

## Appeal to the WTO Appellate Body on US Anti-Dumping Procedures

*Press Release*

October 10, 2006

Ministry of Economy, Trade and Industry

- In November 2004, Japan filed a complaint with the World Trade Organization (WTO), arguing that the US practice of zeroing used in its anti-dumping procedures was inconsistent with the WTO Anti-Dumping Agreement.
- The WTO Panel report was issued on September 20, 2006. On October 11, Japan appealed to the WTO Appellate Body against some of the Panel's decisions that rejected the complaint of Japan.

### 1. Background

- The United States has employed the method of zeroing in its anti-dumping procedures. Under the methodology, a price margin is treated as zero when an export price is higher than a domestic price and overall dumping margin percents are raised artificially.
- The Government of Japan made a complaint in November 2004, asserting that the US rules and the application (to individual cases) of zeroing are inconsistent with the WTO Anti-Dumping Agreement. On September 20, 2006, the Panel released the report on this case.

### \* Outline of the Panel report

- (1) The use of zeroing in the context of original investigation is inconsistent with the WTO Anti-Dumping Agreement.
- (2) The use of zeroing in the rest of the anti-dumping procedures (periodic reviews, etc.) is not inconsistent with the Agreement.

## 2. Future Policy

- The Panel report concluded that the use of zeroing in periodic reviews, etc. was not inconsistent with the WTO Anti-Dumping Agreement. Japan appealed the case to the Appellate Body, the ultimate body of appeal, on October 11, 2006.

- EU has also submitted a complaint to WTO on the US practice of zeroing. The Appellate Body concluded this year that the use of zeroing in individual measures of periodic reviews for the EU case was also inconsistent with the Agreement.

(Reference) Example of Zeroing

Example: Export and Domestic Prices of Product A of a Company

	Export price	Domestic average price	Dumping margin	
			Without zeroing	With zeroing
Transaction 1   Transaction 9	120	100	-20	0
Transaction 10	70	100	30	30

(1) Dumping margin percent without using zeroing

$$\frac{0 \quad (-20 \times 9 + 30 = -150)}{120 \times 9 + 70} = \underline{\underline{0.00\%}}$$

(2) Dumping margin percent with zeroing

$$\frac{30 \quad (0 \times 9 + 30 = 30)}{120 \times 9 + 70} = \underline{\underline{2.61\%}}$$