The comparable figure in 1965, eliminating aid-financed exports, was $2 billion; in 1966, $700 million; in 1967, preliminary figure, $600 million. Our commercial trade surplus has dropped $3.3 billion since 1964.

Ever since 1961, trade expansion has been a major objective of the administration, to increase our trade surplus and help our balance of payments, and we have undertaken many activities, trade expansion councils, trade missions, trade fairs, trade negotiation—the Dillon round and the Kennedy round—and in a way they have all been successful because commercial exports, excluding aid-financed exports, have soared by $9.6 billion from 1960 to 1967, almost 50 percent.

This is indeed phenomenal. But imports have increased faster, from $14.6 billion in 1960–61, average, to $26.6 billion in 1967, a $12 billion increase, or 80 percent in 8 years.

Whether these developments are due to structural reasons or to temporary conditions such as good crop years abroad in 1966–67 or inflation at home is not easy to analyze, and I think we would do well not to brush aside this trend in foreign export and import relationship as a temporary factor.

Therefore, we must judge the instruments proposed as to whether they might be effective in achieving their purpose. The President recommends the sum of $200 million at an annual rate of $40 million, most of it to be spent abroad, probably on trade fairs and market studies and such. This does not touch the real issue—price competitiveness and ability and willingness of other countries to buy goods and services in the United States.

For many years presidential panels have suggested tax incentives for exports. To date there is no proposal on this before Congress. I think before we can hope to solve the problem of balance-of-payments deficits on trade account we must analyze the world markets in a realistic way.

You can divide the countries in the world into three general categories: the Communist countries, which are not willing to buy any consumer end products. They want technology and machinery, and they certainly are not going to buy a surplus of goods over their exports to us. Their hope at best is a barter relationship equalizing imports and exports.

Then there are the underdeveloped countries which do not have the reserves and the resources to buy a net surplus of imports from us or increase their surplus of purchases from us. They are candidates for foreign aid.

This leaves the developed countries, and they are of two groups—one, Canada, Japan and the United Kingdom, which have generally balance-of-payments deficits with United States and therefore they would be reluctant to increase the surplus of purchases from us.

This leaves pretty much the continental European countries, mostly the Common Market countries, which possess surplus reserves.

Now, the question is: Are they willing to buy more and to what extent? They certainly are not willing to buy more by $3 billion or so to solve our balance-of-payments deficits, because that would be almost an 80-percent increase in their purchases from the United States.

In his recent visit to Washington Mr. Jean Rey, President of the European Economic Commission, stated as much, that we must not