

March 18, 1948

Governor Szymczak

National Advisory Council

Mr. Knapp

meeting today.

I should like to give you the following comments on items 3 and 4 of today's National Advisory Council agenda (Mr. Dembitz is preparing a separate memorandum on items 1 and 2).

3. Extension of 16 million dollars of International Bank credits to Chile

Following negotiations which have lasted a year and a half, the International Bank is now getting ready to approve the financing of certain hydro-electric and agricultural machinery projects in Chile requiring a total of 16 million dollars. The Staff Committee recommends that the Council authorize consideration of these projects by the U.S. Executive Director in the Bank.

This matter was considered by the Council toward the end of 1946, but at that time the projects were not well enough developed, and there was doubt as to the outcome of certain Argentine-Chile negotiations involving credits and an exclusive trade arrangement. This Argentine-Chile arrangement has never been ratified, and seems at the present time to be a pretty dead issue. The proposed projects seem to be promising, and there is every desire on the part of the International Bank and on the part of this Government to grant some credits to Latin America at the present time (see following item). Since the annual service on the proposed credits would amount to less than one-half of one per cent of Chile's present foreign exchange receipts, the ability of Chile to make repayment on this loan seems reasonably assured.

Attached is a preliminary draft of the Staff Committee's paper on this subject. We have not yet received the final version.

4. Proposals for new inter-American financial institution

The Staff Committee recommends that the National Advisory Council instruct the U.S. Delegation to the Bogota Conference to "oppose any proposal to set up a new inter-American inter-governmental financial institution". This subject was covered in my recent memorandum regarding Latin American financing. The Staff Committee feels very strongly that despite the dissatisfaction of the Latin American countries with the International Fund and Bank, and despite their desires for some new special inter-American institutions, the United States could not join in sponsoring such institutions without seriously impairing the functions and usefulness of the International Fund and Bank.

Attachments 2

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