

CONFIDENTIAL

Mr. Martin

Special Meeting
Held at 11:00 o'clock A.M.,
Wednesday, October 13, 1948

BOARD OF DIRECTORS
EXPORT-IMPORT BANK OF WASHINGTON

Chairman

William McE. Martin, Jr.

Herbert E. Gaston
Vice Chairman
(absent)

Garrison Barton
(Representing the
Secretary of State)

Lynn U. Stanbaugh

Clarence E. Gauss

Secretary

Sidney Sherwood

Others Attending

J. Burke Knapp
Director, Office of Financial
and Development Policy,
State Department

Roswell H. Whitman
Associate Chief, Division
of Investment and Economic
Development, State Department

J. J. Stenger
Assistant Chief, Division of
Investment and Economic
Development, State Department

Hawthorne Argy
Executive Vice President

W. D. Whittmore
Vice President
and Treasurer

Walter C. Sauer
General Counsel

John D. Fitch
Chief, Engineering
Division

Edward A. Bacon
Chief, Private
Capital Participation
Division

CONFIDENTIAL

WAIVER OF NOTICE

Special Meeting of the Board of Directors

EXPORT-IMPORT BANK OF WASHINGTON

We, the undersigned Directors of the Export-Import Bank of Washington, do hereby consent to an immediate special meeting of the Board of Directors of Export-Import Bank to be held at the principal office of the Bank, Room 1100, 734 Fifteenth Street, N. W., Washington, D. C., at 11:00 o'clock A. M., this 19th day of October 1948, and we hereby waive all by-law requirements as to notice of time, place, and purposes of such meeting, and agree to the transaction thereof of any and all business pertaining to the affairs of the Bank.

S/ Wm. McC. Martin, Jr.
Wm. McC. Martin, Jr.
Chairman

S/ Garrison Norton
Garrison Norton
(Representing the
Secretary of State)

S/ Lynn U. Stambaugh
Lynn U. Stambaugh
Director

S/ C. E. Gaus
Clarence E. Gaus
Director

WAIVER OF NOTICE

Special Meeting of the Board of Directors

EXPORT-IMPORT BANK OF WASHINGTON

The undersigned does hereby waive notice of a Special Meeting of the Board of Directors of Export-Import Bank of Washington, held on the 15th day of October, 1948, at 11:00 A. M., at the principal office of the Bank, Room 1100, 734 Fifteenth Street, N. W., Washington, D. C., from which meeting the undersigned was absent.

Dated this 27th day of October, 1948.

S/ Herbert E. Gaston
Herbert E. Gaston
Vice Chairman

Pursuant to an oral notice given by the Secretary at the request of the Chairman, the Board of Directors convened in a Special Meeting on the 13th day of October, 1948, at 11:00 A. M., at the principal office of the Bank in Washington, D. C. Written waivers of notice signed by all of the Directors were ordered filed with the minutes.

* * * * *

Credit Application #162 - Provisional Government of Israel - \$100,000,000

Mr. Norton, alternate Member of the Board of Directors for the Secretary of State, read the following statement with respect to Israel:

"On June 2, 1948, the Provisional Government of Israel made a request for an Ecbank loan of \$100,000,000. This request was made during the first truce in Palestine, which was of only 30 days duration. The State of Israel had just been established, and its future seemed uncertain.

"Since that time a number of changes have taken place in the political, military, and economic situation of Israel.

"The second truce of indefinite duration was arranged and has now been in effect since July 18. While the UN observers have reported many violations of the truce on both sides, at present there is little reason to believe that the truce will not continue or be replaced by an armistice under the Bernadotte Plan. The Palestine problem is soon to come up for discussion in the General Assembly of the United Nations on the basis of Count Bernadotte's final report, which the Department believes constitutes a generally fair basis for the solution of the problem.

"In the meantime, the Provisional Government of Israel has taken the following steps:

- "a) it has taken firm hold of the machinery of government;
- "b) it has gained and in general maintained effective control of the territory under its occupation;
- "c) it has also consolidated its internal political position and appears successfully to be bringing under control

the dissident elements which previously threatened internal order and security;

- "d) it is making definite plans for elections for a Constituent Assembly, probably to be held in the latter part of this year.

"Attention is drawn to the following statement which appears in the conclusion to Count Bernadotte's final report to the United Nations 'A Jewish state called Israel exists in Palestine and there are no sound reasons for assuming that it will not continue to do so.'

"From a military standpoint, there is much less likelihood now than at the time the original request for the loan was made ~~that~~ the Arabs will undertake a large scale military attack against Israel.

"The prospects for economic viability and growth of the Israeli economy are favorably affected by the increased prospects for a lasting political settlement. In addition the improved political conditions may be expected to result in a decrease in the drain of military expenditures on the resources of the Government.

"In view of these changes in the situation of Israel the Department of State believes that the Export-Import Bank should give renewed consideration to loan applications from the Provisional Government of Israel. As an initial step in this direction, the Department suggests that the Bank invite the Provisional Government of Israel to submit new loan applications covering some selected specific projects for resettlement and economic development."

Mr. Norton also stated orally that it is the opinion of the Department of State that political stability exists in Israel in a degree sufficient to justify consideration of applications for financing specific projects.

Following a discussion of the foregoing statements, the Board agreed to examine further the present situation in Israel as it relates to possible credits from the Bank and to proceed with the study of applications from Israel for specific projects which come within the scope of the Bank's operations, if such applications are presented.

the dissident elements which previously threatened internal order and security;

- "d) it is making definite plans for elections for a Constituent Assembly, probably to be held in the latter part of this year.

"Attention is drawn to the following statement which appears in the conclusion to Count Bernadotte's final report to the United Nations 'A Jewish state called Israel exists in Palestine and there are no sound reasons for assuming that it will not continue to do so.'

"From a military standpoint, there is much less likelihood now than at the time the original request for the loan was made that the Arabs will undertake a large scale military attack against Israel.

"The prospects for economic viability and growth of the Israeli economy are favorably affected by the increased prospects for a lasting political settlement. In addition the improved political conditions may be expected to result in a decrease in the drain of military expenditures on the resources of the Government.

"In view of these changes in the situation of Israel the Department of State believes that the Export-Import Bank should give renewed consideration to loan applications from the Provisional Government of Israel. As an initial step in this direction, the Department suggests that the Bank invite the Provisional Government of Israel to submit new loan applications covering some selected specific projects for resettlement and economic development."

Mr. Norton also stated orally that it is the opinion of the Department of State that political stability exists in Israel in a degree sufficient to justify consideration of applications for financing specific projects.

Following a discussion of the foregoing statements, the Board agreed to examine further the present situation in Israel as it relates to possible credits from the Bank and to proceed with the study of applications from Israel for specific projects which come within the scope of the Bank's operations, if such applications are presented.

There being no further business to come before the Board, the meeting was adjourned.

S/ Wm. McF. Martin, Jr.
Chairman

Attest:

S/ Sidney Sherman
Secretary