

First U.S. Deficit in Trade Since '93 Called Possible

Stans Warns Congress That Surplus May Disappear in 1971—Backs Aid for Technological Development

By RICHARD D. LYONS JUL 28 1971

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WASHINGTON, July 27 — Secretary of Commerce Maurice H. Stans warned Congress today that the United States might have a negative balance of trade this year for the first time in this century.

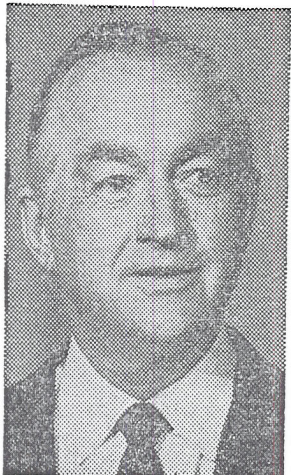
Mr. Stans attributed his forecast, which Congressmen of both parties termed "frightening," to growing deficits in raw materials and "low-technology" products that are

brought into the country matched against static surpluses in agricultural products and high-technology goods sent abroad.

"The United States over-all balance of trade in recent years has deteriorated from surpluses of \$5-billion to \$7-billion in the early sixties to \$1-billion to \$2-billion levels since 1967," he said. "In 1971 the trade surplus may disappear altogether for the first time since 1893."

A chart incorporated into Mr. Stans's testimony noted that for 1971 there was the "probability of the first trade deficit since 1893." The chart estimated that the nation's trade surplus this year would be zero.

Federal statistics showed that during April and May the United States had a trade deficit. This was the first time in 20 years that imports had succeeded exports in two successive months. The June figures are expected to be made



Pictorial Parade

Maurice H. Stans

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public tomorrow.

Mr. Stans testified before the subcommittee on science, research and development of the House Committee on Science and Astronautics, which is holding hearings to explore what role the Federal Government should play in spurring increased research and development by American industry.

The line of reasoning that had been adopted by the subcommittee is that one of the main reasons that the United States has been able to maintain a favorable balance of trade in recent years is that the tremendous sums spent on research and development has brought about the technological breakthroughs that have made American industry preeminent in such high-technology goods as computers.

\$10-Billion a Year

The United States now has a trade surplus of about \$10-billion a year in such high-technology goods, which is offset by substantial deficits in raw materials and such low-technology goods as cheap textiles and electrical products.

Sharp cutbacks in recent years in both public and private support for basic and applied research have led some if not most American scientific and business leaders to forecast that foreign competition in high-technology products would stiffen and that the nation's foreign trade problems would worsen in future years.

These predictions were echoed in the testimony of the subcommittee's other witnesses today, Dr. John R. Pierce, an executive of Bell Telephone Laboratories and a former member of the President's Science Advisory Committee who throughout the last decade has sought to call attention to the nation's impending technological troubles.

"For more than a quarter of a century we have taken technological preeminence and our industrial strength for granted, as if no action, domestic or foreign, could threaten them," he said. "Now they are threatened, and so is our power to do the things that would make our world better."

The question before the subcommittee, as several of its members repeatedly pointed out, was what to do about the problem?

Mr. Stans offered four "program options" that included a wide variety of moves that the Federal Government might make to enhance technological development. They included tax incentives to spur increased private investment into research and development, programs aimed at encouraging invention and innovation, concentrating research and development efforts in specific technological areas that appear ripe for development, and others.

"But we have not yet progressed well enough within the Administration to find out where we should go," Mr. Stans said.

One move being studied by the Commerce and Justice Departments, he added, was the "modernizing" of the antitrust laws to permit "joint ventures and joint research." American companies have complained that antitrust laws, to which foreign concerns are not subject, may put them at a competitive disadvantage since they cannot pool their efforts as can companies in other countries. Some antitrust authorities have questioned the value of dropping antitrust restrictions.

Representative John W. Davis, the Georgia Democrat who is the subcommittee's chairman, noted after the hearing that the testimony showed "that winter is coming" for both American technology and American foreign trade.

"This is a trend, however undramatic, that is frightening," Mr. Davis said. "Unless we reverse this slide, the nation is going to be in serious economic trouble." A Republican subcommittee member, R. Lawrence Coughlin of Pennsylvania, supported Mr. Davis's appraisal.