



Highlights of [GAO-07-50](#), a report to the Chairman, Committee on Ways and Means, House of Representatives

INTERNATIONAL TRADE

Customs' Revised Bonding Policy Reduces Risk of Uncollected Duties, but Concerns about Uneven Implementation and Effects Remain

Why GAO Did This Study

Since 2003, the Department of Homeland Security's U.S. Customs and Border Protection (CBP) has been unable to collect at least \$480 million in antidumping (AD) and countervailing (CV) duties. In July 2004, CBP revised its policy regarding the continuous bonds (CB) that importers post. The policy potentially significantly increases the amount of the bonds for affected importers. Following the application of the policy to imports of shrimp as a "test case," U.S. importers and trading partners initiated legal action to prevent CBP from continuing to apply the policy.

GAO examined why and how CBP revised its CB policy, how CBP implemented the revised policy, and the effects of the revised policy.

What GAO Recommends

GAO recommends that the Commissioner of CBP (1) conduct a formal review of the lessons CBP has learned from implementing the revised CB policy on shrimp imports and (2) develop clear and consistent guidance for implementing the policy and take steps to inform covered importers of the basis upon which CBP will reduce importers' bond requirement. The Department of Homeland Security agreed with GAO's recommendations and provided technical comments. The Department of Commerce also provided technical comments.

www.gao.gov/cgi-bin/getrpt?GAO-07-50.

To view the full product, including the scope and methodology, click on the link above. For more information, contact Loren Yager at (202) 512-4347 or YagerL@gao.gov.

What GAO Found

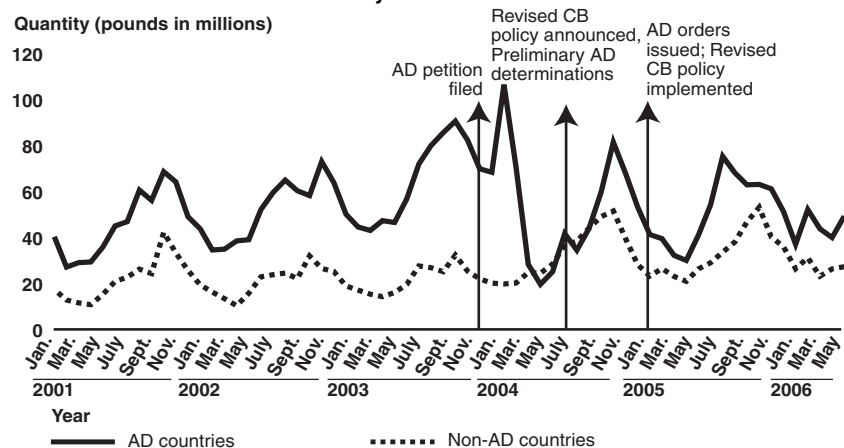
CBP revised its CB policy to reduce the risk of uncollected AD/CV duties. CBP determined that the traditional bond formula provides little protection of duty revenue. In addition, time lags and duty increases associated with the U.S. AD/CV duty system heighten the risk of importers' bonds being insufficient, which led to large amounts of uncollected duties.

CBP developed the revised CB policy internally, and then conducted some outreach prior to applying it to imports of shrimp as a "test case." An internal CBP working group identified options for improving collection of AD/CV duties and recommended revising the CB policy. The revised policy significantly increased bond amounts for some shrimp importers. Before implementing the policy, CBP conducted outreach, but some importers criticized CBP's outreach as insufficient.

CBP's implementation of the revised CB policy lacked transparency and consistency. CBP implemented the policy in February 2005 and required shrimp importers to obtain larger bonds. According to CBP, many importers inquired about lowering their bond requirement, and CBP lowered bond requirements under certain circumstances. However, CBP's procedures for adjusting bond requirements were not formally written and were not public. GAO's review of CBP and importer records showed that CBP set bond requirements on the basis of different data time periods for different importers and used inconsistent criteria when considering bond requests.

The revised CB policy is expected and reported to have a variety of effects on revenue protection, importers, and imports. CBP reports that the revised CB policy protects additional revenue, but the degree of success cannot be known yet. Importers report facing higher costs as a result of the revised policy, which they say leads them to change business practices and has reduced profitability. Trade data show that some import patterns shifted after the AD petition but before the revised CB policy was announced.

Shrimp Imports from AD Countries Dropped after AD Petition Filed, but before Announcement of Revised CB Policy



Source: GAO analysis of official trade statistics from the Department of Commerce, U.S. Census Bureau.