

FACT SHEET

WTO Case Challenging Chinese Antidumping and Countervailing duties on Certain American-Made Automobiles

May 23, 2014

What is this case about?

- In December 2011, the Chinese investigating authority, China's Ministry of Commerce ("MOFCOM"), imposed duties on American-made cars and SUVs. China asserted that it did so to counteract harmful dumping and subsidization. The antidumping duties (AD) ranged from 2.0 percent to 21.5 percent. The countervailing duties ranged from 6.2 percent to 12.9 percent.
- In July 2012, the United States initiated a WTO challenge to the AD/CVD duties imposed by China. A WTO dispute settlement panel issued its report on May 23, 2014, finding in favor of the United States on nearly all U.S. claims.

What products are affected by China's AD/CVD duties?

- The products affected by China's AD/CVD measures are U.S.-produced cars and SUVs with an engine capacity of 2.5 liters or larger.
- Exports to China include well known models like the Jeep Compass, Jeep Cherokee, Jeep Grand Cherokee, and Jeep Wrangler; Ford Explorer and Ford Mustang; Buick Enclave; and Cadillac CTS and Cadillac Escalade.
- Nine companies in ten U.S. States produce autos that are exported to China (chart attached).

Why is this case significant?

- In 2013, the U.S. motor vehicle parts and manufacturing sector employed 849,400 American workers.
- In 2013, annual wages in motor vehicle and auto parts manufacturing were estimated at \$37 billion.
- The United States exported a total of \$64.9 billion of autos in 2013, of which \$8.5 billion of autos were exported to China.
- China accounted for 11 percent of U.S. auto exports in 2013 (based on quantity) and 13 percent of U.S. auto exports (based on value). China is now the second-largest export market for U.S. autos (after Canada).

- An estimated \$5.1 billion of U.S. auto exports were covered by China’s unjustified AD/CVD duties in 2013, which ranged up to 21.5 percent.
- The chief priority of President Obama’s trade policy is to support jobs and grow the American middle class by selling more Made-in-America exports to the world. Every day at USTR we are working to expand economic opportunity for American workers, farmers, and businesses of all sizes. Standing up for American trade rights abroad is at the heart of that effort.
- We also have systemic concerns. We believe it essential that China play by the rules to which it agreed when it joined the WTO, including commitments to maintain open markets on a non-discriminatory basis, and to abide by the procedural and due process requirements in the WTO agreements.

What did the Panel find?

Key findings by the WTO Panel include the following:

- With regard to MOFCOM’s substantive errors, the Panel found that China breached its WTO obligations by:
 - improperly determining that U.S. exports were causing injury to the domestic Chinese industry;
 - improperly analyzing the effects of U.S. exports on prices in the Chinese market; and
 - calculating the “all others” dumping margin and subsidy rates for unknown U.S. exporters without a factual basis.
- With regard to procedural failings in the MOFCOM investigations, the Panel found that China breached its WTO obligations by:
 - failing to disclose essential facts to U.S. companies, including how their dumping margins were calculated; and
 - failing to provide non-confidential summaries of Chinese submissions containing confidential information.

What is the Effect of the Dispute on China’s AD/CVD duties on U.S.-produced cars and SUVs?

- Near the end of the panel proceeding, in December 2013, after the parties had submitted all of their arguments but before the Panel issued its findings, China announced the termination of the AD and CVD duties on American-made cars and SUVs. Since that announcement, the United States has monitored the situation in China, and has found no evidence that the AD and CVD duties are still being imposed.

- The U.S. victory in the dispute confirms that there was never a basis for China to have imposed AD/CVD duties on U.S.-produced cars and SUVs, because the evidence did not support MOFCOM's finding of injury to the domestic Chinese auto industry, and there were numerous other flaws in MOFCOM's investigations and determinations.

Doesn't the United States conduct antidumping and countervailing duty investigations of Chinese imports into the United States? Why are China's cases different?

- China, like any other WTO Member, is entitled to use the AD and CVD remedies, provided that it does so in a manner consistent with its WTO obligations. In this dispute, the United States believed – and a WTO Panel has confirmed – that China had not done so with respect to U.S. cars and SUVs. As the United States alleged, the WTO Panel found flaws in both the process of MOFCOM's investigations as well as the results.

What does the WTO have to do with antidumping and countervailing duties?

- Under the WTO Agreement, Members are permitted to impose antidumping and countervailing duty measures. However, WTO Members have agreed to abide by various substantive and procedural obligations regarding how and when such measures may be imposed.
- The WTO Antidumping Agreement (AD Agreement) sets forth obligations related to antidumping investigations and measures.
- The WTO Agreement on Subsidies and Countervailing Measures (SCM Agreement) sets forth obligations related to countervailing duty investigations and measures concerning alleged subsidies.

U.S. plants producing autos exported to China, January 2009-May 2014

Autos exported to China are assembled in 10 U.S. States*

* Parts and components used in the final assembly of autos exported to China are sourced throughout the United States.

Alabama

Honda (Acura)
Daimler (Mercedes-Benz)

California

Tesla

Illinois

Chrysler (Jeep)
Ford

Indiana

Honda (Acura)

Kentucky

Toyota (Toyota)

Michigan

Chrysler (Jeep)
Ford
GM (Buick)
GM (Cadillac)
GM (Chevrolet)

Ohio

Chrysler (Jeep)
Honda (Acura)

South Carolina

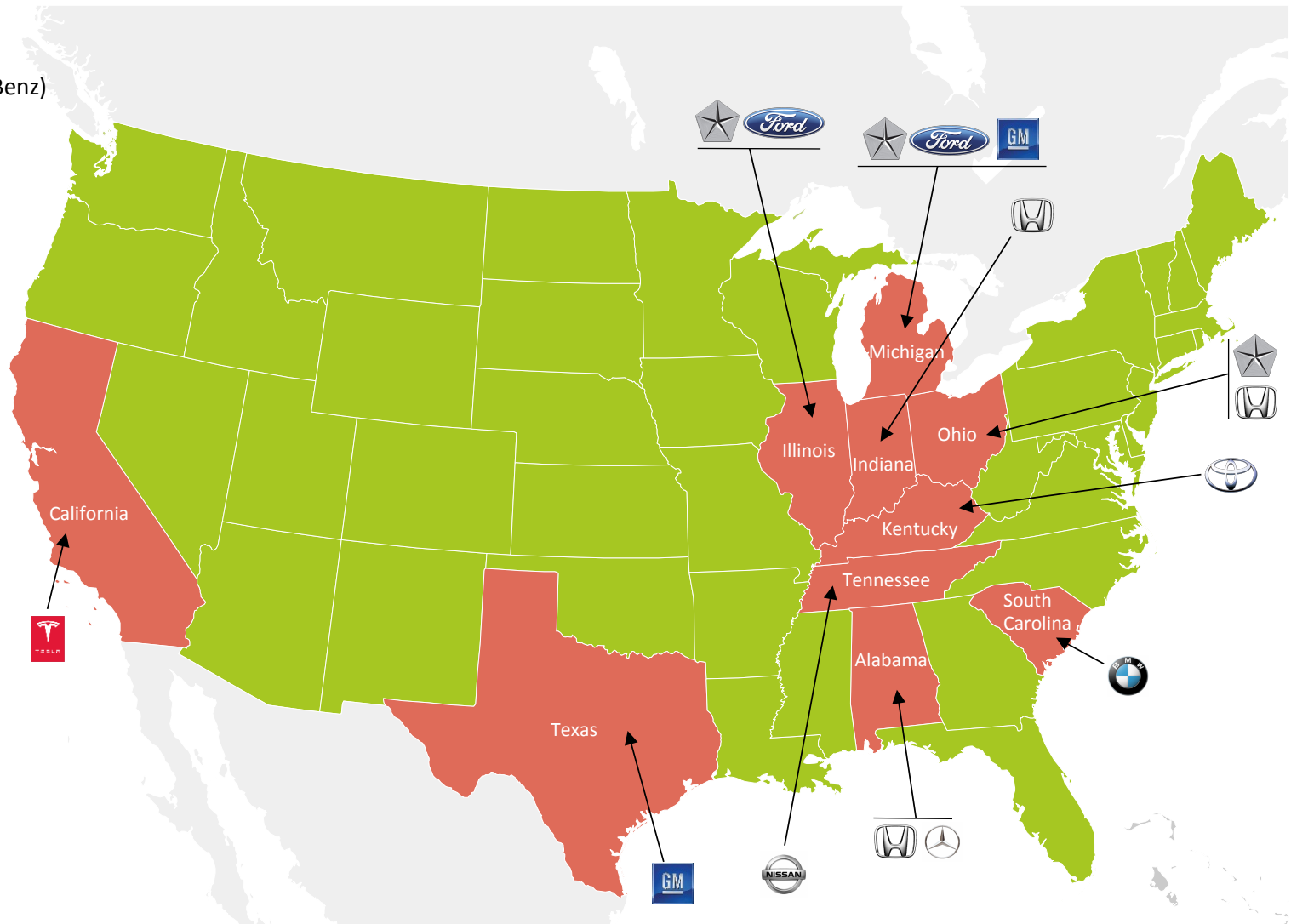
BMW

Tennessee

Nissan (Infiniti)

Texas

GM (Cadillac)



Source: Analysis of company information available from public sources.