

November 5, 1953

Memorandum To: William McChesney Martin, Jr.

From: Hawthorne Arey

Reference is made to your memorandum for the National Advisory Council on the subject "Lending Policies of Export-Import Bank." The last paragraph of the "Recommended Action" provides as follows:

"In order that the volume of new Export-Import Bank lending, in the period immediately ahead, shall not constitute an undue financial burden, the Council proposes that each loan application in the future be subjected to more severe scrutiny, with the requirement of a more positive showing that the proposed financing would be in the national interest of the United States and that the funds cannot be raised on reasonable terms from private sources."

The use of the terms "more severe scrutiny" and "more positive showing" do not establish very accurate tests. The Act under which the Export-Import Bank operates requires findings along the lines indicated and it is assumed that this statement implies either that the Bank will establish tests more severe than have been established in the past operations of the Bank or more severe than the law requires. I believe it may be assumed that past Administrations have been in full compliance with the law.

It occurs to me, however, that this paragraph lacks clarity in a more important aspect. The use of the words "in the period immediately ahead" and the words "shall not constitute an undue financial burden" would indicate that the purpose of the severe scrutiny of the Bank's operations is to minimize net drawings upon the Treasury. To the extent that the Bank's loans do not exceed repayments, the Treasury's position is not adversely affected. To the extent that the Bank utilizes its power to guarantee so that only a contingent liability falls upon the Treasury, its operations do not "constitute an undue financial burden" any more than do those of the International Bank. Accordingly, it would seem that words should be inserted to indicate that the more severe tests are to be applicable in the consideration of those applications for loans which would require a withdrawal of funds from the Treasury. If the tests are to be applied on any other ground then it would appear to be illogical for the Council to take such a position with respect to the Export-Import Bank and not take an identical position with respect to its instructions to the United States representatives on the Board of the International Bank.

If it is concluded that it is necessary to include a statement similar to that in your memorandum, it is suggested that consideration be given to language substantially as follows:

For the period immediately ahead, the Council is of the opinion also that, in the consideration of each application for a loan by the Bank which would require a withdrawal of funds from the Treasury, special attention should be given to (a) the extent to which the national interest of the United States is involved, and (b) the unavailability of funds on reasonable terms from private sources.

HA:wmz