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WTO Ruling Deals Further Blow to U.S. "Zeroing"

Appellate body rejects controversial customs calculation in dispute with Japan

In a ruling that deals still another blow to the U.S. anti-dumping process known as "zeroing," the Appellate Body of the World Trade Organization rejected Tuesday the U.S. appeal in a long-running case involving U.S. anti-dumping duties on imports of Japanese ball-bearings.

Japan had sought leave to impose up to \$248.5 million in annual sanctions against the United States for what Japan claimed were unfair U.S. duties on imports of Japanese ball-bearings. The "zeroing" process used by the United States calculates duties on goods that have been imported for less than they cost at home.

The U.S. Trade Representative said it was "deeply disappointed" by the latest WTO ruling and will consult with Congress and the public about what to do next. "The findings appear to take a sweeping approach to compliance proceedings that is beyond anything agreed by (WTO) members," a USTR spokesperson said. Opponents of "zeroing" say it can lead to higher anti-dumping duties than are justified. The United States is the only nation among the WTO's 153 members to support zeroing. Various WTO bodies have condemned zeroing on numerous occasions. Once the WTO adopts Tuesday's Appellate Body findings and the April ruling, which is likely to happen on August 31, the size of Japan's retaliation will be determined by an arbitration process.

"Zeroing" is a complex process. In a typical antidumping investigation, the U.S. Department of Commerce calculates weighted-average net prices for each product sold in the United States. It then compares each of those U.S. prices to the product's normal value, which can be calculated a number of different ways but is ideally the weighted-average net price of the most similar product sold in the home market, according to Dan Ikenson, policy analyst, Center for Trade Policy Studies, at the Cato Institute. Zeroing is introduced after making the comparison of the U.S. price and the normal value.

When the normal value is higher than the U.S. price, the difference is treated by the U.S. as the dumping amount for that sale or that comparison. However, when the U.S. price is higher, the dumping amount is set to zero rather than its calculated negative value. All dumping amounts are then added and divided by the aggregate export sales amount to yield the company's overall dumping margin. Zeroing thus eliminates "negative dumping margins" from the dumping calculation. "In so doing, it can create dumping margins out of thin air," Ikenson said, as well as overstate the damage done to U.S. industry, critics of "zeroing" argue.

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