



Highlights of [GAO-06-231](#), a report to congressional committees

Why GAO Did This Study

U.S. companies adversely affected by unfair imports may seek a number of relief measures, including antidumping (AD) duties. The Department of Commerce (Commerce) classifies China as a nonmarket economy (NME) and uses a special methodology that is commonly believed to produce AD duty rates that are higher than those applied to market economies. Commerce may stop applying its NME methodology if it finds that China warrants designation as a market economy.

In light of increased concern about China's trade practices, the conference report on fiscal year 2004 appropriations requested that GAO review efforts by U.S. government agencies responsible for ensuring free and fair trade with that country. In this report, the last in a series, GAO (1) explains the NME methodology, (2) analyzes AD duties applied to China and compares them with duties applied to market economies, and (3) explains circumstances in which the United States would stop applying its NME methodology to China and evaluates the potential impact of such a step.

Commerce agreed with our findings, commenting that our report provides timely and helpful information on the NME methodology and its application to China.

www.gao.gov/cgi-bin/getrpt?GAO-06-231.

To view the full product, including the scope and methodology, click on the link above. To view the database on antidumping case information against Chinese companies, click on the following link: www.gao.gov/cgi-bin/getrpt?GAO-06-652SP. For more information, contact Loren Yager at (202) 512-4347 or yagerl@gao.gov.

U.S.-CHINA TRADE

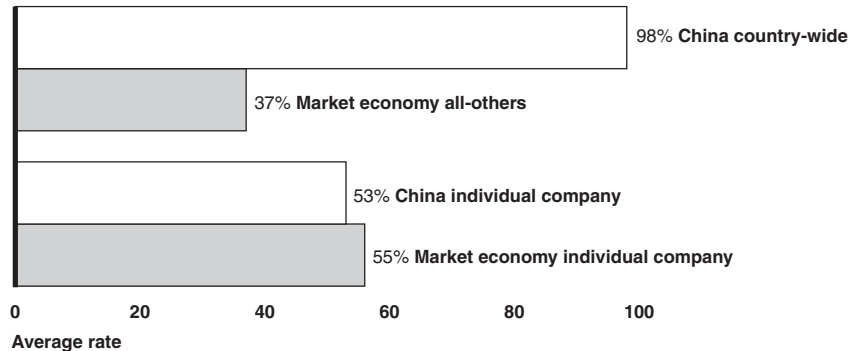
Eliminating Nonmarket Economy Methodology Would Lower Antidumping Duties for Some Chinese Companies

What GAO Found

Commerce's methodology for calculating AD duties on nonmarket economy products differs from its market economy approach in that (1) since NME prices are unreliable, it uses price information from surrogate countries, like India, to construct the value of the imported products and (2) it limits eligibility for individual rates to companies that show their export activities are not subject to government control. Companies that do not meet the criteria or do not participate in Commerce investigations receive "country-wide" rates.

China has been the most frequent target of U.S. AD actions. On 25 occasions, Commerce has applied duties to the same product from both China and one or more market economy. China (NME) duties were over 20 percentage points higher than those applied to market economies, on average. This is because average China country-wide rates were over 60 points higher than comparable market economy rates. Individual China company rates were similar to those assigned to market economy companies, on average.

Comparison of China and Market Economy Antidumping Rates for 25 Products (1985-2004)



Source: GAO AD database.

Commerce can declare China a market economy if the country meets certain criteria, thus ending the use of surrogate price information and country-wide rates in China AD actions. These changes would have a mixed impact. Duties would likely decline for Chinese companies not assigned individual rates. Individual company rates would likely diverge, with those that do not cooperate with Commerce receiving rates that are substantially higher than those that do cooperate. In any case, it appears that the actual trade impact of the NME methodology will decline as the portion of total export trade conducted by Chinese companies assigned individual rates increases and as the country-wide rates that largely account for the comparatively high average rates applied to China decline in importance.