III. An Intensified Effort to Achieve and Maintain a Healthy United States Trade Surplus

A. Introductory Comments

The cornerstone of the United States balance of payments position has always been a substantial trade surplus. In the years 1950–55, the surplus averaged $2.2 billion; in 1955–60, it averaged $3.8 billion; and in 1960–65, it averaged $5.2 billion. Our trade surplus reached an all-time high of $6.7 billion in 1964, when some particularly favorable factors were operating; however, since 1964, it has steadily declined. The surplus narrowed to $4.8 billion and $3.7 billion in 1965 and 1966, respectively. The 1967 surplus was reduced to the somewhat lower level of $3.5 billion. In 1968, our trade surplus has deteriorated sharply from the 1967 level, and it is expected that it will be less than $1 billion or $3 billion less than the target established in the President's January 1 balance of payments message and $2.5 billion less than the 1967 total.

Certainly, the most disappointing aspect of our recent balance of payments performance has been the steep decline of our trade surplus which started in the latter part of 1967 and continued through the first half of 1968.

It has been natural for the United States, as the most economically advanced nation in the world with a comparative trade advantage in a wide range of products, to have a surplus in its trade account. The United States has special responsibilities because of its role of leadership in the Free World. Therefore, it is necessary for the United States to have a sufficient surplus in its trade account so that it will be able to export capital, to pay its fair share of the collective defense and foreign aid efforts, and to phase out the temporary restraints in the balance of payments program.

United States' exports and imports are strongly influenced by the pressures generated in our economy which affect the competitiveness of American products and also by the economic and trade policies followed by the major trading nations of the world. Future trade prospects for the United States will depend upon:

—sound management of our domestic economy;
—success in our efforts to obtain reasonably free access to foreign markets for our goods;
—the level of demand in our markets abroad; and