

Mr. Martin

CONFIDENTIAL

Regular Meeting
Held at 10:30 o'clock A. M.
Wednesday, January 19, 1949

**BOARD OF DIRECTORS
EXPORT-IMPORT BANK OF WASHINGTON**

**Chairman
William McC. Martin, Jr.**

**Herbert E. Gaston
Vice Chairman**

**Willard L. Thorp
(Representing the
Secretary of State)**

Lynn U. Stambaugh

Clarence E. Gauss

**Secretary
Sidney Sherwood**

Others Attending

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 Arey
Executive Vice President
W. D. Whittemore
Vice President and Treasurer
Walter C. Sauer
General Counsel
Arthur M. Anderson
Special Assistant to the
Executive Vice President
Richard N. Johnson
Assistant Treasurer
Edward S. Conger
Assistant Secretary
John D. Fitch
Chief, Engineering Division
Edward A. Bacon
Chief, Private Capital
Participation Division
Albert J. Redway
Assistant Chief, Private Capital
Participation Division
Rifat Tirana
Economic Adviser on
Western Europe

Bernard R. Bell
Economic Adviser on
Latin America
Edward S. Lynch
Economist
R. Henry Rowntree
Economist
Ellery Denison
Examiner
Rodney W. French
Examiner
George H. Galloway
Examiner
James L. Riddel
Examiner
R. F. W. Whitcomb
Examiner
Josephine C. Patrelle
Assistant Examiner
Allan Briggs
Counsel
Robert G. Holbrook
Counsel
Edwin R. Kinnear
Engineer
F. Duncan Havens
Engineer
Lambert E. Jones
Head Accountant

The Secretary presented the minutes of the regular meeting held on January 12, 1949. The Chairman directed that these minutes be received for approval at the next meeting of the Board.

The Secretary presented the minutes of the regular meeting held on January 5, 1949. Upon motion duly made, seconded, and carried, the minutes of the meeting of January 5, 1949, were approved.

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Application #162 - Palestine - Provisional Government of Israel - \$100,000,000 - U. S. Equipment, Materials and Services for Agricultural, Manufacturing, Communications, Housing, and Public Works Projects

Mr. Thorp, alternate member of the Board of Directors for the Secretary of State, made the following statement with respect to Israel:

"At the Export-Import Bank Board Meeting on October 12, 1948 (sic), the Department stated its reasons for believing that the bank should give renewed consideration to the Israeli loan application.

"As a result of events since that time, Israel has gained effective control of most of the Negev and is in occupation of approximately all the territory granted to it under the November 29, 1947 resolution of the United Nations General Assembly. In addition, it occupies certain areas allotted to the Arabs by this resolution. Israeli military forces have successfully naturalized the Lebanese and Syrian forces. They have arranged effective 'cease-fires' with the Iraqi and Transjordanian forces. Israel is undertaking confidential armistice negotiations with Transjordan military authorities, looking toward an eventual peaceful settlement. It has held tentative discussions with the Lebanese authorities; the Governments of Israel and Egypt are now negotiating on the Island of Rhodes.

"In addition to the factors outlined in the statement of October 12, the following considerations have been noted:

1. In the fighting the Israeli forces have proved themselves substantially stronger than all of the combined forces of the Arab League.

2. A census has been taken and elections for a permanent government are scheduled to be held on January 25 when it is hoped that the moderate party, presently in control, will be returned to power.
3. At the same time, Israel's population is expanding rapidly through immigration. The Israeli Government has demonstrated that it intends to provide facilities for this increase in population.

"There is little likelihood that Israel can be defeated by any single Arab state or combination thereof. Israel appears to be sincerely desirous of entering into negotiations that would lead to peace and a final settlement of the Palestine situation. It is clear that a State of Israel exists and will continue to exist. This state has considerable possibilities as a factor contributing to the economic stability and prosperity of the Near East.

"In view of the foregoing considerations, it is recommended that the loan application of the Provisional Government of Israel be given favorable consideration."

Mr. Martin reported that the National Advisory Council had approved consideration by the Export-Import Bank of a credit of \$100,000,000 to the Provisional Government of Israel to finance specific projects in the fields of communications, transportation, manufacturing, agriculture, etc.

Mr. Gauss stated that he was unable to find sufficient evidence in the economic studies relating to the proposed credit to support the conclusion that there is reasonable assurance that Israel will be able to service a loan of \$100,000,000. He made it clear that he was not opposed to the Israeli program of resettlement of immigrants and economic development, but was of the opinion that American assistance for these purposes should take the form of a grant-in-aid by the Congress of the United States, and for these reasons desired to place on record his dissent to the proposed action.

Upon motion duly made, seconded, and carried, Mr. Gauss dissenting, the Board of Directors authorized a credit of \$35,000,000 to the State of

Israel to assist in financing the purchase in the United States of equipment, materials and services required for the execution of various agricultural projects, and thereupon adopted the following resolution:

(Resolution)

Upon motion duly made, seconded, and carried, Mr. Gauss dissenting, the Board of Directors earmarked the sum of \$65,000,000 to be available until December 31, 1949, for additional individual credits to the State of Israel to be established upon the terms provided in the foregoing resolution, to finance such specific projects in the fields of communications, transportation, manufacturing, housing and public works, etc., as may be approved by the Board of Directors upon presentation in appropriate form.

Credit No. 430 - Austria - Creditanstalt Bankverein and
Oesterreichische Laenderbank - Adjustment of Terms of
Principal Repayments

In order that a feasible procedure might be arranged for the collection of installments of principal repayments, the staff requested that the Board of Directors give consideration to a proposal from the borrowing banks which would eliminate the existing procedure under which principal payments become due as often as 18 to 20 times each month and substitute therefor quarterly principal payment dates. The proposed plan would involve a short deferment of the due dates originally contemplated for principal repayments but would avoid unnecessary labor and expense which would otherwise be incurred by this Bank and the borrowers.

By unanimous consent, the Board of Directors agreed to take action at this meeting, and upon motion duly made, seconded, and

carried, adopted the following resolutions:

(Resolution)

Credit No. 438 - Republic of Colombia (George P. Wagner Associates) -
\$1,478,609.44 - Request for Discounting of Certain Notes Totalling
\$500,000 Not Included in Original Commitment and Reduction of
Credit No. 442 to \$9,500,000

The staff committee submitted a request by the Ambassador of Colombia on behalf of his Government that the Export-Import Bank reduce to \$9,500,000 the line of credit established by the Bank in the amount of \$10,000,000 for the reconstruction of Bogota to enable the Bank to apply \$500,000 to the purchase of several promissory notes of the Colombian Government now in possession of the firm of George P. Wagner Associates to expedite completion and delivery of a seagoing dredge contracted by Colombia with George P. Wagner Associates. Approval of the Colombian Ambassador's request was recommended by the staff committee.

Upon motion duly made, seconded, and carried, the Board of Directors adopted the following two resolutions:

(Two Resolutions)

Request of the International Refugee Organization for Credit Assistance
in Obtaining Release of S.S. San Francisco from Libel

Mr. Stambaugh submitted a memorandum outlining a proposal by the International Refugee Organization that the Bank supplement a credit of \$400,000 by the Bank of America with a commitment which would enable the IRO to obtain a Surety Company supersedeas bond to release from libel a vessel known as the S.S. San Francisco, urgently required by IRO for the transportation of displaced persons from Europe to Australia.

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The vessel had been chartered to IRO by its owners, Republic Steamship Company, who had purchased it from Luckenbach Lines, using a portion of funds advanced to Republic by IRO against anticipated charter hire for the purchase and conversion of the vessel. Republic Steamship Company entered into a contract with Maryland Dry Dock Company for conversion of the vessel. Conversion has now been completed, the crew is on board, and provisions are ready so that the ship will be able to sail on short notice. However, a dispute arose between Republic and Maryland with regard to the cost of the conversion and claims for damages due to delays. Maryland immediately libeled the ship and litigation is now pending from this suit.

After an extended discussion, it was decided that the Board of Directors would take no action until additional information could be obtained from the International Refugee Organization regarding the importance of the S.S. San Francisco to the IRO program, IRO's ability to provide from its own resources the necessary funds to release the vessel from libel, the possibility of renegotiation of the charter, and a further investigation of the risks involved.

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There being no further business to come before the Board, upon motion duly made, seconded, and carried, the meeting was adjourned.

Chairman

Attest:

Secretary

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