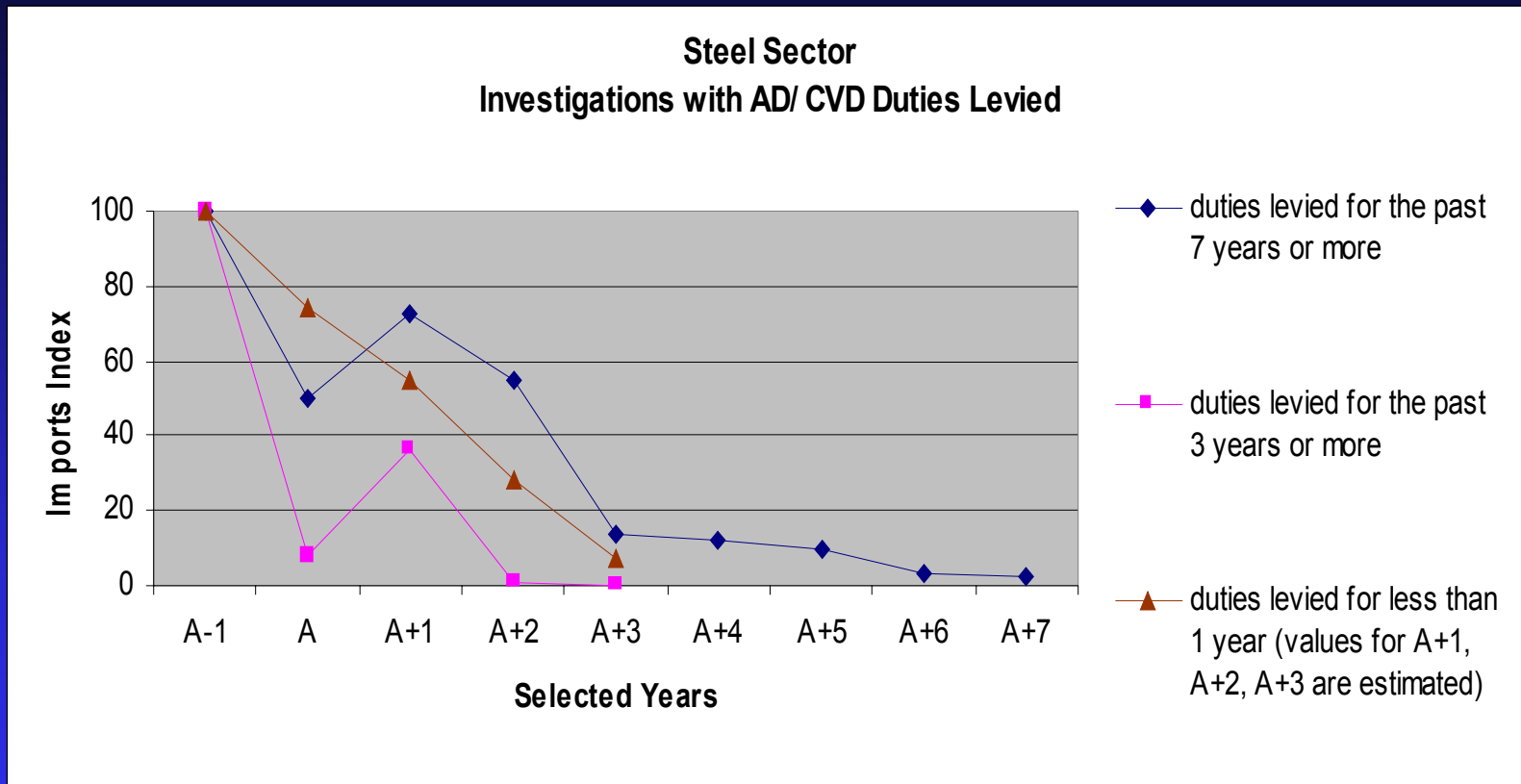
- Combines data of 6 products
- Same results as general case => Exports fall in A
- Loss of US\$ 206 million on A

U.S. Imports of Brazilian Steel Subject to Negative Final Decisions at the ITC



Steel Sector Investigations

Final Decisions with Duties



- Combines data of 7 products
- Same results as general case => imports disappear

Losses on Exports of Steel

- Only while investigations occurred

\$ 402,000,000.00

- Overall

\$ 1,300,000,000.00

Conclusions

- Exporters lose even when they are cleared of dumping or subsidies and no duties are imposed;
- Petitioners win whether exporters are condemned or not, which, by itself, is one potent incentive for domestic producers filing AD and CVD petitions;
- Once AD or CVD duties are imposed, they tend to perpetuate themselves while targeted imports disappear over time;
- These procedures, as they are today, offer a powerful instrument to uncompetitive sectors to nullify negotiated concessions under free-trade agreements;
- Best approach to resolve this situation is to improve the WTO's AD and CVD Agreements, so as to minimize discretion and eliminate opportunities for abuse.

Abuse and Discretion: The Impact of Antidumping and Countervailing Duty Proceedings on Brazilian Exports to the United States

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