

tion to the Fund for Special Operations of the Inter-American Development Bank. Disbursement of these funds will be controlled in such a way as to assure the financing of American exports which would not otherwise be financed. In addition, we have received assurances that the ordinary capital funds of the IDB will be managed so as to minimize their adverse impact on the U.S. balance of payments. The proposed International Development Association replenishment contained similar balance of payments safeguards. Most significantly, a good deal of progress has been made in 1968 in developing the capital markets of other countries, particularly those with balance of payments surpluses, as a source of long-term capital for development purposes.

The continuation of these balance of payments safeguards will be an important factor in enabling the United States to contribute, in full and fair measure, its share of the financial requirements of the multilateral development institutions. The premise is becoming well established that multilateral development activities should give adequate consideration to balance of payments factors, particularly in the cases of deficit countries. This premise supports the general proposition that the activities of these institutions should not be conducted in a manner which would exacerbate disequilibrium in international payments.

C. Reduction of United States Government Employees Stationed Abroad

The Government announced the initiation of an extensive two-phased program—called “BALPA”, short for “balance of payments”—to reduce the number of people employed abroad by the United States Government. Under BALPA, the number of direct hire Americans stationed abroad is being reduced by approximately 4,000, or 18 percent. The number of local employees is also being reduced by 4,000, or 16 percent.

The present schedule is to have 75 percent of Phase I of this program take place before the end of 1968, with the balance taking place in the first six months of 1969. Of the reductions under Phase II, 75 percent will take place before June 30, 1969, with the balance taking place in the third quarter of 1969.

Balance of payments savings under Phase I will total approximately \$20 to \$22 million on an annual basis after completion of the scheduled reductions. Completion of Phase II is expected to add additional savings of approximately \$8 to \$10 million per year. The balance of payments savings of the BALPA program have significance beyond the amounts involved. Implementation of this program will give evidence of the Government's determination to make its own contribution to the over-all balance of payments program.