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Brazilian Commercial Defense Antidumping Procedures

Durval de Noronha Goyos Jr. Senior Partner - Noronha Advogados São Paulo, 25 April 2008.

Presentation of Noronha Advo PRESENTATION

- 2. Brazil's Commercial Defense Structure
- **3.** Antidumping Procedures:
- **3.1.** Definitions;
- **3.2.** Investigation;
- **3.3.** Opening of the Investigation;
- **3.4.** Provisional Antidumping Measures;
- 3.5. Price Undertakings;
- **3.6.** Final Hearing;
- **3.7.** Close of Investigation;
- **3.8.** Duration and review of Antidumping
- 4. Study Case: Antidumping Investigation Against Chinese Sun Glasses
- 5. Chemical Cases
- 6. **Brazilian Statistics**

NORONHA ADVOGADOS

- Founded in 1978, NORONHA ADVOGADOS is the only law firm based in a developing country with a global presence. As well as Brazil, the firm has established its own offices in five other countries- Argentina, China, Portugal, the United Kingdom and the United States of America.
- The firm's regional offices in Brazil are located in Brasilia (DF), Rio de Janeiro (RJ), Curitiba (PR), Porto Alegre (RS) and Recife (PE). Additionally the firm has developed an extensive network of correspondent firms strategically located throughout the rest of Brazil.
- NORONHA ADVOGADOS has 41 partners/director and approximately 180 professionals

OFFICES



All the lawyers in the firm speak at least two languages. We provide services in Portuguese, English, Frenchman, German, Italian, Spanish and Mandarin.

Partners and lawyers in the firm are qualified to act in Brazil, Argentina, United Kingdom, United States, China and Europe.

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SÃO PAULO

Located in one of the main financial centers of the city, the São Paulo office is the head office of Noronha Advogados and the oldest, having been opened in June 1978.



It has the highest number of professionals and is the centre of the firm's administrative and financial departments.

SÃO PAULO





The São Paulo office houses an efficient and up-to-date library and computer network, fully connected to the other offices, in Brazil and abroad.





Senior Partner

-Member of the Brazilian and Portuguese Bar Associations and he also has been admitted in England as a solicitor.

-Arbitrator for the World Trade Organization (WTO), having previously been an Arbitrator for the General Agreements on Tariffs and Trade (GATT) in 1992. Dr. Noronha was also appointed as an Arbitrator of the China International Economic and Trade Arbitration Commission (CIETAC).

- Author of 41 books and 400 articles

- Dr. Noronha is the coordinator and a professor of pos-graduation programmes in International Law and International Trade Law.

Languages of professional use: Portuguese;
English;
Italian; and
Spanish.

Languages of social use: French; and Mandarin.





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SHANGHAI

The Shanghai office was opened in August 2001. It is the first Latin America office to be granted permission from the Chinese government to render services for commerce in the country. Furthermore, Noronha Advogados in China is among the pioneer offices able to assist Brazilian companies which have set up business in China. It also assists clients in Brazilian and international law.



CHINESE DEPARTMENT

Besides the Shanghai's Office, NORONHA ADVOGADOS has a Chinese department with professionals allocated in different branches of organization to assists clients with development activities in China.





CHINESE DEPARTMENT

Main Activities:

- Advises Chinese and other Asian companies on foreign trade;
- Advises Brazilian and European companies on opening up in the Chinese market;
- Drafts and registers contracts (Portuguese/ English and mandarin);
- Immigration;
- Registration of investments;
- Trademarks licenses.

CHINESE DEPARTMENT SHANGHAI TEAM



Office Director in Shanghai

He graduated in Law from Universidade Paulista in 2001 and is specialized in International Business Law (LLM — University of London Queen Mary College - London – United Kingdom). He has been actively working in complex national and international cases, involving the areas of international law and Internet law. Director of the "FORO BRASILEIRO BRASIL-CHINA" in Shanghai.

Languages: Portuguese English Chinese Spanish

CHINESE DEPARTMENT SHANGHAI TEAM

Sherry Liu



She graduated in Law from Shanghai University Law School in 1999. She is currently taking a master's degree in Economics at East China University, focusing on macro economics, micro economics, securities investments and corporate finance. She has considerable experience in representing clients in different types of labor disputes and real estate disputes, amongst others.

Languages: Chinese English

CHINESE DEPARTMENT LONDON TEAM

Winnie Pang Xiaofang

Director of the International Tax Department and Chinese Department - London Graduated from University of International Business and Economics of China. She has extensive experience as an accountant and acting as financial manager for large Chinese companies.

Languages: Chinese English Portuguese



CHINESE DEPARTMENT São Paulo TEAM

Director of the Department of Contracts

He graduated from Universidade Paulista (SP) in 2002 and specialized in International Trade and International Law (University of California – USA), and Contracts Law (FGV – SP/ Brazil).

In 2004, he worked as a lawyer at Noronha Advogados's office in Los Angeles (USA), and between 2005 and 2007, he was head of the firm's office in Shanghai (China).

Languages: Portuguese English Chinese



Chinese Department SÃO PAULO TEAM



Jun Zhang

Chinese Department Director

He graduated from Southwest University of Law and Political Science (China), in 1992 and he also has concluded two LLM courses – one in International Trade Law (London School of Economic and Political Science) and the other in Administrative Law (Jilin University-China). He has experience in the areas of international trade both in China and England.

Languages: English Chinese

Chinese Department <u>SÃO PAULO TEAM</u>

Director of the International Department

She graduated from Pontificia Univerdade Católica of the State of Rio Grande do Sul (PUC-RS) in 2002, and specialized in International Trade Law (UFRGS/ Brazil) and Economics and Business Law (FGV – RS/ Brazil). She also studied at The Hague Academy of International Law, in The Netherlands, where she focused on International Public Law and International Private Law during the year of 2001. She also has work experience in China, where she lived for two years.

Languages: Portuguese English Spanish Chinese



International Trade Law Cases

- 1. Representative of the Federative Republic of Brasil at the Uruguay Round of General Agreement on Tariffs and Trade GATT (1992/1993).
- 2. Training of São Paulo lawyers (OAB/SP) about the service negotiations in Uruguay Round (1992/1994).
- **3.** Training of the Brazilian service sector in the Uruguay Round (1992/1994).
- 4. Representing the Brazilian sugar sector in the European Union (1993/1997).
- 5. Representing the Uruguayan government on the question of the Mercosul of Buenos Aires in relation to the status of the free trade zone of the country (1994).
- 6. Representing the interests of PEPSICO in the regional Mercosul negotiations, particularly in relation to the Buenos Aires protocol (1994).
- 7. Provided strategic legal opinions to the government of the Federative Republic of Brasil on the ALCA negotiations (1996).
- 8. Provided strategic legal opinions to the government of the Federative Republic of Brasil on the dispute between Canada and Brazil in relation to the aeronautical industry at the World Trade Organisation (1st panel of WTO) (PROEX 1 Canada/Brazil WT/DS70) (1996).
- 9. Represented the AKZO NV group in relation to the Mercosul agreement with México and the Andean Pact in respect of chemical products at ALADI (1998).
- 10. Represented a national company in relation to the application of anti-dumping rights in Peru on the exportation of Brazilian buses to the country (1998).
- 11. Represented the Brazilian bicycle industry in relation to the application of antidumping rights and Brazilian anti-trust legislation in respect of exports coming from Korea (1998/1999).
- 12. Represented the interests of India in relation to the anti-dumping rights applied on the imports of de jute bags by Brasil (1999/2000).
- 13. Strategic legal opinion to the South African government in respect of future negotiations on possible entrance to Mercosul (2000).

- 14. Legal opinion to the South African government on the commerce agreement with the European Union (2000).
- 15. Legal opinion to the government of Argentina on the textile dispute with Brazil at the World Trade Organization (2000).
- 16. Strategic legal opinion to the government of South Africa with reference to the ministerial meeting of the World Trade Organization held in Seattle (2000).
- 17. Represented the government Bangladesh in relation to the application of anti-dumping right on the exports of jute bags to Brazil (2000/2001).
- **18.** Training of the Antidumping and countervailing duties Commission of Economics and Commerce of the People's Republic of China (2001/2002).
- **19.** Legal opinion for OXFAM/FIELD, a group of non governmental (NGOs) on pharmaceutical patents between the USA and Brazil, at the World Trade Organization (2001/2002).
- 20. Represented the Chinese chamber of Agriculture in relation to the application of antidumping rights in Brasil on the imports of garlic from China (2001/2002/2003/2004/2005/2006/2007).
- 21. Strategic legal opinion for India in relation to dispute at the World Trade Organization (2002).
- 22. Strategic legal opinion for the Bangladesh government on a multilateral commercial dispute (2002).
- 23. Represented the Brazilian cotton sector against the USA (2002/2003).
- 24. Represented the Chinese chemical products industry in relation to the application of antidumping rights in Brasil on the imports of glyphosate from China (2002/2003).
- 25. Represented the Chinese Chamber of Machinery and Electrical Products in relation to the application of antidumping rights in Argentina on the import of air conditioning systems from China (2002/2003).

- 26. Represented the Chinese Chamber of Metals in relation to the application of antidumping rights in Brazil on the imports of steel connection from China (2002/2003).
- 27. Represented the domestic industry for the production of units of mechanic bomb in the antidumping investigation process against imports coming from Romania (2003/2004).
- 28. Training of the leadership of the Chinese Communist Party in the system of resolving disputes at the WTO (2004).
- 29. Strategic legal opinion for the People's Republic Popular of China on the question of their possible treatment as a market economy (2004).
- **30.** Strategic legal opinion for the national chemical industry in relation to the undertaking of pricing commitments in antidumping investigation (2004/2005).
- **31.** Represented the Brazilian rice sector in relation to the application of safeguard measures at Mercosul (2005).
- **32.** Represented the national chemical industry in relation to the revision of the original rules Mercosul (2006).
- **33.** Strategic legal opinion for the national chemical industry in relation to the Brazilian drawback legislation (2006).
- 34. Represented Chinese businesses in antidumping investigation process in Brazil against the imports of aluminium plates for offset impression. (2006).
- **35.** Represented the national chemical industry in antidumping investigation process in Brazil against imports originating from Asia (2006).
- **36.** Represented a Brazilian importer in the antidumping investigation process in Brazil against the imports of sunglasses (2007/2008).
- **37.** Represented the national chemical industry in the panel at the WTO (2007).
- **38.** Strategic legal opinion regarding the criteria of Mercosul applicable to products traded by the Brazilian scent and fragrance industry. (2007)
- **39.** Represented Chinese businesses associations in antidumping investigation process in Brazil against the imports of poly chloride of vinyl resin obtained by the process of suspension- PVC-S (2007/2008).

Brazil's Commercial Defense Structure Commercial Defense Acts

Antidumping:

- Antidumping Agreement according to the General Agreement on Tariffs and Trade, GATT, approved by Legislative Decree nº 30, 15 December 1994 and promulgated by Decree nº 1.355, 30 December 1994.
- Decree nº 1.602, 23 August 1995: administrative rules of Brazilian antidumping procedures.
- Circular SECEX nº 21, 02 April 1996: Guide to initial petition relating to dumping investigation.

Brazil's Commercial Defense Structure Commercial Defense Acts

Subsidies and Countervailing Duties:

- Subsidies and Countervailing Duties Agreement: approved by Legislative Decree nº 30, 15 December 1994 and promulgated by Decree nº 1.355, 30 December 1994.
- Decree nº 1.751, 19 December 1995: administrative rules of the Brazilian subsidies procedures.
- Circular SECEX nº 20, 02 April 1996: Guide to initial petition related to the investigation of subsidies.

Brazil's Commercial Defense Structure Commercial Defense Acts

Safeguards:

- Decree nº 1.936, 20 June 1996: changes clauses of Decree nº 1.488, defining the application of safeguards according to the rises in import tax.
- Circular SECEX nº 19, 02 April 1996: Guide to initial petition in relating to safeguards investigations.

Brazil's Commercial Defense Structure Commercial Defense Bodies

Development, Industry and Trade Ministry - MDIC: application of commercial defense procedures and international negotiation related to external trade.

Chamber of Foreign Trade- CAMEX has the competence to impose antidumping and countervailing duties, that are either provisional or definitive, as well as safeguards.

Secretary of External Commerce – SECEX: responsible for he processing of the Commercial Defense instruments, including the establishment of the criteria for launching investigations.

Commercial Defense Department – DECOM: is directly involved with Commercial Defense procedures. It is responsible for examining the initial petition and for the provisional and final determinations.

Brazil's Commercial Defense Structure Brazil's Structure


Dumping:

When a product is introduced into the foreign market for less than its normal value and if the export price of the exported product is less than the comparative price, in another country, during the normal course of the business, for the similar product which is for the internal consumption of the exporting country.

Normal Value (NV):

Usually, the NV is the price of the product, without taxes, in standard transactions, which means profitable sales to different buyers in the market of the exporting country.

Alternatives for the NV:

In the event the product is not sold in the market of the exporting country, or, when sold, its sales are insignificant, the alternatives to the normal value are:

a) the exporting price of a similar product to other countries;

b) an estimate based on the conditions of its production and the accounting practices adopted by the exporting country.

- **Alternatives for the NV:**
- If the <u>exporting country does not have a market</u> <u>economy</u>, the normal value can be calculated based on:
- a) domestic sales prices in a market economy country;
- b) sales prices of a similar product in a market economy country;
- c) exporting prices of the product of a market economy country.

Export Price: It will be the price paid or to be paid for the product exported to Brazil. Usually it will be the *ex factory* price, which means the price without taxes.

Dumping Margin:

The dumping margin is the difference between the normal value and the export price in the foreign market.

Dumping Margin = NV – EP

For the calculation of such difference it is necessary to compare the normal value and the export value for the period of the investigations, which is usually one year and should not be of less than six months.

Dumping Margin: There are two methods of estimating the dumping margin:

a) the difference between the normal value and the export price in each transaction; or
b) the difference between the weighted average normal value and the weighted average export price of all comparable transactions.

Domestic Industry:

The domestic industry includes all national producers of a product similar to the imported one or a group of producers responsible for at least 50% of the domestic production.

Damage:

The injury is the effective or potential material damages to the domestic industry as well as the obstruction to the implementation of an industry.

Damage to the domestic industry:

- Reduction of sales and share in the apparent consumption;
- Reduction of profits;
- Decrease in production; production capacity and level of occupancy;
- Reduction in stock;
- Decrease in productivity; employment and salaries;
- Decrease in return on investment;
- Increase in the range of the dumping margin;
- Reduction in growth and capacity to gather resources or investments;
- Decrease in cash flow, effecting balance sheets and financial statements;
- Increase in domestic prices and margin of underestimation (difference between the domestic price and the price of the imported product).

Relationship between dumping and damage:

It is necessary to analyze to what extent the import of dumped products is responsible for the damages in the domestic industry, furthermore is also important to consider other known factors that may have caused such damages in the same period.

Antidumping Procedures Investigation

The antidumping investigation intends to prove the existence of the dumping, the damages and the relationship between the dumping and damage. The investigation shall be conducted according to the guidelines set by the WTO. Such guidelines are established in order to provide the due process to all interested parties (importers; domestic producers and exporters).

Antidumping Procedures Investigation

The initiation of an antidumping investigation on the basis of a written complaint submitted by interested parties is the general rule. There is an online form for the opening of inquiry dumping. Such complaint shall include:

- qualification of the petitioner;
- indication of the quantity and value of the domestic production;
- estimation of the quantity and value of the domestic production;
- list of the domestic producers of similar products;
- full description of the alleged dumped product, naming the country (ies) of origin as well as the exporting country (ies);
- full description of the domestic product;
- information on the export price;
- information on the price of the product when sold in the domestic market of the exporting country(ies);
- information regarding the development of the alleged dumped imports and its effects on the similar product sold in the domestic market.

Antidumping Procedures Investigation

Preliminary analysis:

DECOM will perform a preliminary analysis of the petition to check if it was properly instructed or further information will be required. The petitioner will be informed of the decision of the preliminary analysis within twenty days of the date of the filing of the petition.

Once the petition is qualified its merits will be analyzed and the petitioner will be notified, within thirty days from the qualification of the petition, of the decision to initiate or not the investigation.

According to Decree n° 1620/95,the notice of initiation of anti-dumping proceedings has to be published in the Official Journal of the Brazilian State.

The interested parties are:

- domestic producers of a similar product and their business associations;
- importers of the products under investigation and their business associations;
- exporters, or foreign producers of the referred product, and their business associations;
- the government of the export country;
- other parties, domestic or foreign, SECEX understands have an interest.

All parties, except for the government of export countries, will receive questionnaires related to the investigation, which must be returned within forty days. If necessary, the deadline may be extended another thirty days, provided the parties have met all other deadlines and prove the necessity for such as extension.

Additional or complementary written information may be requested or accepted throughout the investigation. The deadline for any requested information to be provided shall be determined with regard to the nature of the information and upon a suitable request may be extended accordingly.

The complaint will be rejected when:

a) there is not sufficient evidence to prove the existence of dumping or damage;

b) if the complaint has not been filed by the concerned domestic industry or by someone in its name.

Antidumping Procedures Provisional Antidumping Measures

Provisional measures are to be adopted only when:

a) the investigation was already initiated and the parties were notified to submit their comments, pursuant to the terms of the Decree;

b) there is a preliminary determination demonstrating the occurrence of the dumping and its consequent damages;

c) the authorities deem necessary to adopt such measures so as to avoid further damages during the course of the investigation;

d) sixty days have elapsed since the beginning of the investigation.

Antidumping Procedures Price Undertakings

In the event that the exporter voluntarily undertakes the revision of the prices or stops the dumped export, the investigation may be suspended, without the application of provisory measures or definite antidumping duty, provided that, the Brazilian authorities understand that such undertakings cancel the dumping injuries.

Antidumping Procedures Final Hearing

Prior to the final decision, DECOM shall schedule appoint a hearing where the interested parties will be informed of the facts under investigation. CNI, CNA, CNC and AEB will also receive the same information.

The parties will have fifteen days from the date of the hearing to provide their comments.

The investigations must be concluded within one year from their beginning. In the event of special circumstances the deadline may be extended by six months

The investigation shall be concluded without the application of provisional duties when:

a) There is insufficient evidence of dumping or its consequent damages;

b) It is established that the dumping margin is insignificant, which means that the percentage of the export price is less than two percent.

When SECEX recognizes the existence of the dumping and establishes that it has caused damages and is able to link then both, the investigation will end with the adoption of definitive duty that will be limited to the dumping margin.

The calculation of the antidumping duty is made by using *ad valorem* or specific rates. The *ad valorem* rate will be imposed on the value of the imported good. The specific rate will be calculated in US dollars and converted into Reais.

Antidumping Procedures Duration and Review of Antidumping and Price Undertakings

- The duration of definitive antidumping measures shall not exceed 5 (five) years from the date of its imposition or the last review of the proceedings.
- The duration of the antidumping measures may be extended provided that it is proven that the termination will restore the dumping and its consequent damage to domestic business.
- In order to get the extension, the parties must present in writing the request for the revision, if applicable, within five months prior to the end of the antidumping rights (sunset review).

Antidumping Procedures Duration and Review of Antidumping and Price Undertakings

When applicable, the revision shall be concluded within twelve moths from its initiation and both of its initiation and of its conclusion shall be publicised. Apart from that, all interested parties must be notified.

It is Important to mention that all duties will remain in force until the end of the revision. (Art. 57, Decree 1.620/1995)

Antidumping Procedures



Antidumping Procedures Duration and Review of Antidumping and Price Undertakings

The decision on the application of the antidumping rights may be partially or totally reviewed by the request of the authorities provided that one year has elapsed since its imposition and there is enough evidence to show that:

a) the right is no longer necessary to cancel the dumping;b) it is unlikely that the damages will persist if the right is changed or canceled;

c) the right is no longer effective to cancel the damaging effect of the dumping. (Art. 58, **Decree 1.620/1995**)

Antidumping Procedures Duration and Review of Antidumping and Price Undertakings New shippers review:

ONLY new exporters which:

a) Did not export during the POI, and;

b) Are not affiliated to producers and exporters subject to AD measure

During the review:

No collection of AD duty from new exporter SECEX shall communicate to Customs the results of the expedited review

 a) Determination of occurrence of dumping: Request application of duty to new exporter b) Determination of nonoccurrence of dumping: No collection of duty

On August 22th, 2006, the Optical Industry of the State of São Paulo Brazil submitted a complaint, asking for a dumping investigation, arguing there was a link between the import of Sunglasses from China and the injury suffered by such Industry.

The notice of initiation of anti-dumping proceeding was published in the Official Journal on September, 15th 2006, by the Circular SECEX n.° 65.

The products under investigation were sunglasses exported by the People's Republic of China, consisting of sunglasses frames, made with natural, artificial, or synthetic lenses for the protection of eyes. The product is registered under the NCM n.° 9004.10.00.

Duration of the investigation - July 2002 until July 2006

Dumping: •The normal value - U\$ 4,60 •Export Price - U\$ 0,20 •Dumping Margin - U\$ 4,40 •Dumping was considered.

Damages: •Importation from China - increased 36,8% •Importation from other countries - increased 53,3% •CIF Price for Chinese product - increased from U\$ 0,16 to U\$ 0,22 •CIF Price for others countries - increased from U\$ 3,25 to U\$ 5,07 •Brazilian domestic production - decreased 2,3% •Sale of domestic products - increased 185,2% •Profits from domestic products - increased 287,4% •No proven damages

With such results, the Brazilian Authority- DECOM considered that the damage to the domestic industry was not established.

The notice of termination without the adoption of protective measures was published on 10th March 2008 (Circular n.° 14).

Brazilian Statistics Applied Definitive Measures 1989/2008

Year	Dumping	Safeguard And Subsidies	Total	Year	Dumping	Safeguard And Subsidies	Total
1989	4	0	0	1999	5	1	6
1990	0	0	0	2000	9	0	9
1991	2	1	3	2001	17	0	0
1992	7	1	8	2002	5	1	6
1993	5	0	5	2003	9	1	10
1994	3	0	3	2004	12	1	13
1995	3	6	9	2005	11	0	11
1996	6	0	6	2006	7	1	8
1997	2	1	3	2007	15	0	15
1998	19	0	19	2008	2	0	2
Total	51	9	60 ^a	Total	92	5	97 ^b
Total ^{a+b}	157						

Brazilian Statistics Applied Definitive Measures 1989/2008



Statistics Investigations By Country 1988-2008

Countries	Dumping		Subsidies	Total
	Investigation	Revision	Investigation	
China	32	17	0	49
USA	36	4	2	42
India	7	5	2	14
Russia	6	5	0	11
South Africa	6	3	0	9
Argentina	7	1	1	9
Mexico	4	4	0	8
Germany	5	2	0	7
Europe Union	5	1	1	7
Ukraine	4	2	1	7
Spain	4	2	0	6
France	4	2	0	6
United Kingdom	4	2	0	6
Kazakhstan	3	2	0	5
South Korea	5	0	0	5
Romania	3	2	0	5
Таіреі	4	1	0	5

Statistics Investigations By Country 1988-2008



Statistics Finished Investigation 1989/2008



Statistics Investigation By Sector 1988-2008

N°	Segment	Opened Investigation	% in total of investigation	Commitment Price under validity	% in total of measure under validity
I	Chemistry, petrol and rubber	109	39,49	19	38,7
II	Metallurgic	59	21,38	10	20,4
III	Manufactures	45	16,30	7	14,3
IV	Farming and Agro industry	32	11,60	7	14,3
V	Other intermediary industries	18	6,52	4	8,2
VI	Textile Industry, Fiber and Leather	13	4,71	2	4,1
	Total	276	100%	49	100%

Source: Development, Industry and Trade Ministry - MDIC

*MAR/2008

Statistics Investigation by sector 1988-2008



Source: Development, Industry and Trade Ministry - MDIC

*MAR/2008

Chemical Cases

Product	Notice of Initiation	Measures	Termination of Investigation	Applied Rights	Duration
Glyphosate and its mono(isopropylami ne) salt 2931.00.32 and others	Secex Circular n.º 5 12/02/2008	Application of Antidumping Provisions	Camex Resolution n.° 5 12/02/2003	11,7%	It shall remain in force until the conclusion of the review investigation
Barium Carbonate 2836.60.00	Secex Circular n.º 47 30/06/2003	Application of Antidumping Provisions	Camex Resolution n.° 19 30/06/2004	US\$ 105,17/t	01/07/2009
Metallic Magnesium 810.11.00	Secex Circular n.° 28 29/04/2003	Application of Antidumping Provisions	Camex Resolution n.° 27 11/10/2004	US\$ 1,18/ Kg	11/10/2009
Magnesium in Dust 8104.30.00	Secex Circular n.º 27 29/04/2003	Application of Antidumping Provisions	Camex Resolution n.° 28 11/10/2004	US\$ 0,99/Kg	11/10/2009

Statistics Brazilian Antidumping Investigation Against China 1988-2008

Opening Year of Investigation	Number of Cases	Closing of investigation without rights applied
1988	1	
1992	1	
1993	1	1
1994	3	1
1996	3	
1997	3	1
1998	3	
2000	2	
2001	4	
2002	4	1
2003	5	1
2004	2	1
2005	0	1
2006	16	
2007	2	
2008	3	1
Total	53	8

Statistics Brazilian Antidumping Investigation Against China 1988-2008





Thank you!

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