programs, over the long pull, if we undercut our earning power in the private sector.

This is not a question of selfish business interests against the national interest. It goes to the very heart of the ability of the United States to maintain its power position in the world. Contrary to common misunderstanding, Great Britain's financial difficulties are not due simply to lack of competitiveness in international commodity markets. Her difficulties are due, on the one hand, to loss of investment income, and on the other, to government expenditures abroad beyond her earning power. That is why she has to withdraw her troops from East of the Suez. If we are not careful and balanced in our military and economic policies in the next decade, we may find ourselves in a similar situation.

Trade.—The President's program calls for an improvement in the trade account in 1968 by $500 million. This is a modest enough objective, considering that our total export trade is over $30 billion. Modest though the target is, it will not be easy to achieve because it requires a reversal of recent trends.

The reducton of U.S. trade surplus since 1964 has been nothing short of devastating so far as our balance of payments is concerned. Before we can assess the facts and potentialities in our trade picture, we must first agree on the meaning of trade statistics. The year 1964 was a good year. But the commercial trade surplus that year, touted at $6.7 billion, was actually $3.9 billion after deducting $2.8 billion of aid-financed exports. The comparable figure in 1965 was $2.0 billion; in 1966, $700 million; in 1967, preliminary, $600 million. Our commercial trade surplus has dropped $3.3 billion since 1964. (Table 6.)

TABLE 6.—U.S. BALANCE OF PAYMENTS BY MAJOR SECTORS

[In billions of dollars]

	1964	1965	1966	1967 [1]
Merchandise exports excluding military	25.3	26.3	29.2	22.6
Less aid-financed exports	−2.8	−2.8	−3.0	−2.4
Merchandise imports	−18.6	−21.5	−25.5	19.7
Commercial balance	3.9	2.0	0.7	0.5
Tourism:				
Receipts	1.1	1.2	1.5	1.3
Expenditures [2]	−2.2	−2.4	−2.7	−2.6
Balance	−1.1	−1.2	−1.2	−1.3
Transportation:				
Receipts	2.3	2.4	2.6	2.0
Expenditures	−2.5	−2.7	−2.9	−2.3
Balance	−0.2	−0.3	−0.3	−0.3
Military:				
Receipts (military sales)	0.7	0.8	0.9	0.9
Expenditures	−2 8	−2.9	−3.7	−3.2
Balance	−2.1	−2.1	−2.6	−2.3
Foreign aid:				
Receipts [3]	3.6	3.6	3.9	3.3
Expenditures	−4.3	−4.3	−4.7	−3.9
Balance	−0.7	−0.7	−0.8	−0.6
Direct investments:				
Receipts:				
Income	3.7	4.0	4.0	3.0
Royalties, fees	0.8	0.9	1.1	0.8
Expenditures	−2.4	−3.4	[4] −3.5	−2.0
Balance	2.1	1.5	1.6	1.8
Other private capital:				
Receipts	1.3	1.4	1.6	1.3
Expenditures	−4.1	−0.3	−0.6	−1.4
Balance	−2.8	1.1	1.0	−0.1

[1] First three-fourths of 1967.
[2] Excludes transportation expenditures on foreign carriers.
[3] Expenditures on U.S. goods and services.
[4] Includes at least $600,000,000 raised abroad through foreign sale of securities issued by special U.S. incorporated companies or through long-term loans from foreign banks.

Source: Survey of Current Business, U.S. Department of Commerce, June 1966, December 1966, September 1967, and December 1967.