

US hits Daewoo, Samsung and LG washing machines with retaliatory duties

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The US Commerce Department yesterday backed Whirlpool Corp's claims that the company's South Korean rivals were benefiting from unfair government subsidies, and has put in place initial retaliatory duties on imports of washing machines.

The department plans to levy countervailing duties of up to 70.58 per cent on large residential washing machines made by Daewoo Electronics Corp, with tariff rates of 1.2 per cent for those made by Samsung Electronics Co and 0.22 per cent for those made by LG Electronics Inc.

Since Daewoo turned down an invitation to be part the investigation, the higher rates are based on the "adverse facts available," Commerce said.

According to analysts, the development could prove to be only a temporary victory for Whirlpool in its bid to take on rivals competing on price in home appliances, since the company faced several more steps before winning any import relief.

Once the commerce department made a final decision, the duties would take effect if the US International Trade Commission decided the imports threatened to cause material injury to US producers.

"Samsung 005930 respects the trade rules in the US market, and is confident that once the full investigation is concluded, the US Department of Commerce will confirm that Samsung is in compliance with US trade laws. We will continue to meet the demand from US consumers for our superior washing machines," said Samsung Electronics' spokeswoman Chenny Kim following the ruling.

LG Electronics said it would "fully cooperate" in the investigation see a minimal countervailing duty in the final ruling, which was typically less than 1 per cent.

South Korea's Ministry of Foreign Affairs and Trade said it was still waiting for the final decision from the US.

Whirlpool suffered a setback in its fight when the planned imposition of duties on refrigerators made by Samsung and LG was set aside, after the US trade panel determined the imports posed no threat to Whirlpool's business.

The commerce department had proposed that countervailing and antidumping duties be levied on both the fridges.

The department is also conducting an investigating into whether Korean washing machines were being dumped, or sold at less than normal value, in the US market.

Meanwhile, according to trade experts, the decision on trade subsidies could help Michigan-based Whirlpool Corp but lead to higher-priced washing machines for consumers.

The department found that South Korean washing machine manufacturers and exporters had illegally received government subsidies ranging from 0.22 per cent to 70.58 per cent.

Daewoo Electronics Corp, which was also under investigation but did not cooperate in the federal government probe, was the recipient of the highest subsidy rate at 70.58 per cent.

According to Daniel Ikenson, director of trade policy studies at the Cato Institute, a libertarian research group in Washington, DC if the US International Trade Commission applied a penalty tariff equal to the subsidy rate, Daewoo eventually might stop importing its washers to the US.

According to the Commerce Department, it would instruct US Customs and Border Protection agency to collect a cash deposit from importers based on its preliminary rate findings.

South Korean and Mexican makers of large residential clothes washers faced accusations last year from Whirlpool of dumping or unfairly selling their appliances below cost.

Many emerging market companies are taking market share away from US and western companies, according to Attila Yaprak, professor of marketing and international business at Wayne State University's School of Business Administration and companies would do everything they could to recapture or regain losses.