

EXPORT-IMPORT BANK OF WASHINGTON  
WASHINGTON 25

CABLE ADDRESS  
"EXIMBANK"

October 21, 1947

MEMORANDUM FOR THE SECRETARY OF THE TREASURY

In compliance with your request, the Board of Directors of the Export-Import Bank has given consideration to the ways and means by which the Bank may take part in supplying urgent financial aid to France and Italy for the purchase of fuels and other essential industrial raw materials during the period October 1, 1947 to March 31, 1948. The following are the conclusions of the Board:

FRANCE

The Bank cannot make any additional unsecured loans to France at this time. Such loans would be contrary to the admonition with regard to reasonable assurance of repayment contained in the Export-Import Bank Act. Therefore, it has been necessary to explore possibilities of secured loans.

It appears that there are French assets which could be utilized as security, either immediately or in the short term future. These consist of the following:

Looted gold to be restored to France in the amount of \$104,000,000.

Declared dollar assets of French nationals of an estimated aggregate value of \$85,000,000, of which it has been estimated that approximately \$65,000,000 can be liquidated in an orderly manner within a period of six months.

Undeclared dollar assets of French nationals of an estimated aggregate value of \$150,000,000 to \$200,000,000.

The Export-Import Bank is disposed to make an early loan to the French Government secured by the gold and declared assets to an amount equaling the value of the gold plus a high percentage of the sound value of the declared assets as determined by a prompt reappraisal. If such a reappraisal should verify existing estimates, the total of this credit could be approximately \$170,000,000.

The French Government would be required to pledge the gold and all of the declared assets and to enact legislation to make the pledge valid. This loan would be for a short term, not to exceed two years. France would have the privilege of prepayment to enable her to take advantage of any more desirable terms that may be available upon the gold security and she would also agree to liquidate the declared assets progressively and in an orderly manner during the term of the loan and to apply the proceeds to reducing the loan.

The undeclared assets of French nationals are at present not available as security. However, in recognition of the extent and urgency of the needs of France, the Export-Import Bank is willing to extend further credits upon these assets as rapidly as they are made available and can be legally pledged. These credits would be on terms similar to those applying to the loans upon the gold and the declared assets and would be limited in amount by the determined sound value of the assets made available.

The Board assumes that such cooperation would be extended by other

agencies of the United States Government as may be necessary and possible to ~~enable~~ France to make effective pledges of both the declared and the undeclared assets.

These three groups of assets should be sufficient to bring the aggregate of the proposed credits up to \$300,000,000. Credits in this amount, together with the diversion recently agreed to by the Board of some \$90,000,000 from the existing loan, should be adequate to cover French requirements for purchases of coal, petroleum, and lubricants during the period under consideration.

#### ITALY

Under the credit of \$100,000,000 earmarked in January, 1947, the Board of Directors has already approved credits aggregating \$61,000,000. It will have for consideration in the next two weeks two additional groups of credits amounting to \$37,000,000, making a total of some \$98,000,000.

The purchases to be effected under the approved credits and those under consideration are in major part for commodities needed by the Italian economy in the near future, with coal, petroleum and lubricants accounting for a large part. Under these conditions, the Board of Directors believes that further credits to Italy for these purposes are not warranted at this time.

However, the Board of Directors is prepared to consider some further credits to Italy for cotton and perhaps for other essential industrial raw materials for the purpose of reactivating or sustaining segments of Italian industry which have recognized export markets, upon disclosure by the Italians of their stocks in hand and a demonstration of their needs as well as requisite

showing of reasonable assurance of repayment through export of finished products to foreign markets.

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HERBERT E. GASTON  
Acting Chairman

October 21, 1947