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Global Trade Protection Report 2006
DATA & ANALYSIS

A review of global trade protection activity (anti-dumping, countervailing duty and safeguards) for the period January to June 2006

Amended[1] February 2007

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www.antidumpingpublishing.com

[1] The data has been amended following the receipt of further information and consistency checking with the WTO data. For further information on differences between the WTO and Global Trade Protection Report, please see the statistics section of the antidumpingpublishing.com site.

CONTENTS

1 Trends in anti-dumping activity

1.1 Overall anti-dumping activity has continued to drop to its lowest level for a decade.

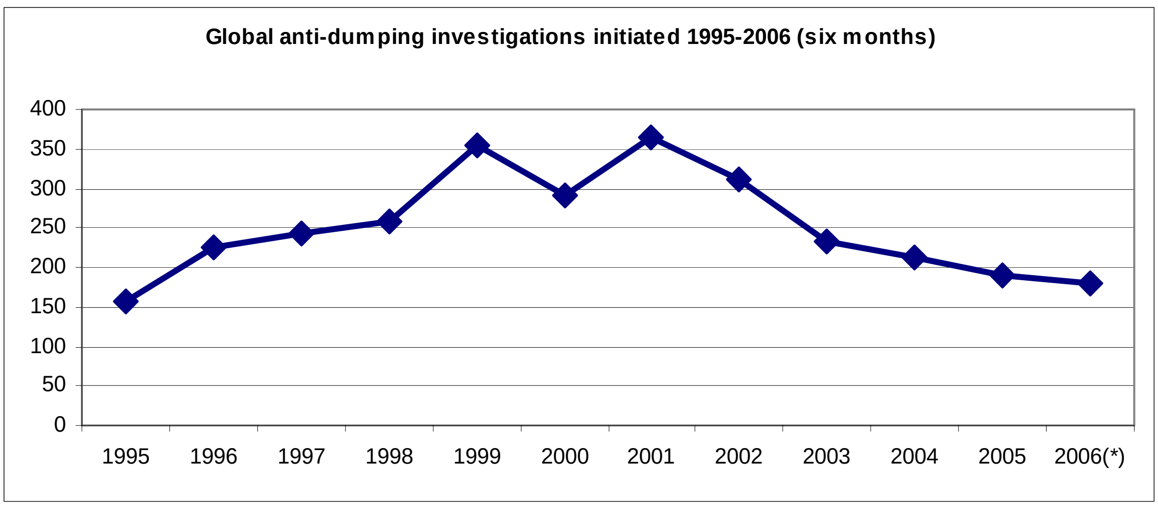
Measuring anti-dumping activity by the number of anti-dumping (AD) investigations initiated[2], the downward trend since 2001 continues.

Anti-Dumping Investigations Initiated[3]

1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006(*)
157	225	243	257	354	292	364	312	232	213	191	90

* January to June 2006

Annualising the 2006 figure by doubling it (in previous years this has proved a sufficiently reliable method for analytical purposes), we can see the trend since 1995 graphically.



* = annualised

The trend for 2006 suggests a further fall in anti-dumping activity to the lowest level since 1995 when the WTO was created.

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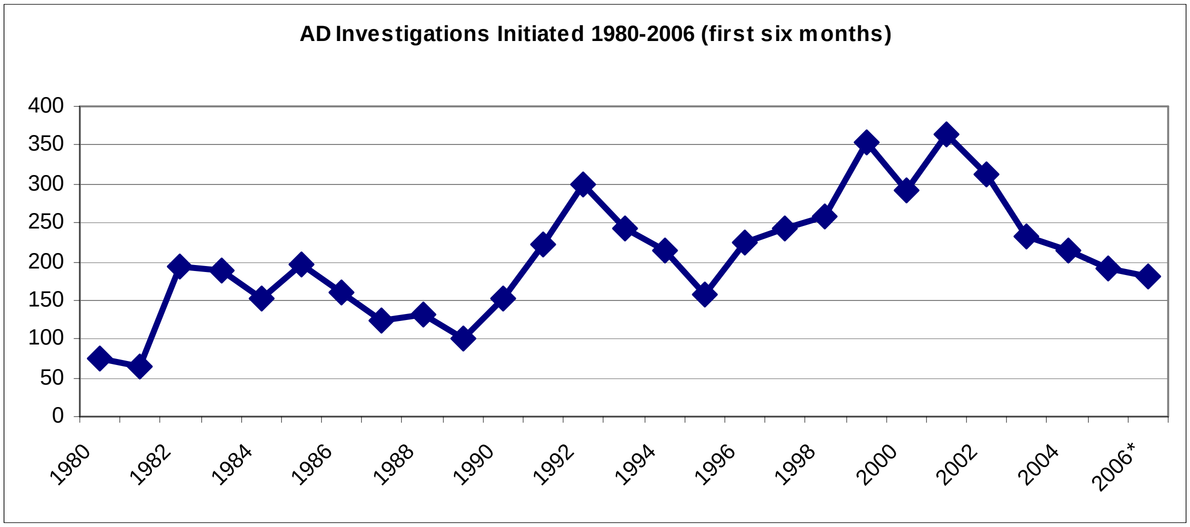
[2] Figures are based on the number of new anti-dumping investigations initiated (does not include reviews). If one country initiates an investigation against a particular product from five countries, this will be recorded as five cases. Although AD measures will not be adopted in every case, the initiation of a case alone can have an effect on trade. Therefore, the number of cases initiated is the best indicator of the level of AD activity. This is the method used by the WTO.

[3] In previous GTP reports, all post-1995 figures were calculated from the twice yearly notifications of WTO members to the WTO Secretariat. Due to the fact hat the WTO now publishes useful and detailed statistics on Members' AD activity, the data for 1995-2005 used in this report is based instead on the statistics provided by the WTO Secretariat. 2006 data is taken the Member notifications which in some cases differ from the WTO stats. See the statistics section of www.antidumpingpublishing.com for more discussion of differences between WTO And GTP statistics. Pre-1995 figures are taken from "Anti-Dumping Action in the US and Around the World: An Analysis of International Data" June 1998. Congressional Budget Office.

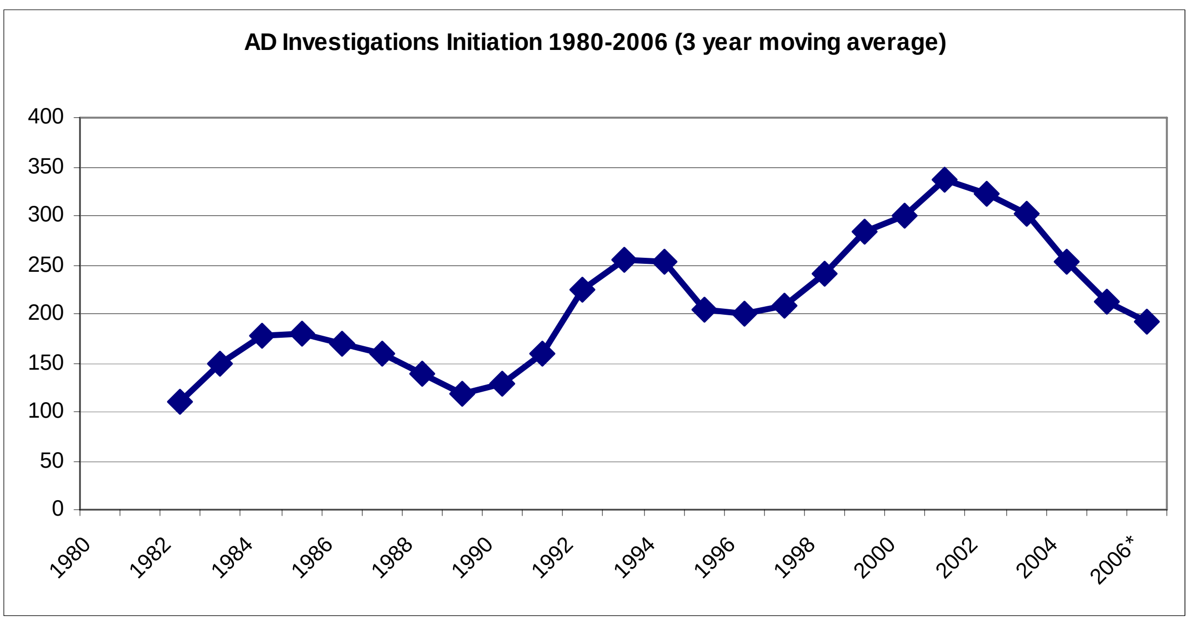
1.2 It would be incorrect to conclude that AD activity has permanently fallen

Despite this, it would be a mistake to conclude that anti-dumping activity has permanently fallen. It is clear that anti-dumping is cyclical and there are peaks and troughs. It is also apparent that the peaks and troughs have been increasing when looking at data back to 1980.



* 2006 based on first six months of 2006 calculated on an annualised basis.

The trend can more clearly be seen if a three year moving average is used, which has the effect of ironing out some of the yearly fluctuation.



* 2006 based on first six months of 2006 calculated on an annualised basis.

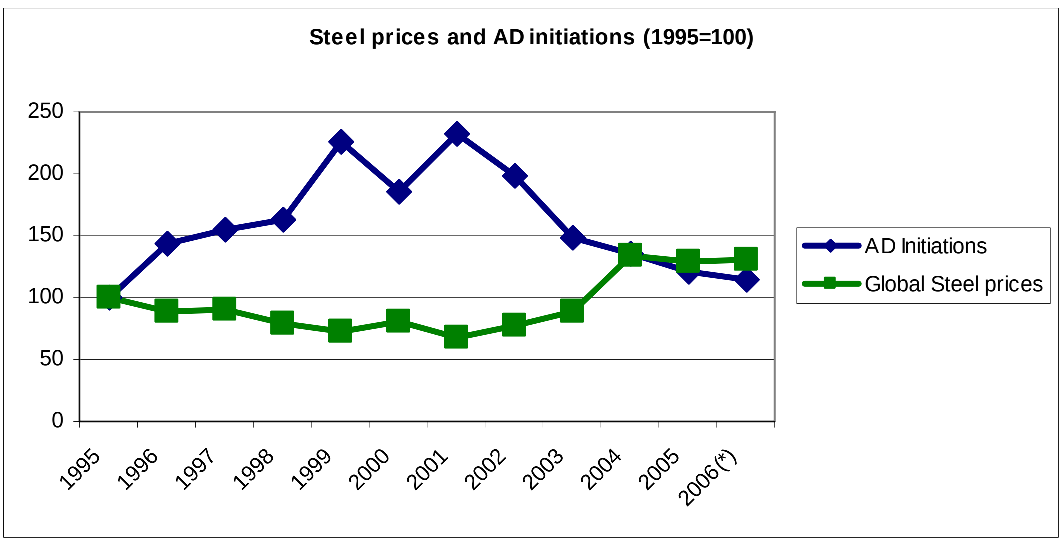
It is clear from the above that the level of anti-dumping activity in the 1990s was significantly above that of the 1980s. In that regard, the current levels of anti-dumping activity remain at the bottom end of the range that has been present for the past 15 years or so. Although there has been a significant drop from the record level of activity between 1999 and 2001, current levels are around the same level as the previous trough around the mid-1990s. This current level is clearly above the two troughs of the early 1980s and around 1990. Thus, it is clear that AD activity is not at an exceptionally low level but, rather, at the trough of a cycle.

1.3 AD activity is strongly influenced by the business cycle

The WTO anti-dumping agreement requires not only that imports are dumped but that those imports are the cause of injury before AD measures can be adopted. This means that, for industries that are cyclical, it may be difficult to establish that injury is occurring during an upturn in the business cycle.

Most anti-dumping investigations concern commodity-type or semi-finished products. As a general rule, many such products are subject to significant variations in price. This means that at certain times it is much easier, and perhaps necessary, to bring anti-dumping cases than it is at other times.

Traditionally, around one third of AD investigations have involved steel and metal products. The chart below shows a remarkable correlation between steel prices[4] and global AD initiations.



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	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006(*)
Total	**157**	**225**	**243**	**257**	**354**	**292**	**364**	**312**	**232**	**213**	**191**	**180**
AD Index	100	143	155	164	225	186	232	199	148	136	122	115
Global Steel prices	100	88	90	79	72	81	67	77	89	134	129	130

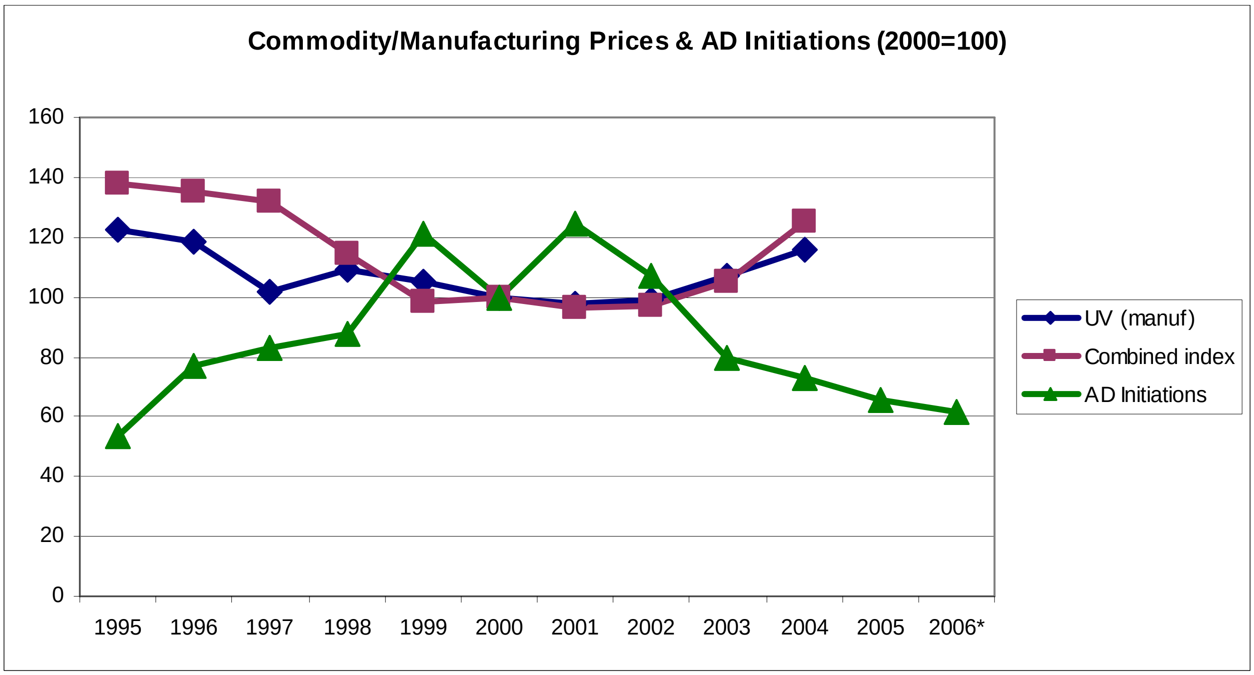
World steel prices remain high relative to the trend since 1995. This means that global steel markets are at a stage in the business cycle where virtually no-one is dumping as there is no market incentive to do so. Higher

[4] Steel price data is based on the CRU steel price index (see www.cruspi.com).

prices also mean that, on average, profits can be expected to be higher than during a low price situation, meaning that establishing injury caused by dumped imports is that much more difficult than in a downturn.

A similar trend appears to exist when looking at broader commodity/manufacturing price indices. There are few free & publicly available, up-to-date, global commodity/manufacturing price indices available. UNCTAD produces some indices up to and including 2004 which can be used in this context.

The following chart takes two indices from the UNCTAD commodity statistics[5] (see UNCTAD Handbook of Statistics in the on-line statistics database section of www.unctad.org)..

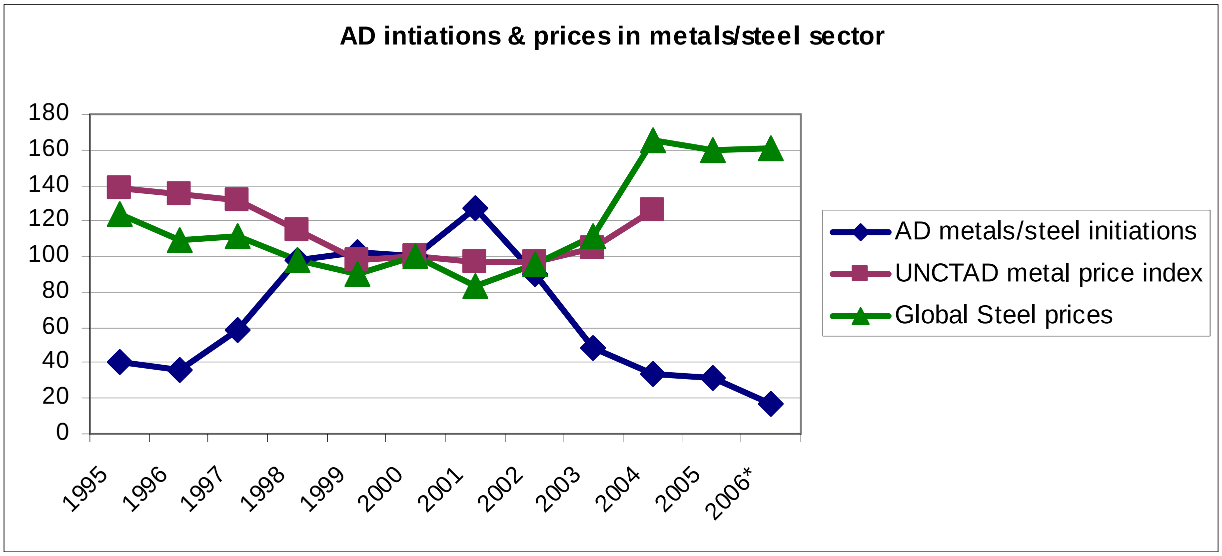


UV (manuf) =Unit value index of manufactured good exports by developed market economy countries.
Combined index = Index of combined commodities in terms of current dollars.

The graph shows a similar inverse relationship between commodity prices and global AD activity.

UNCTAD also produces a metals index which can be compared with the evidence presented above on steel prices.

[5] UNCTAD Handbook of Statistics 2005 "Trade & Commodity Price Indices: free market prices and price indicates of selected primary commodities". Available in the on-line statistics database section of www.unctad.org.



This confirms that there is, indeed, a strong correlation between metals/steel prices and the level of AD activity in the metals/steel sector.

The fact that many sectors experience cyclical pricing means that when steel and other commodity-type prices go down, an increase in AD activity can be expected.

1.4 WTO disputes have also slowed the pace of AD activity

It is highly likely that the biggest determinant of the trend in AD activity is the business cycle as outlined above. However, another significant factor that may be limiting use of AD activity is dispute settlement under the WTO Dispute Settlement Understanding (DSU).

At the time of writing (17 November 2006), consultations had been requested under the DSU in 351 cases. Of these 351 disputes, around 18% related to anti-dumping. In the broader context, around one third of all disputes related to all trade protection measures i.e. anti-dumping, countervailing duties or safeguard measures.

Global trends in WTO dispute settlement involving trade protection measures are available in a separate document[6]. A particularly noteworthy point from this study is that 25 of the 63 anti-dumping disputes have reached the stage of a panel ruling on the measure in question and only of them one found no violation. That is, problems of WTO inconsistency were found with 24 of the 25 AD measures reviewed by Panels (taking into account any Appellate Body rulings when relevant)[7].

Thus, with almost a fifth of consultations under the DSU involving anti-dumping measures, and the very high success rate in challenging measures through the Panel process, this may well have had a restraining effect on

[6] "Global Trade Protection Disputes 2006. – WTO disputes involving anti-dumping, countervailing duty and safeguards: who is challenging who?" Cliff Stevenson, antidumpingpublishing.com.
[7] When including countervailing duty and safeguards in the analysis, it is seen that, of 42 panels assessing the WTO consistency of AD, CVD or SG measures, only one measure was found to be WTO consistent.

countries using anti-dumping. Perhaps it is a coincidence but two significant trends are consistent with the hypothesis that AD disputes have had a slowing effect on the level of AD activity.

- First, the US has been the main target of WTO disputes in the area of AD (and other trade protection instruments). At the same time, US use of anti-dumping (and other trade protection instruments) has fallen to very low levels. Perhaps it is possible that the dramatic fall in US use of AD is at least partly related to the large number of WTO challenges it has lost.

- Second, the EC has been the main complainant in AD disputes (as well as disputes in countervailing duties and safeguards). It has also seen a dramatic fall in the extent to which it is targeted in AD investigations. From being one of the major targets alongside China, anti-dumping activity against the EC to very low levels, with a much stronger downward trend than that seen globally (see section 1.8 below). It may be possible that the active EC approach in challenging AD and other trade protection measures has made countries more cautious, thus at least partly accounting for the dramatic fall in cases initiated against the EC and its Member States.

The point is also reinforced by the fact that some of the WTO jurisprudence emerging on anti-dumping has focused on the requirements relating to injury and causal link. This has emphasised the difficulty of using anti-dumping at a peak in the pricing cycle for commodity type products. Measures that do not meet the high standards required on injury and causality are now successfully challenged in the WTO and, until significant injury re-emerges in these industries, countries may be taking fewer risks..

This probably means that the record number of AD investigations in the period 1999-2001 will never be repeated (i.e. the next peak in the AD initiations cycle will not be as high as the last one). Nevertheless, dispute settlement as a factor explaining trends in AD activity is not as significant as the business cycle. In the author's experience, at least some AD measures continue to be adopted based on weak evidence and analysis that does not appear to meet the high standards required by the WTO agreement. This is evidenced by the fact that so many measures continue to be challenged in 2006[8]. WTO Members appear to be willing to adopt WTO inconsistent measures when it is politically expedient to do so but it would appear that the high WTO standards may have an impact in reducing the incidence of such cases.

[8] In 2006, of the 16 disputes started this year (as of 17.11.06), 7 of them (43.8%) relate to anti-dumping (an even higher proportion than the trend over the past decade).

1.5 India and the EC are the two major users in 2006

The major users (i.e. countries initiating anti-dumping investigations) in the first six months of 2006 are shown below.

User	*Number*
India	18
EC	17
Argentina	9
Australia	9
Indonesia	5
Turkey	5
Canada	4
Brazil	3
China	3
Egypt	3

User	*Number*
Mexico	3
Peru	2
South Africa	2
Colombia	1
Costa Rica	1
Jordan	1
New Zealand	1
Pakistan	1
Taiwan	1
US	1

India and the EC are the two biggest users by some distance.

This can be compared with the main users for the period 1995-2005 and for 2005 alone. India and China were also two of the biggest users in 2005 and for the past decade as the following table indicates.

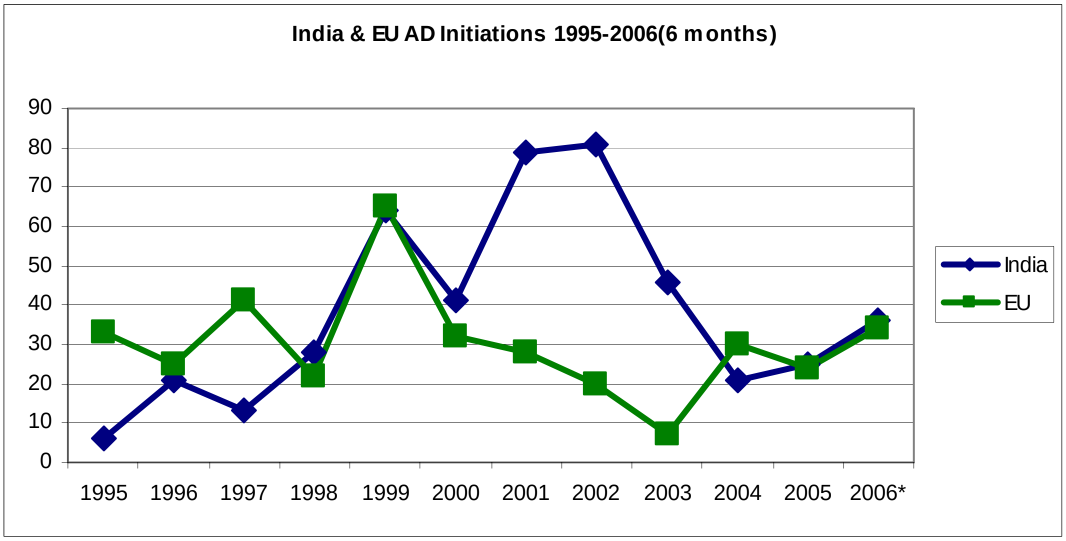
Top 10 users 1995-2005	
India	425
United States	366
EC	327
Argentina	204
South Africa	197
Australia	179
Canada	134
China, P.R.	123
Brazil	122
Turkey	101

Top 10 users 2005	
India	25
China, P.R.	24
EC	24
South Africa	23
Argentina	12
Egypt	12
Turkey	12
United States	12
Australia	7
Mexico	7

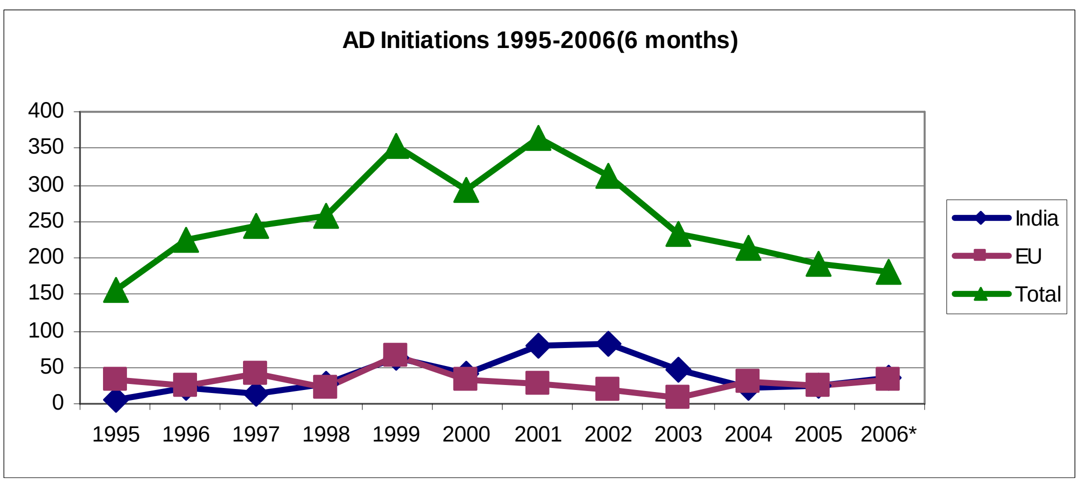
It is notable that both the US and China appear to have fallen significantly below their previous trends in terms of anti-dumping activity. This is particularly striking in the case of the US where only 1 case was initiated in the first six months of 2006. US anti-dumping activity has not been as low for at least 25 years.

1.6 India and the EC investigations are increasing

Given that global anti-dumping activity has fallen to its lowest level for a decade, it is something of a paradox to see that the trend for India and the EC is now an upward one.



This is very different to that of global initiations:



	1995	*1996*	*1997*	*1998*	*1999*	*2000*	*2001*	*2002*	*2003*	*2004*	*2005*	*2006**
India	6	21	13	28	64	41	79	81	46	21	25	36
EC	33	25	41	22	65	32	28	20	7	30	24	34
Total	**157**	**225**	**243**	**257**	**354**	**292**	**364**	**312**	**232**	**213**	**191**	**180**

Whereas the global trend has shown a continued fall in 2006, it is clear that the EC trend has been upward since 2003 and since 2004 for India.

The reasons for the difference between the EC (significant increase in investigations) and US (dramatic drop in cases initiated) are unclear. It may partly reflect the general attitude of the Bush administration to trade protection instruments (which may of course change following the result of the recent mid-term elections). It may also reflect the fact that US anti-dumping has been challenged more than the EC's anti-dumping has (thus strengthening the dispute settlement effect discussed above).

A number of factors suggest that AD activity might be expected to significantly increase again in the US:

- Downturn in the business activity (especially in steel industry) given general link between business cycle and initiations.
- Change in composition of Congress following mid-term elections.
- Gradual liberalisation of textiles following abolition of MFA quotas (the US has adopted quotas until 2008 but the quantities increase each year). As Chinese imports of these sensitive products increase, it is possible that US industry will turn to anti-dumping.

1.7 China remains the main target in 2006

The following table shows the top 10 targets for the first six months of 2006.

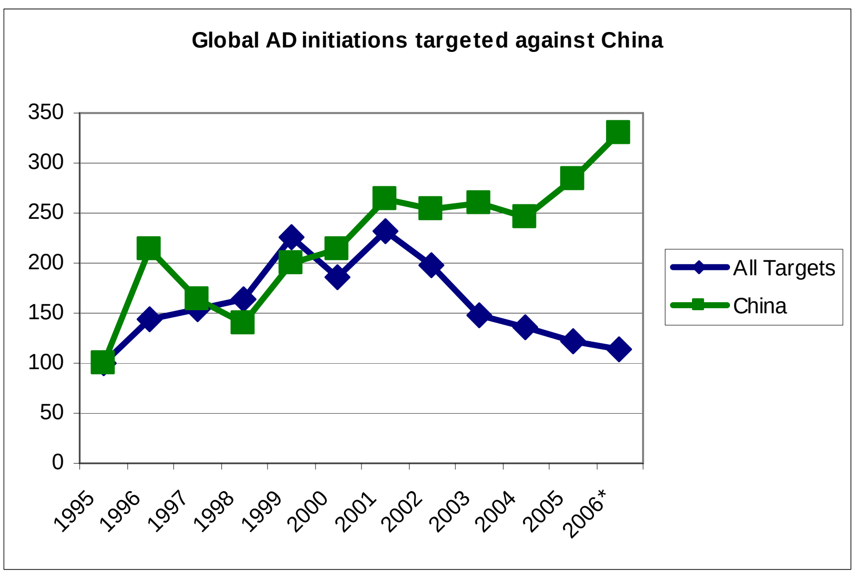
China	33
Taiwan	6
Thailand	6
USA	6
Brazil	4
India	4
Korea	4
Malaysia	4
Japan	3
Russian Federation	3

This can be compared with 2005 and the period 1995-2005

	2005
China, P.R.	57
Indonesia	14
Chinese Taipei	13
India	13
Malaysia	13
Thailand	12
Korea, Rep. of	11
United States	11
Japan	7
EC	6

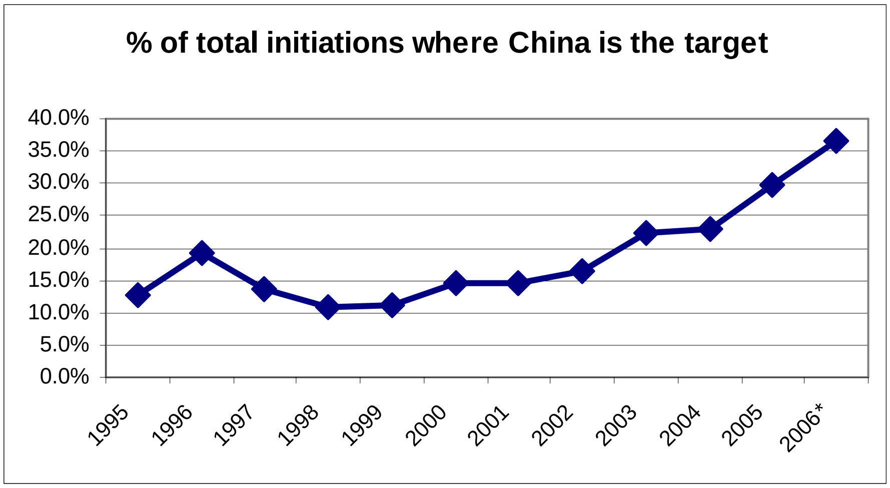
	1995-2005
[EC+M/States]	[487]
China, P.R.	469
Korea, Rep. of	218
United States	162
Taiwan	160
Japan	125
Indonesia	121
India	120
Thailand	111
Russia	97
Brazil	84

China is by far the biggest target in 2005 and 2006. However, it is remarkable that China as a target has not experienced the same fall in anti-dumping activity that the rest of the world has seen. In looking at the EC plus its Member States for the period 1995-2005, it is seen that the EC was also a major target of anti-dumping investigations but this is not so in 2005 and 2006 (see section 1.8 below for more on this point).



** = annualised*	*1995*	*1996*	*1997*	*1998*	*1999*	*2000*	*2001*	*2002*	*2003*	*2004*	*2005*	*2006**
Global AD initiations	157	225	243	257	354	292	364	312	232	213	191	180
Initiations against China	20	43	33	28	40	43	53	51	52	49	57	66
Global (index 1995=100)	100	143	155	164	225	186	232	199	148	136	122	115
China ((index 1995=100)	100	215	165	140	200	215	265	255	260	245	285	330

This means that the proportion of total AD cases targeting China continues to increase very significant on a long term upward trend. The trend in 2006 suggests that this continues to rise.



* = 2006 annualised based on 6 months

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006*	Totals:
Total	157	225	243	257	354	292	364	312	232	213	191	90	2926
Other	137	182	210	229	314	249	311	261	180	164	134	57	2426
China,	20	43	33	28	40	43	53	51	52	49	57	33	500
%China of total	12.7%	19.1%	13.6%	10.9%	11.3%	14.7%	14.6%	16.3%	22.4%	23.0%	29.8%	36.7%	17.1%

+ = six months

The fact that China has seen a growth in AD activity targeted against its exports during a period of generally low AD activity suggests that, if the trend increases again (as is suggested in the conclusion of section 1.3 above]), one would expect even further growth in cases against China.

1.8 Trend in investigations against the EC is the complete opposite of China

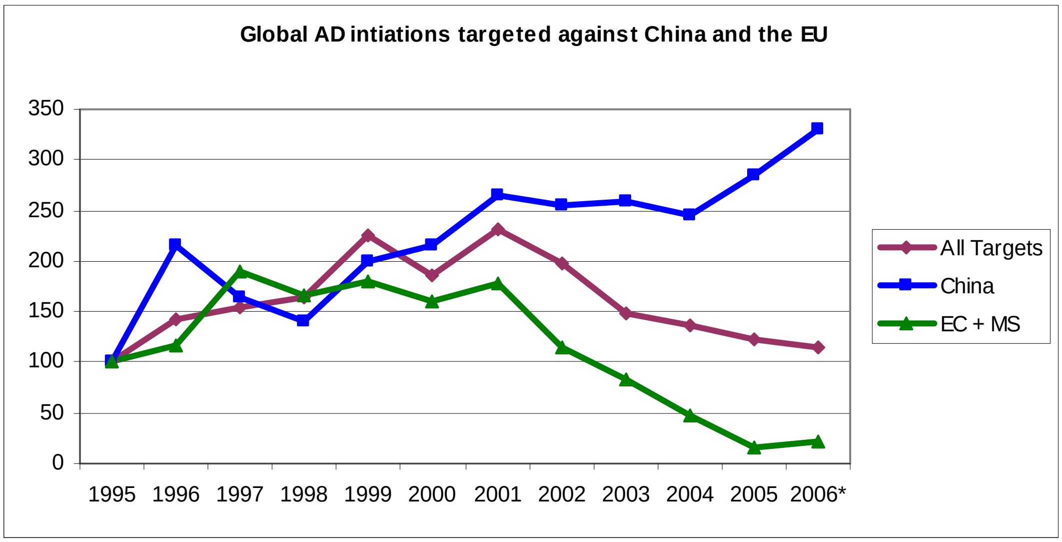
Whereas the trend in AD activity against China has consistently increased, especially in the past two years, the trend in investigations against the EC is quite the opposite. The EC (and its Member States) has been one of the major targets of global AD activity since the creation of the WTO in 1995.

Looking at the actual number of cases initiated, it is clear that between 1995 and 2002, the EC was as significant as China as a target of global AD activity[9]. However, from 2003 onwards, cases against the EC fell very significantly at the same time that they increased against China.

[9] Note that some countries initiate cases against the EU as a whole while others initiate against individual Member States. The WTO statistics count against the EU on product X as 1 investigation, while it would count investigations against France, Germany

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006*
All Targets	157	225	243	257	354	292	364	312	232	213	191	180
China, P.R.	20	43	33	28	40	43	53	51	52	49	57	66
EC + MS	36	42	68	60	65	58	64	41	30	17	6	8

The fall in cases against the EC has been much more dramatic than the fall in global AD activity, and completely opposite to that of China, as is apparent in the following graph.



It is not obvious why there should have been such a significant fall in investigations against the EC. Of course, it is possible that the cyclical effect of AD activity has, for some reason, become more pronounced in the EC than for the global trend. However, it is also conceivable that some of this fall may be accounted for by greater caution to the EC's active stance in dispute settlement on AD and other trade protection cases.

1.9 Chemicals and metals remain most targeted sectors, though their relative importance has diminished

The sectors targeted in the first half of 2006 are shown in the following table and graph:

Chemicals & allied products	22	24.44%
Metals & metal articles (including steel)	18	20.00%
Machinery	16	17.78%

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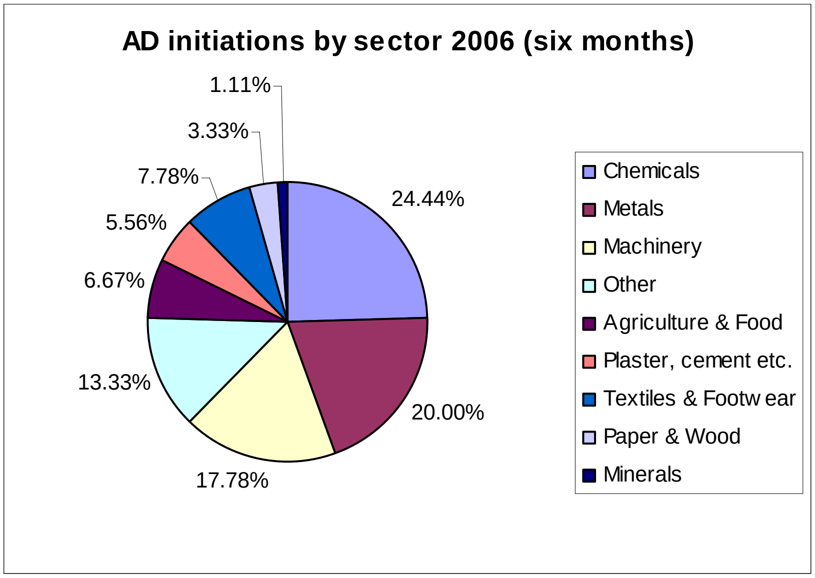
and the UK on product X as 3 investigations. The statistics here aggregate the cases against the EU and the Member States. [sentence on double-counting]

Other	12	13.33%
Agriculture & Food	6	6.67%
Stone, Plaster, Cement, Asbestos, Mica or Similar Materials; Ceramic Products; Glass and Glassware	5	5.56%
Textiles & Footwear	7	7.78%
Paper & Wood	3	3.33%
Minerals	1	1.11%
TOTAL	**90**	**100.00%**



Almost a quarter of cases in the first half of 2006 involved chemicals and around one fifth involved metals and metal products (including steel).

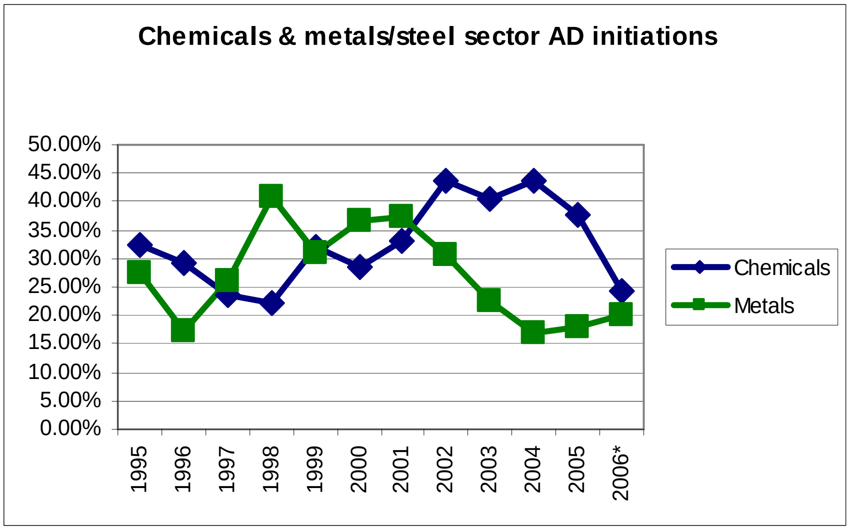
This can be compared with the trends in earlier years.

1995 – 2005	No of cases	% of total
Chemicals	944	33.24%
Metals	821	28.91%
Machinery	260	9.15%
Textiles & Footwear	227	7.99%
Paper & Wood	173	6.09%
Agriculture	140	4.93%
Other	114	4.01%
Plaster.cement, glass etc.	97	3.42%
Minerals	64	2.25%
TOTAL	2840	100.00%

2005	No of cases	% of total
Chemicals	72	37.70%
Metals	34	17.80%
Textiles & Footwear	28	14.66%
Machinery	19	9.95%
Other	12	6.28%
Plaster. cement, glass etc.	10	5.24%
Paper & Wood	8	4.19%
Agriculture	7	3.66%
Minerals	1	0.52%
TOTAL	191	100.00%

Over the last decade, more than 60% of AD investigations have involved chemicals or metals/metals articles. However, the fall in anti-dumping activity in recent years has been particularly prominent in those sectors.

This is seen in the following graph which shows the trend of chemicals and metals investigations as a percentage of total investigations for the period 1995-2006(first six months).



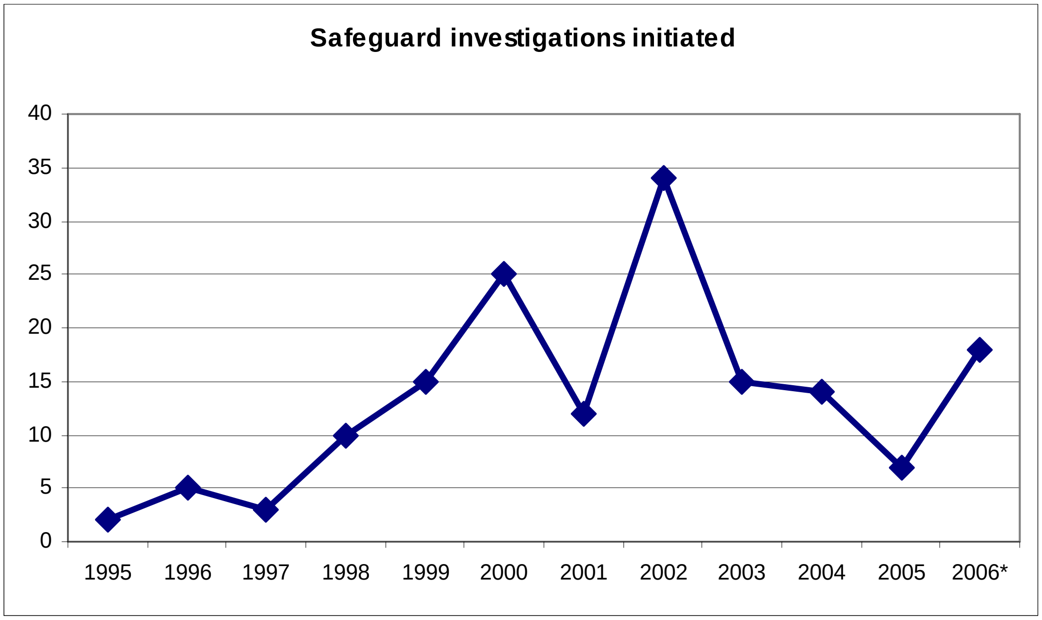
Given that there is clearly a link between the business cycle and anti-dumping activity, and both of these sectors have many commodity type problems where pricing is cyclical, it is not surprising that the relative importance of these sectors as AD targets fluctuates. However, at the point in the future that the business cycle deteriorates, it can be expected that the relative importance of these two sectors in anti-dumping activity will again increase.

It can also be noted that the number of anti-dumping investigations involving textiles will increase in the next few years. Many products remain protected by quotas despite the expiry of the MFA quotas (the new EC and US quotas expire in 2007 and 2008 respectively). Thus, unless these quotas are renewed, it is highly likely that the importance of textiles as an AD target will increase.

In the longer term, further agricultural liberalisation and subsidy reduction is likely to result in more AD activity involving agriculture and food products.

2 Trends in safeguard activity

In 2006, there appears to have been a significant increase in safeguard activity.



* 2006 based on first six months of 2006 calculated on an annualised basis.

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006*
Total safeguard investigations initiated	2	5	3	10	15	25	12	34	15	14	7	9

* First six months of 2006.

On an annualised basis, the trend in 2006 suggests that safeguard activity will be at its third highest level since the creation of the WTO. Indeed, in the third quarter, 4 additional safeguard investigations were initiated which already matches the previous 3rd highest level.

Countries initiating safeguard investigations in first half 2006

Turkey	4
Tunisia	2
Argentina	1
Indonesia	1
Philippines	1

Chile, Jordan, Panama and Turkey have all initiated safeguard investigations in the second half of 2006.

This can be compared with the trend over the past decade.

Countries initiating safeguard investigations 1995 to first half 2006

India	15
United States	10
Chile	10
Jordan	10
Philippines	10
Czech Republic	9
Turkey	9
Ecuador	7
Argentina	6
Bulgaria	6
Venezuela	6

The sectors involved in safeguard investigations are shown in the following table, with earlier data provided for comparison purposes.

No of cases	2006
Machinery	4
Plaster.cement, glass etc	2
Chemicals	1
Minerals	1
Textiles & Footwear	1

% of total	1995-2006
Agriculture	29.41%
Chemicals	21.57%
Metals	13.73%
Plaster.cement, glass etc.	10.46%
Machinery	9.80%
Textiles & Footwear	5.23%
Other	4.58%
Paper & Wood	3.27%
Minerals	1.96%

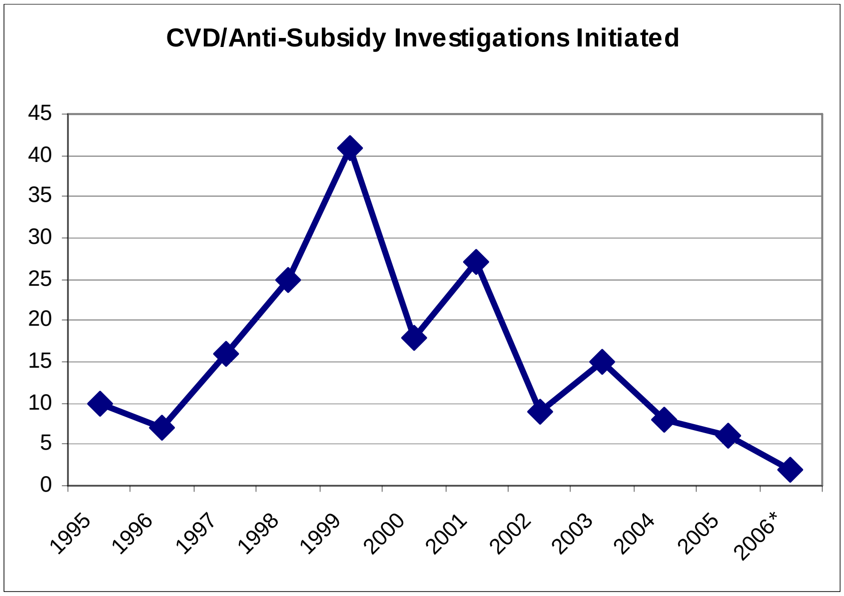
The above trends are based on Member notifications of safeguards to the WTO secretariat. However, it is arguable that in, some cases, this under-estimates the level of safeguard activity. In 2002, for example, the EC initiated a large safeguard steel action against 21 different products. These were all analysed as 21 different products, some of which resulted in measures and some which did not, and should therefore be treated as 21 different investigations. In a similar way, the US steel safeguard action initiated in 2001 covered 33 separate product categories. In both cases, the EC and US notified these investigations in one document and the WTO Secretariat ahs therefore counted each of them as one investigation.

Based on what we believe to be a more accurate methodology, the number of investigations in 2001 is actually in excess of 53 rather than 12, and in 2002 more than 130 rather than 24.

In comparing these statistics with the number of AD actions, it is important to note that each safeguard case may involve multiple supplying countries. Thus, whereas an AD investigation on a product from 5 countries would count as 5 cases in the WTO statistics, a safeguard investigation on the same product would count as only 1 (even though there may, in fact, be more than 5 supplying countries). This is an additional reason why the plain safeguard notification numbers under-estimate the protective impact of such measures through measuring them in the same way as AD measures.

3 Trends in countervailing duty activity

Countervailing duty (CVD) investigations have fallen to an all-time low in 2006. In the first six months of 2006, only 1 CVD investigation was initiated.



* 2006 based on first six months of 2006 calculated on an annualised basis.

1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006*
10	7	16	25	41	18	27	9	15	8	6	1

* = six months.

As mentioned in several previous reports, there are two key reasons why the anti-subsidy instrument will always remain less used than the anti-dumping option:

(a) Anti-subsidy investigations are politically more sensitive due to the fact that another government is being investigated as well as an exporting industry. Only the latter is investigated in an anti-dumping investigation.

(b) Subsidy calculation methodologies are less established than dumping calculations. Thus, countries using anti-subsidy measures for the first time are more vulnerable to challenge than if they "copy" established dumping methodologies. Given that there have been 23 WTO disputes involving countervailing duties, and all 8 that went to a panel were found to be WTO inconsistent, the 'risk' of using CVD is relatively higher than for anti-dumping.