Introduction

The International Trade Administration Commission of South Africa (ITAC) is responsible for conducting investigations of anti-dumping actions countervailing duties to counteract subsidisation in foreign countries, and safeguard measures applied when a surge of imports is threatening to overwhelm domestic producers, in accordance with domestic law and regulations, and consistent with WTO rules. The purpose of this booklet is, therefore, to illustrate the anti-dumping margin calculation.

What is dumping?

Dumping occurs where foreign producers are exporting their goods in our country at prices (called the “export price”) lower than what they charge for the same product in their country (called the “normal value”). Thus if the export price is lower than the normal value, dumping occurs. The ADA (Anti-Dumping Agreement) and ADR (Anti-Dumping Regulations) provide guidance on how to determine whether the goods in question are being dumped.

How does ITAC determine whether dumping is taking place?

This booklet aims to provide further information on the process which is undertaken by the Commission in making this determination. It should be noted that this booklet is for reference purposes only and it should not be regarded as providing a definitive statement of law.
Dumping Margin Calculations

- Normal value
  - Country of origin
  - Sufficiency of domestic sales
  - Alternatives for calculating normal value
  - Domestic sales to related parties
  - Test for below cost domestic sales

- Export price
  - Export price
  - Constructed export price

- Fair comparison
  - Adjustments
  - Dumping margin calculations
Are there any domestic sales in the country of origin of the subject product?

Is there another producer of the like product in the same country for which information on domestic selling prices is available?

Normal value in country of origin

Domestic Sales

Are there any domestic sales in the country of origin of the subject product?

Do ordinary course of trade test:
* 5% test
* Related party test
* Sales at a loss test
* Government intervention

Is there another producer of the like product in the same country for which information on domestic selling prices is available?

Find alternative to domestic prices as the basis for calculating normal value
Does the volume of total sales in the domestic market account for at least 5% of the volume of total export sales to SACU?

In principle use domestic prices to calculate normal value.

Can sales in the domestic market be seen as sufficient nonetheless?
Alternative for normal value: Constructed normal value

- Determine cost of manufacture (per model)
- Determine selling, general and admin expenses (per model)
- Determine profit margin (per model)

Cost of manufacturing files
Selling, general and admin expenses file
Profits file
Alternative for normal value: Exports to third country

3. Use methodology for identifying appropriate third country

4. Do ordinary course of trade test
Ordinary course of trade test:
Domestic sales to related parties

4. Are any of the sales to related parties?
   - NO: Exclude related party sales from calculation
   - YES: Are some prices considered unreliable by definition?
     - NO: Use rest of domestic sales to calculate normal value
     - YES: Use constructed normal value

5. In principle, use all domestic sales for normal value
Ordinary course of trade test: at a loss

Determine total cost of product, including SG and A per unit (per model)

YES

Compare cost per unit to selling price per unit (per model)

Are there any sales (per model) below cost?

YES

Are such sales made over an extended period?

YES

Are these sales (per model) made in substantial quantities?

NO

Does the volume of total sales in the domestic market account for at least 5% of the volume of total export sales to SACU?

YES

Calculate normal value on the basis of these sales

NO

Disregard sales at a loss (per model)

Calculate normal value on the basis of all sales
Main Steps

Step 1: Analyse issues concerning related party sales or compensating arrangements

Step 2: Calculate export price accordingly

Export price
Export sales file

Any sales to related importers/Sales involving a compensatory arrangement?

NO

Are you concerned about the reliability of the prices of such sales?

NO

Calculate export price on the basis of all sales

YES

Such sales are considered unreliable by definition

YES

Such sales are considered unreliable after applying objective test for assessing reliability

YES

Constructed export price

NO

Export price
Calculate export price on the basis of the resale price from the related party to the first unrelated purchaser

Use constructed export price

Selling, general and admin expenses in country of export

Exporter’s selling, general, admin expenses file

Subtract all these expenses from the resale price to the first unrelated purchaser

Resale price to first unrelated purchaser in the country of import (2.3)

Related importer’s profits

Related importer’s profits file

Costs incurred between importation and resale (2.4)

Selling, general and admin expenses for the related importer

Selling, general and admin expenses for the related importer

Importer’s cost file

Importer’s selling, general admin expenses file
Adjustments

- Adjustment for any other differences affecting price comparability
- Adjustment for differences in characteristics
- Adjustment for differences in taxation
- Adjustment for differences in conditions and terms of sale
- Adjustment for differences in levels of trade
- Adjustment for differences in quantities
- Adjustment for differences in quantities

NB Adjustments can only be considered based on proof supplied that it affected price comparability at the time of setting the price.

NB not only for differences and not only normal value OR export price.
Are there physical differences between the export product and the like product sold on the domestic market?

- **No**: Go to 9
- **Yes**: Do the physical differences affect the comparability of export price and/or normal value?
  - **No**: Go to 9
  - **Yes**: Calculate the amount of the adjustment on normal value and/or the amount of adjustment on the export price

Apply the adjustment to the normal value and/or export price
Are there differences in the taxation treatment of the export product and the like product sold on the domestic market?

- **NO**
- **YES**
  - Does the difference in tax treatment in tax treatment affect the comparability of export price and normal value?
    - **NO**
    - **YES**
      - Calculate the amount of the adjustment by determining the difference in tax charges between normal value and export price
      - **Apply the adjustment to normal value and export price**
Adjustments – Sales terms and conditions

Are there terms and conditions of sale indicated on the invoices of the export sales and the invoices of like product sold on the market?

- **YES**
  - Calculate the value of the adjustments separately for export sales and domestic market sales
  - As reflected on the invoice

- **NO**
  - Apply the adjustments to the normal value and export price

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Are there differences in the levels of trade between sales of the export product and the like product sold on the domestic market?

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Separate export price and normal value by level of trade.
Verify whether prices vary according to the different levels of trade.
Ascertain whether each different level of trade performs the commercial functions associated with the level of trade.

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Do the level of trade differences affect the comparability of export price and normal value?

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Calculate the amount of adjustment
Apply the adjustment to the normal value and export price

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Adjustments – Level of trade

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Apply the adjustment to the normal value and export price
Are there any other differences between the export product and the like product sold on the domestic market?

- YES

  Do the other differences affect the comparability of export price and the normal value?

  - NO

  - YES

  Separate export price and normal value by quantity-based market segment.

  Verify whether prices vary according to the quantity-based market segments.

  - CALCULATE THE AMOUNT OF THE ADJUSTMENT

  - APPLY THE ADJUSTMENT TO THE NORMAL VALUE AND EXPORT PRICE
Are there any other differences between the export product and the like product sold on the domestic market?

Do the other differences affect the comparability of export price and the normal value?

Separate export price and normal value by quantity-based market segment.

Verify whether prices vary according to the quantity-based market segments.

Calculate the amount of the adjustment

Apply the adjustment to the normal value and export price

Adjustments - Other differences
Calculations of the dumping margin

Select method for determining the margin of dumping

- **Weighted average to weighted average**
  - Weighted average adjusted normal value vs weighted average adjusted export price
  - Calculate the weighted average adjusted normal value and compare it with weighted average adjusted export price
  - Calculate the dumping margin (the absolute difference between the two divided by the export price)

- **Transaction to transaction**
  - Weighted average adjusted normal value vs weighted average adjusted export price
  - Select transactions for comparison
  - Calculate the dumping margin by transaction (the difference between the two is divided by the export price)

- **Weighted average to transaction**
  - Weighted average adjusted normal value vs adjusted individual export prices
  - Calculate the weighted average adjusted normal value and compare it with adjusted individual export prices
  - Calculate the dumping margin by transaction (the difference between the two is divided by the export price)