REPLY FROM AMERICAN IRON AND STEEL INSTITUTE—INDIRECT IMPORTS AND EXPORTS: QUESTIONS BY REPRESENTATIVE CURTIS

1. *Question:* 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 by Dr. Weidenhammer's report, page 69? Why is the adjustment 10 percent? (Footnote 1)

Answer: The reason for making an adjustment to the import value from f.o.b. (foreign port) to c.i.f. (port of entry) is to reflect more completely the total cost of U.S. imports to the economy. The dollar value shown in the U.S. import statistics is generally the market value in the foreign country and therefore excludes U.S. freight charges from the foreign country to the U.S., insurance, and other incidental costs. It is necessary to adjust the landed value of imports upward by some percentage to cover the charges from foreign port to U.S. domestic port. It was felt that the 10 percent adjustment would be appropriate, although the number is an approximation but in accordance with the Tariff Commission studies. The U.S. export statistics report all values f.o.b. seaport or border point, and all values are based on the selling price and include inland freight, insurance, and other charges to the port of exportation. Thus a more realistic comparison can be made by comparing the adjusted import value with the actual export value.

2. *Question:* Why are steel product exports shown less AID-fianced exports? (Weidenhammer Report, Page 69, Footnote 3.)

Answer: AID-financed exports were excluded since they do not represent any inflow of foreign exchange. In effect, they are no different than if the commodity itself were given, rather than the funds with which to purchase the commodity. In the second instance, however, it would be obvious that no foreign exchange was generated and the question of inclusion or exclusion of AID-financed purchases would never arise.

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

Answer: The range of sales realization per ton for carbon steel during the 1957–1966 period ranged from $148.76 to $159.64; the selected value falls within this range. Carbon grades represented from 90.2 percent to 93.8 percent of all steel shipments during the period. Obviously the bulk of all steel contained in indirect exports was of this grade.

Admittedly, an all grades value could also have been used. Had this been done, the range would have been from $165.36 to $180.30 or from 11 to 13 percent higher. Whether these values would have been more realistic is, of course, unkonwn. Nevertheless, a new Table 31 is attached which uses the values for all grades to illustrate the effect on this basis. (This new Table 31 also incorporates the value of AID shipments in exports and deducts the 10 percent adjustment to imports.)

A contrary argument, however, can be made for the value of steel contained in indirect imports. It has often been stated that steel imports to the U.S. are sold at less than country of origin domestic prices. If this is true, then certainly a higher value than the average value per net ton of imported steel mill products should have been used. If the value of steel contained in indirect imports were adjusted upward as seems appropriate, the steel trade balance would be less favorable than shown.

SUMMARY:

As noted in the last question, a revised Table 31 has been prepared. The revised table adjusts for the 10 percent f.o.b. to c.i.f. adjustment, exclusion of AID-financed exports, and the value of steel contained in indirect exports.

These adjustments were made by reducing the value of steel product and end-use item imports by the 10 percent by which they had previously been increased. The AID-financed exports shown in Table 29 on Page 67 were simply added to the steel product direct exports (apparently indirect steel exports had not been previously adjusted to exclude AID-financed exports). The value of indirect exports has been recalculated by multiplying the estimated net tons by the average sales realizatioon per net ton of steel products (all grades) for the respective year, rather than the $150 used in the original table.

Interestingly, the trade balance for 1966 is still negative, although to a lesser degree than shown in Table 31. Our point, however, is that the trade balance is continuing to deteriorate—not the level at which it presently stands. Furthermore, there is no indication that the balance will improve in the near future.