This, then, is a quick survey of the matters we are dealing with in our trade policy.

I welcome your questions, now and at any time, and thank you again for this opportunity.

Chairman PROXMIRE. Thank you, Ambassador Roth, for a very comprehensive and yet concise statement.

Ambassador Roth, I would like to ask some questions that are not directly related to trade policy perhaps as much as they are to the economic impact of trade and what we can do about it.

Why, in your view, did our trade balance deteriorate as badly as it did in the fourth quarter? I noticed that exports declined and imports increased very rapidly.

Imports increased from an annual rate in the third quarter of $26.2 billion to an annual rate of $28.4 billion, about a $2 billion increase; and exports—which have been disappointing all year after the first quarter, which was a good quarter—remained around $30.7 billion in the first quarter, $30.8 billion in the second, $30.5 billion in the third, and down to $29.9 billion in the fourth.

What is the reason for this deterioration?

Mr. ROTH. I am sure there are a great many. In part on the export side, among other things, our agricultural exports declined, partly due to better crops in Europe.

On the import side, it is difficult at this point to be entirely sure, but I think, in part, some overheating in the economy, certainly the copper strike, and the possibility of a steel strike had something to do with it.

Chairman PROXMIRE. You see, it seems to me, it is very important in making economic policy, to try and separate out those temporary elements. I think you are very wise in going into the copper strike and the steel strike: both of those were significant elements, but obviously temporary we hope. We hope we are not going to have a copper strike that will go on for years, and we hope that the steel situation will be settled one way or the other by July 1.

But, what I am concerned about is whether this could be anything like a fairly permanent or at least a long-term thing, in which case it seems to me that our policy action is more urgent than if it is simply a temporary problem.

Mr. ROTH. I think it is wise to separate them out. One of the temporary elements in the last quarter was the heavy increase in imports of whisky. But, in relationship to our trade account as it affects the balance of payments, the most important thing is that we maintain the stability of our economy, in terms of prices and costs, and, on the other hand, that the economies of the surplus countries, the European countries, be expanded by one measure or another.

Chairman PROXMIRE. One way is to invest more abroad to help them expand.

Mr. ROTH. Apart from the balance-of-payments implication of the outflow of direct investment, when you look at the long term this is certainly an element.

This is why I say that one part of our study will be to analyze, in a way that hasn't been done as thoroughly as we need, the relationship between direct investment abroad and trade, because there is such a relationship.