

While, as usual in any attempt to reduce to writing matters of procedure, differences of opinion arose with respect to the wording of the Memorandum Agreement, we believe there is no difference between us on the fundamental principles applicable to the relationship of ECA and Export-Import Bank under the ECA Act.

At least on our part we have been clear from the outset of the legislation that the entire ECA program, including grants and loans, would have to be under the control and direction of one entity. We so argued before the Congressional Committees and hearings on the legislation and I can assure you that at times the Bank was under some pressure from certain quarters to abandon this position for one which would have been more advantageous to the Bank in that it involved voting the Bank funds apart from the Administrator and under procedures which the Bank would have been autonomous under ECA as it is under its own legislation.

We are the last to deny, therefore, that it is true that the Administrator must determine that credits, from all aspects, must be found to fit into the over-all program both as to the nature of the projects to be financed and the materials to be purchased for the purposes of the projects.

Thus, we have always been prepared and are prepared to carry on our lending functions in ERP countries under our Act in complete cooperation with the ECA program.

From the outset of the discussions on ERP the Bank realized that its functions under its existing legislation had to be harmonized with those of the Administrator under ECA. The Bank took such position at early meetings in the NAC and other bodies discussing the program.

All this, however, is not inconsistent with the theory which dictated the <sup>meaning</sup> ~~action~~ of the Bank as the agency for establishing credits under the Act. The

theory upon which the executive and legislation branches of the Government proceeded in providing that the Bank should extend the credits under the Act was the simple one of good Government administration. It was recognized that all considerations call for but one lending agency of the Government engaged in making foreign loans. Since the Bank was already in existence and will continue to engage in foreign lending under its charter, it seemed most inadvisable to create another agency performing like functions. Moreover, it cannot be denied that the experience of the Bank over the years in the foreign lending field could be utilized.

In short, we believe that the problem was and still is to utilize the Bank within the framework of an over-all unified program.

The Memorandum Agreement achieves this on paper. Again, as in the case of all agreements, the test will lie in the manner in which the agreement is carried out in practice. On our part we assure you that we will unbend every effort to achieve what we all desire -- a unified effort in which ECA controls and in which Eximbank carries out its mandate in an efficient and businesslike manner.

I might take this opportunity to raise the question of the matter of guaranties provided for under the Act. At one time it was believed that the legislation should expressly provide that the Bank should act as the agent for the guaranties in a like manner as it does for the credits. We at the Bank were opposed to this because at that time the provision with respect to guaranties had not been crystallized and we feared that the ultimate outcome might be something which would not fit into the activities of the Bank. Now that the Act does provide for exchange guaranties only, we think the nature of the guaranties is directly related to the general activities of the Bank. Indeed

we have been engaged in similar activities over the years. Accordingly, if the Administrator believes that we could perform a function in the matter we would be prepared to act as agent for the issuance of the guaranties. In our opinion it would have many advantages both from the standpoint of the Administrator and the beneficiary of the guaranties. We feel that a relationship could be worked out between us whereby the Administrator controlled and directed the issuance of the guaranties and that our function was reduced solely to an agency one of issuing the guaranties in the name of the Bank. Presumably the Bank will be in existence during the entire 14 years during which guaranties may run whereas there may not be a need for the Administrator during that entire period. I have reason to know that there is agitation from some quarters for the Administrator to take advantage of the provision in the ECA Act to create a corporation to issue the guaranties. We think we can demonstrate that the Bank could do everything a corporation created special for the purpose could do. The problem again reduces itself to the simple one of good Government administration and avoiding duplicity of functions in Government.