

WTO Appellate Body Report on US Anti-Dumping Procedures (Zeroing)

January 10, 2007

Ministry of Economy, Trade and Industry

- The WTO Appellate Body Report on Anti-Dumping Procedures of the United States (Zeroing) that Japan requested of the Appellate Body was circulated and published on January 9, 2007.
- The report accepted the overall claims of Japan and ruled that “zeroing” was inconsistent with the WTO agreement throughout anti-dumping procedures.
- Minister Amari, Minister of Economy, Trade and Industry, then gives a statement that this report is highly evaluated and Japan strongly expects the United States to promptly implement the recommendation of the report and to abolish zeroing.

1. Summary

- The Appellate Body Report on the Anti-Dumping Procedures (zeroing) that Japan requested of the WTO Appellate Body in support of its claim against the United States was circulated on January 9 (Geneva time), 2007.
 - * “Zeroing” means the calculation method by which a price margin is treated as zero when an export price is higher than a domestic price, and overall dumping margins are raised artificially, under the anti-dumping investigation.
- Japan made a complaint in November 2004, asserting that the US practice of zeroing regarding both the rule itself and applications (individual cases) is inconsistent with the WTO Anti-Dumping Agreement.
- The Appellate Body report overruled the conclusion of the Panel (the first trial) last September and entirely accepted Japan’s assertion, and it concluded that zeroing was inconsistent with the WTO agreement throughout the anti-dumping procedures including individual applications.
- Minister Amari, the Minister of Economy, Trade and Industry, gives a minister’s statement in the Annex attached.

2. Schedule from now on

- The Appellate Body Report will be formally adopted by the WTO Dispute Settlement Body’s meeting scheduled for January 23..

Reference 1: Outline of the Panel Report issued last September

- The Panel Report issued last September concluded that the use of zeroing in the original investigations was inconsistent with the WTO agreement, but in the rest of the procedures including periodic reviews, zeroing was not inconsistent with the agreement.

* Major rulings of the Panel

	original investigations	periodic reviews, etc.
rule itself	○	×
individual applications	○	×

(○: inconsistent, ×: consistent)

- As dumping margins calculated in the original investigations are reviewed every year in principle in the US anti-dumping procedures, Japan asserted that the use of zeroing under periodic reviews, etc. shall also be abolished. Therefore, Japan appealed to the Appellate Body on October 11, 2006 and presented its views both in writing and orally.
- Other members including the EU have been challenging the US practice of zeroing under the WTO framework, and in the case brought by the EU, the Appellate Body concluded last year that the use of zeroing in individual applications in periodic reviews was also inconsistent with the WTO agreement, but this was not the case for the rules themselves.

Reference 2: 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 8	120	100	-20	0
Transaction 9-10	70	100	30	30

(1) Dumping margin percent without using zeroing

$$\frac{-20 \times 8 + 30 \times 2}{120 \times 8 + 70 \times 2} = \underline{\underline{-9.10\%}} \text{ (No dumping)}$$

(2) Dumping margin percent with zeroing

$$\frac{0 \times 8 + 30 \times 2}{120 \times 8 + 70 \times 2} = \underline{\underline{5.46\%}}$$

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