

When we examine the detail of our exports, it is clear that the composition of our export trade has been shifting, so that capital goods with a high technology content are much more important.

Last year exports of capital goods reached \$10.3 billion, compared to \$5.9 billion in 1960. These exports included \$790 million in aircraft, \$432 million in computers and parts, \$555 million in broadcasting and related equipment, \$519 million in measuring and control instruments, \$408 million in office machines, \$463 million in machine tools and metalworking machinery and \$302 million in heavy electric equipment.

In industrial materials, which include raw materials as well as semifinished goods, exports advanced strongly between 1960 and 1967.

In the area of consumer goods, other than automobiles, the total value of exports has grown from \$1.4 billion in 1960 to \$2.1 billion in 1967, an increase of about 50 percent.

IMPORTS

Our imports have grown even more rapidly than our exports, increasing from \$15 billion in 1960 to \$26.8 billion in 1967. The average annual rate of increase was 8.6 percent. The increase in imports over the last several years has been caused in large part by an inflating domestic economy.

In the last several quarters the copper strike and the threat of a steel strike later this year contributed to the sharp rise in imports. As a result of the copper strike, imports surged and our trade balance was reduced by some \$500 million.

Total imports of cotton, wool and manmade fiber textiles represent about 8½ percent of domestic consumption. Imports of these yarns, fabrics and apparel increased from \$450 million in 1961 to over \$1 billion in 1967. Exports appear to have leveled out at around \$450 million.

OVERALL EFFECT

In 1960 the United States had 18.1 percent of the total free world exports. This declined to 16.6 percent in 1967. Various factors contributed to this development. Some of our principal export markets, such as Latin America, have grown slowly in this decade. The export capabilities of several of our major industrial competitors have been built up rapidly.

WHAT ARE THE BASIC PROBLEMS?

Nearly everything we do in our economic life has some effect on our desire and ability to export, and our desire and ability to import. I am not wise enough to list and discuss all of the contributing elements. And, if I were, time would not permit an adequate discussion of all of them today.

One of the principal elements is that our foreign trade is paying a part of the cost of rising inflation. For quite some time now wage increases and price increases have been chasing each other around in a vicious circle.

Recent wage increases, on the whole, have outstripped gains in productivity. In the manufacturing sector, compensation per man-hour went from an index of 135.5 in 1966 to 143.6 in 1967 and to 150.3 for the first quarter of 1968.