

NATIONAL ADVISORY COUNCIL
ON
INTERNATIONAL MONETARY AND FINANCIAL PROBLEMS

Agenda
Meeting 51

Tuesday, January 21, 1947
2:30 P.M., Room 4426, Main Treasury

1. Maritime Commission Credits for Ship Sales
 - (a) Request of the Italian Government for Increased Credit
(NAC Document No. 336 - to be distributed;
NAC Document No. 334 - previously distributed)
 - (b) Guaranty by Banco do Brasil of Maritime Commission Credits to Brazilian Citizens
(NAC Document No. 314 - previously distributed)
2. WAA Sale of Domestic Surplus to Foreign Governments
(NAC Document No. 332 - previously distributed)
3. Italian Request for Tobacco Credit
(NAC Document No. 331 - to be distributed)
4. Reconsideration of NAC Action on Finnish Loan Request
(NAC Document No. 337 - to be distributed;
NAC Document No. 327 - previously distributed)
5. International Monetary Fund's Service Charge
(NAC Document No. 339 - to be distributed;
NAC Document No. 290 - previously distributed)
6. Trade Policy Provision in International Bank Loan Contracts
(NAC Document No. 333 - to be distributed)
7. Other Business

1:20:47

Orvis Schmidt
Acting Secretary

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National Advisory Council
Document No, 333
January 17, 1947.

Memorandum to: National Advisory Council
From: National Advisory Council Staff Committee
Subject: General Provisions of International Bank Loan Contracts
Covering Trade Policy Objectives

Problem

Since the trade policies and arrangements of a borrowing country may have a significant effect on the accomplishment of the purposes of the International Bank and on its successful operations, it would appear desirable for all Bank loan contracts to carry a provision safeguarding the interests of the Bank in these respects.

It is therefore recommended that the following provision should be incorporated in all loan contracts.

Recommendation

The National Advisory Council requests the U.S. Executive Director to attempt to secure agreement by the International Bank to the incorporation as a condition in all loan contracts of a provision in the sense of the following:

Since the basic purposes of the Bank, among others, are to assist in the reconstruction and development of the territories of members, to promote the long range balanced growth of international trade and the maintenance of equilibrium in balances of payments, and to bring about a smooth transition from a wartime to a peacetime economy;

And since the commercial and financial policies of each borrower may have a direct effect upon (1) the success of projects financed by the Bank in any member country, (2) the total financing needs of the borrower or of other member countries, and (3) the ability of the borrower or of other member countries to discharge their obligations to the Bank;

The borrower shall endeavor to refrain from commercial and financial arrangements which are inconsistent with the basic purposes as provided in Article I of the Bank's Articles of Agreement, and if the Bank should indicate at any time that in its opinion the commercial and financial policies of the borrower are such as to impede the success of the projects financed by the Bank in any member country, or to increase unduly the total borrowing needs of member countries, or to jeopardize fulfillment of the borrower's or other member countries' obligations to the Bank, the borrower shall consult with the Bank concerning such policies and if necessary concerning possible corrective measures.

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