

Preliminary

May 24, 1946

MEMORANDUM to the Board

Re: Notes and Recommendations on "Status of
Export-Import Bank Funds as of May 21, 1946"

NOTES

1. No allowance has been made in the attached "Status of Export-Import Bank Funds as of May 21, 1946" for the additional credit to the Netherlands of \$50,000,000 consideration of which by the Bank was approved some time ago by the NAC. This omission is justified on the basis of the very substantial assistance already accorded to the Netherlands by the Export-Import Bank and the prospect that the Netherlands will be able shortly to tap other sources of dollar funds.

2. The amount of the proposed credit to Italy has been kept at \$100,000,000 despite the fact that the need of Italy for external financial aid will be increased if it proves impossible, as now appears to be the case, to transfer to Italy the amount held in the so-called non-troop pay suspense account in the Treasury. This is justified by the oral assurances of the Department of State that it will not press for an initial credit from the Export-Import Bank to Italy in an amount larger than \$100,000,000.

3. The statement makes no specific provision for additional reconstruction credits through the Export-Import Bank other than those

to China, Czechoslovakia, and France, already approved in principle by the Board, and to Italy and the Philippine Islands. In the case of Denmark, the Bank has recently been informed by the Danish Financial Attache that his Government does not now intend to request additional credits from the Export-Import Bank. In the case of Poland, the difficulties attending the negotiation of the recently approved credit of \$40 million and developments since it was approved suggest that additional credits for Poland through the Export-Import Bank may be unlikely in any case or would be so far in the future as to make possible a resort by Poland to the facilities of the International Bank. In the case of Greece, the delay in the utilization of the existing credit suggests that the further requirements of Greece for dollar financing for reconstruction can also be met by the International Bank. In the case of Turkey, it is hoped that such credits as may be arranged will be exporter credits rather than government- to-government credits and will be made out of the Bank's general reserve for this purpose. The case of Finland is somewhat more doubtful and further credits through the Export-Import Bank may be justified. Nevertheless, it is hoped that Finland may be able to tap other sources of funds in time to meet urgent reconstruction needs.

4. No allowance has been made in the estimated recovery of Export-Import Bank funds for a possible reduction in the existing

commitment to the Netherlands Indies. A recent conversation with representatives of the Netherlands Indies Government has made it very probable that the Bank will carry out its commitment in full.

5. A possible recovery of the tentative \$500 million commitment to China was taken into account in the calculations (although only to a small extent) on the theory that if the political situation in China continues bad, General Marshall may be prepared to release the Bank from this contingent obligation.

RECOMMENDATIONS

1. It is recommended that the Board take action immediately to cancel outstanding authorizations under the credits listed below:

Special Bank Export Credit Lines (306)	\$46.3 million
Charles B. McDaniels, Jr. (319)	.2
Virgin Islands Company (348)	.3
Store Norske Spitsbergen Kulkompani (354)	.8
Paulista Railway Company (364)	2.5
TACA Airways (393)	<u>1.3</u>
Total	<u>\$51.4 million</u>

2. It is recommended that the Board take action to cancel outstanding authorizations under the following credit lines after consultation with the governments concerned:

Republic of El Salvador (303)	\$.3 million
Republic of Honduras (312)	1.7
Republic of Uruguay (345)	17.7
Banco do Brasil (349)	<u>9.3</u>
Total	<u>\$29.0 million</u>

3. It is recommended that the Board give early consideration to the cancellation of credit No. 329 in favor of the Banco Central de Reserva del Peru in the amount of \$25 million. This credit was approved in April 1942 and has tied up \$25 million of the Bank's funds since that time. There is no agreement with the Banco Central for the use of the credit and, so far as is known, there are no very definite plans for its utilization. Furthermore, it will be recalled that the use of the credit has been made conditional upon a satisfactory settlement of the defaulted dollar obligations of Peru. Early this year, when it appeared that there was some prospect of a satisfactory settlement, the President of the Bank told the Peruvian Finance Minister that he would recommend to the Board of the Bank a credit of \$30 million, to include the existing commitment of \$25 million, when a satisfactory settlement had been reached. There has been no progress since that time toward a settlement. The Bank may therefore be justified in cancelling the outstanding commitment, while informing the Peruvians that it is prepared to discuss the financing of specific projects in Peru at any time in the future.

4. It is recommended that, if the Board concludes that the usual restrictions with respect to shipping must be applied to the Norwegian credit of \$50 million, steps be taken immediately to ascertain whether the Norwegians wish to accept the credit on such terms and, if not, that the credit be withdrawn.

5. It is recommended that the status of existing commitment to the Kingdom of Saudi Arabia in the amount of \$25 million be determined as speedily as possible in order that the Bank may recoup all, or at least some part, of the funds involved.



August Maffry

PROSPECTIVE RECOVERIES OF EXPORT-IMPORT BANK FUNDS TO JUNE 30, 1947
(In millions of dollars)

	<u>To June 30, 1946</u>			<u>To December 31, 1946</u>			<u>To June 30, 1947</u>		
	<u>Assured</u>	<u>Probable</u>	<u>Possible</u>	<u>Assured</u>	<u>Probable</u>	<u>Possible</u>	<u>Assured</u>	<u>Probable</u>	<u>Possible</u>
1. Private participation									
Bank participation in Netherlands credit (400)					35.0	15.0		35.0	15.0
Proceeds of bond issue applied to Netherlands credit (400)						25.0			
2. Anticipated repayments		4.0			16.0			28.0	
3. Adjustments in outstanding commitments									
Republic of China (401)									500.0
*Kingdom of Norway (369)						50.0			
4. Anticipated expirations									
Republic of Cuba (294)						8.0			
*Republic of El Salvador (303)						.3			
*Special Bank Export Credit Lines (306)	46.3								
Republic of Honduras (312)	1.7								
Chas. B. McDaniels, Jr. (319)	.2								
Banco Central de Reserva del Peru (329)						25.0			
Republic of Uruguay (345)	17.7								
Republic of Colombia (346)							9.7		
Virgin Islands Company (348)	.3								
Banco do Brasil (349)	9.3								
Store Norske Spitsbergen Kulkompani (354)	.8								
Paulista Railway Company (364)	2.5								
Kingdom of Saudi Arabia (386)						25.0			
Aeronautical Radio de Mexico (392)								3.0*	
TACA Airways (393)	1.3								
TOTAL	80.1	7.3	108.0		60.7	550.0		63.0	15.0

* Outstanding commitments valid beyond June 30, 1946, but subject to immediate cancellation.