Three features stand out: (1) what is at issue is full average cost, not variable costs, (2) general expenses are to be calculated at not less than 10 per cent or the cost of materials and fabrication, and (3) there is a minimum for the amount to be added for profits.

The working out of this set of criteria varies from industry to industry. For one of the most important for which the anti-dumping system (and the countervailing duty system has been invoked — steel, Prof. Kawahito has analyzed the impact, and his analysis should be quoted at length:

> The price level of steel products, like that of other products, often falls below short-run full cost during recessions when the reduced use of capacity pushes up the average cost of steel making through increased fixed charges per ton of output, and price hikes to counter the cost increases are very difficult to make. A recession may take more than a few years, as during the period following the 1973-4 oil crisis. If "extended period of time" is interpreted as one year or less and "cost" as full accounting cost, many foreign producers in such recessionary periods would be judged to be dumping in the U.S. market, even if their export price exceeds home-market price. Thus, foreign producers who wish to continue exporting to the United States may be forced to raise both their home-market and export prices in periods of slack demand.
>
> Such "counter-cyclical" pricing is not sanctioned by any school of macroeconomics. . . . steel firms in the United States often engage in price discounting during periods of slack demand. It is irrational for the United States to expect foreign producers to adopt a pricing policy which is neither approved by economic theories nor practiced by American business firms.

And later:

> The requirement of an 8 per cent profit in the calculation of constructed value, which originated in the Anti-dumping Act of 1921, fails to recognize contemporary international differences in the corporate financial structure. In Japan as well as a few European countries, the debt-equity ratio of major steel firms is as high as 80:20. If interest charges are included in the "cost", an 8 per cent markup over cost in such instances could lead to a return on equity of 50 per cent or more, depending on other related variables. . .
>
> Thus, although an 8 per cent markup may represent a measure of fair profit in the United States, it would amount to exorbitant profits in some of major steel-producing nations. . . . by the standards of the U.S. steel industry, an 8 per cent return on sales in recessionary periods is rare; in the case of 1977, the return from steel operations was negative for major American steel firms.

He points out the implications for buyers in the United States:

> The unique cost criterion of the United States discriminates against American steel-using industries, such as automobile, appliance, and