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June 23, 2006

International Trade Administration Section 515 Officer
Office of Organization and Management Support
HCHB, Room 4001
U.S. Department of Commerce
Washington, DC 20230

Dear Section 515 Officer:

This petition is a Request for Correction (RFC) of information disseminated by the International Trade Administration ("ITA") and is being submitted under Section 515 of Public Law 106-554, the Data Quality Act ("DQA")[1] and the "ITA Information Quality Guidelines."

Jim Tozzi and the Center for Regulatory Effectiveness ("CRE") are hereby seeking correction of inaccurate and misleading information contained in the Key Findings section of the 2006 ITA report, "Employment Changes in U.S. Food Manufacturing: The Impact of Sugar Prices."[2] Specifically:

1. **Key Finding #4** states that "Many U.S. SCP manufacturers have closed or relocated...to Mexico where sugar prices are about two-thirds of U.S. prices."

   – Correction: the United States Department of Agriculture ("USDA") has documented,[3] that the domestic price for refined sugar in Mexico has been **higher**, not lower, than in the US.

2. **Key Finding #2** states that "For each...sugar growing and harvesting job saved through high U.S. sugar prices...."

   – Correction: the study cited by ITA as the source for their estimate of the number of "growing and harvesting jobs saved" clearly stated that the analysis considered **only** sugar processing jobs. CRE recently received written confirmation from the study's lead author stating that growing and harvesting jobs were **not** considered in the analysis cited by ITA.

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[1] 44 USC 3516, Notes.

[2] http://www.ita.doc.gov/media/Publications/pdf/sugar06.pdf.

[3] http://www.fas.usda.gov/htp/sugar/2004/History%20of%20sugar%20dispute%20final.pdf.

CRE seeks correction of both of the Key Findings discussed above. CRE also seeks conforming corrections throughout the paper to ensure that the paper's analysis and Key Findings are in concordance.

I. ITA's Information Quality Guidelines

ITA's report, "Employment Changes in U.S. Food Manufacturing: The Impact of Sugar Prices" is covered by the agency's Information Quality Guidelines[4] since it conforms to the Guidelines' definitions of "information" and "dissemination."

Pre-Dissemination Review: An Integral Component of ITA's Information Quality Guidelines

Pre-dissemination review, ensuring that information meets ITA quality standards *before* it is disseminated, is a prominent and essential element of the agency's Guidelines. Indicative of the importance of th agency places on the review process, Part II of the Guidelines is titled "Information Quality Standards and Pre-Dissemination Review."

The Corporate and General Information provisions of the Objectivity standard provide additional discussion of some of the various pre-dissemination review measures that the agency should apply to their information.

Pre-Dissemination Review Applies to Third-Party Data

ITA's "Objectivity" standard clearly states that information from third-party sources used by the agency is to be subjected to pre-dissemination review. Specifically, the Guidelines state, "[a]lthough third-party sources may not be directly subject to Section 515, information from such sources, when used by ITA to develop information products or to form the basis of a decision or policy, *must be of known quality and consistent with ITA's information quality guidelines.*"[5]

Third-party information used in the ITA Sugar Report that should have passed through the agency's pre-dissemination review process and must comply with the agency's Guidelines includes:

- Anecdotal reports of domestic SCP manufacturing jobs shifting to Mexico and other countries due to supposedly lower sugar prices; and

- Estimates of the number of "growing and harvesting jobs" saved through the US sugar program.

Higher Information Quality Control Standards Apply to Foreign and Domestic Market Assessments

The ITA guidelines state that assessments of foreign and domestic markets should be subjected to even more exacting quality control standards than those applied to general and corporate information:

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[4] http://www.ita.doc.gov/ITAiqs.pdf.

[5] Ibid., p. 7 [emphasis added].

> *In addition to the standards and review criteria described in the corporate and general information section above,* ***particular attention is paid to the validity of the analysis and projections and estimates that are incorporated into materials that assess*** *U.S. foreign trade developments,* ***economic and business conditions in foreign markets and the domestic economy****....*[6]

The ITA Sugar Report provides analyses, quantitative estimates and assessments regarding:

1. Economic and business conditions in foreign markets (Mexican and Canadian sugar prices); and

2. Economic and business conditions in the domestic economy (asserted shift of US manufacturing jobs to foreign countries due to purportedly higher US domestic sugar prices).

Thus, the ITA Sugar Report is subject to the heightened information quality control and scrutiny provided to "Foreign and Domestic Market Assessments." Therefore, the agency is obligated to apply the Foreign and Domestic Market Assessment quality control standards when evaluating CRE's RFC of information in ITA Sugar Report.

II. Specific Violations of ITA Information Quality Guidelines

- **Key Finding #4**. The ITA Sugar Report states that some Sugar Containing Product ("SCP") manufacturers have relocated "to Mexico where sugar prices are about two-thirds of U.S. prices."[7] This assertion is reiterated verbatim on page 3 of the report.

  The Data Quality problems with the ITA Key Finding are: 1) the agency provides no source for the disseminated statistical data; and 2) the statement is incorrect.

  At no point does the ITA report provide data source(s) for its specific statistical assertions regarding the relative prices of sugar in North American countries.

  The closest the ITA Sugar Report comes to providing a source of statistical data is a reference to an article in the November/December 2000 issue of *Candy Business* which stated a "third company noted that it uses 100,000 pounds of sugar every day and at a price differential of 12 to 16 cents a pound...."[8] The ITA report does not even state in which country the company is alleged to be saving on sugar costs. Thus, the ITA's statistical data is completely non-transparent.

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[6] Ibid., p. 9 [Emphasis added].

[7] Ibid., p. 2.

[8] Ibid., p. 7.

The report also cited a 2002 story in the *Christian Science Monitor* in which a candy company claimed that it "expected to save $2 million a year by purchasing sugar in Mexico."[9] Leaving aside, briefly, the veracity of that expectation, the story does not provide ITA with statistical data on the price of sugar in Mexico relative to the price in the U.S. – information that ITA disseminated in their report.

The ITA report also relates a few anecdotes gleaned from press stories about candy companies relocating some facilities to other countries. According to the ITA report, "Access to lower-priced sugar was cited as a significant contributing factor in all of these relocation decisions."[10] As explained above, none of these anecdotes provide a source for the specific statistical data that ITA has disseminated.

There are two serious violations of ITA information quality standards associated with the data the agency disseminated in Key Finding #4:

1. Lack of accuracy, which violates ITA's Utility and Objectivity standards and the fundamental purpose of the agency's Information Quality Guidelines; and

2. Lack of transparency, which violates ITA's Utility and Objectivity standards.

Lack of Accuracy

The USDA has documented in their report "Mexico and Sugar: Historical Perspective" that from 1998 through 2003 – a time period that covers many of the anecdotes related in the ITA report, domestic prices for refined sugar in Mexico were significantly *higher* than domestic prices for refined sugar in the US. Furthermore, the price differential increased over the study's time-frame. The USDA report explained the specific workings of Mexico's sugar program and stated, "[t]his policy constrains supplies ensuring high domestic prices."[11]

The USDA report also noted that the "Mexican sugarcane price is higher than the U.S. price..."[12] Also, in discussing reductions in trade barriers, the report concluded that the "staged tariff reduction on all sugar imported from Mexico will reach zero. There will be no U.S. barrier to sugar imports from Mexico. *However, to compete in the U.S. market Mexican will have to be more price competitive. Currently the Mexican domestic price is above the U.S. domestic price so even if*

[9] Ibid.

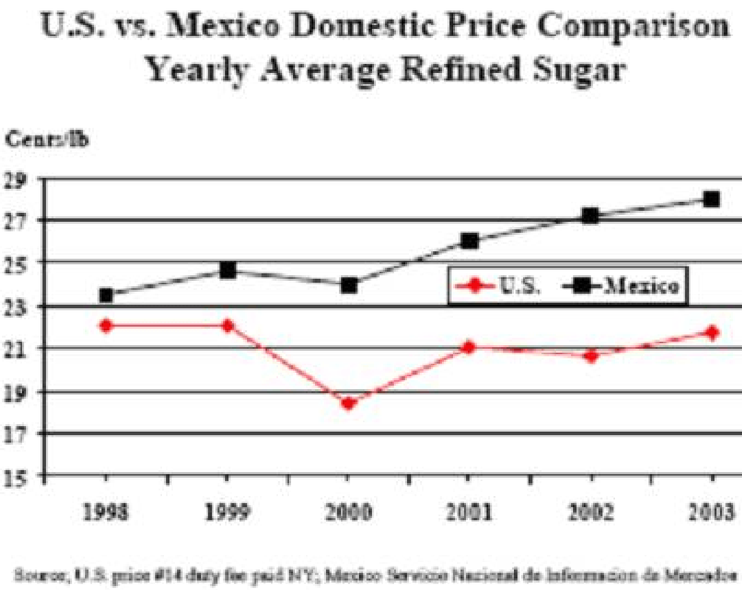
[10] Ibid.

[11] Knapp, R., Horticultural and Tropical Products Division, Foreign Agricultural Service, USDA, "Mexico and Sugar: Historical Perspective," p. 1.

[12] Ibid.

Mexico had an exportable surplus and a zero duty rate it would be more profitable to stay in the domestic market."[13]

The following chart is copied from the first page of the USDA report:



The USDA report was published in July 2004. It was available to, but not used by, ITA in developing their Sugar Report.

Since the ITA assertions regarding lower sugar prices in Mexico are false, they have no usefulness and violate the agency's Utility requirement. Since ITA's Objectivity requirements states that "Objectivity ensures that information is accurate...and that information products are presented in an accurate, clear, complete, and unbiased manner"[14] the ITA sugar price claims violate the Objectivity requirement as well as the very purpose of the Data Quality Act and OMB, DOC and ITA information quality guidelines.

Lack of Transparency

The lack of transparency for the crucial statistical data that underlies the report's basic premise, that SCP manufacturing jobs are shifting out of the US because of relatively high domestic sugar prices, is a violation of ITA's Utility and Objectivity information quality requirements. *This violation is distinct from the information quality violations stemming from the data's lack of accuracy.*

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[13] Ibid., p. 3. [Emphasis added.]

[14] ITA Information Quality Guidelines, p. 7.

The agency's Utility requirement states that "'Useful' means that the content of the information is helpful, beneficial, or serviceable to its intended users.... Where the usefulness of information will be enhanced by greater transparency, care is taken that sufficient background and detail is available...."[15] Since users of the Sugar Report, including CRE, are not able to assess or even identify the source data behind the report's basic premise and its specific statistical disseminations, the information is neither useful nor serviceable and does not meet the ITA's Utility standard.

The specific assertions regarding the relative prices of sugar in North American countries violate several different aspects of the ITA's Objectivity standard:

<u>General Objectivity Standard</u>

ITA's Information Quality Guidelines state, that in "a scientific, financial, *or statistical context*, the original and supporting data are generated, and the analytic results are developed, using sound statistical and research methods."[16] However, since there is no discernable source for the disseminated statistical data, other than, perhaps, some vague press stories, the data was not developed "using sound statistical and research methods." Thus, the assertions regarding the relative prices of sugar in North American countries violates ITA's Objectivity information quality standard.

<u>Third-Party Information</u>

For ITA to use third-party information to develop information products, it "*must* be of known quality and consistent with ITA's information quality guidelines."[17] The press stories are of unknown quality and there is no indication that ITA attempted to verify the accuracy of the information in the news accounts, as *required* by ITA's pre-dissemination review policies.

The officials interviewed in the articles may have been mistaken, misquoted or, possibly, made statements intended to change U.S. sugar policies for their own benefit. Without the required pre-dissemination review to ensure that the data in the articles met ITA information quality guidelines, the story-behind-the-story cannot be known. What is known is that the use of these stories violated ITA's Third-Party Information quality standards.

<u>Corporate and General Information</u>

The Corporate and General Information provisions of the ITA Objectivity standard states, "[t]he sources of the disseminated information are identified to the extent possible...." As discussed above, ITA has not identified the source(s) for the statistical data disseminated in Key Finding #4.

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[15] Ibid.

[16] Ibid. [Emphasis added.]

[17] Ibid. [Emphasis added.]

- **Key Finding #2**. The ITA Sugar Report claims that "For each one sugar growing and harvesting job saved through high U.S. sugar prices, nearly three confectionery manufacturing jobs are lost."

  Although the ITA report does not provide a specific source for its ratio (itself a violation of ITA transparency requirements), the statistic appears to be based on:

  1. The statement of p. 4 that "there are 61,000 full-time equivalent jobs involved in the growing and harvesting of sugarcane and sugar beets. Studies suggest that the U.S. sugar program helps to maintain approximately 2,260 of these sugar industry jobs, many of which are growing and harvesting jobs...."; and

  2. The statement on p. 7 that a "comprehensive review of press reports over the past five years...suggests that plant closings and relocations abroad alone have accounted for 6,400 or nearly two-thirds of the 10,000 job losses in SCP industries."

  Since 6,400 is about 2.8 times as great as 2,260, CRE concludes that these numbers are the source for the alleged ratio of jobs lost to jobs saved disseminated in Key Finding #2.

  However, the estimate of growing and harvesting jobs "saved" by the sugar program violates ITA's Utility and Objectivity requirements since it is a misrepresentation of the study cited as the source. ITA cited two studies in Footnote 1 as the source for the estimate of 2,260 growing and harvesting jobs saved; a study by the Institute for International Economics,[18] and a report by the Federal Reserve Bank of Dallas.[19]

  The Federal Reserve Bank of Dallas study cited the Institute for International Economics report as their source for the estimate of 2,261 "jobs saved" contained in Exhibit 11 of their study.

  The Institute for International Economics publication, "Measuring the Costs of Protection in the United States" clearly stated on page 13 and also on page 81, that the study considered employment impacts only on processing workers.[20]

  In correspondence with CRE, Dr. Gary Clyde Hufbauer, lead author of the publication and the Reginald Jones Senior Fellow at the Institute for International Economics, confirmed that the study considered only processing jobs (except cane refining jobs) and that *growing and harvesting jobs were not considered in the study*.

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[18] Gary Clyde Hufbauer and Kimberly Ann Elliott, "Measuring the Costs of Protection in the United States," Institute for International Economics, Washington, DC, January 1994.

[19] "Fruits of Free Trade," Annual Report 2002, Federal Reserve Bank of Dallas.

[20] Cane refining workers were also excluded.

Therefore, ITA's statistical data regarding "growing and harvesting" jobs is completely unsupported by the source material and violates ITA's Utility and Objectivity standards.

Furthermore, since: 1) the Hufbauer and Elliot study cited by ITA estimates that 2,261 *processing* jobs are saved by the US sugar program; and 2) ITA asserts that "many" of the domestic sugar industry jobs saved are in growing and harvesting, then the total number of sugar industry jobs saved (processing jobs plus growing and harvesting jobs) must exceed 2,261. Therefore, the jobs saved/lost ratio disseminated in Key Finding #2 also violates the ITA's Utility and Objectivity standards since it is not accurate, useful, transparent or developed using "using sound statistical and research methods."

Should ITA claim that their use of the term "growing and harvesting" was, in essence, a typographical error and the agency meant to use the word "processing," this would still leave the Key Finding with serious information quality violations. Specifically, 1) ITA would be implying that no growing and harvesting jobs were saved by the US sugar program, a claim for which there is no data in the report; and 2) ITA's assertion that a proportion, *i.e.*, "many" of the jobs saved were of a certain type would have no basis.

III. Specific Information Corrections Requested

- **Key Finding #4**. The reference to Mexican sugar prices should be changed to state that Mexican sugar prices are higher than U.S. prices.

  Conforming Changes

  References in the Key Finding to job relocations to Mexico as a result of lower sugar prices need to be deleted since this assertion is illogical and incorrect.

  References on page 3 that repeat Key Finding #4 need to be changed as described above to reflect the reality of higher Mexican sugar prices.

- **Key Finding #2**. The reference to growing and harvesting jobs needs to be deleted since the agency has no data (at least disseminated in the report) on such jobs.

  Conforming Changes

  The reference in Key Finding #2 to the ratio of "nearly three confectionery manufacturing jobs... lost" for each "sugar growing and harvesting job saved" needs to be deleted since: 1) as noted above the ITA has not disseminated any reliable data on growing and harvesting jobs; and 2) since the total of sugar growing/harvesting *and* processing jobs exceeds 2,261, the ratio (nearly 3:1) is itself incorrect.

The references on pages 4 and 11 of the ITA Sugar report to the estimated number of growing and harvesting jobs needs to be deleted for the reasons described above.

The references on pages 4 and 11 of the report to the jobs saved/lost ratio needs to be deleted for the reasons described above.

IV. WHY JIM TOZZI AND CRE ARE AFFECTED PERSONS

- The ITA's Information Quality Guidelines define "affected persons" as "an individual or entity that uses...the disseminated information at issue."

- Jim Tozzi and CRE are affected persons since they frequently use federally-disseminated information, including the ITA Sugar Report, in the preparation of reports on agency compliance with the Data Quality Act. On this point it should be noted CRE is a regulatory watchdog whose mission includes closely monitoring agency compliance with the Data Quality Act.[21, 22]

- Jim Tozzi and the CRE also use federal reports, including the ITA Sugar Report, in developing policy recommendations on a range of issues. These policy recommendations are provided to the government and to non-governmental organizations.

- Furthermore, as Dr. John Graham explained in his Memorandum for President's Management Council discussing possible agency approaches to defining who is an affected person, "[w]e prefer the HHS approach because it best ensures full public access to the complaint process, a goal of Section 515 and the OMB guidelines. *The focus of the complaint process should be on the merits of the complaint*, not on the possible interests or qualifications of the complainant. Other agencies need to adopt a similar approach.[23]

Sincerely,

/s/
Jim Tozzi
Member, Board of Advisors
Center for Regulatory Effectiveness

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[21] "Nixon's 'Nerd' Turns Regulations Watchdog," *Federal Times*, November 11, 2002. http://www.thecre.com/pdf/20021111_fedtimes-tozzi.pdf

[22] Weiss, R., "'Data Quality' Law Is Nemesis Of Regulation," *The Washington Post*, August 16, 2004, p. A1. http://thecre.com/post/

[23] http://www.whitehouse.gov/omb/inforeg/iqg_comments.pdf. [Emphasis added].