

VALIDITY OF GOVERNMENT STATISTICS PERTAINING TO U.S. TRADE POLICY

Comment is in order, first of all, on the validity of certain government statistics on foreign trade, which have been widely used publicly to support the U.S. foreign trade policy. Thus the purported substantial surpluses in our international merchandise trade during the years in which the international trade agreements have been in effect, have been offered as an important reason for promoting the further development of our trade agreements program by further reduction of our tariffs. Our export surplus, it has been claimed, contributes favorably and substantially to our international balance of payments.

The way in which the international trade statistics are used within the context of our international balance of payments statement is not important here. The international balance of payments is the end result of a double entry accounting of our foreign financial transactions; the specific content of the various items included may or may not have direct commercial significance as such and the net deficit or surplus derived from the statement depends on the particular items used for the purpose.

The actual economic results of our commercial foreign trade is something quite different. What is really important in this frame of reference, is how the statistics are used to determine whether our foreign trade has been favorable on balance and whether it shows a tenable competitive position for us. Here we should know to what extent the landed cost of our imports has balanced the payments for exports which our industries received from their foreign customers. But the cost of imports as given in the commonly published government statistics, probably because of the simplicity of determination, is not the landed cost on our shores but the value in the principal markets abroad. Thus they do not include the cost of freight and insurance and whatever additional cost may be involved in bringing them from the markets in which the prices have been derived, to the ports of entry. The Bureau of the Census, late in 1966, estimated the overall cost of insurance and freight to be of the order of nine percent of the reported import values. This does not include whatever additional cost may be incurred in bringing the products from their F.O.B. points to the ports of shipment.

Further overstatement of our merchandise trade surplus results from the fact that our export figures, as given in the ordinary public press releases, include exports resulting from government grants. These, of course, are financed by the taxpayers. They are, therefore, not correctly included in our commercial transactions. The significance of this should be clear if we realize that under our present system of publicizing our export volume, we could readily increase our ostensible merchandise trade surplus by raising another billion dollars or two in taxes and using the proceeds to buy goods to be exported to our friends abroad as a gift.

Below are the reported foreign merchandise trade data for 1965 and 1966, as they have been released to the press by the Department of Commerce, and have been issued with general gratification as demonstrating how profitable our foreign trade is:

[In millions of dollars]

	1965	1966
Merchandise exports (excluding military).....	26,244	29,168
Merchandise imports.....	21,472	25,510
Surplus of exports.....	4,772	3,658

But adjusted by properly reflecting available information (which is probably not complete), we have:

[In millions of dollars]

	1965	1966
Merchandise exports, as reported.....	26,244	29,168
Less Government grants, as reported.....	2,758	3,102
Commercial exports.....	23,486	26,156
Merchandise imports, as reported.....	21,472	25,510
Plus ocean freight, insurance, and other costs, 10 percent.....	2,147	2,551
Landed cost of imports.....	23,619	28,061
Surplus of imports (or deficit).....	(133)	(1,905)