

BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM

# Office Correspondence

Date June 6, 1946

To Chairman Eccles

Subject: Allocation of Export-Import

From Mr. Knapp

Bank Funds

Attached is a memorandum suggesting a possible allocation of Export-Import Bank funds based on the assumption that they obtain from Congress 250 million dollars of additional lending authority for countries other than Russia. While there are many uncertain quantities in this picture, I think the net conclusion would be that with good luck the Export-Import Bank could squeeze through fiscal 1947 with this amount of money. As I see it, the real trouble spot will be Italy. If the International Bank is not prepared to take over the burden of the Italian problem in the spring of 1947, we shall face a new situation and on political grounds the U.S. may find it necessary to consider some special measures of assistance to that country.

The question still remains of whether or not the 1 billion dollars for Russia should be sought at the present time. Perhaps it is just as well to try, while recognizing that Congress may be unwilling to grant full authority to the Administration to negotiate the terms of this loan. We should not be too surprised or disappointed if Congress reduces our request for additional lending authority by 1 billion dollars and tells us to come back to get the money for Russia when we have a specific loan agreement with Russia to submit to them. If this path is followed and the Russian loan becomes subject to Congressional ratification in the same way that the British loan was, it may be easier to give Russia something like British terms.

Attachment  
JBK:mla

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As of June 4, the loans and commitments of the Export-Import Bank, including the loans to China and France on which no final commitments have been given, totaled 3,238 million dollars, leaving unused lending authority at the present time of 262 million dollars.

This money may be supplemented from two sources--grant of additional lending authority from Congress and release of the Bank from its existing commitments through cancellations, repayments, transfer of loans to commercial banks, etc. I think it would be reasonable to assume that between now and the end of fiscal 1947 the Bank will be released from 275 million dollars of its present commitments: 100 million dollars from participation by commercial banks in the Netherlands loan, 40 million from repayment, and 135 million from cancellations. (The Staff Committee has estimated possible cancellations at 200 million dollars, but this allowed for cancellation of 50 million dollars of the Netherlands East Indies loan which I understand the Bank has been unable to work out.) Assuming that Congress grants the Bank 250 million dollars of additional lending authority for countries other than Russia, the Bank would therefore have the following funds available between now and the end of fiscal 1947 (excluding Russia):

(in millions of dollars)

Present unused lending authority	262
Releases from present commitments	275
Additional lending authority from Congress	<u>250</u>
Total	787

A possible allocation of these funds would be as follows (figures in parentheses show amount of Export-Import Bank loans already made to the country concerned):

(in millions of dollars)

Italy	275	
Greece	50	(25)
Netherlands	*50	(100+200 short-term)
Poland	50	(40)
Yugoslavia	50	
Finland	30	(35)
Czechoslovakia	25	(50)
Sundry countries (Turkey, Austria, Hungary, Korea, Liberia, Ethiopia, Siam, etc.)	82	
Latin America	75	
Exporter credits, etc.	<u>100</u>	
	787	

\*Already approved by N.A.C. and now under negotiation.

The following comments may be made on this tentative allocation:

(1) The figures for Italy and Greece are higher than anything heretofore specifically recommended by the Staff Committee. They would carry these countries into the first months of 1947, by which time the International Bank might be prepared to take them over.

(2) 50 million dollars is allocated both to Poland and Yugoslavia despite our poor political relations with these countries at the present time. As you know, even the existing 40 million dollar Eximbank commitment to Poland has been blocked pending clarification of the situation there.

(3) The figure for sundry countries is adequate if no loans are necessary for

(a) Belgium, Norway, Denmark (These countries can wait for the International Bank.)

(b) India (If the British loan goes through, India will not need a dollar loan in the near future.)

(c) The Philippines (This case is now under study and the tentative conclusion is that the Philippines do not need dollars to pay for imports but may need dollars to cover the issuance of pesos in order to meet domestic deficits. Since such a loan could not be made by the Export-Import Bank, some other solution would have to be found.)

(d) Palestine (I understand from Richard Gilbert that the move is still active to have Congressional leaders introduce an amendment to the Export-Import Bank Bill providing an additional 250 million dollars for the economic development of Palestine.)

(4) The Latin American figure is small by Export-Import Bank standards but I believe ample for all real Latin American needs during the next year.

(5) The allocation for exporter credits, etc., is also small by Export-Import Bank standards but again is an ample amount unless the Bank launches a large program of financing exports for exports' sake.

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