

STATEMENT OF WILLIAM McCHESNEY MARTIN, JR., CHAIRMAN  
OF BOARD OF DIRECTORS OF EXPORT-IMPORT BANK OF WASHINGTON  
BEFORE THE SENATE COMMITTEE ON FOREIGN RELATIONS

In appearing before you to discuss the European Recovery Program, I believe it appropriate for me to indicate generally the function performed by the Export-Import Bank in the past and the function it should perform under the program which is now the subject of consideration by this Committee.

The Bank was created by the Government of the United States 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. From the time of its creation in 1934 until 1939, the Bank operated on a limited scale and its activities were for the most part confined to short and medium term credits to finance the export of specific industrial products or commodities. With the advent of the European war in 1939, the United States Government was called upon by foreign governments, particularly in Latin America, for financial assistance to support their economies. Funds were voted the Bank by the Congress for the purpose and from 1939 until the end of World War II, the Bank extended a number of direct government long term loans.

In July 1945 the Congress, anticipating the need of the war-torn countries for emergency financial aid from the United States, enacted the Export-Import Bank Act of 1945 and increased the Bank's lending authority to \$3,500,000,000. In the hearings and debates on the Bill at that time it was made clear that the Congress expected the Bank to aid in the reconstruction and rehabilitation of the economies of war-devastated countries through long term reconstruction credits during the period between the end of the war and the time when the International Bank for Reconstruction and Development commenced operations. Accordingly the Bank, during the period from September 1945 until the latter part of 1946, authorized large long term credits to the Governments of France, Belgium, The Netherlands, Greece, Poland, Norway, Denmark and Finland. Dollarwise, these loans constituted the great bulk of the lending of the Bank during this period.

After the International Bank had begun operations, the Board of Directors of the Export-Import Bank moved to bring to an end the program of large emergency reconstruction credits and to revert to the Bank's more normal function of facilitating and financing American foreign trade by short and medium term credits for specific purposes. This action of the Board was reported to the Congress in the published semiannual report for the period ended December 31, 1946.

As events developed, however, the need of foreign governments for

financial assistance proved greater than had been foreseen; the International Bank was unable to assume the burden to the extent originally expected of it; and the Export-Import Bank found it impossible to meet all demands made upon it for reconstruction assistance and financial aid, either because of lack of funds or because the credits sought would not meet the standards set up by the Congress in the Export-Import Bank Act of 1945. The consequence has been that the Congress has had to vote additional funds for foreign aid and now is being called upon for still more funds under the European Recovery Program which has been submitted for its consideration.

The program contemplates that assistance may be extended by way of grants, cash payments or credits. It is generally agreed that the Export-Import Bank is the agency through which the credits under the program shall be extended. It is difficult to perceive any compelling reason why the Bank should not be utilized in the capacity of lending agency under the program. On the contrary, all considerations call for the utilization of the Bank in such capacity. It is an agency which combines financial, economic and political elements essential to foreign lending and is administered by a bipartisan board. Except for certain specialized credits, it has performed and is today performing all foreign lending in which the Government has engaged.

With an agency already in existence which has engaged in foreign lending and which will continue to engage in foreign lending under the

Export-Import Bank Act of 1945, it would be most inadvisable to create another agency performing like functions. I do not need to describe to the Members of this Committee the confusion that results and the duplication of efforts involved in the case of two governmental agencies operating in the same or similar field. I believe it suffices to say that all foreign lending should be centralized in one agency of the Government.

Accepting this thesis, the problem which confronts us in formulating the foreign aid program is to utilize the Bank within the framework of an overall unified aid program. The necessity for an overall unified program is clear. There is no satisfactory or logical method by which one is able to say in advance as to what amount of the total aid extended should be by way of credit and what amount by way of grant. Nor is it feasible to determine in advance which products or commodities should be furnished on grant and which on credit. These and other considerations call for an overall unified program which is controlled and directed by one entity.

I believe that the Administration program now before you achieves this end of utilizing the Export-Import Bank within the framework of an overall unified program. By the provisions of the proposed Bill, the

Administrator in consultation with the National Advisory Council will determine whether assistance is to be extended on grant, cash payment or credit terms. Then, and I now quote from the proposed Bill:

"When it is determined that assistance should be extended under the provisions of this Act 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 as directed, and on terms specified, by the Administrator in consultation with the said National Advisory Council."

The Bank, as agent of the Administrator, will extend all credits that are to be made under the program except possibly those involving the sale of Government-owned property. The precise manner in which the agency relationship between the Administrator and the Bank will function will depend in the final analysis on the working arrangement that is established between the two agencies. In the light, however, of the avowed purpose of all concerned that it is not intended to duplicate the facilities of existing Government agencies, it is assumed that the Administrator will utilize the services and facilities of the Bank to the maximum extent consistent with his statutory obligations.

The obligations of the Administrator under the proposed Bill with respect to the making of credits are such as to permit him to consult and advise with the Bank from the time it is determined that a particular

request for assistance involves the possibility of a credit. It is to be expected that the Bank working directly with the Administrator or in any event as a participant in the machinery of the National Advisory Council, will actively participate in the analysis of a credit and the determination of the terms on which it is ultimately established. Likewise, in the administration of the credits, it is to be expected that the Bank will play a full role subject only to ultimate control being retained by the Administrator so long as he has statutory existence. Thus, although there is no gainsaying the fact that the Bank will be functioning in purely an agency capacity under the program, it is assumed that the role will be that of an active rather than a passive agent.

There is no conflict in the dual function that the Bank will perform for the duration of the European Recovery Program - that of acting in an agency capacity under the program and of acting in an independent capacity under the provisions of the Export-Import Bank Act of 1945. Loans made by the Bank as agent for the Administrator would be so carried on the books of the Bank and loans made by the Bank under the Export-Import Bank Act of 1945 would be carried as such type of loans. If it be the decision of the Congress that the control and direction of the overall program should be vested in one entity, the Board of Directors of the Export-Import Bank believes that it can

appropriately and effectively lend its experience and efforts, as well as those of the staff of the Bank, in the manner provided for in the proposed Bill.