

Company has an internal system which produces a balance-of-payments ledger so that all transactions may be examined in light of the effect on the balance of payments. Company's estimate for the year 1965 shows that it should be able to meet the guideline improvement, in its favorable balance-of-payments contribution, suggested by the Department of Commerce.

Since the general realization of the seriousness of the American problem concerning its balance of payments and the President's appeal for industry cooperation, company has been examining, as standard procedure, all of its foreign operations requiring new investments to seek the alternates that will minimize the problem.

Company has been traditionally taking opportunities of financing to a very large extent its foreign operations from funds generated outside the United States. It has also been company's policy to invite foreign participation in its new ventures in many instances and in this way provide the additional financing required to expand its foreign operations.

Company's proposed new foreign projects do include, without exception, provision for extensive local borrowing as well as local participation in equity.

Company has earnestly tried to comply with the President's request concerning action to improve the U.S. balance-of-payments position, and, to that end, will certainly make much more serious efforts in the future to find foreign sources for capitalizing proposed foreign ventures.

Company examines opportunities to minimize the outlay of cash. In some cases, for example, the company has rented plant sites rather than purchased them. It has also endeavored to obtain "Cooley loans" without, however, ever having any success in this respect due to unwillingness of the local governments, in countries such as Brazil, to make these funds available to U.S.-owned companies.

In the past, the company has generally preferred to finance its foreign operations from retained earnings and fresh capital from the United States. Company is utilizing some local borrowing and is now considering extending local coverage.

Company's overseas affiliates normally rely heavily on their respective internally generated funds and local borrowing sources for their financial requirements.

Company noted that this recommendation has been superseded by the program of voluntary cooperation to improve the U.S. balance of payments. The company intends to comply and hopes to achieve an improvement of 15 to 20 percent over 1964 in the company's balance of payments for 1965.

As a matter of long-standing policy, the company has relied on local sources to meet the financing requirements of its overseas investments, principally by retained earnings or