

The Improving Business Environment for Prosperity (IBEP) Program implemented by the World Bank Group aims to strengthen the design and implementation of business environment reforms in middle-income countries. IBEP is supported by the UK Prosperity Fund, whose mission is to support the inclusive economic growth needed to reduce poverty in partner countries, contributing to the UN Sustainable Development Goals.

REFORM STORY

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STREAMLINING THE ANTI-DUMPING FRAMEWORK IN BRAZIL

Thanks to the support provided by the World Bank Group through the UK-funded Improving Business Environment for Prosperity (IBEP) Program, Brazil streamlined its Anti-Dumping Framework by adopting regulatory reforms. Between April 2019 and July 2020, the Ministry of Economy already issued 22 public interest reports in antidumping investigations based on the reformed framework, and 7 of them led to either the reduction, suspension or elimination of antidumping measures due to public interest reasons. These reforms are expected to boost competition pressure for domestic producers of selected intermediate goods while benefitting the performance of firms using these products as inputs, thereby enhancing the country's overall competitiveness.

Antidumping duties—a charge on goods produced by foreign companies whose prices are below home-market levels—are commonly used by countries fighting for global market share. While national and international legal systems recognize antidumping as a valid response to arguably unfair pricing, applying such duties increases prices of imported goods. As such, this instrument can reduce competitive pressure on national producers, which can reinforce or create their market power and increase the production costs of companies dependent on imports and prices for final consumers. For this reason, governments need to be aware of how trade defense instruments can affect winners and losers and strike the right balance between considerations of fair trade, competition outcomes, and productivity across the economy.

In Brazil, antidumping was commonly implemented to protect domestic producers from dumped exports, comprising one of three countries globally with the highest number of antidumping cases and accounting for almost 12 percent of global measures in 2017, only surpassed by the United States and India. Many of these antidumping duties were imposed on intermediate goods such as iron and steel, plastics, rubber, and chemicals—the building blocks of more sophisticated, higher value-added products. Evidence showed that recurrent use of antidumping measures in these protected sectors was associated with an average increase of 3 percent in markups and a decrease of 11 percent in productivity (measured as Total Factor Productivity).

OBJECTIVES AND APPROACH

Through the IBEP Program supported by the UK Prosperity Fund, the Bank Group advised the Brazilian government on how to streamline the use of the public interest principle in antidumping assessments. Grounded in analytical work, stakeholder consultations and international experience, this proposed approach allows officials to assess whether imposing an antidumping duty can cause more harm than benefits in specific value chains and to decide to suspend or reduce such duties due to anticompetitive impacts in domestic markets.

The implemented reform (adopted through Decrees No. 9.679, No. 9.745, and No 10.044 in January, April, and October of 2019, respectively, as well as Regulatory Ordinances/SECEX Resolutions No. 8 and 13 in April 2019 and January 2020, respectively) included changes in the institutional design, legal procedure and economic methods used to perform public interest analysis in antidumping investigations. The reform resulted in the following:

- First, a new department under the Ministry of Economy, the Undersecretariat of Trade Defense and Public Interest (SDCOM), became responsible for conducting both the antidumping investigations and the public interest analysis. Merging these mandates under one entity facilitated channeling resources for the public interest assessment and embedded the public interest analysis into the established antidumping investigation framework.
- Second, the government revamped procedures guiding the public interest analysis, implementing due process rules and aligning parties, timelines, and information requirements with the regular antidumping investigation. This new procedure increases legal certainty and reduces the room for discriminatory treatment between parties and claims.
- Finally, the government issued methodological guidelines to inform stakeholders about how public interest is applied in concrete cases, clarifying the reasoning behind the policy and respective procedures.

The new antidumping framework, whose design is based on the benchmarking assessment and the reform recommendations provided by the program, is expected to lead to greater predictability and transparency in the use of antidumping measures, reduce the possibility of permissive use of antidumping duties, and minimize their potential anticompetitive effects.

EARLY RESULTS

Within less than a year of implementation, this reform delivered concrete results. Between April 2019, when implementation started, and July 2020, 22 public interest reports were issued by SDCOM and seven of them have either recommended the reduction of antidumping duties or the suspension of antidumping measures based on public interest reasons. Sectors affected by these decisions are mostly producers of intermediate goods such as cast-iron pipes and non-oriented electrical steel grades. Importantly, by reducing importing costs, these interventions are expected to boost competition pressure for domestic producers of these goods while benefitting the performance of firms that use those products as inputs, therefore enhancing the country's overall competitiveness.

ADDITIONAL RESOURCES

[Ministry of the Economy: Trade Defense and Public Interest Analysis](#)

[World Bank Blog: Brazil's Reforms Show How to Use Fair-Trade Dumping Laws without Dumping Competition](#)

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