

SECRET

February 13, 1946

MEMORANDUM

Re: Various Countries

The following economic items have been culled from yesterday's reading of the SECRET Daily Summary issued by Mr. Clayton's office. The Summary is marked "Secret" and is not allowed to circulate outside the State Department, though some of the items are not, and do not remain, of a confidential nature.

FRANCE

The State Department has drawn up a tentative draft agenda of discussions with the French and has sent it to Paris for the purpose of enabling Caffery to discuss the various matters with Gouin, Bidault and Philip. The following background information and considerations have been outlined for Caffery for purposes of his discussions with the French:

- (1) An approach to the U.S. Government along lines of the British loan is excluded;
- (2) There has been no change in U.S. views regarding French credit needs as a result of the recent change in The French Government;
- (3) Principal reliance for reconstruction loans is to be placed on the International Bank;
- (4) Pending the organization of the International Bank, France will have available the proceeds of the last Eximbank take-out credit of \$550 million;
- (5) U.S. willing to explore the need for another Eximbank credit for the interim period. Present indications are that a sum up to \$500 million might be available; and,
- (6) The U.S. wants a discussion and settlement of payments for "Plan A" supplies and North African supplies.

In a special cable Caffery stresses the deterioration in the political situation in France in recent weeks. He expresses the belief that the 1946 import program, together with other obligations and commitments, would strip France of her present gold and dollar assets by the end of 1946, while exports to the U.S. are unlikely to increase

sufficiently to yield substantial dollar proceeds. Caffery agrees that a loan to France is definitely to our national interests and should be weighed in terms of its political importance. He states that "to refuse it or to chop it down to an unimportant sum...will pull out one of the last props of substance and of hope to those in France who want to see France remain an independent and democratic country". Caffery, however, favors a realistic and comprehensive settlement of impending business with France in return for any further dollar credits.

In a message to Bidault, Byrnes requested the French to reconsider their position on the establishment of central economic agencies in Germany. In conveying the message, James Dunn stressed the importance of French cooperation with the U.S. in this matter, and mentioned, in passing, the possible connection of such cooperation with the forthcoming financial discussions in Washington. In a conversation with Mr. Blum, Caffery raised the same issue, and the latter promised to have a reply before leaving for Washington.

In an informal conversation with Caffery, Mr. Blum asked whether it would be agreeable to this Government for a French Technical Delegation (the Embassy believes that the delegation will be headed by Monnet who may be accompanied by Monick, Governor of the Bank of France) to start loan and other negotiations in Washington around March 1st. Blum plans to arrive around February 22d. Caffery feels that Blum's visit presents an opportune occasion for the U.S. to impress on him American ideas on international economic and financial cooperation, and to take up other related subjects, such as Germany.

General Koeltz of the Coordinating Committee of the ACC has tentatively raised the question of the annexation of the Saar by France in a discussion on the treatment of steel plants for purposes of reparation removals. The British member agreed to study the proposal, while the Russian member said that the treatment of Germany as an economic unit had been decided at Potsdam. General Clay asserted that he could not discuss the proposal without instructions from Washington. In a special cable to the War and State Departments, Clay expressed the opinion that the question must be resolved at the highest governmental levels and that no progress could be made on reparations until this problem has been so settled.

France has concluded a trade agreement with Finland for one year. Finland will export woodpulp, prefabricated houses, hides and skins and matches. France will send to Finland potash, phosphates, chemicals, pharmaceuticals, wines, aluminum, mechanical and electrical machinery and films. No values or quantities on the goods to be exchanged have been disclosed. There are also accompanying payments agreements, the details of which have also not been disclosed.

CHINA

General Marshall has informed the State Department that he is in favor of the postponement of war settlement negotiations with China. State has advised him that such negotiations should begin as soon as practicable, possibly at the end of February, and that further credit arrangements for the Chinese should await developments on these negotiations.

General Marshall has been asked for comments on the political reactions to a scaling down by the NAC of a Chinese Eximbank credit from \$500 to \$300 million, especially when Marshall undertook the Mission the Chinese anticipated a \$500 million credit.

BELGIUM

Following the resumption of private trading in November, licenses to Belgium importers of U.S. products have been more or less consistently refused. In such refusals, Belgium officials have frequently resorted to invalid reasons such as statements to the effect that the importer must first obtain a U.S. export license. The situation continues to be unsatisfactory in view of the preference of Belgian officials to grant licenses to countries whose currencies are more abundant than dollars.

The Belgian-Congo has dropped the import control system.

GREECE

The Greek Government has issued a statement on the outcome of the loan negotiations in London. It reveals the country's exchange position as consisting of exchange assets of £63 million pounds sterling, including the £10 million recently granted by Britain. The statement also asserts that necessary import supplies for Greece have been assured for the next one and one-half years, after which the International Bank will be in a position to finance long-term Greek reconstruction. The principal object of the Greek Government is declared to be the preparation of the Budget and measures to balance it.

ITALY

Italy concluded a trade and financial agreement with France on February 9th for the exchange of phosphates and iron scrap against Italian silk and vegetables. The financial agreement covers all payments and provides that debit balances on reciprocal account may not exceed 400 million francs.

The Italian Government is reported ready to request the U.S., U.K., and France to support Italy's application for admission to membership in the International Bank and Fund.

POLAND

Coal car loadings have increased from 4,000 in the beginning of November to 5,000 in January. Coal position remains unsatisfactory, owing to lack of rolling stock.

FINLAND

The Government has appointed a committee for the study of the nationalization of certain branches of the economy and for an increase in the national control of the economy by other measures.

U.S.S.R.

Since no reply has yet been received to two similar requests, the USSR has been approached again on the subject of the Lend-Lease and surplus property settlements, and it has been requested that it be prepared to begin negotiations by April 8th.



Rifat Tirana

cc: Mr. Martin ✓
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