

UNITED STATES DEPARTMENT OF  
**COMMERCE**  
**NEWS**  
WASHINGTON, D.C. 20230

OFFICE  
OF THE  
SECRETARY

FOR RELEASE AT 12:30 P.M. EDT, FRIDAY, AUGUST 5, 1983

STATEMENT BY SECRETARY OF COMMERCE MALCOLM BALDRIGE  
ON MERCHANDISE TRADE, BALANCE OF PAYMENTS BASIS,  
FOR THE SECOND QUARTER OF 1983

The nation's trade deficit on a balance of payments basis increased to a record \$14.84 billion last quarter. Imports rose, while exports declined. Higher trade deficits are likely in the second half, pushing the total for the year to about \$60 billion, on a balance of payments basis. The current account deficit may reach as much as \$30 billion in 1983, compared with an \$11.2-billion shortfall last year and a \$4.6-billion surplus in 1981.

Non-petroleum imports have increased by a large 14.1 percent since the recession trough late last year. They will continue to grow along with the economy, stimulated by the strong dollar.

Second quarter exports were down 1.1 percent from the first quarter level, and 18.7 percent from the record \$60.3 billion quarterly rate in early 1981. I expect some strengthening in exports later this year as the recovery abroad accelerates and stabilizing oil prices improve prospects of sales to oil producing countries. But, the high dollar and debt problems of developing countries continue to be major obstacles to a significant recovery in exports.

Although joint intervention is an appropriate response to temporary disorder in the foreign exchange markets, it is not a long term solution to fundamental problems. A sustained downturn in the dollar requires a sharp reduction in the budget deficits which are acting to hold up U.S. interest rates.

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