

The President's Balance-of-Payments Program

Last month's Review contained several official statements and documents relating to the initial measures taken to implement the President's program for quickly achieving a substantial improvement in our balance-of-payments position. One of these documents was a letter by Chairman Martin to nonbank financial institutions, giving guidelines for their foreign lending and investing. Two additional sets of such guidelines have since been issued and are reprinted below. One consists of the Federal Reserve System's guidelines for commercial banks. The other constitutes the Commerce Department's program for nonfinancial business concerns.

CIRCULAR NO. 5628—MARCH 5, 1968

GUIDELINES FOR FOREIGN LENDING ACTIVITIES OF COMMERCIAL BANKS UNDER THE PRESIDENT'S BALANCE-OF-PAYMENTS PROGRAM

To All Banks in the Second Federal Reserve District:

The following statement was issued by the Board of Governors of the Federal Reserve System and released for publication in morning newspapers, Monday, March 8:

The Board of Governors of the Federal Reserve System today issued a set of fourteen guidelines for commercial banks to follow in complying with the President's program to improve the nation's balance-of-payments position, in part through voluntary efforts to restrain foreign lending and investment. It was recognized that, in restraining the growth of loans to foreigners, banks will be foregoing some of the gains that would otherwise have accrued to them. Nevertheless, the Board stated, if a voluntary program is to be effective, the national interest must come first in decisions on future specific loan transactions.

The guidelines for foreign lending operations specify that absolute priority should be given to all bona fide export credits. With respect to nonexport credits, banks are expected to give the highest priority to loans to less developed countries and to avoid restrictive policies that would place an undue burden on Canada, Japan, and the United Kingdom. To meet these priorities, the guidelines contemplate that nonexport credits to other advanced countries will be cut back to the extent needed to achieve the goal of the President's program.

The objective of the program is that outstanding bank credit to nonresidents of the United States not rise above the amount outstanding at the end of 1964 by more than 5 per cent. Banks which find themselves in excess of the target are expected to reduce their foreign loans as quickly as possible and, in the most extreme case, to bring their lending back to the target level within the next twelve months.

The guidelines cover the method of calculating the base for an individual bank against which the rise of 5 per cent in outstanding loans can be measured. They also clarify how those banks already in excess of the target as a result of year-to-date operations will be expected to bring their operations within the policy objectives. The guidelines spell out, among other topics, the relationship of trust departments to the program, the handling of financial transactions for customers, the position of Edge Act corporations, the operations of foreign branches of United States banks and of United States branches of foreign banks.

In considering problem areas involved in the development of the guidelines, the Board had the benefit of technical advice from the following specialists in commercial bank foreign operations:

Mr. Roger Anderson, Continental Illinois Na-

tional Bank, Chicago, Illinois; Mr. Harry P. Barrand, Jr., Manufacturers Hanover Trust Company, New York, New York; Mr. Alfred W. Barth, The Chase Manhattan Bank, New York, New York; Mr. W. A. Hurst, Bank of America National Trust and Savings Association, San Francisco, California; Mr. John M. Meyer, Jr., Morgan Guaranty Trust Company of New York, New York; and Mr. J. J. Wiewkowski, Girard Trust Bank, Philadelphia, Pennsylvania.

The Board pointed out that the role of these individuals was advisory only. They were not asked to approve or disapprove the guidelines nor to assume any responsibility in connection with their formulation.

The Board indicated that the guidelines, effective immediately, will be reviewed from time to time in the light of experience gained from operation of the program. The interpretations are designed to help individual banks make the decisions regarding their own operations that are required to ensure an effective program.

Copies of the new guidelines are being made available through the Federal Reserve Banks to all commercial banks in the country. Banks having questions concerning their application are urged to consult with the Federal Reserve Bank of their District.

Following is the text of the guidelines:

PREFACE TO GUIDELINES. The following guidelines have been designed by the Board of Governors of the Federal Reserve System for use in implementing President Johnson's program for the voluntary curtailment of foreign credit by banks. They will be in effect until modified or supplemented. However, they may be changed from time to time in the light of new circumstances and in the light of the experience gained as the program goes forward. The guidelines should be helpful to individual banks as they play their own particular part in the achievement of the President's over-all balance-of-payments program, and each bank should feel free at any time to discuss its problems with the Federal Reserve Bank of its District.

It is clear that banks, in undertaking a voluntary role in the program, are being called upon to make sacrifices. In restraining the growth of their loans to foreigners they will be foregoing some of the gains that would otherwise have accrued to them. But, if a voluntary program is to be effective, decisions on future specific loan transactions must be made primarily with an eye to the national interest rather than profits. The achievement of the President's goal will be in the long-term interest not only of the nation, but also of the individual institutions which are now being called upon to forego immediate advantage or gain.

1. ESTABLISHING A TARGET BASE FOR AN INDIVIDUAL BANK.

The objective of the program is that outstanding bank credit to nonresidents of the United States not rise above the amount outstanding at the end of 1964 by more than 5 per cent, subject to the conditions set forth in Guideline No. 3.

The following steps are involved in calculating the base, and the amount of credit outstanding on any particular date, for an individual bank:

(1) Take outstanding claims of United States banking offices on foreigners as of December 31, 1964, as required to be reported on Treasury Department Foreign Exchange Forms B-2 and B-3. Contingent accounts, such as unused balances of letters of credit and commitments to lend, are excluded from the base. (For further information, reference is made to the instructions printed on Forms B-2 and B-3.)

(2) Subtract from this amount any claims for account of customers included on the forms, as well as any participations in individual loans arranged or insured by the Export-Import Bank or made with Export-Import Bank guarantees.*

(3) Add any claims not reportable on Forms B-2 and B-3, such as long-term foreign securities and permanent capital invested in foreign branches and subsidiaries.

(4) Compensating balances, or any other claim on the lending bank of the debtor or of any other person by arrangement or understanding with the debtor, should not be deducted from loans or other claims on foreigners for purposes of determining the base.

(5) It is expected that a simplified form for making the above calculation, and for making monthly reports on foreign credits, will be furnished to the banks within a short time.

Banks which are exempted from reporting on the Treasury forms because their foreign credits are below the minimum reporting requirement are nevertheless included in the program.

2. PARTICIPATIONS IN EXPORT-IMPORT BANK LOANS AND LOANS GUARANTEED BY THE EXPORT-IMPORT BANK. Participa-

* This is an amended paragraph. Amendment was published in Circular No. 5630 of March 11, which also noted that, "for the purposes of Guidelines Nos. 1 and 2, loans with Foreign Credit Insurance Association guarantees or insurance are to be treated as loans with Export-Import Bank guarantees or insurance and therefore are excluded from the program".

tions in individual export loans arranged by the Export-Import Bank, loans with Export-Import Bank guarantees or insurance, and holdings of "Export-Import portfolio fund" participations are excluded from the 5 per cent target.

The role of the Export-Import Bank within the framework of the President's program will be coordinated by the National Advisory Council for International Monetary and Financial Problems.

3. BANKS IN EXCESS OF 5 PER CENT TARGET. It is clearly recognized that some banks may currently be above the 5 per cent target because of loans made prior to February 11, 1965, or may subsequently be brought above the target as a result of (a) binding commitments entered into before February 11, or (b) the extension of bona fide export credits, or (c) the extension of credits at the specific request of an agency of the United States Government. A bank in such circumstances would not be considered to be acting in a manner inconsistent with the program; however, it should reduce its claims on foreigners to 105 per cent of the base as quickly as possible. Even in the most extreme case, this reduction should be accomplished within the next twelve months.

Such a bank will be invited periodically to discuss with the Federal Reserve Bank of its District the steps it has taken and proposes to take to bring about the reduction of its claims on foreigners consistent with these guidelines.

Banks with bona fide commitments are clearly not being asked to refuse to honor such commitments, even if honoring them involves a temporary excess of lending above the target. However, banks would be expected to seize every opportunity to withdraw or reduce commitments, including credit lines, that are not of a firm nature, and to ensure that drawings under credit lines are kept to normal levels and usage. At time of renewal, all credit lines should be reviewed in light of their consistency with the voluntary foreign credit restraint program. Proposed extensions or renewals of existing bona fide commitments should be reviewed in the same manner.

4. LOAN PRIORITIES. Within the 5 per cent guideline, absolute priority should be given to bona fide export credits. Credits that substitute for cash sales or for sales customarily financed out of nonbank or foreign funds are not entitled to priority.

With respect to nonexport credits, banks should give the highest priority to loans to less developed countries and should avoid restrictive policies that would place an undue burden on countries such as Canada and Japan, which are heavily dependent on United States financing, and on the United Kingdom, which is suffering from balance-of-payments difficulties.

Given the probability of some expansion of the end-of-1964 volume of loans for financing exports and the priorities established for the less developed countries, as well as the need to avoid restrictive practices with regard to Canada, Japan, and Britain, it is expected that nonexport credit to the other advanced countries will be cut back to the extent needed to achieve the goal of the President's program.

Without attempting to specify all types of loans that will need to be restricted, it is obvious that credits to developed countries that can be cut back with benefit to our balance of payments and with the least adverse side-effects include: credits to finance third-country trade; credits to finance local-currency expenditures outside the United States; credits to finance fixed or working capital needs; and all other nonexport credits to developed countries that do not suffer from balance-of-payments difficulties.

5. BANK SALES OF FOREIGN ASSETS TO UNITED STATES RESIDENTS. In general, banks should not expand their lending abroad by selling to United States residents (including United States banks) claims on foreigners existing as of the base date and replacing such assets with other loans to foreigners. Sales to United States residents of foreign securities owned on the base date, which would be free of the interest equalization tax, or of loan participations, could assist an individual bank to stay within the 5 per cent target, but would clearly not benefit the United States payments position. Therefore, in the event of any such sales, the bank's base should be reduced by an amount equivalent thereto.

6. BANKS WITH NO FOREIGN LOANS OUTSTANDING ON DECEMBER 31, 1964. In general, banks with no previous foreign lending experience would be expected not to make foreign loans during 1965. However, bona fide export loans to foreigners may be made in reasonable amounts, provided this financing does not represent a shift from previous United States or foreign sources of financing. Banks making foreign loans for the first time should take precautions to ensure that their activities do not become a means through which credit is extended to foreign borrowers who have been denied credit by established lenders cooperating in the voluntary program.

7. BANKS WHOSE PREVIOUS FOREIGN BUSINESS HAS CONSISTED ALMOST ENTIRELY OF EXPORT FINANCING. The few banks falling in this category would ordinarily be expected to keep within the 5 per cent ceiling. Since they would have no maturing nonexport loans to provide funds for additional export credits and would therefore need to rely upon nonrenewal of maturing export loans, reasonable amounts in excess of the target from time to time would not be considered in conflict with the program. But every

effort should be made by such banks to keep their lending within the ceiling. They should take care to ensure that export loans do not represent a shift from previous United States or foreign sources of financing.

8. TRUST DEPARTMENTS. Managing officers of trust departments should be made familiar with the voluntary restraint effort. They should bear the purpose of that program in mind in making any acquisitions of foreign obligations for trust accounts. For example, they should not exercise their authority under any trust account to acquire foreign obligations which, in the absence of the restraint program, would have been acquired by the bank for its own account. Pension funds, including those administered by banks, have been furnished separate guidelines, as part of the program to restrain foreign credits of nonbank financial institutions.

9. FINANCIAL TRANSACTIONS FOR CUSTOMERS. While banks must, of course, follow instructions given to them by their customers, it is expected that, in buying foreign investments for customers, they will be guided by the principles inherent in the President's balance-of-payments program. They should not encourage customers to place liquid funds outside the United States. Banks should not place with customers foreign obligations which, in the absence of the restraint program, they would have acquired or held for their own account.

10. FOREIGN BRANCHES. It is assumed, of course, that United States banks having branches, as well as subsidiaries and affiliates, in foreign countries will not utilize them to avoid the foreign credit restraint program for United States banks.

Foreign branches have independent sources of funds in the countries in which they are located and from third countries, in many cases through the attraction of Euro-dollar deposits. The balance-of-payments program is not designed to hamper the lending activities of the foreign branches insofar as the funds utilized are derived from foreign sources and do not add to the dollar outflow. Concern arises only in those cases where the resources are derived (directly or indirectly) from the United States.

Total claims of the head office on overseas branches, including permanent capital invested in, as well as balances due from, branches, represent bank credit to non-residents for purposes of the program.

11. PROBLEMS OF EDGE ACT CORPORATIONS. Edge Act and agreement corporations are included in the voluntary credit restraint effort. The foreign loans and investments of such a corporation may be combined with those of the parent bank for the purposes of the program, or separate targets may be set for the parent bank and the subsidiary.

An Edge Act corporation that has not yet undertaken

any significant volume of loans and investments may take as a base, alone and not in combination with its parent, its paid-in capital and surplus, up to \$2.5 million, even though an equivalent amount of foreign loans and investments had not yet been made as of December 31, 1964.

12. UNITED STATES BRANCHES AND AGENCIES OF FOREIGN BANKS. Branches and agencies of foreign banks located in the United States are requested to comply with the principles of the program of credit restraint applicable to domestic banks.

13. SUBSTITUTION OF EXPORT CREDIT FOR CREDIT FOR OTHER PURPOSES. Banks should be on the alert to avoid granting credit to domestic customers if the result would be to aid the latter in making foreign loans or investments inconsistent with the program. Even export credit to foreigners, if it supplants credit previously obtained from foreign sources and thus frees the foreign funds for other uses, may be detrimental to the United States payments position.

This is obviously a difficult area and one in which there is considerable room for possibly damaging substitution of domestic for foreign financing, and for substitution of export credits to foreigners for other credits to foreigners. In general, success will depend on the ability of banks to identify loans that are inconsistent with the program and on the application of the Department of Commerce program with respect to foreign credit and investment by nonfinancial firms.

14. MANAGEMENT OF A BANK'S LIQUID FUNDS. Banks that have placed their own funds abroad for short-term investment purposes, including United States dollar deposits outside the United States or the acquisition of non-United States money market paper, should refrain from increasing such deposits and investments and should, in a reasonable and orderly manner, seek to reduce them. Since such funds are ordinarily placed outside the United States solely to provide a slightly higher rate of return, they are strong candidates for reduction under the program.

This guideline applies equally to deposits and investments payable in foreign currencies and to those payable in United States dollars.

This guideline does not call for a reduction in necessary working balances held with foreign correspondents, although such balances are also considered claims on non-residents for the purposes of the program.

Our Foreign Department will be pleased to confer with you on any problems that may arise under the guidelines.

Additional copies of this circular will be furnished upon request.

ALFRED HAYES,
President.

CIRCULAR NO. 5633—MARCH 18, 1965
PROGRAM OF DEPARTMENT OF COMMERCE FOR BUSINESS CONCERNS
UNDER THE PRESIDENT'S BALANCE-OF-PAYMENTS PROGRAM

*To All Banks and Other Financial Institutions
in the Second Federal Reserve District:*

The President's program to improve the Nation's balance-of-payments position, in part through voluntary efforts by American industrial concerns to effectuate reductions in their capital outflow, has been implemented with respect to such concerns by the Department of Commerce. In a letter to the chief executive officers of over 600 industrial concerns, which was released on March 17, Secretary of Commerce John T. Connor set forth the program proposed by the Department of Commerce.

For your information, the following documents are printed on the following pages:

Press release of the Department of Commerce, dated March 17, 1965;
Letter of the Secretary of Commerce;
Press release of the Department of Commerce, dated February 24, 1965;* and
Summary Worksheet for nonfinancial industrial concerns.*

You will note from the letter that the Secretary of Commerce expects corporations planning substantial investments abroad to take care to minimize the balance-of-payments effects of such investments. He states that the Department of Commerce or the appropriate Federal Reserve officials, when the System's program for banks is involved, would be glad to discuss such situations with the concerns. The Secretary also points out that repatriation of short-term financial funds invested abroad should be done with caution in the case of balances in countries subject to balance-of-payments problems, and suggests that it would be desirable for companies with large balances to consider consulting with the appropriate Federal Reserve Bank on this problem.

If you have any questions or comments regarding the program to improve our international balance-of-payments position, please contact our Foreign Department (Telephone Extension 1000), which is in charge of its admin-

istration at this Bank. Questions regarding statistical information should be directed to our Balance of Payments Division (Telephone Extension 2000).

Additional copies of this circular will be furnished upon request.

ALFRED HAYES,
President.

PRESS RELEASE OF THE DEPARTMENT OF COMMERCE
DATED MARCH 17, 1965

Secretary of Commerce John T. Connor today called upon American business executives engaged in international operations to "make an extraordinary effort" to help improve the Nation's balance-of-payments position.

The Secretary issued his call in a letter to 600 corporate executives, enlisting their personal support in a voluntary program to produce "significant reductions" in the balance-of-payments deficit.

The Secretary said the list of 600 companies did not necessarily encompass all firms engaged in international business, and he extended an open invitation to other firms with sizable international activities to participate. Such firms should write him if they feel they can make a substantial contribution to the voluntary program.

In his letter, the text of which he made public today, the Secretary asked each company to set up a balance-of-payments "ledger" for 1964, showing selected debits and credits, to consider how their 1964 results could be improved for 1965 and 1966, and to give him their personal estimates of the dollar amount of prospective improvement for 1965.

"We have been thinking in terms of an average improvement in balance-of-payment terms, in 1965 of 15 to 20 per cent over the 1964 results", Secretary Connor said. "We realize, however, that any such target will be inappropriate for many corporations—either on the low or high side—but the important thing is to make an extraordinary effort. . . . only you are in a position to set up a reasonable but meaningful objective for your own company, in the light of your operating facts and problems."

The Secretary also asked for 1963 and 1964 figures for short-term assets held abroad "because of the unique opportunity" to shift such assets and register an early improvement in the balance of payments.

* Not reprinted here. May be obtained from this Bank by requesting a copy of Circular No. 5633.

He requested that first reports be submitted by April 15th, and quarterly reports through 1965 and 1966.

He said he had decided against a formalized system of prior notification of new investments and expansions abroad, including financing, expressing the belief that the estimates and reports being requested would prove to be adequate.

"We, of course, expect that care will be taken to minimize the balance-of-payments effects of large investments", the Secretary said, "and either we, or the appropriate Federal Reserve officials when their program is involved, would be glad to discuss such situations should you so desire."

In his letter, the Secretary stated that individual reports and estimates would be kept confidential and periodic summaries of the data collected would be compiled for use by the government and for release to the public.

In the category of "special problems", the Secretary mentioned the national objective of increasing private investment in less developed countries, and said he did not wish the program to inhibit the flow of such investment.

A second "special problem" dealt with the repatriation of short-term financial funds, the Secretary requesting the exercise of caution in countries having balance-of-payments problems.

On a third "special problem" involving Canada, the Secretary said he did not anticipate cutbacks in direct investments. He asked, however, that firms "take particular care to assure that short-term funds put at the disposal of subsidiaries in Canada serve only to meet operating needs".

Secretary Connor closed his letter to the corporate executives stating, "President Johnson is confident, as am I, that you will cooperate with us in this extremely important program of serious concern to you and to our country. We urgently need your help."

The text of Secretary Connor's letter, together with a suggested summary worksheet [see footnote on page 93], a listing of "developed countries,"¹ and instructions for the worksheet [see footnote on page 93] are attached.

LETTER OF THE SECRETARY OF COMMERCE

The President has asked me to handle the voluntary

cooperation program with American industry which is a key part of our over-all effort to improve our Nation's balance-of-payments situation. Since the success of this program depends entirely on full cooperation and help from the heads of the United States corporations doing a significant amount of business internationally, I am writing to you to enlist your personal support.

As you can see from the enclosed press release [see footnote on page 93], the Advisory Committee for this industry program, chaired by Mr. Albert L. Nickerson, Chairman of the Board of Socony Mobil Oil Company, is composed of outstanding leaders from the business community who have been active in direct overseas investments and international trade. That Advisory Committee met with me on February 26, and strongly urged that our program be set up on as informal and personal a basis as possible, with a minimum of formal reporting requirements and other "red tape". All members of the Advisory Committee have given me their judgment that the leaders of American industry will respond quickly and favorably to that kind of approach and that, as a result of such leaders taking personal responsibility for this effort, our voluntary program will produce significant reductions in the balance-of-payments deficit. The Advisory Committee is particularly in favor of a flexible approach that enables each company head to work out his own program, based on the operating facts of his own business, rather than limit the means of meeting each company's objective by having the government prescribe some formula of general application.

That advice makes sense to me, and the form of the program that we had been planning has been modified along the lines suggested.

Consequently, I ask for your help specifically as follows:

1. Please set up for your company a balance-of-payments "ledger" for the year 1964 which shows the selected debits and credits. I enclose a summary worksheet [see footnote on page 93] to indicate the needed figures, and some instructions to help your technical people in preparing it for you.

2. After looking at your 1964 results—and we realize in most cases a significant favorable balance will be shown—please consider how that 1964 result can be improved for the years 1965 and 1966. We have been thinking in terms of an average improvement in balance-of-payments terms, in 1965 of 15-20 per cent over the 1964 results. We realize, however, that any such target will be inappropriate for many corporations—either on the low or high side—but the important thing is to make an extraordinary effort. Therefore, we have concluded that only you are in a position to set up a reasonable but meaningful objective for your own company, in light of your operat-

¹ The "developed countries" are: Australia, Austria, Belgium, Canada, Denmark, France, Germany (Federal Republic), Hong Kong, Italy, Japan, Liechtenstein, Luxembourg, Monaco, Netherlands, New Zealand, Norway, Republic of South Africa, San Marino, Spain, Sweden, Switzerland, United Kingdom. This list is subject to some modification at a later date.

ing facts and problems. The nine suggestions listed on the enclosed press release do not exhaust the list of possibilities that you and your associates can put together in devising an approach meeting the national purpose, yet tailored to your particular circumstances. In short, I am asking you to establish, *and then let me know*, your best *personal* estimate of how much of an improvement in terms of net dollars you think your company can make over all in 1965, compared with 1964, by taking all feasible steps to help the Nation deal with this serious problem.

3. It would also be helpful for us to have a few of your summary figures for the year 1964 showing credit and debit items separately. The work sheet referred to in paragraph 1 would be appropriate for your 1964 report and should be returned to us. It may also be helpful in calculating your 1965 target. We understand that for many firms or industries, such as petroleum operations or contract construction, there may be a need to include in their "ledger" other information on foreign transactions in order to show a realistic balance-of-payments performance. In such situations, we would welcome any supplementary figures you wish to supply, and will take them into consideration in reviewing your results.

4. Because of the unique opportunity to shift short-term assets and make an early improvement in the balance of payments, I would also like to have your figures at the end of 1963 and 1964 for short-term assets held abroad either directly or through United States banking or other financial institutions. In addition, we would like to have figures on such assets held in developed countries by your subsidiaries and branches.

5. I would like to receive your first set of figures by April 15, if this is possible, and I hope it is.

6. Thereafter, I am asking you to send me quarterly reports through the years 1965 and 1966 showing the data in paragraphs 2, 3, and 4 above and revisions, if any, in your over-all goal for the year. You should also give your personal evaluation of points or problems you consider to be of particular significance.

7. While prior notification regarding substantial new investments or expansions abroad, including information indicating how they would be financed, would be helpful, we have decided against a formalized program asking for such information. It is our hope that the over-all estimates and reports that I am requesting will prove to be adequate, and that the results will be clear enough to obviate the need for prior notification of new investments. We, of course, expect that care will be taken to minimize the balance-of-payments effects of large investments and either we, or the appropriate Federal Reserve officials when their program is involved, would be glad to discuss

such situations should you so desire.

8. We shall be very glad to talk on the telephone or meet with you to discuss this or any other aspect of this voluntary program of interest or concern to you as it moves along.

Your company's report and estimates will be treated by us as strictly "Confidential" and shown only to those few government officials who are working with us directly in this program. We do plan to put together a periodic summary of the reports in aggregate terms for consideration with the Advisory Committee and for reports to the President, the Cabinet, and the public.

There are a few special problems which I would like to call to your particular attention.

First, we regard the national objective of increasing the contribution by private enterprise to growth in less developed countries of such importance that we do not wish this program to inhibit the flow of these investments.

Second, while relatively rapid progress in repatriating short-term financial funds invested abroad, wherever appropriate, would be helpful, we request that this be done with caution in the case of balances in countries subject to balance-of-payments problems. We are naturally concerned not to cause difficulties on the exchanges and it would be desirable for companies with large balances to consider consulting with the appropriate Federal Reserve Bank on this problem.

Third, we do not anticipate cutbacks in Canadian direct investments, but firms should take particular care to assure that short-term funds put at the disposal of your subsidiaries in Canada serve only to meet operating needs in Canada. Opportunities should be explored for obtaining at least a portion of working capital requirements from the Canadian market. In this process, we hope that short-term investments in Canada by parents or subsidiaries clearly in excess of working requirements will not be increased. No doubt opportunities will arise to reduce these balances, particularly those denominated in United States dollars, but this should be done only in a gradual and orderly way.

I am sure you are aware of the vital importance of improving the United States balance-of-payments position. Such improvement is essential to international monetary stability, to this Nation's economy, and to continued business progress. The capability of this Nation to manage its international fiscal affairs is being carefully watched around the world.

President Johnson is confident, as am I, that you will cooperate with us in this extremely important program of serious concern to you and to our country. We urgently need your help.