

**UNITED STATES – LAWS, REGULATIONS AND METHODOLOGY
FOR CALCULATING DUMPING MARGINS (“ZEROING”)**

**RECOURSE TO ARTICLE 22.6 OF THE DSU
BY THE UNITED STATES**

(DS294)

**Response of the United States to
Follow-up Questions from the Arbitrator**

July 26, 2010

**UNITED STATES - LAWS, REGULATIONS AND METHODOLOGY FOR
CALCULATING DUMPING MARGINS ("ZEROING") (DS294)**

Response to Follow-up Questions from the Arbitrator to the Parties

To both parties

111. US import demand elasticities, estimated by Kee et al. (2004) , are provided by the United States in Exhibit US-15. The Arbitrator notes that these do not generally match the estimates of Kee et al. (2008) - the published version of Kee et al. (2004) - which are publicly available on the website of the World Bank. The following is a link of the relevant page online:

<http://econ.worldbank.org/WBSITE/EXTERNAL/EXTDEC/EXTRESEARCH/0,,contentMDK:22574446~pagePK:64214825~piPK:64214943~theSitePK:469382,00.html>

In light of the above, please provide an explanation for this inconsistency. Please also explain which set of elasticities - Kee et al. (2004) or Kee et al. (2008) - is more appropriate for the current dispute and why?

1. We contacted Ms. Hiau Looi Kee, Senior Economist with the Trade Team of the World Bank Research Department and co-author of the study *Import Demand Elasticities and Trade Distortions*, REVIEW OF ECONOMICS AND STATISTICS, 2008, vol. 90, no. 4, p. 666—682 (Exhibit US-63), to determine the reasons for the differences between the data set that accompanied the 2004 version of the study (Exhibit US-15) and the data set published with the 2008 version of the study in the REVIEW OF ECONOMICS AND STATISTICS. Ms. Kee explained to the United States that the 2008 paper results reflect the use of different econometric techniques during the review process for publication at the REVIEW OF ECONOMICS AND STATISTICS.
2. Ms. Kee further advised that the data set accompanying the 2008 version of the study is the most appropriate data set to use as it reflects the final result of their published study.
3. The United States notes that import demand elasticities for certain HTS subheadings were not available in the 2008 data set. For those HTS subheadings for which import demand elasticities are not available in the 2008 data set, Ms. Kee advised that in similar instances in the past she would use the average elasticity of the same HTS subheading from all other countries for which an estimate is provided. The United States recommends that the Arbitrator adopt Ms. Kee's past approach where possible.
4. Additionally, the United States provides a revised calculation of the level of nullification or impairment using the 2008 data set at Exhibit US-65. This represents a revision to the earlier calculation of nullification or impairment submitted as Exhibit US-13.

To the United States

112. Please provide the relevant set of elasticities, both from Kee et al. (2004) and Kee et al. (2008), as additional columns in the excel file submitted as Exhibit US-61.

5. The United States has inserted the requested information as additional columns to the excel file submitted as Exhibit US-61 and has attached the revised excel file at Exhibit US-64.

6. For those HTS subheadings in which there is not an estimate for the United States, the United States (per Ms. Kee’s approach in similar instances), when possible, has taken the average for all other countries that an estimate was provided and reported this elasticity estimate in the column entitled “2008 Paper Elasticity Proxies for missing U.S. Estimates.”

TABLE OF EXHIBITS

US-63	<i>Import Demand Elasticities and Trade Distortions</i> , REVIEW OF ECONOMICS AND STATISTICS, 2008, vol. 90, no. 4, p. 666—682
US-64	Excel File Containing Data Requested by the Arbitrator
US-65	Revised Calculation of Level of Nullification or Impairment