

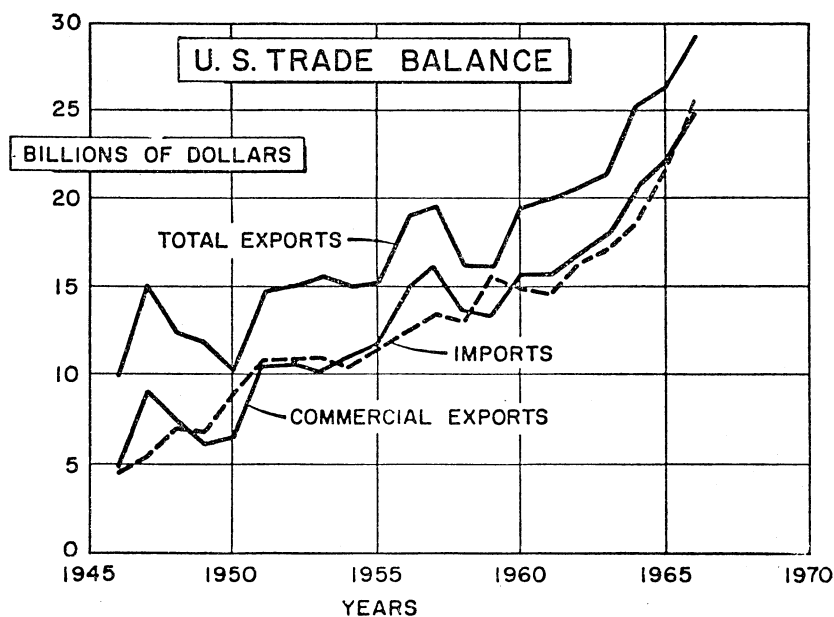


FIGURE 6

ally \$2 to \$3 billion of agricultural products which are subsidized. The grain and produce that are under our price-support programs are sold on the world market well below the support price at home. The difference constitutes a subsidy, which has averaged about 25 percent. When these exports, which are paid for with American dollars or subsidized, are subtracted from the export data, the so-called trade surplus vanishes.

We follow the practice of tabulating our foreign trade on the basis of FOB values (for imports this is the price at the foreign factory or shipping point). Practically all other nations use a CIF basis (cost, including insurance and ocean freight—that is, landed cost). Practically all of our imports and most of our exports move on foreign bottoms. In the case of imports, therefore, we pay out dollars for the landed cost. The ocean freight, insurance, and other transport costs have to be added to arrive at a landed cost. Several studies have indicated that this ranges from 10 to 25 percent. One study shows an average of 17 percent.

In figure 7 the import curve has been converted to a landed cost basis by adding a modest 15 percent. It is clear from this data that our commercial exports (those sold in competition in the world market) and our imports on a CIF basis for which we pay out dollars has not been in balance in the past two decades, and that we do not have a favorable trade balance but a net unfavorable trade balance—gifts can hardly be called trade—and that the dollar value of imports has actually grown more than commercial exports since the end of the 1940's.

Moreover, even the adjusted exports shown in figure 7 exaggerates our competitiveness. A significant portion of our exports are from U.S. firms to their overseas subsidiaries. Department of Commerce data shows that this has varied from \$2½ to \$3 billion in recent years.