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Remarks by  
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## THE EXPORT-IMPORT BANK AND AMERICAN POST-WAR FOREIGN TRADE

The year just completed has seen the United States actively participating in rehabilitating a war-torn world. And certainly no group in our country is more aware than the National Foreign Trade Council of just how admirably U. S. foreign trade has met its heavy responsibilities in this field or just how formidable is the task still remaining if the success of the great post-war effort to restore the world's economy to proper working order is to be assured.

Our country, for reasons familiar to all of you, is bearing the greater part of the initial burden of this gigantic rehabilitation endeavor. Three aspects of the effort stand out. In the first place, the United States is the chief source of the relief and reconstruction goods which the world requires. In the second place, foreign countries are not in a position to make immediate payment for these vitally needed supplies, and an enormous dollar financing problem arises. And in the third place, the necessity for financing the bulk of the reconstruction requirements forces the United States, as the great creditor nation, to face a major repayment problem.

As for the first point, the ability of the United States to produce the goods required in the rehabilitation effort is undoubted. Thus, despite the tremendous task of domestic reconversion, this country exported \$8-3/4 billion of commodities between July 1945 and July 1946. Exports are steadily increasing and are now running at the annual rate of about \$10 billion, not including some \$3.8 billion

of transfers of Lend-Lease and surplus war materials.

As for the second point, the nature and approximate magnitude of the dollar financing problem was anticipated by the U. S. Government well in advance of V-J Day. Three distinct types of dollar financing were foreseen -- the financing of relief, the financing of longer-range reconstruction and developmental needs, and the financing of the crucial British balance of payments deficit.

It was recognized that the urgent relief needs of the most impoverished countries would have to be met on a straight charity basis. An international agency, UNRRA, was the mechanism decided upon for the purpose and the United States contributed 2.7 billion dollars, or more than 70 per cent of UNRRA's total resources, to it.

The Bretton Woods Agreements of July 1944 provided for the establishment of an International Bank as the principal post-war agency to make foreign loans for long-term reconstruction and development; because of delays in ratification, however, the International Bank is just now in a position to begin operations. Private capital could not be expected to meet any substantial part of the emergency post-war needs. It was therefore essential for the United States to provide the dollar credits required to finance the most urgent reconstruction needs of the war-devastated areas until such time as the International Bank could take over, if a drastic fall in exports disastrous to economic and social rehabilitation abroad were to be avoided. To meet this situation Congress, in the Export-Import Bank Act of 1945, increased the lending

authority of the Bank from \$700 million to \$3½ billion, removed the prohibition on loans by the Bank to countries in default on their obligations to the U. S. Government, and transferred the management of the Bank from an ex-officio part-time Board of Trustees to a full-time bi-partisan Board of Directors.

As for the British problems, it was recognized that the crucial position of Britain in world trade made it imperative to find some means of meeting the prospective British balance of payments deficit if our post-war international economic objectives were to be fully realized. For this purpose Congress in July 1946 authorized the extension of a \$3.75 billion line of credit to Britain as part of the Anglo-American Financial Agreement.

The third aspect of the rehabilitation effort, the necessity for repayment of the long-term dollar credits, poses one of the most challenging problems this country has been called upon to face. If we are ever to be repaid for these credits it will be essential for the American people sooner or later to accept a commodity import surplus as normal and proper. The discussions here attest to the full recognition by the National Foreign Trade Council of the crucial character of the import problem. I am sure, however, that no one would minimize the practical obstacles in the way of bringing about an appropriate increase in the volume of imports into this country and the development of a regular surplus of commodity imports over exports.

In carrying out its role under the Export-Import Bank Act of 1945, the Export-Import Bank has entered into commitments for general

reconstruction purposes totalling 2,065 million dollars. These credits comprise 655 million dollars for the purchase of goods which had originally been included in the lend-lease program, \$1,277 million extended for emergency reconstruction needs, and \$133 million made available for the purchase of raw cotton. In the first category France received \$550 million, Belgium \$55 million, and The Netherlands \$50 million on the same terms as lend-lease 3(c), i.e., 2-3/8% for 30 years. In the second group were loans to Belgium, Denmark, Finland, France, The Netherlands, The Netherlands East Indies, Norway, Poland, Saudi Arabia, China, and Ethiopia. These credits range in amount from \$3 million to Ethiopia to \$650 million to France, while the maturities range from 2 years in the case of the second general credit to The Netherlands, intended as a tide-over credit, to 25-30 years for the great majority of the credits. The long-term credits with several minor exceptions carry an effective rate of interest of 3% per annum. The cotton credits are largely to European countries and include \$33 million to China. They are short-term credits, 15 months to 24 months, and bear an interest rate of 2-1/2%.

Since the demands on it have been far in excess of its available resources the Bank has had to follow the policy of limiting its emergency reconstruction loans to the immediate minimum needs of the borrower. This has involved a very careful screening of all loan applications from the point of view of urgency of need of the borrower, the borrower's own resources, the possibility of obtaining the loan from other sources, the ability of the borrower to make effective use of the funds, the capacity of the borrower to repay, and the impact of the loan on our domestic economy.

The assistance rendered by the National Advisory Council to the Board of Directors of the Export-Import Bank in connection with its emergency reconstruction credit program has been invaluable. Before the Bank actively considers any loan application from a foreign government the application is referred to the National Advisory Council for its consideration from the standpoint of policy and coordination. Once a given application or class of applications have been "approved for consideration", as the action of the Council is now worded, the Export-Import Bank assumes full responsibility for the final decision as to whether or not the loan should be made and on what terms and conditions. This use of the Council mechanism attunes Export-Import Bank lending to U. S. foreign policy while retaining in the Board of the Bank, as it was obvious Congress intended, the veto power over indiscriminate or unsound loans. In view of the extreme complexity of the foreign lending problems, and the close inter-relationship between the foreign loan applications to the Bank and to other Federal agencies, the Export-Import Bank would have been faced with a well-nigh insuperable task in attempting to carry out its emergency reconstruction program expeditiously without the assistance of this machinery. Although the Bank has been able to meet only a portion of the total reconstruction demands of the war-devastated countries, I am confident that the essential minimum needs of most of these countries have been met with promptness and efficiency.

The Long-Term Role of The Export-Import Bank. With the International Bank scheduled to begin its loan operations in the near future, the emergency reconstruction credit phase of the Export-Import Bank's activity is now drawing to a close. At this point, therefore, I should like to comment briefly on the subject of the future plans of the Bank.

The fundamental purpose of the Bank as laid down by Congress is to aid in "the financing and facilitating of exports and imports and the exchange of commodities between the United States . . . . and any foreign country or the agencies or nationals thereof". The Bank has been given broad powers to do a general banking business and to make practically any type of loan, without limitation as to the amount of loans to any one borrower, in so far as the exercise of these powers is necessary to carry out its fundamental purpose.

The broad powers and fundamental purpose of the Bank lend themselves well to assisting American foreign trade in fulfilling both its immediate and long-range post-war responsibilities.

Throughout its existence, the Bank has been prepared to extend assistance to American exporters and importers under appropriate conditions. Assistance to exporters has generally taken the form of credits for the benefit of individual United States exporters to facilitate the sale abroad of specific materials and equipment. Since the end of the war, American exporters have been applying to the Bank in increasing numbers for credit assistance not obtainable from private banks. The progressive relaxation of export controls in the United States, combined with the accumulated foreign demand for United States products, have opened the way for a greatly expanded export business on a commercial basis. As before the war, however, exporters are obliged to sell on terms appropriate to the type of commodity involved, the ability of the foreign buyer to pay, and the competition offered by other suppliers. Since credit terms required are often longer than commercial banks are in a position to accommodate, it is necessary for the exporter to seek the assistance of the Export-Import

Bank. The Bank has met, and will continue to meet, all legitimate demands of this character.

The Bank is prepared to extend similar assistance to American importers. Hitherto the Bank has made few importer credits; this, however, has been due, not to any reluctance on the part of the Bank to grant such credits, but to the fact that the American importer is normally able to obtain adequate financing for imports from private American banking institutions. As a rule, commercial banks are in a position to obtain a pledge covering the imported products at the time of making their advances, so that the transactions have all the attributes of a domestic credit and there is little need for the intervention of the Export-Import Bank.

The Board of Directors of the Export-Import Bank shares the opinion that an increased volume of imports is one of the essentials of a healthy, thriving United States post-war foreign trade. The Bank has a very special interest in this matter by reason of the specific requirement in our statute that we have reasonable assurance of repayment before making a loan. It is the opinion of the Board of the Bank that, if the broad effort to revive world trade and reestablish an effective multilateral trading system succeeds, all the countries to whom we have made emergency reconstruction loans should have no difficulty repaying the loans. It is our further view that the greatest hope for a revival of world trade and successful solution of the repayment problem lies in an appropriate expansion of imports into this country; indeed, in the absence of an indefinite continuation of U. S. foreign lending, this is the only way in which the borrowing countries will be able to meet the service charges on their obligations and continue to buy the products of this country essential to their welfare.



In this connection we have welcomed the enlightened discussion of the import problem in recent months by such informed private bodies as the National Foreign Trade Council, the Twentieth Century Fund, the Committee for Economic Development, the Aldrich Committee and others. We all realize that the task of educating American public opinion to the necessity of an expansion of imports, if U. S. foreign trade is to be put on a permanently sound footing, is a formidable one; in my opinion it is probably an impossible one without the continued enlightened leadership of such groups as yours.

For its part, the Bank has devoted, and will continue to devote, a great deal of attention to the import aspects of all the loan applications before it. In the case of all the Bank's general developmental and reconstruction loans the direct connection of the proposed loan with the creation of additional foreign exchange has always been studied. The contribution of any loan to the solution at least of its own foreign exchange problem has always been a factor present in its consideration. In its appraisal of loans the Bank regards financing of the production of commodities suitable for exports from the foreign country to the United States as a consideration as important as the promotion of exports from the United States.

Future Reconstruction and Developmental Credits. The pending early operation of the International Bank has brought the problem of future reconstruction and developmental credits by the Export-Import Bank into sharp focus. From the time of the initial formulation of the U. S. foreign lending program it has been envisaged within the U. S. Government that, as soon as the International Bank could take over, the Export-Import Bank would largely withdraw from the field of long-term reconstruction and developmental credits. It has always been intended that the International

Bank, rather than the Export-Import Bank, should be the principal agency to make foreign loans for reconstruction and development which private capital could not furnish on reasonable terms. It is the policy of the Export-Import Bank not to compete in any sense with, but instead to cooperate fully, with the International Bank; it recognizes that the long-term reconstruction and developmental loan field from now on is the special province of the International Bank. This does not mean, however, that the Export-Import Bank will no longer consider shorter-term developmental loan applications from Latin American and other countries nor that any further emergency reconstruction credits by the Export-Import Bank are ruled out.

The Export-Import Bank recognizes that in special circumstances, such as the case of certain war-devastated countries which are not members of the International Bank and hence not eligible for loans from that institution, some emergency financial assistance from the Bank may still be necessary. The limited resources of the Bank, however, preclude the possibility of anything but limited assistance as a stop gap measure to tide the situation in these countries over until their basic problems can be tackled comprehensively through other instrumentalities.

The Export-Import Bank has endeavored to live up studiously to the policy Congress gave it of supplementing and encouraging and not competing with private capital. There is inherent, furthermore, in such an injunction the implication that the assistance which the Bank gives must have in it the element of pioneering. I am convinced there is a real and continuing need for the services of the Export-Import Bank as an organizer and trail blazer in financing foreign trade. But our whole purpose will be defeated if private capital is not better organized than it is at present to supplement and further our activities.

The Export-Import Bank is pursuing as diligently as possible a policy designed to return trade to private channels and to this end is avoiding wherever possible the government-to-government credit in favor of so-called exporter credits in which domestic suppliers participate. The Bank created early in 1946 a Private Capital Participation Division which maintains close contact with financial markets and provides information regarding our current portfolio in order that its commercially bankable paper may be made available to private investors with<sup>^</sup>the limitations of the regulations of the Securities Exchange Commission. Ultimately, perhaps, we may have private Export-Import Banks, and then the Export-Import Bank of Washington can act as a sort of central bank for these banks of foreign trade. There is much pioneering work to do in this field and I know we can depend on the National Foreign Trade Council to be a leader in seeing that a sound course is developed.