

Mrs. Robertson:

Mr. Toner, State, would like this sentence added to the information he gave you this morning regarding the change in proposed legislation:

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"This change should be noted and taken care of in all the testimony which the principal witnesses may make."

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In appearing before this Committee as Chairman of the Board of Directors of the Export-Import Bank of Washington, I believe it appropriate for me to state generally the Board's concept of the function performed by the Bank in the past and of the function it should perform in the future--particularly under the European Recovery Program which is now the subject of consideration by this Committee.

The Bank was created by the Government of the United States in 1934 to fill a need in the world of finance resulting from the lack of adequate private capital facilities for financing trade between the United States and foreign countries. And in the words of a later statute "the Bank was to supplement and encourage but not compete with private capital". Its sponsors recognized that the Bank, as a federal instrumentality lending federal funds, necessarily had to be responsive to the foreign policies of the Government. At the same time it was recognized that foreign lending involves considerations other than political; that it is a function which, although having political implications, is primarily financial and economic.

The Congress of the United States recognized this concept of foreign lending by continuing the Bank as a separate agency of the Government under an inter-departmental Board of Trustees until July, 1945. At that time, the Congress carried the concept to its logical conclusion by enacting the Export-Import Bank Act of 1945 which established the Bank as a permanent independent Agency of the Government with a bipartisan Board of Directors, composed of four full-time members and the Secretary of State as a member ex-officio.

This concept that Government foreign lending is first a financial and economic activity and secondly a political one was sound in the 1930's and is sound today, although at times the line between financial and economic considerations on the one side and political considerations on the other is extremely thin.

The Board of Directors of the Export-Import Bank believes that the lending aspect of any over-all foreign aid program that is approved should be consonant with the concept upon which the Legislative and Executive Branches of the Government have formulated the Government's foreign lending policies in the past. We can see nothing in the possible lending activities contemplated under the foreign aid program now being debated which would require departure from the original concept.

Nor do we perceive any considerations why the Export-Import Bank should not be the instrumentality utilized in so far as any portion of the program may be in the form of loans. On the contrary, we are of the opinion that all considerations call for the utilization of the Bank as the lending agency of the program.

The Congress has created the Bank as the Agency of the Government to make foreign loans. Except for certain specialized credits such as the stabilization loans of the Treasury, the British loan, certain credits made by the Reconstruction Finance Corporation and the sales of Government owned property on credit, all Government foreign lending has been and is today being performed by the Bank.

It is sometimes said, and the Board of Directors of the Bank itself has said, that the normal function of the Bank is to extend

short and medium term credits for specific purposes as distinguished from long-term general reconstruction or development credits. This is true in a sense and the Board of Directors of the Bank daily seeks to direct the activities of the Bank in that direction. But it is only true in the sense that it is but a reflection of the policy of the Congress, as expressed at the time of the passage of the Export-Import Bank Act of 1945, that the United States Government should abandon the field of long-term reconstruction and development lending as soon as the International Bank for Reconstruction and Development was able to play its role.

The Bank agrees that this policy was and is sound--just as is the ultimate objective of the Congress and the Bank--to abandon the whole field of foreign lending as soon as conditions permit private capital to take over the job. But if the Congress now adopts a program which provides for reconstruction lending by the Government along with that being performed by the International Bank, the Congress will have decided that the Government is not yet in a position to abandon the field of reconstruction lending. Thus, so long as the Congress finds that conditions require additional U. S. Government foreign lending, whether short, medium or long term and whether in the form of loans to private industry or on a government to government basis, the function and purpose of the Export-Import Bank would be to perform the lending.

There is no conflict between the objectives of the Bank and the lending activities that are envisaged under the temporary program now being considered.

Rather it would result in conflict if the lending activities under the program were to be vested in another agency--and thereby duplicate the facilities and functions of the Bank during the period of the operation of the program.