

time it must be recognized that the already large and growing surplus on earnings from U.S. private investments should provide considerable scope for continuing important outflows of investment capital in the future, assuming a reasonable improvement in the U.S. trade balance and some reduction in U.S. military expenditures abroad following disengagement in Vietnam. Moreover, it is important to bear in mind that U.S. private investments abroad result from decisions of individual U.S. corporations, and that in large measure they are financed from reinvested earnings and local borrowing. The United States Government has only limited means of influencing or controlling such investments.

U.S. perception of its problems and national interests

There is, of course, concern on the part of the U.S. public about the future of the United States and the adequacy of its institutions and policies. Public anxiety focuses particularly on domestic tensions and divisions, while most Americans seem reasonably satisfied with their personal material standards. Racial violence has declined. The open and concerted protests of the young, sharpened by the Vietnam war, seem to have abated, but the roots of frustration have not been removed. More generally, there seems to have been a turning inward, with a concentration on domestic problems, combined with a disenchantment with foreign involvement.

Among the major social groups, the most significant shift in attitudes in recent years appears to have occurred within the labour unions. They have expressed themselves in favour of increased protection from import competition and also favour controls on U.S. multinational corporations to ensure that their activities conform to the U.S. national interest.

United States agriculture remains for the most part highly competitive and has a major interest in freer trade and international competition, but the farming community does not seem to have mobilized its efforts in this direction and is also concerned about domestic problems such as the decline in the farm population and in the number of small farms.

The attitude of the business community is ambivalent. Large corporations on the whole have a stake in freer trade and are seriously concerned about the possibility of a reversion to protectionism. Many enterprises, however, have suffered from increasingly stiff foreign competition and welcomed the additional protection they

received from the August 15 measures, including the 10 percent surcharge.

The national mood of uncertainty and concern over domestic problems is reflected in the U.S. Congress. There is still a significant base of support for liberal trading policies, but it is fragmented and appears to lack leadership. In general, Congress seems to be prepared to respond to the mood of the nation and it might well be responsive to protectionist initiatives. There is a strong disposition to believe that the United States has not been tough enough in trade and economic negotiations in the past and that it has received less than it has given. Whatever the direction of U.S. policies, one may expect Congress to insist that, in any future trade and economic arrangements, U.S. national interests will be fully protected and that the expected benefits will not be less than the value of U.S. concessions. This tendency to a rigid balancing of costs and benefits will inevitably tend to favour a narrower and shorter-term view of U.S. interests.

The thrust of U.S. economic policy in these circumstances is likely to depend largely on the will and the leadership of the executive branch, and especially of the President. Basically, the U.S. economic strategy initiated last August and the explanatory statements made by the President suggest that the major objectives of the Administration are to resolve the real and serious underlying economic problems of the United States on the course towards freer international trade and payments. At the same time, official statements have echoed the view that a major reason for the U.S. troubles is that the U.S. has been too generous in the past, while other countries have failed to carry their proper share of the burden.

Orderly system

United States interests are seen to require an orderly and effective international trading and monetary system, but one that will be reformed and adapted to the new international situation and that will better ensure that all major countries share in concessions and benefits. Although it is recognized that the most-favoured-nation principle continues to have validity as the foundation of the system, the emphasis is placed more on finding effective means to expand and facilitate trade and payments, consistent with domestic economic and social needs, and in improving the terms of competition by enlarging the scope of negotiations to include all policy instruments and procedures affecting trade and