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Highlights

Highlights of GAO-11-693T, a testimony before the Subcommittee on Homeland Security, Committee on Appropriations, U.S. Senate

Why GAO Did This Study

Since fiscal year 2001, the federal government has been unable to collect over $1 billion in antidumping (AD) and countervailing (CV) duties imposed to remedy injurious, unfair foreign trade practices. These include AD duties imposed on products exported to the United States at unfairly low prices (i.e., dumped) and CV duties on products exported to the United States that were subsidized by foreign governments. These uncollected duties show that the U.S. government has not fully remedied the unfair trade practices for U.S. industry and has lost out on a substantial amount of duty revenue to the U.S. Treasury.

This statement summarizes key findings from prior GAO reports on (1) past initiatives to improve AD/CV duty collection and (2) additional options for improving AD/CV duty collection.

What GAO Recommends

In March 2008 and March 2011, GAO identified options for Congress to consider for increasing revenues and improving the collection of AD/CV duties. For example, Congress could eliminate the retrospective nature of the U.S. system and consider the variety of alternative prospective systems available. Congress could also choose to provide the Department of Commerce (Commerce) the discretion to adjust requirements for new shipper reviews.

View GAO-11-693T or key components.
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ANTIDUMPING AND COUNTERVAILING DUTIES

Options for Improving Collection

What GAO Found

U.S. Customs and Border Protection (CBP), Congress, and Commerce have undertaken several initiatives to address the problem of uncollected AD/CV duties, but these initiatives have not resolved the problems associated with collections. Some of these initiatives include the following:

- *Temporary adjustment of standard bond-setting formula.* Importers generally provide a general bond to secure the payment of all types of duties, but CBP determined in 2004 that the amount of this bond inadequately protected AD/CV duty revenue. CBP took steps to address this by revising its standard bond-setting formula and tested it on one product (shrimp) to increase protection for AD/CV duty revenue when the final amount of duties owed exceeds the amount paid at the time of importation. The enhanced bonding requirement was subject to domestic and World Trade Organization litigation, and CBP decided to terminate the requirement in 2009.
- *Temporary suspension of new shipper bonding privilege.* Importers purchasing from "new shippers"—shippers who have not previously exported products subject to AD/CV duties—are allowed to provide a bond in lieu of cash payment to cover the initial AD/CV duties assessed, which is known as the new shipper bonding privilege. Congress partially addressed the risk that CBP would not be able to collect initial AD/CV duties from such importers by suspending the new shipper bonding privilege for 3 years and requiring cash deposits for initial AD/CV duties, but the privilege was reinstated in July 2009. The Department of the Treasury stated, however, that the added risk associated with the bond compared with the cash deposit is low.

Additional options exist for improving the collection of AD/CV duties. First, the retrospective nature of the U.S. system could be revised. Under the existing U.S. system, importers pay the estimated amount of AD/CV duties when products enter the United States, but the final amount of duties owed is not determined until later, a process that can take more than 3 years on average. This creates a risk that the importer may disappear, cease business operations, or declare bankruptcy before the government can collect the full amount owed. Other major U.S. trading partners have AD/CV duty systems that, while different from one another, treat as final the AD/CV duties assessed at the time a product enters the country. Second, Congress could revise the level of exports required for exporters applying for new shipper status. Under U.S. law, new shippers to the United States can petition for their own separate AD/CV duty rate. According to Commerce, a shipper can be assigned an individual duty rate based on as little as one shipment, intentionally set at a high price, resulting in a low or 0 percent duty rate. This creates additional risk by putting the government in the position of having to collect additional duties in the future rather than at the time of importation.