# Some Ethical Issues for Accountants in Antidumping Trade Cases: An Examination of Recent Case Studies With Emphasis on Latin America

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**Abstract**

A search of the accounting, trade and ethics literature failed to find a single article that discussed the role that accountants play in assisting in the data gathering process of a trade investigation. Yet there are serious ethical issues that need to be addressed. Certain aspects of trade investigations are unethical, whether one takes a utilitarian or rights view of ethics, and accountants play a role in this unethical conduct. This paper looks at those issues and makes recommendations for change.

The author calls for the various state and national accounting organizations to closely examine the ethical issues involved when accountants take part in an antidumping investigation and establish guidelines for ethical conduct.

## An Overview of Antidumping Investigations

Before we discuss the ethical issues accountants face in an antidumping investigation, it is necessary to spend some time discussing what antidumping laws are, since the average reader is probably unfamiliar with the intricacies of antidumping laws.

Antidumping laws have been on the books in the United States, in one form or another, for decades. Perhaps the first major antidumping law in the United States was included in the Revenue Act of 1916, although at least one author points out that the Sherman Antitrust Act of 1890 could have been used to punish dumping (Dale 1980:12). Until recently, the United States was one of the major "users" of antidumping laws, although this will change now that the World Trade Organization (WTO) has been formed as part of the Uruguay Round of trade talks. Whereas before the WTO only a few countries had antidumping laws, all 120+ signatories to the WTO agreement have agreed to incorporate antidumping laws into their trade policies, so the use of antidumping laws will likely increase dramatically in the future.

Antidumping laws punish foreign producers for selling their products on some domestic market for low prices. While such a policy may sound stupid (the author thinks it is stupid), it is the law of the land, not only in the United States, but in every country that has signed the WTO agreement, including many Latin American countries. The alleged purpose of antidumping laws is to protect domestic producers, which stand to be harmed by aggressive price competition. Of course, consumers benefit by low prices, but that fact is totally ignored. It is a case of the government taking the position of domestic producers at the expense of the general public. Special interests benefit at the expense of everyone else.

A foreign producer is guilty of dumping if it sells below the cost of production or if it sells its product on the domestic market for a price that is lower than that charged in some foreign market. Yet selling below the cost of production is rare, and when it does occur it is often justified, since the alternative may be to do without a sale at all.

One favorite target of domestic producers is Latin American flower merchants. A number of antidumping investigations have been launched over the years against flower producers in Ecuador, Mexico, Costa Rica, Guatemala, the Dominican Republic, Colombia and Chile (USITC 1995; Destler 1986, 1992). When flowers start to wilt, the best economic solution is to sell them for whatever you can get, since the alternative is to watch them rot. Yet if someone sells a foreign flower to a domestic buyer in the United States, it is guilty of dumping if it sells for less than the cost of production or for a lower price than what it charges in some other market. To make matters worse, the Commerce Department considers a fresh flower in Amsterdam to be the equivalent of a wilted flower in New York. No discounts are given for the fact that the two flowers being compared are not equivalent (Bovard 1991: 120). So when the figures show that similar flowers were sold in Amsterdam for a higher price than the price charged in New York, the foreign supplier is found guilty of dumping because it charged a lower price in the domestic market. As a result, there are very strong incentives for foreign producers to charge higher prices in the United States than in any other market, to the detriment of U.S. consumers. One may think that dumping could be avoided by charging the same price in all markets but, as we shall see below in the section on exchange rates and average pricing, such may not be the case. It is possible to be found guilty of dumping even if a foreign producer charges the same price in all markets.

**Best Information Available**

A particularly disgusting practice is the abuse of reason, justice and fair play that occur when the ITC uses the Best Information Available (BIA) to determine whether, and to what extent, dumping has occurred. For one thing, BIA is often "not" the best information available, and there is something deceptive about calling it "best information available" when it is not. When the government engages in such activity it is even more reprehensible, since the government is supposed to work for the benefit of the general public rather than special interests.

The government can demand vast quantities of information from a target company. Failure to supply 100% of what is demanded can be taken as a confession of guilt. The Commerce Department then assesses the highest possible antidumping margins (Bovard 1990). It generally uses the information supplied by the domestic producers that filed the petition when assessing antidumping margins, since this information is considered to be the best information available (BIA). Oftentimes, this information is far from accurate. Indeed, the petitioning companies have a bias in favor of skewing the information to help their case. Petitioning company cost of production or price estimates for their competitors' products are often taken at face value, unchallenged.

Matsushita withdrew from an antidumping case that involved small telephone systems, thereby abandoning more than $50 million in export sales because of the onerous requirements the Commerce Department imposed (Bovard 1991: 136). On a

Friday afternoon, it received a demand by the Commerce Department to translate 3,000 pages of Japanese financial documents into English by the following Monday morning.

In the case of SKF, a Swedish bearings manufacturer, the Commerce Department demanded, and SKF supplied, information on more than 100 million separate sales. The first submission weighed three tons, was more than 150,000 pages in length, and included more than 4 billion pieces of information (Bovard 1991: 137). As might be expected, there were a few mistakes in the data, which the company put together in about a week, the amount of time the Commerce Department gave it to respond. About 1% of the data from its German sales were in a form that was not suitable to the Commerce Department, so it ignored all the data the company supplied and worked up its own numbers, using the BIA. The result was a 180% dumping margin.

**Antidumping in Theory and Practice**

In theory, the antidumping laws are on the books to protect domestic producers from "unfair" competition. The problem is, most if not all of the antidumping investigations that are initiated have nothing to do with unfair competition. The antidumping laws are used as a club by domestic producers to prevent foreign suppliers from offering their products on domestic markets at low prices. Antidumping laws have the effect of forcing foreign producers to sell their products at relatively high prices as a condition of entering the domestic market.

**Antidumping Investigations in Latin America**

I.M. Destler (1986; 1992) has complied an extensive list of the antidumping investigations that have been initiated by the United States over the past two decades. Many of these cases targeted companies in Latin America. Here is a list of the actions that have been filed between 1992 and mid-1996, after the Destler study, against companies in Latin American countries:

- Broom corn brooms -- Colombia, Honduras and Mexico
- Butt-weld pipe fittings -- Venezuela
- Carbon steel pipe nipples -- Mexico
- Flat-rolled carbon steel products -- Argentina, Brazil and Mexico
- Fresh cut roses -- Colombia and Ecuador
- Fresh tomatoes -- Mexico
- Fresh winter tomatoes -- Mexico
- Oil country tubular goods -- Argentina and Mexico
- Peppers -- Mexico
- Phthalic anhydride -- Venezuela
- Seamless steel pipe -- Argentina and Brazil
- Steel wire rope -- Mexico
- Welded non-alloy steel pipes and tubes -- Brazil, Mexico and Venezuela

Because Latin American companies tend to be low-cost producers, it is likely that they will be targeted in many future antidumping actions, both by the United States and by high-cost countries in Europe.

## Why Protectionism Is Immoral

Whether one is a utilitarian or a rights theorist, a look at protectionist policies can only lead one to conclude that the practice is immoral. Utilitarians take the general position that a practice is good, ethical and moral if the good outweighs the bad. "The greatest good for the greatest number" is a phrase one often hears when someone espouses a utilitarian position. Although there are problems with utilitarian ethics, such as the fact that one cannot accurately measure gains and losses (Rothbard 1970: 260-268), and the fact that utilitarians totally ignore rights violations (McGee 1994a), protectionist policies -- tariffs, quotas and antidumping actions are the most frequently used tools of protectionists -- cannot stand up even to a utilitarian critique.

Practically every study that has been done on the gains and losses from trade barriers such as quotas, tariffs and antidumping laws has concluded that the losses exceed the gains (Dinopoulos & Kreinin 1988; Hufbauer, Berliner & Elliott 1986; McGee 1994b: 61-86; Melo & Tarr 1990). Protectionism destroys more jobs than it saves. Consumers lose more in terms of higher prices than producers gain. In other words, protectionism is a negative-sum game. Thus, it will not pass the utilitarian test. One cannot reasonably argue that there is some public interest in protecting certain industries because the only ones that are protected are a few domestic producers, and they are protected at the expense of the general public. The public interest argument is a utilitarian argument.

Protectionism is a classic example of rent-seeking, the phenomenon that Public Choice Economists have been studying for more than three decades. The concentrated few -- domestic producers -- find it profitable to go to the legislature to ask for favors that will feather their nests at the expense of the general public, which is unorganized, powerless and even ignorant of what is being done to them. This phenomenon was not discovered by James Buchanan and Gordon Tullock, the founders of the Public Choice School of Economics. Economists have been writing about this phenomenon at least since the mid-nineteenth century. Adam Smith discussed it in his Wealth of Nations in 1776. Protectionism merely uses the force of government to take the property of consumers and give it to producers.

> See if the law takes from some persons what belongs to them, and gives it to other persons to whom it does not belong. See if the law benefits one citizen at the expense of another by doing what the citizen himself cannot do without committing a crime.
>
> Then abolish this law without delay, for it is not only an evil itself, but also it is a fertile source for further evils because it invites reprisals. If such a law -- which may be an isolated case -- is not abolished immediately, it will spread, multiply, and develop into a system. (Bastiat 1968: 21)

Islam condemns protectionism on religious grounds. It provides affluence for the favored ones at the expense of the general public (Ahmad 1995:122). One Islamic author regards protectionism as the worst form of injustice and predation (al-Qayyim 1971:69). Protectionism is a form of theft. Thus, it is against the Commandment "Thou Shalt Not Steal," which is a tenet of both Christianity and Judaism as well as Islam. The fact that

the government is committing the theft in the name of domestic producers does not change the nature of the act from theft to something that is not theft. The government is merely acting as the agent of domestic producers.

Protectionism will not pass the rights test either. Rights theorists take the position that an act is always immoral if someone's rights are violated. The fact that someone or some group (such as producers) may benefit by the act is irrelevant. Protectionist trade policies must, by their very nature, violate contract and property rights, and are thus immoral on their face. Quotas prevent some consumers from entering into contracts with willing sellers. Tariffs raise the price that consumers must pay, thus forcing them to part with more of their property (money) as a condition for entering in a contract. Antidumping laws raise domestic prices by force or the threat of force, and sometimes make it impossible for consumers to obtain the product at any price because the product can be banned from the domestic market altogether.

**Antidumping Laws Violate Property Rights**

All antidumping laws violate property rights. Some violations are more subtle than others. Antidumping laws prevent willing buyers and willing sellers from exchanging the property they have for the property they want at a mutually agreeable price, which also violates the right to contract. But what is less obvious is the fact that merely launching an antidumping investigation dissipates property.

The cost of filing a request for an antidumping investigation is relatively cost-free. Domestic producers merely ask the Commerce Department to investigate one or more of their foreign competitors. The government (taxpayers) incurs the expense of conducting the investigation. The cost to defend, however, is much more burdensome. Some foreign producers have to spend more than a million dollars defending themselves in an antidumping investigation. Even if they eventually win the case, they still lose, in a sense, because they had to incur the cost of defending themselves. What difference does it make, in substance, whether domestic producers force a foreign competitor to dissipate $1 million in cash to defend itself in a frivolous investigation, or whether they merely burn down one of their competitor's million dollar buildings? The effect is exactly the same. After the investigation, the foreign competitor has $1 million less in assets.

**Antidumping Laws Lead To Bankruptcy and Job Losses**

If dumping margins are assessed, the result can be bankruptcy and job losses. In one group of cases, some small companies in Taiwan were unable to supply all the information the Commerce Department wanted, so they got hit with a 21.94% dumping duty which, when added to the 34% tariff that was already being assessed, made their products prohibitively high priced in the U.S. market. Within a year after the Commerce Department launched its investigation of the Taiwanese acrylic sweater industry, more than two-thirds of the Taiwanese companies that produce acrylic sweaters went out of business (Bovard 1991: 139). Their major market was closed to them and they had to shut down operations, throwing hundreds, or even thousands of people out of work needlessly.

Individuals who invoke the antidumping laws to protect themselves from foreign competition are acting immorally. They are using the force of government to violate the

property and contract rights of others. They are destroying jobs and throwing people out of work needlessly. They are feathering their own nests at the expense of the general public. Accountants are helping them commit these sinister acts.

## How Are Accountants Involved?

Accountants are an integral part of most antidumping investigations. Their primary role is to gather the data that their employers (domestic producers) use when they file an antidumping investigation request with the Commerce Department. The data they gather is then used by the U.S. International Trade Commission (USITC) to determine whether dumping has occurred and whether some foreign producer should be punished. Thus, it is important that the data they gather is accurate and not misleading. But more than that, even if the data they gather is accurate and not misleading, it can still be used to aid and abet those who plan to use it to engage in unethical conduct. Thus, accountants become willing accomplices to unethical conduct even if they follow generally accepted accounting principles (which they do not, as we shall see shortly).

One may draw an analogy to the accountants that Hitler employed to help count the beans for his Third Reich. Although the accountants who performed their accounting and bookkeeping services were not acting unethically merely because their employer was evil, the fact that they were helping to further an evil cause should be of ethical concern to anyone who cares about moral values. Workers who worked in ammunition factories also furthered the cause, although many of them did not have a choice in the matter. It is a well-established rule of ethics that morality exists only where there is choice. So where there is no choice, it is not possible to act immorally. Some philosophers argue that there is always choice, but an exploration of this view is beyond the scope of this paper.

Accountants provide the ammunition that their employers use to violate the rights of consumers and foreign producers whenever the employer asks for an antidumping investigation. When a domestic producer goes to Washington and asks for protection from foreign competition, it goes with figures its accountants have prepared. Often, these figures become the best information available, which the USITC uses to punish foreign producers unjustly.

At some point there is a duty to resist. Although it may be practically impossible for individual accountants to resist -- or to refuse to aid and abet evil activity -- it is possible for private accounting groups like the state CPA societies, the AICPA and IMA to resist. If they establish ethical guidelines that prohibit holders of a CPA or CMA certificate from engaging in certain unethical acts, then individuals who hold such certificates will be less likely to engage in such conduct. While establishing such rules will not prevent noncertificate holders from performing the acts, it will at least put pressure on a major segment of the accounting profession to refrain from engaging in unethical conduct.

One of the most blatant accounting abuses in the area of antidumping actions is the abandonment of generally accepted accounting principles. The matching concept and comparability are completely ignored on a regular basis. Consistency is also ignored all too frequently. Accounting principles and methods are often chosen to enhance the

probability that a foreign producer accused of dumping will be found guilty, thus violating neutrality. Here are a few examples.

**Computing the Cost of Production**

About two-thirds of all antidumping investigations involve looking into a company's cost of production (Kaplan, Kamarck & Parker 1988: 358). The problem is, many foreign companies either choose not to provide information on their cost of production or provide incomplete information, which means the Commerce Department uses the best information available -- often information the petitioner's accountants dream up almost out of thin air.

The Commerce Department allows a foreign company to charge a price that is high enough to cover its cost of production plus make a reasonable profit, which it considers to be 8%. Companies that charge this price are considered to be charging a fair price (unless they charge a lower price in the United States than in some foreign market, in which case they are guilty of dumping even if they charge more than the cost of production). Anything less than 8% is considered unfair. Interestingly enough, many U.S. companies do not make an 8% profit and would feel lucky if they could. If a foreign company sells a product in the United States for a 6% profit, the Commerce Department considers it to be sold for a 2% loss.

The 8% profit margin requirement can be criticized on a number of other counts as well. Profit margins are different in different industries, yet the 8% profit margin requirement is applied uniformly to all industries. The fact that many U.S. companies in the same industry as the foreign competitor may make less than an 8% margin is not even considered. Thus, some foreign companies must make a higher profit than their U.S. competitors in order to avoid a charge of dumping. What ever happened to the level playing field argument?

The Commerce Department methodology uses several questionable accounting techniques as well, which can inflate the foreign company's cost of production. For example, if a foreign company is able to reduce its labor costs by using part-time labor, the Commerce Department (or the accountants for the domestic petitioners) might decide to compute the company's labor cost using a company-wide weighted average labor cost, which tends to inflate the labor cost figure (Kaplan et al: 394).

The Commerce Department's methodology for determining production costs in the agriculture industry is also subject to criticism. It determined the production cost for red raspberries by taking a random sample to ten Canadian farmers, but a USITC study found that raspberry production cost for U.S. farmers varied by nearly 100 percent (Bovard 1991: 128, 164). Part of the wide variance depended on how the farmers financed the business. Mortgage interest was included in the cost of production if the farmer had a mortgage, but if there was no mortgage, interest would not be imputed on the farm property. Because of this inconsistent practice, two farmers selling raspberries for the same price would wind up with different results from a Commerce Department investigation. The farmer with a mortgage could get hit with a dumping charge, while the farmer without a mortgage, and therefore with lower production costs, would not be

liable for dumping. However, if they sell their raspberries for the same price, how can it be said that one is selling at a fair price and the other is not?

The Commerce Department sometimes includes other unlikely items into the cost of production. For example, it included Suzuki's cost of defending itself against charges by the U.S. Consumer Product Safety Commission that it made unsafe all-terrain vehicles. It included in production costs the donations that two Korean sweater manufacturers made to local charities, claiming that it was part of the cost of making sweaters (Bovard 1991:129). In another case, a Japanese company had its dumping margin increased because it gave some television sets to charity. The Commerce Department treated the TVs as having a selling price of $0.00 in the American market. Companies also have had their dumping margins increased by selling damaged TVs at a discount or giving their employees a discount. Any certified public accountant who made such classifications would be sued for malpractice. Yet CPAs who work for the Commerce Department or for a company that petitions the Commerce Department make such computations on a regular basis without fear for punishment. It is time that accountants were made to be responsible for such acts that are discreditable to the profession.

Another problem with the Commerce Department's methodology is that it is not consistent. Its cost accounting has been known to shift from case to case, and even within the same investigation. When it investigated some Brazilian companies, it used more than ten different approaches to measure the cost of production (Bovard 1991: 129). A problem with using so many methods is that the company trying to avoid a dumping charge never knows in advance which method will be used, which makes it difficult to plan. Even if the company uses one of the cost accounting methods that the Commerce Department uses, it may still have to defend itself because the Commerce Department investigator decides to use a different method for that particular investigation.

Another flaw in the Commerce Department's methodology is that it sometimes compares the cost of production for one period with the price charged in another period. For example, in one semiconductor case, it compared the sales price currently being charged with the cost of production figures for semiconductors that were made three months previously. For some industries, a three-month lag would not be significant. But for the semiconductor industry it was, because the cost of production declined rapidly for the period being investigated. Between 1984 and 1985, the average variable cost of producing semiconductors dropped by 66% -- from $8.0313 to $2.7376 -- and from 1985 to 1986 the costs were estimated to drop another 52%, from $2.7376 to $1.2989. Thus, the cost of production was substantially overstated, enhancing the probability that dumping would be found (Bovard 1991: 130).

**Comparing Apples to Oranges**

The Commerce Department (and the petitioner's accountants who prepare BIA information) abuse accounting principles by comparing apples to oranges in many ways. They compare prices of dissimilar products. They compare prices in dissimilar markets. They compare U.S. wholesale prices to foreign retail prices. They disregard volume discounts. They are inconsistent in their classification of costs as direct or indirect. Any

of these abuses, standing alone, would be bad enough. But the Commerce Department (and the petitioner's accountants) combine them all together to compile evidence of dumping when none may exist.

An Italian company was found guilty of selling woodwind musical instrument pads for 1.6% less than fair value (Luciano 1986). The Commerce Department computed the dumping margin by comparing the cost of smaller pads sold in the United States with larger pads sold in Italy. Naturally, the larger pads would cost more than the smaller pads, all other things being equal, but that did not make any difference to the Commerce Department. It treated smaller pads and larger pads as identical for computation purposes. It explained away its position by stating that the Commerce Department has unlimited discretion to make or not make adjustments for differences in merchandise.

The Commerce Department has compared grade B raspberries sold in the United States to make juice with grade A raspberries sold in Canada to make jam. The grade B raspberries were harvested by hand, at twice the cost of machine harvesting, yet the Commerce Department denied any adjustment for the difference in harvesting cost, and assessed a dumping duty. It compared the selling price of new forklift trucks in Japan and forklift trucks in the United States that were three years old. It ignores price differences due to custom orders or quality (Bovard 1991:120-122).

Where the alleged dumping has been done by companies in a nonmarket economy, the normal methodology is to choose a surrogate country's prices, perhaps with adjustment, as a substitute for the alleged offender's costs, in an effort to determine whether the foreign producer has sold products on the domestic market for less than cost. This faulty methodology invites abuse, and is compounded by the fact that the petitioners are often the ones that choose which country is to be used as a surrogate, and which data from the surrogate country are to be examined. This procedure is especially relevant to cases involving the People's Republic of China, since the Commerce Department has on many occasions classified the PRC as a nonmarket economy.

In June, 1996, the U.S. International Trade Commission issued its final determination in the Chinese bicycle case. The initial investigation was launched in April, 1995 as the result of a request by Huffy Bicycle Co. of Dayton, Ohio; Murray Ohio Manufacturing Co. of Brentwood, TN; and Roadmaster Corp. of Olney, IL (USITC 1996: A-3). These petitioners had alleged that the domestic bicycle industry was injured, or was threatened with material injury, or the establishment of the industry in the United States was materially retarded because of less than fair value imports of Chinese bicycles. While it sounds like this allegation was mere whining from domestic producers that were probably losing sales to Chinese producers, merely making such allegations is considered sufficient for the Commerce Department to initiate an investigation. The Commerce Department determined, on the basis of questionable data, that the PRC-wide dumping margin was 61.67%. Some individual producers were assessed a lower dumping margin (USITC 1996: A-25).

Six of the respondents did not respond to the Commerce Department's petition for data. As is usual in such cases, the Commerce Department constructed its own numbers, using adverse inferences because of their failure to cooperate in the investigation. The

Commerce Department used data provided by the petitioners as well as data it gathered from the audited financial reports of two large Indian bicycle producers (USITC 1996: A-8). Some of the data in the petition was taken from the Indonesian bicycle industry. For the respondents that did supply data, the Commerce Department used comparable Indian data as a surrogate where available, and where Indian data was not available, it used Indonesian data.

**Use and Abuse of Exchange Rates**

A foreign supplier may be found guilty of dumping even if it charges the same price in all markets. That is because of the rather peculiar accounting methods -- we can't call them principles because they are the absence of principles -- that are applied.

In order to compare the foreign price with the domestic price, the foreign price has to be converted into dollars. The method used to make this conversion sometimes results in a charge of dumping (Palmeter 1988). It is a problem that cannot be avoided by the foreign seller because exchange rates cannot be predicted in advance, and even if they could, it would not always be possible to avoid a charge of dumping, as we shall see.

Let's say that the exchange rate at the time of the contract is 2 Peruvian Sols for $1U.S. and the price of the product in Peru is PS2.0 and in the United States $1.00. There is no dumping because the product sells in each market for the same price. However, if the price of the Peruvian Sol appreciates against the dollar to 1.6, then there is dumping because the product then sells on the Peruvian market for PS2.0, which is now the equivalent of $1.25, which is $0.25 higher than the price in the United States. Thus, it appears that the Peruvian company is selling in the United States for a lower price than on the Peruvian market

General Chemical de Puerto Rico, Inc., initiated an antidumping suit against a Venezuelan company in 1989 for exporting aluminum sulfate to the United States for less than fair value (Bovard 1991:116-117). A weighted average dumping margin of 259.17% was arrived at by using the official exchange rate of 14.5 bolivares to the dollar rather than the 39.5 free market rate. In effect, the Venezuelan government's unrealistic exchange rate policy led to the expulsion from the United States of one of its companies. That is not to say that the Commerce Department was justified in what it did, because it should not have used the official exchange rate, because it deviated so drastically from the market rate.

Companies in countries that have hyperinflation can be especially hard hit by the Commerce Department's methodology. It has been suggested that another method might be more appropriate when hyperinflation exists (Kaplan, Kamarck and Parker 1988). In one dumping case involving a Brazilian company that made steel wheels, the Commerce Department computed the selling price in the United States using the exchange rate in effect at the sale date but based the company's cost of production on the rate that existed when the product was exported, several months later (Bovard 1991:117). Such methodology can result in a major distortion when the exchange rate declines rapidly as a result of hyperinflation.

A more reasonable approach would be to ignore price differentials that result merely from exchange rate fluctuations.

**Comparing Individual Prices to Average Prices**

Merely selling a product in the United States for the same price it sells for at home is not sufficient to avoid a charge of dumping. The Commerce Department can allege dumping anyway because of the way it computes selling price. One common methodology it uses is to compute the average foreign price over a six-month period with individual domestic prices. It's another way to compare apples to oranges.

It is rare for a company to sell a particular product at the same price in all locations at all times during a six or twelve month period. It is far more common to find a range of prices. However, if a company sells any product in the United States at a price that is below the average foreign price for the period under investigation, it will give the Commerce Department the ammunition it needs to compute a dumping margin (Bovard 1991:124). Also, if the price charged for a product is not uniform -- if it varies -- the chances are that about half of the units sold will be below average in price and, thus, subject to penalty. The use of average prices to determine the existence of dumping is inherently unfair (Caine 1981).

The Commerce Department's average pricing method has been controversial. The U.S. General Accounting Office has criticized the method because it tends to increase existing margins or create margins where none previously existed (USGAO 1979). The Court of International Trade has said that the Commerce Department's price comparison method is not reasonably fair (NAR 1989).

The method the Commerce Department uses to average prices results in a consistent bias that tends to increase the dumping margin. Rather than comparing average prices in the United States with average prices in some foreign country, it compares average foreign country market value with the price at which each sale is made in the United States. When sales are made at a price above the average foreign price, it treats them as if made at fair value. Whenever a sale in the U.S. market is made for less than the average foreign price, the foreign company is guilty of dumping. Therefore, when it combines sales made at less than fair value with those made at more than fair value (which it values at zero), it skews the statistical result in favor of a higher dumping margin (Knoll 1987:278).

## Conclusions and Recommendations

The role accountants play in the gathering of data that is used in antidumping cases needs to be examined by the ethics committees of the various state CPA societies, as well as by national groups like the AICPA and Institute of Management Accountants. These groups should seriously consider what procedures and methods constitute unethical conduct and acts discreditable to the profession. The Congress, the International Trade Commission and Commerce Department have been blind to the ethical problems in this area for decades and it is unlikely that these governmental groups will become more ethically conscious in the future. Thus, it is up to the accounting profession to take a stand and announce to the world that ethical accountants will no longer be a part of the kind of unethical activity that takes place during the course of a normal antidumping

investigation. If the various state and national accounting groups recognize the conduct described in this paper as unethical and a discredit to the profession, and take a firm stand, perhaps constructive change can take place. It is unlikely that change will take place otherwise.

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