

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

ADP/W/83/Rev.2
19 December 1984

Special Distribution

Committee on Anti-Dumping Practices

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

DRAFT RECOMMENDATION CONCERNING TREATMENT OF THE PRACTICE KNOWN AS INPUT DUMPING*

Revision

1. The term input dumping is often used to describe a situation where materials or components that are used in manufacturing an exported product are purchased internationally or domestically at dumped or below cost prices, whether or not the product itself is exported at dumped prices.
2. There are no 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, in cases where dumping margins are being determined by a comparison between the export price of the product and the price of the like product when destined for domestic consumption¹, 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 in the ordinary course of trade on the domestic market, normal value can be established on the basis of constructed value, which is the cost of production of the product in the country of origin plus a reasonable amount for administrative, selling and any other costs, and for profits. Nevertheless, even in these circumstances, the investigating authorities should not take anti-dumping action on the basis of dumped or below cost inputs except under the conditions explained in paragraph 6 below.

* This working document is circulated by the Chairman on his own responsibility as part of his report to the Committee on the deliberations of the Ad-Hoc Group on the question of input dumping.

¹ It is understood that the same principle will apply when the margin of dumping is being determined by comparison with a comparable price of the like product when exported to a third country or, if the products are merely trans-shipped through the country of export, with the price in the country of origin.

./.

5. Where inputs are purchased, either internationally or domestically, in the ordinary course of trade, the constructed value of the end-product should be established using the actual purchase price of the inputs.

6. When, however, the producer of the input and the manufacturer of the end-product are related and the price is less than that which would prevail in the ordinary course of trade and does not cover the full cost of the input, input dumping can be taken into account by the investigating authorities which should be entitled to base normal value calculations for the end-product on the lower of the constructed value of the input or the prevailing market price in the ordinary course of trade.

* * * * *

Notwithstanding the above 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.