

Research on the Cost Accounting Support System in Anti-Dumping Litigation

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Abstract: In recent years, with the rise of international trade protectionism, Chinese enterprises have frequently encountered anti-dumping sanctions from multiple countries. Due to China's obvious advantages in resources, energy, and labor, export products have relatively low prices in the international market, making them the main targets of anti-dumping investigations in some countries. Anti-dumping sanctions have made a huge impact on China's export trade and caused significant losses to economic development. Therefore, how to effectively respond to anti-dumping lawsuits has become an important issue that Chinese export enterprises urgently need to solve. Anti-dumping litigation involves complex legal procedures and needs to be aligned with international accounting standards. Through a scientific and standardized cost accounting system, strong cost evidence can be provided to improve the success rate of litigation and maintain the competitiveness of enterprises in the international market. Based on this, the article conducted relevant research on the cost accounting support system in anti-dumping litigation.

Keywords: Anti-Dumping Response; Cost Accounting; Support System

1. Introduction

With frequent trade frictions among countries, anti-dumping investigations have gradually become a common means for countries to maintain their own markets. Faced with the complex international market environment, enterprises need to maintain competitiveness in production, pricing, and other aspects, and more importantly, establish a sound cost accounting system to respond to investigation requirements from different countries. Cost accounting is not only a simple statistical analysis of production costs, but also involves accurate data collection, rational allocation, and

integration of multiple information sources. Through a scientific and standardized accounting support system, enterprises can effectively reduce litigation risks and ensure fair competition opportunities in global trade.

2. Cost Accounting Issues in Anti-Dumping Litigation

2.1 Complexity of Cost Accounting in Cross Border Trade

In recent years, with the increasing competitiveness of Chinese enterprises in the international market, the frequency of anti-dumping investigations has been constantly increasing. According to statistics from the Ministry of Commerce of China, statistics on anti-dumping cases against China by overseas economies from 2023 to present are shown in Figure 1. Among them, foreign anti-dumping investigations against China averaged 34.2 times, and gradually showed an upward trend. From the perspective of economies, anti-dumping against China in the United States, India, the European Union, and Türkiye was particularly obvious. From the perspective of commodity types, anti-dumping cases against China were mainly against minerals and chemical products, electromechanical products, and light industrial and handicraft products, of which minerals and chemical products accounted for the majority. The proportion of anti-dumping decisions against electromechanical products rose in the first quarter of this year, as shown in Figure 2. From the substantive impact of anti-dumping measures, the anti-dumping tax rate has increased the prices of Chinese related goods in the importing country, thereby weakening the competitiveness of the goods and inhibiting the export of Chinese enterprises; Since the beginning of this year, many anti-dumping rulings have continued the previous anti-dumping tax rates in the field of segmented goods, which may have limited

impact on China's export value in terms of total volume. However, due to the fact that anti-dumping tax rates are generally specific to the enterprise level, different enterprises may have different dumping margins, and the anti-dumping tax rates implemented may also vary. Therefore, the specific impact of anti-dumping may also differ among enterprises.

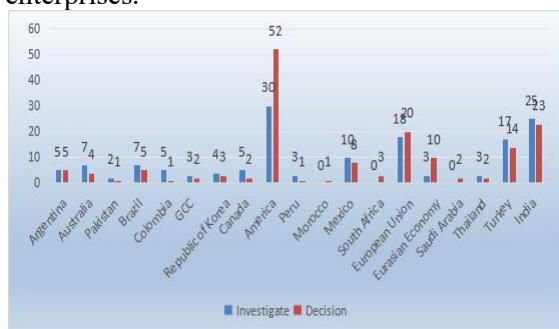


Figure 1. Number of Anti-Dumping Investigations and Rulings Against China by Various Economies Since 2023

In cross-border trade, there are significant differences in the cost accounting methods of enterprises due to the different accounting standards of various countries. For example, Chinese enterprises often use the Enterprise Accounting Standards, while countries such as the European Union and the United States adopt International Financial Reporting Standards (IFRS) and Generally Accepted Accounting Principles (GAAP). Different accounting standards have different requirements for asset valuation, expense recognition, and depreciation methods, which require enterprises to adjust their accounting processes according to accounting standards in different markets. The differences in tax policies also directly affect the cost accounting of enterprises. For example, when a certain country's enterprise exports steel products to the United States, in addition to calculating its own production costs, it needs to consider the differences in tariff policies between the two countries. In 2022, Chinese steel products exported to the United States will face an additional 25% tariff, requiring companies to calculate export prices and declare tariff costs reasonably during the litigation process. If companies cannot provide clear and internationally standardized cost accounting data during the litigation process, they are easily identified as dumping behavior and ultimately suffer high anti-dumping duties.



Figure 2. Analysis of the Types of Goods Subject to Anti-Dumping Investigations and Rulings Against China Since 2023

2.2 Difficulties in Data Collection

Anti dumping investigation agencies usually require companies to provide detailed cost data to verify the reasonableness of their export prices. However, many Chinese companies often face the dilemma of incomplete data and opaque information when responding to lawsuits, which puts them in a passive position in anti-dumping investigations. According to the "2022 Report on Chinese Enterprises' Response to International Trade Remedies Investigation" released by the China Council for the Promotion of International Trade (CCPIT), over 40% of Chinese enterprises face unfavorable results in the anti-dumping response process due to insufficient data preparation. On the one hand, cost data within a company is often scattered across multiple departments or different subsidiaries, making it difficult to effectively integrate in a short period of time. Enterprises are unable to provide sufficient information support in a timely manner when responding to sudden anti-dumping investigations launched in the short term. For example, a manufacturing enterprise that sells multiple products in the international market may need to simultaneously account for the production costs, raw material costs, sales expenses, and other factors of different products. Due to the distribution of data in different regions, companies may not be able to submit relevant data within the specified time, which may affect the progress and effectiveness of litigation. On the other hand, the accuracy of data is also an important challenge in litigation. Anti dumping investigation agencies usually require companies to provide full process cost information from production to sales, including data on multiple aspects such as raw material procurement, production and manufacturing,

sales, and after-sales service. For some Chinese enterprises, especially those that rely on outsourcing or have complex supply chains, it is difficult to ensure data integrity. Taking China's photovoltaic industry as an example, when the European Union launched an anti-dumping investigation on Chinese photovoltaic modules in 2021, many companies failed to provide complete cost data, resulting in ineffective responses and ultimately being subject to high anti-dumping duties. In addition, many companies have failed to establish a unified information disclosure mechanism, resulting in loopholes in data collection, accounting, and reporting processes. For example, in anti-dumping investigations, companies often need to provide sales data for their export markets and domestic markets to prove that their export prices are not lower than normal market prices. If a company fails to provide truthful data or engages in concealment, the investigating agency may assume that the company has engaged in dumping behavior, thereby determining an unfavorable final ruling.

2.3 Handling of Hidden Costs and Special Expenses

In anti-dumping litigation, implicit costs usually include research and development investment, environmental protection costs, employee training costs, etc. Although they are not directly reflected in product prices in the production process, in anti-dumping investigations, if they cannot be reasonably classified as product costs, the investigating agency may consider the enterprise to have engaged in low-priced dumping behavior. In recent years, with the continuous improvement of environmental protection requirements in China, enterprises have invested a large amount of environmental protection costs in the production process. For example, the steel industry needs to strictly comply with environmental regulations in the production process, increase investment in dust removal equipment, wastewater treatment systems, and so on. According to statistics from the China Iron and Steel Industry Association, in 2022, the average annual investment of Chinese steel enterprises in environmental protection will reach 50 billion yuan, accounting for about 2.5% of the total cost of the enterprise. Many companies, when responding to anti-dumping

lawsuits, fail to reasonably include environmental investment in their cost structure, resulting in low cost data and triggering dumping accusations. The accounting of special expenses is also one of the difficulties in responding to lawsuits. When enterprises sell products in the international market, they often incur additional costs such as tariffs, transportation fees, insurance fees, etc. For example, chemical products exported from China to the European Union may incur high shipping costs during transportation, and how shipping costs are reflected in export prices directly affects the outcome of litigation. According to data from the China Chemical Industry Association, the average transportation cost of Chinese chemical products exported to the European Union in 2022 accounts for 10% to 15% of the total product cost, which may result in their export prices being identified as abnormally low, thereby increasing the risk of being subject to anti-dumping duties.

3. Cost Accounting Support System in Anti-Dumping Litigation

3.1 Integration and optimization of Data Management System

In anti-dumping litigation, companies need to rely on comprehensive and effective data management systems to ensure accurate collection, organization, and accounting of various cost data. The development of modern information technology provides important support tools for enterprises to respond to anti-dumping lawsuits, especially the integration of enterprise resource planning (ERP) systems and financial management software. ERP system can help enterprises achieve unified management of data in different business modules such as production, finance, and sales, and standardize production costs, inventory, sales expenses, and other data through an information platform. For example, a chemical company can integrate the production costs of different product lines through an ERP system, clearly display the cost structure of each product, and ensure that the data submitted during litigation is complete and accurate. To further optimize the data management system, enterprises can leverage big data analysis to enhance their data processing capabilities in anti-dumping litigation. When facing anti-dumping

investigations from multiple countries, big data technology can quickly analyze the cost differences between different countries and regions, provide more targeted response strategies for enterprises, and improve the effectiveness of response.

3.2 Cost Tracking and Allocation

In anti-dumping litigation, especially in complex operating environments involving multiple products and markets, enterprises can use modern cost tracking systems to record various costs, ensuring that every expense incurred and classified can be traced with evidence. A common cost tracking technique is Activity Based Costing (ABC), which can more accurately allocate indirect costs, help companies identify the cost drivers of each activity, and allocate costs reasonably. The activity-based costing method is particularly suitable for complex production processes in the manufacturing industry, such as an electronic component manufacturing enterprise. Through the ABC method, direct production costs can be clearly distinguished from indirect costs such as equipment depreciation and factory management, and unit costs can be accurately calculated for each exported product. In addition to cost tracking systems, companies need to pay special attention to cost allocation strategies in different markets. In international trade, enterprises often incur additional costs such as tariffs, transportation fees, insurance fees, etc., which must be reasonably allocated to different products and markets during the litigation process. Enterprises can adopt a business volume based allocation method to

allocate additional expenses based on the actual sales situation in different markets, so that the cost accounting in anti-dumping litigation complies with the relevant regulations of the responding country.

4. Conclusion

In summary, when dealing with trade barriers in the context of globalization, a sound cost accounting system can help companies accurately respond to lawsuits, avoid being judged as dumping, and enhance their competitiveness. With the continuous development of information technology, the cost accounting support system has become increasingly intelligent and has become an important guarantee for enterprises to maintain their market position. Therefore, enterprises should continue to invest resources and improve relevant systems to cope with the ever-changing international trade environment.

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