We make a tremendous number of shoes over here, on fine shoe machinery. The Japanese and the Italians pay but a fraction of what we pay our workers. We ship shoe machinery over there, which they pay for, and that helps the export-import ratio; but ultimately of course that comes to an end.

Also we ship the original machinery to the foreign affiliates of our own companies. But is there a point of diminishing returns when they will no longer seek such goods from the United States, instead will be purchasing locally? Have we made any studies about that?

Mr. TROWBRIDGE. Well, I couldn't quote you a particular study, Senator, but I am quite sure that this is a continually evolving thing. I think it is somewhat like the argument over whether computers were going to really stimulate economic development or put a lot of people out of work.

It seems to me that the truth of the computer industry is that it has developed a whole series of new industries and a whole series of new jobs, and I think that the American overseas investment can be looked at in a very similar way. Where in one industry there may be a point of no more return as far as American machinery goes abroad to make a product, but there is another industry starting up tomorrow that is going to need more machinery, or there is a third industry that is setting up an assembly plant that is going to use semiprocessed goods or materials from the United States.

This is a very dynamic situation. The overseas business world is one which is growing tremendously, as you well know, there are opportunities for American business around the world for sensible investments, which will be supported by increased exports, and we do have studies which show that in the year 1964, I think that we had a level of roughly $24 billion worth of exports, and about $6 billion of that was directly tied to exports of commodities, raw materials, and machinery, from parent companies in the United States to their affiliates abroad, supported from American investments.

Senator SYMINGTON. Our excess of exports over imports has been dropping pretty steadily.

Mr. TROWBRIDGE. It has over a couple of years.

Senator SYMINGTON. On page 26 you point out something quite intriguing; namely, that trade between the free world and Eastern Europe, including the U.S.S.R. is $12.5 billion, of which we do about $277 million, or about 2 percent of the total.

Mr. TROWBRIDGE. This is 1965, right.

Senator SYMINGTON. For some reason all other developed countries, politically, seem to be becoming more nationalistic, but we maintain political internationalism.

But these same developed countries buy and sell a lot of military and other equipment from the countries behind the Iron Curtain. Now at the same time we promote and continue our international relationships politically, we maintain a position which is quite nationalistic in our economic approach. Even though we defend a very large percentage of these countries, and finance a large percentage through this tremendous dollar printing of paper gold, they do all the Iron Curtain trade they want, and we do very little. We maintain internationalism politically, nationalism economically. They are working toward more nationalism politically, and internationalism economically.