

# GENERAL AGREEMENT ON TARIFFS AND TRADE

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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

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, 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 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.]
5. Where inputs are purchased, either internationally or domestically at arm's length and in the normal 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] [or] the input is sold at less than its cost of production [and] [or] 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 or on an arm's length price of the inputs.

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7. [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.]

8. The Committee is of the opinion that investigations of input dumping would also create great practical difficulties. In [most] [many] cases it would be [difficult] [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.]