THE EXPORT-IMPORT BANK OF WASHINGTON

ITS ORIGINS, OPERATIONS AND RELATIONSHIPS

WITH OTHER GOVERNMENTAL AGENCIES

1934 - 1950

by

SIDNEY A. TRUNDLE, JR.
MANUFACTURERS TRUST COMPANY
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CONTENTS

TABLES

APPENDICES

CHAPTER I

INTRODUCTION

The Export-Import Bank of Washington may perhaps be best described as the offspring resulting from a marriage of convenience; on the one hand from a desire to assist the foreign traders of the United States at a time when the foreign business of the country was at low ebb, and on the other from a desire to have an institution available which could finance the expected trade with the U.S.S.R. which had just been recognized by the American Government.

In the following chapters the operations of the Bank have been described in some detail with particular attention shown to the Export-Import Bank Act of 1945 and the functioning of the Bank under that Act. The Bank's operations have been described with a minimum of historical background even though the world events which occurred during its over fifteen years of existence have had a profound effect upon its size, policies and operations. It is the purpose of this introduction to furnish the panorama against which the Bank can be appraised, its influences evaluated.

Much is heard today of the dollar gap - export surpluses and the necessity of narrowing the margin between exports and imports. It has not always been so. In the infancy of our republic and even until after the Civil War our imports exceeded our exports in almost every year. While our country exported some manufactures and raw materials, most of its resources were used in its own growth, and heavy reliance was placed upon imports from the old world. These import surpluses were financed partly by our exports but principally by the private investments of the Dutch, English, French and German investors which poured into our expanding industries and into the development of our natural resources. From 1870 until 1913 our export surplus grew steadily and in the later year amounted to over 600 million dollars.

In 1914 the First World War began and soon the countries of Europe looked to the west for their supplies and by 1915 the export surplus rose to over one billion dollars. This huge surplus was financed by the liquidation of foreign holdings of American assets and the floating of large loans in the private investment market by the British and French Governments. In 1917 the United States entered the war and extended large loans to its Allies; meanwhile, the export surplus was still increasing and by 1919 had reached a figure of 4.5 billion dollars. The United States which, when the war began in 1914, was a net debtor of 3.7 billion dollars found itself at the end of 1919 in the status of a net creditor of the same amount; in five years it had gained investments of 7.4 billion dollars.[1]

Late in 1918 the war came to an end and, with the end, came a brief but severe inflationary boom caused by the sudden dropping of wartime con-

[1] "Historical Statistics of the United States 1789-1945." United States Bureau of the Census, (Washington, D.C.1949), p. 243, Series M 42-55.

trols. The boom was accentuated by a large volume of deferred capital expenditures, replenishment of inventories, high consumer purchasing power and the vast needs of a war torn Europe. Then in 1920 came the merchandise panic. Imports fell rapidly, followed by a swift fall in exports which was aggravated by the abrupt termination of the United States loans to its Allies. Concurrent with these changes was a steep decline in prices throughout the world.

The depression was sharp but brief and by 1922 industrial production in the United States was above the 1920 levels although the price structure was much lower than that which had prevailed in the immediate post war period. With improved business in the United States imports began to rise in late 1921 and exports soon followed suit. The period 1922-1929 was marked with the world-wide economic expansion and rising incomes. The supply of dollars expanded with the increase in imports, large tourist expenditures and service remittances. During this period there existed a high level of foreign loans and other investments abroad. These sources provided sufficient funds to finance exports of 4 to 5 billion dollars per year and take care of debt service and war loan payments. The United States had become a lending country and readily satisfied the foreign demands for American goods and capital. Unfortunately, the United States was inexperienced in large scale foreign lending and much of the loans went for expenditures which were not productive and wasteful. The boom lasted until late in 1929 when there was a drop in industrial production and a sharp break in the stock market. Imports dropped, foreign loans dwindled and raw material prices collapsed and the finishing touch was the upping of the tariffs in 1930. Exports had reached a peak in late 1928 and quickly followed imports down. The economic life of the United States was severely affected. Business was prostrate and the depression was long and punishing. Unemployment jumped from 429,000 in 1929 to 11,842,000 in 1933.[2]

The curtailment in the supply of dollars available to the world caused by our reduced imports which dropped from 4.7 billion dollars in 1929 to 1.7 billion dollars in 1933 and the cessation of investment activity called for tremendous readjustments throughout the world. During the four years 1926-1929 the dollar supply had been between 7.3 billion dollars and 7.5 billion dollars annually and foreign incomes and spending as well as the international debt structure had been adjusted to that level. In the next three years 1930-1932 the dollar supply dropped 5 billion dollars or 68% which made necessary vast changes in the foreign use of dollars and in the foreign economic systems themselves. The problem was aggravated by the burden of fixed obligations including war debt payments due the United States of about 900 million dollars per year. To fight and offset the worldwide deflation, foreign countries took immediate and drastic steps. Gold standards were abandoned, currencies were depreciated in terms of the dollar. Defaults occurred in war debts both as to principal and interest. General tariff increases were made to curtail total imports and to promote domestic production. Preferential tariffs and commercial arrangements were executed between countries to foster mutual trade and to divert trade from other sources of supply. Direct trade and exchange controls were established through quotas and licenses to force trade into selected channels and to restrict the use of foreign exchange to the available supply. This recovery from the depression abroad was gained on national and bilateral lines which was of small assistance to the United States economy.

[2] United States Bureau of the Census, Historical, etc., op. cit. p. 65, Series D 62-76.

Some of the European countries such as Great Britain and Germany, in order to obtain foreign exchange and build up their exports, subsidized their exporters and provided credit insurance. This put the American exporter at a disadvantage in the world market, particularly in this period, and agitation mounted for a Government institution in the United States which would provide similar facilities. Meanwhile, with the advent of the Roosevelt Democratic Administration in 1933, consideration was given to the recognition of the U.S.S.R., which could use, it was felt, huge quantities of our surplus agricultural and industrial products. Recognition was finally granted but credits were not granted, due to the feeling of the American people on the subject of the repudiation of the Czarist obligations outstanding in this country. In 1934, the Johnson Act was passed which precluded loans and credits to countries in default of their war debts and which, therefore, closed the door on many countries.

In 1932-1933, with the revival of business in foreign countries, world economic activity began to move upward and after the revaluation of the dollar in January 1934, there began a heavy movement of capital into the United States with an attendant inflow of gold. Thus in the six years 1934-1939 some 6 billion dollars of foreign capital came into the country and net gold imports were almost 10 billion dollars. Large portions of these funds went into bank balances or stock market issues and not into the productive system. In the middle and late 30's the United States seemed the most secure place in the world as Europe was wracked with political crises and the upward surge of nationalism and totalitarianism.[3]

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[3] "The United States in the World Economy" Economic Series #23 United States Department of Commerce, (Washington, D.C. 1943), p. 2 ff.

The foreign trade of the United States continued to run in low figures and exports by 1940 had risen to only 4 billion dollars. An import surplus was carried running from 742 million dollars in 1934 to 3.4 billion in 1940 which was mostly accounted for by the influx of gold. There was a slight recession in 1937-1938, but the pressure of the arms boom that started soon after, coupled with the corrective measures taken by the United States Government, cut short the downward trend. In 1939, the European War was near and Japan was engaged in the invasion of China. 1940 found World War II in full swing and for the next six years conflicts covered the globe.

The war period, for convenience, may be divided into three periods. First, 1940-1941 marked the transition from "cash and carry" neutrality into the development of the United States as the "Arsenal of Democracy". While the Lend Lease Act had been approved in March 1941, lend-lease transfers did not assume large proportions until the last six months of the year. During the "cash and carry" stage dollars needed to pay for rapidly rising exports and advance payments for material and financial assistance for American manufacturers of munitions were obtained; first, by liquidation of foreign assets in this country; second, sales of gold; third, some advance payment and loans by the United States Government.

The second period covers the period of actual United States participation in the War 1942-1944 and the first six months of 1945. Exports continued to climb and lend-lease assistance kept pace. Actually exports for which we received payments during this period were smaller than our imports, so that foreign countries either increased their dollar balances or purchased gold. Exports totalled 4 billion dollars in 1940; 5.1 billion dollars in 1941; 8 billion dollars in 1942; 12.9 billion dollars in

1943; 15.2 billion dollars in 1944 and 9.8 billion dollars in 1945.

The third period covered the last half of 1945 and the transition from war to post-war. During this period exports and imports declined and lend-lease was replaced to a degree by U.N.R.R.A. and loans in which the Export-Import Bank took a part. Because of limitations on our domestic production and exports of civilian goods, some foreign countries continued to build dollar balances and buy gold. During the war lend-lease had amounted to almost 50 billion dollars. Thus it will be seen that with a limit of 700 million dollars in the war years, the Export-Import Bank played a very modest role.

In 1945 with the new Export-Import Bank Act, the Bank was given an important assignment, namely, to fill the gap between the curtailment of lend-lease and the activation of the International Bank. In all, the United States Government in the last half of 1945 arranged through lend-lease credits, the Export-Import Bank, the Anglo-American loan, and its subscription to the International Bank, for credits of 13 billion dollars.[4]

The countries of Europe and Asia were in urgent need of foreign assistance for the reconstruction of their economies. In some countries there had been widespread physical damage so that industrial and transportation equipment would have to be replaced in order to bring production up to prewar levels. Shortages existed in foodstuffs and raw materials. Normal channels of trade had been disrupted and the financing of current requirements was difficult due to the insistence of sellers for dollars or other hard currencies. Europe, traditionally, had been the supplier to

[4] "International Transactions of the United States" Economic Series #65 United States Department of Commerce, (Washington, D.C. 1948), p. 2ff.

large areas of manufactured goods and the principal purchaser of raw materials. As the economies of the European countries were dependent in large measure upon their international trade, the difficulties of carrying on normal trade was a problem of great importance. In their attempt to cope with the problem the European countries made bilateral trade and payment agreements which tended to restrict and limit trade.

The post-war situation tended to increase the balance of payment difficulties of many countries with the United States. The U.S. had for many years been selling more to Europe than it had bought there and bought more from Asia than it exported there. The European countries, on the other hand, imported more from the U.S. then they had sold there and part of this deficit had been covered by sales to other parts of the world for dollars. Other dollars had been supplied by tourism, remittances and services, such as shipping. To a lesser degree American investments abroad had financed the deficit.

In the post-war period the current account deficit of foreign countries with the U.S. increased enormously. In 1946, the U.S. supplied 15,300 millions of dollars in goods and services to other countries and received only 7100 millions of dollars in goods and services from them, resulting in a surplus of 8200 millions of dollars. In 1947, our surplus reached 11,300 millions of dollars with total exports of 19,600 millions. This situation was the result of the favorable economic position in which the U.S. found itself at the end of the War and the distress caused by the War in other areas. Our productive capacity had expanded, a high level of employment raised production and the national income of the U.S. rose to new high levels. In the period July 1, 1945 - December 31, 1947 foreign countries received 41,600 millions of dollars of goods and services from the U.S. They paid for this by exports to the U.S. of goods and services to the total of 19,200 millions of dollars. They used gold and dollar reserves amounting to 5,300 millions of dollars. U.S. foreign aid programs provided 14,600 millions of dollars and the balance of 2500 millions came principally from changes in investments and remittances. The European countries alone had lost reserves of 2800 millions, more than 25% of their total holdings. The consequences of this decline in gold and dollar balances was that most countries in 1948 had inadequate resources in gold and foreign exchange to maintain working balances in foreign exchange and gold or foreign exchange reserves for their note issues.

A net total 18,200 millions of dollars of U.S. assistance was made available during the period July 1, 1945 - December 31, 1947 on an average rate of 500 millions per month. December 31, 1947 found only 3600 millions of dollars unutilized. It was evident that the funds would be exhausted in 1948 and some countries had already exhausted the aid allocated to them.

During the first phase of U.S. post-war assistance extending from July 1, 1945 to June 30, 1946 most of the assistance was in the form of grants, including UNRRA, and military-civilian supplies for "disease and unrest" programs. In the second phase July 1, 1946 - March 31, 1948 the bulk of the assistance was in the form of loans and property credits; these included the British loan, Export-Import Bank loans and property credits extended by the Office of Foreign Liquidation. Up to December 31, 1947 slightly more than half of all aid was in the form of loans and property credits, the rest in the form of grants.

In early 1948 it became evident that unless the U.S. continued foreign assistance on a large scale there would be a serious setback in the recovery of European countries. Concurrent with this had been a worsening in East-

West relations and the cold war was on in earnest.

In a special message to the Congress in December 1947 the President requested authorization of a program of assistance to Europe and to China. The European recovery program for the period April 1, 1948 to June 30, 1952 was expected to require 17 billions of dollars. The President recommended an appropriation of 6,800 millions for the initial period of 15 months. The Foreign Assistance Act approved April 3, 1948 authorized appropriations of 4300 millions and debt transactions of 1 billion for the European recovery program for the period June 30, 1948 - June 30, 1949. Interim aid was appropriated in the amount of 522 millions for France, Italy and Austria.

In 1948 exports declined to 16,891 millions while imports increased to 10,481 millions. These changes were the result of continued progress of recovery and production in foreign countries which enabled them to supply a larger portion of their own needs and to increase their exports to the U.S. Also there was an increasing difficulty experienced by foreign countries in making dollar payments.[5]

In 1949 exports declined further to 15,914 millions of dollars and imports dropped to 9,831 millions. The deficit of 6100 millions was offset principally by U.S. aid of 5,741 millions.

During the year devaluation was effected in a number of currencies, including the British. The effects of this devaluation have not yet become clear cut.[6] There will be some effects as the devaluing countries in 1948 accounted for 62% of our exports and 51% of our imports.

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[5]"The Balance of International Payments, 1946-48" United States Department of Commerce, (Washington, D.C. 1950), p. 1ff.

[6]"International Transactions in the Fourth Quarter", Survey of Current Business (March 1950), United States Department of Commerce, Vol. 30 #3 p. 4f.

Despite its extent our exports have not been an abnormally large drain on our resources; only in 1947 did the value of our exports exceed 5% of our gross national product. In the other post-war years the proportion ranged between 4.6% - 5.1%.

While since the war imports have run at high levels both in value and volume, as a proportion to gross national product they have run smaller than in the 20's, when the ratio was always over 4%. In the post-war period they have always been under 3%.[7]

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[7] "United States Foreign Trade Since the War", Monthly Review of Credit and Business Conditions. Federal Reserve Bank of New York, (Nov. 1949). Vol. 31 #11 p. 126ff.

CHAPTER II

HISTORICAL BACKGROUND

The Reconstruction Finance Corporation

The RFC was created a body corporate by the Act of January 22, 1932 (47 Stat 5; 15 USC 601).

The Corporation was formed to assist in providing emergency financial facilities to distressed banks and other financial institutions and to aid in financing agriculture, commerce, industry and the railroads.[8]

Immediately upon its formation agitation developed among the foreign trade groups to use the facilities of the new corporation to regain the foreign trade of the United States.

The economic collapse in the United States in 1929 deflated trade throughout the World. As a result from 65 Billion in 1929 it had dropped to 26 Billion in 1932. Our own exports declined from 5 Billion dollars in

[8] "Reference Manual of Government Corporations, General Accounting Office, as of June 30, 1945." Senate Document #86 79th Congress 1st Session, United States Government Printing Office, Washington, D.C. 1945, pp. 200-201.

1928 to 1.3 Billion dollars in 1932.[9] As a result of this contraction, trade barriers were set up and exchange restrictions were inaugurated and collections slowed. Thus, on February 2, 1932 the American Manufacturers Foreign Credit Exchange held a meeting calling on the Government to regain its export trade and to assist foreign buyers to get dollar credits and to assist foreign purchasers to retire slow collections.[10]

Within a week Senator Duncan Fletcher of Florida outlined four points in the "new" RFC which would assist exporters.

1. Would finance export accounts up to 12 months maturity.
2. Covered only new shipments.
3. Acceptance credits must be covered by domestic American Collateral.
4. RFC would handle all drafts on foreign customers and will assist in exchange problems.[11]

This announcement provoked much discussion on what would be required as collateral coverage. Small businesses had little in the way of collateral to offer. Unofficial sources said that mortgages on factories, liens on machinery and inventory and slow accounts would be acceptable. But after two years of depression there was little unencumbered assets outside of bank balances.[12]

And so the matter rested, at least publicly, until October 14, 1932 when announcement was made of the creation of a division in RFC to adminis-

[9] Snider, Joseph L., "Looking Ahead", Harvard Business Review (January 1949) Vol. XXVI No. 1 p. 8.

[10] The New York Times (January 2, 1932), Vol. LXXXI.

[11] The New York Times (February 7, 1932), Vol. LXXXI.

[12] The New York Times (February 14, 1932), Vol. LXXXI.

ter the section of the law pertaining to loans to exporters in order to finance the sale of surplus agricultural crops in foreign markets. It was held that extensive shipments could be made to Europe, South America and the Orient if funds were available to allow exporters to extend satisfactory credit terms. Tobacco, grains, lard and cotton were to be the chief products involved.[13]

The export community, however, was not content with this action alone and a Joint Committee on Foreign Exchange Relations on December 4, 1932 urged a Five Point Program to remove exchange barriers -- unfreeze frozen assets of American companies abroad and the financing of new exports. It was claimed that the prevailing extreme economic distress was due to the paralysis of foreign commerce.

It was proposed to:

1. Appoint a committee to study the entire question.
2. Establish credits and advances against frozen assets.
3. Create exchange to finance new exports (by barter) and to use funds now tied up.
4. To get the U. S. Government to use diplomatic pressure upon foreign governments to lift exchange restriction.
5. The Government establish a department to study Foreign Government Institutions for facilitating foreign trade.[14]

Meanwhile there had been no loans by the RFC under the aid to exporters provision. Exporters scored this negative attitude as a result of which they said that foreign sales had continued to shrink. It was announced that the American Foreign Credit Underwriters Inc. had discontinued

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[13] The New York Times (October 14, 1932), Vol. XXXII.

[14] The New York Times (December 4, 1932), Vol. LXXXII.

credit insurance on exports. It was also announced that the matter had been given much study and it had been concluded that the U. S. Government must negotiate modification of exchange regulations in Latin America and other countries and that financial assistance beyond existing facilities of commercial banking must be made available to exporters.

Another 5 point recommendation was made:

1. Liberalize foreign trade acceptance facilities.
2. Have Congress authorize the RFC to accept all forms of current foreign trade receivables as security for advances.
3. Create Government insurance similar to that in some European countries which guarantees up to 60% without recourse to the exporter.
4. Establishment of arrangements to give intermediate or long term credits.[15]

It was also urged that an Export Finance Corporation with 3.5 billion dollar capital be formed by big business under Government leadership to discount for American farmers and manufacturers at low rates of interest their own notes, secured by the accounts receivable of foreign customers. The suggested terms to the foreign customers to be up to 24 months.[16]

The National Foreign Trade Council sought an amendment to the RFC Law to authorize the guarantee, without recourse, up to 75% of bills of exchange drawn against exports. It pointed out that England, France, Germany and other countries had given such guarantees for several years without serious loss. It held that its adoption by the U. S. Government would be analogous to the functions of the War Risk Insurance Corporation. Export credit guarantees were established by the British Government in

[15] The New York Times (January 8, 1933), Vol. LXXXII

[16] The New York Times (January 10, 1933), Vol. LXXXII

1926. By 1932 it had grown to the coverage of Ŀ15 million (60% of Ŀ24 million shipments).

As it was then set up, the RFC, it was claimed, covered only agriculture and there was no logical reasons for discrimination against manufactured products.[17]

On March 4, 1933 F. D. Roosevelt was inaugurated as President and on April 28 following Fred E. Kent the Presidential Advisor said that the fostering of foreign trade would be a first task of President Roosevelt. He said the chaos had been caused by economic nationalism.[18]

On May 14, 1933 it was reported that a responsible official had said that we should increase our exports to the non-manufacturing countries by guaranteeing up to 50% but the Government rates should include a reserve for losses.[19]

With the anticipated recognition of the U.S.S.R. had come much discussion as to its inclusion in our export trade and work was begun on U.S. -- Soviet trade agreements. However, this work received a set back in June 1933 with the announcement of a loan of 50 million dollars to China for wheat, guaranteed as to repayment by certain taxes. Proponents for Russian trade held that the Soviet was entitled to several times the 50 million dollars and was in a better position to repay. It was cited that they were in need of heavy machinery, road building equipment and railroad equipment. A barter plan had been suggested but ruled out

[17] The New York Times (January 15, 1933), Vol. LXXXII.

[18] The New York Times (January 28, 1933), Vol. LXXXII.

[19] The New York Times (May 14, 1933), Vol. LXXXII.

because of the difficulties of organization and administration.[20]

On June 14, 1933 it was announced that Amtorg sought a loan from the RFC to purchase 3 million bales of cotton and agricultural machinery. Before the loan could be made the approval of the White House and the State Department had to be obtained and there was a question as to what collateral Amtorg would put up.[21]

On July 3, 1933 it was announced that a loan of 4 million dollars to finance the export of cotton to Russia was approved. This was the first since the World War (I). The terms were 30% cash. Remainder for one year at 5% secured by notes of the Amtorg Trading Co. and unconditionally guaranteed by the State Bank of the U.S.S.R.

It was also stated that metals and machinery were also sought but the RFC could only finance commodities.[22] Sellers of the cotton agreed to guarantee 25% of repayment. Jesse Jones, RFC Chairman, emphasized it was not a loan to the Soviets. Much criticism was heard from some Senators because the Soviets had repudiated all Czarists debts.[23]

On September 16, 1933 the RFC announced that Amtorg sought a credit of 50 to 75 million dollars but wanted lower rates, longer terms and less cash payment. It was doubtful that the RFC could handle because of legal snags.[24] It was also disclosed that in a pending cotton financing to the Russians of 18 million dollars over 3 years, a provision would be made

[20] The New York Times (June 11, 1933), Vol. LXXXII.

[21] The New York Times (June 11, 1933), Vol. LXXXII.

[22] The New York Times (July 3, 1933), Vol. LXXXII.

[23] The New York Times (July 4, 1933), Vol. LXXXII.

[24] The New York Times (September 16, 1933), Vol. LXXXII.

prohibiting resales; also, the permission of the United States Government would be required before Russian cotton could be sold on the World market.[25]

Proposed Russian Trade Bank

The matter of Russian trade continued to be explored and it was revealed in December 1933 that the establishment of a 200 million dollar institution for the discounting of Russian trade acceptances was being considered, by the RFC and other Government agencies concerned, as one of several proposed plans to facilitate financing of American exports to Russia. The discount bank that was to be set up under the plan was to be financed by the RFC which was to supply 100 million dollars and 100 million dollars was to come from American exporters seeking participation in the Russian market and by the Russian Government.

As a beginning it was proposed that the Bank be equipped with a 2 million dollar capital, to be increased to 10 million dollars eventually by payments of exporters of 5% of the face amount of business done with Russia.

In addition to its permanent capitalization of 10 million dollars the Bank was to have a revolving fund of 90 million dollars of which 50 million dollars was to be supplied by the American exporters through the retention by the Bank of 25% of the face amount of the trade acceptances presented for discount.

With the 60 million dollars thus available it was proposed to increase the amount to 100 million dollars through an agreement with the Soviets whereby the first 40 million dollars of Russian exports to the

[25] The New York Times (September 26, 1933), Vol. LXXXII.

U. S. during the first 2 years would be retained by the bank as a continuing security against all discounted obligations and as additional working capital.

It was proposed at this point that the RFC would match dollar for dollar but it was not clear if this 100 million was to be before or after the other 100 million dollars.

It was contemplated, however, that with the financial structure thus provided that American exporters could take trade acceptances of either the U.S.S.R. or Amtorg to the Bank for discounting at 70% of face value.

The plan also proposed that Russian credits be arranged on a 4 year average basis with repayment terms of 50 million dollars per year. Payments during the first 2 years would not exceed 30 million dollars per year, because of the 40 million dollars to be retained by the Bank during the first 2 years from the proceeds of the Russian sales to the U. S.

From these repayments of 50 million dollars per year it was contemplated under the plan that the contribution of the RFC could be liquidated during the first 3 years of operations. It was proposed that RFC would have a preference over all creditors. The Corporation would be secured for its advances by assignment of the collateral and the endorsement of the discount bank backed by its capital, surplus and other resources.

Upon maturity the acceptance would be paid and the RFC on liquidation of its advances, was to release the collateral and at the same time 25% of the acceptance retained by the Bank would revert to the exporter to be withdrawn or to provide additional export facilities.[26] This was the first time that a Bank for handling international trade had been mentioned in the press and while it bore small resemblance to the Export-Import Bank that came later, it was a step in that direction.

[26] The New York Times, (December 3, 1933), Vol. LXXXII.

On December 29th President Roosevelt held a conference with his Chief Advisors on foreign affairs and agricultural problems. General principles regarding an increase of exports and also the problem of co-ordination of the prospective export enhancement program with the domestic recovery program were discussed.[27]

Proposed National Foreign Trade Bank

It was evident that business men were not too impressed with the so-called "Russian Trade Bank" and so on January 21, 1934 it was revealed that there was under discussion a "National Foreign Trade Bank" to be capitalized at 30 million dollars with resources of about 300 million dollars for use in financing export and import transactions. It was contained in a committee proposal representing banking, business, etc.

It would provide facilities for financing long term payments on exports, for administering proposed Government insurance on foreign sales and for extending to importers the necessary funds for financing foreign crops.

It was proposed that 5 million dollars of common stock be subscribed by exporters and 25 million dollars of preferred stock be taken by the RFC. It was likewise proposed that amendments be made to the RFC Act and to the Edge Act to allow for the wide scope of the bank planned; also, the passage of a law to insure export credits and to guarantee collections on foreign sales was asked. The committee pointed out that much of the 69% shrinkage which occurred since 1929 was due to the fact that exporters

[27] The New York Times (December 29, 1933), Vol. LXXXII.

were forced to forego business because of a lack of intermediate credit facilities. The committee further stated that out of an estimated 12 million unemployed (1934) over 14% represented those thrown out of work by the shrinkage of exports.

The bank was also to handle the 350 million dollars of commercial credits in blocked accounts in 36 foreign countries.

The committee also suggested that the Bank could act as the agency through which the U. S. Government could extend commercial credits to Russia and other countries thereby overcoming diplomatic and other objections to direct loans by the Government to foreign nations.

It was estimated that millions of dollars worth of orders on capital goods and equipment were pending abroad and would be lost to American interests unless facilities for underwriting the necessary long term credits were made available to manufacturers here.

It was proposed that the Bank operating under Section 25a of the Federal Reserve Act would extend such facilities.

It was stated that for more than 2 years foreign traders had been agitating for the formation of an Edge Act bank or similar establishment which would enable them to finance foreign sales on a basis similar to that open to competition in other nations.[28]

Creation of the First Export Import Bank

It soon became evident that the Government was casting around for some means to improve the export situation and at a press conference held on February 3, 1934, President Roosevelt made known his plans for the for-

[28] The New York Times (January 21, 1934), Vol. LXXXIII.

mation of a bank with funds supplied by the RFC for the financing of exports particularly those for the U.S.S.R.

Later, Jesse Jones said, the plan would be extended to other areas -- South America and the Balkans. He also mentioned that imports might also be financed. Capital details were not disclosed but it was expected to be around 300 million dollars.

The President explained that there was no idea of granting straight credits to Russia nor was complete financing of exports contemplated, rather the shipper would have to bear part of the risk.

Terms of credits were to be 3 to 5 years. It was intended to organize the bank under the laws of the District of Columbia rather than the Edge Act because of the limitations of the Act on terms of commercial credits.

Jones said "We are trying to find a way to finance exports and some imports to the Russians and to some other countries. Whether this will be all done through one corporation (Bank) or whether we will have corporations for different countries has not been decided. It may take the form of a sort of trading bank, a bank that could extend credit to our exporters and importers, guarantee bills in a limited way and, in general, share the credit risk with the exporters, and where necessary, provide a part of the financing. In all probability it will take on the form of the Commodity Credit Corporation to be operated within the RFC but with a special management. It is contemplated the government will own all the stock. The amount of the stock will be flexible depending on the need. It will not be an enormous amount -- as regards the amount of the Government risk, we will trade with the exporters the amount they will need to carry them through their commitments. But whatever the Government agrees to take will be without recourse to the exporter himself.[29]

This announcement was, of course, well received by the export community and the National Foreign Trade Council on February 10, 1934 issued the following statement.

"Plans advocated in many quarters bring to a head a question that has stirred foreign traders for many years. Since the War the United States has lagged behind other countries in the long term credits and financing facilities available to those engaged in foreign trade.

While there was no great urgency in the years of prosperity the four years of depression have brought into bolder relief the necessity of providing more favorable credit facilities than those permissible under our commercial banking laws. It is estimated that 1,500,000 men are out of work now due to the drop of 3.5 billions in exports annually." The statement also cited the British Export Guarantee Plan which had been quite successful and the advantage it gave the British manufacturers over his competitor in the United States.[30]

On February 13, 1934 it was announced "that an 11 million dollar bank had been formed to extend credit for trade to 100 million dollars with the U.S.S.R. It was formed by Executive Order of the President under the authority of the National Industrial Recovery Act of June 16, 1933. The capital of 11 million dollars was divided into 10 million dollars in Preferred Stock taken by the RFC; One Million dollars in Common Stock subscribed to with emergency funds of the President available in the Public Works Administration. Although the bank has broad powers it will be lim-

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[29] The New York Times (February 3, 1934), Vol. LXXXIII.

[30] The New York Times (February 11, 1934), Vol. LXXXIII.

ited to the Russian Trade. The first transaction is expected to cover 500 thousand bales of cotton to Amtorg.

The objective of the bank is stated to be to eliminate the exportable surplus of American farm products and to produce employment".

Jesse Jones intimated that the bank would not make handouts and "that each deal would have to stand on its own bottom".[31]

With this announcement of what was to be known as the Export-Import Bank of Washington was brought Government assistance to manufacturers and exporters of industrial goods. There had been a precedent established during the First World War when the War Finance Corporation was formed by Act of Congress in early April 1918 with a capital of 500 million dollars -- all subscribed to by the U. S. Government. Its purpose was to make short term loans of 5 years or less duration to American exporters unable to obtain funds at reasonable terms through regular banking channels. This agency was put into liquidation January 1, 1925 and in 1938 was still winding up its affairs. While the end purpose of the War Finance was to assist in the war effort, the end purpose of the new Export-Import Bank was to fight the depression which began to engulf the United States in 1930. It was but one of a number of weapons used in the fight; others were the Farm Credit Administration, the Federal Farm Board and the RFC dating from 1931 or later and while these latter were organized primarily for domestic financing they all, at one time or other, made loans for financing the export of agricultural surpluses.[32]

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[31] The New York Times (February 14, 1934), Vol. LXXXIII.

[32] Lewis, Cleona "America's Stake in International Investments", (The Brookings Institute. Washington, D.C. 1938), p. 198ff.

The strategy of the Roosevelt Administration was to attack on all fronts; hence, the National Industrial Recovery Act for industry, the Agricultural Adjustment Act for agriculture; and the idea of establishing a system for providing foreign trade credits was also a phase of the general program of encouraging economic recovery.

A study was made by the Government in which the experience of other countries with export credits was canvassed and this evidence was used both as justification and a guide in drawing plans.[33]

At first it was expected that a separate institution or bank would be created for each of a number of countries whose trade with the United States would appear to warrant such assistance and in addition it was planned to have one bank for all other countries. This plan, however, upon reflection, appeared too ambitious and it had the additional drawback of possibly offending the national pride of some nations for whom special banks were not created. This feeling, however, had not crystallized at the time of the creation of the first Export-Import Bank.[34] It might be well to recall some of the conditions which were prevailing at that time. The U.S.S.R. had only been recognized a short time before and extravagant hopes had been cherished as to the possible magnitude of trade with the Soviets. At the same time negotiations were proceeding between the U.S. and Russia for a settlement of claims and debts and the establishment of the bank could be regarded as a sign of good faith on the part of the

[33] Margold, Stella I. "Export Credit Insurance in Europe Today". Senate Document 225 73rd Congress 2nd Session (U.S.Government Printing Office. Washington, D.C. 1934) p. 1ff.

[34] Whittlesley, Charles R., "Five Years of the Export-Import Bank," The American Economic Review (September 1939), Vol. XXIX, No. 3, pp. 487-503.

U. S.[35] Shortly after it was established, however, the view of a single bank prevailed. However, the debt settlement had not been accomplished and the board of trustees took the position that Soviet trade would not be financed until a satisfactory settlement could be reached. However, pending such a settlement and as evidence of our desire to do business, the credit facilities of the Bank for over one year were reserved solely for anticipated Soviet trade.

The Second Export-Import Bank

In order to extend certain credits to Cuba the Second Export-Import Bank was created under District of Columbia Laws on March 12, 1934 by Executive Order. It was soon apparent that similar credit facilities were needed to finance foreign trade with other countries and as a result the Second Bank expanded its activities to all countries but the U.S.S.R.

Following the failure of the Soviet debt negotiations in early 1935 the trustees, who were the same for each Bank, authorized the gradual withdrawal from business of the Second Bank and the transfer of its commitments to the Export-Import Bank. The Second Bank was finally liquidated and went out of business on June 30, 1936.

Thus, because the first Bank did no business until its absorption of the Second Bank, we can for all intents, consider these early operations that of one institution.

The corporate details of the two Banks will be found in appendix A and it is not the purpose of this paper to examine in too much detail the

[35] Annual Report of The Export-Import Bank of Washington for Year 1936. (mimeographed)

early operations except as they indicate new policies or unusual transactions.

CHAPTER III

OPERATIONS

The First Years 1934-1939

The announced object and purposes of the bank was to aid in financing and to facilitate exports and imports and the exchange of commodities between the United States and any of its territories and insular possessions and any foreign country or agencies or nationals thereof. (Public Law #1 74th Congress).

Up to and including 1936 the bank operated in 3 major fields:

1. 90 day credits were extended in connection with the export of agricultural products, principally cotton and tobacco. Usually this was done by appointing the exporters bank as agent to accept and discount foreign purchase drafts.

2. The Bank gave direct credits to American firms desiring to export industrial products, principally heavy machinery and railroad equipment. Unemployment had been high in the durable goods industries and foreign competition was keen. The bank matched foreign terms of 1 to 5 years and assumed some portion of the risk on a non-recourse basis. While most advances were on a 50% basis some went to 65%.

3. The Bank made loans to American exporters who held slow liquidating foreign accounts. However, these were made only with the guarantee of the foreign government or a responsible foreign bank or both. These loans were on a full recourse basis to the American exporter.

In addition, the Bank purchased from the RFC and the Grain Stabilization Corporation of the Farm Credit Administration certain notes of the Republic of China arising from the sale of cotton, wheat and flour in 1931 and 1932.

Likewise, certain judgments against the Republic of Cuba held by the Bureau of Internal Revenue were assigned to the Bank for collection.

Also, loans were made to Cuba for the purchase of silver bullion and its minting into pesos. Payment was against delivery in Cuba.[36]

During this initial period credits were extended to 23 nations with heavy capital goods, going principally to Mexico, South America and the Far East, and agricultural products mostly to Europe and China.

In 1935 and in 1936 also, the bank offered exchange assistance to those exporters with slow collections in Brazil. An agreement was made with Banco do Brasil and guaranteed by the Brazilian Government to discount dollar notes to a total of $27,750,000. However, because it was done with recourse to the American exporter and at 4%, it was not substantially used.[37]

In the annual report for 1937 the Bank reported that it had continued to discount installment notes of the Banco do Brasil in settlement of blocked dollar balances and to January 10, 1938, $1,716,977.48 of such paper was negotiated.

Pursuant to the policy of concentrating all foreign commercial obligations owing to various agencies of the Government in one institution, the bank undertook to collect the notes issued by the Deutsch Getreide Handesgesellschaft guaranteed by the German Government in connection with the

[36]Annual Report, etc., Loc. Cit p. 5

[37]Annual Report, etc., Loc. Cit p. 7

purchase of wheat from the Grain Stabilization Corporation in 1931.[38]

In 1938 activities were confined to short term agricultural credits and medium and long term industrial credits. There were no foreign exchange transactions. The only special transaction of note was an agreement to purchase from an American engineering firm up to 5 million dollars of notes of the Republic of Haiti covering a public works program. This loan had a political consideration as a German firm was actually seeking the job and we did not care to let them into the Caribbean area.

For the first time it was announced that small exporter loans would be made and 1 million dollars had been earmarked for that purpose. These loans would run up to 90 days and revolving lines of credit would be established.[39]

A 25 million dollar loan to the Universal Trading Company, an American Corporation, but Chinese owned, was made and covered the export of American goods to China and import of Tung Oil from China.

This was generally interpreted to be official support to the Chinese Government at war with Japan.[40]

The operations of the Bank received more than usual discussion by the Congress in 1939,[41] for while the life of the Bank had been extended several

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[38] Annual Report of the Export-Import Bank of Washington for Year 1937. (Mimeographed).

[39] Annual Report of the Export-Import Bank of Washington for Year 1938. (Mimeographed), p.1ff.

[40] Commercial and Financial Chronicle (December 17, 1939), p. 3690

[41] Hearings Before the Committee on Banking and Currency, United States House of Representatives, Seventy Sixth Congress, First Session, on H.R. 329. (United States Government Printing Office Washington, 1939), p.1ff.

times (see Appendix A), the action had been more or less perfunctory; however, the second amendment of March 4, 1939 not only extended the life of the Bank to 1941 but also added a limit of 100 million dollars on loans and commitments.

This latter provision was an indication of the comparatively modest size of the Bank's undertaking. It was felt that placing such a limitation on volume would be a wise precaution at a time when certain groups feared that the Banks credit might be used indirectly to help belligerents in carrying on the war.[42] The Export-Import Bank, however, was overshadowed by the discussion of the RFC and the Bank only appeared in one section of the RFC Bill.

During the course of the year a number of commitments were made for material purchases and projects in the Americas and a cotton credit of $13,350,000[43] was given to Spain. Finland received its first loan in the amount of 10 million dollars. The loan was made to an American corporation, the Finnish American Trading Company which was owned by interests friendly to Finland and this credit was guaranteed by the Government of Finland.[44]

At this point in time, December 1939, the Export-Import Bank had completed what may be called its First five years. During that period the Bank's transactions had been small with disbursements of less than 62 million dollars, of which about 35 million dollars had been repaid. Commitments

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[42] Dulles, Eleanor Lansing. "The Export-Import Bank of Washington. The First Ten Years." Department of State Bulletin. (Dec. 3, 1944), p. 663.

[43] Statement of Loans and Commitments as of December 31, 1940. (Mimeographed)

[44] Statement etc., Loc. Cit.

had totalled over 200 million dollars. About 50 per cent of the authorizations had been cancelled either because the projects covered by the authorization had been deferred or the funds had been obtained elsewhere. Also the Bank authorized credits for projects which were still in their preliminary stages and authorizations often allowed for a margin above the minimum calculated needs.

The transactions in the years immediately after the creation of the Bank were mainly designed to facilitate the selling of American products in the world market by extending more flexible and sometimes more liberal terms than could otherwise be obtained. Interest rates were lower in some cases, terms longer in others and in others a big factor was the Bank's sharing a portion of the risk. Of particular interest was the disposal of surplus commodities and agricultural products. The world-wide and prolonged depression led to a desire for orderly marketing to prevent dumping.

The exchange loan to Brazil was significant because of existing monetary and exchange problems. During the pre-war years of 1934 through 1939 the large increase in monetary management was accompanied by unstable exchange conditions and the blocking of foreign accounts. This seriously disturbed the flow of goods and threatened stability.

However, it was natural in view of our Government's preoccupation with the depression during these years, that financing the sale of agricultural products and heavy goods was the chief concern and development projects were not emphasized to any degree.

A significant point in policy was emphasized early in the Bank's history when the use of special devises in the form of a barter arrangement involving cotton transactions with Germany was urged. These methods were held to be contrary to this Government's foreign trade policy and it has often been the subject of conjecture that this discussion influenced all of the bank's future transactions. As a result of this policy decision, Mr. George Peek, who had been the Bank's first President, resigned.

Only one development credit was approved -- the loan to Chile in 1939. It was the first of many to "Fomentos" in other South American countries in later years.

A study of the loans shows that they were varied and covered a wide field. The 1939 amendment which limited total loans outstanding to 100 million dollars underscored the limited significance of the Bank to the Congress at that time and there was evident little thought of the Bank taking an aggressive role in the development of backward nations.

The Congressional hearings during these first years developed no criticism of the Bank's development which was cautious and sound, though experimental.[45]

The War Years 1940-1945

In early 1940 the Bank loomed larger in the Congressional eye and it was the subject of extended discussion.[46] In January 1940 amendments were proposed and the questioning focused mainly upon the possible use of the Export-Import Bank to finance war shipments and the fears of unneutral transactions. As a result of the evidence presented as to the Bank's neutrality, its sound standards of doing business, the Act was passed

[45] Dulles, Op. Cit. p. 663ff.

[46] Hearings Before the Committee on Banking and Currency United States Senate, Seventy Sixth Congress, Third Session on Senate 3069. (United States Government Printing Office, Washington 1940), p.1ff.

which extended the limit for loans outstanding from 100 million dollars to 200 million dollars but also was inserted a limit of 20 million dollars on additional loans which could be outstanding to any one country at any time. Also the financing of war material shipments was prohibited.[47] Also prohibited were loans to countries whose governments were in default to this country on August 13, 1934 (date of the passage of the Johnson Act).

The day after this Act became law (March 3, 1940) a loan of 20 million dollars was made to Finland. A commitment of 10 million dollars was made to the Government of Norway, 15 million dollars to the Bank of Sweden and 10 million dollars to the Kingdom of Denmark.[48]

It will be remembered that during the discussion of this bill the undeclared War between Finland and Russia was on and the sympathies of the American people were on the side of the Finns.

In the Spring and Summer of 1940 a number of bills were introduced into the Congress with the object of expanding the scope of operations of the Bank and to increase its resources.[49]

H. R. 10361 was passed and on September 26th, 1940 became Public Law #792.[50] This amended the Export-Import Bank Act to read:

> "To assist in the development of the resources, the stabilization of the economies and the orderly marketing of the products of the countries of the Western Hemisphere by supplying funds not to exceed 500 million dollars outstanding at any one time to the Export-Import

[47] Public Law #420 Senate Seventy Sixth Congress, Third Session.

[48] Statement etc. Loc. cit.

[49] S. 3069 H.R. 8477, S. 4204 and H.R. 10361 Seventy Sixth Congress, Third Session, 1940.

[50] Seventy Sixth Congress, Third Session

> Bank through loans to or by subscription to the preferred stock of such Bank to enable such bank to make loans to any government, their central banks or any other acceptable banking institution and when guaranteed by the Government, its central bank or an acceptable banking institution, to a political sub-division notwithstanding any other provisions of law insofar as they may restrict or prohibit loans or other extensions of credit to or transactions with the governments of the Western Hemisphere."[51]

Further -

> "that no such loans shall be made in violation of international law as interpreted by the Department of State or the Act of April 13th, 1934 (48 Stat. 574)[52] or the Neutrality Act of 1939.
>
> "Upon the written request of the Federal Loan Administrator, with the approval of the President, the Bank is authorized, subject to conditions and limitations which may be imposed by the request or approval, to exercise the powers and perform the functions herein set forth, such loans may be made and administered in such manner and on such terms as the Bank may determine.[53]

This amendment radically changed the complexion of the Bank and it truly became a "definite instrument of American foreign policy".[54] From this time on the orientation of the bank changed.

Other provisions of Public Law 792 extended the life of the Bank to January 22nd, 1947. The lending authority was now 700 million dollars, the 500 million dollar increase being earmarked for the Western Hemisphere. It also removed the existing limitations on the aggregate amount of loans

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[51] Public Law #792, Seventy Sixth Congress, Third Session. 1940

[52] The Johnson Act.

[53] Public Law #792, Seventy Sixth Congress, Third Session. 1940

[54] Dulles, etc., Op. Cit.

which could be outstanding to any one country.[55]

The amendment associated the new half billion dollars with the need for assistance in the development of the resources of other American Republics and the importance of strategic materials was emphasized. In the foreground was the idea of economic support to our neighboring countries as an aid to our foreign policy.[56]

The amendment also affected the criterion used in considering applications for loans and commitments; a new element was to favor loans which would attempt to speed up production to support those types of enterprises which would strengthen the economic structure of the South American Countries and thereby assist in the defense of the Western Hemisphere.[57]

Commitments were made in substantial figures upon the passage of this law.

60 million dollars to Argentina for U. S. agricultural and industrial products.

25 million dollars to Brazil for U. S. agricultural and industrial products.

5 million dollars to Chile for U. S. agricultural and industrial products.

10 million dollars to Columbia for U. S. agricultural and industrial products.

4 million dollars to Cuba for U. S. agricultural and industrial products.

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[55]Report of Senate Banking and Currency Committee on S4204 Seventy Sixth Congress, Third Session. Calendar #2144, Report #2005-Public Law #792 Seventy Sixth Congress Third Session. (1940)

[56]Dulles etc. Op. Cit.

[57]Dulles, etc. Op. Cit.

10 million dollars to Peru for U. S. agricultural and industrial products.

3 million dollars to Venezuela for U. S. agricultural and industrial products.

7.5 million dollars to Uruguay for U. S. agricultural and industrial products.[58]

But while there was much talk about the Western Hemisphere the big money was allocated to China.

1. On March 7, 1940 just prior to the setting up of the Wang-Ching-wei regime at Nanking by the Japanese the Export-Import Bank allocated 20 million dollars to finance exports to China. Repayment was to be made from profits on tin shipments to the U. S.

2. On September 25, 1940 the Federal Loan Agency announced that the Export-Import Bank had authorized credits of 25 million dollars to the Chinese Government with repayment guaranteed by the Central Bank of China. At the same time it was announced that the Metals Reserve Company had agreed to buy from the National Resource Commission of China 30 million dollars worth of Tungsten from the sale of which the new credit would be paid.

3. On December 1, 1940 a further loan of 50 million dollars was announced. This was the day after the Wang-Ching-wei regime was formally recognized by Japan as the National Government of China and a treaty concluded. It was stipulated that the loan should be repaid from the profits received by the Chinese National Resource Commission on the sale of tin, wolfromite and antimony to the Metal Resource Corporation.[59]

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[58] Statement etc. Loc. Cit.

[59] "American Aid to China Since 1931". Department of State Bulletin. (April 15, 1944), p. 356ff.

Between December 31st, 1940 and June 15th, 1945 the bank made commitments of $613,904,000 principally to the Latin American countries, included was:

15 million dollars to Bolivia for material, equipment and services.

Over 38 million dollars to Brazil for a variety of purposes including railroad and mining equipment, dollar exchange, rolling stock and electrical equipment.

To Chile 18 million dollars for agricultural and industrial products, railroad equipment and dollar exchange.

To Columbia 35 million dollars for various materials, equipment and services and railroad supplies.

To Costa Rica 2 million dollars for construction material and equipment.

To Cuba 25 million dollars for material, equipment and supplies.

To Ecuador 14 million dollars for material, equipment and supplies including water supply systems.

To El Salvador 1.7 million dollars for construction purposes.

To Haiti 6 million dollars devoted to the development of rubber.

To Honduras 2.7 million dollars for material, equipment and supplies.

To Mexico over 63 million dollars for such projects as steel mills, highways, gasoline refineries and railroad equipment.

To Nicaragua 2 million dollars for construction equipment.

To Paraguay 3 million dollars for material, equipment and supplies.

To Peru 25 million dollars for agricultural and industrial products.

To Porto Rico 450 thousand dollars for machinery and equipment.

To Uruguay over 32 million dollars for material, equipment and supplies and printing presses.

To Venezuela 38 million dollars for material, equipment, supplies and construction equipment.

A revolving credit of 50 million dollars was earmarked for banks of the Western hemisphere to assist in exports from the United States.

In 1944 a credit of 500 thousand dollars was established for Ethiopia for United States products and services.

The same year a credit of 750 thousand dollars was announced for the Store Norske Spitzbergen for mining equipment.[60]

During the 1941-1945 period there were cancellations of commitments and expirys of $242,066,000 with disbursements of $287,004,000 and repayments of $209,739,000.

Thus it will be seen that while large commitments were made during the period 1940-1945 many of these were for projects which could not be completed on account of the war with the result that the credits were cancelled or lapsed. The increase in Latin America's outstanding obligations as direct loans to the Export-Import Bank was only 39 million dollars between December 30th, 1940 and December 30th, 1944. However, many private loans to Latin America were guaranteed by the Export-Import Bank and presumably would not have been made otherwise.[61]

Thus it will be seen that while during this period there was the usual financing of agricultural and industrial products, the Bank adopted

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[60] "Statement of Loans and Commitments of the Export-Import Bank of Washington from Hearings Before the Committee on Banking and Currency. House of Representatives," Seventy Ninth Congress, First Session on H.R. 3464 and H.R. 3490 superceded by H.R. 3771 (1945), p.34.

[61] "International Transactions of the United States During the War 1940-1945", United States Department of Commerce. (United States Government Printing Office 1948). p. 141.

itself easily to the conditions of the times and in 1940 established substantial credits in favor of several central banks in the Western Hemisphere to enable their countries to purchase and import important and essential products from the United States and at the same time assist in stabilizing the economies of the respective countries.[62,63]

In 1941 and 1942 this trend continued with emphasis upon the development of the resources of this Hemisphere. Loans were made to assist in the improvement of rail and road transport systems as an integral part of the plan to accelerate the delivery of strategic materials. In 1942 the Bank inaugurated a plan for underwriting the letters of credit of selected and approved foreign banks which were opened in this country by United States Banks. A feature was the provision to make payment against the manufacturers certificate of completion or railroad bill of lading instead of the ocean shipping documents customarily required. The Bank assumed the responsibility for delivery of the goods covered, within 4 months from the date the goods were ready for shipment. This was a very valuable assist, which kept open long established trade channels during the war period when transportation both in the United States and on the ocean was overtaxed and scarce.[64] In 1944 the plan was amended to guarantee delivery within 90 days.

In 1944 the Bank began to receive numerous requests for credits to assist in reconstruction and rehabilitation problems; however, because of

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[62] Report etc. Loc. Cit.

[63] "The United States at War." War Records Section, Bureau of the Budget. Historical Report on War Administration #1. (United States Government Printing Office, Washington, 1947), p. 33f.

[64] Reports of the Export-Import Bank of Washington for the years 1941, 1942 and 1943 (Mimeographed)

its limited loaning authority the Bank could do little but did give the problem intense study. Many requests too were received from the Latin American countries for much needed transportation facilities and public utilities. The Bank met these requests as best it could and granted credits for hydroelectric, railroad and mining equipment manufactured in the United States.[65]

[65] Report of the Export-Import Bank of Washington for the year 1944, (Mimeographed)

TABLE 1

AUTHORIZATIONS, DISBURSEMENTS AND REPAYMENTS

EXPORT-IMPORT BANK OF WASHINGTON

2/12/34 through 6/30/45

Year	Authorizations	Disbursements	Repayments
1934	11,466,137	3,774,864	3,774,725
1935	45,658,010	10,255,164	5,983,876
1936	55,603,867	21,113,216	7,812,015
1937	21,327,824	7,690,316	7,891,790
1938	74,808,092	18,602,974	9,772,940
1939	74,731,827	53,743,087	14,701,039
1940	371,173,107	95,298,475	29,509,845
1941	182,924,398	116,835,507	61,736,918
1942	264,056,685	50,410,828	55,040,943
1943	63,186,114	55,687,885	32,250,352
1944	31,088,132	49,638,280	30,063,950
1945 to 6/30	72,647,876	20,619,350	31,071,913
TOTAL	1,268,684,068	503,729,947	289,610,306

Source - Reports of the Export-Import Bank of Washington

TABLE 2

CONTINGENT LIABILITY ON LOANS ADVANCED

THROUGH AGENT BANKS

AS OF DECEMBER 31st

1936	70,954
1937	1,318,228
1938	713,243
1939	25,403,829
1940	48,195,464
1941	46,649,859
1942	59,423,748
1943	64,375,645
1944	66,747,742
6/30/45	79,180,903

Source - Reports of the Export-Import Bank of Washington

TABLE 3

SCHEDULE OF EXPENSES, GROSS INCOME,

AND NET PROFITS

1935 through 1944

	Expenses	Gross Income	Net Profit
1935	150,000	Not Available	Not Available
1936	50,000	659,512	597,258
1937	50,000	905,668	853,910
1938	50,000	1,130,813	1,801,346
1939	56,736	2,412,294	2,344,000
1940	74,989	3,914,771	3,774,592
1941	137,410	7,437,253	7,216,129
1942	188,586	7,737,846	7,544,080
1943	265,882	Not Available	7,784,179
1944	319,532	" "	7,518,080
1945 to 6/30	Not Available	" "	Not Available

Source - Reports of the Export-Import Bank of Washington

CHAPTER IV

THE EXPORT-IMPORT BANK

ACT OF 1945

Legislative History

In late 1942, long before the war ended, the Government indicated its awareness of the problems that would result in the immediate post war period because of the vast damaged area of the world, whose needs could be supplied only by the United States and which could not be financed by the affected countries from their own resources. Thus, in 1942, there was established the office of Foreign Relief and Rehabilitation Operations pending the creation of an organization of nations to deal with relief and rehabilitation.[66] In July 1943 was held the United Nations Relief & Rehabilitation Conference to lay plans for the relief of war devastated countries.[67] As a result UNRRA was established and participation by the United States was approved by the Congress in November 1943.[68] The United States was the

[66] "The United States at War" etc. Op. Cit., p. 409

[67] Ibid p. 426.

[68] Ibid p. 469

largest single contributor to this organization which was to bridge the gap for countries considered incapable of repaying. Operations were restricted to relief and primary rehabilitation.[69] To meet the longer term reconstruction program and to stimulate the economic development of the backward areas of the world, discussions were held between the United States and Great Britain on the subjects of exchange stabilization and international investment. These problems were the subject of the Monetary and Financial Conference at Bretton Woods in the summer of 1944. Agreement was there reached upon plans for the establishment of an International Bank for reconstruction and also upon an International Monetary Fund. In these actions and others the United States laid the ground work toward American participation in world affairs and the maintenance of world peace.[70] There was an extended discussion in the press and in the Congress on the Bretton Woods proposals and in February 1945 the American Bankers Association made a study of the proposals and included in its recommendations was one concerning the Export-Import Bank. It was suggested that the capital be increased to 2 billion dollars: First, to provide means for meeting, promptly, deserving credit needs prior to the setting up of the proposed World Bank; Second, to enable the United States to make loans in which this country has special interest and which can be made more effective through a national institution rather than through an international body.[71]

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[69]"International Transactions in the First Post-War Year", Federal Reserve Bulletin (1946). Board of Governors Federal Reserve System, 1946, Vol. 32 #12 p.1321ff.

[70]"The United States at War" Op. Cit. p. 469

[71]Commercial and Financial Chronicle. (February 8, 1945), Vol. 161

Prior to this in 1944 Representative Charles E. Dewey (Republican-Illinois) had introduced a bill to expand the Export-Import Bank to a 3 billion dollar institution with a paid in capital of 1 billion dollars. However, the bill died in committee. It had been prepared by Representative Dewey in consultation with Leo Crowley, the Foreign Economic Administrator.[72]

On June 13, 1945 Representative Jesse Wolcott (Republican - Michigan) introduced a bill to expand the Export-Import Bank, and a few days later the Administration bill was introduced by Representative Brent Spence (Democrat - Kentucky), Chairman of the House Banking and Currency Committee, for raising the loaning authority of the Bank. Both of the Congressmen had been members of the United States delegation to Bretton Woods.[73]

The important points of Representative Wolcott's bill (H 3464) were:

1. The management of the Bank would be vested in a Board of Directors. Five in number, appointed by the President, with the advice and consent of the Senate. Of the five only three could be of one party. The term would be five years and the directorship would be a full time job.

2. The total capital to be 1.1 billion dollars subscribed to by the Treasury of the United States.

3. Power given to the Bank to issue debentures of 1.1 billion dollars to Treasury.

4. Placed a limitation of 2.2 billion dollars on loans and guarantees of the Bank.

5. It by-passed the Johnson Act.

6. It would require loans to be secured.

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[72] Commercial and Financial Chronicle (June 21, 1945), Vol. 161 p. 2754.

[73] Commercial and Financial Chronicle (June 21, 1945), Vol. 161, p. 2720f.

Representative Spence's bill (H 3490) provided:

1. A capital of 1 billion dollars, the subscription of which was to be a public debt transaction.

2. The Bank could issue debentures to the Treasury up to 2.5 billion dollars.

3. A limitation of 3.5 billion dollars on loans and guarantees.

4. The Bank was to report to the Congress on its activities semi-annually as of June 30th and December 31st.

5. The repeal of the Act of April 13, 1934 (48 Stat. 574 Ch. 112) (Johnson Act).[74]

The two bills did not raise serious differences and both parties were behind the proposition to increase the lending authority of the Bank. Unlike the World Bank, the loans made by the Export-Import Bank would be considered by a board of directors composed wholly of Americans on which no borrowers would sit. Moreover the loans which would be made under the increased authority would be unlike those made under Lend-Lease. There was a feeling amongst some members of Congress that the Lend-Lease loans were not too certain of repayment. There was reason to believe, also, that these bills prevented or delayed the making of some lend-lease loans. The supporters of the Export-Import Bank expansion saw one advantage in their plan, in that, there would be a better chance to collect on Export-Import Bank loans than Lend-Lease loans as the Export-Import Bank loans were less apt to be confused with war purposes. In discussing the two bills, Mr. Wolcott said the main difference between them was that this made the Bank a completely independent agency of the Government with officers confirmed

[74]Hearings Before The Committee on Banking and Currency, House of Representatives, Seventy Ninth Congress, First Session on H.R. 3490, superseded by H.R. 3771 July 11 and 12, 1945. p. 1f.

by the Senate. Both Mr. Wolcott and Mr. Spence commented upon the absence of organized opposition to the expansion of the Bank's activities. Both felt the New Export-Import Bank Act was one of a number of steps vital to the success of the Bretton Woods Fund and International Bank.[75]

Hearings were held by the House Banking and Currency Committee on July 11th and 12th, 1945. Among those to appear before the Committee was Leo Crowley, The Foreign Economic Administrator, who pointed out that the essential changes which were projected were:

1. Raise the limit of the loans and guarantees from 700 million dollars to 3.5 billion dollars.

2. Remove the prohibition of the Johnson Act.

3. Extend the life of the Bank beyond January 22, 1947.

4. Provide for semi-annual reports.

5. Provide for Treasury financing of the Bank.[76]

There was also testimony by Dean Acheson on behalf of the State Department and W. Randolph Burgess as well as Wayne C. Taylor, the President of the Export-Import Bank. All spoke in support of the bill[77] and Mr. Burgess emphasized that conservative principles should continue to guide the Bank; also, that:

1. The Bank should supplement and encourage and not replace private enterprise. "Given a favorable atmosphere, private capital will be ready to do much of the work that needs to be done in reconstruction and development. The Export-Import Bank has followed this principle."

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[75] Commercial and Financial Chronicle (June 21, 1945), Vol. 161, p. 2754.

[76] Hearings, etc. Loc. Cit. p. 8f.

[77] Hearings, etc. Loc. Cit. p. 8f.

2. Loans should be good loans with practical assurance of repayment. "This is the principle that loans should be loans and gifts should be gifts. The Export-Import Bank is set up as a lending agency and not an agency for relief and rehabilitation. The Export-Import Bank has followed this principle and its record is good."

3. Too much credit is as bad as too little credit. "It is necessary to make sure that the loans of the Export-Import Bank are made with care and discretion so that they do not add fuel to the inflationary fires. It is not of lasting benefit to encourage excessive borrowings."[78]

The House Banking Committee on July 12, 1945 by a vote of 18 to 2 approved legislation which would make the Export-Import Bank an independent permanent Government Agency with a revised administrative set up which would drop the Secretary of the Treasury and the Secretary of Commerce from the Board as well as other members. Under the new set up the Bank would have five full time directors of which the Chairman of the Federal Economic Administration would be Chairman and the Secretary of State a member plus three others appointed by the President with the advice and consent of the Senate.[79]

By a vote of 93 to 9 the House rejected an amendment by Representative Dirksen (Republican - Illinois) which would have prohibited loans to countries not adhering to and "faithfully observing" the Atlantic Charter injunction against aggression and aggrandizement. Both Republican and Democratic members opposed the amendment declaring that this would mean "dollar diplomacy" and it would force the President to rule on the political status of each nation before it could get a loan and it would open the gates

[78] Commercial and Financial Chronicle (July 19, 1945), Vol. 162, p. 331.

[79] Idem.

to the pressuring of nations to adopt our political philosophy.[80]

In its report of the successor Bill #H.R.3771, the Banking Committee told the House that the expansion of the Bank was necessary to help American Trade and to enable the war devastated areas to begin the tremendous task of reconstruction prior to the full functioning of the 9.1 billion dollar World Bank set up by the Bretton Woods Agreement.

After little debate, except for some criticism by a few Republican members, the House passed the Bill by 102 to 6 on July 13th, 1945.[81]

Hearings were begun by the Senate Committee on Banking and Currency on H.R. 3771 on July 17th, 1945 and were completed on the 18th. The only officials who testified were Dean Acheson, Assistant Secretary of State and Leo Crowley, Chairman of the Board of Trustees of the Export-Import Bank and Administrator of the Federal Economic Administration. This hearing was brief and other than two points made by Mr. Crowley and, an exchange with Senator Taft, was routine.

The points were:

1. The Export-Import Bank could not make the loans planned with the same degree of security that it had in the past because of the uncertain economic conditions.

2. Loans would vary in term from 10 to 30 years with most in the 15 to 20 year bracket, and a period of 3 to 5 years would be allowed before amortization would start.

The exchange with Mr. Taft produced the intimation by Mr. Crowley that perhaps 1 billion dollars of the 2.8 billion dollars requested might

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[80] Idem.

[81] Commercial and Financial Chronicle. (July 19, 1945), Vol. 162, p. 331

go to Russia. Also, that aid to Britain and to countries in an unsettled state like Italy and Poland would be taken care of outside the Bank.[82]

Subsequently, the Senate passed the House Bill without amendment and on August 31st, 1945 the Export-Import Bank Act of 1945 was signed by President Truman upon his return from Potsdam; on the same day he signed the Bretton Woods Agreement Act.

On August 10th, 1945 negotiations were reported with a number of liberated countries by the Bank; included were Norway, Denmark and the Netherlands (for use in the East Indies), France, and Belgium. While the U.S.S.R. had not made a request, on August 9th Mr. Crowley had said that by declaring war on Japan, Russia became eligible for 1 billion dollars in Lend-Lease. Initial agreements were to set up a line of credit which could be drawn on over a considerable part of the reconstruction period. These were to cover railroad rolling stock, utilities, equipment for hydraulic and steam projects.

It was also announced that the Bank would place new emphasis on loans spurring the export of American technical and management aid as is furnished by American engineering firms. This, of course, would be principally for the industrially backward areas of the world.[83]

On September 6th Leo Crowley, Federal Economic Administrator, offered the facilities of the Export-Import Bank to England to assist after the termination of Lend-Lease.[84] However the resources of the Bank were limited and the demands great, so that the British loan made in 1947 was handled by the U. S. Treasury.

[82] Commercial and Financial Chronicle (August 2, 1945), Vol. 162, p. 547

[83] Commercial and Financial Chronicle (August 10, 1945), Vol. 162, p. 767.

[84] Commercial and Financial Chronicle (September 6, 1945), Vol. 162, p.1147.

Organization and Management of the Bank

Prior to the enactment of the Export-Import Act of 1945 the Bank was controlled by a board of trustees of eleven members elected annually. The bylaws provided for an executive committee composed of six trustees, who were authorized to exercise the powers of the board in the interim between meetings of the full board.

These trustees represented the various agencies and departments interested in domestic and foreign commerce. Thus the composition of the board during the fiscal year ending June 30, 1945 included:

Leo T. Crowley, Chairman	Administrator Foreign Economic Administration
Jesse H. Jones (to 3/21/45)	Secretary of Commerce
Warren Lee Pierson (to 3/31/45)	President Export-Import Bank
Henry A. Wallace (from 4/12/45)	Secretary of Commerce
Wayne C. Taylor (from 4/12/45)	President Export-Import Bank
Charles B. Henderson	Chairman R.F.C.
H. A. Mulligan	Director & Treasurer R.F.C.
Leslie A. Wheeler	Director Foreign Agricultural Relations - Department of Agriculture.
Harry D. White	Assistant to Secretary and Director of Monetary Research Treasury Department
Emilio G. Collado	Chief Division of Financial and Monetary Affairs - Department of State
W. D. Whittemore	Vice President Export-Import Bank
Eugene Le Baron (1/8/45 to 4/15/45)	Vice President Export-Import Bank

Henry W. Riley (from 4/12/45) — Vice President Export-Import Bank - also Deputy Director of Foreign Economic Administration.

Represented then was F.E.A., R.F.C., State, Treasury, Commerce and Agriculture as well as the Bank.[85] It might be mentioned, inter alia, that during the period 1934 to 1940 the bank did not loom large in the governmental picture and after George Peek had been overruled on his barter plans and had left the Bank, the guiding force was its President, Warren Lee Pierson, of whom it was said "He is the Bank". The Bank always was tied closely to R.F.C. as it was the source of its funds. Reorganization Plan #1 effective July 1st, 1939 put the Bank into the Federal Loan Agency where it was one of a number of lending agencies; later it was shunted to the Department of Commerce, then to the Office of Economic Warfare and finally to the Foreign Economic Administration under whose supervision it was when the Export-Import Act of 1945 was approved.[86] Having had a number of supervisors to whom it was just another agency, it was subject to the vagaries of the moment and the man. The management of the bank, however, steadfastly kept its basic aims always in mind and discharged its duties in such a manner as always to merit the approval of the Congress.

The Export-Import Bank Act of 1945 provided that the management of the Bank should be vested in a board of directors consisting of the Secretary of State, ex officio, and four full time members appointed by the President of the United States with the advice and consent of the Senate,

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[85] Report on Audit of the Export-Import Bank of Washington for the Fiscal Year ending June 30, 1945 House Document #248 Eightieth Congress First Session. (United States Government Printing Office Washington 1947), p.3.

[86] Report on Audit of the Export-Import Bank of Washington for the Fiscal Year ended June 30, 1946, Eightieth Congress First Session, House Document #249, (United States Government Printing Office, Washington 1947), p. 5f.

one of whom was to be designated chairman. Not more than three members of the board may be members of any one political party.[87]

Provision was also made for an Advisory board consisting of the Chairman of the Board of Directors of the Export-Import Bank (Chairman), the Secretary of State, the Secretary of the Treasury, the Secretary of Commerce, and the Chairman of the Board of Governors of the Federal Reserve System. The Act provides that the Advisory Board may make such recommendations to the Board of Directors as it deems advisable, and the Board of Directors shall consult the Advisory Board on major questions of policy.[88]

The composition of this Advisory Board is the same as that of the National Advisory Council on International Monetary and Financial Problems and the Bank's relationship with this Council will be discussed in some detail in a later chapter.

The members of the first Board of Directors appointed under the 1945 Act with terms expiring June 30, 1950 were:

	Date of Appointment	Date of Oath	Political Office	Salary
William McMartin, Chairman	11/26/45	12/3/45	Democrat	$15,000*
Herbert E. Gaston, Vice Chairman	11/23/45	12/3/45	Democrat	12,000
Lynn U. Stambaugh	12/15/45	12/27/45	Republican	12,000
Clarence Gauss	12/20/45	1/2/46	Republican	12,000
James F. Byrnes	Ex officio		Democrat	None

*Annual salary of $15,000 as President.[89]

The first meeting of the Board of Directors was held on December 19, 1945. Section (3) of the Export-Import Bank Act of 1945 provided: "Until

87 Idem.

88 Idem.

89 Idem.

October 31, 1945 or until at least two of the members of the Board of Directors to be appointed have qualified as such directors, whichever is the earlier, the affairs of the Bank shall continue to be managed by the existing Board of Trustees."

The assumption of the management of the Bank by the newly constituted Board of Directors was consequently later than the date specified.[90] Some delay had been encountered in obtaining a Chairman as there was some reluctance to assume the post because of the unknown nature of the relationship with the National Advisory Council. As a result of this delay, over a billion dollars of commitments were approved by the holdover trustees.

The executive officers of the Bank elected by the Board of Directors were as follows:

	Annual Salary
William Mc. Martin, President	$15,000
Hawthorne Arey, Vice President & General Counsel	9,800
Wilfred D. Wittemore, Vice President & Treasurer	9,800
August Maffrey, Vice President & Economic Advisor	9,800
Sidney Sherwood, Secretary	9,800[91]

The Board and Executive Officers represented a wide experience. Mr. Martin had been President of the New York Stock Exchange; Messrs. Arey and Whittemore had been long time officers of the Bank and Mr. Maffrey had considerable experience in the Government and was at one time Chief of the International Economics and Statistics Unit of the Bureau of Foreign and Domestic Commerce of the Department of Commerce.

To June 30, 1949 there had been several changes in the Board of Directors and Officers. Mr. Martin was appointed Assistant Secretary of the

90 <u>Idem</u>

91 <u>Idem</u>

Treasury and was succeeded as Chairman by Mr. Herbert E. Gaston. Mr. Hawthorne Arey was appointed Vice Chairman to fill the vacancy.[92]

In June 1945 there were sixty employees on the Bank's payroll, one hundred and four in June 1946, one hundred and eighteen in June 1947 and one hundred and twenty-five in June 1948.[93]

The organization is composed of eight functional groups:

1. Board of Directors and President's Office.
2. Office of the Secretary including Administrative Budgetary and "Housekeeping" functions.
3. Office of the General Counsel.
4. Economic Division.
5. Engineering Division.
6. Loan Examination and Servicing Division.
7. Private Capital Participation Division.
8. Office of the Vice President and Treasurer including Accounting functions.[94]

The functions performed by the various divisions are self-explanatory. The Directors manage the Bank. The Secretary is the administrative officer. The General Counsel, in addition to internal banking tasks, prepares loans, agreements, etc. The economic and engineering divisions are concerned primarily with preparing studies in their specialty covering loan applications for the use of the directors. The loan examination and servicing divisions coordinates the preliminary work on loan applications and servicing loans after approval.

[92] Eighth Semi-Annual Report of the Export-Import Bank of Washington for the Period January-June 1949. (Washington 1949) p. ii.

[93] Reports on Audits of the Export-Import Bank of Washington for the Fiscal Years 1945-1946-1947-1948. (United States Government Printing Office, Washington.)

[94] Report on Audit of the Export-Import Bank of Washington for the Fiscal Year 1948. House Document #139, Eighty-First Congress First Session. (United States Government Printing Office, Washington 1949), p. 6

CHAPTER V

INTERNAL OPERATIONS UNDER THE ACT

Source of Funds

The Bank prior to the enactment of the 1945 Act obtained its funds from the Reconstruction Finance Corporation. Common stock in the amount of 1 million dollars was held by the United States Treasury, Preferred stock in the amount of 174 million dollars was held by the Reconstruction Finance Corporation, giving total capital funds of 175 million dollars. In addition, the Act of January 31, 1935 (49 Stat.4) as amended (15 U.S.C. 713b) provided that in addition to the sale of stock, the funds required could be borrowed from the Reconstruction Finance Corporation.

Later in 1943 Section 3(a) of Executive Order 9361 dated July 15, 1943 provided that, until the Congress provided other means of financing, the Secretary of Commerce and the Reconstruction Finance Corporation were authorized and directed to supply the necessary funds to the Bank through loans, using all the borrowing powers of the Reconstruction Finance Corporation and its unobligated funds.[95]

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[95]See Appendix #A Excerpts from the Reference Manual of Government Corporations.

The Act of 1945 provided that the Bank's financing be done directly with the Treasury. Under the provisions of the Act the Bank was given an authorized capital of 1 billion dollars, subscribed by the United States, and was further authorized to issue its notes, debentures, bonds or other obligations to the Secretary of the Treasury in an aggregate amount, not to exceed two and one-half times its capital, and it was further authorized to use all its assets, including its capital and earnings and funds borrowed in the exercise of its functions as an agency of the United States.[96]

Under agency agreements with commercial banks of the United States, the latter make advances on which the Export-Import Bank has both the obligation on demand to redeem and a voluntary option to purchase at any time the evidences of indebtedness held by the agent banks. These advances which are shown on the statements of condition of the Bank as contingent liabilities are included when computing the balance of lending authority uncommitted.

[96]See Appendix #C The Export-Import Bank Act of 1945

TABLE 4

SCHEDULE OF CAPITAL AND NOTES PAYABLE TO UNITED STATES TREASURY ADVANCES

AS OF	CAPITAL	NOTES PAYABLE	BY AGENT BANKS
12/31/45	175,000,000	0	102,889,739
6/30/46	675,000,000	0	125,923,481
12/31/46	1,000,000,000	26,500,000	182,193,165
6/30/47	1,000,000,000	516,200,000	192,835,479
12/31/47	1,000,000,000	728,350,000	186,932,184
1/30/48	1,000,000,000	970,600,000	175,087,614
12/31/48	1,000,000,000	907,800,000	122,363,661
6/30/49	1,000,000,000	913,900,000	119,623,141
12/31/49	1,000,000,000	917,000,000	100,479,742

Source - Semi-Annual Reports of the Export-Import Bank of Washington

The Financial Condition of the Bank

The balance sheets of the Bank are published semi-annually in the reports which are submitted to the Congress pursuant to the provisions of the Act of 1945.

The figures require little in the way of explanation or comment. Cash assets are usually moderate and the major item is, of course, the loan account. Fixed assets are nominal.

For statements of Condition as of June 30th and December 31st for the years 1945 through 1949, see Appendices D and E.

Earnings

In the early years of the Bank's existence the volume of loans was modest and while in 1940 its limit on loans was increased to 700 million dollars it was never fully in use, as a result the net earnings were, from 1934 to June 30, 1945, only $23,490,099. With the passage of the Act of 1945, which permitted loans to 3.5 billion dollars, the major part of which was immediately committed and as the loans mounted, the earnings were correspondingly larger as is shown by this table:[97]

[97] See also the comments given on earned surplus and net earnings with the statements of condition and statements of income and expenses in Appendices D and E.

TABLE 5

EARNINGS 1945-1949

6 Months Ending	
12/31/45	$ 3,399,560
6/30/46	1,574,715 [a]
12/31/46	12,019,259 [b]
6/30/47	30,008,975 [c]
12/31/47	21,212,042 [d]
6/30/48	44,931,174 [e]
12/31/48	23,692,106 [f]
6/30/49	24,130,907 [g]
12/31/49	24,203,858 [h]

(a) after provision for losses on loans $4,422,675

(b) " " " " " " 282,761

(c) " " " " " " 272,898

(d) " " " " " " 30,377 and recovery of $30,275

(e) " " " " " " 30,377 and recovery of $38,623

(f) " " " " " " 0 and recovery of $ 4,808

(g) " " " " " " 0 and recovery of $ 6,394

(h) " " " " " " 0 and recovery of $ 4,977.

Source: Reports of the Export-Import Bank of Washington.

Delinquent Loans

From the inception of the Bank on February 12, 1934 to December 31, 1949, disbursements of the Bank totalled $3,030,525,024 of which $2,705,331,470 was from the funds of the Export-Import Bank and $325,193,553 from the funds of the agent commercial banks. Of these advances a total of $850,939,761 had been repaid by December 31, 1949. As of this date, six loans aggregating $250,678, including accrued interest, were in default and fully reserved.

These loans are as follows:

a. American Brazilian Corporation, Loan #233, made to assist in importing tropical products. Credit authorized June 12, 1939 in the amount of $1,117,049; disbursed $1,117,049; repaid $974,069; due $142,980 plus interest at 5%. In default since 1940. Recovery of $15,000 expected.[98]

b. Talleres Graficos Sur S. A. (Uruguay), Loan #333. Purpose to purchase printing press. Authorized April 22, 1942 in the amount of $85,000 of which $6,125 cancelled. $78,875 disbursed of which $36,592 repaid. Due $42,282 plus interest at 4%. In default since November 1, 1945. Small payments being received on account.[99]

c. Polish Cotton Mills (Poland), Loan #141. Purpose to purchase cotton. Authorized October 21, 1936 in the amount of $166,743 which was fully disbursed. $163,251 was repaid. Still due $3,492 plus interest at 5%. In default since 1939. Partly secured by blocked Dutch bonds and Reichmarks. Recovery uncertain.[100]

d. Charles B. McDaniel, Jr. (Portuguese West Africa) Loan #319 Purpose of loan to purchase materials and equipment. Authorized March 6, 1942 in the amount of $300,000 of which $235,000 cancelled. Disbursed $65,000. Repaid $33,495. Due $31,505 plus interest at 4%.[101]

[98] Reports on Audit of the Export-Import Bank of Washington for the Fiscal Years of 1945-1946-1947-1948

[99] Idem.

[100] Idem.

[101] Idem.

e & f. Special Importer Exporter Credits. John F. Fitzgerald, Jr. for the importation of merchandise. Approved 1946 in the amount of $32,852 all of which disbursed. Repaid $2,936; due $29,916 plus interest at 6%. In default since 1947. Doubtful of recovery.[102] Home Plan Corporation. Export of merchandise. Approved prior to 1945 in the amount of $23,840. All disbursed. Repaid $22,622. Due $1,181. In 1945 $1180 was written off leaving $1.00 due for record purposes. No recovery.[103]

Over the years of the Bank's operations, occasionally borrowers became overdue on payment of principal and interest as is evidenced by the following table.

TABLE 6

DELINQUENT LOANS

Date	Past Due (default) Principal		Past Due (collectible)
12/31/45	$217,000		$197,000
6/30/46	217,000		490,000
12/31/46	283,000	Fully Reserved	--
6/30/47	272,898	" "	--
12/31/47	273,000	" "	1,138,808
6/30/48	264,651	" "	173,665
12/31/48	259,842	" "	732,841
6/30/49	255,105	" "	1,394,514
12/30/49	250,637	" "	2,369,663

Source: Reports of the Export-Import Bank of Washington

[102] *Idem.*

[103] *Idem.*

The loans classified as of December 31, 1949 as past due but collectible amounted to $2,369,663; by March 1, 1950, $412,561 had been collected as is shown in the table below.

TABLE 7

STATUS OF DELINQUENT LOANS 12/31/49

	Past Due As of 12/31/50	Paid on account of Past Due as of 3/1/50
Nicaragua	$ 144,804	$100,000
Paraguay	590,590	249,321
S & S Construction Company de Venezuela	1,011,616	--
Gov. of China	622,653	163,240
Total	$2,369,663	$412,561

Source: Ninth Semi-Annual Report of the Export-Import Bank of Washington 1950 p. 21f.

The entire earned surplus of the Bank is reserved against future losses. On December 31, 1949 the earned surplus amounted to 178.6 millions of dollars. It is not possible to even conjecture upon what losses may be sustained in the future although the losses to the present have been small. Appendix F shows the balance of outstanding loans by country and Appendix G gives the schedule of maturities.

It will be noted that loans to China on December 31, 1949 totalled $36,980,000; what the future of these loans will be in view of the recent Communistic victories it is impossible to foresee. A similar situation exists in the case of Poland which is a member of the Soviet bloc.

Contingent Liabilities[104]

The Bank employs commercial banks to act as agents of the Export-Import Bank under agency agreements. (See Appendix H). By the terms of these agreements the Bank has an obligation to purchase, upon demand, the evidences of indebtedness held by the agent banks and conversely may, at its option, purchase the evidences of indebtedness at any time. Likewise, the Bank will, at the request of the borrower, guarantee letters of credit opened through private United States commercial banks. In each of these instances the Bank has a contingent liability. This contingent liability is shown upon the bank's statements; in the case of the agent bank loans as contra items and the guaranteed letters of credit as memorandum figures in the liabilities but, of course, neither figure is included in the total assets or liabilities. While not a true contingent liability, the Bank at all times has open unused commitments which reduce the amount available for new commitments. Below is a schedule of the contingent liabilities and undisbursed credits taken from the semi-annual reports of the Bank.

[104] Semi-Annual Reports of the Export-Import Bank of Washington December 31, 1945 through December 31, 1949. Also see- Reports of Audit of the Export-Import Bank for the Fiscal Years Ending June 30, 1945-1946-1947-1949.

TABLE 8

CONTINGENT LIABILITIES

Date	Agent Bank Loans	Guaranteed Letters of Credit	*Undisbursed Credits
12/31/45	102,889,739	--	1,307,545,935
6/30/46	125,923,481	--	1,953,172,020
12/31/46	182,193,165	46,078,271	1,339,445,167
6/30/47	192,835,480	50,650,012	938,635,816
12/31/47	186,932,185	22,620,743	1,032,019,221
6/30/48	175,087,614	15,944,047	642,677,559
12/30/48	122,363,661	21,437,435	394,489,379
6/30/49	119,623,141	19,309,679	381,557,584
12/30/49	100,479,742	32,084,958	431,214,575

*Includes balances unused under guaranteed letters of credit.

Source: Semi-Annual Reports of the Bank.

CHAPTER VI

POLICY

General

As has been stated, the purpose of the Bank when it was created in 1934 was "to aid in financing and to facilitate exports and imports and the exchange of commodities between the United States and other nations or their agencies or nationals.[105] By virtue of Section 9 of the Act of January 31, 1935 (49 Stat. 4), the Bank was authorized and empowered in addition to its charter powers, to discount notes, drafts and bills of exchange for the purpose of aiding the foreign trade of not only the United States but also any of its territories and insular possessions. By the Act of September 26, 1940 (54 Stat. 961, 15 U.S.C. 606b), the scope of activities of the Bank was widened to include assistance in the development of the resources, the stabilization of the economies and the orderly marketing of the products of the countries of the Western Hemisphere. This latter provision was the result of the beginning of World

[105] Certificate of Incorporation Export-Import Bank of Washington District of Columbia #22430 Par. I

War II which had been the cause of a deep cut in Western Hemisphere exports to the European markets. Not only was it the policy of the United States Government to foster hemisphere solidarity but it was of vital importance that the economies of the Latin American countries should be healthy. It was foreseen too that in view of the global scale of the war that the other countries of the Western Hemisphere would be the source of important natural resources necessary to the war effort.

It was under these principles that the bank was operated from 1934 to the mid-year of 1945 and to which the management adhered closely and conscientiously.[106]

In 1945, as the result of the anticipated end of the war and with the problems of rehabilitation and reconstruction in the fore front of Congressional consideration, the Act of 1945 was enacted. During the hearings that preceded the passage of the Act in the committees of the House and Senate, there was considerable discussion as to the policy of the Bank and its role, particularly as concurrently there was and previously there had been, detailed consideration of the International Bank as conceived at Bretton Woods. As one of the major points in the Export-Import bill was the increase in its lending powers, there was a strong feeling that the Bank would, with the end of the War, compete with and perhaps cripple the

[106] In the Audit Report on the Export-Import Bank for the Fiscal Year 1945 made by the Comptroller General of the United States, (House Document #248 Eightieth Congress, First Session, United States Government Printing Office Washington 1947, p.4) it was noted that in the course of the audit the open loans had been examined and, in their opinion, the Bank had taken a somewhat wider view than previously on applications for loans during the war period, and they mentioned, specifically, credits for the development of sources of supply for strategic materials, such as iron ore, tin and tungsten and, for the purpose of facilitating the construction of the Inter-American Highway.

foreign business of private industry. Mr. Randolph Burgess then President of the American Bankers Association, appeared before the committees and through his efforts and those of Representative Jess Wolcott, Republican - Michigan, the bill as introduced was amended so as to include a paragraph which stated "that it was the intent of the Congress that the Bank should supplement and encourage and not compete with private capital and that loans insofar as consistent with the major objectives, should generally be for specific purposes and in the judgment of the Board of Directors offer reasonable assurance of repayment."[107]

The Act of 1945 also removed the prohibition on loans by the Bank to governments in default on their obligations to the United States Government and so far as participations with the Export-Import Bank were concerned, the prohibitions of the so-called Johnson Act on loans by private persons to such defaulting governments.[108]

Policy Statement

In late 1945 the Bank issued a general policy statement (revised August 1, 1947),[109] the purpose of which was to provide the public with general information on the facilities of the Bank and on the policies which guide its operations.

In this statement the Bank outlined the basic principles which were followed in its lending operations.

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[107] Section 2b Public Law 173 Seventy-Ninth Congress First Session Chapter 341 (House Rep. 3771)

[108] Public Law 173 Section 10 and 11 Seventy-Ninth Congress, First Session, Chapter 341. (H.R. 3771).

[109] "General Policy Statement". Revised 8/1/47 Export-Import Bank of Washington, p.1 f.

1. The Bank makes only loans and issues guarantees for purposes that serve to promote the export and import trade of the United States. It does this in two ways: Directly, by financing specific export and import transactions. Indirectly, by financing exports in connection with productive developments and thereby assists in building up the economies and raising the income levels of borrowing countries which thereby become better markets for American products and better suppliers of imports needed in the United States.

2. The Bank makes loans generally only for specific purposes. Disbursements under a commitment are made only when evidence, satisfactory to the Bank, is presented showing that the purposes of the loan are being carried out by the borrower. The Bank does not make lump sum advances but rather, extends credits only for approved purposes.

3. The Bank makes only those loans which offer reasonable assurance of repayment. When considering loan applications, the Bank tries generally to grant only those which are most likely to improve the economic and international position of the borrowing countries. Loan applications are carefully analyzed and considered by the various sections of the Bank, economic, financial, engineering, and legal, and in this study by the staff, assistance, if required, is given by the other departments and agencies of the government. The completed study is then reviewed by the Board of Directors who approve, or reject, or defer.

4. In the great majority of cases the Bank extends credit only to finance purchases of materials and equipment produced or manufactured in the United States and of the technical services of American firms and individuals as distinguished from expenditures for goods, labor and services in the borrowing country or purchases in a third country.

5. The Bank does not compete with private capital but does encourage and supplement it. Therefore, the bank deals, primarily, with risks either beyond the scope of private capital or those which private capital will not assume without governmental assistance.

The Bank will not do a number of things, thus, it will not extend credit where it is available privately in adequate amounts on reasonable terms, nor will it assume any obligation or responsibility for the issuance by any agency of the United States Government of any priority, allocation, permit or license which the law may require for the procurement and export of any commodity it may finance. The Bank by law is not permitted to purchase stock in any corporation; thus it may not engage in equity financing and it requires evidence that any project financed has an adequate equity interest behind it. The Bank is not authorized to finance trade between the United States and its territories or insular possessions. The Bank will not select supplies for projects it finances but does require competent engineering and other technical direction of the projects; also, it will finance contracts for payment for United States technical services.[110]

The facilities of the Export-Import Bank are available to any United States exporter of goods or technical services to United States importers, to foreign governments or their agencies, foreign banks and foreign enterprises.[111]

The Policy statement outlines the suggested procedure to be followed in applying for Export-Import Bank assistance. The United States exporter may apply directly to the Bank in Washington or preferably through his own bank. The application should give a description of the goods or services to be financed. In the case of a development project there should be included engineering and economic surveys and pro forma balance sheets and income statement. Also, to be given is the name of the foreign country and the name of the foreign purchaser; also, a statement as to how the use of the goods may be expected to affect the foreign exchange position of the borrowing country. The terms of sale must be given and include total contract price, amount of cash down payment, amount of credit to be extended

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[110] Idem p.7

[111] Idem p.8

purchaser, the amount of credit requested of the Export-Import Bank, and the proposed schedule of repayments. As the bank usually requires the exporters to carry part of the risk, the percentage of the risk which the Bank will take, without recourse, depends upon the circumstances of the individual case and is applied to the portion of the transaction which remains after the allowance for cash down payments and for notes maturing before delivery of the goods.

The exporter must also present evidence that the transaction cannot be financed without the assistance of the Export-Import Bank. Required is credit information and references on the purchaser with statements and other financial data. A statement must be made as to whether the guarantee of a foreign bank, or government, or grantor will be offered and, if so, some evidence that it will be given.

Some assurance that the necessary dollars will be made available by the monetary authorities of the country to meet payments as they fall due, in the absence of the unconditional guarantee of the government of the country concerned is required.

The exporter must also give a brief history of himself with bank and trade references and financial information covering the past three years.[112]

Foreign Governments or their agencies may apply directly to the Bank or may begin discussions through the United States diplomatic mission in their country or through their own diplomatic mission in Washington.

A considerable amount of information is required from the prospective borrower.

1. Justification for seeking the help of the Export-Import Bank and the absence of private credit must be supported by evidence.

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[112] Idem p. 9f.

2. Purpose for which credit would be used including lists of goods and services to be purchased in the United States and when development projects are considered engineering, and economic surveys must be submitted.

3. Amount of credit desired and proposed terms of repayment.

4. Statement of the external assets of the country in the form of gold and foreign exchange with official holdings segregated from private holdings and dollar holdings separate from holdings of other currencies.

5. The countries current and prospective rate of gold production.

6. A statement of the international investment position of the country at long and short term, including major commitments pending or contemplated. Also an estimate of the amounts of interest and amortization due annually over the life of the loan on external fixed-service obligations and a statement of priorities in loan service.

7. A summary of the record of the country on paying its external debts and a statement of the default status of external obligations if any.

8. An analysis of the capacity of the country to repay on the basis of its current and prospective balance of payments.

9. A statement of the expected impact of the project upon the country's foreign exchange position.

10. If the application is made on behalf of a borrower other than the government, there must be submitted evidence that the guarantee of the government will be given and that dollars will be made available by the proper agency to meet the payments of principal and interest as they fall due.[113]

Applications will be accepted from foreign applicants other than governments but the support of their government will be required before con-

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[113] Idem p. 10f.

sideration. The information required follows along the lines of the domestic application plus the pertinent information as to the government's guarantee and exchange availability agreement.[114]

The Bank will also make commitments to enable United States exporters to submit bids for foreign business. Where more than one United States exporter is interested in a given order the Bank will indicate identical or similar terms to all qualified bidders so that the successful bidder if a United States exporter will be determined upon the sole basis of price, quality and delivery schedule rather than the advantage of credit terms created by the Bank. The Bank suggests that exporters consult with the Bank prior to the making of terms.[115]

At the request of foreign borrowers the Bank will guarantee reimbursement to commercial banks in the United States for payments made under approved letters of credit arranged by the borrower to finance exports under established lines of credit of the Export-Import Bank.[116]

Maturities and Interest Rates:

The maturities of credits are arranged in accordance with the circumstances of the case. Consumer goods are rarely financed but if undertaken will be done on short terms as will the financing of raw materials. Machinery and equipment terms are extended over longer periods and maturities are placed upon a quarterly or semi-annual basis. A discussion of interest rates will be found in another paragraph.[117]

Relations with Agent Commercial Banks:

The Bank does not compete with private capital. The Bank prefers

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[114] Idem p. 11f

[115] Idem p. 12f

[116] Idem p. 13

[117] Idem p. 13

to receive applications for loans from private firms and individuals through their own banks and seeks to obtain the maximum participation by exporters and commercial banks in credits to which it is a party. The Bank, also, under special circumstances, uses the facilities of commercial banks for making funds available under lines of credit, receiving payments of principal and interest, and handling other matters in connection with the extension and collection of credits.[118]

These agent banks, as they are called, operate under agency agreements in cases where the loan transactions are better handled through customary private trade channels than by direct advances of the Bank. A separate agreement is executed with each bank under each loan involving the use of agent banks and generally provides:

1. The agent bank shall make disbursements under the loan negotiated by the Export-Import Bank from the agents own funds.

2. The agent bank shall receive directly the payments of interest and principal made by the borrower.

3. The interest received under the loan shall be divided between the agent bank and the Export-Import Bank on a fixed basis.

4. The Export-Import Bank shall at any time on demand by the agent bank, and may at any time voluntarily, reimburse the agent bank for advances made and interest earned, thereby succeeding to all right, title, and interest in and to the obligation held by the agent bank under the loan.[119]

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[118] Idem p. 14f.

[119] Audit of the Export-Import Bank of Washington for the Fiscal Year 1948 (United States Government Printing Office, Washington 1949). House Document #641, Eightieth Congress Second Session, p.9

Policy Problems 1945

The Bank was confronted with a number of policy questions immediately after the enactment of the 1945 Act. The first question was the rate to be charged on the Bank's long term loans to foreign governments. The question was referred to the National Advisory Council on International Monetary and Financial Problems. This agency is charged with the coordination of policies and operations of agencies engaged in making foreign loans. The Council considered several factors in reaching a decision: the legislative background[120] of the Export-Import Bank; the possible rates of interest to be charged by the International Bank; the present and prospective rates in the private capital market, and the interest rate structure of the public debt. Also considered were the reserve policy and administrative expenses of the Export-Import Bank; the relation of interest rates on Export-Import Bank loans to the prospect of repayment; the possibility of resale by the Export-Import Bank of the foreign obligations to the commercial banks and private investors, and the benefit that the United States would gain through worldwide reconstruction. The real basis of the final decision was based upon the consideration that the interest charged by the Export-Import Bank should cover their costs to the United States Government. Three elements go into the cost: First, the cost of money to the United States Treasury; Second, the operating expenses of the Bank; Third, the accumulation of reserves by the Bank sufficient to cover losses. The cost of money, in the last half of 1945, to the government was on the average a shade under 2%. This is the average cost to the Treasury of all its borrowed funds with the spread in

[120] Hearings Senate Banking and Currency Committee.
also
Hearings House Banking and Currency Committee.

maturities in existence at the time. The cost of making loans was arbitrarily set at 1%. The actual administration expenses of the Bank in 1945 were far less than this figure but it provided a margin which could be used to build up a reserve against possible future losses. Then too, the 1% margin corresponded to the minimum commission which may be charged by the International Bank during its first ten years. The Council recommended that "the Banks general rate of interest on twenty to thirty year loans to foreign governments for reconstruction and development should be 3% during the next period. This rate shall be uniform for all governments. In the case of loans with serial maturities, the average rate should be 3%. The approximate rates or rate should be reviewed from time to time as relevant factors change. In financing the export of goods for which requisitions have been filed by foreign governments under Lend-Lease and accepted by this government prior to VJ Day the Bank's interest rate should be 2-3/8% for thirty year loans, i.e., the same as in Lend-Lease 3C Agreements."[121] Prior to the establishment of this policy, the average rate on the Bank's outstanding loans was 4%, and this rate was continued on other than government loans.

The Bank was questioned on the propriety of its loans to governments in default on their obligations to private United States citizens. The Bank management pointed out that it encourages the foreign governments to make reasonable settlements with private United States holders of defaulted obligations and to make payments of principal and interest to bondholders on agreed terms. And the Bank in considering applications for new loans gives appropriate weight to defaults when determining the credit standing

[121] First Semi-Annual Report of the Export-Import Bank of Washington for the Period July-December 1945. Export-Import Bank of Washington 1946 p. 27

of the government and the "reasonable assurance of repayment". Rarely, however, has the Bank made the service of dollar obligations a condition precedent to loans. The Bank justifies this position on several grounds: First, it has been the general policy of the United States Government not to intervene officially in settlements between foreign debtors and United States creditors. Second, the Bank's statutory purpose is to aid in financing and facilitating the exports and imports of the United States. This is the prime consideration and the Bank must give this first consideration. Third, the Bank feels that in loans of reconstruction and development the assistance given the borrowing country may reasonably be expected to strengthen the economy and thus improve the position of holders of defaulted obligations and to improve the possibility of resumption of repayment to the bondholders.

Another issue raised was the making of loans for dollar requirements only. The Bank finances only what must be obtained in the United States. It does not, except in extraordinary circumstances, finance outlays in the borrowers own currency; nor will the bank, except in an unusual case, finance purchases in another foreign country. This policy is based upon several reasons: First, the Bank's loans are foreign loans and ultimately the borrower must repay in dollars. If used internally the funds would, in repayment, involve a drain upon the borrower's gold and dollar holdings or impair its current receipts from exports. Second, it would burden unnecessarily the borrowing countries external obligations and add to the Bank's risk of loss because of transfer difficulties.

In 1945 the question of export credit and transfer again was raised. In previous chapters this subject was discussed and it is a question that reoccurs quite frequently. The Bank over a long period of years has studied the question and has gone far to meet the need for such a system so far as medium term credits are concerned. It finances specific exports up to a given percentage without recourse to the exporter and thus, to the extent of its participation, relieves the exporter of both credit and transfer risk. The Bank has held itself ready to expand this type of credit and would also enter into general arrangements for the financing of a stipulated volume of business that could be handled through the Bank without recourse. The question was also raised as to whether the Bank should undertake a broader stand upon short term and medium term credits along the lines of the British and Canadian systems. In June 1945 the Bank sent to Senator Claude Pepper (Democrat- Florida), Chairman of the Senate Subcommittee on Foreign Trade for Small Business, a letter which outlined its position.[122] The Bank was against following the British example of a specially created government agency to offer both short and medium term credit insurance against nonpayment by the foreign buyer for any cause. The basis of this recommendation was:

1. The distinction between inability to pay because of transfer difficulties and inability because of credit difficulties.

2. The demand for short term export guarantees is too small.

3. If really needed short term guarantees could be satisfied by private action.

    a. Establishment of private credit guaranty organizations.

    b. Pooling of credit information by groups of exporters.

    c. Development of private export credit information services.

[122] Idem p. 31. Letter dated June 23, 1945.

d. Use of the credit facilities of established export houses.

e. Improvement of credit management in individual firms.

4. The principal need is more adequate facilities to enable exporters of capital goods to sell abroad on reasonably extended terms and to obtain the credits or the credit and transfer guarantees required for this purpose. The resources of the Export-Import Bank should be reserved largely for assistance of this character rather than be tied up in commitments to exporters of consumer goods which are sold on short terms with a minimum of risk and which can usually be financed without difficulty through commercial banking channels.

The Bank then recommended certain steps be taken to assure meeting the need for medium term facilities:

1. Subject to an increase in its lending authority, the Bank agreed under appropriate conditions, with respect to individual export transactions involving terms of one to five years, to guarantee exchange up to 100% on exports to countries, members of the International Monetary Fund and up to 50% - 75% of risk of non-payment for all other causes.

2. That the Bank would accomplish this as in the past by non-recourse loans to exporters or by giving its contingent guarantee against non-payment because of inability to transfer dollars (up to 100%) or for other causes (up to 75%).

3. That the contingent guarantee of the bank, against transfer and credit risks, be made available on a fee basis to:

   a. Individual exporters.

   b. Banks.

   c. Export guaranty organizations, the terms to be arranged so that it would be no less costly for exporters to take advantage of the Bank's guarantee directly rather than through their banks or through private guaranty organizations.

4. The Bank concluded with the statement that this arrangement could be handled without any expansion in its organization or personnel except as might be necessary by an overall expansion in operations.[123]

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[123]*Idem* p. 32.

In making reconstruction loans the Bank was guided at all times by the desire to restore foreign trade to private channels as rapidly as possible. Sixty days after VJ Day (November 2, 1945) United States Government procurement facilities were closed to foreign governments who then had to buy in the open market. However, because of internal difficulties in the foreign countries, they were forced to continue to use their own purchasing commissions rather than permit the trade to be handled by their own nationals in the import business. It was felt, however, that this procedure would be necessary only during the transitional period between war and peace, and to a great extent this has proved true and most purchases are now transactions between private importers and private exporters. There is still, however, widespread controls, priorities, etc.

Policy Problems in 1946

The all important policy issue confronting the Export-Import Bank in the first half of 1946 was the effective use of its reconstruction credits in restoring United States foreign trade to a peacetime basis while still maintaining the Bank's traditional forms of assistance to American exporters and importers and to foreign countries seeking development loans. Other policy problems were:

1. Private participation in the Bank's loans.
2. The position of the Bank in financing through private channels only.
3. The Bank's general policy of financing dollar requirements only.
4. Proposals for a general system of export credit and transfer guarantees to be administered by the Bank.

5. Question of the Rate of Interest on other than reconstruction loans.

6. The problem of the impact of the Bank's credits on the domestic supply situation.

7. The question of marine insurance on export shipments financed by the Bank.

8. The guaranty by the Bank of commercial letters of credit.

Private Participation

Early in 1946 the Bank created a Private Capital Participation Division. This division handles the participation of private lending institutions. In some credits commercial banks take part of the credit on a non-recourse basis. The Bank also, in so-called exporter credits requires the exporter to carry a reasonable portion of the risk. It has been the policy of the Bank to extend credit wherever reasonable by means of exporter credits in preference to government to government credits in which domestic suppliers do not participate. The Bank also maintains close contact with financial markets and will give information regarding its portfolio so that its commercially bankable paper may be made available to private investors, within the limitation of the regulations of the Securities and Exchange Commission. And borrowers must agree, upon request of the Bank, to take steps that are necessary to register their obligations to the Bank under the Securities Act of 1933. As of June 30, 1946 approximately 125 million dollars of the 727 million dollar loans outstanding were held by commercial banks pursuant to agreements whereby the commercial banks had made disbursements to borrowers against lines established by the Bank which agreed to reimburse them on demand. The Export-Import Bank has a contingent liability for loans disbursed by agent banks under these agreements and the whole amount of loans outstanding applies against the statutory limitation on loans and guarantees of the Export-Import Bank although the use of public funds is avoided. Most of the agent bank loans were disbursed prior to the Act of 1945. Since the enactment of the Act which directs the Bank to obtain its funds from the Treasury, the Bank has confined the use of commercial banks to situations in which they give special commercial bank services in connection with the disbursements.[124]

Private Trade

Substantial progress was made in returning trade to private channels, which was aided by the State Department which informed the foreign countries that purchasing missions should be terminated as soon as possible.[125]

Domestic Impact

The Bank was concerned with the effect of the reconstruction loans upon the domestic economy. A number of factors affected the timing and importance of the impact. The delays in utilization of these credits meant that their effects were spread over a period of months and, in some cases, years (heavy equipment). Also, export allocations by the United States and the controls which accompanied them tended to minimize the effect on the domestic economy. Further, with prices officially controlled, the effect of the

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[124] Second Semi-Annual Report of the Export-Import Bank of Washington for the period December-June 1946. Export-Import Bank of Washington 1946 p. 35f.

[125] Press Release #303 (May 4, 1946) Department of State.

foreign demand extended time for delivery rather than raise prices.

In addition to the above safeguards, the Bank, with the assistance of the Department of Commerce, followed a policy of restricting or denying the use of its credits for the purchase of commodities in scarce supply and encouraged their use for the purchase of commodities in long supply, such as cotton and tobacco and many types of capital goods. This minimized inflationary consequences of the Bank loans under existing conditions and, at the same time, eased the problems of reconversion of industries which had been expanded during the war.[126]

Marine Insurance

Upon the granting of the reconstruction loans and Lend-Lease credits, it was alleged that the government to government loans was resulting in the diversion of marine insurance business from normal channels. It was contended that the borrowing governments were tending to place marine insurance in their own national markets or in third country markets where dollars were not required. Under normal private commercial trade, a large percentage of United States exports are quoted and shipped on a C.I.F. basis with the American exporter making the insurance arrangements and placing a large part of the business in American markets. As a result, the Bank in March 1946 adopted a policy of requiring that goods financed under the Bank credits be insured by contracts of insurance payable in United States dollars. The Bank, however, has considered waivers and

[126] Second Semi-Annual Report of the Export-Import Bank of Washington for the period December-June 1946. Export-Import Bank of Washington, 1946. p. 38

modification in cases where the borrower self insures, i.e., assumes all or part of the risk of loss without insurance.[127]

Letter of Credit Guaranties

At the request of foreign government borrowers and United States exporters, the Bank undertook to guarantee, on instructions from the borrowers, reimbursement for payments made under commercial letters of credit arranged by them in anticipation of the financing of exports by the use of Bank credits. The guarantees made possible the procurement of goods in the United States with complete assurance to American suppliers and banks that payment would be received out of Export-Import Bank funds, which are specifically earmarked against each guaranteed letter of credit. Also, they served to maintain and restore commercial trade practices.[128]

In the last half of 1946 the position of the Bank on further reconstruction credits was clarified. The question of export credit and transfer guarantees was raised again. Interest rates were reconsidered and the Bank examined its policy on imports.

Reconstruction Credits

The Act of 1945 was intended chiefly to enable the Bank to extend emergency reconstruction credits during the period until the International Bank should open for business. The Act increased the lending authority by 2.8 billion dollars and the Bank at once began to authorize credits,

[127] _Idem_ p. 39

[128] _Idem_ p. 39

mostly long term, and for a wide variety of projects. As of May 30, 1946 the Bank had authorized approximately 2.1 billion dollars of commitments and had ear-marked 500 million dollars for China which left 200 million dollars of the increase uncommitted. In June 1946 the International Bank announced it was open for business and ready to receive applications from its members for loans. Under the circumstances, the Bank decided that it must bring to an end its program of emergency reconstruction credits, particularly to those countries with access to the facilities of the International Bank. The Bank will continue to consider within its powers and policies, credits to finance trade with countries undergoing reconstruction, as well as other countries. Credits authorized must be for specific projects, must contribute in the most direct manner to a balanced long range expansion of foreign trade and be on appropriate terms.[129]

Interest Rates

After considerable study the question of interest rates was referred to the National Advisory Council for its recommendation on loans other than to governments. In July 1946 the Council recommended and the Bank adopted a revised policy on interest rates for new loans.

1. An average or effective rate of 3-1/2% on long term loans other than those to governments, agencies of governments and private firms carrying the guarantee of foreign governments.

2. Higher rates on loans to private borrowers not guaranteed by foreign governments, if justified by the risk factor.

3. Rates on short term loans at the discretion of the Bank.

[129] Third Semi-Annual Report of the Export-Import Bank of Washington for the period July-December 1946. Export-Import Bank of Washington 1947, p. 26f.

This recommendation was based upon a number of considerations. The 3-1/2% rate was figured to cover the cost of the money to the United States plus an allowance for risk and Bank overhead. Also, it was considered high enough to attract domestic participation as compared to the domestic securities return, and, at the same time, not bear too heavily on the borrower. It reduced the existing Bank rate and thus passed on the lower cost of money. At the time, it was believed to be in conformity with the rate which would be charged by the International Bank on loans of comparable maturity.[130]

Imports

The large post-war credits to foreign countries highlighted the growing creditor position of the United States and it became evident to the Bank that useful and desirable imports into the United States should be stimulated so as to enable the foreign countries to import more American goods and to ease the problem of the foreign countries in repaying interest and principal on their dollar loans. The Bank felt it could do a constructive job in this connection. It had always considered that the balance of payment position of the applicant was important and in the future would be given even heavier weight. All loans would be examined with particular emphasis on the end use and all must either result directly in foreign exchange for the borrower or set up conditions which will create foreign exchange, either by supplying goods for which foreign exchange had been previously required, or to supply goods for which an export demand existed.[131]

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[130] Idem p. 27

[131] Idem p. 28
See also: "The Foreign Loan Policy of the United States" The Federal Reserve Bulletin (March 1946) Federal Reserve Board Washington, D.C. 1946 Vol. 32 #3, p. 227f.

Policy Problems in 1947

In 1947 relatively few questions of policy were presented. The efforts of the Bank were largely devoted to the expanding volume of work in administering loans on its books. Also, of prime concern were the problems of transition from the emergency program of large reconstruction loans of general character to a selective program, specifically designed to contribute, over a period of time, towards a better balance of two way trade. In introducing this change in emphasis of the Bank's program, it was necessary to proceed slowly project by project. Several credits, authorized during the year, illustrate this change in policy. On Italian credits the Bank agreed to consider the extension of individual credits totalling 100 million dollars, for the specific purpose of assisting certain segments of Italian industry to restore and expand their export markets. Credits of the same type were approved for Finland, and a credit to Brazil for the construction of an Alkali plant will permit Brazil to divert to other purposes the foreign exchange formerly required for purchases of soda ash and caustic soda. In the same category was a credit granted to the Royal Dutch Airlines (KLM) for the purchase of aircraft which will produce a high proportion of dollar revenue. Credits were extended to Turkey for the conversion of vessels from which the earnings will be substantial and which will aid Turkey's balance of payments. In the adoption of this policy the management of the Bank felt the stimulation of exports from the borrowing countries would contribute to a better balance of the exports and imports of the United States and would thus facilitate a continuation of foreign trade on a sound basis.

During the year 1947 the Bank received a large volume of applications from private traders and foreign governments which, had they all been approved, would have required considerably more funds than the Bank had uncommitted. The management of the Bank felt that prudent management required that it maintain a margin of uncommitted funds available to meet contingencies which might arise in the field in which the Congress intended that the Bank should operate.[132]

Policy Problems in 1948

In 1948 operations of the Bank were overshadowed by the Marshall Plan or European Recovery Program and the large sums appropriated for implementing the Economic Cooperation Act of 1948. In view of the substantial funds which would flow to Europe the Bank felt that the Export-Import credits should not be authorized to the participating European countries except in extraordinary circumstances. Most of the credits approved were for Latin American countries. Exceptions were foreign exchange producing credits for Norway, Sweden, Finland and Canada. The Bank restated its essential criteria in passing on all applications. All loans must promote the interest of the United States through aiding its foreign trade. The efficacy of the loans in promoting trade along sound lines, the sufficiency of the supporting investment and the adequacy of assurance of repayment were the main points considered. The Bank found of increasing value its freedom to encourage private investment and the sale of American goods through loans in which the guarantees of foreign governments were not required.[133]

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[132] Fourth and Fifth Semi-Annual Reports to Congress of the Export-Import Bank of Washington for the period January-December 1947. Export-Import Bank of Washington.

[133] Sixth and Seventh Semi-Annual Report to Congress of the Export-Import Bank of Washington for the period January-December 1948. Export-Import Bank of Washington.

In April of 1948 the President requested the Congress to increase the lending authority of the Bank by 500 million dollars. The Presidential message gave as the primary purpose of the increase required, the placing of the Bank in a position to assist in meeting essential requirements for the financing of economic development in Latin America. Senate Bill 2549 which provided for the increase was passed by the Senate but was not reported out of Committee in the House of Representatives.[134]

On April 3, 1948 the Foreign Assistance Act of 1948 was approved and under its provisions the Bank was authorized to extend assistance to participating countries on credit terms and to administer the credit on terms specified by the Administrator in consultation with the National Advisory Council. In June the Bank was authorized by the Administration to make the first loan[135] and by the end of December of 1948 a total of 837.3 million dollars had been authorized. Also one guarantee authorized under the Assistance Act had been issued.[136] In another chapter the relations of the Bank and Economic Cooperation Administration are discussed fully.

Policy Problems in 1949

In 1949 the problems which confronted the Bank in its effort to facilitate the international trade of the United States was acute. Demand for United States products continued to exceed the ability of most foreign

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[134] Sixth Semi-Annual Report to the Congress of the Export-Import Bank of Washington for the period January-June 1948. Export-Import Bank of Washington 1948 p.2f.

[135] Idem p.3.

[136] Seventh Semi-Annual Report to the Congress of the Export-Import Bank of Washington for the period July-December 1948. Export-Import Bank of Washington 1949, p.12.

countries to obtain the dollars necessary to pay for them. The Bank avoided indiscriminate financing of American goods. It endeavored to direct its credits towards the financing of goods which would build up the productive capacity of the borrowing country and provide for an exportable surplus. It has aimed to facilitate private investment in productive enterprises abroad by sharing credit risks with United States investors and it facilitated the export of American skills and experience by requiring and financing such services in connection with projects it financed.[137] Development credits accounted for most of the assistance approved during the year. Included were credits to the Middle East, Latin America, Africa and the Far East.[138]

In January 1949 the President outlined his Point 4 Program for the economic development of the underdeveloped areas of the world. In another chapter will be found a full discussion of this program under which the Bank is to be an important factor.[139]

[137] Eighth Semi-Annual Report to the Congress of the Export-Import Bank of Washington for the period January-June 1949. Export-Import Bank of Washington 1949, p.2.

[138] Ninth Semi-Annual Report to the Congress of the Export-Import Bank of Washington for the period July-December 1949. Export-Import Bank of Washington, 1950, p.1.

[139] Ibid p.2.

CHAPTER VII

LOAN AND COMMITMENTS OPERATIONS UNDER THE ACT

July - December 1945

The commitments[140] made by the Bank in the last half of 1945 were principally to the liberated and war shattered countries of Europe and were for reconstruction purposes. This was in accordance with the program outlined in the course of the hearings on the Export-Import Bank Act of 1945 and as foreseen by the President in his message to Congress of June 4, 1945 on the subject of lend-lease for the fiscal year 1946. Of new authorizations of 1040 million dollars, reconstruction loans to Europe totalled 920 million dollars. The reconstruction loans were of two types, lend-lease credits and reconstruction credits. Both were used for purchases in the United States of food, raw materials and machinery and equipment. Their purpose was to assist in restoring the economies of the borrowing

[140] Loan authorizations or commitments refer to the approval, in principle, by the Board of Directors of the Bank of credits on specified terms. Authorizations must be formalized in loan agreements before disbursements or advances can be made. Authorizations may lapse because formal loan agreements are not signed or may be cancelled or expire after agreements have been signed.

countries and thereby revive the peacetime markets for United States products and sources for United States imports.

Lend-lease credits of 55 million dollars were extended Belgium, 550 million dollars to France and 50 million dollars to the Netherlands. Because of the sudden end of the war the drain on the Bank for this purpose was heavier than anticipated. The lend-lease credits used funds which the Bank had believed would be available for other purposes.

Other reconstruction credits approved in the last half of 1945 were for the purchase in the United States of a broad variety of agricultural and manufactured products. These credits were 45 million dollars to Belgium, 20 million dollars to Denmark, 50 million dollars to the Netherlands and 50 million dollars to Norway, for a total of 165 million dollars. They were available to late 1948. Advances were against notes maturing in 1950 and 1951 with a rate of 2-1/2%. At maturity the borrowers may tender new notes in renewal maturing in thirty equal semi-annual installments. For the first five years the rate will be 2-1/2%, the second five years 3%, and the last five years 3-1/2%. This rate of interest agrees with a recommendation of the National Advisory Council.

In October 1945 the Bank set up a credit line of 100 million dollars for the specific purpose of financing exports of raw cotton to European countries. The full line, if utilized, covered 800,000 bales of cotton. The terms of the credit were a maturity of 15 months and a rate of 2-1/2%. The American cotton shippers and their commercial banks participated in the credits up to the time of acceptance of the relevant drafts by the foreign banks. In the period July - December 1945 only one credit was established in the amount of 5 million dollars for Finland and covered 46,000 bales of cotton.

Authorization for Latin America totalled 106 million dollars. Brazil secured 38 million dollars for the purchase of fourteen ocean going cargo steamers to be built in the United States. Repayment over ten years and at a rate of 4% per annum.

Chile was extended credits of 36.2 million dollars of which 33 million dollars went to the Chilean "Formento" to finance the purchase in the United States of equipment, material and services in connection with the construction of an integrated iron and steel plant. In addition to the Export-Import Bank funds, the Chilean government put up about 25 million dollars. This credit was fully guaranteed by the Republic of Chile. It is repayable over twenty years with a rate of 4%. A portion of the credit, 5 million dollars, was earmarked for hydroelectric facilities and this credit had a maturity of five years repayable in semi-annual installments at a rate of 4%. 3.2 million dollars in credits were in favor of the Chilean State Railways for electrical equipment and locomotives, the former to be repaid over seven years in quarterly installments and the latter in not over six years also quarterly. The rate in each case was 4%.

A commitment of 1 million dollars was made to the Republic of Ecuador for the purchase of American engineering and other technical services in connection with the preparation of a broad program of economic development.

Commitments of 30.2 million dollars were established for Mexico. Of this, 10 million dollars increased an existing line of credit in favor of the Government of Mexico covering highway construction but, unlike the previous commitment, was exclusively for the purchase of United States equipment and services. The existing credit could be used for local labor and materials. Repayment is over ten years in installments and interest at 4% per annum.

Another credit of 20 million dollars was granted to assist in the financing in the United States of equipment, materials and services in connection with a large electrification program. Repayment in semi-annual installments over twenty years at 4% interest. Advances under this credit are secured by the assignment of revenues derived from specified taxes on the consumption of electrical energy in Mexico and is unconditionally guaranteed by the Government of Mexico.

Lastly, 150,000 dollars was allocated for a small importer to assist in financing the importation of Mexican handicraft into the United States.

Peru was granted a credit of 350,000 dollars upon the application of a United States supplier of electrical equipment. Repayment over ten years with a rate of 4%.

Among other credits approved was one of 5 million dollars to the Kingdom of Saudi Arabia for the purchase of equipment in the United States for certain public works.

Also a credit of 3.1 million dollars was approved upon the application of United States suppliers to finance the sale of airport equipment to the Turkish State Airways. Repayment quarterly over five years at a rate of 4%.[141-142]

[141] First Semi-Annual Report, etc., loc.cit., p. 15f.

[142] Report on Audit, etc., loc.cit. p. 7f.

Operations

January - June 1946

During the first half of 1946 the Bank continued its assistance to the liberated and war devastated countries for reconstruction purposes and thus carried forward the program proposed by the President in June 1945 and which had been made possible by the enactment by Congress of the Export-Import Act of 1945. Reconstruction credits of 1142 million dollars were approved out of a total of 1157 million dollars. Through the reconstruction credits, the Bank was filling a gap in the facilities for providing dollar credits until the International Bank could get into operation. They were granted to meet the most urgent needs of the war stricken countries. They may be considered as emergency credits.

China was the beneficiary of six credits during this period which totalled almost 67 million dollars.

The first credit was a credit line of 33 million dollars to the Bank of China, covering the export of raw cotton to the extent of 275,000 to 300,000 bales mostly short staple. The term of this credit was 24 months after arrival in China as compared with 15 months to European countries. The added time was permitted because of the difficulties of inland transportation and processing. The credit was guaranteed by the Chinese Government and the rate was 2-1/2%. The cotton was moved through private trade channels in the United States to both government and private consumers in China. The use of the credit was open to all qualified cotton export firms in the United States through their United States commercial banks. After the approval of the commitment, it was found that because of the lack of dollar exchange and conditions resulting from the war, there was on consignment in China large quantities of United States cotton which was unsold. This cotton and other cotton that had been shipped on a cash on arrival basis was declared eligible for financing under the credit.

The five other credits approved included 4.2 million dollars for ten coastal cargo vessels; 2.6 million dollars for 16 cargo vessels; 16.5 million dollars for railway repair equipment; 8.8 million dollars for ten auxiliary steam power plants and 1.5 million dollars for coal mining equipment.

Credit terms varied. The credit for the coastal cargo ships covered 75% of the purchase price, the remainder being paid for in cash by the Chinese Government. The loan matures in 20 years, rate 3-1/2%. These terms were similar to those established by the Merchant Ship Sales Act of 1946. The other cargo ships were purchased on terms of 15 years with repayment beginning in the sixth year at a rate of 3-1/2%. The railroad and power equipment loans carried a rate of 3% repaid over 25 years beginning 5 years from the date of advance of funds. The coal mining equipment was 3% repayable in 20 years with payments beginning in the sixth year.

In addition to the above, the Bank, following President Truman's statement of December 15th, 1945 on the subject of our policy towards China, ear-marked 500 million dollars for possible additional credits on a project by project basis. The credit was to expire by June 30, 1947.

In May 1946 Czechoslovakia was extended a 20 million dollar cotton credit through the Prague Credit Bank. This was allocated under the 100 million dollar cotton credit for Europe established in October 1945. The credit which was guaranteed by the Czechoslovakian Government was sufficient to cover 130,000 bales of cotton from the United States. This was more than 50% of the average annual pre-war imports of cotton from the United

States and was estimated at about two-thirds of the annual cotton requirements of the country. The rate was 2-1/2% and drafts maturing in 26 months were permitted, thus taking into consideration not only inland transportation but also production and marketing difficulties encountered in cotton textiles in Czechoslovakia.

A line of credit of 35 million dollars was extended to Finland for the purchase of supplies, services, material and equipment in the United States. Also, in the loan agreement was a provision for the refunding of outstanding loans made by the Bank in 1939 and 1940 to the Finnish American Trading Corporation with the guarantee of the Republic of Finland. The principal and interest on this loan on January 1, 1946 was approximately 25 million dollars. The new credit line was to be available to June 30, 1948. Advances under the new credit were under notes due March 15, 1950 with a rate of 2-1/2%. The refunded notes were of the same tenor. At the maturity in 1951 they may be exchanged for three series of new notes. The first series totalling 20 million dollars will be repayable in semi-annual installments until 1956 at 2-1/2%. The second series of 20 million dollars will mature 1956 - 1961 at a rate of 3%. The third series of 20 million dollars will mature in instalments during the years of 1961 - 1966 at 3-1/2%.

Also extended was a cotton credit of 5 million dollars covering approximately 46,000 bales of United States cotton. Terms 15 month drafts at a rate of 2-1/2%.

A credit of 650 million dollars to France was authorized by the Bank for the reconstruction and modernization of French industry. This brought French credits to 1.200 million dollars; more than one-third of the statutory lending authority of the Bank. The credit of 650 million dollars was arranged as a result of an agreement by the United States and France covering the settlement of lend-lease, reciprocal aid and other war accounts, the purchase of United States surplus property located in France and overseas French territories, the projected purchase of ships owned by the United States and mutual undertakings in connection with international commercial policy. The terms were similar to other reconstruction credits; in installments over 20 years beginning on January 1, 1952 at 3%.

A credit of 25 million dollars was approved for Greece for the purchase in the United States of material required for the restoration of productive facilities. It was granted to supplement U.N.R.R.A. assistance in the replacement of capital goods. The Government of Greece issued notes maturing on March 31, 1951 with interest at 2-1/2%. These will be exchanged for three series of notes. The first series of 7.5 million dollars will be payable over ten years at a rate of 2-1/2% beginning in 1951. The second of 12.5 million over ten years beginning 1961 at a rate of 3% and the remainder over 5 years beginning in 1971 at a rate of 3-1/2%.

Italian commercial banks received a cotton credit of 25 million dollars sufficient to purchase 200,000 bales of cotton. Terms 15 months at 2-1/2% guaranteed by the Italian Government.

The Kingdom of the Netherlands was the recipient of a 200 million dollar commitment and, in contrast to the two credits of 50 million dollars each approved in October 1945, the new credit was repayable one half in one year and the remainder within two years of the date of advance at a rate of 2-1/4%.

The Bank gave United States commercial banks the opportunity to participate to the extent of 100 million dollars, without guarantee or recourse on the Export-Import Bank. Approximately 93 million dollars of the credit was taken by the commercial banks.

These credits were granted to take care of the most urgent requirements of the Netherlands for dollar financing, pending the functioning of the International Bank or until funds were available in the private capital market. A cotton credit of 10 million dollars was also allocated, making a total of 310 million dollars of credits approved for the Netherlands by the Bank since June 30, 1945.

The Netherland Indies also received a commitment of 100 million dollars to finance the purchase in the United States of material for the reconstruction of the Islands. It carried the guarantee of the Kingdom of the Netherlands. The formalizing of the loan agreement under this commitment was deferred until the political status of the Indies was settled.[143]

Poland was allocated a credit of 40 million dollars granted to its Provisional Government in April 1946 to cover the purchase of American locomotives and coal cars for use on the Polish State Railways. This credit was designed to assist in Polish rehabilitation and, even more important, to provide a means of carrying Polish coal to other countries of Europe in dire need of coal. Repayment will begin in 1951 over 20 years at 3%.

The credit of 5 million dollars to Saudi Arabia authorized in 1945 was superceded by a new commitment of 25 million dollars; 20 million dollars for financing of essential imports and 5 million dollars for services and equipment from the United States for public works.

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[143]The New York Times of February 11, 1950, announced that the formal loan agreement had been signed. Indonesia became an independent nation on December 27, 1949. The loans, taken under the commitment, will mature over 20 years, with repayment beginning after five years. Interest rate will be 3½% per annum.

Two Brazilian credits were approved, 1.9 million dollars to the National Department of Railways for 75% of the contract price of locomotives. Repayment is over 5 years at 4% per annum. 3 million dollars was allocated to Penair do Brasil for 80% of the cost of seven aircraft and spare parts manufactured in the United States. Advances mature in three to five years at 4%. A United States commercial bank participated in the credit to the extent of 25%.

Chile upon the application of an American supplier of electrical equipment received a commitment of 800,000 dollars to cover the increased cost of equipment covered by a 2 million dollar credit extended in July 1945. The credit covered 70% of the contract price repayable over 7 years at 4% per annum.

A supplier of railroad equipment applied for a credit of 517 million dollars to enable the Ferrocarril de Antioquia to purchase locomotives. This credit was guaranteed by three Colombian commercial banks and the Banco de la Republica and covered 75% of the purchase price. Repayment is over 3-1/2 years at a rate of 4% per annum. The Bank also increased a 1944 credit to the National Railways by 3 million dollars, to finance railroad supplies and equipment, to mature within eight years at a rate of 4% per annum.

A highway credit extended in 1942 to Ecuador in the amount of 1.2 million dollars was increased to 1.980 million dollars to assist in the completion of a section of the Pan American Highway from Guamote to Tambo. This increase brought to 5.7 million dollars the credit assistance by the Bank for the Ecuadorian section of the Highway. Loans will mature over 12 years from date of payout at a rate of 4%.

Aeronautical Radio de Mexico was given a commitment of 3 million dollars to finance up to 90% of the cost of equipment, etc. required for the construction and operation of an airway meteorological and communication system in Mexico. Advances are repayable over 7 years at 4% per annum. To date this credit has not been used.

An increase of 100,000 dollars in a line of credit to the Compania Peruana del Santa of Peru was granted upon application of a United States supplier of Electrical equipment. Repayment is over a ten year period at a rate of 4% guaranteed by the Government of Peru.

A short term credit was extended in February 1946 to TACA Airways in the amount of 2 million dollars to finance 80% of the purchase price of air transportation equipment purchased in the United States for use in the TACA system which served a number of Latin American Countries. The loan granted by the Export-Import Bank made a loan possible to the company by a United States commercial bank and was in anticipation of the flotation of a sale of stock in the United States. The loan was repaid and 4% interest was charged.[144-145]

Operations

July - December 1946

Credits authorized by the Bank in the period July through December 1946 amounted to only 53.7 million dollars but brought the total authorization approved since July 1, 1945 to almost 2250 million dollars or only 550 million dollars under the 2800 million dollar increase in loaning authority granted under the Act of 1945. The large reconstruction credits had been approved in previous periods and the only one authorized in the

[144] Second Semi-Annual Report, loc. cit. p. 15f.

[145] Report on Audit, etc., loc. cit. p. 15f.

last half of 1946 was one for 3 million dollars to Ethiopia, which was critically short of dollar exchange. The credit was granted to finance the purchase in the United States of capital equipment needed in the rehabilitation of the country. Included in the approved items to be purchased were automobiles, trucks, parts, tires, and tools. Advances were to be repaid over six years with a rate of 3%.

There were no lend-lease termination credits approved. These had been approved in 1945 and by the end of 1946 disbursements had been completed on these credits.

Exporter and export trade development credits occupied the Bank in this period. Upon the application of the Moore-McCormack Lines, it was granted a credit of 193,000 dollars to finance 43% of the cost of barges for the shipping company use in Argentina. Disbursements under this credit will mature over a ten year period, approximately one year from the date of shipment of the barges. Interest is 4% and principal is guaranteed by the parent company.

A similar credit in the amount of 106,000 dollars was granted to finance the purchase of barges for the Brazilian subsidiary.

Also, upon the application of an American supplier of railroad equipment, a commitment of $3,024,000 was approved to finance the sale of rolling stock to the Paulista Railroad Company of Brazil. This credit was granted so as to enable the United States Supplier to bid for the sale of flat cars. The terms were on advance of 80% of the C.I.F. invoice price of the cars, without recourse to the exporter. The notes of the Railroad Company would be accepted, providing the Brazilian exchange control authorities would agree to the availability of exchange for principal and interest. Terms repayment over six years and rate 4-1/2% per annum.

A credit of $5,700,000 was approved to assist in financing the sale to a Canadian Company of American machinery, equipment and services in connection with the building of a staple fiber rayon mill and a spinning mill. Advances were to be on an 80% of cost basis secured by a first lien on the Canadian Company's assets, rate 4% per annum repayable over five years.

The Chilean State Railroad under a guarantee by the Chilean Government was given a credit of 5 million dollars to finance the purchase of railroad equipment. Repayment over five years. Rate 3-1/2%.

The Chilean "Formento" also received an additional credit of $5,350,000 to finance the purchase in the United States of a variety of equipment. $800,000 for a hydroelectric plant, $3,200,000 for agricultural equipment, $800,000 for a copper wire plant, and $550,000 for a cement plant. Repayable over 10-1/2 years at 3-1/2%. The credit is fully guaranteed by the Chilean Government. This "Formento" was first financed in 1939 and over the intervening years total credits of 66 million dollars were approved, with disbursements of 27 millions and repayments of 13 million dollars.

A 4 million dollar increase was approved in a credit to Nacional Financiera S.A. of Mexico (semi-Governmental) to purchase United States Railway equipment for use on the Mexican State owned railroads. Simultaneously a previously authorized credit of 40 million dollars was reduced to 36 million dollars. This latter credit was for the construction of highways. Under the new credit, advances were to be repaid over a period of ten years with a rate of 4%. The credit will be guaranteed by the Mexican Government.

The Bank earmarked 25 million for its participation in credits to be extended on applications of United States suppliers to assist in exports to Turkey. The first credit approved was for $4,905,000 covering the sale of locomotives for the Turkish State Railroad. This is an 80% advance after a cash down payment. Advances are to be repaid within the period April 1, 1947 - December 1, 1953 at an interest rate of 3-1/2%. The credits are guaranteed by the Turkish Government.

Under the Commodity Export phase of the Bank's operation, a credit of 2 million dollars was made available to the Prague Credit Bank for tobacco, with the guarantee of the Czechoslovakian Government. Letters of credit were opened by United States commercial banks under the protection of the Export-Import Bank and negotiations under the credits will be repayable on or before 26 months after the negotiations at 2-1/2%. per annum. The credit expired June 15, 1947.[146-147]

Operations

January - June 1947

During the period January through June 1947 the Bank approved commitments of 225 million dollars over half of which were so-called emergency reconstruction credits. These went to two countries.

Finland requested and was granted three credits, 5.5 million dollars, 14.5 million dollars and 10 million dollars, to complete its emergency reconstruction financing. It had estimated that with an additional 30 million dollars the country could thereafter finance its imports with its own exports. The 10 million dollar credit was for food and was a short term credit repayable in November and December 1947 at a rate of 2-1/2%. The

[146] Third Semi-Annual Report, loc. cit. p. 7f.

[147] Report on Audit, etc., loc. cit., p.l.

credit for 5.5 million was for coal and petroleum, repayable in two installments in 1954 at a rate of 3-1/2%. The 14.5 million dollar credit was for machinery and metals and is repayable in 1955 through 1958 at a rate of 3-1/2%.

The other country was Italy and the Bank agreed to consider credits during 1947 to an aggregate of 100 million dollars, with appropriate maturities for the purpose of assisting specific industries in Italy rebuild their export trade. These credits were contingent upon the stability of conditions in Italy and its ability to provide for other imports essential to its economy. To this end in May and June 1947 the Bank sent two representatives to Italy to survey industrial conditions.

The earmarked funds for China of 500 million dollars were not used and the reservation of these funds expired on June 30, 1947.

Exporter and Export Trade Development credits continued to increase.

The credit for the purchase of barges for the Argentine subsidiary of Moore-McCormack lines was increased by $17,000.

The Bolivian Development Corporation was granted a 3 million dollar increase in an outstanding credit for the purchase of oil drilling, pipe line and oil refining equipment. Repayment will be over a period of twelve years. Interest rate is 4%.

United States suppliers applied for a credit of 6.65 million dollars on behalf of the Sorocabana Railways of Brazil covering the necessary equipment for the second section of the roads electrification program. The advance is guaranteed by the State of Sao Paula. Interest 4-1/2% and it will be repaid by 1954. The United States suppliers participated in this financing at their own risk.

An American locomotive builder applied for financing of 1.5 million dollars for the same railroad on the same guarantee to cover the purchase of Diesel-electric locomotives. Rate 4-1/2% and the loan will mature over a five year period. In this loan, the supplier also participated at his own risk.

In these Brazilian credits was included a condition that "when found to be in the national interest by the Brazilian exchange control authorities the latter will accord specific registry to the prospective requirements of exchange for their service and allow such requirements a priority corresponding to that status."[148]

A credit of 2.06 million dollars to finance Diesel-electric locomotives for the Central Railroad of Brazil, guaranteed by the Banco do Brasil, was authorized for another United States locomotive maker. Repayment is over five years and the rate 3-1/2%. In this credit, not only the supplier but several American commercial banks participated at their own risk.

The National Alkali Corporation of Brazil, with the guarantee of the Banco do Brasil, was granted a credit of 7.5 million dollars to finance in the United States, the purchase of the necessary materials, etc. to construct a plant for the manufacture of caustic soda and soda ash. These products were in short supply and the establishment of this industry would conserve Brazil's foreign exchange for other purposes. The advances will be repayable over the years 1949 - 1959 at a rate of 3-1/2%.

The Bank also made a commitment to extend an additional credit of 7.5 million dollars to the Companhia Vale do Rio Doce guaranteed by the Brazilian Government for the financing of purchases in the United States necessary for the reconstruction of the railroad and mine development

[148] Fourth Semi-Annual Report, etc. p. 9.

program started under previous credits. A condition in the credit was that the Brazilian Government would furnish the company the equivalent of 12 million dollars in local funds. This project will, upon completion, provide facilities for the export of iron ore which will be of benefit to the foreign exchange position of Brazil.

The Bank earmarked 50 million dollars for specific projects in Mexico which would improve its balance of payment position and representatives were sent to Mexico in June 1947 to make a survey to that end.

The Bank authorized a credit of 600,000 dollars to the S & S Construction Company of Venezuela to finance the purchase of American construction equipment and services required to construct a breakwater in the harbor of La Guaira. Repayment was monthly over one year at a rate of 4%.

A revolving credit of 750,000 dollars was authorized to Hypotheken und Credit Institute of Vienna, Austria, upon the joint application of an American commercial bank and an exporter-importer, to help in the financing of exports and imports to and from Austria. The sponsors agreed to additional credits at their own risk. Advances were repayable in one year and the rate 4%.

A number of individual credits aggregating 5 million dollars were approved for Finland. These credits covered tires, tubes and trucks in which credits, part was carried by the exporters at their own risk. Also, included, were credits covering the purchase of machinery in the United States, which would be used to modernize the production facilities of Finnish plants engaged in exporting. In all the credits repayment terms run up to five years and carry a rate of 4%.

The Lockheed Aircraft Corporation applied for a credit of approximately 3.2 million dollars to assist in financing the sale of 9 Constellation

Transport Aircraft to the KLM (Royal Dutch Airlines). The obligations were guaranteed by the Kingdom of the Netherlands. The obligations mature over four years and bear 3% interest. Additional credits were extended by a United States commercial bank and Lockheed. The planes will earn dollars and thus assist the foreign exchange position of the Netherlands.

Seven allocations were approved from the Turkish credit of 25 million dollars. These aggregated 9.680 million dollars. The material covered included steam locomotives for the State Railroad, two small power plants, equipment for coal and lignite mines, power equipment for a paper mill at Ismit, hydroelectrical equipment to replace coal as a source of power for the Malatya Textile Mills and equipment for chrome and copper ore concentration.

A tobacco credit of 5 million dollars was granted Italy and cotton credits were given Finland in the amount of 2 million dollars and Hungary in the amount of 7 million dollars.[149-150]

Operations

July - December 1947

Over 388 million dollars of new commitments were approved during this period, all of which were classified as general export trade credits.

The Republic of Austria was the recipient of a credit of $500,000 to be used in the repair, preparation and shipment of products procured by Austria from the War Assets Administration. This commitment was to expire on December 31, 1948. Advances are repayable over a period of

[149] Idem. p.6

[150] Report on Audit, etc., loc.cit. p. 1ff.

five years commencing two years after the date of advance with interest at 3-1/2%. Also authorized for Austria were credits aggregating $1,305,000 in favor of the Laenderbank Wien AG and the Credit Anstalt - Bankverein guaranteed by the Republic of Austria. These credits covered the purchase of both American capital goods and raw materials for use by ten Austrian companies or groups of companies. Austria and the banks agreed to require the use of the materials and equipment and sales of the manufactured products be directed to the end that they will assure exports, to the extent necessary to obtain the necessary dollars to repay the Export-Import Bank obligations and to provide for the purchase of replacement materials and equipment. Covered were alloy steel, electrical machinery and apparatus, non-ferrous metals, chemicals and equipment. Terms for the capital equipment were repayment in sixteen installments over 39 months at 3 1/2% per annum and on the raw materials 12 quarterly installments beginning 12 months from the date of advance at 3%.

In November 1947, Belgium was granted a short term credit of 50 million dollars to finance specific raw materials and equipment in the United States. Repayment is over five years.

The largest credit of the period was approved for Canada, in the sum of 300 million dollars, to enable the continuance of purchases of raw materials and essential equipment in the United States. Advances under the agreement are to be repaid at the end of the third, fourth and fifth year from the date of advance. Rate 2-1/2% per annum plus a commitment charge of 1/2% per annum on all unused portions of the credit. The credit expired on December 31, 1948.

Upon the application of an American firm, a credit of $1,478,000 was approved, to assist in financing the sale to the Republic of Columbia of a seagoing hopper dredge to be built in the United States. The Bank's advance covered 56% of the cost of the dredge. The dredge was purchased for the purpose of clearing the channel at Barranquilla and to thereby expedite the handling of incoming and outgoing cargo. Repayable over a period ending December 1, 1953 at 4% per annum.

A credit of $2,720,000 was extended the Republic of Ecuador to aid in financing the completion of the Quevedo-Manta highway. Simultaneously, an unused credit of One million dollars provided in July 1945 was cancelled. Ecuador agreed to provide $780,000 from other sources to help in building the road. Terms were, repayment over 15 years with quarterly installments at a rate of 3-1/2% per annum.

A credit of 5 million dollars was authorized to the Fertilizer and Chemical Industries of Egypt for the purchase of United States goods and services required for the construction of a nitrogenous fertilizer plant near Suez. Egypt, which has been a major consumer of commercial fertilizers for many years, encountered severe handicaps during the war and post war period in agricultural production, because of the lack of nitrogenous fertilizers. The anticipated production of the new plant will equal 38% of Egypt's pre-war consumption and 25% of its current requirements. Private sources in Egypt will supply an additional 14 million dollars which, however, will be spent in Egypt and the United Kingdom. Repayment is over a period of six years beginning July 1, 1950 at a rate of 3-1/2% per annum. The availability of dollars to service the loan is guaranteed by the Egyptian Government.

During this period the Bank entered into twenty separate credit agreements with the Instituto Mobiliare Italiano which provided for the allocation of 97.3 million dollars out of the 100 million dollars ear-marked for

Italy in early 1947. The credits are guaranteed by the Republic of Italy. Each agreement provided credit for a designated firm or group of firms which are important to the export trade of Italy. Terms of repayment vary, but run over four to ten years from March 15, 1950 with a rate on all loans at 3-1/2%. In settling the terms consideration was given to the overall requirements of the Italian economy. It was agreed that the products of these companies which received the funds were to be exported in quantities sufficient to repay the dollars required. Each of the 20 project agreements provided for the purchase of specific raw materials and equipment in stipulated amounts, based upon estimated requirements sufficient materially to assist and speed up the Italian - import - production - export cycle. All materials, except petroleum, were required to be purchased in the United States and that could be obtained "off shore" from American companies. Industries assisted included automobiles, rubber, chemicals, shipyards, iron and steel works, electromechanical and metallurgical. The number of companies assisted was at least seventy-five.

An additional credit of $4,625,000 was authorized to the Instituto Mobiliare Italiano guaranteed by the Republic of Italy for the purpose of assisting the Italian handicraft industry which is composed of about 1,500,000 workers. Handicraft exports are an important source of dollar exchange to Italy. Repayment is over five years with interest at 3-1/2% per annum.[151]

Six allocations were approved under the 50 million dollar Mexican credit authorized on March 15, 1947. Each allocation was in the form of a commitment in favor of the Nacional Financiera S.A., a financial agency

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[151] Foreign Commerce Weekly (December 27, 1948) Vol. XXXIII, #13, p.8f

of the Mexican Government which guarantees repayment. Up to 3.5 million dollars was allocated to finance the purchase in the United States of the necessary materials, equipment and services to complete a new 54,000 kilowatt hydroelectric station at Guadalajara and to service some 70 communities in Central Mexico. Repayment is over ten years with interest at 3-1/2% per annum. Up to 5 million dollars, to finance exports of United States agricultural equipment for sale to farmers, in the central zones of Mexico, where there had been an extensive loss of draft animals. The Bank's advances financed 64% of the sales price. Repayment is over five years with interest at 3-1/2% per annum.

Up to One million dollars for the purchase in the United States of materials, equipment and services required for the establishment of a number of meat-canning plants in northern Mexico. The United States Department of Agriculture had offered to purchase substantial quantities of canned meat from cattle growers in that area. Additional facilities were required. The credit was restricted to those canneries with which the Commodity Credit Corporation contracted. Repayment was over one year at 2-1/2% per annum.

Up to 7 million dollars, to finance the purchase in the United States of materials and equipment for the Mexican National Railways. Terms of repayment, over a ten year period at 3-1/2% per annum.

Up to 5 million dollars, to finance one half of the cost of equipment purchased in the United States for two sugar mills. Domestic consumption had been increasing and the mills will expand production to keep pace. Also repayable over ten years at 3-1/2% per annum.

Up to 12 million dollars, to assist in financing completion of the Nogales-Guardalajara highway. The credit was limited to 25% of the total amount expended by the Mexican Government. Contracts for the construction of the highway was competitive and open to both Mexican and United States contractors. The purpose of the highway was to provide access to the markets of central Mexico and to open up the new and rapidly developing irrigated agricultural region of Mexico's west coast. Repayment is over ten years at 3-1/2% per annum.

In May 1946, the Bank authorized a credit of 200 million dollars to the Netherlands, which was repayable in installments due one and two years after the date of advance with interest at 2-1/2%. Commercial banks participated in the credit without recourse or guarantee of the Bank to the extent of 100 million dollars.

In August 1947, the Netherlands applied for an extension of its obligations to the Bank, due in 1948 and 1949. The extension was granted and repayment was permitted in 1950, 1951 and 1952. The extension was granted on two conditions:

1. Interest was increased to 3% from 2-1/2%.
2. The Netherlands agreed to liquidate dollar assets held by its nationals in amounts sufficient to pay the obligations, held by commercial banks and the obligation, as extended, to be given Export-Import Bank and, further, agreed that if voluntary methods of liquidation should fail to produce sufficient proceeds for the purpose, the Netherlands Government will take steps to vest the assets in the Netherlands and to liquidate sufficient thereof to pay the loan.

Two allocations were made under the Turkish credit of 25 million dollars authorized in July 1946. One allocation was for $117,000, to finance the purchase in the United States of a second steam boiler and power plant equipment for a paper mill at Izmet. The other was in the amount of 3 million dollars, to finance the sale of cigarette-making and packing machines to the Turkish State Monopolies. Repayment in each case is over five years and interest at 3-1/2% per annum.

A new credit of 8 million dollars was authorized for the Republic of Turkey to finance the cost of conversion, in United States shipyards, of six vessels purchased by Turkey from the United States Maritime Commission. The earnings of these vessels will help improve the Turkish balance of international payments. Repayment will be over eight years at 3-1/2% per annum.

An unusual credit was established in the amount of 2.5 million dollars in favor of the U.S. Scientific Export Association, whose members are manufacturers and exporters of scientific laboratory equipment. The credit was established to assist the manufacturers, acting through the association, in extending credits to foreign purchasers. The agreement limits the amounts and terms and countries to which the credits could be granted. A reserve fund was to be established to serve as collateral for the Bank's credit and protect the manufacturers against individual losses. Members could not withdraw funds from the reserve account until it exceeded one-third of the credit outstanding or $500,000, whichever was greater.

Two allocations were made under the 100 million dollar cotton credit authorized in October 1945. One of 5 million dollars to Finland and one of 19 million dollars in favor of the American Cotton Supply Corporation to finance the shipment of cotton (and waste) into the United States/United Kingdom zones of Germany. Payment was guaranteed by J.E.I.A. (United States/United Kingdom) a bizonal agency of the United States/United Kingdom Military Government.[152-153]

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[152]Fifth Semi-Annual Report, loc.cit. p. 4ff.

[153]Report on Audit 1948, loc.cit. p. 6f.

Operations

January - June 1948

Credits approved during the period totalled 77 million dollars of which over 30 million dollars were so-called advance commitments, issued to permit United States manufacturers to bid on foreign business and 30 million dollars were for commodity credits.

The Baldwin Locomotive Works applied for an advance commitment of $8,330,000 to assist in financing the sale of 130 steam locomotives to the Departments Nacional de Estrada de Ferro of Brazil. This was to permit American manufacturers to put in bids and was available to any qualified United States manufacturer of locomotives, who wanted to submit a bid. The locomotives were to be used on the meter guage railways of the Brazilian Government, whose lines were in urgent need of rehabilitation, due to the heavy traffic of the war years. Terms of the commitment: Repayment over five years at a rate of not less than 4% with the guarantee of the Brazilian Government or the Banco do Brasil and participation by the manufacturer at his own risk. This credit was not used.

An allocation of $1,566,000 was made to the Yungli Chemical Industries of China under the terms of a credit to that firm approved in March 1945. This allocation was made to finance the purchase in the United States of the equipment, etc. required to rehabilitate and expand the firm's ammonium sulphate plant near Nanking, China. Repayment is over seven years at a rate of 4% per annum and carries the guarantee of the Bank of China and the Republic of China.

Immediately after civil disturbance in Columbia of April 9th to 12th, the Columbian Government was granted a credit of 10 million dollars, to purchase in the United States the necessary materials, equipment and services required for reconstruction and repair. During the riots of that period many of the government and private buildings were destroyed in Bogota and other major cities of Columbia. Repayment terms run over ten years at a rate of 3-1/2%.

An existing credit to the Fertilizer and Chemical Industries of Egypt was increased by 1.5 million dollars. The original credit was granted to build a fertilizer plant near Suez and under its terms certain equipment was to be purchased with non-dollar funds. It was found, however, that the United States was the only country that could deliver the equipment within a reasonable period. Terms on the increase were the same as on the original.[154]

At the request of the General Motors Corporation a credit of $675,000 was authorized to assist in the sale of trucks and other automotive equipment to the Republic of Finland. Advances are repayable over the period August 1, 1949 to May 1, 1951 with interest at 3-1/2%. General Motors Corporation extended additional credits at its own risk.

On a similar credit of 5 million dollars authorized in 1947, the Bank, on the application of the Ford Motor Company, allocated $1,950,000 to finance the sale by Ford to Finland of tractors, plows, mowers and agricultural equipment spare parts. Also, under the same credit, was allocated $716,000 to finance the sale of tires, tubes and accessories. These credits were repayable over three years at 3-1/2%. All of the exporters involved carried part of the contract price on their own risk.

An allocation of 6 million dollars was made under the credit of 50

[154] American Banker, (August 24, 1948)

million dollars authorized to Mexico on April 30, 1947, to finance the purchase of United States materials, etc. required for the construction of a nitrogenous fertilizer plant near Mexico City. The credit was to Nacional Financiera S.A., who advanced to Guanosy Fertilzantes de Mexico S.A., a Government owned corporation which operates fertilizer facilities in Mexico. It utilized natural gas piped in from the Poza Rica field on the Gulf Coast. It was estimated by the United States firm, that was handling the construction of the plant, that it will be an efficient and comparatively low cost operation. The Government of Mexico guarantees the credit which is repayable over ten years at a rate of 3-1/2% per annum.

At the request of the International Standard Electric Corporation, the Bank authorized a credit of $250,000 in favor of the Standard Telefon og Kabelfabrik of Oslo, Norway, one of its subsidiaries, to assist in financing the sale of United States equipment for a cable manufacturing plant in Oslo. The credit was guaranteed by a Norwegian commercial bank, the Christiania Bank og Kreditkasse. Repayment is over three years at a rate of 3-1/2% per annum. The Bank of Norway guarantees the availability of the dollar exchange for repayment. Additional credit was extended by the International Standard at its own risk.

Upon the application of the Douglas Aircraft Corporation, the Bank authorized a credit of $2,155,000 to assist in financing the sale of six DC-6 transport planes to two Swedish air lines. The loan is guaranteed by the Sveriges Riksbank and is repayable over four years at a rate of 3-1/2% per annum. The Douglas Aircraft extended additional credit at its own risk.

The Bank allocated, out of a previous authorization to Turkey, $1,130,000 to finance the shipment to Turkey of 88 locomotives purchased in the United States and partially financed under the same credit. The obligation of the Turkish State Railways are guaranteed by the Turkish Government maturing over five years at a rate of 3-1/2% per annum.

An additional credit of $500,000 was granted the S & S Construction Company of Venezuela which was constructing a breakwater at LaGuaira. This new advance was repayable over 14 months at 4%. Simultaneously with the new credit authorization, the obligations under the original credit were extended one year.

A credit of 25 million dollars was authorized for the construction of hotels in Latin America in 1945 and, at the request of the Tamanaco Hotel Company of Venezuela through its agent, the Intercontinental Hotels Corporation of New York, the Bank allocated $2,337,000 for the purchase, in the United States, of equipment for a hotel in Caracas, Venezuela. The total cost of the hotel is estimated at better than 5.6 million dollars and the other funds were supplied by the hotel company itself. Repayment is over twenty years, interest 4% and the loan is guaranteed by the Government of Venezuela.

An advance commitment was authorized on the request of the Lockheed Aircraft Corporation in the amount of not over 22.5 million dollars to assist in financing the prospective sale of twenty Constellation Aircraft and parts and engines to the British Overseas Airways. The terms of the commitment required that the manufacturers and commercial banks extend additional credit on their own risk and that the obligation of BOAC be guaranteed unconditionally by the United Kingdom and be repaid within five years. (This commitment expired August 15, 1948 and was not used.)

Upon the application of the Department of the Army, acting on behalf of the Supreme Commander of the Allied Powers in Japan, the Bank authorized a credit of not more than 29 million dollars in favor of the Japan Export-Import Revolving Fund to finance the purchase in the United States of U.S. cotton, cotton linters and waste. The Bank in this credit participated with a group of commercial banks in extending a revolving line of credit totalling 60 million dollars. Advances mature within 30 days to 10 months. Rates, vary between 2-3/4% to 3-1/2%.[155-156]

Operations

July - December 1948

In the six month period ending December 31, 1948, the Bank approved new credits, totalling 61.2 million dollars. Most of the credits were for projects in Latin America. Because of the large operation of the Economic Cooperation Administration, the Bank refrained from considering applications from E.R.P. countries.

Of the 61.2 million dollars of new credits, 33 million dollars was for the development of industry and agriculture, 10 million dollars was for the expansion of export industries of the borrowing countries, 15 million dollars provided for essential facilities and services and 3 million dollars were for the increases in outstanding credits.

The Bolivian "Fomento" was granted a credit of $320,000 for the purpose of financing highway construction repayable over twelve years at a rate of 4%.

Credits aggregating 11.9 million dollars were authorized for Brazil. Three credits, totalling $3,655,000, were approved for three transport com-

[155]Sixth Semi-Annual Report, etc. loc.cit. p. 4f.

[156]Report on Audit, etc., loc.cit. p. 9f.

panies to expand transportation facilities in the industrial and densely populated areas of Brazil. These credits which were on a participation basis with the Twin Coach Company, the manufacturer, covered 200 buses. Rate 4-1/2% repayable up to three years.

A loan, of 8.3 million dollars, was authorized for 12 privately operated Brazilian companies, all subsidiaries of American and Foreign Power Company. These subsidiaries serve 333 communities in ten Brazilian states with a population of about 6 million. Twenty-five million dollars have been invested by these companies over the past few years in expanding their facilities. The Bank's credit was granted to aid the subsidiaries to acquire United States equipment to further expand the generators and distribution of electric power. Repayable over ten years from March 1, 1950 at a rate of 4-1/2%.[157]

A credit of 5 million dollars was approved in favor of the Steep Rock Iron Mines of Ontario, Canada, a high grade ore mine located north of the Mesabi range in Minnesota. The Reconstruction Finance Corporation had, in 1942, assisted the mines in order to meet the war demands of the United States steel mills for iron ore. The demand for ore continued high and the Bank acted in collaboration with the Reconstruction Finance Corporation and, on condition that private capital be injected into the Company. This loan which was used to buy United States equipment enabled the mines to export over 3 million tons of ore annually to the United States. The loan is repayable in installments by 1960 with interest at 4-1/2%.[158]

[157] Foreign Commerce Weekly (May 23, 1949), Vol. XXXV, #8, p. 46. also see- Wall Street Journal (December 24, 1948).

[158] Foreign Commerce Weekly (January 10, 1949), Vol. XXXIV. #2 p. 31, also see New York World Telegram (December 3, 1948).

Credits of $21,575 were approved for projects in Chile. An authorization of 1.2 million dollars was allocated to Fabrica Victoria de Puento Alto S.A. to enable it to purchase in the United States the necessary equipment to complete a rayon and staple fibre factory. The credit is repayable over six and one-half years with an interest rate of 4-1/2%.[159]

A credit of $375,000 was granted a Chilean metal working plant, Manufactura de Metals S.A., to product tools, machinery, and spare parts which had previously been imported. Repayment is over 3-1/2 years from January 4, 1949 with interest at 4-1/2%.[160]

The Corporacion de Fomento of Chile was granted a credit of 20 million dollars to complete the construction of an integrated steel plant in Chile with United States equipment and services. This brought the total investment in the plant to 83 million dollars of which the Bank has financed 48 million dollars. When the plant goes into production in 1950 it is expected to reduce Chilean imports by as much as 13.4 million dollars a year. This will enable Chile to broaden its purchases in the United States. Repayment is over twenty years, beginning June 15, 1951, with interest at 4% per annum.[161]

A loan of 10 million dollars was made to the Bank of Finland, to enable Finnish woodworking industries to procure United States machinery and raw materials with which to expand their exports of scarce paper, pulp and wood products especially to the Western Hemisphere and Western Europe. The aid from the Bank was expected to increase Finnish exports to these areas by

[160] Ibid.

[161] New York Herald Tribune (February 7, 1949), also see - Wall Street Journal, (January 3, 1949 and February 8, 1949).

50 million dollars in 1949 over the 328 million dollars exported in 1948. The loan is repayable over six years, beginning December 31, 1952 at a rate of 3-1/2%.[162]

A credit of 4 million dollars was extended to Haiti to help carry out a program of agricultural development. The credit was to finance the purchase of United States equipment and services to increase the Haitian agricultural production and to raise the level of living of a portion of Haiti's preponderantly rural population. The loan is repayable over fifteen years from 1952 at a rate of 4%.[163]

A credit of 1.5 million dollars was opened in favor of Nacional Financiera S.A. -- La Consolidada S.A., to supplement the financing arranged by the United States owners and operators of this steel mill to increase the Mexican output of essential steel products. The rate on the loan is 4-1/2% and is repayable over five and one-half years guaranteed by the Mexican Government.

A credit of 2 million dollars was granted the Inter-American Hotel Corporation to assist in the construction of a hotel in Panama City, Panama. The loan, guaranteed by the Republic of Panama, is repayable over 23 years at a rate of 4%.

A commitment of $142,000 was authorized for Industria Papelera Urugaya S.A. of Uruguay, on a participation basis with the United States equipment manufacturer, to increase the paper manufacturing capacity of its plant by 3600 tons a year.

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[162] New York World Telegram, (November 4, 1948) - also see Wall Street Journal, (November 5, 1948).

[163] The New York Times (December 30, 1948) - also see American Banker (January 8, 1949)

A credit of $1,950,000 was granted La Electricidad de Caracas S.A. of Venezuela, a power company serving the Federal District which had been suffering a shortage of power. The company initiated a long term project and the Bank financed the purchase of American generating equipment, needed to ease the shortage pending the completion of the long term project. The loan which is guaranteed by the Venezuelan "Fomento" is repayable over eight years; interest rate is 4%.[164]

Operations

January - June 1949

During the six months ending June 30, 1949, the Bank authorized new credits, aggregating 112.6 million dollars and, in addition, allocations in the amount of 13.1 million dollars were made under lines of credit established prior to January 1, 1949.[165]

Early in 1949 the Bank earmarked 100 million dollars for the establishment of credits to assist the new Government of Israel[166] in financing projects forming a portion of a comprehensive program for balanced economic development, with the objective of creating a self-sustaining economy.[167] The program will require substantial funds, and the major part of the investment is expected to come from local savings, private foreign contribu-

[164] Seventh Semi-Annual Report, etc., loc.cit. p. 1ff.

[165] Eighth Semi-Annual Report, etc., loc. cit. p. 3ff.

[166] The American Banker (October 13, 1948, October 25, 1948, September 13, 1949).
The New York Times (January 10, 1949) Vol. XCVIII
The New York Herald Tribune (January 20, 1949).

[167] Foreign Commerce Weekly, (February 14, 1949), Vol. XXXIV #7.

tions, particularly from the Jewry of the United States and private foreign capital. Credits mature in fifteen years and bear interest at 3-1/2% per annum.

Of the funds earmarked, the first approved credit was for 35 million dollars, to finance, in part, an agricultural program for the establishment and equipment of 8,000 new farms, the rehabilitation of some 16,000 old farms and 6,000 citrus groves, and for irrigation works needed to furnish water to 42,000 acres of new farm land. The Bank's advance represented about one-third of the total cost of the projects and was used in the United States to purchase the necessary equipment, supplies and services. Israel is dependent, in a substantial degree, on overseas sources for its food supplies, and citrus fruit looms large in its exports.[168]

A second credit of 6 million dollars was allocated, under the earmarked funds, for motor transports to be purchased in the United States. There are few railroads in Israel, and the credit was expected to increase by 20% the facilities so essential for the movement of passengers and goods.

Another credit, of 5 million dollars, was allocated for the purchase of United States structural steel and other construction supplies, to be used in housing developments of 15,000 units, to relieve the crowded conditions in Haifa and Tel Aviv.[169]

A fourth credit, of 5 million dollars, was to assist in purchasing part of the American equipment required for a telecommunications program. The advances covered 40% of the foreign exchange requirements of the program and 18% of the cost. The remainder was financed by foreign capital and

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[168] The American Banker, (December 17, 1948)

[169] The Wall Street Journal (March 19, 1949) Vol. CXXXIII #65

local resources.

In April, a credit of 4 million dollars was approved for the Liberia Mining Company, Ltd. of Liberia, for the development of a deposit of over 20 million tons of high grade iron ore in the Bomi Hills located about 45 miles from the capital and port of Monrovia. Financed was the mine, a railroad from the mine to the port and ore handling facilities at the port.[170] The credit bears interest of 4-3/4% and is repayable over ten years from December 31, 1951. The total cost of the project will be 8 million dollars, of which 1 million dollars of private United States capital was invested prior to the loan, the remaining 3 million dollars was invested by the Republic Steel Company, who has executed a long term iron ore purchase agreement for a substantial portion of the total annual output, which is expected to reach 1 million tons a year by 1951. The project will not only earn more than necessary to cover repayment of the Bank loans but will be a source of dollars to Liberia, as well as yielding commensurate profits on the capital invested.

A revolving credit of 3 million dollars was authorized in favor of Amertool Services, Inc. This organization is an export financing company established by a group of eleven non-competing American manufacturers of machine tools. The credit approved provided for financing individual sales on short terms using a revolving fund. The exporters are required to maintain a cash reserve fund equal to 33-1/3% of the total credits at any time outstanding. The Bank has recourse against the reserve fund to the full extent of any default. Also in the terms is a limitation of

[170] Foreign Commerce Weekly, (July 4, 1949) Vol. XXXVI #1 p. 14 - also see The American Banker (May 4, 1949)

$100,000 to any one customer with a cash down payment of 25% required with the order, the remainder repayable over a period of not over 18 months.

A previously authorized credit to the Republic of Columbia, covering a seagoing hopper dredge, was increased by $500,000 to assure completion. By mutual consent, an open credit of 10 million dollars to Columbia was reduced to 9.5 million dollars.

A credit to the Republic of Ecuador granted to assist in constructing the Guamote-Tambo highway was increased by $331,000 in order to complete the last link in the highway. Ecuador agreed to use $250,000 of its own funds for the same purpose.

The Chilean "Fomento" was given an additional credit of 1.35 million dollars to permit the completion of certain generating and transmission projects.

An allocation of 3 million dollars was made to the Hotel San Diego S.A. in Bogota, Columbia. The hotel will cost approximately $6,458,000 and local funds of $3,400,000 were raised to defray the remainder of the cost. This allocation came from the 25 million dollars earmarked for financing the construction and equipping of hotels in Central and South America for the Intercontinental Hotels Corporation, a subsidiary of Pan American Airways.[171]

Under a commitment of 50 million dollars made to Mexico in April 1947, an allotment of 1.5 million dollars was made to the Nacional Financiera S.A. to procure the necessary equipment, etc. for the water supply and distribution systems of Tampico and Ciudad, Madero.

[171] Foreign Commerce Weekly, (July 11, 1949) Vol. XXXVI. #2, p. 11 - also see New York Sun, (May 13, 1949).

Four separate allocations, totalling 8.5 million dollars, were made under the credit to Turkey approved in July 1946. These covered purchases in the United States of mining machinery for lignite, rails, structural steel, ties for the railways, machine tools and a floating drydock and crane for Turkish seaways and harbors.

Operations

July - December 1949

During this period the Bank approved new credits of 128.4 million dollars and allocated 41.7 million dollars out of previously established lines of credit. These credits were for the most part so-called "economic development" credits, and were granted to assist in the financing of purchases in the United States of equipment, material and services required in the construction of new productive facilities or the improvement of existing ones.

New credits approved included:[172]

One to the Royal Government of Afghanistan in the sum of 21 million dollars. The purpose of the credit was to assist in financing the construction of the Kajakai Dam and the Boghra Canal in the Arghandab Valley. While the funds will be spent, in large measure in the United States, permission was granted to purchase fuel oils and lubricants elsewhere.

This country which, until after the war, was completely undeveloped, has no railroad and only recently built an all weather road to connect with the rail head near its Pakistan border. The irrigation works, which will

[172] Ninth Semi-Annual Report, etc., loc.cit. p. 8f.

be financed by this credit, will give an adequate water supply to 280,000 acres, now partly cultivated, and will allow the cultivation of 159,000 acres additionally. Not only will this permit the improvement of the country's food supply, but also, add to the exportable surpluses of a number of crops which go to India and Pakistan. Advances under the credit will be repayable over 15 years at the rate 3-1/2% per annum.

A credit line of 16 million dollars was granted to Bolivia, to finance not more than two-thirds of the cost of completing the Cochabamba-Santa Cruz highway. This highway construction was begun in 1942, at which time the Bank allocated 10 million dollars. The road is a major engineering and construction job, crossing 300 miles of unsurveyed territory and several main ranges of the Andes. The remaining work will be done by United States engineering and construction firms.

Completion of the highway will be the first land transportation link between the centers of population in the highlands and the sparsely developed areas of Eastern Bolivia. At present, the majority of Bolivia's food supply is imported and the road will make possible the agricultural development of the Santa Cruz area as a source of food products. This development should improve Bolivia's balance of international payment position and relieve the country's present dependence on the production and export of tin. Terms of repayment are 17 years from March 31, 1954 at a rate of 3-1/2% per annum.

In October 1949 a credit of 3.8 million dollars was approved to assist in the sale by Higgins Inc. to Empreza Internacional de Transportes Ltda., Sao Paula, Brazil, of four converted LSTS, four passenger ferries and four car ferries. Three of the LSTS will be used in coastal shipping and will carry coal mined in the State of Santa Catarina to Santos & Rio de Janeiro. The fourth will carry iron and steel products and ore to Argentina and Uruguay.

The ferries will be used to carry commuters between Rio de Janeiro and its suburb, Niteroi, across the bay. Advances will be repaid over 9 years at a rate of 4-1/2% per annum.

The Bank granted another credit of 25 million dollars to the Chilean Government to assist in financing the 1949 requirements of United States materials, etc. for the Chilean economic development program. Over the last ten years more than 125 million dollars of credits have been approved for this program of which 75 million dollars has been utilized and 30 million dollars has been repaid. The final objective of the Chilean program is the diversification of its economy and a more productive utilization of its resources. In addition to the Export-Import Bank credits both the Chilean Government and private investors have invested heavily. The program, to date, has accomplished large increases in electric power generating capacity and improvement in the rail system. An integrated steel mill is nearing completion and the expansion of textile, metal working and agricultural production is under way. Until the inauguration of this program, Chile was almost totally dependent upon the world market demand for its two commodities, copper and nitrates, and as these fluctuated so rose and fell the Chilean economy, and as a result, in the world depression of the early thirties, the country was in a very difficult position. With the completion of the program, its situation will be in a better balance with domestic resources contributing a large share of the required food and manufactures.

The 25 million dollar credit was approved to meet the conditions resulting from the drop in the price of copper in the mid-year of 1949, with its accompanying drop in dollar exchange. The credit was designed to supplement the dollar position of Chile and to permit the continuation of production and to prevent mass unemployment.

The Chilean Government took immediate steps to stabilize its economy. The peso was devalued and a single rate was established replacing a multiple system. Advances under the credit are to be repaid over the period April 30, 1952 through October 31, 1949 at a rate of 3-1/2%.[173]

A credit of $2,750,000 was also opened in favor of the Chilean "Fomento" to assist in financing the exploitation of the Romeral iron ore deposit, owned by the Bethlehem Chile Iron Mining Company, a subsidiary of the Bethlehem Steel Company. The project provided for the necessary installations to permit the production and shipment of one million tons of ore per year. The ore has a 60% iron content. This is a joint venture of the Bethlehem Company and the Compania de Acero del Pacifico; the latter company is constructing an integrated steel mill which is partly financed by the Export-Import Bank. The total cost is expected to be near $8,250,000 exclusive of the ore deposit. All funds advanced by the Bank will be spent in the United States. Approximately one-third of the mine production will be used by the mill, the rest will be exported to the United States by Bethlehem Steel. The advances will be repaid over 12 years, from January 31, 1953, interest at a rate of 4% per annum.

Ecuador received a credit of 7 million dollars to assist in financing in the United States, equipment, etc. necessary for reconstruction in the area devastated by the earthquake of August 1949. Damage was sustained in a 700 square mile area by railroads, roads, factories, power plants, etc. Of the credit, 1.5 million dollars is earmarked for road repair and 1.5 million dollars for the purchase of railroad equipment. Repayment over

[173] Foreign Commerce Weekly, (November 21, 1949) Vol. XXXVII #8, p. 21

20 years with interest at 3-1/2% per annum.

A credit of $250,000 was established for the Dahican American Lumber Company to assist in the installation of a saw mill and other equipment required for the rehabilitation of a lumber concession, owned by Dahican on the Island of Luzon in the Philippines. This concession was, before the war, the source of substantial quantities of Philippine mahogany. The project will cost about $750,000 of which $400,000 was provided by equity financing, $250,000 by the Export-Import Bank and $100,000 by the Peoples Bank and Trust Company of Manila, P.I. It is expected 60% of the lumber produced will be exported to the United States and the remainder marketed in the Philippines and Far East. Advances over 2-1/2 years from October 1, 1950 at a rate of 5%.

In November 1949 a credit of 4 million dollars was granted to the Al Hasa Cement Company of Saudi Arabia, to assist in financing the purchase in the United States, of the necessary equipment to erect a 700,000 barrel a year cement plant near Dhahran, Saudi Arabia. Total cost of the plant is estimated at 8 million dollars, of which half will be supplied by the Al Haza Company, to be organized with a 4 million dollar capital, which will be privately United States-Arabian owned. It is estimated that cement can be produced under the delivered price for imported material, and the entire output can be taken by Saudi Arabia and surrounding countries.

A credit of $5,158,000 was established in favor of the Compania Anonima La Electricidad de Caracas (Venezuela) to finance 50% of the cost of electric generating and distributing equipment, to be purchased from the International General Electric Company. This public utility company has, for 50 years, supplied electric power to Caracas and the surrounding area. In recent years Caracas has grown both in population and industrial activity and, at times, power had to be rationed. The construction financed by this credit will increase the power output from 65,000 KWA to 90,000 KWA. The company is increasing its capital and plans for additional facilities. Advances which are guaranteed by the Venezuelean Fomento are repayable over five years from August 1, 1953 at a rate of 4%.

Yugoslavia was granted a line of credit of 20 million dollars to finance the purchase of United States equipment and supplies required for the maintenance of production in its non-ferrous metal mines. In 1947, the Yugoslav Government initiated a 5 year plan of reconstruction and development. To this end, a series of trade agreements were concluded with other countries of Eastern Europe and the U.S.S.R. whereby, in exchange for Yugoslav agricultural products, timber and metals, they were to get back essential industrial equipment and raw materials. In 1948, deliveries by the other countries were suspended and the Yugoslav Government turned from the East and looked to the West for its necessities. In line with the Bank's development policy, it established a line of 20 million dollars; 12 million dollars was allocated to finance the purchase of equipment required by a group of twenty-one mines which produced copper, lead, zinc antimony, quick silver, pyrites, chromite and bauxite; 3 million dollars was allocated for coal mining machinery and railroad equipment. The remaining 5 million dollars was allocated to finance the purchase of industrial raw materials for essential industries. Repayment over 10 years, from July 31, 1951, at a rate of 3-1/2% per annum.[174]

Several allocations were made under previously authorized credits, of the 49 million dollars remaining under the line of credit earmarked for the State of Israel; of the allocations made, one of 2.4 million dollars was

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[174] Foreign Commerce Weekly, (September 26, 1949) Vol. XXVI. #13, p. 25

for expanding the capacity of several Israeli ports including Haifa. The necessary equipment, etc. will be purchased in the United States.[175] A second allocation, under this line, was for 20 million dollars to defray the cost of United States equipment and materials for a number of new industrial projects, included were food processing, textiles, chemical and pharmaceuticals, metals and building materials production. Repayment is over 12 years, beginning 3 years after the date of the agreements, at a rate of 3-1/2% per annum.

Two allocations were made under the open line of credit for Mexico. The first, in the amount of 12.9 million dollars, was to assist the National Railways of Mexico in financing the purchase of United States diesel locomotives, freight cars, rail and supplies needed to improve the service on the road. Another allocation was, in the amount of 5 million dollars, to assist the Southern Pacific Railroad of Mexico, a subsidiary of the Southern Pacific of the United States, in obtaining the necessary rails and equipment required in connection with its five year program of rehabilitation of the Mexican system. The National Railways, owned by the Government, has trackage of 7300 miles throughout the country, while the Southern Pacific of Mexico connects the Southern Pacific at Nogales on the United States-Mexican border with the National systems at Guadalajara in Central Mexico. It thus serves the important West Coast of Mexico.[176]

The credits were in favor of the Nacional Financiera S.A., a Government financial agency for the use of the two rail systems. Advances are

[175] Idem. p. 21

[176] Foreign Commerce Weekly (January 10, 1949) Vol. XXXIV #2, p. 35 - also Foreign Commerce Weekly (August 22, 1949) Vol. XXXVI. #8, p. 33

repayable over ten years, from June 30, 1951, at a rate of 3-1/2%. The credits are guaranteed by the Mexican Government.[177]

Several allotments were made under the Turkish line of credit. The first of $500,000 was for financing the purchase of earth moving equipment in the United States by the Eti Bank for the expansion of the Agacli Lignite Mines. Lignite is widely used in Turkey for household and industrial fuel. By increasing the supply of lignite, Turkey will be enabled to increase the exports of its bituminous coal production. Repayment is over five years, from October 15, 1951, at a rate of 3-1/2% per annum. Notes of Eti Bank are guaranteed by the Turkish Government.

One million dollars of the credit was allocated to assist the Turkish State Railways in purchasing United States rail and accessories, required in the rebuilding of several narrow gauge railroads in Eastern Turkey. Repayable over five years, from September 30, 1951, at a rate of 3-1/2% per annum.

[177] The New York Times (August 5, 1949)

TABLE 9

SUMMARY OF OPERATIONS UNDER THE EXPORT-IMPORT BANK ACT OF 1945

(in millions of dollars)

TRANSACTIONS DURING PERIOD

Period	New Credits	Cancellations	Disbursements	Repayments
7/1-12/31/45	1039.7	9.9	58.7	20.7
1/1-6/30/46	1157.3	12.6	499.0	17.0
7/1-12/31/46	53.7	110.1	537.5	23.1
1/1-6/30/47	225.5	4.9	547.9	38.7
7/1-12/31/47	388.6	18.6	276.6	56.8
1/1-6/30/48	77.1	126.4	321.9	63.2
7/1-12/31/48	61.2	199.5	106.9	197.9
1/1-6/30/49	112.7	18.1	107.5	81.2
7/1-12/31/49	128.4	1.3	77.4	62.5

Source- Semi-Annual Reports of the Export-Import Bank.

TABLE 10

SUMMARY OF OPERATIONS UNDER THE ACT OF 1945

(in millions of dollars)

BALANCES AT CLOSE OF PERIOD

Date	Loans	Undisbursed Authorizations	Total Credit Outstanding	Uncommitted Lending Authority
6/30/45	207.3	336.3	543.6	156.4*
12/31/45	245.3	1307.5	1552.8	1947.2
6/30/46	727.2	1953.2	2680.4	819.6
12/31/46	1241.7	1339.4	2581.1	918.9
6/30/47	1750.9	938.6	2689.5	810.5
12/31/47	1970.7	1032.0	3002.7	497.3
6/30/48	2229.4	642.7	2872.1	627.9
12/31/48	2138.5	394.5	2533.0	967.0
6/30/49	2164.7	381.6	2546.3	953.7
12/31/49	2179.6	431.2	2610.8	889.2

* In June 1945 the maximum lending authority of the Bank was 700 million dollars.

Source - Semi-Annual Reports of the Export-Import Bank of Washington.

CHAPTER VIII

RELATIONS WITH OTHER GOVERNMENTAL AGENCIES

The Bank and Lend-Lease Operations

On the 11th of March 1941 President Roosevelt approved the much debated Lend-Lease Law.[178] To the majority of the people and to the majority of the Congress the Act offered a way in which the United States could aid the countries fighting the totalitarian states and still stay out of the War.[179] While it did not keep the United States out of the War, it was of incalculable aid to our Allies, who were thus enabled to exert their maximum effort on the fighting line as America became the arsenal of Democracy.[180] The total of goods and services delivered under lend-lease amounted to the astronomical figure of 39.5 billion dollars in goods and 8.5 billion dollars of services from March 11, 1941 through December 31, 1945.[181]

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[178] 55 Stat. 31

[179] "The United States at War", etc., loc.cit. p. 46.

[180] "The International Transactions of the United States during the War, etc." loc. cit. p. 6.

[181] *Idem*. p. 20

Under the provisions of the Lend-Lease Act the United States entered into so-called master agreements with the United Kingdom, China, the U.S.S.R. and a number of other countries. The agreements contained a provision that settlement for lend-lease should be deferred "until the extent of such defense aid is known and until the progress of events makes clearer the final terms and conditions and benefits which will be in the mutual interests of the United States and (the other country) and will promote the establishment and maintenance of world peace."[182]

It was indicated by this and later statements that the settlements would not be in proportion to the aid given and that settlements should not burden future commercial relationships between the United States and the recipient of the aid.

Ninety three percent of the 38.8 billion dollars of goods made available prior to VJ Day was transferred under agreements which deferred final settlement until after the War. In the final lend-lease settlements concluded since that time all lend-lease material consumed during the War was written off as part of the United States cost of defeating the Axis Powers. Following VJ Day, the United States gave notice that with certain minor exceptions lend-lease on a free basis would be discontinued immediately. However, because the War ended sooner than had been anticipated, there was on requisition in the United States some 1.2 billion dollars of lend-lease goods. These were destined for countries which had been dependent on lend-lease to meet substantial requirements of their civilian population. In addition, a large portion was goods built to specification or to meet foreign requirements for which there was almost no domestic

[182] Idem. p. 21

market. An added consideration was the difficulties which would be caused the United States producers by a sudden stoppage.

Foreign Governments were, therefore, given an opportunity to purchase for credit or cash all such civilian material. The credit terms offered were repayments over a thirty-year period and an interest rate of 2-3/8%.[183]

This situation had been foreseen, at least partially, by the President and in his message to the Congress on June 4th, 1945 on the lend-lease appropriation for the fiscal year 1946 President Truman stated: "Our recent lend-lease agreements with France, Belgium and the Netherlands will be carried out by lend-lease funds to the fullest extent consistent with changed War conditions and the basic War time purposes of lend-lease aid. Beyond this I propose that these Allies be assisted in financing necessary equipment and supplies by the Export-Import Bank.

Such assistance is consistent with the enlarged role which the Bank should be given in providing certain types of industrial equipment and supplies which other nations may wish to obtain from us for reconstruction. Some aspects of reconstruction are of particular interest to this nation and can most appropriately be financed by our own instrumentality."[184]

Subsequently, lend-lease credits were extended by the Export-Import Bank to Belgium, France and the Netherlands.

Belgium	$ 55,000,000
France	550,000,000
Netherlands	50,000,000
Total	$655,000,000

[183] Idem. p.21ff

[184] First Semi-Annual Report, etc., loc. cit. p.8

These credits were to finance the purchase of goods and services, for which requisitions had been filed and approved before VJ Day, under the terms of the lend-lease 3(e) agreements[185] with the countries concerned, but which had not been contracted for as of VJ Day.

The lend-lease credits extended by the Export-Import Bank should not be confused with the lend-lease "pipe line" credits applying to articles for which orders had been placed prior to VJ Day. These articles in the lend-lease "pipe line" were financed with lend-lease funds and the funds of the Export-Import Bank were in no way involved. However, the same terms were granted by the Bank as the lend-lease administrator under the provisions of Section 3(c) of the Act, viz., 30 years from July 1, 1946 at 2-3/8%.[186]

The Bank and its Relations with the National Advisory Council on International Monetary and Financial Problems

The National Advisory Council on International Monetary and Financial Problems was established by the Congress in the Bretton Woods Agreement Act[187] approved July 31, 1945. The statute directed the Council to coordinate the policies and operations of the representatives of the United States on the International Monetary Fund and the International Bank for Reconstruction and Development, the Export-Import Bank of Washington, and all other agencies

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[185] The Lend-Lease Agreements were entered into under the terms of Section 3(c) of the Lend Lease Act.

[186] First Semi-Annual Report, etc., loc.cit. p. 16

[187] 59 Stat. 512, 22 U.S.C. 286 b.

of the Government "to the extent that they make or participate in the making of foreign loans or engage in foreign financial, exchange or monetary transactions."[188] The Congress provided that the membership of the Council should consist of the Secretary of the Treasury as Chairman, the Secretary of State, the Secretary of Commerce, the Chairman of the Federal Reserve Board and the Chairman of the Export-Import Bank of Washington.[189] On August 9, 1945, the Secretary of the Treasury submitted, for the approval of the President, a proposal as to the manner in which the National Advisory Council should proceed in discharging the duties assigned it. The essence of the proposal is contained in the following excerpt from the letter of the Secretary of the Treasury to the President: "As you can see from the attached memorandum, the United States Government is now extending financial assistance to foreign governments through a large number of programs, administered by different departments and agencies, and with different procedures for inter-agency consultation. In order for the Council to carry out the functions assigned to it, it seems to me necessary that the Council should have a picture of the overall program of financial transactions which it is proposed to carry out in the next period. On such a basis we can make decisions in a rational way, strike the best bargains with foreign countries and save money for the taxpayer."[190]

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[188] Ibid.

[189] Section 106 of the Foreign Assistance Act of 1948, 162 Chap. 169; 22 U.S.C. 286 b(a) approved April 2, 1948; included the Administrator for Economic Cooperation as a member of the Council for the duration of this office.

[190] Quoted by the President of the United States in a message to the Congress transmitting a statement of the Foreign Loan Policy of the United States Government. House Document #481 Seventy-Ninth Congress Second Session, p.1.

On August 10, 1945, the President approved the proposal and directed the Council to proceed along the lines indicated. Soon after the Council completed its organization and began functioning. On February 21, 1946 the Council sent the President a statement of the Foreign Loan Policy of the United States Government by the National Advisory Council on International Monetary and Financial Problems.[191] In submitting the statement to the President the Council stated: "At an early date the Council undertook to consider proposals and applications for foreign loans and to study the problems and broad implications of foreign lending. The statement which is now submitted to you is an outgrowth of these activities of the Council and represents our present views."[192] The statement of Foreign Loan Policy discusses the problems of transition from war to peace, and their impact not only upon the American economy but upon the economies of the nations of the world. Discussed also were U.N.R.R.A. and the disposal of surplus property. Considerable space was devoted to the International Bank which, at that time, had not begun active business. It was stated that with its membership as then constituted the Bank would be able to lend up to about 7.5 billion dollars, the bulk of which would be raised in the private capital markets of the world. Also discussed at length was the proposed loan to Great Britain, which was later approved by the Congress in the amount of $3,750,000,000.[193] This loan was put through by the United States Treasury and as such may be considered unique. The Export-Import

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[191] National Advisory Council Document #70A

[192] Message of the President on Foreign Loan Policy etc., loc.cit. p.2.

[193] Report of Activities of the National Advisory Council for the period October 1, 1947-March 31, 1948. House Document #737 Eightieth Congress Second Session, p. 2ff.

Bank had no funds available to handle a loan of this size, its own authority being limited to 3.5 billion dollars and while it has never been so stated, it might well be that it could not be fitted within the conservative policies of the Export-Import Bank, for contrary to the general rules of the Bank, the loan was drawn down in large installments which were not tied in with any specific project and the funds so obtained were used in part for consumer goods which the Bank has been reluctant to finance.[194] The Council covered the activities of the Export-Import Bank in detail pointing out that of the 2.8 billion dollar increase in the lending authority carried in the Export-Import Bank Act of 1945, over 1 billion dollars had been committed in the last half of 1945, leaving only 1.9 billion dollars for additional commitments. The Council stated that it had been the policy of the Government to limit loans through the Export-Import Bank for reconstruction and development to the immediate minimum needs of the borrower and that applications were closely scrutinized taking into consideration:

1. Urgency of the need.
2. Borrower's resources.
3. Possibility of loans from other sources.
4. Ability to make effective use of funds.
5. Capacity of borrower to repay.
6. Effect of loan on domestic economy.

It was further stated that, pending the establishment and operation of the International Bank, this Government could meet only a small proportion of the needs of foreign countries for credits for reconstruction and development

[194] See "The British Loan". Department of State Publication #2485 (1946), also "The British Loan, What It Means to Us." Department of State Publication #2454 (1946).

and that an additional one and one quarter billion dollars would be needed.[195] The Council in the statement argued that a foreign lending program, adequate to meet the minimum needs of foreign countries, would bolster production and sustain employment in the United States and that any sacrifice would be temporary and small compared with the long range advantages to the United States. The question of repayment and service of the loans was discussed and it was felt that when the debtors economies were fully reconstructed they would be able to increase their national income sufficiently to repay, providing an undue part was not diverted to military expenditures. A high level of world trade was considered necessary and, in the final analysis, a great deal depends upon the size of American imports, personal remittances, travel expenditures and new investments abroad, and, finally, the world's gold production. It was also stated that the interest and amortization payments under the (then) projected foreign loan program would be less than 1 billion dollars per year.[196]

The major matter referred to the Council in the period October 1947 - March 1948, other than loan reviews, was the request made in March 1948 by the Export-Import Bank and the State Department for consideration of an increase of 500 million dollars in the lending authority of the Bank. The increase was proposed primarily because of the pressing need of Latin American countries for financial assistance in carrying forward their economic development. The Bank and State Department, in support, pointed out that neither private capital nor the International Bank could meet the entire need and that it would be in the national interest to develop nearby

[195] This increase was recommended by the President but was not approved by the Congress.

[196] National Advisory Council Document #70A.

sources of raw material, which were scarce in our own economy. The Bank did not want to exclude other areas in order to finance Latin America and felt that prudence demanded a margin of uncommitted funds. The Council supported the proposal but it was not granted by the Congress.[197] During the period April - September 1948 various loans were reviewed for the Bank by the Council without incident. In early 1948 proposals were made for the creation of an Inter-American Bank which were studied by the Council. It felt that existing financial institutions such as the Export-Import Bank and the International Bank were equipped to handle both short and long term credit applications for the Latin American countries. However, the Council took notice of the relatively small uncommitted funds of the Export-Import Bank and supported the introduction into Congress of legislation to increase the Bank's lending by 500 million dollars. Hearings were held but legislation was not enacted.[198]

The Bank and The Economic Cooperation Administration

On April 3, 1948, President Truman signed the Foreign Assistance Act of 1948 (Public Law #472 80th Congress).[199] This brought into existence the Economic Cooperation Administration, for the purpose of translating into action the so-called "Marshall Plan" for the economic recovery of

[197] Report of the National Advisory Council (1947-1948) loc.cit. p. 14

[198] Semi-Annual Report of the National Advisory Council for the period April 1, 1948-September 30, 1948. (Washington 1948) p. 25

[199] 62 Stat. 137

Europe, outlined by the then Secretary of State, George C. Marshall in an address at Harvard University on June 5, 1947.[200]

On June 28, 1948 a total of $6,030,710,228 was appropriated for foreign assistance.[201] Of this, 4 billion dollars was appropriated to carry out the provisions of the Economic Cooperation Administration Act and, in addition, there was made available the sum of 1 billion dollars, to be provided out of public debt transactions, for the purpose of making loans and guaranties, of which a maximum of 300 million dollars could be used for guaranties.

It was stipulated that the 4 billion dollars could be used for either grants or loans as the Administrator of the Economic Cooperation Administration deemed appropriate, acting in consultation with the National Advisory Council on Monetary and Financial Problems. The Act spelled out the guide for determining whether the assistance should be in the form of grants or loans.

> "shall depend upon the character and purpose of the assistance and upon whether there is reasonable assurance of repayment, considering the capacity of such country to make such payments, without jeopardizing the accomplishments of the purposes of this title."[202]

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[200] Address of Secretary of State Marshall at Harvard University, June 5, 1947. Department of State Bulletin (June 15, 1947) Vol. XVI #415.

[201] 62 Stat.512, 22 U.S.C.A.1501

[202] 62 Stat.1054
Also see- Statement of the Secretary of the Treasury before the Senate Committee on Foreign Relations on January 14, 1948, quoted in the Report of the National Advisory Council, House Document #737, Eightieth Congress, Second Session. (United States Government Printing Office, Washington, 1948) p.19.
Also see - Semi-Annual Report of the National Advisory Council to the Congress for the period April 1, 1948-September 1948. (United States Government Printing Office 1949) p. 17.

After discussion with the National Advisory Council and, in view of the reluctance of some of the European countries to take loans, it was decided that the 4 billion dollars would be used for grants and \$972,300,000 of the billion for loans and guaranties would be apportioned to loans. The remainder, \$27,700,000 was allocated to investment guaranties.[203]

Section 111 (e) (2) of the Foreign Assistance Act of 1948[204] specified that the Export-Import Bank would be the lending agency for loans made under the Act, and on May 21, 1948, the Administrator of the Economic Cooperation Administration and the Chairman of the Export-Import Bank of Washington executed a memorandum agreement, defining their respective tasks in connection with the extension of credits to the participating countries. "Credits authorized by the Economic Cooperation Administration will be established by the Bank on basic terms specified by the Administrator. The disbursement procedures will be those customarily followed by the Bank. The Bank, acting as agent for Economic Cooperation Administration, will also issue guarantees of convertibility of American investments abroad, in its name, on terms specified by the Administrator."[205]

The terms specified by the Administrator after consultation with the National Advisory Council were as follows:

[203] Third Report to the Congress of the Economic Cooperation Administration for Quarter ended December 31, 1948. (United States Government Printing)

[204] 62 Stat.137

[205] First Report to Congress of the Economic Cooperation Administration for the Quarter ended June 30, 1948. (United States Government Printing Office, 1948) p. 43.

Interest Rate 2-1/2% per annum.

Interest payments waived up to 1952.

Principal - Repayable in 35 years through semi-annual payments starting in June 1956.

There was one exception in the case of Indonesia where repayment is spread over 25 years.

The first loan made was to Iceland with an interest rate of 3% repayable over 7 years. Considerable opposition was encountered with other countries on the rate and terms and as a result the formula, mentioned above, was arrived at and the Iceland credit terms were revised accordingly.

Loan agreements contain so-called "escape" clauses, which permit the discussion of postponement of payments and for alteration of terms, in the event of "adverse economic conditions or for any other reasons". The deferment clause in the agreements with Denmark, Norway and Turkey provide for payment in local currency in the event of mutual agreement to postpone or modify repayment terms.[206]

The Administrator authorized the following allotments for credits, all of which by March 1949 had been set up on the books of the Export-Import Bank:

[206] Eighth Semi-Annual Report of the Export-Import Bank of Washington. loc.cit. p. 13.

TABLE 11

ECA LOAN ALLOTMENTS[207]

Country	Amount	As of 12/31/49 Undisbursed	Disbursed
Belgium	$ 56,000,000	$ 8,155,000	$ 47,845,000
Denmark	31,000,000	--	31,000,000
France	172,000,000	--	172,000,000
Iceland	2,300,000	303,000	1,996,000
Ireland	86,300,000	48,300,000	38,000,000
Italy	67,000,000	--	67,000,000
Luxembourg	3,500,000	445,000	3,055,000
Netherlands	129,500,000	--	129,500,000
Indonesia	17,200,000	2,200,000	1,500,000
Norway	35,000,000	--	35,000,000
Sweden	20,400,000	20,400,000	--
Turkey	38,000,000	38,000,000	--
United Kingdom	313,000,000	--	313,000,000
Total	$971,200,000	$117,803,000	$853,396,000

[207] Ninth Semi-Annual Report of the Export-Import Bank of Washington. loc.cit. p. 70f.

On June 30, 1949 of this total authorization $191,303,000 had not been disbursed and $781,997,000 was the principal on outstanding loans.[208]

The Bank, as noted above, also acts as agent for, and upon terms specified by the Administrator, in issuing transfer guarantees of approved American investments, extended under the authority of Section 111 (b) (3) of Tital I of the Foreign Assistance Act of 1948.

In the 6th Report of the Economic Cooperation Administration covering the quarter July 1, 1949 to September 30, 1949[209], it was reported that guarantees to a total of $4,447,500[210] had been authorized. Included were:

Watch & Clock Plant - United Kingdom	$1,000,000
Carbon Black Plant - United Kingdom	850,000
Drill Chuck Plant - United Kingdom	400,000
Instrument Plant - United Kingdom	300,000
Soluble Coffee Plant - United Kingdom	75,000
Metal Spraying Equipment Plant - United Kingdom	45,000
Stone Cutting Yard - Italy	20,000
Transportation Equipment - Italy	60,000

[208] Eighth Semi-Annual Report of the Export-Import Bank of Washington. loc.cit. pp. 55-56. See also- Third Report of the Economic Cooperation Administration. loc.cit. p. 30.

[209] United States Government Printing Office, Washington, (1950), p. 136.

[210] This figure includes both investment guarantees issued through the Export-Import Bank of Washington and informational guaranties issued by the Administrator. (National Advisory Council Report period October 1, 1948-March 31, 1949) p. 19.

By June 30, 1949, all of the above, with the exception of the $60,000 transportation equipment company investment in Italy, had been issued by the Export-Import Bank.[211]

Originally, $300,000,000 had been placed as a statutory limit on guarantees but was reduced to $150,000,000 by Pl. 47 81st Congress. During its first year the Economic Cooperation Administration allocated $27,700,000 to the guarantee program,[212] but actual guarantees authorized were only in the amount of $3,587,814.[213]

The guarantee program as regards to investments has been disappointing. American companies of standing have not been too eager to invest abroad and, while there have been numbers of applications, extensive investigations and negotiations are required.[214] This may have discouraged prospective investors. The original basis for these guarantees were quite restrictive, which was an added deterrent; however, recently (early 1950) this has been liberalized.

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[211] Eighth Semi-Annual Report of the Export-Import Bank, etc., loc. cit. p. 15.

[212] Increased by $122,300,000 to $150,000,000 on October 6, 1949. (Sixth Report of the Economic Cooperation Administration) p. 34.

[213] National Advisory Council Report - period October 1948 - March 1949. loc.cit. p. 19.

[214] Second Report of the Economic Cooperation Administration. (United States Government Printing Office, Washington, 1948) pp. 5758.

TABLE 12

EXPORT-IMPORT BANK GUARANTIES OUTSTANDING

FOR ACCOUNT OF ECA AS OF 12/31/49

Country	Maximum Liability
French	282,000
Italy	80,000
United Kingdom	3,473,000
	$3,835,000

Source: 9th Semi Annual Report of the Export-Import Bank of Washington for the period July-December 1949 p. 72.

The Export-Import Bank

and

The Point IV Program

On January 20, 1949, President Truman, in his inaugural address discussed the foreign policy of the United States. A portion of this discussion was directed to the economic development of the underdeveloped areas of the world. This subject, which was designated as the fourth point of four, has since become widely known as the Point IV Program. The President said, in part, "We must embark on a bold new program for making the benefits of our scientific advances and industrial progress available for the improvement and growth of underdeveloped areas. We should make available to peace-loving peoples the benefits of our store of technical knowledge in order to help them realize their aspirations for a better life, and in cooperation with other nations, we should foster capital investment in areas needing development. Our aim should be to help the free peoples of the world, through their own efforts to produce more food, more clothing, more materials for housing and more mechanical power to lighten their burdens."[215]

On June 24, 1949 the President sent a message to the Congress, in which he outlined a program whereby the United States proposed to assist in the economic development of the backward countries. While the President emphasized that the people of the underdeveloped areas themselves would necessarily be required to make the major effort, he stated that the United States should be prepared to extend two types of assistance; viz, technical knowledge and capital.

Specific measures proposed included:

1. An enlarged program of technical assistance to be conducted, under the direction of the President, by the Department of State and other existing agencies of the Government with the cooperation of inter-governmental and private organizations.

2. An experimental program by the Export-Import Bank to encourage the investment of private capital abroad, by guaranteeing such investments against certain risks peculiar to foreign investment.

3. An accelerated effort to negotiate treaties with foreign countries, which would improve and stabilize the climate of foreign investment.

4. Loans by the Export-Import Bank for the economic development of underdeveloped areas.

The President concluded his message with the recommendation that legislation be enacted which would authorize the technical assistance and guaranty programs.[216] No new legislation was required for the other

[215] The New York Times (January 21, 1949)

[216] Ninth Semi-Annual Report of Export-Import Bank, etc., loc.cit. p. 3

two proposals, as the State Department is empowered to negotiate treaties, and the Export-Import Bank has for years made loans for economic development. Subsequently, Senator Maybank (Democrat-South Carolina), on July 6, 1949, introduced a Bill (S. 2197) to amend the Export-Import Bank Act of 1945 as amended, to vest in the Export-Import Bank of Washington the power to guarantee United States investments abroad. "Be it enacted, etc. that it is the policy of the United States, in the interest of its people, as well as that of other people, to promote the development of economically underdeveloped areas of the world. It is the objective of this Act to further this policy by encouraging productive investment in such areas. To this end Section 2(a) of the Export-Import Bank Act of 1945 as amended (59 Stat. 526, 666; 61 Stat. 130) is hereby amended by inserting after the words "to borrow and to lend money" the words "to guarantee United States private capital invested abroad which contribute to economic development in foreign countries against risks peculiar to such investments."[217] This bill was referred to the Committee on Banking and Currency, which held public hearings on August 9 and 10, 1949. Secretary of the Treasury Snyder, Under Secretary of State Webb, and Chairman Gaston of the Export-Import Bank of Washington, testified in support of the bill. Mr. Winthrop Aldrich appeared in his capacity as Chairman of the President's Committee for Financing Foreign Trade and supported the bill and its approach to the problem. Also, testifying were Mr. Norman N. Littell representing the American Bar Association and Mr. Roy W. Gifford who appeared for the Detroit Board of Commerce, both of whom supported the general purposes of the bill. At the same time S. 2197 was introduced by Senator Maybank, S.2561[218] was

[217] Calendar #1111 S 2197. Report #1101 Eighty-First Congress, First Session.

[218] S 2561 Eighty-First Congress First Session.

introduced by Senator Saltonstall (Republican-Massachusetts), this bill entitled "A Bill to Establish a Program of Foreign Economic Assistance" was referred to the Senate Committee on Foreign Relations. Senator Saltonstall's bill has for its objective the providing of the technical assistance requirements of the Point IV Program as well as financial assistance. The bill would set up a Foreign Economic Development Administration and a system of requirements for participating countries. These conditions are designed to create a favorable "climate" for investment and provide some degree of control over funds spent by the United States Government. A feature, also, is a provision that after two years unless a country fulfilled the conditions set forth, it would not be eligible for Export-Import Bank loans.

On October 7, 1949 this bill (S.2561) was offered in the form of an amendment as a substitute for S.2197.

Meanwhile on September 29th Senator Maybank offered an amendment to his bill (S.2197) which would strike out the words "against risks peculiar to such investments" and insert "by assuring either or both (1) the conversion into United States dollars of foreign currency derived from an investment and (2) compensation in United States dollars for loss resulting from expropriation, confiscation, or seizure." The companion bill, reported with amendments by the House Committee on Banking and Currency H.R. 5594, is the same as S.2197 with the Maybank amendment, plus the addition of the words "by action of public authority" after "seizure". A complementary bill on technical assistance H.R. 5615 was referred to the House Committee on Foreign Affairs.

In his testimony before the Senate Banking and Currency Committee on S. 2197, Secretary Snyder emphasized the experimental nature of the guarantee program. He pointed out that there had been almost no experience with programs of this kind and thus it was impossible to anticipate the types of risks which should be covered, the effectiveness of guarantees in stimulating investments or the possibility of loss to the United States under the program. He felt it essential, under the circumstances, that the authority of the Export-Import Bank be flexible and broad. He felt that only after careful study and with experience could the full potentialities of guarantees be realized. He stated that the actual administration of the plan would have to be worked out by the Export-Import Bank in consultation with the National Advisory Council.[219] Assistant Secretary Webb discussed treaties of friendship, commerce and navigation, the execution of which would be a condition precedent to the issuance of guarantees.[220]

Chairman Gaston in his testimony held that it was quite appropriate that the Export-Import Bank be the agency of the Government vested with the authority to undertake the guarantee program. He pointed out that the function of guarantee is closely allied to, and is but a logical expansion of, the functions which the Bank has been and is exercising. It has had limited experience with guarantees as agent of the Economic Cooperation Administration. He stated the program was experimental but that the Export-Import Bank could handle it within the framework of its present organization and that no additional funds would be required during the preliminary stages.[221]

It is not the purpose of this paper to explore the soundness or unsoundness of a guarantee program but rather to discuss it as a possible

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[219] Hearings before the Senate Banking and Currency Committee United States Senate Eighty-First Congress, First Session on S.2197. (United States Government Printing Office Washington, 1949) p. 5

[220] Idem p. 18f

[221] Idem. p. 35f

field for the Bank's employment. The topic is one which has attracted wide interest and the opponents are perhaps as numerous as the proponents.[222] There has been some criticism of the selection of the Export-Import Bank as the vehicle to carry out the guarantee program, because of what was described as an inconsistency between making loans with a reasonable degree of risk, and the issuing of guarantees on investments, with all of the risks peculiar to foreign investment, such as inconvertibility of exchange, expropriation and physical destruction in the event of war, riot or revolution, and lastly the risk of government interference by law, ordinance regulation, decree or administrative action, preventing the transaction for which the guaranty was issued.

Other critics felt that the conservatism of the Bank would not be in keeping with the broad sweep of a bold new program.[223]

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[222]For a full discussion of the Point IV Program see - Hazlitt, Henry "Illusions of Point IV." Foundation for Economic Education, Irvington-on-the Hudson, 1950.

Hazlitt, Henry "Will Dollars Save the World?" Foundation for Economic Education, Irvington-on-the-Hudson, 1947.

"Point IV" Fortune (November 1949) Vol. XL #5, p. 95ff.

Perkins, Milo, "What We Can Do Under Point IV." Harpers (December 1949) #1195 p. 52 ff.

Abbott, "Economic Defense of the United States" Harvard Business Review (September 1949) Vol. XXVI #5 p. 613 ff.

Banking, (January 10, 1949) Vol. XXVI, p. 130

Gaston, Herbert E., Chairman Export-Import Bank of Washington, "Point IV and The Export-Import Bank", Journal of Commerce (November 2, 1949) New York.

Gaston, Herbert E.,"The Role of the Export-Import Bank in World Development". (December 2, 1949). (Mimeographed).

Arey, Hawthorne, Vice-Chairman Export-Import Bank of Washington "The Role of the Export-Import Bank in Our Foreign Trade". Address before the International Finance Session, Thirty-Sixth National Foreign Trade Convention, October 31, 1949, New York, N.Y.

[223]Hearings before Senate Committee on Banking and Currency on S.2197, etc., Loc.cit. p. 99f.

The Bank and the Commission on the Organization of the Executive Branch of the Government

The Commission on the Organization of the Executive Branch of the Government, perhaps better known as the Hoover Commission after its Chairman, ex-President Herbert Hoover, was created by the provisions of Public Law 162 80th Congress, to study the Executive Branch of the Government to the end that the necessary legislation could be introduced in the Congress to eliminate waste, duplication and to reorganize those agencies, bureaus, and departments operating on an inefficient basis.

The Committee was bipartisan with a membership of twelve. The membership included besides Mr. Hoover, Dean Acheson as Vice Chairman, A. S. Flemming, James Forrestal, G. H. Mead, G. D. Aiken, Joseph P. Kennedy, J. L. McClellan, Joseph K. Pollock, Clarence J. Brown, Carter Manasco and James H. Rowe, Jr.

The Commission was aided by a number of specialists in the various fields organized as task forces, whose findings assisted the Commission in the preparation of their recommendations.

During the course of their study the commission issued 19 reports and 17 task force reports as separate appendices.[224]

One of these reports covered the Treasury Department and was transmitted to the Congress on March 5, 1949.

Among the recommendations contained in this report was Number Three which reads:-

[224] "Progress on Hoover Commission Recommendation" Reprint #1158. Committee on Expenditures in the Executive Departments, House of Representatives, Eighty-First Congress First Session. (United States Government Printing Office, Washington 1949) p. 379f.

"We recommend, therefore, that the supervision of the R.F.C., the F.D.I.C. and the Export-Import Bank be vested in the Secretary of the Treasury."[225]

The basis of argument used by the Commission was that these were independent agencies reporting directly to the President, who could not give the time necessary for their supervision and, therefore, as a practical matter, they were accountable to nobody. With respect to the Export-Import Bank, it was pointed out that the Treasury Department now has certain responsibilities in the foreign field; mentioning the Stabilization Fund, which had a loan to Mexico and the British Loan made by the Treasury and administered by it. Also, the Secretary of the Treasury is the Chairman of the National Advisory Council, the major policy body in the foreign loan field. It was, therefore, felt that he should also have general supervision over the Bank.[226] Certain of the Commissioners dissented on this recommendation. Dean Acheson wrote that while he felt it desirable to place the Bank in an Executive Department, he was not convinced that the subject had been sufficiently explored to justify the recommendation.[227] Commissioners Aiken, Pollack and Rowe also dissented. They felt the Bank should be in the Department of Commerce, basing their argument upon the premise that the Department of Commerce had as its "major purpose" the promotion of both foreign and domestic commerce and trade. They stated that the Bank's principal function was assisting

[225]"Treasury Department - A Report to the Congress by the Commission on the Organization of the Executive Branch of Government." (United States Government Printing Office, Washington, 1949), p.12.

[226]Idem. pp. 10 and 12

[227]Idem. p. 11

in the financing of foreign trade. Further that, while it carried on this function in two ways only, a relatively small part of the Bank's current business involved direct assistance to American exporters and importers who were unable to finance their own operations. Rather the larger part was loans to foreign governments for economic development or general balance of payment purposes. They went on to point out that while the loans were justified on an economic basis, they had a very heavy foreign policy aspect; and as the Department of Commerce was clearly the agency of primary interest in the promotion of foreign trade, the Export-Import Bank should be there.[228]

After this report on the Treasury was received by the Congress, the Senate Committee on Expenditures invited comments from the interested parties.[229]

In reply, the Treasury Department stated with reference to the Export-Import Bank, R. F. C. and F. D. I. C.: "There is much to be said for the independent status of these agencies. The policies of these agencies are in many cases governmental policies set after consultation with the President and other Cabinet Members and they can, therefore, function independently."[230]

The Department of Commerce in its comments agreed with the dissenting Commissioners and with their reasoning in support of the dissent. The Department went further and offered these points:

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[228] Idem. pp. 29-30

[229] Progress on Hoover Commission, etc., loc.cit. p.1

[230] Idem. p. 239

1. The Bank was established "to aid in financing and to facilitate exports and imports and the exchange of commodities" between the United States and the other countries of the world.

2. Throughout its 15 years of existence, the Bank has considered this its fundamental objective.

3. This objective is patently embraced within the broader functions of the Department of Commerce as prescribed by statute.

4. It is not the "lending function" of the Bank that should determine where it should be placed but the "purpose" should be the determining factor.

5. The "purpose"of the Bank is the same as that of the Department of Commerce, namely, trade -- be it domestic or foreign.[231]

As might be expected the Directors of the Bank diametrically opposed recommendation #3.

"It is the considered opinion of the Directors of the Export-Import Bank that to place the bank under the supervision of the head of any executive department would contribute nothing to the efficient conduct of the Government, but would on the contrary, through destroying a very effective plan of operation, set up in the Export-Import Bank Act of 1945 and the Bretton Woods Agreement Act, incur the risk of creating confusion and of interfering with the efficient performance of the bank's functions. The first of these acts places the management of the Bank in the hands of a Board of five Directors, not more than three of whom may be members of any one political party. The Secretary of State is a director ex officio, the other four are appointed by the President. In practice this means that the President appoints two persons of his own party and two of another party or parties. The directors are appointed for definite terms and if

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[231] Idem. p. 242

there should be a change in the administration, a change in the majority of the Board would be accomplished merely by the succession of a new Secretary of State to membership.

"The Board is a management board having responsibility which rests upon all members, individually and collectively, for the prudent management of very large revolving loan funds obtained as public debt transactions and not as appropriations. If the Directors were to be relieved of this responsibility by making their actions in this respect subject, in any degree, to direction by any Cabinet Officer, it would seem that the principles not only of political bipartisanship but of personal responsibility also, would be seriously impaired.

"The records of the Congress will show that the method of management of the greatly enlarged funds committed to the Bank by the Act of 1945 was most carefully considered.

"The Bank is not unsupervised. The Secretary of State is a member of the Board of Directors and, in practice, no loans are made unless they have been endorsed by the Secretary of State as conforming with the foreign policy of the United States. In addition, the Secretary of State, through his staff and representatives abroad, supplies advice and information as to particular loans and loan applications. The Bank enjoys, of course, the usual fiscal supervision by the Bureau of the Budget and the General Accounting Office. In addition, however, it benefits in an important way from policy supervision and advice through the National Advisory Council on International Financial and Monetary Problems of which, the Secretary of the Treasury is Chairman and of which, the Secretary of State and Secretary of Commerce, the Chairman of the Federal Reserve Board and the Administrator of the Economic Cooperation Administration as well as the Chairman of the

Export-Import Bank are members. This is a plan of integration with other fiscal and lending authorities of the Government, well considered by the executive as well as the legislature branch before its enactment, which in our opinion has worked well and smoothly in practice."[232]

The proposal has been the cause of considerable discussion both pro and con. There is considerable weight to the argument advanced by the Directors of the Bank. The manner of its management has not just evolved over a period of time but was evolved after considerable study and debate in 1945. Then too there is a considerable reluctance on the part of the Congress to concentrate more power in the hands of the Treasury or other Departments. The Export-Import Bank has always fared well with the Congress and its management over a period of years has been conservative in its approach, which has always been the subject of favorable Congressional remarks.

[232] Idem. p. 243 ff

CHAPTER IX

THE BANK AND ITS FUTURE

At this point in time, March 1950, it is difficult to foresee with any degree of certainty what the future of the Bank will be. Too many forces are at work in the world today, any one of which might affect the Bank's operations.

In 1947, the Bank was reincorporated as a government corporation and its life extended to June 30, 1952. It is highly improbable that its life will not be extended at that time. As of December 31, 1949 there were outstanding on its books loans of over 2,177 million dollars which with interest added totalled 2,838 million dollars, of this sum only 400 million dollars was due prior to 1952. Its loans do not call for full repayment until 1976 so, that even if no new loans were authorized after 1952, the Bank would require at least 24 years to liquidate.

The Point IV program, if carried out as proposed, would employ the Bank and this program cannot be measured in years but rather in decades.

The Marshall Plan aid is scheduled to end in 1952 and from all accounts the job at that time will be far from completed. Indeed, President

Truman in a letter to Representative John Kee, Chairman of the House Foreign Affairs Committee reported in the New York Times of March 26, 1950, called the Economic Cooperation Administration "the keystone of peace in the age of atomic weapons" and, in the same issue of the New York Times, Senator Vandenberg's (Republican-Michigan) letter to Paul G. Hoffman, Administrator of the Economic Cooperation Administration, appealed for the creation of an unpartisan commission to recommend a long-range United States economic and political peace policy. Who can say but that the Bank may be chosen as the instrument which might be charged with world economic aid? It is true that we have the International Bank but that institution's resources are limited and its management international in scope. It is fairly certain that if tremendous sums are to be spent the people of the United States will insist that they be spent through an agency of the United States. The same objections may be offered to the United Nations and its offices.

From time to time the question of export insurance has been raised and over the years the Export-Import Bank has given the subject much study, perhaps this may be added to its duties in the future.

The enactment of the proposals of the so-called Hoover Commission might have a profound effect upon the Bank as it would lose its independent status and be incorporated into either the Treasury or Commerce Department. The Bank has been well run and no serious criticism has ever been offered of its management. As an "arm of American foreign policy" some of its loans have had political implications and some of its loans have had, at least, as a secondary purpose, the containment of communistic influences, but in all loans the Bank has conscientiously attempted to reconcile its directives; namely, not to compete with private business and to make only those loans which offer a reasonable assurance of repayment. In so doing it has taken calculated risks and in the case of reconstruction loans has assumed that a revival of world trade on a multilateral basis would take place. Perhaps the best exposition of what the Bank intends to do in the future may be given in the words of William M. Martin, then Chairman and President of the Export-Import Bank, testifying at a hearing on S 993 held by the House Committee on Banking and Currency on May 8 and 12, 1947. "It is the policy of the Bank that the credits which it authorizes shall be for specific purposes, shall contribute in the most direct manner to a balanced long term expansion of foreign trade, and shall be on terms appropriate to the circumstances in each case. I cannot emphasize too strongly that the Export-Import Bank has never undertaken to finance exports for their own sake. The Bank does not believe that the position of the United States in international trade justifies the use of public funds merely for providing a stimulus to exports. This explains why the Export-Import Bank has always been primarily interested in what it finances and the long run effects of what it finances. It explains why the Bank is more likely to finance the export of raw materials, such as cotton and of capital goods, than of finished consumers goods. The fundamental basis of the Bank's attitude in this regard is that the real problem of the United States foreign trade at the present time is to maintain a high volume of imports in order to provide foreigners with the means of buying United States products in large quantities and at the same time repay their debts to this country. The Bank has directed its operations over the past thirteen years towards the solution of this fundamental problem. Its credits have served chiefly to promote the export of goods which serve to increase the productive capacity of foreign countries and their capacity to export those products which are desired in the United States and elsewhere. In this way the Bank helps to create a steadily growing market for American products of all kinds and at the same time to facilitate the repayment of foreign debts to it and other American creditors."[233]

[233] Hearings Before the Committee on Banking and Currency on S.993, House of Representatives, Eightieth Congress, First Session. (United States Government Printing Office, Washington), p. 5ff.

APPENDIX
A

EXCERPTS FROM

REFERENCE MANUAL OF

GOVERNMENT CORPORATIONS

6/30/45

EXPORT-IMPORT BANK OF WASHINGTON

Statutes

The National Industrial Recovery Act of June 16, 1933, is cited by Executive Order No. 6581, dated February 2, 1934, as the authority for directing creation of the bank under title 5, chapter 9, section 261 of the Code of the District of Columbia. Section 2 (a) of title I of that act (48 Stat.195) authorized the President to establish such agencies as he might find necessary to effectuate the policy of title I. Section 2 (c) of title I provided that any agencies established under such title should cease to exist at the expiration of 2 years after the date of enactment of the act. (See, also, 15 U.S.C., note to 701-712).

However, the bank was continued as an agency of the United States to June 16, 1937, by the act of January 31, 1935 (49 Stat. 4) to June 30, 1939, by the act of January 26, 1937 (50 Stat. 5); to June 30, 1941, by the act of March 4, 1939 (53 Stat. 510); and to January 22, 1947, by the act of September 26, 1940 (54 Stat. 962; 15 U.S.C. 713b). (The charter, as amended January 10, 1941, provides that the bank's term of existence shall be 20 years from the date of its incorporation.)

Executive orders and reorganization plans

The President, by Executive Order No. 6581, dated February 2, 1934, directed the Secretary of State and the Secretary of Commerce to cause the organization of a District of Columbia banking corporation under the name of Export-Import Bank of Washington, pursuant to title 5, chapter 9, section 261 of the Code of the District of Columbia.

By Reorganization Plan No. I, effective July 1, 1939, the bank was grouped with other lending agencies to form the Federal Loan Agency, to be supervised by the Federal Loan Administrator (53 Stat. 1430; 5 U.S.C. note to 133t).

By Executive Order No. 9071, dated February 24, 1942 (50 U.S.C. appendix, supp. IV, note to 601), all functions, powers, and duties of the Federal Loan Agency and of the Federal Loan Administrator which related to the Export-Import Bank of Washington were transferred to the Department of Commerce, to be administered under the direction of the Secretary of Commerce.

By Executive Order No. 9361, dated July 15, 1943, the Export-Import Bank of Washington and its functions, powers, and duties, together with the functions, powers, and duties of the Reconstruction Finance Corporation and of the Secretary of Commerce with respect to the bank, were transferred to the Office of Economic Warfare, which Office was established thereby to succeed the Board of Economic Warfare.

By Executive Order No. 9380, dated September 25, 1943, the Office of Economic Warfare, together with the corporations (which included the Export-Import Bank of Washington), agencies, and functions transferred thereto by Executive Order No. 9361, dated July 15, 1943, was transferred to the Foreign Economic Administration established by said Executive Order No. 9380 in the Office for Emergency Management of the Executive Office of the President. (Texts of Executive Orders 9361 and 9380 are likewise carried in the note to sec. 601, 50 U.S.C. App., Supp. IV.)

Charter

The bank was incorporated under the laws of the District of Columbia pursuant to title 5, chapter 9, section 261 of the Code of the District of Columbia.

Ownership, Organization, and Management

The bank is owned by the United States. The charter provides that the stock, property, and concerns of the Corporation shall be managed by a board of 11 trustees elected annually by the stockholders. With the approval of the President of the United States, the board of trustees may be increased to not more than 15 members or decreased to not less than 5 members without amending the articles of incorporation.

Section 2 of the Executive Order No. 9361, dated July 15, 1943, provides that the Director of the Office of Economic Warfare may reconstitute the Board of Directors of the bank and take such other action as he deems necessary in respect of them to carry out the purposes of that order.

Section 3 of the Executive Order No. 9380, dated September 25, 1943, provides that the Administrator of the Foreign Economic Administration may establish such offices, bureaus, or divisions in the Administration as may be necessary to carry out the provisions of that order and may assign to them such of the functions and duties of the offices, agencies, and corporations consolidated thereby as he may deem desirable in the interest of efficient administration.

Purpose and scope of activities

Prior to dissolution of the Second Export-Import Bank of Washington, a District of Columbia corporation organized pursuant to Executive Order No. 6638, dated March 9, 1934, and dissolved pursuant to Executive Order No. 7365, dated May 7, 1936, all of the existing commitments of such Second Export-Import Bank were sold and transferred to the Export-Import Bank of Washington. The latter order directed that the records of the Second Export-Import Bank should be transferred to and preserved by the Export-Import Bank of Washington. (See 15 U.S.C., note to 713b).

The act of September 26, 1940 (54 Stat.961; 15 U.S.C. 606b), enlarged the activities of the Export-Import Bank to include assistance in the development of the resources, the stabilization of the economies, and the orderly marketing of the products of the countries of the Western Hemisphere.

The bank may not have outstanding at any one time loans or other obligations to it in excess of $700,000,000 (15 U.S.C. 713b).

Source of funds

Allocations

Pursuant to the provisions of Defense Aid Supplemental Appropriation Acts, 1941 and 1942, approved March 27 and October 28, 1941 and March 5, 1942 (55 Stat. 53, 55 Stat. 745, and 56 Stat. 130), respectively, and in accordance with letter of the Lend-Lease Administrator to the Secretary of the Treasury, dated January 4, 1943 (Defense Aid Allocation No. 1061), the sum of $2,000,000 has been allocated and transferred to the Export-Import Bank of Washington for necessary services and expenses for carrying out the provisions of the act of March 11, 1941 (55 Stat. 31), entitled "An act to promote the defense of the United States."

Capital stock

The capital stock of the bank consists of $1,000,000 of common stock and $174,000,000 of preferred.

For the purpose of subscribing for the common stock of the bank, the President, by Executive Order No. 6581, dated February 2, 1934, set aside the sum of $1,000,000 out of the appropriation of $3,300,000,000 authorized by section 220 of the National Industrial Recovery Act (48 Stat. 210), and made by the Fourth Deficiency Act, fiscal year 1933 (48 Stat. 275). All of the common stock is held for the use and benefit of the United States. All common shares, except 11 shares in the respective names of the trustees, stood in the names of the Secretary of State and the Secretary of Commerce, jointly, and were voted by such person or persons as the Secretary of State and the Secretary of Commerce appointed as their joint agent or agents for that purpose. As of June 30, 1945, the preferred stock of $174,000,000 was held by the Reconstruction Finance Corporation.

APPENDIX B

000 omitted

STATEMENT OF COMMITMENTS, CANCELLATIONS, DISBURSEMENTS, REPAYMENTS AND OUTSTANDING BY COUNTRY 3/12/34 to 6/30/45

Country	Authorization	Cancellations and Expirations	Balance Not Disbursed	Amount Disbursed	Amount Repaid	Outstanding
Latin America						
Argentina	93,480	93,090	--	390	390	--
Bolivia	17,678	48	15,000	2,129	2,129	--
Brazil	199,025	74,931	29,745	94,348	39,214	55,134
Chile	42,406	6,688	13,250	22,467	8,638	13,828
Colombia	46,725	841	23,458	22,425	12,011	10,413
Costa Rica	8,723	1,448	100	7,174	274	6,900
Cuba	90,366	26,888	17,800	45,678	42,960	2,718
Dominican Republic	3,300	16	--	3,283	622	2,661
Ecuador	15,785	75	10,304	5,405	521	4,883
El Salvador	1,726	--	826	900	14	885
Haiti	13,350	2,570	460	10,320	1,806	8,513
Honduras	2,700	--	1,805	895	--	895
Jamaica	25	25	--	--	--	--
Mexico	66,692	1,383	53,314	11,995	4,960	7,034
Nicaragua	5,235	585	250	4,400	1,531	2,868
Panama	4,500	2,012	--	2,487	2,487	--
Paraguay	7,800	1,600	865	5,335	537	4,787
Peru	37,000	12,000	25,000	--	--	--
Porto Rico	450	--	--	450	10	440
Uruguay	43,585	11,506	25,043	7,035	8	7,026
Venezuela	41,951	4,806	32,000	5,144	2,063	3,080
Virgin Islands	250	--	250	--	--	--
Special Credit Lines in favor of Banking Institutions in Western Hemisphere	50,000	--	46,481	3,518	3,445	72
Canada	59,265	21,850	--	37,415	37,415	--
China	154,943	4,526	32,415	118,001	69,400	48,600
Other Asia	44,230	43,767	--	462	462	--
Ethiopia	500	--	--	500	250	250
Portuguese West Africa	300	--	235	65	--	65
Finland	35,000	--	8,788	26,211	2,341	23,869
Italy	16,917	3,541	--	13,376	13,376	--
Norway	10,750	--	10,523	226	226	--
Poland	12,906	9,359	--	3,547	246	3,300
Portugal	5,500	4,229	--	1,270	1,270	--
Spain	15,072	1,391	--	13,681	13,681	--
Sweden	15,000	10,889	--	4,111	4,111	--
Other Europe	30,866	29,466	--	1,399	1,399	--

SOURCE: Hearings before the Committee on Banking and Currency, House of Representatives, 79th Congress, 1st Session on H.R. 3464 and H.R. 3490 superseded by H.R. 3771, July 11 and 12, 1945, Page 34.

APPENDIX
C

EXPORT-IMPORT BANK ACT OF 1945 AS AMENDED

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, "That this Act may be cited as the "Export-Import Bank Act of 1945."

Sec. 2(a) There is hereby created a corporation with the name Export-Import Bank of Washington, which shall be an agency of the United States of America. The objects and purposes of the Bank shall be to aid in financing and to facilitate exports and imports and the exchange of commodities between the United States or any of its Territories or insular possessions and any foreign country or the agencies or nationals thereof. In connection with and in furtherance of its objects and purposes, the Bank is authorized and empowered to do a general banking business except that of circulation; to receive deposits; to purchase, discount, rediscount, sell, and negotiate, with or without its endorsement or guaranty, and to guarantee notes, drafts, checks, bills of exchange, acceptances, including bankers' acceptances, cable transfers, and other evidences of indebtedness; to purchase, sell, and guarantee securities but not to purchase with its funds any stock in any other corporation except that it may acquire any such stock through the enforcement of any lien or pledge or otherwise to satisfy a previously contracted indebtedness to it; to accept bills and drafts drawn upon it; to issue letters of credit; to purchase and sell coin, bullion, and exchange; to borrow and to lend money; to perform any act herein authorized in participation with any other person, including any individual, partnership, corporation, or association; to adopt, alter and use a corporate seal, which shall be judicially noticed; to sue and to be sued; to complain and to defend in any court of competent jurisdiction; and the enumeration of the foregoing powers shall not be deemed to exclude other powers necessary to the achievement of the objects and purposes of the Bank. The Bank shall be entitled to the use of the United States mails in the same manner and upon the same conditions as the executive departments of the Government. The Bank is hereby authorized to use all of its assets and all moneys which have been or may hereafter be allocated to or borrowed by it in the exercise of its functions. Net earnings of the Bank after reasonable provision for possible losses shall be used for payment of dividends on capital stock. Any such dividends shall be deposited into the Treasury as miscellaneous receipts.

(b) It is the policy of the Congress that the Bank in the exercise of its functions shall supplement and encourage and not compete with private capital, and that loans, so far as possible consistently with carrying out the purposes of subsection (a), shall generally be for specific purposes, and, in the judgment of the Board of Directors, offer reasonable assurance of repayment.

Sec. 3 (a) (1) The management of the Export-Import Bank of Washington shall be vested in a Board of Directors consisting of the Administrator of the Foreign Economic Administration, who shall serve as Chairman, the Secretary of State, and three persons appointed by the

President of the United States by and with the advice and consent of the Senate. The Secretary of State, to such extent as he deems it advisable, may designate to act for him in the discharge of his duties as a member of the Board of Directors any officer of the Department of State who shall have been appointed by and with the advice and consent of the Senate.

(2) If the Foreign Economic Administration ceases to exist in the Office for Emergency Management in the Executive Office of the President, the President of the United States shall appoint, by and with the advice and consent of the Senate, another member of the Board of Directors. The member so appointed shall serve for the remainder of the existing terms of the other three appointed members, but successors shall be appointed for terms of 5 years. After the Foreign Economic Administrator ceases to be a member of the Board of Directors the President of the United States shall, from time to time, designate one of the members of the Board to serve as Chairman.

(3) Of the five members of the Board, not more than three shall be members of any one political party. Each of the appointed directors shall devote his time not otherwise required by the business of the United States principally to the business of the Bank. Before entering upon his duties each of the directors so appointed and each officer of the Bank shall take an oath faithfully to discharge the duties of his office. The terms of the appointed directors shall be 5 years, except that the terms of the directors first appointed shall run from the date of appointment until June 30, 1950. Whenever a vacancy occurs among the directors so appointed, the person appointed to fill such vacancy shall hold office for the unexpired portion of the term of the director whose place he is selected to fill. Each of the appointed directors shall receive a salary at the rate of $12,000 per annum, unless he is an officer of the

Bank, in which event he may elect to receive the salary of such officer. No director, officer, attorney, agent or employee of the Bank, shall in any manner, directly or indirectly, participate in the deliberation upon or the determination of any question affecting his personal interests, or the interests of any corporation, partnership, or association in which he is directly or indirectly personally interested.

(b) A majority of the Board of Directors shall constitute a quorum.

(c) The Board of Directors shall adopt such by-laws as are necessary for the proper management and functioning of the Export-Import Bank of Washington, and may amend the same.

(d) There shall be an Advisory Board consisting of the Chairman of the Export-Import Bank of Washington, who shall serve as Chairman, the Secretary of State, the Secretary of the Treasury, the Secretary of Commerce, and the Chairman of the Board of Governors of the Federal Reserve System, which shall meet at the call of the Chairman. The Advisory Board may make such recommendations to the Board of Directors as it deems advisable, and the Board of Directors shall consult the Advisory Board on major questions of policy.

(e) Until October 31, 1945, or until at least two of the members of the Board of Directors to be appointed have qualified as such directors, whichever is the earlier, the affairs of the Bank shall continue to be managed by the existing Board of Trustees.

(f) The Export-Import Bank of Washington shall constitute an independent agency of the United States and neither the Bank nor any of its functions, powers, or duties shall be transferred to or consolidated with any other department, agency, or corporation of the Government unless the Congress shall otherwise by law provide.

Sec. 4 The Export-Import Bank of Washington shall have a capital stock of $1,000,000,000 subscribed by the United States. Payment for $1,000,000 of such capital stock shall be made by the surrender to the Bank for cancellation of the common stock heretofore issued by the Bank and purchased by the United States. Payment for $174,000,000 of such capital stock shall be made by the surrender to the Bank for cancellation of the preferred stock heretofore issued by the Bank and purchased by the Reconstruction Finance Corporation. Payment for the $825,000,000 balance of such capital stock shall be subject to call at any time in whole or in part by the Board of Directors of the Bank. For the purpose of making payments of such balance, the Secretary of the Treasury is authorized to use as a public-debt transaction the proceeds of any securities hereafter issued under the Second Liberty Bond Act, as amended, and the purposes for which securities may be issued under the Act are extended to include such purpose. Payment under this section of the subscription of the United States to the Bank and repayments thereof shall be treated as public-debt transactions of the United States. Certificates evidencing stock ownership of the United States shall be issued by the Bank to the President of the United States, or to such other person or persons as he may designate from time to time, to the extent of the common and preferred stock surrendered and other payments made for the capital stock of the Bank under this section.

Sec. 5 (a) The Secretary of the Treasury shall pay to the Reconstruction Finance Corporation the par value of the Preferred stock upon its surrender to the Bank for cancellation. For the purpose of making such payments to the Reconstruction Finance Corporation the Secretary of the Treasury is authorized to use as a public-debt transaction the proceeds of any securities hereafter issued under the Second Liberty Bond

Act, as amended, and the purposes for which securities may be issued under that Act are extended to include such purpose. Payment under this subsection to the Reconstruction Finance Corporation shall be treated as public-debt transactions of the United States.

(b) Any dividends on the preferred stock accumulated and unpaid to the date of its surrender for cancellation shall be paid to the Reconstruction Finance Corporation by the Bank.

Sec. 6. The Export-Import Bank of Washington is authorized to issue from time to time for purchase by the Secretary of the Treasury its notes, debentures, bonds, or other obligations; but the aggregate amount of such obligations outstanding at any one time shall not exceed two and one-half times the authorized capital stock of the Bank. Such obligations shall be redeemable at the option of the Bank before maturity in such manner as may be stipulated in such obligations and shall have such maturity as may be determined by the Board of Directors of the Bank with the approval of the Secretary of the Treasury. Each such obligation shall bear interest at a rate determined by the Secretary of the Treasury, taking into consideration the current average rate on outstanding marketable obligations of the United States as of the last day of the month preceding the issuance of the obligation of the Bank. The Secretary of the Treasury is hereby authorized and directed to purchase any obligations of the Bank issued hereunder and for such purpose the Secretary of the Treasury is authorized to use as a public-debt transaction the proceeds of any securities hereafter issued under the Second Liberty Bond Act, as amended, and the purposes for which securities may be issued under that Act are extended to include such purpose. Payment under this section of the purchase price of such obligations of the Bank and repayments thereof by the Bank shall be treated as public-debt transactions of the United States.

Sec. 7. The Export-Import Bank of Washington shall not have outstanding at any one time loans and guaranties in an aggregate amount in excess of three and one-half times the authorized capital stock of the Bank.

Sec. 8. Export-Import Bank of Washington shall continue to exercise its functions in connection with and in furtherance of its objects and purposes until the close of business on June 30, 1953, but the provisions of this section shall not be construed as preventing the Bank from acquiring obligations prior to such date which mature subsequent to such date or from assuming prior to such date liability as guarantor, endorser, or acceptor of obligations which mature subsequent to such date or from issuing, either prior or subsequent to such date, for purchase by the Secretary of the Treasury, its notes, debentures, bonds, or other obligations which mature subsequent to such date or from continuing as a corporate agency of the United States and exercising any of its functions subsequent to such date for purposes of orderly liquidation, including the administration of its assets and the collection of any obligations held by the Bank.

Sec. 9. The Export-Import Bank of Washington shall transmit to the Congress semi-annually a complete and detailed report of its operations. The report shall be as of the close of business on June 30 and December 31 of each year.

Sec. 10 Section 9 of the Act of January 31, 1935 (49 Stat. 4. ch. 2), as amended, is repealed.

Sec. 11 Notwithstanding the provisions of the Act of April 13, 1934 (48 Stat., ch. 112, p. 574), any person including any individual, partnership, corporation, or association, may act for or participate with the Export-Import Bank of Washington in any operation or transaction, or may acquire any obligation issued in connection with any operator or transaction, engaged in by the Bank.

Sec. 12. The Export-Import Bank of Washington created hereby shall by virtue of this Act succeed to all of the rights and assume all of the liabilities of Export-Import Bank of Washington, a District of Columbia corporation, and any outstanding capital stock of the District of Columbia corporation shall be deemed to have been issued by and shall be capital stock of the corporation created by this Act and all of the personnel, property, records, funds (including all unexpended balances of appropriations, allocations, or other funds now available), assets, contracts, obligations, and liabilities of the District of Columbia corporation are hereby transferred to, accepted, and assumed by the corporation created by this Act, without the necessity of any act or acts on the part of the corporation created by this Act or of the District of Columbia corporation, their officers, employees, or agents or of any other department or agency of the United States to carry out the purposes hereof and it shall be unnecessary to take any further action to effect the dissolution or liquidation of Export-Import Bank of Washington, a District of Columbia corporation. The members of the Board of Directors of the District of Columbia corporation, appointed pursuant to the provisions of the Export-Import Bank Act of 1945, shall, during the unexpired portion of the terms for which they were appointed, continue in office as members of the Board of Directors of the corporation created by this Act. (59 Stat. 526, 666; 61 Stat. 130.)

SOURCE: Senate Document #86 79th Congress 1st Session Page 55 ff.

APPENDIX D

STATEMENT OF CONDITION OF EXPORT-IMPORT BANK
AS OF DECEMBER 31, 1945

ASSETS

Cash		$ 1,276,197.03
Cash deposit with Reconstruction Finance Corporation available on demand		55,156,260.27
Loans:		
Direct from Export-Import Bank funds	$ 142,384,034.15	
From deposits by participants in loans without recourse on Export-Import Bank (contra)	6,981,223.77	
From advances by private banks under agency agreements with Export-Import Bank (contra)	102,889,739.66	
Total loans		252,254,997.58
Accrued interest		1,890,641.55
Other assets		155,039.89
Total assets		$310,733,136.32

STATEMENT OF CONDITION OF EXPORT-IMPORT BANK
AS OF DECEMBER 31, 1945 (continued)

LIABILITIES

Accounts payable		$ 23,768.19
Collateral held for account of borrowers		580,826.18
Loan advances by private banks under agency agreements with Export-Import Bank (contra)		102,889,739.66
Deposits by participants in loans without recourse on Export-Import Bank		6,981,223.77
Unallocated receipts from participants		18,776.23
Capital stock:		
Authorized	$1,000,000,000.00	
Less: to be issued to United States Treasury	825,000,000.00	
Issued and outstanding		175,000,000.00
Undivided profits held as reserve against future contingencies		25,238,802.29
Total liabilities		$310,733,136.32

NOTE.-- The undisbursed commitments (i.e., unutilized lines of credit established under loan agreements) of the Export-Import Bank at the end of 1945 were $1,307,545,935.83.

SOURCE: 1st Report as of December 31, 1945.

APPENDIX D

STATEMENT OF CONDITION OF EXPORT-IMPORT BANK AS OF JUNE 30, 1946

ASSETS

Cash			$101,989,168.74
Loans:			
Direct from Export-Import Bank funds		$ 608,275,821.40	
Advances by private banks under agency agreements with Export-Import Bank (contra)		125,923,481.93	
Total loans		734,199,303.33	
Deduct:			
Deposits by Participants	$7,000,000.00		
Reserve for losses	26,738,421.37	33,738,421.37	700,460,881.96
Accrued interest			4,073,566.28
Other assets			74,713.51
Total assets			$806,598,328.49

LIABILITIES

Accounts payable		$ 59,013.94
Collateral held for account of borrowers		333,712.87
Loan advances by private banks under agency agreements with Export-Import Bank (contra)		125,923,481.93
Capital stock:		
Authorized	$1,000,000,000.00	
Less: To be issued to United States Treasury	325,000,000.00	
Issued and outstanding		675,000,000.00
Undivided profits		5,282,119.75
Total liabilities		$806,598,328.49

STATEMENT OF CONDITION OF EXPORT-IMPORT BANK
AS OF JUNE 30, 1946 (continued)

NOTE.--The undisbursed commitments (i.e., unutilized lines of credit established under loan agreements) of the Export-Import Bank at June 30, 1946, were $1,953,172,019.61

Deposits by participants, disbursed without recourse to the Bank, were shown under liabilities in the semi-annual report for the period ending December 31, 1945.

The reserve for losses on loans has been adjusted to a figure which, in the opinion of the Board, reflects a satisfactory provision to June 30, 1946. Thereafter, provision for losses will be charged against operations semi-monthly at the rate of 2 percent per annum on outstanding loan balances.

SOURCE: 2nd Semi-Annual Report as of June 30, 1946.

APPENDIX D

STATEMENT OF CONDITION OF EXPORT-IMPORT BANK OF WASHINGTON
AS OF DECEMBER 31, 1946

ASSETS

Cash:		
In United States Treasury	$ 2,631,011.59	
In banks and on hand	440,268.77	$ 3,071,280.36
Due from borrowers (without provision for possible future losses on loans currently in good standing):		
Loans:		
Reconstruction loans to foreign governments	895,954,697.00	
Other loans to finance exports and imports (less $7,000,000 participation)	345,705,352.11	
Total loans	1,241,660,049.11	
Less loans advanced through agent banks	182,193,165.37	
Balance of loans made with Export-Import Bank funds	1,059,466.883.74	
Accrued interest on loans	8,558,930.55	
Other amounts receivable from borrowers	51,890.93	
	1,068,077,705.22	
Less reserve for possible losses on delinquent loans	282,761.97	1,067,794,943.25
Accounts receivable		1,105.91
Furniture and equipment, less reserve for depreciation		31,033.23
Total assets		$1,070,898,362.75

STATEMENT OF CONDITION OF EXPORT-IMPORT BANK OF WASHINGTON
AS OF DECEMBER 31, 1946 (continued)

LIABILITIES

Accounts payable:		
To departments and agencies of the United States Government	$ 32,812.59	
To others	12,525.36	$ 45,337.95
Deposits by borrowers subject to refund or application on loans		313,776.79
Contingent liabilities:		
Loans advanced through agent banks $182,193,165.37		
Unused balances of guaranteed letters of credit outstanding $46,078,270.77		
Notes payable		26,500,000.00
Capital and surplus:		
Capital stock authorized and subscribed by the United States Government	1,000,000,000.00	
Earned surplus reserved for future contingencies	44,039,248.01	1,044,039,248.01
Total liabilities		$1,070,898,362.75

NOTE.--The undisbursed authorization (i.e., unutilized lines of credit established under loan agreements of the Export-Import Bank at December 31, 1946), were $1,339,445,167.04.

APPENDIX D

STATEMENT OF CONDITION OF EXPORT-IMPORT BANK
AS OF JUNE 30,1947

ASSETS

Cash:		
In United States Treasury	$ 5,778,436.75	
In banks and on hand	178,566.21	$ 5,957,002.96
Due from borrowers (without provision for possible future losses on loans currently in good standing):		
Loans:		
Reconstruction loans to foreign governments	1,374,366,699.55	
Other loans to finance exports and imports (less $7,000,000 participation)	376,543,789.11	
Total loans	1,750,910,488.66	
Less loans advanced through agent banks	192,835,479.75	
Balance of loans made with Export-Import Bank funds	1,558,075,008.91	
Accrued interest on loans	14,649,912.10	
Other amounts receivable from borrowers	79,531.44	
	1,572,804,452.45	
Less reserve for possible losses on delinquent loans	272,898.09	1,572,531,554.36
Accounts receivable		8,689.58
Furniture and equipment, less reserve for depreciation		47,525.35
Total assets		$1,578,544,772.25

STATEMENT OF CONDITION OF EXPORT-IMPORT BANK
AS OF JUNE 30, 1947 (continued)

LIABILITIES

Accounts payable:		
To departments and agencies of the U.S. Government	$ 32,339.49	
To others	35,313.15	$ 67,652.64
Deposits by borrowers subject to refund or application on loans		248,238.53
Contingent liabilities:		
Loans advanced through agent banks $192,835,479.75		
Unused balance of guaranteed letters of credit outstanding $50,650,012.86		
Notes payable		516,200,000.00
Capital and surplus:		
Capital stock authorized and subscribed by the U.S. Government	1,000,000,000.00	
Earned surplus reserved for future contingencies	62,028,881.08	1,062,028,881.08
Total liabilities		$1,578,544,772.25

NOTE.--Credits authorized by the Bank including unused balances of guaranteed letters of credit, which had not been disbursed at June 30, 1947 - $938,635,816.07.

APPENDIX D

STATEMENT OF CONDITION OF EXPORT-IMPORT BANK
AS OF DECEMBER 31, 1947

ASSETS

Cash:		
In United States Treasury	$ 8,147,597.09	
In banks and on hand	321,245.41	$ 8,468,842.50
Due from borrowers (without provision for possible future losses on loans currently in good standing):		
Loans:		
Reconstruction loans to foreign governments	1,565,740,566.41	
Other loans to finance exports and imports (less $7,000,000 participation)	404,997,866.62	
Total loans	1,970,738,433.03	
Less loans advanced through agent banks	186,932,184.62	
Balance of loans made with Export-Import Bank funds	1,783,806,248.41	
Accrued interest on loans	19,678,010.90	
Other amounts receivable from borrowers	25,978.36	
	1,803,510,237.67	
Less reserve for possible losses on delinquent loans	273,000.05	1,803,237,237.62
Accounts receivable		3,137.15
Furniture and equipment, less reserve for depreciation		46,666.28
Total assets		$1,811,755,883.55

STATEMENT OF CONDITION OF EXPORT-IMPORT BANK
AS OF DECEMBER 31, 1947 (continued)

LIABILITIES

Accounts payable:		
To Departments and agencies of the U.S. Government	$ 42,848.76	
To others	21,510.48	$ 64,359.24
Deposits by borrowers subject to refund or application on loans		100,600.52
Contingent liabilities:		
Loans advanced through agent banks $186,932,184.62		
Unused balance of guaranteed letters of credit outstanding $22,620,743.61		
Notes payable		728,350,000.00
Capital and surplus:		
Capital stock authorized and subscribed by the U.S. Government	1,000,000,000.00	
Earned surplus reserved for future contingencies	83,240,923.79	1,083,240,923.79
Total liabilities		$1,811,755,883.55

NOTE.--Credits authorized by the Bank including unused balances of guaranteed letters of credit, which had not been disbursed to Dec. 31, 1947, $1,032,019,221.21.

APPENDIX D

STATEMENT OF CONDITION OF EXPORT-IMPORT BANK AS OF JUNE 30, 1948

ASSETS

Cash:		
In United States Treasury	$ 116,877.82	
In banks and on hand	120,557.36	$ 237,435.18
Due from borrowers (without provision for possible future losses on loans currently in good standing):		
Loans:		
Reconstruction loans to foreign governments	1,638,226,445.18	
Other loans to finance exports and imports (less $7,000,000 participation)	591,172,525.31	
Total loans	2,229,398,970.49	
Less loans advanced through agent banks	175,087,614.00	
Balance of loans made with Export-Import Bank funds	2,054,311,356.49	
Accrued interest on loans	23,325,582.27	
Other amounts receivable from borrowers	659.70	
	2,077,637,598.46	
Less reserve for possible losses on delinquent loans	264,651.84	2,077,372,946.62
Accounts receivable		87,009.25
Furniture and equipment, less reserve for depreciation		52,864.12
Total assets		$2,077,750,255.17

STATEMENT OF CONDITION OF EXPORT-IMPORT BANK
AS OF JUNE 30, 1948 (continued)

LIABILITIES

Accounts payable:		
To departments and agencies of the U.S. Government	$ 34,358.70	
To others	13,112.36	$ 47,471.06
Deposits by borrowers subject to refund or application on loans		142,728.85
Contingent liabilities:		
Loans advanced through agent banks $175,087,614.00		
Unused balances of guaranteed letters of credit outstanding $15,944,047.57		
Notes payable		970,600,000.00
Capital and surplus:		
Capital stock authorized and subscribed by the U.S. Government	1,000,000,000.00	
Earned surplus reserved for future contingencies	106,960,055.26	1,106,960,055.26
Total liabilities		$2,077,750,255.17

NOTE: Credits authorized by the Bank, including unused balances of guaranteed letters of credit, which had not been disbursed to June 30, 1948, amounted to $642,677,558.81.

APPENDIX D

STATEMENT OF CONDITION OF EXPORT-IMPORT BANK AS OF DECEMBER 31, 1948

ASSETS

Cash:		
In United States Treasury	$ 331,684.59	
In banks and on hand	126,021.69	$ 457,706.28
Due from borrowers (without provision for possible future losses on loans currently in good standing):		
Loans:		
Reconstruction loans to foreign governments	1,652,372,079.90	
Other loans to finance exports and imports (less $7,000,000 participation)	486,101,529.53	
Total loans	2,138,473,609.43	
Less loans advanced through agent banks	122,363,661.26	
Balance of loans made with Export-Import Bank funds	2,016,109,948.17	
Accrued interest on loans	22,253,293.24	
Other amounts receivable from borrowers	533.12	
	2,038,363,774.53	
Less reserve for possible losses on delinquent loans	259,842.98	2,038,103,931.55
Accounts receivable		8,316.33
Furniture and equipment, less reserve for depreciation		54,679,09
Total assets		$2,038,624,633.25

STATEMENT OF CONDITION OF EXPORT-IMPORT BANK
AS OF DECEMBER 31, 1948 (continued)

LIABILITIES

Accounts payable:		
To departments and agencies of the U.S. Government	$ 57,528.42	
To others	2,661.83	$ 60,190.25
Deposits by borrowers subject to refund or application on loans		115,404.36
Contingent liabilities:		
Loans advanced through agent banks, $122,363,661.26		
Unused balance of guaranteed letters of credit outstanding, $21,437,435.49		
Notes payable		907,800,000.00
Capital and surplus:		
Capital stock authorized and subscribed to by the U.S. Government	1,000,000,000.00	
Earned surplus reserved for future contingencies	130,649,038.64	1,130,649,038.64
Total liabilities		2,038,624,633.25

NOTE.--Credits authorized by the bank, including unused balances of guaranteed letters of credit, which had not been disbursed to December 31, 1948, amounted to $394,489,379.25.

APPENDIX D

STATEMENT OF CONDITION OF EXPORT-IMPORT BANK
AS OF DECEMBER 31, 1949

ASSETS

Cash:		
In United States Treasury	$ 531,300.90	
In banks and on hand	264,752.48	$ 796,053.38
Due from borrowers (without provision for possible future losses on loans currently in good standing):		
Loans:		
Reconstruction loans to foreign governments	1,638,230,092.30	
Other loans to finance exports and imports (less $7,000,000 participation)	541,355,181.22	
Total loans	2,179,585,273.52	
Less loans advanced through agent banks	100,479,741.87	
Balance of loans made with Export-Import Bank funds	2,079,105,531.65	
Disbursements to borrowers for account of Export-Import Bank by commercial banks, in transit	11,077,802.68	
Accrued interest on loans	22,549,038.38	
	2,112,732,372.71	
Less reserve for possible losses on delinquent loans	250,637.50	2,112,481,735.21
Accounts receivable		823.25
Furniture and equipment, less reserve for depreciation		38,611.03
Total assets		$2,113,317,222.87

STATEMENT OF CONDITION OF EXPORT-IMPORT BANK
AS OF DECEMBER 31, 1949 (continued)

LIABILITIES

Accounts payable:		
To departments and agencies of the U.S. Government	$ 36,397.83	
To others	21,718.74	$ 58,116.57
Deposits by borrowers subject to refund or application on loans		275,744.15
Accrued interest payable to U.S. Treasury		6,113,061.79
Liability to commercial banks for advances to borrowers, in transit		11,077,802.68
Contingent liabilities:(1)		
Loans advanced through agent banks	100,479,741.87	
Guaranteed letters of credit	32,084,958.77	
Reserve for employees' accrued annual leave		146,712.41
Investment of the U.S. Government:		
Notes payable to U.S. Treasury	917,000,000.00	
Capital stock held by U.S.Treasury	1,000,000,000.00	
Earned surplus reserved for future contingencies(2)	178,645,785.27	2,095,645,785.27
Total liabilities		$2,113,317,222.87

(1) Credits authorized by the Bank, including guaranteed letters of credit, which had not been disbursed to December 31, 1949 amounted to $431,214,575.36.

(2) Had the Bank paid interest and dividends, since its formation in 1934, on all public funds used by it, both in the form of borrowings and capital stock, at a rate representing the average cost of those funds to the U.S. Treasury, surplus earned on behalf of the U.S. Government as a whole would have amounted to $105,065,009 millions as of December 31, 1949.

SOURCE: 9th Semi-Annual Report as of December 31, 1949.

APPENDIX E

STATEMENT OF INCOME AND EXPENSES OF EXPORT-IMPORT BANK
DURING 6 MONTHS ENDED DECEMBER 31, 1945

Income:		
Interest received on loans made direct from Export-Import Bank funds	$1,989,564.47	
Export-Import Bank share of interest received on loans made by private banks under agency agreements with Export-Import Bank	1,240,810.06	
Interest on deposits, commissions, etc.	344,828.59	
Total income		(1)$3,575,203.12
Operating expenses:		
Salaries and services	160,051.41	
Office rent	10,748.40	
Other administrative and office expense	4,209.12	
Depreciation on furniture and fixtures	634.08	
Total operating expenses		(2) 175,643.01
Net gain transferred to undivided profits held as a reserve against future contingencies		$3,399,560.11

(1)This figure, which represents interest actually received during the period, differs from the"Collection of Interest," shown in Appendix I, which includes interest accrued prior to July 1, 1945, amounting to $575,488.

(2)This figure, which represents expenses actually paid during the period, differs from "Administrative Expenses," shown in Appendix I, which includes also obligations incurred during the period.

NOTE.--The net gain shown in the statement does not reflect the cost of the public funds used by the Export-Import Bank. The average rate of interest on the United States public debt is slightly under 2 percent per annum. The bank paid this rate during the period between July 1, 1945, and September 30, 1945, in the form of a dividend on its preferred stock held by the Reconstruction Finance Corporation. The amount so paid was $870,000, or 2 percent on $174,000,000 for ninety days. If a similar allowance were made for the funds used by the bank during the last three months of the year in the form of capital stock subscribed by the Treasury, the total approximate cost of public funds used during the last half of 1945 would be $1,745,000. If this cost of public funds had been reflected in the statement, there would have been shown a net gain of $1,654,560.11 remaining to be held as a reserve against future contingencies. This amount represents an annual return of nearly 1.5 percent on the average volume of loans outstanding during the period.

SOURCE: 1st Semi-Annual Report as of December 31, 1945.

APPENDIX E

STATEMENT OF INCOME AND EXPENSES OF EXPORT-IMPORT BANK DURING 6 MONTHS ENDED JUNE 30, 1946

Income:		
Interest received on loans made direct from Export-Import Bank funds	$4,873,043.76	
Share of interest received on loans made by private banks under agency agreements with Export-Import Bank	1,405,784.36	
Commissions, etc.	15,112.94	
Total income		$6,293,941.06
Less: Operating expenses - Administrative expenses		(1) 296,551.19
Operating profit		5,997,389.87
Less: Other deductions - Provision for losses on loans		(2) 4,422,674.13
Net profit carried to undivided profits		$1,574,715.74

(1) This figure, which represents expenses actually paid during the period, differs from "Administrative expenses," shown in appendix K, which includes also obligations incurred during the period.

(2) Reserve of $6,738,421.37 was established as of June 30, 1946, for the entire fiscal year, of which $2,315,747.24 was applicable to the semi-annual period ended December 31, 1945.

APPENDIX E

STATEMENT OF INCOME AND EXPENSES OF EXPORT-IMPORT BANK DURING 12 MONTHS ENDED JUNE 30, 1947

Income:		
Interest on loans(including commissions):		
Loans made with Export-Import Bank funds	$28,691,939.98	
Loans advanced through agent banks	3,617,087.51	
Total income		$32,309,027.49
Less: Operating expenses:		
Administrative expenses	726,682.40	
Interest paid on notes issued to U.S. Treasury	1,300,471.24	
Total operating expenses		2,027,153.64
Operating profit		30,281,873.85
Less: Other deductions - Provision for possible losses on delinquent loans		272,898.09
Net profit transferred to earned surplus reserved for future contingencies		$30,008,975.76

APPENDIX E

STATEMENT OF INCOME AND EXPENSES OF EXPORT-IMPORT BANK DURING 6 MONTHS ENDED DECEMBER 31, 1946

Income:		
Interest on loans made direct from Export-Import Bank funds	$10,901,857.32	
Share of interest on loans made by private banks under agency agreements with Export-Import Bank	1,719,684.83	
Commissions, etc.	19,743.81	
Total income		$12,641,285.96
Less: Operating expenses:		
Administrative expenses	338,530.47	
Interest paid on notes issued to United States Treasury	733.70	
Total operating expenses		339,264.17
Operating profit		12,302,021.79
Less: Other deductions - Provision for possible losses on delinquent loans		282,761.87
Net profit carried to earned surplus reserved for future contingencies		$12,019,259.92

APPENDIX E

STATEMENT OF INCOME AND EXPENSES OF EXPORT-IMPORT BANK DURING 6 MONTHS ENDED DECEMBER 31, 1947

Income:		
Interest on loans (including commissions):		
Loans made with Export-Import Bank funds	$22,943,284.68	
Loans advanced through agent banks	1,836,223.30	
Total income		$24,779,507.98
Less: Operating expenses:		
Administrative expenses	367,524.15	
Interest paid on notes issued to U.S. Treasury	3,199,839.16	
Total operating expenses		3,567,363.31
Operating profit		21,212,144.67
Add: Other income:		
Recovery of principal and interest on loans in default		30,275.40
		21,242,420.07
Less: Other deductions:		
Provision for possible losses on delinquent loans		30,377.36
Net profit transferred to earned surplus reserved for future contingencies		$21,212,042.71

APPENDIX E

STATEMENT OF INCOME AND EXPENSES OF EXPORT-IMPORT BANK DURING 12 MONTHS ENDED JUNE 30, 1948

Income:		
Interest on loans (including commissions):		
Loans made with Export-Import Bank funds	$50,993,540.52	
Loans advanced through agent banks	3,425,313.25	
Total income		$54,418,853.77
Less: Operating expenses:		
Administrative expenses	748,299.90	
Nonadministrative expenses	4,791.60	
Interest paid on notes to U.S. Treasury	8,742,834.34	
Total operating expenses		9,495,925.84
Operating profit		44,922,927.93
Add: Other income:		
Recovery of principal and interest on loans in default		38,623.61
		44,961,551.54
Less: Other deductions:		
Provision for possible losses on delinquent loans		30,377.36
Net profit transferred to earned surplus reserved for future contingencies		$44,931,174.18

APPENDIX E

STATEMENT OF INCOME AND EXPENSES OF EXPORT-IMPORT BANK DURING 6 MONTHS ENDED DECEMBER 31, 1948

Income:		
Interest on loans (including commissions):		
Loans made with Export-Import Bank funds	$29,069,393.23	
Loans advanced through agent banks	1,141,770.17	
Total income		$30,211,163.40
Less: Operating expenses:		
Administrative expenses	434,007.87	
Nonadministrative expenses	121.88	
Interest paid on notes to U.S. Treasury	6,089,736.43	
Total operating expenses		6,523,866.18
Operating profit		23,687,297.22
Add: Other income:		
Recovery of principal and interest on loans in default		4,808.86
Net profit transferred to earned surplus reserved for future contingencies		23,692,106.08

APPENDIX E

COMPARATIVE STATEMENT OF INCOME AND EXPENSES OF EXPORT-IMPORT BANK FOR THE 6-MONTH PERIOD ENDED DECEMBER 31, 1949

Income:		
Interest on loans (including commissions):		
Loans made with Export-Import Bank funds	$29,816,136.93	
Loans advanced through agent banks	990,105.78	
Total income		$30,806,242.71
Less: Operating expenses:		
Administrative expenses	413,341.05	
Nonadministrative expenses	354.86	
Interest paid on notes to U.S. Treasury	6,193,788.69	
Total operating expenses		6,607,484.60
Operating profit		24,198,758.11
Add: Other income:		
Recovery of principal and interest on loans in default		4,977.14
Profit on sale of equipment		122.85
Net profit transferred to earned surplus reserved for future contingencies[1]		24,203,858.10

[1] Net earnings are computed after deducting operating expenses and The actual amount of interest paid on funds borrowed from the U.S. Treasury and represent net earnings as shown on the books of the Bank. No dividends are being paid on capital stock, since all net earnings are being reserved for future contingencies. Had the Bank paid interest and dividends to the Treasury on all funds advanced by the Treasury, both in the form of borrowings and capital stock at a rate representing the average cost of those funds to the Treasury, net earnings of the Bank, on behalf of the U.S. Government as a whole, would have amounted to $13,637,483.10 for the 6 months ended December 31, 1949.

SOURCE: 9th Semi-Annual Report as of December 31, 1949.

APPENDIX F

EXPORT-IMPORT BANK OPERATIONS, BY COUNTRIES

(In thousands of dollars)

Country	Total credits authorized from Feb. 12,1934, to Dec. 31, 1949	Balances outstanding as of December 31, 1949	
		Undisbursed authoriza-tions	Outstanding loans
LATIN AMERICA			
Argentina	93,690		174
Bolivia	36,998	16,070	18,654
Brazil	287,502	9,147	100,283
Chile	141,631	43,654	56,497
Colombia	65,280	17,431	22,303
Costa Rica	8,723		6,577
Cuba	90,367		10,567
Dominican Republic	3,300		354
Ecuador	27,617	13,202	10,833
Haiti	17,350	4,000	4,938
Honduras	2,700		323
Mexico	155,693	28,399	77,721
Nicaragua	5,235		1,522
Panama	6,500	876	1,124
Paraguay	7,800		4,044
Peru	37,450		306
Salvador	1,726		971
Uruguay	43,726	207	13,570
Venezuela	52,497	7,495	3,730
Various	118,983	19,605	
Total Latin America	1,204,768	160,086	334,491
ASIA			
Afghanistan	21,000	21,000	
China	221,737	15,391	36,980
India	16,000		
Iran	1,130		
Iraq	100		
Israel	100,000	92,691	7,309
Japan	51,445	21,108	4,892
Netherlands Indies	100,000		
Philippine Islands	25,850	250	
Saudi Arabia	34,000	4,000	8,000
Turkey	46,328	13,266	17,360
Total Asia	617,590	167,706	74,541

EXPORT-IMPORT BANK OPERATIONS, BY COUNTRIES (continued)

(In thousands of dollars)

Country	Total credits authorized from Feb. 12, 1934, to Dec. 31, 1949	Balances outstanding as of December 31, 1949	
		Undisbursed authorizations	Outstanding loans
EUROPE			
Austria	14,255		12,342
Belgium	132,000		112,092
Czechoslovakia	23,729		
Denmark	30,000		20,000
Finland	135,105	5,124	98,378
France	1,200,000		1,140,235
Germany	7,603		
Greece	25,000		14,563
Hungary	2,375		
Iceland	1,000		
Italy	151,181	22,644	84,181
Latvia	1,903		
Netherlands	209,878		186,814
Norway	61,000		48,611
Poland	52,907		43,301
Portugal	5,500		
Rumania	50		
Spain	15,073		
Sweden	17,155		1,616
United Kingdom	22,500		
Yugoslavia	20,518	20,000	
Cotton credit unallocated	38,444	38,444	
Total Europe	2,167,176	86,212	1,762,133
OTHER COUNTRIES			
Australia	1,400		
Canada	369,965	4,325	675
Egypt	7,100	181	6,919
Ethiopia	3,500	2,250	750
Jamaica	25		
Liberia	4,000	4,000	
Portuguese West Africa	300		32
Puerto Rico	450		
Virgin Islands	250		
Total other countries	386,990	10,756	8,376
Various	15,026	6,455	45
Grand Total	4,391,550	431,215	2,179,586

SOURCE: 9th Semi-Annual Report as of December 31, 1949.

APPENDIX G

SCHEDULE OF MATURITIES

(In thousands of dollars)

Calendar year	Principal	Interest	Total
1950	$ 135,715	$ 63,311	$ 199,026
1951	133,908	60,487	194,395
1952	161,631	56,729	218,360
1953	123,370	50,952	174,322
1954	114,251	47,041	161,292
1955	106,035	43,595	149,630
1956	103,238	40,294	143,532
1957	97,934	37,116	135,050
1958	94,539	33,921	128,460
1959	86,546	31,082	117,628
1960	83,561	29,546	113,107
1961	80,460	26,072	106,532
1962	80,656	23,641	104,297
1963	81,509	21,220	102,729
1964	82,620	18,784	101,404
1965	81,802	16,279	98,081
1966	69,663	13,910	83,573
1967	67,298	11,937	79,235
1968	73,169	10,025	83,194
1969	71,019	8,066	79,085
1970	70,246	6,092	76,338
1971	68,534	4,113	72,647
1972	23,404	2,544	25,948
1973	23,404	1,970	25,374
1974	23,404	1,401	24,805
1975	23,404	833	24,237
1976	16,323	279	16,602
	$2,177,643	$661,240	$2,838,883

Exclusive of delinquent loans totaling $1,692,000.00 and loans fully reserved of $250,175.70.

SOURCE: 9th Semi-Annual Report as of December 31, 1949.

APPENDIX H

LOANS DISBURSED BY COMMERCIAL BANKS AS AGENTS

Bank:	Balance Outstanding (in thousands of dollars)
American Security and Trust Co., Washington	235
Bank of America, San Francisco	296
Bank of the Manhattan Co., New York	5,517
Bank of New York, New York	2,000
Brown Bros., Harriman & Co., New York	1,000
California Bank, Los Angeles	196
Central Hanover Bank & Trust Co., New York	682
Central National Bank, Cleveland	2,051
Chase National Bank, New York	15,940
Chemical Bank & Trust Co., New York	13,159
Commercial National Bank & Trust Co., New York	100
Continental Illinois National Bank & Trust Co., Chicago	3,269
Corn Exchange National Bank & Trust Co., Philadelphia	1,018
Farmers & Merchants National Bank, Los Angeles	48
First National Bank of Boston	5,549
First National Bank of Chicago	2,647
First National Bank of Mobile	200
Grace National Bank, New York	6
Guaranty Trust Co., New York	10,342
Hibernia National Bank, New Orleans	40
Industrial Trust Co., Providence	60
Irving Trust Co., New York	2,770
Manufacturers & Traders Trust Co., Buffalo	100
Manufacturers Trust Co., New York	3,221
Mercantile-Commerce Bank & Trust Co., St. Louis	100
Morgan & Co., Inc., J.P., New York	600
National City Bank, Cleveland	1,955
National City Bank, New York	23,009
National Shawmut Bank, Boston	40
Pacific National Bank, Seattle	40
Pan American Trust Co., New York	100
Peoples First National Bank & Trust Co., Pittsburgh	1,133
Philadelphia National Bank, Philadelphia	2,248
Schroder Banking Corp., New York	157
Seattle First National Bank, Seattle	156
State-Planters Bank & Trust Co., Richmond	136
Wells Fargo Bank & Union Trust Co., San Francisco	156
Whitney National Bank, New Orleans	204
Grand total	100,480

SOURCE: 9th Semi-Annual Report as of December 31, 1949.

APPENDIX

I

SECTIONS OF THE BRETTON WOODS AGREEMENTS ACT RELATING

TO THE

NATIONAL ADVISORY COUNCIL

(59 Stat. 512; 22 U. S. C.286b)

AS AMENDED

NATIONAL ADVISORY COUNCIL

ON

INTERNATIONAL MONETARY AND FINANCIAL PROBLEMS

Sec. 4 (a) In order to coordinate the policies and operations of the representatives of the United States on the Fund and the Bank and of all agencies of the Government which make or participate in making foreign loans or which engage in foreign financial, exchange or monetary transactions, there is hereby established the National Advisory Council on International Monetary and Financial Problems (hereinafter referred to as the "Council"), consisting of the Secretary of the Treasury, as Chairman, the Secretary of State, the Secretary of Commerce, the Chairman of the Board of Governors of the Federal Reserve System, and the Chairman of the Board of Directors of the Export-Import Bank of Washington.

(b) (1) The Council, after consultation with the representatives of the United States on the Fund and the Bank, shall recommend to the President general policy directives for the guidance of the representatives of the United States on the Fund and the Bank.

(2) The Council shall advise and consult with the President and the representatives of the United States on the Fund and the Bank on major problems arising in the administration of the Fund and the Bank.

(3) The Council shall coordinate, by consultation or otherwise, so far as is practicable, the policies and operations of the representatives of the United States on the Fund and the Bank, the Export-Import Bank of Washington and all other agencies of the Government to the extent that they make or participate in the making of foreign loans or engage in foreign financial, exchange or monetary transactions.

(4) Whenever, under the Articles of Agreement of the Fund or the Articles of Agreement of the Bank, the approval, consent or agreement of the United States is required before an act may be done by the respective institutions, the decision as to whether such approval, consent, or agreement shall be given or refused shall (to the extent such decision is not prohibited by section 5 of this Act) be made by the Council under the general direction of the President. No governor, executive, director, or alternate representing the United States shall vote in favor of any waiver of condition under article V, section 4, or in favor of any declaration of the United States dollar as a scarce currency under article VII, section 3, of the Articles of Agreement of the Fund, without prior approval of the Council.

(5) The Council from time to time, but not less frequent-

ly than every six months, shall transmit to the President and to the Congress a report with respect to the participation of the United States in the Fund and the Bank.

(6) The Council shall also transmit to the President and to the Congress special reports on the operations and policies of the Fund and the Bank, as provided in this paragraph. The first report shall be made not later than two years after the establishment of the Fund and the Bank, and a report shall be made every two years after the making of the first report. Each such report shall cover and include: The extent to which the Fund and the Bank have achieved the purposes for which they were established; the extent to which the operations and policies of the Fund and the Bank have adhered to, or departed from, the general policy directives formulated by the Council, and the Council's recommendations in connection herewith; the extent to which the operations and policies of the Fund and the Bank have been coordinated, and the Council's recommendations in connection therewith; recommendations on whether the resources of the Fund and the Bank should be increased or decreased; recommendations as to how the Fund and the Bank may be made more effective; recommendations on any other necessary or desirable changes in the Articles of Agreement of the Fund and of the Bank or in this Act; and an over-all appraisal of the extent to which the operations and policies of the Fund and the Bank have served, and in the future may be expected to serve, the interests of the United States and the world in promoting sound international economic cooperation and furthering world security.

(7) The Council shall make such reports and recommendations to the President as he may from time to time request, or as the council may consider necessary to more effectively or efficiently

accomplish the purposes of this Act or the purposes for which the Council is created.

(c) The representatives of the United States on the Fund and the Bank, and the Export-Import Bank of Washington (and all other agencies of the Government to the extent that they make or participate in the making of foreign loans or engage in foreign financial, exchange or monetary transactions) shall keep the Council fully informed of their activities and shall provide the Council with such further information or data in their possession as the Council may deem necessary to the appropriate discharge of its responsibilities under this Act.

FURTHER PROMOTION OF INTERNATIONAL ECONOMIC RELATIONS

Sec. 14. In the realization that additional measures of international economic cooperation are necessary to facilitate the expansion and balanced growth of international trade and render most effective the operations of the Fund and the Bank, it is hereby declared to be the policy of the United States to seek to bring about further agreement and cooperation among nations and international bodies, as soon as possible, on ways and means which will best reduce obstacles to and restrictions upon international trade, eliminate unfair trade practices, promote mutually advantageous commercial relations, and otherwise facilitate the expansion and balanced growth of international trade and promote the stability of international economic relations. In considering the policies of the United States in foreign lending and the policies of the Fund and the Bank, particularly in conducting exchange transactions, the Council and the United States representatives on the Fund and the Bank shall give careful consideration to the progress which has been made in achieving such agreement and cooperation.

FOREIGN ASSISTANCE ACT OF 1948

(62 Stat. 169; 22 U.S.C. 286b (a). 1509, 1513)

Sec. 106. Section 4 (a) of the Bretton Woods Agreements Act (59 Stat. 512, 513) is hereby amended to read as follows:

"Sec. 4. (a) In order to coordinate the policies and operations of the representatives of the United States on the Fund and the Bank and of all agencies of the Government which make or participate in making foreign loans or which engage in foreign financial, exchange or monetary transactions, there is hereby established the National Advisory Council on International Monetary and Financial Problems (hereinafter referred to as the "Council"), consisting of the Secretary of the Treasury, as Chairman, the Secretary of State, the Secretary of Commerce, the Chairman of the Board of Governors of the Federal Reserve System, the Chairman of the Board of Directors of the Export-Import Bank of Washington, and during such period as the Economic Cooperation Administration shall continue to exist, the Administrator for Economic Cooperation."

APPENDIX

J

Section 111 (c) (2) of Foreign Assistance Act of 1948, 62 Stat. 137

(2) When it is determined that assistance should be extended under the provisions of this title on credit terms, the Administrator shall allocate funds for the purpose to the Export-Import Bank of Washington, which shall, notwithstanding the provisions of the Export-Import Bank Act of 1945 (59 Stat.526), as amended, make and administer the credit on terms specified by the Administrator in consultation with the National Advisory Council on International Monetary and Financial Problems. The Administrator is authorized to issue notes from time to time for purchase by the Secretary of the Treasury in an amount not exceeding in the aggregate $1,000,000,000 (i) for the purpose of allocating funds to the Export-Import Bank of Washington under this paragraph during the period of one year following the date of enactment of this Act and (ii) for the purpose of carrying out the provisions of paragraph (3) of subsection (b) of this section until all liabilities arising under guaranties made pursuant to such paragraph (3) have expired or have been discharged. Such notes shall be redeemable at the option of the Administrator before maturity in such manner as may be stipulated in such notes and shall have such maturity as may be determined by the Administrator with the approval

of the Secretary of the Treasury. Each such note shall bear interest at a rate determined by the Secretary of the Treasury, taking into consideration the current average rate on outstanding marketable obligations of the United States as of the last day of the month preceding the issuance of the note. Payment under this paragraph of the purchase price of such notes and re-payments thereof by the Administrator shall be treated as public-debt transactions of the United States. In allocating funds to the Export-Import Bank of Washington under this paragraph, the Administrator shall first utilize such funds realized from the sale of notes authorized by this paragraph as he determines to be available for this purpose, and when such funds are exhausted, or after the end of one year from the date of enactment of this Act, whichever is earlier, he shall utilize any funds appropriated under this title. The Administrator shall make advances to, or reimburse, the Export-Import Bank of Washington for necessary administrative expenses in connection with such credits. Credits made by the Export-Import Bank of Washington with funds so allocated to it by the Administrator shall not be considered in determining whether the Bank has outstanding at any one time loans and guaranties to the extent of the limitation imposed by section 7 of the Export-Import Bank Act of 1945 (59 Stat. 526) as amended. Amounts received in repayment of principal and interest on any credits made under this paragraph shall be deposited into miscellaneous receipts of the Treasury: Provided, That to the extent required for such purpose, amounts received in repayment of principal and interest on any credits made out of funds realized from the sale of notes authorized under this paragraph shall be deposited into the Treasury for the purpose of the retirement of such notes.

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Correspondence

Mr. C. D. Glendinning, Secretary, National Advisory Council on International Monetary and Financial Problems.

Miss Laura S. Turnbull, Curator of the Benjamin Strong Collection, Princeton University Library.

Mr. W.D. Whittemore, Vice President, Export-Import Bank of Washington.

Interviews

Mr. Daniel W. Bell, President, American Security & Trust Company, Washington, D.C. Formerly Under Secretary of the Treasury.

Mr. Elmer Chase, Chief Examiner, Export-Import Bank of Washington.

Hon. Herbert E. Gaston, Chairman of the Board, Export-Import Bank of Washington.

Mr. C.D. Glendinning, Secretary, National Advisory Council on International Monetary and Financial Problems.

Hon. Wm. McC. Martin, Assistant Secretary of the Treasury. Formerly Chairman of the Export-Import Bank of Washington.

Mr. John O'Halloran, Vice President of Manufacturers Trust Co., New York, New York.

Mr. W. D. Whittemore, Vice President, Export-Import Bank of Washington.