

April 29, 1946

MEMORANDUM to Mr. Martin

Re: Meetings of NAC Staff Committee on  
Friday, April 26 and Monday, April 29

The NAC Staff Committee met on Friday, April 26, and Monday, April 29, to carry out a directive from the Special Committee on the French loan (i.e., the NAC in disguise) to reallocate the funds of the Export-Import Bank on the basis of various assumptions. This directive was issued to the Staff Committee by the Special Committee at the suggestion of Mr. Martin.

The results of the Staff Committee's work have been summarized in the attached table. This summary shows that the Export-Import Bank is expected to make new commitments in the near future up to nearly the full extent of its presently unutilized lending authority, and thus to immobilize itself by reason of being loaned up. To be specific, the Bank will be subjected to the strongest sort of pressure from the State Department and other quarters to make a commitment to France of \$650,000,000 before May 10. There will also be strong pressure from various quarters for a commitment to Italy in the amount of \$100,000,000 to \$150,000,000. Also in the offing is the proposed commitment to Czechoslovakia in the amount of \$50,000,000, consideration of which by the Bank was approved by the NAC in January. If the Bank should make commitments to France, Italy, and Czechoslovakia in the amounts of \$650,000,000, \$150,000,000, and \$50,000,000, it would have left only \$115,000,000 of uncommitted lending authority on the basis of presently available funds.

In the course of the staff Committee discussions, I took three positions on behalf of the Bank, as follows:

First, I insisted that the Staff Committee get on as quickly as possible with its assignment of reallocating available Export-Import Bank funds in order that its findings could be put before the Special Committee as soon as possible and, even more important, in order that the Board of the Bank would have a reasonable period of time in which

to consider its position before any new commitments were made. On this point, I followed Mr. Martin's lead in the Special Committee by saying that the Bank could not be expected to make a major commitment to France or to any other country on the basis of a few days' consideration.

My second position, taken in answer to proposals advanced by the Treasury Department, was that the Bank could not be expected to over-commit itself. In other words, the Bank would not commit at any time more funds than it had at its disposal and therefore would not make commitments beyond its statutory lending authority in anticipation of repayments, explorations, cancellations, and private participations.

My third position, and the most crucial one for present purposes, was that the Export-Import Bank would not immobilize itself by exhausting its lending authority. On the contrary, the Bank would insist upon retaining a reasonable working balance against future contingencies, including development loans to Latin American and other countries, exporter-importer credits, and the like. I expressed the view that \$500,000,000 to \$600,000,000 would be a reasonable working balance for such contingencies. I received no support in the Staff Committee for this view, not even from the Department of State, which might have been expected to give serious thought to the prospect of immobilizing the Export-Import Bank as an instrument of foreign economic policy.

  
August Maffry

**Attachment**

cc: Mr. Gaston  
Mr. Gauss  
Mr. Stambaugh

ILLUSTRATIVE ALLOCATION OF EXPORT IMPORT BANK FUNDS

(Millions of dollars)

1. Uncommitted lending authority as of 4/24/46		965	
2. <u>Potential</u> additions to lending authority			
a. Private participation in Nether- lands credit	100		
b. Anticipated repayments to 6/30/47	40		
c. Participated expirations to 6/30/47	150		
d. Proposed reduction in M.E.I. credit	<u>50</u>	<u>340</u>	
		1,305	
3. Total actual and potential lending authority		1,305	
4. Prospective new commitments	<u>Alternative A</u>		<u>Alternative B</u>
a. Czechoslovakia	50 (a)		50 (a)
France	500		500
Italy	100		100
Netherlands	50 (b)		50 (b)
U.S.S.R.	<u>0</u>		<u>0</u>
	700		700
b. Czechoslovakia (additional)	25		25
Denmark	25		25
Finland	50		50
Greece	25		0
Italy (additional)	50		0
Poland	60		60
Turkey	25		0
Philippine Islands	<u>50</u>		<u>0</u>
	310		160
c. Latin America	100		200
Reserve for other country credits	95		0
Exporter-importer credits and other programs	<u>100</u>		<u>245</u>
	<u>295*</u>		<u>445**</u>
	1,305		1,305

- \* THE AVAILABILITY OF THIS AMOUNT WOULD DEPEND ENTIRELY UPON THE REALIZATION OF ANTICIPATED REPAYMENTS, EXPIRATIONS, AND PRIVATE PARTICIPATION.
- \*\* OF WHICH ONLY \$105,000,000 WOULD BE AVAILABLE FROM PRESENT UN-COMMITTED LENDING AUTHORITY.
- (a) Approved by NAC for consideration of Bank on 1/29/46.
- (b) Approved by NAC for consideration of Bank on 2/13/46.