

Cooperation in the military portion of the balance of payments has included countries in the Far East as well as Europe. However, we have focused particular efforts in Europe, both bilaterally and within NATO. In a broader sense, the United States has pursued with its NATO allies the principles that the Alliance requires a foundation of financial viability in addition to political and military strength, and that the members of the Alliance should cooperate through appropriate bilateral arrangements to deal with military balance of payments problems. The communique at the NATO Ministerial Conference in Brussels on November 16, 1968, specifically acknowledged for the first time as a multilateral policy that such cooperation strengthens the solidarity of the Alliance when it stated:

"They (the Ministers) also acknowledged that the solidarity of the Alliance can be strengthened by cooperation between members to alleviate burdens arising from balance of payments deficits resulting specifically from military expenditures for the collective defense."

B. Development Assistance

On January 11, 1968, the President instructed the AID Administrator to reduce overseas expenditures in calendar year 1968 by a minimum of \$100 million below the 1967 level—or to less than \$170 million. Preliminary estimates indicate that these expenditures will in fact be in the neighborhood of \$140 million in 1968—well below the target figure for the year.

The President also instructed AID to review and improve the effectiveness of the arrangements with individual countries to assure that AID-financed goods shipped to recipient countries will be additional to commercial exports from the United States to those countries. The principle here is to assure that the AID program results in a transfer of real resources rather than financial assets.

Our efforts to minimize the adverse balance of payments impact of our bilateral foreign assistance programs are well established and enjoy a high priority in our overseas foreign economic policy objectives. We have been very successful in this area to date. These efforts will have to be continued and reinforced wherever necessary.

In the future, we will have to place increased emphasis on assuring that original AID financing leads to an adequate level of follow-on commercial sales from the United States. This is primarily the responsibility of the American business community; however, it will be necessary to develop better liaison between the AID field staff and American exporters.

We have been pressing for policies and attitudes that give weight to balance of payments considerations in multilateral development activities. This year the Congress authorized a \$300 million contribu-