

# GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

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Committee on Anti-Dumping Practices

Ad-Hoc Group on the Implementation  
of the Anti-Dumping Code

## DRAFT RECOMMENDATION CONCERNING TREATMENT OF INPUT DUMPING

1. Input dumping is considered to occur when materials or components that are used in manufacturing a product are purchased internationally or domestically at dumped prices and their cost advantage has an effect on the price of the product though the product itself is exported at undumped prices.
2. There are no specific provisions in the General Agreement or in the Anti-Dumping Code which authorize the application by the importing country of anti-dumping duties by reason of input dumping.
3. Dumping is defined in Article VI of the General Agreement and Article 2 of the Anti-Dumping Code as the exportation of a product at a price below its normal value. Usually, normal value is the price at which like products are sold on the domestic market of the exporting country. Inputs used in the production of the exported goods are not like products. Consequently, the normal value of inputs cannot be used as the basis for determining a margin of dumping in the context of an anti-dumping enquiry concerning the end-product.
4. However, in special circumstances, for example, where there are no sales of the like product on the domestic market, normal value can be established on the basis of constructed value which is the cost of production of the like product plus a reasonable amount for administrative, selling and other costs, and for profit. Only in these special circumstances could input dumping be taken into account. Nevertheless, even in these circumstances, the investigating authorities should not generally take anti-dumping action on the basis of the price of inputs for the reasons explained below.
5. Where the inputs are imported into the country of export from a third country (country of origin) and
  - (a) there is no change of the inputs in the country of export, that is to say, when practically no value is added to the materials or components, Article 2:3 of the Anti-Dumping Code is applicable because "..... the products are merely trans-shipped through the country of export ....." and the normal value of the inputs must be taken into consideration,
  - (b) there is a minimum change of the inputs in the country of export, for example the attachment of small parts or the addition of the covering

on a product, though the degree of change differs according to individual cases, a decision as to whether Article 2:3 is applicable will have to be made on a case-by-case basis,

- (c) the inputs are further processed in the country of export, the Anti-Dumping Code normally excludes the possibility of taking into account the price or cost of inputs produced in the third country (country of origin) when establishing constructed value since it provides that the relevant costs of production for this purpose are those incurred in the country of export of the end-product.
6. When the inputs are produced in the country of export of the end-product and are purchased at arm's length, the constructed value of the exported product should be established using the purchase price of the inputs. As a rule, constructed value is based on each individual exporter's production costs, and the price he has to pay for the inputs reflect his cost. Every reasonable manufacturer will endeavour to buy inputs at the lowest possible price and as long as he is buying at arm's length his production costs would reflect inputs at normal value in terms of the Code.
7. When the producer of the input and the manufacturer of the end-product are related and the input is sold at less than its cost of production and not at arm's length, [input dumping can be taken into account by the investigating authorities which should be entitled to base normal value calculations for the end-product, inter alia, on the constructed value of the input] [the actual purchase price of the inputs should be used as the cost of the inputs].
8. Irrespective of the cost of the inputs, no dumping will occur as long as there is a comparable domestic price of the like product for consumption in the exporting country and that price is not higher than the export price.
9. The Committee is of the opinion that investigations of input dumping would also create great practical difficulties. In most cases it would be impossible for the investigating authorities to obtain and verify cost and price information from unrelated suppliers of inputs inside and outside the exporting country. On the other hand, the exporters of the end-product under investigation could not be held responsible for the failure to obtain the necessary information from unrelated third parties. In such circumstances, investigating authorities would not be able to establish the facts beyond reasonable doubt. Consequently, any anti-dumping measures applied following investigations of this kind would be contrary to the spirit and provision of the General Agreement and the Anti-Dumping Code.