PROBLEMS OF MEASURING STEEL EXPORT-IMPORT TRADE

COMMENTS OF THE EMERGENCY COMMITTEE FOR AMERICAN TRADE ON QUESTIONS AND COMMENTS BY MR. CURTIS

1. Why is the value of imports adjusted from an f.o.b. to a c.i.f. basis on the indirect import and export table published in Dr. Weidenhammer's report, page 69?

The value of imports should not be adjusted to reflect c.i.f. costs. We are not measuring the cost to the economy of imported steel mill products, instead we are trying to measure the value of the imported steel itself. To include c.i.f. costs distorts the value of the imports, so that the comparison of the imports with the value of steel exports is an unequal comparison, a comparison as it were of apples and pears.

2. Why are steel product exports shown less AID-financed exports?

AID-financed exports are probably mostly non-competitive exports. They might not all exist without AID financing. Nonetheless the American steel industry is paid for these sales to overseas users. These sales represent jobs and income, they are not a gift. For this reason they should probably be included in a balance of trade statistic for steel.

3. Why was $150 per ton used as the average price in estimating the value of steel contained in indirect exports?

Estimating the actual value of the steel contained in indirect steel exports is probably impossible to do accurately. The market assigns value to the *product*, not simply to the amount of steel contained in it. Nonetheless, it is clear that the steel in most of steel-containing exports is highly up-valued by additional processing and labor, both at the steel mill and by subsequent fabricators and processors. Such up-valuing can take many forms. But the cost of the steel in the finished export surely does not equal a mill steel cost of the basic steel. After it leaves the mill it is, whether ordinary carbon steel or very highly upgraded specialty steel, not used in its ex-mill form, but considerably increased in value, perhaps by independent processors or by the final users themselves.

(The following letter was received, for the record, by the committee:)

LINCOLN & STEWART,
Washington, D.C., July 12, 1968.

Hon. WILBUR D. MILLS,
Chairman, Ways and Means Committee, House of Representatives, Longworth House Office Building, Washington, D.C.

DEAR MR. MILLS: On June 14, 1968, Messrs. Arthur K. Watson and Robert W. Purcell testified before the Committee on Ways and Means on behalf of "The Emergency Committee for American Trade." Mr. Purcell referred in his testimony to information presented by me to the General Subcommittee on Labor, Committee on Education and Labor, House of Representatives, in 1966 concerning bills to amend Section 4(e) of the Fair Labor Standards Act.

Unfortunately, Mr. Purcell's reference to my testimony in his statement, and an accompanying memorandum entitled "A Critique of the Trade Relations Council's Analysis of Certain 1958/60–1964 Declines in Employment," which he stated he made available to the Committee, are seriously misleading. In the interests of having the record of your hearing clear on the point raised by Mr. Purcell, I make this response and ask that it be placed into the record of your Committee's hearings immediately following Mr. Purcell's testimony.

As the printed hearings of the General Subcommittee on Labor, referred to above, clearly show, I presented a series of 15 tables of data in support of my testimony before that Subcommittee. In addition, we presented to that Subcommittee a voluminous report entitled *Employment, Output, and Foreign Trade of U.S. Manufacturing Industries, 1958–1964/65* which contained nearly 400 pages of tables and analyses. Because of the size of that study, it was not possible for it to be reprinted in the record of the hearings of the Subcommittee, but it is part of the official file of the Subcommittee.

These tables and the analysis which accompanied them were concerned with an examination from a variety of points of view of the economic trends in employment, output, and foreign trade of American industries. The technique employed was to group selected industries at the 4-digit level of the Standard Industrial Classification in accordance with various selection criteria and to offer the results of the tabulations of such selected groupings as possibly contributing to an understanding of the overall foreign trade problems affecting American industries.