

restrictions are allowed to become permanent, they will stifle the creative forces of international finance that have created important sources of foreign income to the United States. The fundamental goal, it must be remembered, is not the elimination of the deficit *by means of controls over international transactions*, however necessary this may be in the short-term. The objective of our strategy should be the adjustment of the balance of payments position through responsible and appropriate domestic *monetary, fiscal, and budgetary policies* such that a sustainable international balance becomes consistent with the greatest possible freedom for business enterprise in international commerce and finance.

FINANCING OF U.S. EXPORTS

We again strongly recommend that export credits be exempted from target ceilings for foreign bank loans under the Federal Reserve voluntary credit restraint program, where the lender is assured that a bona fide export is involved. The ability of commercial banks to develop their export financing has been retarded in recent years by conflicts in the policies and directives of the various government departments and agencies involved. Banks have been urged by the government to maximize export financing as part of the U.S. Government's overall program of export promotion. But at least in part this encouragement has been negated by the slow pace at which practical government support of export financing has been developed and by the inclusion of export financing in the restrictions on foreign lending. Some of the efforts undertaken by the banks have subsequently been found to have been in vain. There has been considerable improvement in this situation in the past year. Nevertheless we urge that some government agency be given increased authority for coordinating effectively the policies of the various departments and agencies. We feel that such coordination is essential if the banks are to develop a long-term capability to provide the support to exports which is expected of them.

INTERNATIONAL MONETARY REFORM

The rapid decline of confidence in the international monetary system which followed the devaluation of the pound sterling last year and which was most recently evidenced by the forced abandonment of the London Gold Pool arrangements has had a widespread impact on the environment of world trade and finance. Further actions and policies contemplated by the United States and Britain to correct their payments balances, and the threatened retaliatory or defensive measures by other countries could materially and adversely alter the conditions under which U.S. banks and business firms will operate for a long time to come.

We believe that the proposed Special Drawing Rights under the International Monetary Fund will provide the needed supplement to gold and national currencies in the world's monetary reserves, and that it is vital that efforts to provide for the orderly expansion of the monetary base of world commerce by this means be accelerated.

EXPORT-IMPORT BANK OF UNITED STATES

We lend our support to President Johnson's request for the earmarking of \$500 million of the Export-Import Bank's authorization for an export expansion program and suggest it be used to permit the Bank to issue guarantees on less stringent risk criteria than called for by the current EXIM/FCIA standards to facilitate exports under unusual conditions. We urge that in the administration of this fund EXIM Bank should give exclusive emphasis to supporting an aggressive sales policy of U.S. exporters in world markets.

The very limited use of EXIM Bank's rediscount facility since its inception has indicated that changes in the present terms and conditions are essential. We look forward to operating under the new measures just released and commend the efforts made to bring them about.

While recognizing that there has been marked improvement in cooperation between the Export-Import Bank and commercial banks in the past year, we urge continued vigilance to be exercised in order that EXIM Bank lending shall not substitute for the lending of commercial banks. To some extent this substitution has been encouraged by the Federal Reserve Guidelines and by the recent shortening of EXIM Bank's traditional terms due to Balance of Payments Considerations.