MEMORANDUM FOR FOREIGN AID

August, 1947

There are at the present time the following groups studying European aid:

(1) The Krug Committee
(2) The Harriman Committee
(3) The Nourse Committee
(4) The Herter Committee (Sailed yesterday on the Queen Mary)
(5) The Bridges Committee (Sailing September 10)
(6) The State Department Policy Committee headed by George F. Kennan

This is too many committees doing the same work and, unless it is coordinated fairly soon, will defeat its own purpose.

The world situation is critically approaching a crisis — it will probably not come as soon as many of us fear. Greece may turn out to be the powder keg. If it does, both Britain and this country may be at war certainly within the next year. If this can be tided over, we can expect a series of revolutions and a good deal of bloodshed in a good many areas of the world, but no war in which the United States will be directly involved. As the leading country in point of resources, and as the major country that suffered the least in the last war, it appears to me vital that the United States assume responsibility for preventing as much bloodshed and suffering as is possible.

The President will, in due course, set up an over-all committee consisting of the Secretary of State as Chairman, Secretary of the Treasury, Secretary of Commerce, Secretary of Agriculture, and the Chairman of the Board of Governors of the Federal Reserve System and the
Chairman of the Board of the Export-Import Bank to be the cabinet-level committee responsible for seeing what can be worked out.

Congress is in an unhappy frame of mind and the American people are completely unprepared for the explosion which may develop. It would seem to me that a non-cabinet officer with business experience should be found to head a group making the recommendations to Congress.

I would suggest the following names:

(1) Walter Cummings, President, Continental Illinois National Bank & Trust Co. in Chicago
(2) Fowler McCormick, President, International Harvester Co.
(3) John U. Caulkins, Former President Federal Reserve Bank of San Francisco
(4) John A. Coleman, Former Chairman New York Stock Exchange
(5) Cardinal Spellman, New York City
(6) Charles P. Taft, President, Federal Council of Churches of America
(7) Rev. John P. Simmons, Minister, First Congregational Church, Los Angeles, California

I have spoken to all of these men with your permission and they are all willing to serve. It is too early to appoint any of these individuals in my opinion, but it is not too early to lay the groundwork: I have deliberately omitted a Jewish selection because I understand Mr. Hannegan will arrange that matter with you in due course. I have merely carried out your wishes in accord with my suggestions and will be glad to confer with you further or assist in any way.

If you so desire, I will become Chairman of the group. If not, I will be happy to serve as a member or can be omitted from the list without any feeling on my part at all.
Subject: Guaranties to United States Companies Operating Abroad

There may be a need in the European Recovery Program for some form of guaranties to U.S. companies arising out of the political necessity of ensuring approximate equality of treatment between American and foreign companies in programs of expansion of physical plant and facilities abroad that are an integral part of the E.R.P. The most important single case is the petroleum equipment expansion program of the E.R.P.

There will certainly be strong political pressure for ensuring that established U.S. companies abroad are able, if they so desire, to undertake further direct investments whenever increased direct investments in competing foreign companies are made possible by direct U.S. loans to their respective governments. The goal of this Government would generally be to ensure the preservation of the preexisting competitive relationships between the U.S. companies on the one hand and the foreign companies on the other hand. This might be accomplished in several ways:

(a) through stipulations in the bilateral agreements between the U.S. and the foreign government concerned that there would be equality of treatment between U.S. and other companies in the expansion programs.

(b) through some form of U.S. Government guaranties to the U.S. companies concerned.

The argument for the use of Government guaranties rests in the last analysis upon the assumption that anything short of this will not ensure the necessary equality of treatment and bring out U.S. direct investments abroad.

Types of guaranties. Broadly speaking, there are three major types of guaranties that might be used in the E.R.P. They are:

(a) Normal business and credit risk guaranties.
(b) Abnormal business and credit risk guaranties, e.g., guaranties against risks of nationalization and confiscation.
(c) Exchange risk guaranties.

Normal business risk and credit guaranties. These types of guaranties are open to several objections which, in my opinion, argue conclusively against their use.

In the first place, they would open the gates to indiscriminate U.S. direct investments abroad by making such investments largely immune to the ordinary requirements of business prudence and operating competence.
In the second place, they would almost inevitably injure the established U.S. firms abroad by bringing in competitors operating under the advantage of guaranties covering their entire investments.

b. Abnormal business and credit risk guaranties. The special interests of U.S. firms already established abroad and the obvious economic waste of the "normal" business risk and credit guaranties should ensure that they will not be seriously considered. The appeal that guaranties against "abnormal" business and credit risks, especially the risk of nationalization and confiscation, would have to American business firms already operating abroad is apparent. Nevertheless such guaranties would, in my opinion, be almost as objectionable policywise as "normal" business and credit risk guaranties. They (if coupled with exchange transfer guaranties) could easily lead to overinvestment abroad by in effect guaranteeing the U.S. companies against any risk of capital loss (together with guaranteeing earnings on their investments at equity rates).

Exchange transfer guaranties. If any type of business and credit risk guaranties are ruled out, the guaranty technique is limited to the field of exchange transfer guaranties. Several issues are posed by this type of guaranty:

(a) Should the guaranty be blanket, extended to all foreign investments and sales by U.S. firms, or specific, i.e., limited to the new direct investments that are the counterparts of the foreign investment expansion brought about directly by E.R.P. loans.

(b) Will a transfer guaranty by itself provide sufficient incentive to ensure the necessary additional direct investment abroad?

A program of blanket transfer guaranties extending to all foreign sales and investments would, in my opinion, largely defeat the purpose of guaranties in the E.R.P. framework by promoting a general and undirected flow of investments and expansions of exports from the U.S. To be directly useful in the E.R.P., the exchange transfer guaranties should be limited to earnings arising from the additional direct investments, and be worked out on an individual basis. Each guaranty should cover all rather than part of the earnings from the specific investment and over an extended period of time - at least long enough to ensure a fair return on the investment.

Whether a specific transfer guaranty system by itself will provide sufficient incentive to ensure the necessary additional direct investment abroad will turn, I believe, largely on the appraisal by U.S. firms of the ultimate risks of nationalization and confiscation. Whenever these risks are not considered undue, an exchange transfer guaranty should prove adequate to bring forth the requisite direct investment.

The vulnerability of a specific transfer guaranty system as compared with a blanket coverage program lies in the certainty that it would be attacked as
highly discriminating in favor of established interests. This sort of attack would stem inter alia from powerful banking and export interests, which have been increasingly anxious to see this Government take over the exchange transfer risk. The only way this line of criticism could be minimized would, in my opinion, be through a very sparing use of specific guaranties.
EXPORT-IMPORT BANK OF WASHINGTON

Date____________________

TO:______________________

Drs. Jansen
Mr. Stambaugh

Wm. McC. Martin, Jr.
Chairman of the Board
Statement of the Secretary of the Treasury on the 
EUROPEAN RECOVERY PROGRAM

The President, in his message, has laid before you the Administration's proposal for a European Recovery Program and in greater detail the Secretary of State has described the need for assistance to Europe and the manner in which, and extent to which, it is recommended that American assistance be given. The financial aspects of the Program have been carefully considered by the National Advisory Council on International Monetary and Financial Problems. As Chairman of the Council, I welcome this opportunity to discuss these aspects and also to comment on the financing of the Recovery Program.

In the first part of my statement I shall review the principal financial aspects of the Program. I shall then say something about the financial steps which we shall expect the European countries themselves to take. The remainder of my comments will be concerned with the financing of the Aid Program.

The first matter which I wish to take up is the question of the form in which aid should be granted to Europe. We could provide this aid as grants-in-aid or we could make loans which we would expect to be repaid or a combination of both. The criterion for selecting one or the other device is the capacity of the participating countries to earn, in the years to come, the dollars which would be needed to pay interest and principal. The participating countries have, over a period of years, assumed the obligation of making large annual payments of interest and amortization on dollar loans and credits, both public and private. We should take care not to insist
that these countries contract additional dollar debts which will overburden their balance of payments to the disadvantage of future trade and private investment. If the entire aid for Europe were to be on a loan basis, it would be practically impossible for them to meet the additional annual charges from their earnings of dollars, even after trade and investment return to normal.

This means that a proper part of the aid we give should be in the form of grants-in-aid. Imports of current supplies of food, fertilizer, and fuel, and raw materials not used for capital development, should be provided on a grant basis, except in the case of those countries which clearly can afford to pay for them on a cash or a loan basis. On the other hand, capital equipment and raw materials to be used in connection with capital development will serve to increase the productive capacity of the recipient countries. They are thus more likely to provide means of repayment and so can more properly be financed on a loan basis, unless the prospective balance of payments of the recipient country makes it unlikely that it will be able to meet even relatively small additional fixed dollar charges.

The International Bank may be expected to finance part of the capital requirements of the European countries, particularly where they require the financing of permanent additions to their equipment. It is not likely, however, that the Bank can carry the whole part of the Program which properly ought to be put on a loan basis. We propose, therefore, that when the Administrator for Economic Cooperation decides, after consulting the National Advisory Council, that it is desirable to extend aid on a credit basis, he will allocate the funds to the Export-Import Bank of Washington, which will then make the loan as directed and on terms specified by the Administrator in consultation with the National Advisory Council.
It is also important that the American business enterprises be given opportunity to participate in the Recovery Program by making new investments abroad, or by expanding existing facilities where the Program calls for additional capital equipment. In this way they will contribute to the restoration of Europe, while at the same time they will be carrying out their own programs for expansion abroad. Private investment will save the taxpayer money in the long run. We must recognize that new investments would be made at a time of peculiar uncertainty and that the investors might have some difficulty in converting their earnings or their original principal into dollars. To facilitate this investment, therefore, it will probably be necessary for the Government to guarantee the convertibility into dollars of local currency earned by these enterprises or for the repatriation of the original investment. While we may expect that the participating countries will try to make dollars available, it is possible that they will not have adequate dollars to permit conversion. The Economic Cooperation Administration should not be expected to guarantee American companies making these investments against normal risks, but merely to give them a transfer guaranty. We propose that not more than 5 percent of the funds appropriated by Congress for the Program should be obligated for these guaranties, and that the guaranties themselves should not be extended more than 14 years from the time the Act goes into effect.

Some people have argued that the participating countries should pay for part of the Program by using up their gold and dollar assets in the United States, and by liquidating the American investments of their own citizens. I need not labor the point that the European countries must have some gold and dollar reserves to finance their international trade. The European
Recovery Program is not intended to cover the entire import requirements of these countries. They will continue to export goods and services to the United States and to other countries, and will use these earnings to pay for essential imports over and above those made available under the Program. They will also need some dollars to pay for additional goods obtained in other parts of the world. They will need balances to carry on ordinary commercial operations during the life of the Recovery Program, and they certainly will need balances if they are to return to normal operations after 1951. It would be folly on our part to force the European countries to use up their gold and dollar balances to a point where they would not have adequate funds to operate smoothly through ordinary channels. By insisting that the participating countries exhaust their gold and dollar balances, we would merely add further instability to their monetary systems. As a matter of fact, all of the participating countries except Switzerland, Turkey, and Portugal have already reduced their dollar balances below the point of safety.

When we turn to the possibility of liquidating European investments in the United States, we must also look at the problem in terms of its long-run consequences. These investments annually earn a dollar income, which will be used to cover part of the cost of the Program, and which will be used in the future to meet part of the cost of imports after the Program ends. Without these investments, the balance-of-payments situation of the participating countries will be worse in the future. I doubt very much that it would be wise policy for the United States to expect European countries to liquidate the property owned in the United States by their nationals as a condition for receiving aid from this Government.
Even if these countries could liquidate all of the property owned by their citizens in the United States, they could not pay for more than a small part of the Program. We estimate that as of last June 30 the dollar assets held by persons in the recipient countries amounted to about $4.8 billion. Of this amount $1.5 billion consisted of direct investments, and a considerable part of the remainder also consists of holdings which would be difficult to liquidate. Some of these assets are already pledged for loans, while for many of the countries involved the amounts held here are negligible.

Some of the governments, however, will decide to liquidate some or all of their holdings so as to pay for imports. In practice this may be an alternative to borrowing from the United States. We certainly should not object to the governments using these funds. The question of policy for us to decide is the extent to which we can help these countries in obtaining control of these assets. In the case of unblocked assets, the only way the European governments can get control of them under present circumstances is through the voluntary action of their citizens. In fact, a considerable portion of the assets formerly blocked in the United States have been unfrozen in this way. While we do not have exact data on unblocked assets, we believe the amount is comparatively small.

A large part of the holdings are still blocked because their owners have not complied with the requirements of their own governments for certification that there is no enemy interest in these assets, and this certification is required by the United States Treasury before the assets are unblocked. The National Advisory Council and the executive departments concerned with this matter have given very careful study to this problem, and I have discussed
it at length with representatives of some of the leading banks. We recognize
that the problem is peculiarly difficult, because conflicting public and pri-
ivate interests enter the picture at several points, and for this reason we
wish to obtain guidance from the Congress. (In final draft, any recommenda-
tions approved by the NAC will be inserted here.)

It will not be possible to obtain all the goods needed for the Recovery
Program in the United States, nor would it be desirable to attempt to do so.
Some commodities are in short supply here and purchasing abroad would leave
more available for our own population and would in many instances reduce the
net cost of the Program. For example, to get the needed amounts, some wheat
may have to be bought in Canada, and some petroleum in Venezuela. Moreover,
in this manner we can make it possible for countries in the Western Hemisphere
to supply larger amounts of foods and materials to Europe and at the same time
maintain essential imports from the United States. These countries too need
doIars. If we procure from them a part of the supplies for the European
Program, they can then spend the dollars for the goods which we normally ex-
port to them.

It is the opinion, therefore, of the National Advisory Council that the
Economic Cooperation Administrator should be authorized to expend funds for
the procurement of supplies for the Recovery Program outside of the United
States where this would relieve pressure upon goods and services in short
supply in the United States, or where buying goods in a foreign country
would assist it in maintaining its usual imports from the United States.
We would not, of course, favor the use of dollars to buy goods abroad where
the available supplies in the United States at reasonable prices are ample
for our needs as well as for the requirements of foreign countries. In any
case, all purchases would be made according to an agreed program, and our administering agency would control the use of the funds appropriated by Congress. In addition to purchases in the Western Hemisphere, there are special instances where it may be in our interest to procure certain essential products in one participating country for delivery to another, making payment in dollars. For example, we might buy steel or coal in one participating country for delivery to another. The dollars which are received would then be used by the supplying country to pay for imports from the United States, and since these imports would be covered in the agreed Recovery Program, our direct expenditures for aid to the supplying country would be reduced.

If the Recovery Program is to be successful, adequate measures for monetary stabilization must be taken promptly and with vigor by the European countries. At the Paris meeting the 16 participating countries undertook "to apply any necessary measures leading to the rapid achievement of internal financial monetary and economic stability while maintaining in each country a high level of employment." They have recognized that recovery is not possible as long as inflation continues, and unless production is increased. The measures which should be taken must vary somewhat from country to country, but the general outline is clear. Budgets must be brought into balance as rapidly as practicable, so that the necessary expenses of government can be met without increasing the public debt and without increasing direct inflationary pressures. In most countries modifications in tax structures and control of expenditures will be called for. As determined steps are taken, the trend toward budgetary balances, increased production, and steadying prices will all interact upon one another to facilitate stabilization.

The Administration proposes that each country receiving aid from the United States shall enter into an agreement with this Government which will
cover the terms on which aid will be given. Each European signatory will undertake to adopt the financial and monetary measures which are necessary to stabilize its currency and to maintain and establish proper rates of exchange. These agreements will also cover such matters as cooperation with other countries, the proper use of the goods supplied, and the establishment of a separate account for the local currency equivalent to the aid supplied. Moreover, each country would be required to supply the United States Government with full information about any pertinent aspect of the Recovery Program and to give a report on the Program to its own people. On the basis of the information which the cooperating countries will give us, and also from the reports of our own offices in these countries, we can be informed about the situation and so be in a position to discuss with the country the measures which it has taken or ought to take to contribute to the recovery of Europe and its own stability.

We have a direct interest in assuring that the aid we provide to Europe makes a maximum contribution to the reduction of inflationary pressures and the restoration of stability. To this end we propose that each participating country will deposit in a special account the local currency equivalent at the official exchange rate to the dollar cost to this Government of the goods supplied through grants-in-aid. We must see to it that these accounts are drawn upon only for constructive, stabilizing purposes. But at the same time we must avoid the fatal error of regarding the accounts as little "sub-Treasuries" in each country which we will spend as we see fit. In many instances it will probably be best either to let the accounts remain idle or to authorize the use of this local currency to effect a net reduction in the government's debt. There may be instances, however, in which it might
also be used for reconstruction or development, or other purposes which would contribute to the increase of production in the country. In the view of the National Advisory Council, such expenditures should be undertaken only in agreement with this Government.

The adjustment of some exchange rates may be expected at some point in the course of European Recovery. Inflation in Europe in certain instances has given rise to currencies overvalued from a long-run point of view. This state of affairs has tended to check exports, while imports have been relatively cheap. In some cases countries have resorted to export subsidies, through special exchange rates, or have used other measures in conflict with our own long-range international economic program.

The determination of an appropriate exchange rate is a very complex matter involving as it does the widest range of price, cost, and balance-of-payment considerations. The difficulties in setting exchange rates under present conditions are such that, although the rates of some of the participating countries will certainly have to be adjusted, the timing of these adjustments will vary from country to country. Accordingly, it would not be good policy for us to insist upon an across-the-board modification of exchange rates before we extend aid. The revision of rates of individual countries should instead be considered as a part of a developing program of internal and external stabilization in conjunction with United States assistance. To ensure that this will be undertaken, the recipient countries will be asked to agree that when, in the opinion of the United States Government, their exchange rates are imposing an unjustifiable burden on their balance of payments, they will consult with the International Monetary Fund about
revision. Countries which are not members of the Fund would be expected to consult with our Government directly. The National Advisory Council is making continual studies of the exchange rate problem and would be the agency of the United States to act for it in this matter.

After progress has been made toward internal stabilization in the European countries by balancing budgets, increasing production, and expanding trade, the time may be ripe for making stabilization loans which would give greater assurance to the people of the participating countries that the stabilization will be permanent. There is greater confidence in the stability of money if the balance of payments of a country is in equilibrium and if there is gold or dollars in the vaults of the central bank. At this point in the Program it would be well worth while to give them this additional assurance by extending a loan to provide monetary reserves. If the loan is given prematurely, the reserves might be dissipated through normal balance-of-payments deficits. A stabilization loan to be effective should come when there is reasonable assurance that the internal situation of the country concerned is satisfactory, and that it will be able to maintain its exchange rate at a stable level for a considerable period of time. It is not likely that this situation will be reached immediately, but it is possible that in the course of 1948, and probably in 1949, some countries will be in a position to use stabilization loans effectively. At the appropriate time Congress may then be requested to appropriate additional funds to be used by the U.S. Stabilization Fund to make these loans.

I should now like to turn from the problems which are facing Europe to the problem which we must face in financing this Program. It would serve no good purpose to ask the European countries to put their own houses in order...
if we, ourselves, adopted methods which might accentuate inflation in the United States or upset our own economic stability. It is my firm opinion that we should finance the European Recovery Program within a balanced budget.

We can finance the programs of interim aid and recovery without unbalancing our budget for the fiscal year 1948 if we do not take hasty ill-considered measures to reduce taxes. You will recall that the President last August estimated that we would close the fiscal year ending June 30, 1948, with a surplus of $4.7 billion exclusive of the cost of the Recovery Program.

We are now working on the revised estimates which will be submitted with the President's budget statement. But the outlook now is that the receipts will be higher than anticipated in August, largely because of the inflationary situation. The Secretary of State has estimated that $597 billion would be required for the Interim Aid Program and that about $1.5 billion would be expended on the long-range program during the current fiscal year. It is clear that if we do not unwisely reduce taxes the Recovery Program can be financed within a balanced budget and that some surplus will still be available for debt reduction.

At this time it is not practicable to forecast the budgetary situation for the fiscal year of 1949. That can be done better after the current studies and estimates on the budget are completed with respect to both receipts and expenditures. But I am confident that, so long as we pursue a sound fiscal policy, we shall be able to cover the cost of the European Recovery Program in fiscal 1949 out of current revenues.
The European Recovery Program as submitted to the Congress, both in its intent and in the language of the Bill providing for the program, clearly defines the function that Export-Import Bank of Washington will perform under the program. In the words of the 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 the agent of the Administrator, will extend all credits that are to be granted under the program except possibly in the case of the sale on credit of Government-owned property. In the latter instance, particularly items such as ships, it would appear that the general intent of the Bill is to permit the Administrator, if he be the seller, or other agency owning the property to enter into a contract of sale and provide therein for repayment to the seller of the purchase price on terms.

The precise manner in which the agency relationship between the Administrator and the Bank will function will depend 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. Thus, it is assumed that the agency relationship will develop in the following broad manner.
Upon the appointment of the Administrator, he and his staff and the Board of Directors of the Bank and its staff will formulate a general pattern for the establishment of credits under the program. These preliminary arrangements will include preparation of the form of credit commitment, fixing of general terms and conditions applicable to all credits under the program, agreement as to methods of allocating funds to the Bank and other general procedures for the functioning of the relationship.

At any time after receipt of a particular request for assistance, the Administrator might call upon the Bank for advice and assistance if preliminary analysis indicates that a possible credit is involved. After such preliminary analysis, the Administrator will refer the matter to the National Advisory Council. Working directly with the Administrator or in any event, as a participant in the machinery of the National Advisory Council, the Bank will join in analyzing the request. When a determination has been made by the Administrator and the National Advisory Council that a credit is to be granted, the Administrator will formally request the Bank to establish the credit. In his request, the Administrator will specify the amount of the credit, the beneficiary, the general purpose, the term, interest rate, together with any special conditions that are considered necessary. Since the Bank will have participated in the analysis of the credit, this request or direction of the Administrator will be largely a formality for the purpose of complying with the statute.

In accordance with general procedures previously agreed upon, the Bank will establish the credit. The Bank will disburse the credit and administer it in accordance with the general procedures previously agreed upon unless
conditions arise calling for changes in administration in which event the Administrator will direct such changes. As in the making of the credit, the changes will be made after consultation between the Bank and the Administrator and the direction will probably be more for record purposes than for the purpose of giving the Bank instructions on a matter of which it has no previous knowledge.
FINANCING THE MARSHALL PLAN

In financing the program for carrying into effect the principles of the Marshall plan, it is desirable to survey:

(1) The funds which other countries have actually or potentially available to meet their needs;
(2) The credit facilities already provided by the United States and other countries for national or international needs;
(3) The gaps which are not covered by these two sources of funds;
(4) Suggested general procedures which might be followed for filling these gaps, with some estimate of the amounts required;
(5) The relation between financial requirements and the United States budget.

These will be reviewed in order.

(1) Financial Resources of Other Countries

Countries outside the United States now report 18 billion dollars of gold and dollar balances. This is exclusive of the holdings of the International Monetary Fund and the International Bank for Reconstruction and Development, and is also exclusive of gold which may be hoarded by the nationals of these countries either at home or abroad, or dollar balances held by those nationals but unreported, and investments abroad.

In the case of France, for example, the amount of gold hoarded within the country has been estimated at more than three billion dollars. As to French dollar balances, Mr. J. S. Richards, director of the U. S. Treasury Foreign Funds Control, testified before a Congressional Subcommittee on Appropriations this spring that the amount not included in
reported figures was in the neighborhood of seven to eight hundred million dollars. The same thing is true for Holland and in smaller amounts for other foreign countries.

The amount of foreign investments in the United States is estimated by our Department of Commerce at approximately 7½ billion dollars as of the end of 1945. Thus all told the amount of foreign funds is at least another 10 billion above the 18 billion gold and dollars officially reported.

The changes in officially reported gold and short-term dollar assets over a period of years from 1939 to March 1947 is shown in Chart I from the August 1 Monthly Review of the Federal Reserve Bank of New York. On August 7th the British Chancellor of the Exchequer Dalton revealed that Britain's gold and dollar reserves totalled 2,400 million dollars. The decline shown in the overall figures for early 1947 represents in part gold payments to the International Fund which were called for in February.

These gold and dollar balances represent, on course, the monetary reserve of these countries against their heavily expanded bank credit, and so are only partly available to meet current demands. The maintenance of substantial monetary reserves is especially important in view of the need for currency stability. Confidence in their currency is a first need in Europe's utilization of its own resources and adequate reserves will be a part of every program of currency stabilization.

These aggregate figures are, of course, considerably affected by the improved gold and dollar position of a number of European neutrals such as Switzerland and Portugal. Hence some breakdown of the figures by countries is necessary to show where the so-called dollar shortage exists. This is shown in Chart I. Table I gives the figures upon which the chart is based. Liberated western European countries as a group have in their official holdings no more reserves than they require and in some cases will need more when they stabilize their money.
# TABLE I - FOREIGN GOLD AND SHORT-TERM DOLLAR ASSETS

(in billions of dollars)

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<tr>
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<td>1.3</td>
<td>3.9</td>
<td>4.2</td>
<td>3.5</td>
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<tr>
<td>Gold</td>
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<tr>
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<td>0.9</td>
<td>1.4</td>
<td>1.5</td>
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<tr>
<td>Gold</td>
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<tr>
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<td>0.4</td>
<td>1.5</td>
<td>0.9</td>
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<td>Gold and dollars</td>
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<td>2.3</td>
<td>2.6</td>
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</table>

(1) Excluding U.S.S.R.
(2) Belgium, France, Denmark, Netherlands, Norway.
(3) Portugal, Spain, Sweden, Switzerland.
(4) British South Africa, Australia, New Zealand, India, British Malaya, Egypt.
From the foregoing figures it is clear that Europe as a whole is far from stripped of gold and dollars, though in the distribution of the gold and dollars the neutral countries are in a far better position than the western liberated countries.

The other important point in interpreting the figures is that the availability of these gold and dollar assets, and more largely of the hoarded gold and privately held dollars or investments, depends on the confidence the nationals of these countries have in the policies their governments follow and especially in the stability of their currencies.

This principle was illustrated in the case of France in the middle '20s. The condition of France appeared to be desperate, but when Poincare stabilized the currency and the government stopped borrowing from the central bank, French money began returning from abroad and coming out of the ground. France went into a period of prosperity with ample funds provided by her own citizens and without the need of any foreign credits.

(2) Credit Facilities Already Made Available

Dollars already made available for foreign countries under existing credit programs total twenty-three billion dollars. Of this approximately eleven billion dollars has been drawn down through July 1947 leaving a total of twelve billion dollars thus far unutilized and available to meet needs which may arise. The details of these programs are shown in the following table.
### TABLE 2 - POTENTIAL SUPPLY OF ADDITIONAL DOLLARS UNDER EXISTING PROGRAMS

(in millions of dollars)

<table>
<thead>
<tr>
<th>Available or Potentially available</th>
<th>Funds drawn through July '47</th>
<th>Unutilized</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>U.S. Government lending</strong></td>
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</tr>
<tr>
<td>Export-Import Bank loans</td>
<td>3,500</td>
<td>1,820</td>
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<tr>
<td>Lend-lease &quot;pipeline&quot; credits</td>
<td>1,500</td>
<td>1,250</td>
</tr>
<tr>
<td>Surplus property credits</td>
<td>1,150</td>
<td>950</td>
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<tr>
<td>Ship sales credits</td>
<td>210</td>
<td>160</td>
</tr>
<tr>
<td>Loan to United Kingdom</td>
<td>3,750</td>
<td>2,760</td>
</tr>
<tr>
<td>Monetary stabilization credits</td>
<td>287</td>
<td>9(b)</td>
</tr>
<tr>
<td><strong>International Institutional Lending</strong></td>
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<tr>
<td>International Bank</td>
<td>3,266(c)</td>
<td>100</td>
</tr>
<tr>
<td>International Fund</td>
<td>3,396(d)</td>
<td>58</td>
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<td><strong>U.S. Gov. Relief and Special Aid</strong></td>
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<tr>
<td>U.N.R.R.A.</td>
<td>2,700(e)</td>
<td>2,700</td>
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<tr>
<td>Post-U.N.R.R.A. relief</td>
<td>332</td>
<td>-</td>
</tr>
<tr>
<td>Relief in occupied areas</td>
<td>1,600</td>
<td>1,000(e)</td>
</tr>
<tr>
<td>Greek-Turkish aid</td>
<td>400</td>
<td>-</td>
</tr>
<tr>
<td>Philippine aid program</td>
<td>695</td>
<td>170(g)</td>
</tr>
<tr>
<td>International Refugee Organization</td>
<td>71</td>
<td>-</td>
</tr>
<tr>
<td><strong>Grand Total</strong></td>
<td>22,857</td>
<td>10,967</td>
</tr>
</tbody>
</table>

(a) Shipments held up, balance not likely to be utilized; (b) March 31, 1947; (c) U.S. capital subscription of $3,175 million plus dollars paid in by other countries through March 31, 1947. Authorized lending power of Bank is $8 billion; (d) U.S. quota of $2,750 million plus gold paid in by other countries through May 31; (e) Estimated approximate cost; (f) Appropriations for fiscal year ending June 30, 1948, as accepted by Congress; (g) $100 million made available in surplus materials.

Sources: Miscellaneous, including Export-Import Bank reports, Daily Statement of U.S. Treasury, Treasury Bulletin, Survey of Current Business, reports of the International Bank, Budget for fiscal year ending June 30, 1948, etc.
In considering the availability of these funds it should be noted that in most cases their uses are rather closely specified. Of the twelve billion dollars, for example, half is in the hands of the International Bank and the International Fund. The International Bank has a broad charter enabling it to make loans for development and reconstruction, but only when the borrowing country presents a sound program which gives evidence of capacity to repay the loan over a period. The International Bank is now organized after some difficulty and going forward with its program. It has already made some loans of two hundred fifty million dollars to France, one hundred ninety-five million dollars to Holland, and forty million dollars to Denmark, and more are under consideration.

The International Fund is more closely limited in its utilization and its charter is interpreted to mean that it can only be drawn upon for temporary use in connection with fluctuations in the balance of payments. It is, therefore, not available for relief or for long-term deficits in the balance of payments, or for reconstruction and development. It is rather a kind of central bank for central banks to be called upon only when a country has worked out a financial program which offers a degree of permanence. It should be a powerful aid in assuring the success of such programs when they are put into action, for it has the effect of increasing monetary reserves available.

The Export-Import Bank is dedicated as its name implies to the financing of United States exports and imports. This is a most useful function in stimulating the flow of goods and credit, but again is not available for relief or reconstruction and development.

In addition to the dollars which the United States has made available and dollars contributed to the International Bank and Fund by other countries, it should be noted that a number of European countries and particularly Canada, Switzerland, and Sweden have extended substantial credits to meet the current difficulties in Europe. The principal such credits are shown in Table 3.
TABLE 3 International Postwar Loans and Credits Granted up to June 1947 by Countries Other Than the United States (in millions of dollars)

<table>
<thead>
<tr>
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<tr>
<td>U.K.</td>
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<td>France</td>
<td>242</td>
<td>454</td>
<td>39</td>
<td>80</td>
<td>179</td>
<td>25</td>
<td>5</td>
<td>27</td>
<td>7</td>
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<td>21</td>
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<td>50</td>
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<td>1,857</td>
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<td>96</td>
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<td>12</td>
<td>35</td>
<td>29</td>
<td>52</td>
<td>4,404</td>
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</table>

Up to December 1946 the debtor countries had utilized about one-half of these outstanding credits. In the case of the Canadian credit to Great Britain, five hundred million dollars remained unutilized on August 1, according to a statement by Prime Minister Attlee.

(3) Gaps in Credit Facilities

From the foregoing analysis of the funds in the hands of foreign nations and made available already by credits, it is clear that there are certain gaps which we may safely predict will appear in the requirements which will be submitted by European countries. The principal such gaps appear to be the following:

(a) Farm products and fuel. A number of countries of Europe are short of food, cotton, tobacco, and fuel and the only present method of obtaining them, aside from the three hundred thirty million dollar relief appropriation, is the use of their somewhat meagre resources. The general size of the need may be judged from our wheat exports, far and away our largest item, which are estimated for this crop year at 500,000,000 bushels with a value exceeding one billion dollars. Exports of other farm products may total another billion and a half to two billion. Of course, a considerable amount of this will be purchased by countries which can afford to pay for it. Other amounts are provided for by U.S. appropriations already made; so that the amount of additional funds required to finance the program is relatively modest for this crop year, and next year should see the amount reduced.

(b) Occupied areas. Appropriations for occupied areas both for relief and for other economic aid are included in the military budgets. There is doubt, however, whether these amounts are adequate to finance a program which will lead to self support. They appear to be limited more closely to maintaining the present situation.
Probably a modest additional amount of funds put into those channels accompanied by wise economic policies would assure earlier self support.

(c) Military aid. The loan to Turkey and Greece was largely for the purpose of military aid. Probably some additional amounts will be required.

(d) The United Kingdom. The British situation is a case by itself. Partly due to exceptionally unfavorable weather conditions, partly due to inadequate economic policies, and partly to an underestimation of the difficulties, the loan to Britain is being used up far more rapidly than was anticipated, and will need supplementing. This is probably the largest single item in the European aid program.

(e) China. China again is a case by itself, and until current investigations are completed it is impossible to say what, if any, program can be worked out. Unless a program is agreed upon which offers prospect of success no amount of money would be effective. If, on the other hand, a sound economic program is presented the situation may come within the charter of the International Bank for Reconstruction and Development.

(4) Method of Procedure

In order to fill the gaps which have been outlined and aid the economic recovery of Europe which is so essential to the maintenance of world peace, and to do this with a use of financial resources which avoids inflation in the United States and does not defeat its very purpose by pauperizing the countries served, it will be necessary to utilize to the full resources already existing. The following comments as to procedure may be made:
(a) Any success is dependent on each country's mobilizing its own resources, and the establishment of confidence in their currencies is a first essential to their being able to do so. This means balancing budgets and stopping printing press inflation which is continuing in several European countries.

(b) Substantial amounts of American and other capital are ready to go to foreign countries if they are properly encouraged. This is demonstrated in the case of Mexico where large amounts of American money are now employed as a result of a favorable atmosphere in spite of heavy previous loans. The principal conditions necessary to attracting American capital are currency stability, the reduction of endless restrictions and regulations, and allowing capital to make and take home profits.

(c) The Export-Import Bank can be used for facilitating current trade, going one step beyond the activities of private banks.

(d) The International Bank can be used as a spearhead for economic reconstruction. It has the most competent staff anywhere available to examine the position of countries and to make sure that funds are wisely used. It is international in character so that it is not open to the criticism of being solely an American agency. It uses private funds and makes no call on the American national budget. For these reasons the International Bank is particularly qualified to be used to the full in meeting the current situation. The first procedure in dealing with any country should be to refer the case to the International Bank for examination. This examination will show whether funds can wisely be used in the country in question and will show whether or not the need is such that other agencies are required in addition to the International Bank.
(e) There is probably need for a continuing agency for the
distribution of farm products and fuel. As indicated above the amounts
called for need not be very large and can diminish from year to year.
Other countries than the United States ought to participate in pro-
viding the commodities required.

(f) Military requirements are obviously a special case
calling for Congressional action. Needs of occupied areas and of
the United Kingdom might be taken care of in part at least by the
agency just outlined, though they probably involve specific action of
Congress.

(5) The Marshall Plan and the Budget

The goods supplied to Europe under the Marshall Plan have
to be paid for, for farmers and manufacturers cannot be expected to
contribute their product. This means that to the extent aid is
financed by government money it becomes a charge against the national
budget and becomes in this way a factor in fiscal policy and in the
national economy.

A few major principles in relation to our public debt and
fiscal policy have now become pretty well clarified, partly as a
result of the work of the Committee on Public Debt Policy which has
published a series of reports on the subject. These principles may
be cited as follows:

(a) The National debt of 258 billion dollars, a substan-
tial part of which was financed by the creation of bank credit, remains
a highly inflationary force. Inflation is still a major danger, and
with so much of the world's economic well-being dependent on American
stability, we must avoid increasing the debt and begin to reduce it.
The present period of high income is one in which substantial payment
should be made on the debt.
(b) In the interest of preserving a dynamic economy, we must also reduce at the earliest possible moment the penalty which present taxes now place on enterprise and initiative. We cannot run the risk of continuing these wartime taxes indefinitely.

(c) Thus, our responsibilities for other countries must be kept in relationship with our domestic responsibilities for a sound and dynamic economy. What we spend abroad must somehow be fitted into a sound domestic budget, and if the foreign expenditures run into large figures, consideration needs to be given to an offsetting reduction in other costs of Government or to the levying of special additional taxes to cover these added expenditures.

The government budget for the current fiscal year reported August 20 shows a prospective surplus of 4.7 billion dollars, presumably available for debt retirement, for tax reduction, and for any additional foreign lending or other contingencies. It should, of course, be noted that the budget already makes provision of 4.3 billion dollars for international affairs and finance, exclusive of the amounts that are available through the Monetary Fund and the International Bank. This 4.3 billion dollar item is approximately 800 million dollars larger than was included in the President's earlier budget estimate in January, 1947. The increase is the inclusion of 320 million dollars aid to Greece and Turkey and a 500 million dollar increase in the estimated use of the British loan. The breakdown is shown in table 4.

TABLE 4. EXPENDITURES ON INTERNATIONAL AFFAIRS AND FINANCE IN 1947-48 BUDGET

<table>
<thead>
<tr>
<th>Subject to amplification</th>
<th>(In millions of dollars)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Treasury loan to United Kingdom</td>
<td>$1,700</td>
</tr>
<tr>
<td>Export-Import Bank Loans</td>
<td>684</td>
</tr>
<tr>
<td>Foreign relief</td>
<td>1,168</td>
</tr>
<tr>
<td>Greek-Turkish Aid</td>
<td>320</td>
</tr>
<tr>
<td>Other</td>
<td>429</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>4,301</strong></td>
</tr>
</tbody>
</table>
With respect to the reduction of the debt, a general indication of what is appropriate is provided by the resolution passed by the Senate in the last session for a reduction of one per cent, or $570,000,000 million dollars.

The tax reduction which was voted by the Congress in July and vetoed by President Truman, would have provided a probable reduction in revenues of some 4 billion dollars, or in terms of the current fiscal year, 2 billion dollars, because it would only be effective January 1st. These figures indicate the general magnitude of these demands upon the budgetary surplus. There may be a little more leeway in 1949 - if business continues active.

**SUMMARY**

First, over against the world's need for dollars other countries have themselves a substantial amount of dollars, though these dollars are unevenly distributed. The liberated western countries show a continued decline in their official dollar holdings to a point about half those of 1939. In addition to official holdings it is notable that in many countries there are large amounts of gold hoarded by their citizens and substantial amounts of dollars in the United States which their governments have not been able to recover from their citizens. A restoration of confidence in the currency of those countries would itself do a great deal to relieve their difficulties with respect to funds as well as with respect to the distribution of their product among their own people.

Second, the United States has already extended credits to foreign countries totalling approximately 23 billion dollars of which some 11 billion dollars has been drawn upon and over 12 billion remains. The bulk of this is in the International Bank and the Monetary Fund and in the Export-Import Bank. These existing agencies have substantial means to meet the needs of countries which put their houses in order and so qualify themselves for credits.
Third, the principal gap in the credit facilities now available to meet European needs is for farm products and fuel. While provision has already been made for considerable distribution of these commodities, present facilities cannot fully meet the need. In addition there are special situations in the occupied areas with respect to military aid and, above all, in relation to the United Kingdom, which require consideration. China at present has not qualified for aid.

Fourth, with respect to procedure, the first desideratum is that each country should mobilize its own resources, and especially establish confidence in its currency as a first step. Then every effort should be made to utilize the force of private enterprise and the government facilities already provided. Only then should additional American taxpayers' money be employed.

Fifth, our government's budget for the current fiscal year shows a surplus of 4.7 billion dollars available for the reduction of the debt, for tax reduction and for additional foreign aid. The present budget already makes provision for 4.3 billion dollars for international affairs and finance, exclusive of the amounts available with the Monetary Fund and the International Bank.
August 26, 1947.

Dear Bill:

In working up material for the President’s committee of nineteen on foreign aid, I have been assigned the financial aspects, and the attached is a second draft which will be considered at a meeting of our subcommittee next Friday. Needless to say it will need further revision, and particularly the figures on the use of credits and the budget figures on which I had to do a little guessing.

I thought you would like to see a copy, and I should be very happy to get any suggestions you may have.

Sincerely yours,

W. Randolph Burgess
55 Wall Street
New York 15, N. Y.

Mr. William McC. Martin
Export-Import Bank
Washington, D. C.
Dear Mr. Martin:

I am returning herewith the letter from W. Randolph Burgess to which is attached a copy of a draft entitled "Financing the Marshall Plan," which I have read with interest.

Thank you very much.

Sincerely yours,

Frank A. Southard, Jr.
Director, Office of International Finance

Mr. William McC. Martin
President, Export-Import Bank
Washington, D. C.
September 8, 1947

Dear Mr. Perkins:

In the absence of Mr. Martin, who is out of the country at the present time, I am acknowledging receipt of your informal notes on the Marshall Plan. These will be brought to his personal attention immediately on his return.

Sincerely yours,

/5/

Secretary to Mr. Martin

Mr. Milo Perkins
723 - 15th Street, N.W.
Washington, D. C.
September 3, 1947

Dear Bill:

After our recent talk on ways in which the Marshall Plan might be implemented I put an outline of my thoughts in writing. A copy is enclosed for your information.

Yours,

Milo
INFORMAL NOTES ON THE MARSHALL PLAN
by
MILO PERKINS

The most vital current issue in Washington is the Marshall Plan and what might be done to implement it. In his speech at Harvard, and in subsequent comments on it, Secretary Marshall enunciated four important principles:

1. That henceforth we would put more emphasis on economic rehabilitation and less on political negotiation.

2. That henceforth we would try to take an overall, rather than a piece-meal, approach to the problems of Europe.

3. That in extending any aid our policy would be to help those who help themselves and that the initiative for recovery must come from Europe itself.

4. That the Soviet Union and her Eastern European satellites were not to be excluded from a European aid program.

The speech was well received in the United States. Europe promptly read her own desperate needs into Secretary Marshall's generalizations. Within a week what was really a broad policy statement became known as the "Marshall Plan." Many programs to implement this proposal are now in the making but the thinking is still very fuzzy. Our State Department people are waiting for something concrete to come from Europe, and in the meantime are so preoccupied with immediate matters that they haven't an adequate amount of time to do the long range thinking it would be so desirable to do.

Their hours are spent with concern over such problems as how to save the I.T.O. from utter emasculation; how to get some token cut in tariffs out of the
Geneva parleys; how to step up industrial production in the Ruhr, particularly of coal; how to prevent the shortage of dollars abroad from hurting United States business through a sharp cut in exports by winter; and how to present appropriation bills for foreign aid to a Republican Congress in such a way as to get them passed in an election year. The majority of officials in the United States Government concerned with the Marshall Plan, therefore, are not prepared to take the bold steps which I think the present situation requires.

There is a growing minority however, supplemented by outside opinion which takes a very different view of the matter. The inadequacy of our policies during the past two years has become more and more apparent to people and a surprising number are now ready to try a new approach that is basic and sweeping. The thinking of this group is bold and imaginative and, to me, highly significant. It runs as follows:

The withdrawal of the Soviet Union from the Paris Conference is probably a more serious thing for the world than was Munich. Russia probably dared to risk blame before the court of world opinion for her withdrawal because of her conviction that Western Europe is not an economic unit, that it is incapable of being integrated into an effective bloc, and that the Western world lacks the bold leadership requisite to achieving an integration in any substantial area of the world not now dominated by the Soviets.

The bold line of thinking starts then with the conviction that the great challenge to the Western world today is to find strength through economic integration. It would leave the door open to Eastern European countries, or to any separate republics of the Soviet Union, or to the Soviet Union itself, if any of
them subsequently cared to join in whatever program the Western nations might have worked out. Quite independent of them, however, it would do everything possible to increase production in that half of the world where its actions would not be subject to veto.

With this as a fundamental premise, this group feels that President Truman's committee, under Secretary Harriman, to study what the United States can "spare" for aid to Europe is a static and timid approach. Any estimate at the time of Pearl Harbor as to what we might have "spared" to win the war would certainly have been a figure that would have lost the war. The emphasis should not be on how many dollars we can spare to aid Europe, but rather upon what kind of business climate the Western world can establish which would have a reasonable certainty of increasing production and trade. Looking at the problem largely from an American point of view, the logic then runs as follows:

If the barriers to the free movement of people, money and goods, which now exist in Europe were transposed to the forty-eight state boundary lines within the United States, this country would be completely paralyzed in forty-eight hours. No amount of government loans from the Federal Government to the State Governments would be able to cure the basic sickness. The existence of these barriers in a state like Montana for example, would make it impossible for the people of Montana to send their copper and wheat, their metals and lambs and cattle, or their wool to market in the other forty-seven states.

If the Governor of Montana were seeking a loan under such conditions from the Federal Government for a billion dollars, he could do very little more with it than put the people of Montana on dole. He could buy textiles and other
goods which are not produced in Montana and distribute them to the population, but sooner or later the money would run out and Montana's situation would be unimproved. The game could go on only so long as the Federal Government could find additional billions to put out. Production, meanwhile, would fall badly and living standards would go below the level of austerity.

This group feels that loans to European countries now present a parallel situation unless they are definitely used to help create a trade climate within which people, money and goods can move freely.

As a bold proposal, therefore, this group would convene a meeting of representatives of the United States, the countries of Western Europe, Latin America, the U.K., and the English speaking peoples of the British Empire. They would not go so far as to propose political union, but they would propose three major treaty agreements, as follows:

1. The Free Movement of People

They would agree to a plan whereby any citizen of one of the countries included could go freely to any other member country for a period of six months virtually on a post card, such as is now used by the Mexican Government to encourage tourist trade. There would be a simple declaration of intent to return to the country of origin in half a year, backed up by the purchase of round trip transportation plus a signed statement indicating awareness of the penalties to be imposed if return were not made in six months. This wouldn't solve the basic problem of necessary population shifts within the whole area, but it would be a very good start, and it would save the time of men for the central job of more production which is now being wasted on complicated travel technicalities.
2. The Free Movement of Goods

A one hundred percent outright customs union would be proposed with no tariffs or barriers other than transition import quotas for luxury goods while the program was being established. With the low productivity now existing in the rest of the world, United States imports would probably not increase by more than a billion dollars a year under such a proposal during the first couple of years. The pressure groups wanting high U. S. tariffs might conceivably be snowed under by an awakened citizenry determined not to let the Western world fall apart at the seams. A program this imaginative might be easier to sell than a twenty-five percent cut in the U. S. wool tariff.

3. The Free Movement of Money

The International Monetary Fund would next value with realism the currencies of the countries involved vis-a-vis the dollar and vis-a-vis each other with international agreements on sanctions against deliberately inflated currencies after re-valuation, which could be enforced through the International Monetary Fund. Some fifteen or twenty billion dollars would be pledged to underwrite the absolute convertibility of these currencies for twenty years. The bolder the move on this front the less chance there would be of the Fund having to be drawn upon. When businessmen know they can get their money out of a given area when they want it, they are quite happy not to take it out. Only through this guarantee of absolute convertibility can there be the volume of private investment from the U. S. to the rest of the world adequate to do the job before us. That volume of private investment under the conditions outlined
would far exceed any conceivable volume of government loans. These are the
dynamics of how a competitive enterprise system works.

If a conference of the eastern seaboard states had been called in 1880 to
explore what they might "spare" for the industrialization of the western and
southern states, five hundred million dollars probably would have looked like
an astronomical figure. And yet in the sixty-five years which followed tens
of billions of dollars were invested in the west and the south from eastern sea-
board sources under a set of economic conditions wherein people, money and goods
were able to move with freedom. As a great creditor nation, the U. S. now holds
a position with respect to the rest of the Western world which is not dissimilar
to that of the Eastern seaboard with respect to the rest of the U. S. in 1880.

There is not much political chance of anything so bold as this being ac-
cepted in the immediate future before the '48 elections although there has been
virile support for such a program by eighty percent of the business men inter-
viewed and about a fifty percent level of support from so-called liberal groups.
All the business men were one hundred percent in favor of this approach as an
ultimate goal, but some twenty percent felt that a customs union in Western
Europe, possibly open to certain Latin American countries, should come before
U. S. membership in such a program.

It is my own view that while we may have another year or two of temporiz-
ing with the foreign lending situation, before 1950 the Western world will either
have to attempt something along these lines or watch the Communists make further
inroads in this whole area. Quite obviously a thorough program of popular edu-
cation would be a prelude to U. S. support. I think there is a growing chance
of getting it.

Responsible news reports on the Paris Conference now indicate estimates by the technicians of roughly \(7\frac{1}{2}\) billion dollars a year for four years as the amount necessary to implement the Marshall Plan. These reports also indicate that the political leaders of Western Europe are deeply concerned that such a large figure might receive a very adverse Congressional reaction in this country.

If the minority group opinion outlined in this memorandum were to become the majority opinion and if a program were to be built around it, grants to European countries for four years of some 3 billion dollars a year would still be necessary. But private investment would doubtless take hold at a level which would reduce substantially the drain on United States Government finances.

This is not to say that the new program would be easy. Differences in price and wage levels among the nations of the Western world, their unequal monetary reserves and trade balances with third countries, their divergent internal budgetary and monetary policies and their foreign exchange controls would all present very real hurdles.

These difficulties have to be weighed, however, against the even greater difficulties this country would have to face if there were widespread economic collapse beginning in Western Europe.
The basic objective of the program, as understood by the Treasury staff, is to bring about the economic recovery of those European countries which are willing to cooperate on the basis outlined in Secretary Marshall's Harvard speech. This economic recovery is to be achieved by the cooperative effort of all European participating countries and by the U.S. making available to such countries those commodities and services which they cannot provide for themselves. The U.S. aid is not to be given unconditionally. The U.S. will wish to assure itself that the European participating countries are: (a) maximizing their self-help, and (b) making most effective use of U.S. aid.

Listed below in outline form are a number of questions which will need to be resolved if the above program is to be carried out. Present State and Treasury thinking with respect to certain of these problems is indicated.

I. Administration of Program

A. Should the program be administered through existing agencies or should a new agency be created?

(State and Treasury are in agreement that a new agency should be created.)

B. Should the relationship of the new agency to existing agencies of the Executive Branch be in the direction of autonomy as in the case of Export-Import Bank and I.F.C. or in the direction of complete State Department control and administration as in the case of the Greek program?

(State and Treasury agree that the Administration must press strongly for effective executive control of the new agency. The nature and form of the executive control has yet to be decided. Treasury believes that complete State Department control and administration as in the case of the Greek Aid Program would be undesirable. Treasury has not yet formulated a view as to whether the proposal now being advanced by State is a satisfactory one. In the general question of executive control, you are aware of the sentiment that apparently exists in Congressional and other circles in favor of an autonomous agency largely free from executive control.)

The State Department is now making the following proposal concerning administration of the program:

A new organization called the European Cooperation Administration, headed by an administrator appointed by the President and confirmed by the Senate, would be established. The staff of the new organization...
would be very small and the actual execution of the program would be
handled largely through existing government agencies. The State Depart-
ment envisages that it would retain effective policy control of the
administration.

3. To what extent should Congress have continuing participation in
the administration of the program?

(State and Treasury presently feel that it would be preferable if
Congressional participation could be in the form of establishment of a
joint Congressional committee which would follow the program closely and
report its conclusions to the Congress but which would not attempt an
executive role.)

4. Should there be a continuing organization of the participating
European countries?

(It is the present view of both State and Treasury that some form
of continuing organization of European participating countries is neces-

sary. The GEC delegates in Washington feel that such an organization
should be advisory in form with the United States a formal participant.
State Department believes that United States contact with the European
organization should be through a special representative with embassatorial
rank.)

II. Financial Policy Questions

(Problems listed in paragraphs A, B, C, D, E, F and G are presently
receiving consideration by the GEC Staff Committee. The Staff Committee’s
tentative views on certain of these questions are indicated.)

A. Form of Aid—Grants or Loans

The Staff Committee has agreed that from a strictly economic point
of view the most defensible formula for determining whether aid for
financing imports to European countries should be in the form of grants
or in the form of loans would be one based upon the capacity of each
country to repay. As a practical guide to this general formula the fol-

lowing principles should be observed:

1. Imports of current supplies, such as food, fertilizer, and
fuel which are quickly consumed, and of indispensable items of capital
equipment, such as for replacement, and of minimal amounts of raw
materials, may appropriately be financed by means of grants where need
is clearly demonstrated and where repayment cannot reasonably be expected.

2. Imports of other capital equipment and raw materials, which
may be expected to help produce means of repayment, should be financed
by loans where repayment can reasonably be expected.
B. Commitments from Recipient Countries as to Internal Financial Policy

(1) To what extent should the United States require recipient countries, as a condition precedent to the receipt of aid, to agree to adopt measures to affect necessary currency, fiscal, and other financial reforms?

(2) Should recipient countries be required to give full information on any matter affecting their need for United States aid?

The MAC Staff Committee has not reached a final conclusion on this matter. The Treasury staff view is that it will be necessary to obtain such commitments and for the United States to receive information as to the measures taken in connection with internal financial reforms the precise nature, form and extent of such commitments would have to vary in particular cases. Accordingly the legislation should be general in terms on this subject.

C. Stabilization Loans

Should authority be requested at this time to make stabilization loans?

The majority of the MAC Staff Committee believes that while it may become highly desirable at a future date to obtain authority for a program of general stabilization loans, it would not be feasible to request such authority from Congress at this time. Instead, in the course of presentation of the program to Congress the possible future need of such assistance would simply be mentioned.

D. Multilateral Clearing (Sovacul)

The proposal was made at Paris that a multilateral clearing system be established among the countries participating in the aid program. The establishment of the system proposed would require the United States to supply several billion dollars. The Staff Committee has not yet reached a conclusion on this proposal. It is the Treasury staff view that the United States should oppose the proposal in question to the extent that it requires the United States to furnish dollars. It is felt that any such proposal to Congress would jeopardize the position of the International Monetary Fund.

E. Liquidation of Gold and Dollar Reserves and Investments

The MAC Staff Committee has not yet reached a conclusion on this matter. The Treasury staff view is that when the holdings of countries are below their minimum necessary reserves they should not be required
to liquidate them further. The Treasury staff view as to investments is that countries should not be required to liquidate such investments.

F. Policy Governing Revision of Exchange Rates

The DAC Staff Committee has agreed that revision of exchange rates should not be a prerequisite to receipt of aid from the United States but should be considered by the particular countries as a part of a developing program of internal stabilization. The recipient countries should undertake that when, in the opinion of the United States Government, their exchange rates are imposing an unjustifiable burden upon the balance of payments they will consult with the International Monetary Fund with respect to revision of their rates.

G. Loans or Guarantees to American Business Enterprises

Should American business enterprises be stimulated to participate in the Recovery Program by means of government guarantee of new investments by them in participating European countries?

H. Financing the Aid Program

Should the basic legislation provide the funds for the entire aid program over a period of years or should the program be financed entirely on an annual basis?

I. DAC Coordination of Financial Aspects of Program

Should the basic legislation specifically provide that the financial aspects of the program are to be coordinated by the DAC in the same manner that the DAC presently coordinates foreign financial operations of other agencies?

(Treasury staff believes that such a provision should be included in the basic legislation.)

J. Strategic Materials

To what extent should recipient countries be required to deliver strategic materials as a condition of aid?

Comment: Treasury staff is thinking in terms of such a requirement. The ramifications thereof are not yet fully realized. State proposes to get strategic materials only upon dollar payments with some control over the use of the dollar.

K. Offshore Purchases

Should the Aid Program legislation provide for possible procurement outside of the United States?
MAC Staff Committee is of the view that a large portion of the funds should be available for the purchases in third countries.

III. Domestic Economic Problems

A. To what extent will it be necessary to obtain from Congress and exercise priority and allocation powers and how shall such powers be exercised?

B. Should the basic legislation provide for the determination from time to time of a United States export capacity beyond which the administering agency could not extend aid?
Secretary Snyder

Messrs. Southard and Lynch

Issues Involved in European Aid Program

October 24, 1947

1. There is attached hereto a memorandum which we have prepared to outline the principle issues and problems which will arise in connection with the formulation of the European Aid Program. We thought you might find this of interest at this time and might wish to give us some of your reactions.

2. We expect to keep this memorandum up-to-date as the task of formulation goes forward.
Secretary Snyder  

Mr. Lynch and Mr. Southard  

Present Status of the European Recovery Program  

November 7, 1947  

1. The State Department is presenting the main outline of the ERP to the Bureau of the Budget today. Accordingly, it is now possible to outline the Program to you with reasonable assurance that it will reach the Cabinet in substantially this form. We are summarizing the Program under three headings: General Orientation, U.S. Organization, and Main Elements. We also attach hereto a more detailed outline which has been approved by the Interdepartmental Advisory Steering Committee. 

2. General Orientation 

(a) Fundamental Reasons for the ERP. Our civilization has come to a time of decision. Economic collapse in Europe may force these countries to turn away from their heritage of free institutions. Hence, since Europe cannot prevent this collapse without our assistance, we must help them meet the basic requirements of recovery. 

(b) The European situation is one of disruption and dislocation due to devastation, breakdown in trade, human exhaustion, internal financial disequilibrium, and political instability. 

(c) The approach to a solution was set by the Secretary of State in terms of American assistance on the basis of "agreement among the countries of Europe as to the requirements of the situation and the part those countries themselves will take in order to give proper effect" to U.S. action. From this statement stemmed the Paris Report. 

(d) The Paris Report is accepted as a remarkable achievement which states the European problem and expresses an economic recovery program aimed at freeing Europe from abnormal dependence on outside aid by the end of 1951. This Program is based on four major points: 

(1) A strong production effort by each participating country. 

(2) The creation of internal financial stability. 

(3) The maximum cooperation between the participating countries. 

(4) A solution of the deficit with the American Continent. 

Self help by the countries concerned and mutual help between them is a basic assumption. Targets to be achieved by 1951 are set for cereals, coal, electricity, oil refining, crude steel, inland transport, and merchant fleets.
The Report recognizes that the creation of internal financial stability is a necessary condition to recovery. The over-all four-year total dollar deficit is estimated at $22.4 billion, not including any stabilization loans. Of this amount, $3.1 billion might be financed through the International Bank or the money market.

(a) Appraisal of the Paris Report. If anything, the European problem is even more grave than outlined in the Report, but the program of action proposed is generally sound and courageous. This does not mean, however, that the plan will not require modification in some part.

2. U.S. Organization

A proposal for a U.S. organization to administer the ERP, initiated by the State Department, has been approved by the Advisory Steering Committee. Necessary provisions to carry out the proposal have been set forth in draft legislation prepared by the State Department which will be submitted to the Bureau of the Budget on November 7. In explaining the legislative provisions, the Legal Advisor of the State Department stated that Secretary Marshall, who is fully aware that different proposals for administration have been advanced (e.g., by the Harriman Committee and the Budget Bureau), feels that the matter of organization is for determination by the President and the Congress and accordingly will take a "neutral" position.

Under the proposal in question, primary responsibility for the administration of the program in the United States is placed in a new agency called Economic Cooperation Administration (ECA), headed by an Economic Cooperation Administrator to be appointed by the President, by and with the advice and consent of the Senate, and to receive compensation at the rate of $25,000 per annum. The actual execution of practically all of the program in the United States—e.g., determination of availabilities, allocations, procurement, etc.—would be handled by existing U.S. agencies with active State Department participation at nearly all stages.

The functions of ECA abroad would be handled (a) through strengthened staffs in the U.S. Embassies and Legations in the participating countries, and (b) through a special U.S. representative, with Ambassadorial rank, at the seat of the Continuing European Organization. Thus all activities abroad—e.g., negotiation of agreements and all other dealings with participating countries—would be handled by personnel under the direct control of the Secretary of State and not of the Administrator.

In the draft legislation, effective State Department control of the activities of the ECA is assured by a clause which provides: "All those functions of the Administration which involve the foreign policy of the United States shall be performed subject to the direction and control of the Secretary of State."
As noted above, two somewhat different organizational proposals have been advanced by the Harriman Committee and the Budget Bureau.

(a) Harriman Committee Proposal. This plan contemplates the establishment of a new agency, but one substantially independent of the Department of State. The head of the organization, also a Presidential appointee subject to Senate confirmation, would be made chairman of a newly-created Interdepartmental Board (in which the Secretary of State would have a leading role), which would decide broad major policy questions. He would also be made an official member of the IFC and of the Advisory Board of the Eximbank. The new organization would be represented abroad by a person reporting directly to its head and responsible for all United States operations in Europe in connection with the ERP. A staff directly responsible to the new organization (and not to the State Department) would be assigned to each participating country.

(b) Budget Bureau Proposal. The Budget Bureau has submitted to the President a memorandum containing recommendations as to the administration of the ERP. (A copy of the report has been forwarded to you by the Director of the Bureau of the Budget.) This memorandum attempts to review and assess the merits and demerits of both the State Department and the Harriman Committee proposals, and comes forth with a third proposal. The plan is basically similar to the State Department proposal except that it would place the new Economic Cooperation Administration directly under the Secretary of State in form as well as in fact—the Administrator would rank immediately after the Under Secretary of State, and his deputy would have all of the functions and rank of an Assistant Secretary of State.

The Budget Bureau objects to the State Department proposal because it does not give State Department enough control of the ERP, and objects to the Harriman Committee proposal because it gives the State Department even less control of the ERP than does the State Department proposal.

3. Main Elements of the Proposed Program of U.S. Aid

(a) Amount of Aid. It is impossible to determine in advance firm figures for a four or five-year program. The requirements until the end of fiscal year 1949 can be determined with greater precision. The Department of State will probably propose a figure of about $7 billion, not including any item for stabilization loans. The State Department also will probably propose that an over-all figure for the four or five years be stated. It will probably be around a range figure of $17 to $21 billion.

(b) Method of Financing. The present plan is that funds will be provided by annual appropriation. It has not yet been decided whether to ask for an authorization of a specific total amount covering the entire period.

(c) Character and Scope of Aid. The Program is aimed at genuine economic recovery and not mere continuation of relief. In general, normal
procurement channels will be used and maximum authority will be requested
to expend funds outside of the U.S. This authority will probably be closely
scrutinized by Congress. If it cannot be obtained, either the capacity of
the rest of the Western Hemisphere to contribute to the European recovery
will be sharply curtailed, or the U.S. will be confronted with requests for
direct aid to Western Hemisphere countries such as that now being pressed
by Canada.

(d) Form of Aid.

(1) Money vs. Commodity. The aid should be confined neither
to lump-sum advances of money to European countries nor to deliveries of
specified quantities of a selected list of commodities. The law should
permit considerable flexibility in this respect.

(2) Grants vs. Loans. The aid which is involved is too large
an amount to justify adding it as a fixed charge to European balances of
payments for years to come. The bulk of the aid should be in the form of
grants and only a relatively small part in the form of loans. The capacity
to repay in dollars in future is the general test of the advisability of
making loans. In practice it is likely that the bulk of the current sup-
plies of food, fertilizer, and fuel and of some indispensable items of
capital equipment and raw materials would be handled on a grant basis, while
capital equipment and a portion of the raw materials would be handled on a
loan basis.

(e) Tapping the U.S. Money Market. Every effort should be made to
divert as large a share as possible of the loans to the International Bank
or the private money market. If some form of guarantee can be worked out
many American companies with subsidiaries in Europe (particularly petroleum
companies) will be willing to use their own funds for expansion of their
European facilities.

(f) Stabilization Loans. The Program should include provision for the
extension of stabilization loans at the appropriate time. These loans would
be designed primarily to key in with an over-all stabilization effort. If
this effort is successful there would be little need to draw against the
loans although we must be prepared to allow such drawings to be made. The
amount which might be needed cannot be predicted; an initial request for
about $1.5 billion has been agreed on at the technical level. It is also
felt that the U.S. Treasury should exercise this authority. It has not been
decided whether funds should be provided by annual appropriation or by public
debt transaction.

(g) Multilateral Clearing Arrangements. The European countries have
considered among themselves, and would no doubt propose to us if they
thought it would do any good, the desirability of setting up a multilateral
clearing union to include all of the participating countries. The debit
balances in this union would be settled with U.S. dollars provided by us.
The best technical opinion in this Government is that we should not propose
to the Congress any allocation of funds for this purpose. We should, how-
ever, encourage the European countries to enter into multilateral clearing
commitments with each other. On occasion, the authority to procure outside
of the U.S. might be used to relieve some of the dollar stresses within
Western Europe which were causing a breakdown of multilateral clearing—
e.g., we might buy German coal for delivery to France.

(h) The Treatment of Local Currencies. These currencies would com-
prise the equivalent of the landed cost of the commodities supplied to
Europe under grants as against loans. As you know, this is a most contro-
versial aspect of the whole Program. The Financial Committee believes that
neither the law nor the bilateral agreements should bind the European coun-
tries to spend these currencies only under the direct scrutiny or with the
specific approval of the U.S. Government. There should, however, be a com-
mitment which would give the U.S. broad control over the currencies Mr.
Lovett is playing with the idea of trusting the currencies to the Continu-
ing European Organization.

(1) Exchange Rates. Exchange rate readjustments are going to have to
be made by most of the European countries in the course of their recovery.
It is the judgment of the technicians, however, that such revision should
not be regarded as prerequisite to the initiation of an Aid Program, but
that the U.S. should have the right to require the participating countries
to consult with it or with the International Monetary Fund with respect to
revision of their rates.

(j) Internal Financial and Monetary Policy of the Participating
Countries. Both the law and the bilateral agreement should require the
European countries to take positive steps to put their internal financial
and monetary houses in order. We do not believe, however, that the U.S.
should lay down specific programs and endeavor to enforce them by direct
action.

(k) Bilateral Agreements. A bilateral agreement will be negotiated
and signed between the United State and each participating country. These
agreements will set forth a series of commitments undertaken by each coun-
try to do the following things:

(1) To take the necessary financial and other measures to
achieve and maintain stability;

(2) to use its best efforts to reach the production targets
and generally to maximize production;

(3) to cooperate fully with other participating countries in
facilitating the interchange of goods and services;

(4) to cooperate with other participating countries in deter-
mining the best utilization of resources;
(5) to cooperate in the effective use of manpower;

(6) to facilitate the procurement by the United States of strategic materials;

(7) to deposit in a special account local currency equivalent of aid in the form of grants by the United States, and to use this currency only in a manner mutually agreed between the two governments; and

(8) to undertake certain other minor commitments.

(1) Role of the NAC. It is planned that the operating policies of the new Agency or Corporation will be coordinated with the related activities of other Government agencies. As to the NAC, the State Department paper now has this language in it:

"Methods of financing, such as the choice in any given case of grants-in-aid or loans, and the use of ERP loans as against support through the International Bank or the private money market, must be established in the light of national financial policy determined through the National Advisory Council, and NAC concurrence should be required on the financial aspects of the formally certified programs of the BCA."

However, it is not now planned to mention the NAC in the draft legislation.
November 18, 1947

Mr. William McC. Martin  
Export-Import Bank  
Washington D.C.

Dear Bill:

The enclosed statement by Congressman Dirksen contains such an interesting suggestion, pages six to nine, that I am taking the liberty of calling it to your attention.

With all good wishes.

Sincerely,

Enclosure

Mike
Testimony of the Honorable Everett M. Dirksen before the Committee on Foreign Affairs, House of Representatives on Interim and Long Range Aid, November 18, 1947.

I. Introduction

Nearly 1700 years ago King Pyrrhus joined battle with a Roman Army at Heraclea. He won a victory but at great cost, and even today the term "Pyrrhic victory" still means a costly victory. If peace and freedom shall ultimately be casualties of World War II, it will have been a costly victory indeed. Today we are confronted with the ironical task of providing healing for the very countries whom we defeated in conflict, and of continuing the struggle for a peace that is gradually slipping away, and for freedom which has in large measure been leached away since VE Day.

II. There Must Be Justification For Aid.

War is a form of political action which is justified only as it relates to and involves the welfare of our country and our people. What is now proposed is a different kind of political action in which food is used instead of fireworks, and money instead of munitions, to bring about construction and not destruction. But the goods and foods which it is proposed to be provided must finally come from the people and it is to them that our action must be justified.

III. The Problem is Moral.

Ruined cities have no significance except as people dwell there; inflated currency means nothing except as people must exchange it to live; Communism is important because it enslaves
people and more people; Ruhr coal has no value except as it
warms people or powers machines which provide goods and services
for people; imminent collapse in Europe has significance only
because it means hunger, despair and desperation for people.
Today, we are dealing with human beings - with people.

IV. The Moral Problem Important To Us.

Continued stagnation might mean keeping other countries
on the backs of American taxpayers for an unknown number of
years; that stagnation might produce an economic corpse which
could infect the whole world; desperation born of hunger and
intimidation makes easy prey for Communism; enslaved people
no longer free to accept the produce of our soil and products
of our industries would compel a reordering of our own free
economy. The collapse of freedom and human dignity in so
substantial a manner in Eastern Europe, and the determination
of the Soviet Union to swallow the rest of Europe, whether by
cold war or hot war, means that ultimately the westward thrust
of Communism would be aimed directly at us, if it succeeded
in its European design. The Soviet Union is preaching the in-
evitability of war and it is preparing for it. There is still
a chance -- no matter how slender it may appear at the moment --
to avert it and to set the stage for rolling back this evil
force and retrieving a sane, orderly and decent world.

V. There are Three Choices Before Us.

1. We can abandon Europe, abandon peace and abandon
hope. If it is proposed to abandon Europe--and there are some
although not many who would follow this course--then let it
be an efficient job with a full appreciation of its implications. Such a course would mean retreat from the Elbe, retreat from Europe, the return of our troops, and the end of substantial trade relations. It would mean new burdens in our own hemisphere. It would mean an immediate start on an insuperable army, navy and air force. It would mean, finally, regimentation of industry and agriculture. It would mean that the Kremlin would take over. Czechoslovakia would be next on its list. Then would come Austria and then Germany. Thereafter France and Italy would be reasonably easy. Those, in my opinion, are the implications of abandonment. To do so would be the greatest disservice to mankind that could have been rendered by any nation in any generation of the world's history.

2. The second choice—niggardly aid. We could provide sufficient aid to appease our consciences but not enough to do the job. One might call it going the "first mile". But it is the second mile that really counts and completes the journey. If our aid is too little to live on and too much to die on, it would be the most inefficient thing we could do because it would bring neither vitality nor incentive nor good will nor freedom from fear nor avoidance of the same result that would be achieved if we were to abandon Europe. It would be a slower and more painful process of turning the Continent over to Communism.

3. The third choice -- immediate, adequate, aggressive, selective aid.
Whatever aid we render must be immediate because time fights on the other side. Hope must be stirred and aid is the vehicle for hope. The formula should be "Do it, do it now, do it right."

It should be aggressive. Food, fuel and credit are weapons in a cold war. Let us use them as weapons and quit pretending. Let us publicize our aid. We are playing for keeps. Too long we have played the role of depositing a charitable gift on the back doorstep after sundown. These are weapons for freedom and for peace.

It should be selective and there should be flexibility in administering relief. Selectivity requires a proper regard for the inflationary effects of a supply program on our domestic economy as well as a regard for the needs of the recipients. The problem of food is not a matter for a day or a week or a year. Production is down in so many parts of the world. By the very law of averages we might well expect difficulties later. In rendering selective aid we should enlist the aid of the Western world. It might be well to develop an immediate program of food cooperation by encouraging a meeting of the secretaries or ministers of agriculture for every country in the Western world. If and when the break between Eastern and Western Europe becomes an accomplished fact, Western Europe will depend more and more on the Western Hemisphere for food. Whatever we do must be designed to serve two objectives, namely, curbing inflation at home and doing an adequate job abroad.
Selectivity requires emphasis upon and special treatment for children. They are the hope of the future. One of the brightest and most satisfying programs now under way in Germany is the program for feeding school children. It will prove rich in results because the lessons of democracy and good will are being written on young hearts and minds as well as on paper.

It must be adequate. Anything short of adequate will mean an inefficient program which does not reach the basic objectives which we must ever keep in mind.

The program should be flexible. Food and supplies might be procured at a higher initial cost which in the long run would have the least inflationary effect on our own economy. Whatever agency is created to administer the program should, therefore, have some latitude of operation.

VI. The Long Range Program.
a. Preliminary.

The Kremlin wishes to kill the Marshall Plan. I have seen thousands of articles in the files in Europe to that effect. Efforts will be made to stir up political disagreement at home.

Note the Communist letter addressed to Members of Congress, dated November 8, 1947. That letter says in part, "The Marshall Plan, under the pretext of helping Western Europe, proposes to place Europe and the world under Wall Street's domination . . . . The Marshall Plan is the 1947 version of the disastrous Dawes-Hoover Plan of the 1920's . . . . . . Congress should defeat all proposed measures for implementing any aspect of the Truman
Doctrine and the Marshall Plan." There you have it, fresh from Communist Party Headquarters in New York City in writing. One would hardly expect the Kremlin to become so bold within the bosom of our own country.

b. Need for exemplification of free enterprise system

In conjunction with the long range Marshall Plan we must do something more than talk about freedom and free enterprise. We must exemplify it and show its sweet fruit in action.

Communism is not reticent in exemplifying its own methods. In Austria, 340 plants have been gobbled up under the pretext that they are external German assets and have been placed under a special Soviet agency which will operate them right where they are and integrate them into the Soviet state controlled corporations. What does the free enterprise system offer to roll back this wave of industrial communization.

In the Soviet Zone of Germany plants are forced to borrow from banks to buy materials. The product is then taken over by the Soviet authorities. The plant has no income. This bankrupting process continues under force until the bank takes over and the plant is then incorporated in one of the Soviet state controlled companies.

Let us stop all pretense and bring home in concrete form the lessons of freedom in those countries where there is still a chance to retrieve freedom.

c. A plan.

The aggressive exemplification of the virtues of our free system could be brought about as an adjunct of the Marshall
Plan. It could be done by empowering the agency which admin-
isters the Plan to insure American capital and American enter-
prise which desires to go abroad and assist in developing needed 
production and rehabilitation in foreign countries against 
certain hazards which might result from governmental action by 
foreign countries. 

Enlisting the aid of private enterprise would go far toward 
removing this load from the backs of American taxpayers. There 
are, however, certain hazards which prevent American capital 
from going abroad, and the agency which administers the Marshall 
Plan should be authorized to set up an insurance plan under 
which in return for a premium American firms would be insured 
against losses resulting from a legal inability to convert 
foreign currencies into United States dollars under certain 
circumstances. 

1. Nationalization. 

If American funds were invested in a type of business 
or industry which was nationalized by the action of a 
foreign government, the currency which such firm would have 
to accept as compensation for the seizure of his property should 
be made convertible into dollars at least up to the fair value of 
the property. It could be insured against this hazard. This 
is not designed to constrict the actions of any foreign country 
in the field of nationalization but merely to insure American 
capital and business against losses that might result from such 
a contingency.
2. Depreciation Reserves.

Where an American company was operating abroad to build up production for the needs of the people and it set up depreciation reserves which could not be converted into dollars because of limitations in the law, the agency administering the Marshall Plan should in return for a premium be able to make such amounts convertible into dollars by accepting an equal amount of local foreign currency.

3. Dividends.

Where dividends resulting from operations abroad were not convertible into dollars a similar procedure should be followed.

4. General Comment.

Such a plan might require bilateral agreements with countries receiving aid under the Marshall Plan.

It would probably be necessary to set up an initial revolving fund out of which the plan could be administered and it would require the establishment of premium rates. Premium rates might begin at 1 or 2% and diminish as experience under this proposal developed.

Business firms today cannot assume these currency risks because they have no control over them and hence the expansion of private investment to demonstrate the virtues of our system is not taking place.

Europe today needs private investment plus American know-how to rebuild devastated areas and produce goods which are so sorely needed.
Private companies would still have to assume all the normal risks of business.

Private investment is obviously preferable to government-to-government loans and would greatly ease the burden on our taxpayers.

Maximum benefits from such an insurance plan would come to enterprises that are modest in size and which cannot afford to assume the risks that are herein enumerated.

Such a plan would aid in making the Marshall Plan succeed and its ultimate cost would probably be no greater than the insurance programs which we carry on now in the field of housing and bank deposits.

In proportion as private investment succeeds, it would develop more customers than the world has ever known and we would get our share because we always have.

VII. Conclusion.

The police state which today strikes fear into the hearts of people everywhere in the world with its tyranny and its communization of business and trade will not wither away by talk. The time is here for militant economic action and for a demonstration of the virtues of the free private enterprise system in elevating the living standards of impoverished people. Here is a field for aggressive action. It is time for us to quit hiding our light under a bushel.
TO THE CONGRESS OF THE UNITED STATES:

A principal concern of the people of the United States is the creation of conditions of enduring peace throughout the world. In company with other peace-loving nations, the United States is striving to insure that there will never be a World War III. In the words of the Charter of the United Nations, we are "determined to save succeeding generations from the scourge of war."

We seek lasting peace in a world where freedom and justice are secure and where there is equal opportunity for the economic well-being of all peoples.

To this end, the United States played a leading role in the founding of the United Nations. We have supported that organization at all times to the best of our ability and we have advanced a number of proposals for increasing its effectiveness in maintaining peace and security and in establishing the economic, social and moral foundations of peace.

We are working in the United Nations toward the limitation and control of armaments and, in a step without precedent or parallel, have offered to place our most powerful weapon under international control provided that other nations agree to effective and enforceable safeguards against its use for destructive purposes.

The United States, in the conviction that a pre-requisite to peace in the future is the just settlement of past differences, has labored to obtain fair and workable treaties of peace for former enemy states so that they may resume their places in the family of nations.

The United States has taken the lead in world-wide efforts to promote industrial and agricultural reconstruction and a revival of world commerce, for we know that enduring peace must be based upon increased production and an expanding flow of goods and materials among nations for the benefit of all.

Since the surrender of the Axis powers, we have provided more than $15 billion, in the form of grants and loans, for aid to victims of the war, to prevent starvation, disease, and suffering; to aid in the restoration of transportation and communications; and to assist in rebuilding war-devastated economies. This assistance has averted stark tragedy and has aided progress toward recovery in many areas of the world.

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In these and many other ways, the people of the United States have abundantly demonstrated their desire for world peace and the freedom and well-being of all nations.

We must now make a grave and significant decision relating to our further efforts to create the conditions of peace. We must decide whether or not we will complete the job of helping the free nations of Europe to recover from the devastation of the war. Our decision will determine in large part the future of the people of that continent. It will also determine in large part whether the free nations of the world can look forward with hope to a peaceful and prosperous future as independent states, or whether they must live in poverty and in fear of selfish totalitarian aggression.

Interest of the United States in European Recovery

It is of vital importance to the United States that European recovery be continued to ultimate success. The American tradition of extending a helping hand to people in distress, our concern for the building of a healthy world economy which can make possible ever-increasing standards of living for our people, and our overwhelming concern for the maintenance of a civilization of free men and free institutions, all combine to give us this great interest in European recovery.

The people of the United States have shown, by generous contributions since the end of hostilities, their great sympathy and concern for the many millions in Europe who underwent the trials of war and enemy occupation. Our sympathy is undiminished, but we know that we cannot give relief indefinitely, and so we seek practical measures which will eliminate Europe's need for further relief.

Considered in terms of our own economy, European recovery is essential. The last two decades have taught us the bitter lesson that no economy, not even one so strong as our own, can remain healthy and prosperous in a world of poverty and want.

In the past, the flow of raw materials and manufactured products between Western Europe, Latin America, Canada and the United States has integrated these areas in a great trading system. In the same manner, Far Eastern exports to the United States have helped pay for the goods shipped from Europe to the Far East. Europe is thus an essential part of a world trading network. The failure to revive fully this vast trading system, which has begun to function again since the end of the war, would result in economic deterioration throughout the world. The United States, in common with other nations, would suffer.

Our deepest concern with European recovery, however, is that it is essential to the maintenance of the civilization in which the American way of life is rooted. It is the only assurance of the continued independence and integrity of a group of nations who constitute a bulwark for the principles of freedom, justice and the dignity of the individual.

The economic plight in which Europe now finds itself has intensified a political struggle between those who wish to remain free men living under the rule of law and those who would use economic distress as a pretext for the establishment of a totalitarian state.

The next few years can determine whether the free countries of Europe will be able to preserve their heritage of freedom.
If Europe fails to recover, the peoples of these countries might be driven to the philosophy of despair — the philosophy which contends that their basic wants can be met only by the surrender of their basic rights to totalitarian control.

Such a turn of events would constitute a shattering blow to peace and stability in the world. It might well compel us to modify our own economic system and to forego, for the sake of our own security, the enjoyment of many of our freedoms and privileges.

It is for these reasons that the United States has so vital an interest in strengthening the belief of the people of Europe that freedom from fear and want will be achieved under free and democratic governments.

Origins of the European Recovery Program

The end of the fighting in Europe left that continent physically devastated and its economy temporarily paralyzed. The immediate problem was to prevent widespread starvation and disease and to make a start toward economic recovery. In the first year and a half after V-E day, the people of Western Europe, by their own diligent efforts and with the aid of the United States and other nations, made remarkable progress toward these objectives.

At the beginning of 1947, however, they were still short of the goal of economic recovery. Their difficulties were greatly increased during the present year, chiefly by a bitter winter followed by floods and droughts, which cut Western Europe's grain crop to the lowest figure in generations and hampered production of many other products.

Nevertheless, it was clear by last spring that Europe had achieved sufficient political and economic stability to make possible an over-all plan for recovery.

European recovery is essentially a problem for the nations of Europe. It was therefore apparent that it could not be solved, even with outside aid, unless the European nations themselves would find a joint solution and accept joint responsibility for its execution. Such a cooperative plan would serve to release the full productive resources of Europe and provide a proper basis for measuring the need and effectiveness of further aid from outside Europe, and in particular from the United States.

These considerations led to the suggestion by the Secretary of State on June 5, 1947, that further help from the United States should be given only after the countries of Europe had agreed upon their basic requirements and the steps which they would take in order to give proper effect to additional aid from us.

In response to this suggestion, representatives of sixteen European nations assembled in Paris in July, at the invitation of the British and French Governments, to draw up a cooperative program of European recovery. They formed a Committee of European Economic Cooperation. The countries represented were: Austria, Belgium, Denmark, France, Greece, Iceland, Ireland, Italy, Luxembourg, the Netherlands, Norway, Portugal, Sweden, Switzerland, Turkey and the United Kingdom. Although Western Germany was not formally represented on the Committee, its requirements as well as its ability to contribute to European economic recovery were considered by the Committee.

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The report of the European Committee was transmitted to the Government of the United States late in September. The report describes the present economic situation of Europe and the extent to which the participating countries can solve their problem by individual and joint efforts. After taking into account these recovery efforts, the report estimates the extent to which the sixteen countries will be unable to pay for the imports they must have.

The report points out that the peoples of Western Europe depend for their support upon international trade. It has been possible for some 270 million people, occupying this relatively small area, to enjoy a good standard of living only by manufacturing imported raw materials and exporting the finished products to the rest of the world. They must also import foodstuffs in large volume, for there is not enough farm land in Western Europe to support its population even with intensive cultivation and with favorable weather. They cannot produce adequate amounts of cotton, oil and other raw materials. Unless these deficiencies are met by imports, the productive centers of Europe can function only at low efficiency, if at all.

In the past these necessary imports were paid for by exports from Europe, by the performance of services such as shipping and banking, and by income from capital investments abroad. All these elements of international trade were so badly disrupted by the war that the people of Western Europe have been unable to produce in their own countries, or to purchase elsewhere, the goods essential to their livelihood. Shortages of raw materials, productive capacity, and exportable commodities have set up vicious circles of increasing scarcities and lowered standards of living.

The economic recovery of Western European countries depends upon breaking through these vicious circles by increasing production to a point where exports and services can pay for the imports they must have to live. The basic problem in making Europe self-supporting is to increase European production.

The sixteen nations presented in their report a recovery program designed to enable them, and Western Germany, to become economically self-supporting within a period of four years and thereafter to maintain a reasonable minimum standard of living for their people without special help from others. The program rests upon four basic points:

1. A strong production effort by each of the participating countries.
2. Creation of internal financial stability by each country.
3. Maximum and continuing cooperation among the participating countries.
4. A solution of the problem of the participating countries' trading deficit with the American continents, particularly by increasing European exports.

The nations represented on the European Committee agreed at Paris to do everything in their power to achieve these four aims. They agreed to take definite measures leading to financial, economic and monetary stability, the reduction of trade barriers, the removal of obstacles to the free movement of persons within Europe, and a joint effort to use their common resources to the best advantage.
These agreements are a source of great encouragement. When the representatives of sixteen sovereign nations, with diverse peoples, histories and institutions, jointly determine to achieve closer economic ties among themselves and to break away from the self-defeating actions of narrow nationalism, the obstacles in the way of recovery appear less formidable.

The report takes into account the productive capacities of the participating nations and their ability to obtain supplies from other parts of the world. It also takes into account the possibilities of obtaining funds through the International Bank for Reconstruction and Development, through private investment, and in some instances by the sale of existing foreign assets. The participating countries recognized that some commodities, particularly food, will remain scarce for years to come, and the diet they have set as their goal for 1951 is less adequate in most cases than their pre-war diet.

When all these factors had been considered, the European Committee concluded that there will still be a requirement for large quantities of food, fuel, raw materials and capital equipment for which the financial resources of the participating countries will be inadequate. With successful execution of the European recovery program, this requirement will diminish in each of the four years ahead, and the Committee anticipated that by 1952 Europe could again meet its needs without special aid.

Appraisal Of The European Problem

The problem of economic recovery in Western Europe is basically of the character described in the report of the sixteen nations. A successful European recovery program will depend upon two essentials. The first is that each nation separately and all the nations together should take vigorous action to help themselves. The second essential is that sufficient outside aid should be made available to provide the margin of victory for the recovery program.

The necessary imports which the sixteen countries cannot finance without assistance constitute only a small proportion, in terms of value, of their total national production -- some 5 per cent over the four years of the program. These imports, however, are of crucial importance in generating recovery. They represent the difference between ever-deepening stagnation and progressive improvement.

Most of the necessary outside aid, if it is to come at all, must come from the United States. It is a simple fact that we are the only nation with sufficient economic strength to bridge the temporary gap between minimum European needs and war-diminished European resources.

We expect that other countries which have it within their power will also give what assistance they can to Europe. Canada, for example, has been lending assistance to Europe fully as great in proportion to its capacity as that which we have given. We also expect that international institutions, particularly the International Bank, will provide such assistance as they can within their charters. But the fact remains -- only the United States can provide the bulk of the aid needed by Europe over the next four years.

It is necessarily a complex and difficult task to determine the extent and nature of this aid.

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In some respects, the situation has changed significantly since the report of the sixteen countries was completed. Some of these changes have been unfavorable, including price increases in the United States and other countries where Europe makes purchases, a serious drought in Europe, and aggressive activities by communists and communist-inspired groups aimed directly at the prevention of European recovery.

There have also been favorable changes. In the last few months coal production in the Ruhr district of Western Germany has increased from 230,000 tons a day to 290,000 tons a day. Similarly, coal production in the United Kingdom has risen markedly in recent weeks. Iron and steel production has correspondingly increased. Such increases in production, which lie at the heart of industrial recovery, are of far-reaching importance.

Further changes in the situation, now unpredictable, are to be expected as European recovery progresses.

All our plans and actions must be founded on the fact that the situation we are dealing with is flexible and not fixed, and we must be prepared to make adjustments whenever necessary.

Weather conditions will largely determine whether agricultural goals can be met.

Political events in Europe and in the rest of the world cannot be accurately foreseen. We must not be blind to the fact that the communists have announced determined opposition to any effort to help Europe get back on its feet. There will unquestionably be further incitements to strike, not for the purpose of redressing the legitimate grievances of particular groups, but for the purpose of bringing chaos in the hope that it will pave the way for totalitarian control.

On the other hand, if confidence and optimism are reestablished soon, the spark they provide can kindle united efforts to a degree which would substantially accelerate the progress of European recovery.

Despite these many imponderables, the dimensions of the necessary assistance by the United States can now be determined within reasonable limits. We can evaluate the probable success of a bold concept of assistance to the European economy. We can determine the principles upon which American aid should be based. We can estimate the probable magnitude of the assistance required and judge whether we can, safely and wisely, provide that assistance.

Extensive consideration has been given to these problems. Congressional committees and individual Members of the Congress have studied them at home and abroad during the recent Congressional recess. The report of the European nations has been carefully analyzed by officials of our Government. Committees of the Executive Branch and a group of distinguished private citizens have given their best thought to the relationship between Europe's needs and our resources.

Program For United States Aid

In the light of all these factors, an integrated program for United States aid to European recovery has been prepared for submission to the Congress.
In developing this program, certain basic considera-
tions have been kept in mind:

First, the program is designed to make genu-
ine recovery possible within a definite period of
time, and not merely to continue relief indefinitely.

Second, the program is designed to insure that
the funds and goods which we furnish will be used
most effectively for European recovery.

Third, the program is designed to minimize
the financial cost to the United States, but at
the same time to avoid imposing on the European
countries crushing financial burdens which they
could not carry in the long run.

Fourth, the program is designed with due regard
for conserving the physical resources of the United
States and minimizing the impact on our economy of
furnishing aid to Europe.

Fifth, the program is designed to be con-
sistent with other international relationships
and responsibilities of the United States.

Sixth, the administration of the program is
designed to carry out wisely and efficiently this
great enterprise of our foreign policy.

I shall discuss each of these basic considerations in
turn.

Recovery — Not Relief

The program is designed to assist the participating
European countries in obtaining imports essential to genuine
economic recovery which they cannot finance from their own re-
sources. It is based on the expectation that with this assist-
ance European recovery can be substantially completed in about
four years.

The aid which will be required from the United States
for the first fifteen months — from April 1, 1948, to June 30,
1949 — is now estimated at $6.8 billion.

These funds represent careful estimates of the cost
of the goods and services which will be required during this
period to start Europe on the road to genuine economic recovery. The European requirements as they were stated in the Paris report
have been closely reviewed and scaled downward where they appeared
to include non-essentials or where limited supplies will prevent
their full satisfaction.

The requirements of the remaining three years of the
program are more difficult to estimate now, but they are expected
to decrease year by year as progress is made toward recovery. Obviously, price changes, weather and crop conditions and other
unpredictable factors will influence the overall cost of our aid. Nevertheless, the inherent nature of this enterprise and the
long-range planning necessary to put it into effect on both sides
of the Atlantic require that this Government indicate its plans
for the duration and the general magnitude of the program, without
committing itself to specific amounts in future years. The best
estimates we can now make indicate that appropriations of about
$10.2 billion will be required for the last three years.

I recommend that legislation providing for United States
aid in support of the European recovery program authorize the
appropriation of $17 billion from April 1, 1948, to June 30, 1952.
Appropriation for the period from April 1, 1948, to June 30, 1949, should be made in time for the program to be put into effect by April 1, 1948. Appropriations for the later years should be considered subsequently by the Congress on an annual basis.

The funds we make available will enable the countries of Europe to purchase goods which will achieve two purposes — to lift the standard of living in Europe closer to a decent level, and at the same time to enlarge European capacity for production. Our funds will enable them to import grain for current consumption, and fertilizer and agricultural machinery to increase their food production. They will import fuel for current use, and mining machinery to increase their coal output. In addition they will obtain raw materials, such as cotton, for current production, and some manufacturing and transportation equipment to increase their productive capacity.

The industrial goods we supply will be primarily to relieve critical shortages at a few strategic points which are now curtailing the great productive powers of Europe's industrial system.

The fundamental objective of further United States aid to European countries is to help them achieve economic self-support and to contribute their full share to a peaceful and prosperous world. Our aid must be adequate to this end. If we provide only half-hearted and half-way help, our efforts will be dissipated and the chances for political and economic stability in Europe are likely to be lost.

Insuring Proper Use of United States Aid

A second basic consideration with regard to this program is the means by which we can insure that our aid will be used to achieve its real purposes — that our goods and our dollars will contribute most effectively to European recovery. Appropriate agreements among the participating countries and with the United States are essential to this end.

At the Paris conference the European nations pledged themselves to take specific individual and cooperative actions to accomplish genuine recovery. While some modification or amplification of these pledges may prove desirable, mutual undertakings of this nature are essential. They will give unity of purpose and effective coordination to the endeavors of the peoples of the sixteen nations.

In addition, each of the countries receiving aid will be expected to enter into an agreement with the United States affirming the pledges which it has given to the other participating countries, and making additional commitments. Under these agreements, each country would pledge itself to take the following actions, except where they are inapplicable to the country concerned:

(1) To promote increased industrial and agricultural production in order to enable the participating country to become independent of abnormal outside economic assistance.

(2) To take financial and monetary measures necessary to stabilize its currency, establish or maintain a proper rate of exchange, and generally to restore or maintain confidence in its monetary system.

(3) To cooperate with other participating countries to reduce barriers to trade among themselves and with other countries, and to stimulate an increasing interchange of goods and services.
(4) To make efficient use, within the framework of a joint program for European recovery, of the resources of the participating country, and to take the necessary steps to assure efficient use in the interest of European economic recovery of all goods and services made available through United States aid.

(5) To stimulate the production of specified raw materials, as may be mutually agreed upon, and to facilitate the procurement of such raw materials by the United States for stockpiling purposes from the excess above the reasonable domestic usage and commercial export requirements of the source country.

(6) To deposit in a special account the local currency equivalent of aid furnished in the form of grants, to be used only in a manner mutually agreed between the two governments.

(7) To publish domestically and to furnish to the United States appropriate information concerning the use made of our aid and the progress made under the agreements with other participating countries and with the United States.

The United States will, of course, retain the right to determine whether aid to any country is to be continued if our previous assistance has not been used effectively.

Financial Arrangements

A third basic consideration in formulating the program of United States aid relates to the financial arrangements under which our aid is to be provided.

One of the problems in achieving the greatest benefit from United States aid is the extent to which funds should be made available in the form of grants as contrasted with loans. It is clear that we should require repayment to the extent that it is feasible and consistent with the objectives of the program, in order that no unnecessary burden be imposed upon the people of the United States. It is equally clear that we should not require repayment where it would impose paralyzing financial obligations on the people of Europe and thus defeat the basic purpose of making Europe self-supporting.

Recovery for Europe will not be achieved until its people are able to pay for their necessary imports with foreign exchange obtained through the export of goods and services. If they were to have additional burdens to bear in the form of interest and amortization payments in future years, they would have to plan for an even higher level of exports to meet these obligations. This would necessarily increase the requirements of the recovery program, and delay the achievement of economic stability.

It is also important that an increasing portion of the financial needs of Europe be met by dollar loans from the International Bank, and by the revival of private financing. This prospect would be seriously jeopardized if the United States, as part of the recovery program, were to impose all that the traffic will bear in the form of debt obligations.

I recommend that our aid should be extended partly in the form of grants and partly in the form of loans, depending primarily upon the capacity of each country to make repayments, and the effect of additional international debt upon the accomplishment of genuine recovery. No grants should be made to countries able to pay cash for all imports or to repay loans.
At a later date it may prove desirable to make available to some of the European countries special loans to assist them in attaining monetary stability. I am not now requesting authorization for such loans, since it is not possible at this time to determine when or to what extent such loans should be made.

As economic conditions in Europe improve and political conditions become more stable, private financing can be expected to play an increasingly important role. The recommended program of United States aid includes provisions to encourage private financing and investments.

Impact on the United States Economy

A fourth basic consideration is the effect of further aid for Europe upon the physical resources of the United States and upon our economy.

The essential import requirements of the 270 million people of Western Europe cover a wide range of products. Many of these requirements can be met by the United States and other countries without substantial difficulty. However, a number of the commodities which are most essential to European recovery are the same commodities for which there is an unsatisfied demand in the United States.

Sharing these commodities with the people of Europe will require some self-denial by the people of the United States. I believe that our people recognize the vital importance of our aid program and are prepared to share their goods to insure its success.

While the burden on our people should not be ignored or minimized, neither should it be exaggerated. The program of aid to Europe which I am recommending is well within our capacity to undertake.

Its total cost, though large, will be only about five percent of the cost of our effort in the recent war.

It will cost less than three percent of our national income during the life of the program.

As an investment toward the peace and security of the world and toward the realization of hope and confidence in a better way of life for the future, this cost is small indeed.

A committee under the chairmanship of the Secretary of the Interior was appointed last summer to study the effect of a foreign aid program upon the natural resources of our country. Its study has shown that our resources can safely meet the demands of a program such as I am now recommending. Such demands could not, however, be supplied indefinitely. Our program of aid to Europe recognizes this fact. Our exports to Europe will decrease during the succeeding years of the program as trade is revived along realistic patterns which will make available from other sources an increasing share of Europe's requirements.

Actually, our position with respect to some raw materials of which we have inadequate domestic resources will be improved since, under our program of aid to Europe, an increased amount of these materials will be made available to us.
During recent months the Council of Economic Advisers made an intensive study of the impact of foreign aid on our domestic economy. The Council concluded that a program of the size now contemplated is well within our productive capacity and need not produce a dangerous strain on our economy.

At the same time, a group of distinguished private citizens under the chairmanship of the Secretary of Commerce considered the extent and nature of foreign aid which the United States can and should provide. The conclusion of this group was that a program of the scope I am recommending is a proper, wise and necessary use of United States resources.

The reports submitted to me by the Council of Economic Advisers and the committees under the chairmanship of the Secretary of the Interior and the Secretary of Commerce all emphasized that specific measures should be taken to prevent our foreign aid program from imposing unnecessary burdens on our economy.

If the United States were to supply from its own production all the essential commodities needed to meet European requirements, unnecessary scarcities and unnecessary inflationary pressures would be created within our economy. It is far wiser to assist in financing the procurement of certain of these commodities from other countries, particularly the other food-producing countries in the Western Hemisphere. The funds we make available to aid European recovery therefore should not be restricted to purchases within the United States.

Under the proposed program of aid to Europe, the total exports to the whole world from this country during the next year are expected to be no greater than our total exports during the past twelve months.

This level of exports will nevertheless have an important impact on our markets. The measures I have already proposed to the Congress to fight general domestic inflation will be useful, as well, in cushioning the impact of the European aid program.

The effect of aid to Europe upon our economy, as well as its financial cost, will be significantly affected by the arrangements we make for meeting shipping requirements.

The interest of the United States will be served best by permitting the sale or temporary transfer of some of our war-built merchant ships to the European countries. Because of world steel shortages, the sale or temporary transfer of ships should be linked with a reduction or deferment of the projected shipbuilding schedules of the participating countries. These arrangements should be consistent with their long-range merchant marine requirements. They should also be consistent with our long-range objectives of maintaining an adequate merchant marine and shipbuilding industry for the United States.

Making these vessels available to the European countries will materially reduce the cost of United States aid both by lowering shipping costs and by reducing the use of scarce materials for new ship construction overseas.

**Relationship to Other International Questions**

A fifth basic consideration is the relationship of our aid to the European recovery program to other international questions.
I have already mentioned that the requirements and resources of Western Germany were included in the considerations of the sixteen countries at Paris. Our program of United States aid also includes Western Germany.

The productive capacity of the highly industrialized areas of Western Germany can contribute substantially to the general cooperative effort required for European recovery. It is essential that this productive capacity be effectively utilized, and it is especially important that the coal production of the Ruhr continue to increase rapidly.

Every precaution must of course be taken against a resurgence of military power in Germany. The United States has made clear on many occasions its determination that Germany shall never again threaten to dominate Europe or endanger the peace of the world. The inclusion of Western Germany in the European recovery program will not weaken this determination.

As an occupying power in Western Germany, the United States has a responsibility to provide minimum essentials necessary to prevent disease and unrest. Separate appropriations will be requested for this purpose for the period through June 30, 1949.

Above this minimum level, amounts needed to assist in the rehabilitation of Western Germany are included in the over-all estimates for aid to European recovery.

Another significant area of the world which has been considered in developing the recovery program is Eastern Europe. A number of the governments of Eastern Europe which were invited to participate in the work of the Paris Conference on Economic Cooperation chose not to do so. Their failure to join in the concerted effort for recovery makes this effort more difficult and will undoubtedly prolong their own economic difficulties.

This should not, however, prevent the restoration of trade between Eastern and Western Europe to the mutual advantage of both areas. Both the report of the sixteen nations and the program now submitted to the Congress are based on the belief that over the next few years the normal pattern of trade between Eastern and Western Europe will be gradually restored. As this restoration of trade is achieved, the abnormal demands on the Western Hemisphere, particularly for food and fuel, should diminish.

The relationship between this program and the United Nations deserves special emphasis because of the central importance in our foreign policy of support of the United Nations. Our support of European recovery is in full accord with our support of the United Nations. The success of the United Nations depends upon the independent strength of its members and their determination and ability to adhere to the ideals and principles embodied in the Charter. The purposes of the European recovery program are in complete harmony with the purposes of the Charter — to insure a peaceful world through the joint efforts of free nations. Attempts by any nation to prevent or sabotage European recovery for selfish ends are clearly contrary to these purposes.

It is not feasible to carry out the recovery program exclusively through the United Nations. Five of the participating countries are not yet Members of the United Nations. Furthermore, some European Members are not participating in the program.
We expect, however, that the greatest practicable use will be made of the facilities of the United Nations and its related agencies in the execution of the program. This view is shared by all the participating countries.

Our intention to undertake a program of aid for European recovery does not signify any lessening of our interest in other areas of the world. Instead, it is the means by which we can make the quickest and most effective contribution to the general improvement of economic conditions throughout the world. The workshops of Europe, with their great reservoir of skilled workers, must produce the goods to support peoples of many other nations.

I wish to make especially clear that our concentration on the task in Western Europe at this time will not lessen our long-established interest in economic cooperation with our neighbors in the Western Hemisphere. We are first of all a member of an American community of nations, in which cooperative action, similar to that which the European nations are now undertaking, is required to increase production, to promote financial stability, and to remove barriers to trade. Fortunately we in the Americas are further advanced along this road, but we must not overlook any opportunity to make additional progress. The European recovery program will require procurement of supplies in many nations of this hemisphere. This will act as a stimulant to production and business activity and promote the reestablishment of world trade upon which the prosperity of all of us depends.

While our present efforts must be devoted primarily to Western Europe, as the most important area in the world at this time for the future of peace, we also have a special concern for the war torn areas of Asia. In Japan and Korea, the United States has supplied extensive aid to support life and commence reconstruction. Since the war's end, we have provided China with varied and important assistance which has aided that nation substantially.

The United States should continue to do all it appropriately can to assist in the restoration of economic stability as a basis for recovery in the Far East. Extensive study has been given during the last few months to the means by which we might best aid in meeting the special needs for relief and rehabilitation in China. I expect to make recommendations on that subject to the Congress during its next session.

Administrative Arrangements

I have set forth several basic considerations which should govern our aid to the recovery of Europe. One further consideration which vitally affects all the others is the necessity for effective administrative arrangements adapted to the particular requirements of the program. If the work to be done is not well organized and managed, the benefits of our aid could be largely dissipated.

The administration of our aid will involve the performance of several major functions. The needs of the participating countries must be reviewed in close cooperation with them. Continued relationships must be maintained with the United Nations and with an organization of the participating nations. The requirements for each commodity or service under the program must be carefully evaluated in relation to United States supplies and domestic needs and to the resources of other nations which can help. Decisions must be reached as to the best means of supplying aid and the conditions of aid for each country. Assistance must be given to facilitate the procurement,
transportation, and efficient use of goods. A constant review must be maintained over the use of our aid and the execution of agreements. The results of the program must be evaluated and reported to all concerned — the President, the Congress, and the people. 

While these activities are complex, they are not comparable in magnitude or in character to our wartime supply activities. Under this program, most of the operations can be carried out through private channels and existing Government agencies.

Nevertheless, the scope and importance of the program warrant the creation of a new organization to provide central direction and leadership. I therefore recommend the establishment of a new and separate agency, the Economic Cooperation Administration, for this purpose. It should be headed by an Administrator, appointed by the President and directly responsible to him. The Administrator should be subject to confirmation by the Senate.

The Economic Cooperation Administration will sponsor the European aid requirements as they are reviewed and adjusted, with other governmental agencies, to form a practical program in the light of available supplies and capacities. The Economic Cooperation Administration will be responsible for initiating the approved program project by project and nation by nation and for regulations as to supervision, cooperative assistance, and other policy matters which will guide the program at every point. In keeping with the importance and nature of its task, the new agency should have flexibility in the determination of operating methods, the use of funds, and the hiring of key personnel.

The relationship of the Economic Cooperation Administration to the existing governmental establishment is of crucial importance. In the determination of programs for the several countries, the assessment of individual projects, and many other matters involving our activities abroad, the Economic Cooperation Administration must work closely with the Department of State. Similarly on many actions affecting our domestic economy the Administration must work with, rather than supplant, existing agencies. For example, the Department of Agriculture should be relied upon for any required government action in the procurement and allocation of food, and the Department of Commerce for the allocation of certain other commodities in short supply, and for continued administration of export controls. The facilities of these agencies will in some cases need to be strengthened, but no major changes in governmental organization to perform important domestic functions will be required.

Under these circumstances, I expect that the Economic Cooperation Administration will need only a small staff. No vast new agency or corporation is needed to perform functions for which government facilities now exist.

It is essential to realize that this program is much more than a commercial operation. It represents a major segment of our foreign policy. Day in and day out its operations will affect and be affected by foreign policy judgments. We shall be dealing with a number of countries in which there are complex and widely varying economic and political situations. This program will affect our relationships with them in matters far beyond the outline of the program itself. Its administration must therefore be fully responsive to our foreign policy. The Administrator must be subject to the direction of the Secretary of State on decisions and actions affecting our foreign policy.
The United States activities in Europe under the program will constitute essentially an extension of our present relationships with the participating countries. In order to maintain unity of United States representation abroad, our ambassador in each country must retain responsibility for all matters requiring contacts with the government to which he is accredited, including operations under this program. Some additional personnel, technically qualified to perform specialized functions arising out of the program, should be placed in the embassies to represent and carry out the responsibilities of the Economic Cooperation Administration abroad.

In addition, I recommend that provision be made for a special United States Representative for the European Recovery Program. He would represent the United States at any continuing organization of the participating countries and he would exercise general coordination of our operations in Europe under the program. He should be appointed by the President, subject to confirmation by the Senate, and have Ambassadorial rank. Because of the joint interest of the Secretary of State and the Administrator in his activities, the special Representative must serve both as the President may direct. The activities of this Representative in promoting mutual self-help among the European nations will be of the utmost importance in achieving the success of the European recovery program.

The administrative arrangements I have described are in keeping with the character of the job to be done and will provide the most efficient and economical means for its performance.

Conclusion

In proposing that the Congress enact a program of aid to Europe, I am proposing that this Nation contribute to world peace and to its own security by assisting in the recovery of sixteen countries which, like the United States, are devoted to the preservation of free institutions and enduring peace among nations.

It is my belief that United States support of the European recovery program will enable the free nations of Europe to devote their great energies to the reconstruction of their economies. On this depend the restoration of a decent standard of living for their peoples, the development of a sound world economy, and continued support for the ideals of individual liberty and justice.

In providing aid to Europe we must share more than goods and funds. We must give our moral support to those nations in their struggle to rekindle the fires of hope and strengthen the will of their peoples to overcome their adversities. We must develop a feeling of teamwork in our common cause of combating the suspicions, prejudices, and fabrications which undermine cooperative effort, both at home and abroad.

This joint undertaking of the United States and a group of European nations, in devotion to the principles of the Charter of the United Nations, is proof that free men can effectively join together to defend their free institutions against totalitarian pressures, and to promote better standards of life for all their peoples.

I have been heartened by the widespread support which the citizens of the United States have given to the concept underlying the proposed aid to European recovery.

(Over)
Workers, farmers, businessmen and other major groups have all given evidence of their confidence in its noble purpose and have shown their willingness to give it full support.

I know that the Members of the Congress have already given much thoughtful consideration to the grave issues now before us. I know that the Congress will, as it should, consider with great care the legislation necessary to put the program into effect. This consideration should proceed as rapidly as possible in order that the program may become effective by April 1, 1948. It is for this reason that I am presenting my recommendations to the Congress now, rather than awaiting its reconvening in January.

I recommend this program of United States support for European recovery to the Congress in full confidence of its wisdom and necessity as a major step in our Nation's quest for a just and lasting peace.

HARRY S. TRUMAN

THE WHITE HOUSE,

December 19, 1947.
I. Introduction.

I am appearing before you in my capacity as a member of the President's Committee on Foreign Aid. Secretary Harriman, who sat with the Committee as its formal chairman, has discussed with you some of the conclusions reached by the Committee. You have heard comments comparing its estimates and recommendations with those of the Executive Branch. The Committee report was sent to the President on November 7, and was made available to you at the same time. I shall not, therefore, occupy your time with another summary of its contents.

In the three months since the Committee made its report, a number of events have occurred which affect the prospects for European recovery. Moreover, the program of the Executive Branch has been prepared and presented to the Congress. What I therefore propose to discuss is the relevance of these recent events to certain of the Committee's major conclusions, and the relationship between our recommendations and the proposals of the Executive Branch.
I should add that the Committee disbanded after having filed its report. Therefore I do not have specific authorization to speak for the Committee, and it is possible that not everyone of its members would agree with each of the points I am about to make. I am, however, seeking to give you what I understand to be the consensus of their views, according both with the spirit and the principles of the Committee's discussions and its report.

As a preliminary to the discussion of substantive issues, I would like to make one comment on the manner in which the Committee worked. As an active member who was present at all of its sessions and who had close contact with the work of its staff, I can assure you that it functioned in fact as well as in name as an independent body.

Inevitably, some of the evidence on which the Committee based its report was the same as that which the Executive Branch used in framing its proposals. The Committee drew heavily on the resources of the government in collecting its raw material. But it did not confine itself to official sources; it undertook consultation on a broad front with representatives of labor and of industry, and with qualified experts in many fields. The Committee had the views of representatives of the Executive Branch on at least one issue, but the judgments contained in its report were wholly its own. Although it was given the benefit, I am sure, of all available information, no attempt was made to induce the Committee to accept or indorse the views of the Administrative and such pressure would have been resisted by the members had it been applied.
II. The Objective.

The basic conclusion the Committee reached is that it is in the interest of the United States to launch a program of economic assistance to Europe on a large scale. It advocated the principle of annual appropriations, but emphasized that, with whatever reservations were required to take account of unforeseeable developments, some reasonable assurance must be given to Europe of the United States' intention to carry through a program. This is necessary in order that the undertakings assured by the European countries may not be hindered by uncertainty.

The conclusion that the United States should launch such a program is based upon the belief, first, that its objective is nearly as important as was the defeat of Germany and Japan in the war, and second, that there is a good chance of achieving its objective with the means at hand. The objective is in one sense political but it includes much wider interests. It is to maintain the effective independence of the nations of Western Europe and to create conditions favorable for the preservation of freedom and democracy within these nations. The achievement of this objective is vital to the U. S. because, if the Western European nations and their dependencies fall under communist control, we may not be able to maintain our own effective independence. At the best, the cost of so doing, in terms of both economic resources and of the strain on our social institutions, would be far greater than that of preventive economic action now.
In recent public and Congressional discussion of these broad issues, the validity of this objective seems to be substantially accepted. It has never been certain, however, that economic aid alone would be sufficient to preserve the external independence and the internal freedom of the Western European countries. But the evidence of events in Europe since the Committee's report was written is, on the whole, encouraging. Waves of strikes inspired by the communists for openly avowed political motives failed to bring down the governments in power and accomplished probably far less than the communists expected. I am convinced that both the interim aid now being supplied and, above all, the hope that an effective recovery program would be launched, played a large part in strengthening the morale of the moderate parties in both countries. It is encouraging that there has been a break in the ranks in the communist controlled Confederation of Labor in France. Given an improvement in economic conditions which would afford relief to European consumers from the pressure of a far more violent inflation than we have suffered, I believe the power of the communists to disrupt production through their control of organized labor will be rapidly weakened.
III. European Self-Help.

At least as grave as the doubt that economic recovery will be sufficient to save democracy in Western Europe is the doubt that a program of American aid will in fact effectively achieve that recovery. A second major conclusion of the relates to this question. It is that only the Europeans can save Europe. Nothing the United States can do will be effective unless the Europeans do much more.

Plainly, the burden of increasing production will fall almost wholly on them. The volume of assistance recommended by the Committee would amount to only about 6 percent of the national incomes of the receiving nations in the first year. As the volume of assistance declines and European production grows, it will be a diminishing proportion.

Moreover, the salvation of Western Europe depends upon European policies as well as upon European production. The Committee was convinced that the inability of the European nations at this time to pay their own way grows more largely out of economic and social disorganization than out of wartime destruction or even out of adverse external economic circumstances, such as the high price of imports and the loss of foreign investments. All over Europe economic disorganization takes the form of inflation. The inflation has disrupted the process of exchange between country and city. It leads to the
misdirection of resources from more to less urgent uses. It impairs incentives, and the restrictions which it calls into being (or keeps in being) interfere, much more than conventional tariffs, with international trade. Not only the very possibility of recovery, but the length of time it will take, and the size of Europe's foreign exchange deficit in the meanwhile will depend among other things, upon public policy. If Europe is to be saved, the Europeans must act vigorously, to bring inflation under control in ways that are well understood but far from painless. It was the judgment of the Committee last fall that this would require a curtailment of investment progress, the balancing of budgets, and measures of monetary reform. These are not policies invented by Americans, but are those which the European countries themselves determined at the Paris Conference to be necessary. Indeed, this single, unified effort to put Europe's house in order is the first of the great achievements of Secretary Marshall's proposal.

Since so much depends upon European action and initiative, it is encouraging to observe that the governments of the participating countries are not waiting for the enactment of a United States program of assistance before they move to attack their own problems. In the last five months, decisive action has been taken in England, France, Italy and even Austria to cope with inflation.

In England, sales taxes and profits taxes were substantially
increased in November. Subsidies to keep down the cost of food and clothing were stabilized, with the result that any further price increases will be borne by consumers. The cancellation of certain subsidies in 1948 was announced. The government set about reducing domestic capital formation, both public and private. The rate of capital expenditure is expected to be about 15 percent lower by the end of 1948 than at its peak in mid 1947. Finally, there is some indication that the British Treasury is permitting interest rates to move up. It is encouraging that all of these actions are aimed at the excess of demand over supply which is the cause of the inflation.

At the same time, progress is being made on the supply side of the problem. British steel production by the end of the year was higher than ever previously achieved. Much more important, British coal production recovered remarkably in the last quarter and exports of coal on a small scale were resumed in December. Only two months previously, expert and well informed observers doubted that such results could be achieved at least for many months. Even in the textile industry, which has been one of the laggards, output was increasing at a promising rate.

In France, Schumann's moderate government has introduced and successfully passed several drastic fiscal and monetary measures. (These implemented a program originally proposed by the Ramadier government, under which cost of living subsidies had already been
Government expenditures in 1948 are being cut 10 percent below those in 1947. Since this is in the face of price increases, it implies a larger reduction in the volume of resources that will be absorbed by the government. The most drastic of Schumann's measures is a heavy direct tax or forced loan levied on 1947 profits and incomes. Finally, as in England, capital expenditures are being sharply reduced. These measures, taken so soon after the disruptive communist-led strikes in December, required great political courage. It will not be easy to collect the heavier direct taxes in a country in which the relationships between economic groups are so strained and in which the effectiveness of administration has been impaired first by war and then by shortages and inflation. But, at the very least, the passage of the legislation is a long first step in the direction of sound policy.

The Italian government adopted a deflationary program beginning in September 1947 which has actually been effective in reducing wholesale prices by some 20 percent and raising the value of the lira in free currency markets. The principal means that have been used to achieve these results have been a compulsory restriction in the volume of bank credit, a capital levy, increases in sales taxes, and reductions in government expenditures. In Austria, a forced reduction in the volume of currency in circulation and bank deposits was carried through in December 1947, and the budget for 1948, will be very nearly in balance. In both Austria and Italy the domestic sale of imported
relief commodities has the effect of withdrawing additional funds from circulation and supplementing the deflationary domestic policy I mentioned above.

In still other countries in Europe, concrete progress has been made. The Belgian government last fall placed its domestic cost-of-living subsidies on a sounder basis and reduced their amount. The Greek government has legislated a major reform of the tax structure and tax increases which will nearly balance the budget for the current fiscal year. The Swedish government proposes to curtail capital formation, including public construction, and to impose additional taxes.

The Netherlands appears to be the only independent nation in which the government is making little or no progress toward a more deflationary fiscal and monetary policy. Its difficulties have been particularly great because of the large amount of physical reconstruction, the cost of the war in the Netherlands East Indies, and the loss of revenues from that area. Far worse is the state of affairs in Western Germany, to which I shall refer later. But in the light of the favorable developments practically everywhere in Europe, outside of Western Germany and, perhaps. The Netherlands, I believe we can rely upon the Europeans to take the steps which are so essential to their own recovery and which, indeed, will make a larger contribution to it than anything we can do.
The recent speech of Prime Minister Bevin, calling for joint action on effective steps toward the economic unification of Western Europe, is also greatly encouraging. Without detracting in any way from the courageous statesmanship which is demonstrated by this whole series of recent events, I am firmly convinced that these drastic and unpopular measures would not have been initiated, certainly not at this time, if European political leaders had not had every hope that their actions would be buttressed by the adoption of a constructive program for Western European recovery by the United States.
IV. The Economic Need for Aid

Although the Committee was convinced that the fate of Europe rests mainly in the hands of the Europeans, it was also convinced that recovery would be dangerously delayed if not jeopardized in the absence of substantial help from the United States. One reason for this conclusion is that the necessary adjustments in the economy of Western Europe will take time. If its accounts are ever to be balanced, it must be by expanding exports, not by reducing imports. To cut food rations further, limit supplies of raw materials, and forego essential items of industrial equipment, would forestall recovery. Yet the European countries cannot sufficiently expand their exports overnight to become self-sustaining. In order to reach this goal, they must redeploy their economic resources into the export industries or reduce their home consumption of exportable goods and they must then find markets in which the additional exports can be sold. This will be difficult or impossible unless they control inflation and curb the competing demands for resources for internal use. Even if the policies that would lead to the desired rise in exports could be expected to become effective at once, the physical shift of labor and increase of output in export industries would take time. If they are to undertake this job, without which they cannot become self-sustaining, the European countries must have the additional breathing space which the recovery program will give them.
Another reason assistance is so necessary does not concern the difficulty of shifting resources to new uses but rather the inadequacy of the resources presently at the command of the European nations. For the moment they are simply too poor to recover rapidly. They suffer in varying degree from wartime destruction of resources and from the low rate of output which is inevitable when materials are short, and when incentives have been weakened and markets disorganized by continued inflation. Especially in certain areas, current production simply is not adequate in over-all volume to sustain a tolerable standard of living and at the same time permit essential capital formation. By a tolerable standard of life, I mean one which will not give rise to further drastic social disintegration, and by necessary capital formation, I mean that which must be attained if production and exports are to expand sufficiently to enable the participating countries to pay their way. Today in Western Europe there is a close race between recovery and social disintegration. The program which the Committee advocates is designed to provide the additional economic assistance required to expand production more rapidly and thus assure victory for recovery. The role that our assistance will play in this connection is that of making additional economic resources available to the European countries so that production can expand more rapidly.
V. Germany.

One area in Europe today illustrates most vividly both the impossibility of recovery without outside help and the crucial part that must be played by sound policies, domestic and international. It is Western Germany. I wish to lay some emphasis upon the Committee's views about Germany because there is, on this subject, a difference in emphasis (though, I am convinced, no difference of opinion) between the Committee's Report and the published program of the Executive Branch.

Nearly everyone agrees in principle (the European countries, the Executive Branch and the Committee,) that the recovery of Germany is essential to the recovery of Western Europe. But it was the view of the Committee, if I interpret the sense of its discussions correctly, that in practice our present policies were simply not achieving German recovery. The index of industrial production for the two Western zones is below 50 percent of the 1938 level. It is far lower than the index for any other West European area. (Even Austria is doing somewhat better. Italian production has recovered to within three-fourths of the prewar level.) All of Western Europe, but particularly the Scandinavian Countries, Belgium, the Netherlands and Italy, have long depended upon Germany for coal, steel and many items of machinery. Under the circumstances, one need not be an expert to arrive at the conclusion that stagnation in Germany is dangerously retarding recovery in the rest of Europe.
The worry of our former Allies about German recovery is wholly understandable. Apart from military fears, they know the more food, fertilizer, coal, or steel that is consumed in Germany, the less there is available for them. The Committee did not suggest giving German needs any priority over those of the rest of Europe; it did recommend that general recovery be placed ahead of individual national interests. For example, if a ton of German coal would produce about the same amount of steel in France and in the Ruhr, the coal should go to France. But if the coal would produce more steel in Germany, or could produce some important product in Germany in place of a less vital product elsewhere, then the coal should stay in Germany.

These remarks refer to controversial issues which can be resolved only through delicate negotiation with the European Governments. But by no means all questions of German economic policy fall into this category. The central fact about our relationship with Germany, which was emphasized in the Committee's report, is that we are one of the occupying powers, that is, a part of the German Government. In our capacity as an occupying power, we are partially or wholly responsible for decisions in many areas of German domestic and international economic policy in which our interest is identical with that of the other occupying powers and of the whole of Western Europe. Unfortunately, we are at least partially responsible for
errors of omission and commission which are seriously retarding
German and thus European recovery.

In the field of internal policy, it is in Germany that in-
flation has taken the most violent form. Currency reform, long
planned and generally admitted to be urgently necessary, has been
postponed in the attempt to secure the agreement of the Kremlin.
Officially, prices are under rigid control (in many cases we are
enforcing prices set by the Nazis before 1939), but the black
market is the only functioning market. The disruption of trade
between country and city and the breakdown of money exchange into
barter has proceeded further in Germany than anywhere else in West-
ern Europe. Neither the other Western occupying powers nor Germany's
neighbors would object to vigorous efforts in the direction of monetary
reform and the balancing of demand with supply.

In the field of international policy, the United States has
insisted that Germany be a dollar area and the German administration
has refused to accept payment for German coal in other European
currency which could not be used to buy imports for Germany else-
where in Europe. For months the use of Belgian and Dutch ports for
German exports and imports and the full use of the waterways in
northwestern Germany have been delayed by the inability of the
occupation authorities to negotiate satisfactory foreign exchange
arrangements with the Belgian and Dutch Governments. In short, the
military government has adopted policies of precisely the sort that
we are insisting the free governments of Europe shall abandon.

The Committee was well aware that the responsibility for these mistakes is widely diffused through our Government. It does not rest mainly upon General Clay, the Department of the Army, the State Department, or on the Executive Branch alone. One root of difficulty was the political attitude toward Germany in this country and elsewhere at the close of the war. Another has been our natural desire to minimize the cost of the occupation and the consequent pressure upon General Clay to cut dollar costs. Still a third cause of trouble has been the divided responsibility for the administration of Germany and the commendable desire of all Western occupying powers to avoid any action which would make true unity for Germany harder to achieve.

Whatever the explanation for the present state of affairs, the Committee was convinced that, in this area, as elsewhere in Europe, sound policies are an essential condition for recovery and that unsound policies will inevitably increase the cost of the whole program to the United States. It is necessary that the policy and behavior of the United States in its capacity as an occupying power in Germany and Austria be consistent with its policy in its capacity as the principal source of economic assistance to the whole of Western Europe. The penalty of a failure to secure sound economic administration of German affairs will be not only to delay and impair the recovery of Western Europe generally but also to leave the United States Treasury
saddled for an indefinite period with the cost of supporting a
German economy still unable to support itself. Germany is a grim
illustration both of the manner in which ill-conceived policies
can frustrate recovery and of the folly, even from the standpoint
of economy, of niggardliness in granting assistance.
VI. The Amount of Aid.

In my remarks up to this point, I have tried to explain the basic economic circumstances which make it impossible for the Europeans to balance their accounts with us and with the rest of the world while they are achieving recovery. This leads logically to the question of how much assistance the Europeans need and how much it is in the interest of the United States to furnish. This is a question which can be answered only by reference to our capabilities as well as to European needs.

The Committee assessed both needs and capabilities as carefully as it could within the limits of time and basic information available. Especially on the question of the availability of goods in the United States, it sought advice widely throughout industry. Its specific recommendation, as you may remember, is that for the first 12 months of the program, $5 3/4 billions of funds should be provided from the United States Treasury.

I do not think it would be useful to review at length the statistical comparisons between the Committee’s estimates and those of the Executive Branch which, I understand, have already been presented to you. The differences between them can be summarized very briefly. The amount of $6.8 billions requested as an authorization in the program of the Executive Branch is not comparable with the Committee’s figure. The former is made larger by the use of a 15-month period and the inclusion of an allowance for relatively long-term forward obligations over and above the cost of procurement and shipment within the accounting
period involved. At the same time the Executive Branch figure is reduced by the exclusion of an allowance for a large part of the assistance to Germany, which is to be covered in a separate appropriation requested by the Department of the Army. I believe that the figure which, as a measure of the size of the Executive Branch program, is most nearly comparable with the Committee’s recommendation of $5 3/4 billions is that of $5.96 billions, which is the Executive Branch estimate of the burden on the Treasury for fiscal 1949. It includes the whole cost of Germany, but excludes the allowance for forward obligating authority. Thus, the request of the Executive Branch is slightly, but only slightly higher than the amount recommended by the Committee.

On the other hand, it should be pointed out, however, that the remarkably small difference in the two estimates conceals much larger difference between their components. The Committee’s estimates of both European imports from and exports to the Western Hemisphere are lower. It was more pessimistic about the cost to the Europeans of "invisible" items, mainly shipping and other services, and much more pessimistic about the foreign exchange position of the dependent territories. In considerable degree these differences offset one another but they resulted in a higher estimate by the Committee than by the Executive Branch for the balance of payments deficit of the
participating countries with the Western Hemisphere as a whole. It was only because the Committee allowed for more financing by the International Bank and other non-Treasury sources that it finally arrived at a smaller estimate of the burden on the United States Treasury.

Practically all of these differences reflect the Committee's desire to be conservative in its appraisal of what could be accomplished, especially during the first year. Its estimates of European imports were lower primarily because it was more cautious about the availability of supplies, notably Argentine grain. Its lower estimates of European exports and its more pessimistic estimate of the position of the dependent territories reflect a belief that it would prove difficult drastically to increase exports from Western Europe and from the African and Far Eastern dependencies to the United States in the immediate future.
VII. The Nature of the Estimates.

I shall not attempt to justify here all the estimates put forward by the Committee. Much of the evidence in support of them is set forth in the report, which must stand or fall on its own merits. But I would like to make several comments, based on the experience of the Committee, on the validity of such calculations and the considerations that should determine the final decision.

To begin with, it must be recognized that there is, inevitably, a wide margin of error in any calculation of the amount of assistance needed to accomplish the objectives of the program. Nor is this surprising. The nature of the uncertainties involved can best be understood if it is realized that the calculation of the amount of aid needed is in almost every respect analogous to the planning of a military operation. It is beset with all the same difficulties: ignorance of the terrain, inadequate knowledge of the plans of allies, lack of information as to the immediate actions of the enemy, and no way of taking account of acts of God.

The analogy is weakest in connection with the ignorance of the terrain. A military planning staff usually has good maps, whereas, in estimating aid, it is impossible to assemble much of the factual evidence as to needs and capabilities, at any rate until an administrative agency is actually in operation to gather such information. It is not that the Europeans withheld relevant facts but rather that in any economy which is not completely planned and controlled, no one
has readily at hand a complete calculation of needs for consumers' goods and producers' goods. Nevertheless, in the absence of such information, it is impossible to draw up a complete list of the total import needs of 17 countries and to defend in detail the essentiality of every item on it.

In the main, however, the margin of error is inherent in the nature of the calculation and would still be very wide, even if all the relevant information were in hand. As the Committee's report emphasized and as I have re-emphasized, the amount of assistance that will be required will be affected by the policies followed by the European Governments. Also it will be influenced by the strategy and tactics of the enemy, that is by the degree of success or failure of the communists' campaign to sabotage European recovery. Finally, it will be affected most of all by acts of God, in particular by the weather and the size of next summer's crops in Europe, at home, and elsewhere in the world.

No one can pretend, in the face of these uncertainties, to know precisely what resources will be required for this operation to achieve its objective. We realized, however, that a decision for at least the first year of the program would have to be made by the United States Government this winter on the basis of little or no better evidence than that available to the Committee. Accordingly, the Committee recommended as low a figure as seemed reasonable for an authorization or appropriation.

This does not mean that the objective could not be realized,
under any circumstances, at a lower cost. Uncertainty does not justify the arbitrary selection of a figure that would be adequate only under the most favorable conceivable circumstances. If the course of prices should turn downward, if Europe should have excellent crops next year, if communist opposition is completely ineffectual, and if coal production continues to exceed expectations, it may be apparent in retrospect that something less than $5 3/4 billions would have been adequate. On the other hand, if prices rise further, if political disturbance and uncertainty continue, if the depletion of the foreign exchange reserves of the sterling area this winter has serious consequences, then $5 3/4 billions would turn out to be too little. Just as conservatism in judgment requires that Europe's needs and the availability of supplies should not be overestimated, so it also requires that the estimate of cost should not rest upon the optimistic assumption about each contingency that will affect the course of events.

To this explanation of the extent and nature of the uncertainty inherent in any calculation of the amount of aid required for European recovery, I want to add two closely related comments on the general question of cost. They are, first, that the risks involved in authorizing or appropriating too small a sum are real, and are greater than the risks in the opposite direction and, second, that real economy can be achieved only by tough, businesslike administration and not by setting too narrow a limit on the administrator's financial freedom of action.
In relation to the first of these comments, it was certainly the view of the Committee that this should be a program for reconstruction and recovery, not merely for relief. The most obvious risk involved in an inadequate appropriation is that the program will degenerate into mere relief. If the European nations do not have some margin of resources over and above what they need to keep their people alive, they will not be able to make rapid progress in the expansion of production. If they are not, we will face next year a situation in Europe very similar to that which now prevails. 

We will be presented with the same choice between more relief on the one hand and the probable emergence of totalitarian regimes in Europe on the other. Food is a more urgent need than capital goods. Cuts in the program below whatever turns out to be the necessary minimum will be at the expense of the rate of progress toward solvency.

A second risk incurred through the provision of inadequate funds is that of giving the administrator so narrow a financial margin to work with that he can not help the European governments to take certain chances which should be taken in the interest of a rapid improvement. For instance, it is widely believed that larger food rations and a bigger supply of consumers' goods in Germany would stimulate higher production and would, thereby, more than pay for themselves. But the increase in production would not be achieved overnight. Consequently, the German regime must be prepared to gamble on the beneficial effects of a higher standard of living when the experiment is first undertaken. Likewise, any country which abandons
or drastically reduces exchange controls and restores the convertibility of its currency must have reserves to call upon. A reduction in trade barriers may threaten a temporary flood of imports which would place a strain on the international exchanges. The curtailment of direct allocation controls over the flow of materials in any country may involve a temporary rise in imports while stocks are being replenished. Generally speaking, if the European governments must be encouraged by the administrator to take no chances, the result may be to delay both recovery and a return to freer markets within the nations and internationally.

Still a third risk, if the authorization or appropriation turns out to be too far below the amount required for recovery, is that the threat of another crisis next winter will frustrate both the administrator's planning and that of the European governments. A program of the magnitude contemplated must be assured of at least a year's trial if it is to have a reasonable chance of success. The administrator must have time to assemble a staff, make commitments, and set procurement in motion. The European nations are undertaking various actions and adjusting their plans in the light of the program. The threat of termination or curtailment well before the end of the next fiscal year would make the necessary planning on both sides of the Atlantic difficult. Yet, an appropriation so limited that unfavorable circumstances could render it hopelessly inadequate would, in effect, expose the whole program to the risk of premature termination or curtailment.
This leads me to develop the second of the two comments to which I referred. The deeper the Committee went into its consideration of the European recovery program, the more its members were convinced that great latitude must be left to the persons in charge of its administration and that primary reliance for economy must be placed upon them. The same circumstances that make precise calculation of cost impossible compel the delegation of considerable authority. The needs both of the whole group of participating countries and of individual nations will depend upon developments which cannot be accurately foreseen. Unexpected success by one country in expanding its exports may reduce its needs for assistance, and unexpected political difficulties in another may leave it more dependent upon outside aid. The requirements of participating countries will differ from advance estimates not only by reason of developments not now foreseen but also because the careful justifications required by an operating administration will lead to conclusions different from those that are indicated in the absence of such evidence. Similarly, the administrators must be free to take account of the appearance on the market of supplies that have not been anticipated or to modify the program in the light of shortages that develop with little warning. Like a general military/staff, they must have freedom to make the best use of limited resources.
Competent administration and effective use of resources is not merely a contribution to economy, it is the only way of keeping the cost of the program to the minimum consistent with attainment of its objective. Wholly aside from adapting his operations to developments as they occur, there are many actions the administrator can take which will have the effect of keeping down the cost. The need especially for industrial items and capital equipment should be carefully examined. Development projects that are not directly related to the building up of an export balance should not receive encouragement or assistance. More broadly, there must be constant pressure on European governments to carry out the policies they set for themselves at Paris. In these and other ways the administrator can actually help the European countries to become solvent at the earliest possible date with the smallest amount of help from us. This is constructive economy. Without such careful administration, the denial of adequate funds by the Congress will not insure that we attain the objective at the least possible cost. Given such administration and a proper desire on the part of the administrator to economize, it should not be necessary for the Congress to jeopardize the success of the whole program by giving him too little.
VIII. Administration

If the success of European recovery program demands that its administration be flexible, the interests of the American people demand that it shall also be responsible. The report of the Committee laid great emphasis, which I have tried to reflect, on the discretion which it believed the administrator should be given in the execution of a complex and difficult task. At the same time it recognized that, however great the need for flexibility, the need for constant and vigilant control was equally essential. Such control can neither be achieved nor maintained by hedging the administrator about with a series of legislative limitations on his power. But if that power is vested in a single man, if there is thus one person whom the Congress and the country can hold directly responsible for the conduct of the program, and if the freedom of action which he is given fixes that responsibility, then true control can be achieved without sacrifice of flexibility.

The need for flexibility does not mean that limits on the extent of the program or the power of the administrator cannot be set. A limit on the over-all magnitude of United States aid, a further limit imposed by the need to justify to the Congress the annual appropriations which the program will require, and a final limit growing out of the closest relationship between the Congress and the administration of the plan, through existing Congressional
committees or a special joint committee created for this purpose, will all serve effectively to define and continually to re-define the activities of the administrator.

I have already indicated how the operating decisions which an administrator of such a program will constantly have to make will require considerable freedom of action. But these decisions must be made within the frame work of general policy dictated by American interest. The operating job cannot be done effectively if each step must be referred to a board or commission. But it is equally true that the policies within which the program will be conducted cannot best be formulated by the administrator alone.

The Committee therefore suggested the establishment of a board of directors composed of the heads of the government departments interested in and affected by the program, and such other persons as the Congress may see fit to add. It is emphatically intended, however, that this board should, like the board of directors of a private corporation, be limited to the making of broad policy decisions. To entrust the active, day-to-day, management of an organization which has executive rather than deliberative functions to a commission would be a violation of the principles of good administration. In order to insure that the administrator have the prestige required for the effective performance of his duties, it recommended that he be the chairman of the board of directors. In view of the direct relationship between the conduct of the European
recovery program and the foreign policy of the United States, the Secretary of State should be a member of the proposed board of directors; further, the administrator should maintain close and cooperative relations with the Department of State concerning important operating decisions which affect major aspects of foreign policy.

I will not now review at length the details of the administrative arrangements which the Committee proposed, and which are fully set forth in its report. The administrator should be appointed by the President and confirmed by the Senate. The organization he heads should have a chief representative in Europe, responsible to him, who would deal with the permanent committee set up by the participating European nations, and coordinate the activities of the administrator's representatives in each country. Reports on the organization's activities abroad should be made directly to its administrator, although the Ambassadors in each country and the Department of State in Washington should all be kept fully informed. What is proposed, in short, is a truly independent agency, responsible essentially for an operating job, guided in the policies under which it operates on the one hand by the Congress and on the other by a directing board of the relevant government officials and such others as the Congress may see fit to add. The Committee recommended that consideration be given, in the creation of the new agency, to the use of the corporate form.
The decisions on the amounts of the several commodities which should be devoted to the European recovery program, as against the needs of the United States and other foreign countries, should not be made by the new organization.

These judgments and the exercise of control over exports should remain with the regular Departments now exercising these functions. However, the Committee felt that the administrator should have final determination concerning export priorities and licenses to the participating countries. The administrator should have responsibility for screening the Western European countries' requirements and the responsibility for their acquisition and delivery. The Committee felt strongly that U.S. Government procurement should be used as little as possible, although it recognized that in rare instances it might be necessary.

The Committee took a firm position that it should be made a condition of continued assistance under the plan that participating countries take all practicable steps to achieve the production goals and the monetary reforms set by them in the Paris report and that failure to do so would call for a cessation of further assistance under the program.

Aid from the United States under the plan should not be conditioned on the methods by which the participating countries reach these goals, so long as the methods are consistent with basic democratic principles. Continued adherence to such principles is an
essential condition to continued aid under the program, but the Committee does not believe that this condition should extend as far as adherence to any form of economic organization, or should require the abandonment of plans previously adopted in a free and democratic manner which call for a different form of economic organization. While the Committee firmly believes that the American system of competitive free enterprise is the best method of obtaining high productivity, it does not believe that this program should be used as a means of requiring other countries to adopt it. In the judgment of this Committee, the imposition of such conditions by the United States would constitute an unwarranted interference with the internal affairs of friendly nations.

One other principle of administration I should mention is that of dividing up the financing function in such a way as to make good use of the facilities and experience of the International Bank and the Export-Import Bank. The former is particularly well equipped to handle the financing of capital equipment and the latter that of raw materials and industrial supplies which could appropriately be the basis of loans. In this way, the full responsibility for providing equipment might be concentrated in one institution which is fully competent to examine needs and exercise control over procurement and installation. The Export-Import Bank would assume an administrative task it is staffed to perform but it should do so subject to the direction of the administrator of the program. The financial resources
of the Export-Import Bank would, and those of the International Bank might, have to be supplemented. If dependence is to be placed upon them, they must not be prevented by lack of funds from playing their part. Since the administrator would direct the lending activities of one and be closely concerned with those of the other, he should be a member of the National Advisory Council.
IX. Economic Impact on the United States.

The final matter on which I shall try to convey to you the views of the Committee is that of the direct economic effect of the program on the United States. In remarks I have already made on the risks involved in authorizing or appropriating too small a sum, I referred mainly to the risk of failing to secure European recovery. But the importance of the objective and the chances of attaining it cannot be the sole criterion. If European recovery were brought about at the expense of serious damage to the economy of the United States, our position in the world would be weakened rather than strengthened by attempting to carry the program through. It is, therefore, essential to determine whether the program is one that the United States can afford to undertake.

Unfortunately, no simple answer can be given to this question. In the first place, the impact or cost of any assistance we grant must be measured in several different ways, in terms of money cost, of physical shortages, of depletion in natural resources, and, last but not least, in terms of its inflationary influence upon our economy as a whole. In the second place, what we can afford in terms of any of these measures is very directly related to developments at home, that is to the way our economy is functioning and to our domestic policies. Since it is not possible, because of these complications,
simply to conclude that we can afford a large foreign aid program, I shall enumerate those of the Committee's conclusions that seem to me most useful in arriving at a general judgment.

To begin with, every American and, more important, every European should be made to understand that the current threat to economic stability in the United States is an inflationary not a deflationary one, and the Committee denounced as sheer nonsense the idea which prevails to some extent at home and abroad that we need an export program to maintain employment. On the contrary its most serious cost to us will take the form of a maintenance of inflationary pressure.

I will not take your time to review the statistics on the relative size of the prospective export balance and the gross national product. The basic facts are that the export balance amounts to only a small fraction of the gross national product, that it amounts to less than outlays on plant and equipment or on construction, but that it is unquestionably an inflationary influence.

Moreover, it was the view of the Committee that the dollar magnitude of the export balance tended rather to understate than to exaggerate the inflationary influence exerted by our heavy exports. Basically, the reason is that many of the goods the Europeans most desperately need are those we can least well afford to give them. In particular, shipments of grain have had and will continue to have an effect somewhat disproportionate to their dollar amount. Food
prices occupied a strategic position in the present phase of our domestic inflation. To date, the connection between exports of food and the cost of living has been an indirect one. Exports have boosted the price of grain and feed, but the price of grain is not of direct importance in the cost of living. Meanwhile, the export of grain has forced the liquidation of poultry and livestock and, if anything, increased the supply of meat. We will begin in the very near future, however, to feel the inflationary effect of reduced meat supplies. That scarcity in the face of unprecedented domestic demand will be highly inflationary and can fairly be related to exports. Thus, the cost of the program in terms of inflationary dislocations may be painfully high, if we are unsuccessful in reducing any of the other inflationary pressures.

Although well aware of this danger, the Committee concluded that the program should go forward. One reason it did so was that, even taking account of physical shortages, we can actually spare the goods themselves without seriously impairing the operation of our economy. Although high food prices are violently inflationary, the American diet is far better than it was before the war. A continuation of exports to Europe would aggravate annoying shortages of industrial products, especially of steel. But a program of the size contemplated would still leave us with larger supplies of the most critical items for domestic use than we enjoyed in 1947. Our total exports under such a program would be at least a billion dollars lower than last
year and production of such critical items as tinplate, sheetsteel, and railroad cars is expected to be higher. In short, we can afford to supply the physical goods; the question is whether processes of extracting them from the American economy will be too seriously inflationary.

The statement of this question inevitably raises issues of policy. The extension of export control, which has already been enacted by the Congress, was specifically recommended by the Committee. It recognized that extremely limited priority powers and power to limit specific uses of materials might be needed to expedite exports, and suggested the necessity of power to issue limited orders to control consumption of critical materials, and to require that limited quantities of some goods, such as food, be set aside for export.

It must be emphasized that these suggestions apply only to the foreign aid program and not to the broad problem of inflation. The Committee is convinced that inflation is a serious deterrent to the stability of the American economy, but any consideration of a program to control inflation would have been beyond its competence and its terms of reference.

The Committee made two positive recommendations which I wish to emphasize in closing my testimony. The first is that funds provided as European aid should be available for expenditure in areas outside of the United States. It should be our deliberate policy, so long as inflationary conditions exist in the United States to minimize the impact on
our economy by maximizing the flow of supplies to Europe from elsewhere. The second is that the program should be financed within a balanced federal budget. To unbalance our budget would be to surrender our surest weapon against inflation.
February 10, 1948

Dear Mrs. Bolton:

In response to the questions raised in your letter of February 2, 1948, I submit the following:

(a) Where does the International Bank fit into the E.R.F. program?

The International Bank will not participate directly in E.R.F. It is hoped, however, that the Bank will participate indirectly by making loans from its own funds to the European countries involved.

(b) Is it your understanding that under the E.R.F. program all credits should be made by the Export-Import Bank, or that certain of them would fall naturally into the province of the International Bank? If the latter, what should determine that the requests of European governments be referred to the International Bank?

In discussing the respective roles of the International Bank and the Export-Import Bank under the program, it is my understanding that all credits from funds voted by the Congress will be extended by the Export-Import Bank. However, the International Bank will be afforded an opportunity to extend any credits it is able and willing to make. Hence, the Administrator and Export-Import Bank would make no credits if the International Bank were able and willing to extend the credits needed. What is generally overlooked in the discussion of the role of the International Bank in the program is the fact that the Bank, by its own limitations, is unable to extend credits in the amounts needed by the countries involved, either because of lack of funds or inability of the Bank to extend credits which will meet the requirements of its charter.
(c) Were the International Bank adequately financed, would you consider it to be the rightful agency for government lending?

As its name implies, the International Bank for Reconstruction and Development is an international institution whose Board of Directors is composed of representatives of member countries. Export-Import Bank, on the other hand, is an agency of the United States Government. The contribution made by the United States to the International Bank in the form of a subscription to its stock was no different except in amount, than the contribution made by other member countries. The United States Government has not voted funds to the International Bank except to meet the stock subscription. The concept of the International Bank would preclude its being utilized as a United States governmental agency. Its charter requires that it function as an international agency. It is difficult for me to perceive how it could be adapted to use as a United States government agency. Lending by the U. S. Government, except to the extent the Government may jointly participate with other Governments in an international body, should be handled by an agency of the United States.

(d) Under the provisions of the Export-Import Bank Act of 1945, is the Bank set up to continue indefinitely in the field of government lending, or set up to act in the emergency during which the International Bank is not financially able to make the loans?

The Export-Import Bank Act of 1945 describes the Bank as "an independent agency of the United States". The Act provides that the Bank shall have no power to make loans after June 30, 1953. This limitation was apparently imposed by the Congress in order to give it the opportunity at such time to give full consideration to the question whether the Bank will be needed after 1953.

The Bank's statutory purpose is to finance the foreign trade of the United States. So long as there is need for the Government to do this, I presume the Bank will continue in existence. If by reason of the lending activities of the International Bank or extension of credits by private American banks or industry, our foreign trade no longer needs Governmental financing, the Bank would presumably cease to extend credits, either by voluntary action or by mandate of the Congress.

In stating in my prepared statement that the Export-Import Bank was only to extend long-term reconstruction and development credits prior to the time the International Bank began operations, I was voicing the intent of the Congress as expressed in the hearings and debates in the passage of the Export-Import Bank Act of 1945. Such type of credits are ordinarily not needed to finance the foreign trade of the United States. Short-term credits for specific items of equipment or for
commodities are the types of credits that generally may be said to be more suitable for our foreign trade. Accordingly, it was the intent of the Congress and is the policy of the Bank today to refrain from making long-term general reconstruction and development loans. This, of course, is different than saying that the Export-Import Bank is only set up to act so long as the International Bank is not financially able to make loans.

(e) Under the normal course of your business, aside from contemplated E.R.P. aid, about what percentage of your credits are government loans, and what percentage to private interests?

In answering this question, it might be profitable to trace the history of the Bank's activities. From 1934, when the Bank was created, until 1939, the Bank's loans were largely to private industry, either in the United States or abroad. When the war began in Europe, Governments in Latin-America needed direct financial assistance and this was furnished by the Bank under a specific Act of the Congress. After the war, it was hoped that all trade could be restored to private channels and the Bank is daily attempting to direct its activities in such direction. However, the dislocation resulting from the war and the trend in Europe has necessitated Government to Government credits. In this connection, it might be pointed out that the International Bank is limited to making credits to Governments or the agencies thereof. The E.R.P. would likewise be so limited. The Export-Import Bank Act, however, permits the Bank to make credits to both public and private interests, including individuals as well as corporations and other entities.

The following table will give you some idea as to the division of our outstanding credits as between direct Government loans and industry credits. Dollarwise, of course, by far the greater amount of credits are direct Government loans. Of course, we should not overlook the fact that Government credits are to a certain extent made available by the borrowing countries to their nationals, and we encourage borrowing Governments to do this. In fact, in certain instances we have exacted covenants from the borrowing Governments that they will make the credits available for utilization by private interests in the borrowing country to the extent practicable. By way of further comment on the following table, we should state that in certain instances the foreign industrial entity which has borrowed from the Bank is Government owned in part or whole.
**Statement of Loans Outstanding to Foreign Governments and Other Obligors as of January 31, 1946**

<table>
<thead>
<tr>
<th>Number of Credits</th>
<th>Outstanding Loans</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Governments</td>
<td>47 43%</td>
<td>$1,707,085,063.77</td>
</tr>
<tr>
<td>Other Obligors</td>
<td>62 57%</td>
<td>282,843,813.47</td>
</tr>
<tr>
<td>Total</td>
<td>109 100%</td>
<td>$1,990,928,877.24</td>
</tr>
</tbody>
</table>

If you have any other questions, or would like me to come up and discuss any aspects of the matter with you I will be glad to do so at your convenience.

Sincerely yours,

Wm. McC. Martin, Jr.
Chairman

Honorable Frances P. Bolton
House of Representatives
March 10, 1948

My dear Mr. Secretary:

Thank you for your letter of March 6 presenting the case of Bizone Germany for a sizeable allocation in the initial stages of the European Recovery Program. This is helpful to me and to our staff and assists us in getting the proper perspective on the problem.

Very truly yours,

(Signed) WM. Mc. Martin, Jr.
Chairman

The Honorable Kenneth G. Royall
Secretary of the Army
Washington, D. C.
Mr. William McC. Martin, Jr.
President, Export-Import Bank of Washington
734 Fifteenth St., N.W.
Washington, D.C.

Dear Mr. Martin:

The allocation of funds during the first three month period of the European Recovery Program is presently under consideration by the ERP Advisory Steering Committee, and the same subject has been under consideration by the working staff of the National Advisory Council.

A preliminary and purely tentative program, contained in two tables, copies of which are enclosed, provided for an allocation of $1,200,000,000 among thirteen of the participating countries but made no direct provision for Bizone Germany. It is quite obvious to me that the comparative need for a recovery budget is greater in Germany than in any of these other countries, since each of them, with the possible exception of the French Zone in Germany, has a higher standard of living, a higher level of industry and a higher feeding level than Bizone Germany. Yet these tables, in effect, eliminated Bizone Germany from the European Recovery Program in spite of our Government's flag responsibility in that area and in spite of the fact that the rehabilitation of Germany is one of the keystones of the European recovery.

The Department of State and the Department of the Army are in agreement that adequate funds must be provided for Bizone Germany during this period, the Department of State suggesting $75,000,000 and the Department of the Army, $120,000,000. It appears to me to be vital from every consideration of the European Recovery Program that Western Germany be included for an appropriate amount. From the viewpoint of the Department of the Army, which is responsible for the operations in Occupied Germany, this matter is of the greatest importance.

Since this subject will be discussed further before the Advisory Steering Committee and possibly before the working staff of the National Advisory Council, on both of which you are represented, I am sure that you will want to know the Department of the Army's position on this important subject.

Sincerely yours,

(Signed) KENNETH C. ROYALL

Incls
Table I
Table II

Kenneth C. Royall
Secretary of the Army
March 17, 1948

MEMORANDUM to Mr. Martin

Re: Allocations under the E.R.P.

The substance of a suggestion I made to you this afternoon is as follows.

The discussion tomorrow at the N.A.C. meeting would merely resolve whether the N.A.C. as a body is consulted by the State Department, which is now acting as the temporary administrator in the matter of the first allocations of funds under the E.R.P. If the issue is resolved in favor of the N.A.C., a major problem would still remain from our point of view. As an agent under all the E.R.P. bills we should be working together with the State Department right along until the administrator has come into being and has organized the staff. It is for this reason that irrespective of the decisions at the N.A.C. which will merely affect our participation as N.A.C. members, the Board or yourself should make an effort to come to an arrangement with the State Department whereby representatives of this Bank sit with the appropriate State Department officials, in particular, Paul Nitze, in the preliminary discussions relating to the first allocations under E.R.P. and the steps to be taken in consequence of such allocations.

Rifat Tirana

cc: Mr. Arey
    Mr. Sherwood
    Mr. Sauer
NOTES ON MEETING HELD IN THE BOARD ROOM
OF THE BANK ON SATURDAY, APRIL 17, 1948

Mr. Gaston, Mr. Arey, Mr. Sauer, Mr. Sherwood and Mr. Tirana attended for the Bank. Mr. Wayne Taylor and Mr. Ray Miller attended for the Economic Cooperation Administration. General agreement was reached on the following points:

1. A clean separation between grants and loans.

2. The possibility of having a revolving working fund should be explored with reference to the legal aspects particularly.

3. The rate structure of ECA loans should conform in general to that of the Export-Import Bank.

4. No regular Eximbank loans should be made in ERP countries except perhaps under exceptional circumstances.

5. ECA loans should be negotiated by Eximbank Staff and come out of ECA account.

6. A determination should be made at the start as to whether the International Bank is going to handle a given loan.

7. From the outset all ECA loan transactions will be handled on the Public Debt Transaction.

8. If legally possible, ECA cotton loans should follow Eximbank procedure. (Mr. Taylor would like a legal opinion from Mr. Sauer with regard to the feasibility of this.)

9. Eximbank legal staff should work out immediately the most desirable type of authorization from ECA to Eximbank.

10. Mr. Sauer and his legal staff will work with the ECA staff with reference to predetermination of terms, etc., and draw and negotiate the contracts.

11. The fact that the Eximbank will have the responsibility of carrying out the liquidating function with relation to loans was taken into account.
12. Reimbursement of Eximbank for administrative expenses should take the form of an advance allocation of a working fund rather than post-facto. Mr. Sherwood, and Mr. Johnson should work this out immediately with Mr. Cake, Comptroller of ECA, and Mr. Cawley, Budget Officer.

13. Mr. Bauer should arrange an early meeting with the General Counsel of ECA.

14. The Eximbank should have a man attached to the Central ECA European Mission. It was agreed that the question of having other Bank men attached to ECA country missions in Europe should be explored further.

15. One or more members of Eximbank's staff to spend full time as liaison for the Bank with ECA, it being understood that office space would be provided by ECA.

Sidney Sherwood

April 20, 1948
April 20, 1948

Dear Mr. Hoffman:

I desire to acknowledge and to thank you for your letter of April 13th addressed to Chairman Martin. We concur in your suggestion to continue, until more specific arrangements are made, the same general interdepartmental relationships as have been in effect in preliminary work on the Economic Cooperation program.

The copies of your Informational Bulletin and Administrative Regulation No. 1 have been read with interest by the officers and staff of the Bank who are concerned with E.C.A. problems. Similar informational material may be transmitted to Mr. Sidney Sherwood, Secretary of the Export-Import Bank.

I note that you are convinced that the work of the Economic Cooperation Administration can go forward successfully only with the fullest possible participation of Government agencies which are concerned with the several aspects of the program, I wish to assure you that the directors, officers and staff of the Export-Import Bank stand ready to cooperate in every way which will contribute to the success of the Economic Cooperation Administration. Our meeting with Mr. Taylor on Saturday, April 17th, provided the opportunity for a most satisfactory preliminary discussion of ways and means for laying the basis for operating arrangements which should have good results.

Sincerely yours,

Herbert E. Gaston
Acting Chairman

Honorable Paul Hoffman
Administrator
Economic Cooperation Administration
Washington, D. C.
Memorandum Agreement Defining Agency Relationship between Economic Cooperation Administration and Export-Import Bank of Washington

The agency relationship between the Economic Cooperation Administration (ECA) and Export-Import Bank of Washington (Eximbank) for the purposes of Section 111(c)(2) of Title I of the Foreign Assistance Act of 1948 and Section 403 of Title IV of said Act, is predicated on the following considerations which are implicit in the statute and the legislative history thereof:

1. The Administrator has the responsibility of determining whether a credit is to be extended and of specifying the terms for the establishment and administration thereof.

2. Export-Import Bank has the responsibility of making and administering the credit upon the terms specified by the Administrator.

3. In carrying out his responsibilities the Administrator will utilize the services and facilities of Eximbank to the maximum extent consistent with his statutory obligations.

4. The Administrator and Eximbank will cooperate to the end that all phases of the foreign lending program of the United States Government will be integrated.

In the light of the foregoing considerations, the following procedures will be followed:

Steps leading up to determination by Administrator that a credit is to be established

Initiation of Credits. ECA will initiate discussions of credits with participating countries. A representative or representatives of
Eximbank will serve at ECA in this initial phase of discussions in a liaison capacity in order to make for continuity of joint effort on a credit application from the earliest stages of its formulation. It may also prove desirable to have a representative or representatives of the Bank attached to the European and China organizations of ECA in furtherance of the joint effort recognized as essential to the lending program under the Act.

Reference to Eximbank. If the Administrator in consultation with the National Advisory Council decides that a participating country involved in a credit application is creditworthy and that the purposes of the proposed credit are within the over-all program for the country approved by the Administrator, it will refer the applicant to the Eximbank.

Processing of Application. Upon the basis of such reference, which will be formal and oral, Eximbank will negotiate with the applicant and process the credit application. This phase of the negotiation will be conducted at the offices of the Bank in collaboration with a representative or representatives of ECA.

Recommendation. A memorandum analyzing the application and relevant factors involved and incorporating appropriate recommendations will be prepared by Eximbank and the representative or representatives of ECA. This memorandum will be submitted to the Administrator and the Board of Directors of Eximbank.

Consideration of Recommendation. The Administrator and the Board of Directors of Eximbank will consider the recommendation made by Eximbank and
the ECA staff, and the Board of Directors will make such observations on the credit as it may deem appropriate.

**Determination by Administrator.** The Administrator will make a determination in accordance with the provisions of Section 111(e)(1) of Title I of the Foreign Assistance Act of 1948 as to the making of the credit and the terms thereof, giving such weight to the recommendations and opinions adduced from the foregoing procedures as the Administrator shall deem advisable.

**Authorization to establish credit**

**Allocation of Funds.**

1. **Credits under Section 111(e)(2) of Title I (Economic Cooperation Act of 1948).** After a determination that a credit is to be extended, the Administrator will allocate funds to Eximbank for the purpose by issuing a note to the Secretary of the Treasury under the procedures heretofore worked out by ECA and Eximbank with the Treasury and by virtue of which the funds will be made available to Eximbank by the Treasury against the notes as they are needed for disbursements under the credits.

2. **Credits under Title IV (China Aid Act of 1948).** After a determination that a credit is to be extended, the Administrator will arrange for the allocation of funds for the purpose to Eximbank.

**Issuance of Authorization.** The Administrator will issue an authorization to Eximbank to establish the credit. This authorization will take the form of a letter and will be generally along the lines of that attached hereto.
Establishment of the credit

Eximbank will establish a credit by entering into a credit agreement with the borrower. What might be labeled the basic terms of such agreement will be expressly specified by the Administrator in his authorization. The other terms thereof, which are general and will likely be applicable in all credits extended under the Foreign Assistance Act of 1948, will be specified by the Administrator in his authorization by generally delegating to Eximbank the power to "impose such other terms as Eximbank shall deem appropriate in accordance with its customary procedures with respect to credits established under the Foreign Assistance Act of 1948 as referred to in the Memorandum Agreement between the Administrator for Economic Cooperation and the Chairman of the Board of Directors of Export-Import Bank of Washington, dated _______."

Defining the Agency Relationship between the Economic Cooperation Administration and Export-Import Bank of Washington."

The terms which will be expressly specified in the authorization of the Administrator will be the following:

1. **Identification of Borrower**

2. **Amount of Credit**

3. **Purpose of Credit.** (Comment. While the authorization will generally state the purpose and nature of the products to be financed, the credit agreement will include an exhibit listing the category of items to be financed under the credit. The list will be worked out and agreed upon by the staffs of ECA and Eximbank before the agreement is executed.)

4. **Interest Rate.**

5. **Amortization of Principal and Times of Payment of Interest**
6. **Availability Date**

7. **Terms Special to Particular Credit**

The terms which will be specified by the Administrator by his general delegation to Eximbank "to impose such other terms as Eximbank shall deem appropriate in accordance with its customary procedures with respect to credits established under the Foreign Assistance Act of 1948 as referred to in the Memorandum Agreement between the Administrator for Economic Cooperation and the Chairman of the Board of Directors of Export-Import Bank of Washington, dated ____________, Defining the Agency Relationship between the Economic Cooperation Administration and Export-Import Bank of Washington," are the following:

1. **Form of Obligations.** The obligations taken by Eximbank to evidence indebtedness of the borrower will be promissory notes running to the order of Eximbank generally in the form of those taken over the years by Eximbank in credits established under the Export-Import Bank Act of 1945 and prior statutes.

2. **Disbursement Procedures.** The disbursement procedures provided for in the agreement will be along the general lines of those followed by Eximbank over the years in credits established under the Export-Import Bank Act of 1945 and prior statutes.

3. **Other General Terms.** Such other general terms (such as provisions with respect to cancellation, shipping and legal opinions) as are appropriate to credits.

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**Administration of Credits**

With respect to the administration of credits it is understood that:

1. Eximbank will disburse credits under procedures established by Eximbank over the years in credits extended under the Export-Import Bank Act of 1945 and prior statutes;
2. Eximbank will institute or maintain such procedures and records as will insure that funds allocated to it by the Administrator for the purpose are used only to carry out the specific purchases of goods and services authorized by him.

3. Eximbank will not agree with the borrower to an alteration in the basic terms of the credit without first consulting and coming to an agreement with ECA on a proposed change;

4. To the extent it may be legally possible to do so under the credit agreement, Eximbank will make any changes in the terms of the credit as may be directed by the Administrator, including the cancellation of the credit if the Administrator finds that the assistance should be terminated as contemplated by Section 113 of the Foreign Assistance Act of 1948 or for any other reason;

5. The Administrator will follow up through the European and China organizations of ECA the ultimate disposition and use of articles financed under the credits and thereby reduce to a minimum any independent field work by Eximbank with respect to supervision of the credits.

6. Eximbank will receive collections of principal and interest on obligations given to evidence the indebtedness under credits and deposit the moneys into the Treasury as provided for under the Foreign Assistance Act of 1948;

7. In the event of default on obligations, Eximbank will consult with the Administrator as to the appropriate course of action;

8. In the event the Economic Cooperation Administration shall expire by law prior to the time a credit established under the Act has been repaid, Eximbank shall administer all phases of the credit, in the absence of the Congress providing for other method of administering the credits.

General Understanding

Credits under Export-Import Bank Act of 1945

It is expected that, during the early stages of ECA, there will be no necessity for Eximbank extending credits under the Export-Import Bank Act of 1945 to ERP countries except in certain special instances where it is agreed that
a credit is not suited to the ECA. It is likewise expected that, as the program develops, the groundwork will be laid for specialized commercial credits of more or less short-term type which will be especially adaptable to Eximbank purposes and functions under its existing legislation.

**Consultation with International Bank**

The Administrator and Chairman of the Board of Directors of Eximbank, either personally or through designated representatives as the occasion may from time to time dictate, will consult regularly with the International Bank for Reconstruction and Development to determine whether the International Bank is able and willing to make a credit for which application is made under the Foreign Assistance Act and for the purpose of coordinating activities under ECA grants and credits, Eximbank credits and International Bank credits.
In reply please refer to: E

CONFIDENTIAL

April 30, 1948

My dear Mr. Martin:

In accordance with the provisions of Section 115 of the Economic Cooperation Act of 1948, the Department of State proposes to begin discussions in the very near future for a series of agreements on economic cooperation with each of the European countries participating in the European Recovery Program.

A preliminary and confidential draft of a master agreement, which would serve as a model to be followed, where applicable, in the bilateral negotiations, is enclosed. This draft is designed to indicate the general content of the proposed agreements rather than their precise language. I would appreciate receiving any comments which the Export-Import Bank may have regarding the general substance of those provisions of the enclosed draft which may be of interest to it. In this connection particular reference is made to Articles II, VIII and X.

Under the Economic Cooperation Act economic assistance would have to be terminated to any country which an agreement under Section 115 of the Act is not in force by July 3. Since many of the countries concerned will need to lay the proposed agreements before their legislatures, it is essential that negotiations be completed with the greatest possible dispatch. In order to permit adherence to the time schedule, I would appreciate your sending me any comments which the Export-Import Bank may have by Wednesday, May 5.

Sincerely yours,

For the Secretary of State:

Willard L. Thorp
Assistant Secretary

Enclosures:
2 Draft Bilateral Agreements

The Honorable
William McC. Martin, Jr.,
Chairman, Board of Directors,
Export-Import Bank of Washington.
Attachment to Memorandum Agreement dated ____________________ between Administrator for Economic Cooperation and Chairman of the Board of Directors of Export-Import Bank of Washington defining agency relationship between Economic Cooperation Administration and Export-Import Bank of Washington

Dear Mr. Martin:

In accordance with the provisions of the Economic Cooperation Act of 1948, a determination has been made to extend assistance on credit terms in an amount of not exceeding $____________ to ______________________ to finance (general statement of nature of project).

I have allocated funds for the purpose in the amount of $____________ to Export-Import Bank of Washington by the issuance of a promissory note to the Secretary of Treasury with appropriate instructions to the Treasury to make the proceeds thereof available to the Bank from time to time at its request.

Accordingly, I am requesting that Export-Import Bank of Washington establish a line of credit to implement the aforesaid determination; the credit to be established and administered upon the following terms:

1. **Beneficiary.** (Name)

2. **Amount.** Not exceeding $____________.

3. **Purpose.** To assist ______________________ in financing the acquisition cost of United States machinery, equipment, supplies and attendant services designed to (general statement of nature of project).

4. **Period of Payment.** Advances under the credit shall be repayable in (specify number of years, etc).
5. **Interest.** Advances shall bear interest at the rate of __________ per cent (______%) per annum payable ________.

6. **Availability.** The credit shall be available until ____________.

7. **Other Terms and Conditions.** Such other terms as Export-Import Bank shall deem appropriate in accordance with its customary procedures with respect to credits established under the Foreign Assistance Act of 1948, as referred to in the Memorandum Agreement dated ____________ between the administrator for Economic Cooperation and the Chairman of the Board of Directors of Export-Import Bank of Washington, defining the agency relationship between the Economic Cooperation Administration and Export-Import Bank of Washington.

Sincerely yours,

Paul G. Hoffman
Administrator

William McChesney Martin, Jr.
Chairman, Board of Directors
Export-Import Bank of Washington
Washington, D. C.
MEMORANDUM FOR MR. MARTIN:

Subject: The Role of Short-Term Processing Loans in ERP.

Introduction

The proposal that the cotton and tobacco requirements of the participating countries should be handled through short-term processing credits requires evaluation in light of the broad purposes of ERP.

The principal economic implications of the proposal are two:

(a) From the point of view of every participating country, a short-term, i.e., under four-year, credit is the practical equivalent of a deferred cash payment out of its own resources within the life of the program and does not represent ERP aid as contemplated in the Paris CEEC report. Any participating country would regard such ECA assistance as no more than short-term financing through normal commercial channels.

(b) From the point of view of ECA, whatever the volume of short-term credits it extends may turn out to be, the ERP assistance so furnished Europe represents a corresponding reduction in the amount that would otherwise be available for restoration of the capital structure and productive capacity of the recipient countries.

Discussion

I think it is very important to keep in mind that no short-term credits were ever contemplated by the Executive Branch during the preparation of ERP. The NAC 20 to 40 percent loan calculation was based on the expressed assumption that all of the loans would be on a long-term basis. The high figure of 40 percent was offered to make allowances for the possibility of very long-term conditional loans, i.e., 50 years repayment with interest waiver provisions, being extended. The NAC calculations of the amount of ERP that might be carried on a loan basis were directly related to the over-all capacity
of each participating country to repay, not during the initial ERP period, but over a considerable period after the objectives of ERP had been achieved and balance of payments equilibrium restored.

Looking at the short-term processing credit from the standpoint of a participating country, the following must be kept in mind: The Executive Branch calculations of the amount of ERP assistance required are based on the estimated balance of payments deficit of that country with the Western Hemisphere. The estimated deficit was calculated on the assumption that no substantial additional dollar debt burden would be imposed on the country during the life of ERP (4-1/2 years). On the dollar receipts side, full allowance was made in the Executive Branch calculations for the dollar exchange earnings that would be forthcoming in the ERP period, including earnings from raw materials supplied under ERP and processed. Accordingly, if the country should now be required by EGA to pay back dollars earned from processing of raw materials, within this period, its dollar exchange earnings will be reduced by a corresponding amount. Any prudent participating country will have to regard the processing credit as tantamount to a deferred cash expenditure out of its own resources and will have to earmark an equal amount out of its gold and dollar reserves. Any country prepared to do this is giving prima facie evidence that it is receiving an over-allocation of aid, or else that it anticipates a prompt recovery in its balance of payments position greatly more favorable than was anticipated in the Paris 1947 and U.S. Government calculations. (These observations, of course, hold only on the assumption that the extension of short-terms will not result in an proportionate increase in current earnings).

Conclusions

For the reasons outlined above, it seems to me that short-term processing credits are fundamentally inconsistent with the purposes of ERP. I believe that all of the ECA credits should be related to the balance of payments approach provided for in the legislation. If the Administrator feels that, despite the contrary judgment of the Executive Branch up to the present, there are good prospects that certain credits to a given participating country could be repaid within the life of ERP, it is my judgment that the Administrator should reduce the over-all allocations to the country in question by that amount in preference to extension of short-term credits. I would argue to this effect because I feel that the policy consequences of introducing short-term processing credits could easily prove seriously detrimental to the purposes of ERP. I think that the British problem illustrate this best.

In the case of Britain, ERP only covers the deficit of the U.K. with the Western Hemisphere. Unfortunately the total U.K. dollar drain will be substantially in excess of the U.K. deficit with the Western Hemisphere in this same period because the U.K. is obliged to carry the
dollar deficit of the sterling area. This latter may amount to as much as $500 million during the first year of ERP. This oversight cannot be remedied, at any rate, during the first year of ERP. In such circumstances, the British as a matter of prudence will have to regard any proposed short-term credit under ERP as the equivalent of a deferred cash outlay from their own resources and earmark a corresponding amount out of their reserves. My own opinion is that the British Government would feel obliged to refuse any short-term credit and either do without the raw materials or make the necessary outlays directly out of their reserves. The British financial community and general public are already greatly concerned by the persistent rumors that certain quarters in the United States are out to wreck the sterling area. No matter what the avowals of ECA might be, the British financial community would, in my opinion, regard the use of the short-term processing credit technique as a U.S. Government subterfuge to reduce the over-all aid allocation to the U.K. without admitting the fact. I feel certain in my own mind that the British Treasury would be unprepared to face the internal repercussions involved and would feel obliged to see their reserves run down instead. But there is every indication that the British Government will not see their reserves go below the $2 billion mark without taking drastic corrective steps. In my opinion, their only "out" will be to refuse to allocate further dollars to the Middle East portion of the sterling area, i.e., Pakistan, India, Iraq, Iran and Egypt. U.S. political commitments in that area are already such that, in my opinion, as soon as the British adopted this course we would immediately be faced with the necessity of supplying the dollars directly on a Greek-Turkish aid basis. If my analysis is correct, ECA insistence on short-term processing credits to the U.K. would be tantamount to hastening the crisis which (in my judgment) this Government has every reason to defer until it can be dealt with more successfully.

The British case is the most extreme but, in my opinion, there is no single participating country in Europe that can afford at this time to accept in good faith short-term processing credits. For the reasons I have pointed out above, they can afford to accept short-term credits only if they receive an over-allocation of funds on a grant basis this year at the expense of some other participating country or are willing to gamble that they will receive an over-allocation at the time the processing credits come due. I have no doubt that several of the countries are prepared to accept processing credits with tongue in cheek, but it seems to me very dangerous to gear ERP to the lowest common denominator of European financial morality at the outset.

I appreciate the considerations which cause certain people to favor the concept of processing credits. Although I personally do not agree with their reasoning, accepting their arguments as valid,
I would argue that the proposals would have to be modified at least to the following extent to make the processing credit technique at all consistent with the basic purposes of ERP: Specific provision in the processing credit contract for refunding the credit at maturity on to, for example a ten-year basis, in the event that the recipient country demonstrates that, although the processing has been carried out in accordance with the loan contract, and the dollar earnings set aside in escrow, the over-all balance of payments position of the country at maturity is such that the repayment would involve an equal reduction in reserves, i.e., that the ECA estimate of the balance of payments improvement over and above the original ERP calculations did not materialize. I suggest a refunding on to a 10-year basis on the grounds that, if the ECA feels the need for distinction between raw material processing and other credits, this is probably the shortest term of refunding credit that can be justified on any balance of payments approach.

L. M. PUMPHREY
June 15, 1948

MEMORANDUM TO The Board of Directors

Re: Size of ECA Loans

In view of the difficulties being experienced by ECA, especially Mr. Bissell's office, in handling loans on a piecemeal quarterly basis (see memorandum relating to France), Mr. Bissell has apparently consented to loan negotiations clearing for a six month period, and he is prepared apparently to fix the sums that are to be made available by ECA in the form of loans during the second and third calendar quarters in a form which is firm enough for the parties to negotiate.

Rifat Tirana

cc: Mr. Arey
Mr. Sauer
Mr. Sherwood
June 9, 1948

MEMORANDUM TO Mr. Martin

Re: Top Level Inter-Agency ECA Committee

In a memorandum of June 4 from Mr. Bissell which has already been circulated to the Board, mention was made in paragraph 10 about the establishment of a Top Level Inter-Agency Committee.

I have learned that this Committee met for the first time today. It is a revival of the State Department Steering Committee which was set up last autumn for the purpose of getting various agencies to work on ERP under the aegis of the State Department. It will be recalled that the Steering Committee was regarded by the Treasury Department as a mechanism designed to dispense with the HAC. It will also be recalled that the Bank was excluded from this Committee until the very bitter end when Mr. Sauer, by arrangement with the General Counsel of the State Department, managed to get Bank observers to sit in on the Committee.

The Committee today met under the Chairmanship, apparently temporary, of Mr. Bissell. Other representatives of EGA sitting at the meeting were Tyler Wood, Lincoln Gordon, Geiger, and Richardson. Mr. Taylor's office was not represented. The State Department was represented by Mr. Labouisse and Mr. McGhee, and the Treasury Department by Southard and George Willis. The Commerce and Agricultural Departments were also represented.

Apparently most of the meeting was taken up by the establishment of procedures for conducting the meetings of this Committee.

Apparently Lincoln Gordon raised some questions with respect to intra-European trade problems.

The Committee will meet generally once a week. There seems to be no intention of having the Bank represented in the Committee, which also may be gathered from Bissell's memorandum of June 4 which has already been circulated.

If you think that the Bank representation in the Committee is necessary and desirable, and my personal opinion is that such representation should be automatic from the terms of the ECA Act, I suggest that the problem might be handled in one of two ways. In view of Mr. Taylor's absence from the meeting it is perhaps advisable to raise the problem of the Bank representation through or with Tyler Wood. I shall be glad to do this on a very informal and casual basis if you feel that such a casual approach is more advisable than a telephone call from you to him. I would appreciate it if you would advise me as to what course I should follow.

R. Tirana

cc: Messrs. Arey, Sauer, Sherwood
MEMORANDUM TO The Board of Directors

Re: EGA Loans

Mr. Bissell has finally come around to the view that loans should not be made on a piecemeal basis, and that recipient countries should be given better indications as to the total amount of funds that may be made available to them on a loan basis for a relatively long period so that they can plan a little more intelligently. In the case of Norway, Mr. Bissell has informed Mr. Taylor that he can negotiate with the Norwegians for loan funds covering between two to three quarters. He has not stated the amount of funds that would be allocated out of EGA on a loan basis to Norway for this period. He cannot do so even if he desired because he would have to await the recommendations of the NAC on the subject of the division of funds between grants and loans.

It is understood, however, that beneficiary countries may be told that they can request the establishment of a line of credit that would cover their anticipated requirements to be financed by way of loans for a period running between two and three quarters. It will be up to the recipient country to state the total amount of credits that it requests, the recipient country taking into account in doing so its desire and ability to contract additional dollar debt. Each recipient country will also be told that such line of credit as is established for this relatively long period will be utilized only against approved programs of requirements which go through the usual channels in EGA.

It is expected that the decision for Norway will be generalized to cover other countries.

Rifat Tirana

cc: Mr. Arey
    Mr. Sauer
    Mr. Sherwood
MEMORANDUM TO The Board of Directors

Re: Interbank and EGA

As I explained to the Board on Friday July 2, Mr. McCloy called on Mr. Hoffman with respect to matters relating to ECA loans.

I understand this morning that the subjects discussed were the following:

1. The negative pledge clause. Mr. McCloy made another bid for the insertion of the negative pledge clause in all loan contracts of the EGA and this Bank. No decision was apparently taken with respect to Mr. McCloy's request.

2. Mr. McCloy raised the question of the Interbank being kept fully informed on loan negotiations right from the start. Apparently, Mr. Taylor made much the same suggestion that I had in my conversations with Mr. Demuth, namely, that the fortnightly meetings between the two banks were the appropriate channel for an exchange of information and views on the subject of ECA loans. Apparently Mr. McCloy wants something more.

3. Mr. McCloy also informed Mr. Hoffman and Mr. Taylor about the Interbank project to issue dollar obligations in Holland and Belgium. EGA is not in favor of the project because it means tying up or diverting dollars that would be otherwise available to ERP countries.

4. The President of the Interbank also dwelt briefly on the subject of interest rates, and maintained his thesis that rates charged by the EGA should be more in line with market rates.

Rifat Tirana

Circulated to: Mr. Arey
Mr. Sherwood
Mr. Sauer
Mr. Lynch
July 12, 1948

MEMORANDUM TO The Board of Directors

Re: Press Release on ECA Guaranties

I checked with Mr. Taylor this afternoon about the issuance of the Press Release without prior clearance with the Export-Import Bank. As I suspected, Mr. Taylor had not been aware of the plans for issuing it, and it had been his intention to clear such Press Releases with this Bank, if not, to issue them generally as he has agreed in the case of loans.

Apparently Mr. Sherlock Davis was the party who was anxious to release the statement as soon as possible and had overlooked the necessity of prior clearance. After I reminded him of the arrangements and of the advisability for the sake of good working relationships for such clearance, he stated that he felt guilty and would make amends in some way in the future.

You will note page 4 refers to the Bank in two instances.

Rifat Tirana

cc: Messrs. Arey
    Sherwood
    Sauer
    Lynch

Attachment
WASHINGTON, July 11. Regulations by which American investors may apply for guaranties covering the transfer into U.S. dollars of proceeds from new investments in countries participating in the European Recovery Program were announced today by Paul G. Hoffman, Economic Cooperation Administrator.

The regulations will be effective when published this week in the Federal Register.

(Copies of the regulations and of a policy statement by ECA on the subject are attached)
A fundamental purpose of the Economic Cooperation Act of 1948 is to promote recovery within the countries participating in the European Recovery Program, by facilitating and increasing to the maximum the use of the normal private channels of trade within those countries and between those countries and other parts of the world. One of the methods of assistance which the Administrator for Economic Cooperation is empowered to render under the Act, and the one which may perhaps prove most effective in promoting the use of private channels of trade, is contained in Section 111(b)(3). It is there provided that, subject to rules and regulations which he may prescribe, the Administrator may issue a limited form of guaranty for new, American, dollar investments in participating countries, if the projects represented by such investments are approved by the Administrator and the participating countries concerned as furthering the purposes of the joint program of European Recovery. The guaranties for which provision is made may, if the Administrator so determines, cover the transferability into United States dollars of the proceeds of investments up to 100 per cent of the dollars invested. For the purposes of the guaranty, it makes no difference whether such proceeds have been received as income from the investment, as repayment or return of the investment, in whole or in part, or as compensation for the sale or disposition of all or any part of the property representing such investment. The Administrator is not empowered to issue guaranties against ordinary business or political risks, or...
against fluctuations in the rates of foreign exchange. Moreover, when the recipient of a guaranty receives and converts into United States dollars proceeds from his investment, either in the form of income, or return of principal, the guaranty is reduced by such amount.

If called upon by an investor to honor a guaranty as the result of the inability of the investor to convert proceeds from his investment into dollars in the regular course of business, the Administrator, through his agents, will provide dollars in exchange for the foreign currency received by the investor at the then rate of exchange recognized by the United States Government. The foreign currency which the Administrator thus receives then becomes the property of the United States. It must be emphasized that the Act does not authorize any guarantee of the transferability into dollars of any profits which may accrue to an investor over and above the amount of dollars originally invested and specified in the contract of guaranty.

To be eligible to receive a guaranty under the terms of the Act the investor must be a citizen of the United States, or a corporation, partnership, or other association created under the law of the United States, or of any state or territory and substantially beneficially owned by citizens of the United States. The maximum period for which an investment may be guaranteed is until April 3, 1962.

It must be borne in mind that although the guaranty provisions of the Act are designed to offer substantial inducement to American capital to seek profitable employment abroad, their primary purpose is to promote the joint program of economic recovery within widespread geographical and industrial areas. The determination, therefore, as to whether a projected investment should receive a guarantee will be made in each instance by the Administrator and the appropriate participating countries, with reference to the degree to which such investment will serve this primary purpose.
A fee not exceeding 1 per cent per annum of the amount of each guaranty is authorized by law. It is contemplated that a fee in this amount will be charged each investor receiving a guaranty, unless in the case of any given investment unusual circumstances exist rendering it desirable, in furtherance of the purposes of the Act, to charge a smaller fee.

It is believed that the power to issue guaranties can be of great value in aiding recovery within the participating countries. For this reason, it is important to ascertain the extent and character of interest in this topic among potential United States investors in participating countries at the earliest possible moment, and similarly to ascertain the attitudes of the participating countries towards guaranteed United States investments within their borders. To this end, citizens of the United States, and corporations, partnerships, and other associations created under the law of the United States, or of any state or territory, and substantially beneficially owned by citizens of the United States interested in obtaining guaranties under the Act, are urged to file applications, or to consult with the staff of the Economic Cooperation Administration as promptly as possible with respect to projects in which investment is contemplated subject to a guaranty.

Rules and regulations are being issued at this time to establish a uniform procedure for making applications for guaranties. Each project which is the subject of an application will require individual study. The contract between the investor and the Administrator, giving effect to the guaranty, will provide such safeguards as may be deemed necessary by the Administrator to carry out the purposes of the Act, and the rules, regulations, and policies thereunder.

All applications will be made to the Administrator at his offices in Washington, D. C.

Potential investors in participating countries, and other interested persons, may direct inquiries with respect to the program for the extension of
guaranties to the attention of the Director, Guaranty Division, Economic Cooperation Administration, Washington, D. C.

Administration

To obtain the required approval of the Administrator and the participating country concerned as expeditiously as possible, it is desirable that an applicant for a guaranty enter into negotiation with the appropriate participating country as soon as practicable. It is not necessary that such negotiations be brought to a successful termination prior to filing an application with the Administrator. The approval of the participating country, however, must be obtained before the Administrator may extend his approval.

In the administration of the program of guaranties, it has been agreed between the Chairman of the Export-Import Bank of Washington and the Administrator that extensive use will be made of the facilities of the Bank.

The actual issuance of guaranties, the establishment of policies with respect thereto, the decision as to the terms of contracts of guaranty, and other matters involving the exercise of the discretionary powers vested in the Administrator by law, will be the direct responsibility of the Economic Cooperation Administration. All consultation with respect to applications for guaranties will be conducted by the Economic Cooperation Administration, with appropriate coordination with the Export-Import Bank of Washington.

Guaranties of Investments in Enterprises Producing or Distributing Informational Media

Section 111(b)(3) of the Economic Cooperation Act of 1943, as amended by the Foreign Aid Appropriation Act, 1949 (Public Law No. 793, 80th Congress), provides for the issuance of guaranties of investments in enterprises producing or distributing informational media, provided that the amount of such guaranties in the first year after the date of the enactment of the Act does not exceed $10,000,000. Such guaranties must, of course, receive the approval of the
Administrator and the participating countries concerned. The Report of the Conference Committee of the Senate and House of Representatives, dealing with the Economic Cooperation Act of 1948, indicates a clear intention to provide for guaranteeing in the case of informational media an essentially different form of investment than is contemplated in the general provisions authorizing guaranties of investments in industrial projects. The Report states:

"...The members of the committee of conference recognize that the nature of the information media industry is such that in many cases the investment to which the guaranty will apply will have been made in the United States and the product of the investment sold or exhibited abroad. In these cases the guaranty might well apply to the convertibility of foreign currencies earned by the sale or exhibition of the products of the industry, to the extent of the dollar cost of production wholly attributable to these specific products."

Such applications for guaranties as may be received from producers and distributors of informational media will, therefore, be considered by the Administrator in the light of this clearly expressed Congressional intention. As in the case of other applicants, such investments must be new, at least in the sense of an expansion of an existing enterprise, a guaranty being available only to the extent that it encourages new investment for the purpose of increasing the dissemination of informational media. In view of current conditions in Europe, it is believed to be particularly desirable at this time, in furtherance of the purposes of the Act, to obtain the widest possible circulation in Europe of American informational media conveying a true understanding of American institutions and policy among the nations.

Rules and Regulations

There are issued herewith rules and regulations which have been prescribed by the Administrator, establishing the methods to be employed in applying for guaranties. These rules are designed to render the process of securing a guaranty as simple as possible under the provisions of the law, and to provide the necessary
mechanism for the administration of the program.

Each guaranty will be evidenced by a contract which will set forth the specific terms and conditions thereof.
Title 22 - Foreign Relations
Chapter III - Economic
Cooperation Administration

Part 1114 - Guaranties Under
the Economic Cooperation Act
of 1948

Preamble. In furtherance of the purposes of the Economic Cooperation Act of 1948, and in order to facilitate and maximize the use of private channels of trade, pursuant to authority contained in Section 111(a) and 111(b) of such Act, the following rules and regulations are prescribed as necessary and proper terms and conditions, consistent with the provisions of such Act, for the making of guaranties of investments as provided for in Section 111 of such Act.

1114.1 Information required in application for guaranties and place of filing.

1114.2 Fees for Guaranties.

1114.3 Saving clause.

Authority: §§ 1114.1 to 1114.3, inclusive, issued under Sec. 111, Public Law 472, 80th Cong.

1114.1 Information required in application for guaranties and place of filing. Applications for guaranties, pursuant to Section 111 of the Economic Cooperation Act of 1948, will be made in writing to the Administrator for Economic Cooperation, Washington 25, D. C., containing the following information:

(a) Name and citizenship of applicant; if a corporation, partnership, or other association, the jurisdiction under the laws of which it was created and under which it exists, and evidence that it is substantially beneficially owned by citizens of the United States.

(b) Address of the applicant, and name, title, and address of person or persons authorized to represent the applicant.

(c) Name of participating country in which investment is proposed to be made, and either evidence of approval by that country of the investment as furthering the joint program for European recovery, or a statement of the channel through which negotiations are being or will be conducted for the purpose of obtaining such approval.

(d) Total amount in United States dollars of the guaranty for which application is made.

(e) Description of the proposed investment; where development projects are involved, the description should include engineering and economic surveys, and pro forma balance sheets and income statements.

(f) Statement as to how the projected investment may be expected to affect the foreign exchange position of the participating country, or countries, concerned.
(g) If any part of the investment is to be in a form other than cash, the basis of the evaluation in dollars of the facilities or services proposed as the subject of the investment.

(h) A description of the facilities in which the applicant proposes to invest, proposed location, projected method of operation, and total amount of proposed investment in the project, both in United States dollars and foreign currencies.

(i) Estimated time required in placing in operation the project for which the investment is to be made.

(j) The facts with respect to any other proposed participants, financially or otherwise, in the project.

(k) Information with respect to the market for the products or services resulting from the project (this to include the domestic market in the participating country, the market in the United States, and the general world export market) and pertinent information with respect to the economic soundness of the project.

(l) Brief statement of history and experience of the investor, commercial, bank, and trade references, and comparative balance sheets and profit and loss statements for the past three years, together with a statement as to the availability of funds for the proposed investment, and the source thereof.

(m) A description of all existing investments of the applicant in the country in which the investment covered by the present application is contemplated.

(n) Such further information as the Administrator may require with respect to any application to assist him in the exercise of the authority vested in him by the Act.

1114.2 Fees for Guarantees. The recipient of a guaranty shall pay to the Administrator or his duly appointed representative, annually in advance, a fee of 1 per cent per annum of the face amount of such guaranty, unless unusual circumstances are found by the Administrator to exist with respect to any guaranteed investment, rendering it desirable, in furtherance of the purpose of the Act, to charge a smaller fee.

1114.3 Saving Clause. The Administrator may waive, withdraw, or amend at any time or from time to time any or all of the provisions of these regulations.
Memorandum Agreement Providing for the Utilisation of Export-Import Bank of Washington by the Administrator for Economic Cooperation in Connection With the Making of Guaranties Under the Economic Cooperation Act of 1948

The Administrator for Economic Cooperation (Administrator) and the Chairman of the Board of Directors of Export-Import Bank of Washington (Eximbank) are agreed that the Administrator will utilize the services and facilities of Eximbank in connection with the making of the guaranties authorized by Section 111(b)(3) of the Economic Cooperation Act of 1948.

The following considerations call for the utilization of Eximbank for the purpose:

(1) The guaranties under the Act may be issued for a period up to fourteen (14) years from the date of enactment of the Act; a date well beyond that fixed by the Act for the statutory existence of the Administrator;

(2) The issuance of the type of guaranty provided for in the Act is a function closely allied to the extension of credits under both the Foreign Assistance Act of 1948 and the Export-Import Bank Act of 1945;

(3) The desire of all concerned to utilize an existing agency of the Government having the facilities necessary for performing a function authorized by the Act.

The following principles will govern the processing of applications and the making and administration of guaranties:

(1) The Administrator has the responsibility of determining whether a guaranty is to be made and of specifying the terms and conditions for the making and administration thereof.

(2) Eximbank, acting for and on behalf of the Administrator, will
issue the guaranty in its name upon the terms specified by the Administrator,

(3) To the extent practicable and at the same time consistent with the responsibilities and obligations of the Administrator, the consideration of an application for a guaranty and the making and administration thereof will be a joint effort on the part of the Administrator and Eximbank.

In the light of the foregoing, the following procedures will be followed:

Steps Leading up to a Determination
by the Administrator to Make a Guaranty

Filing of applications. Applications for guaranties will be received by the Administrator.

Processing of applications. The staff of the Administrator, with the collaboration of a representative or representatives of Eximbank, will process an application for a guaranty.

Recommendation. A memorandum analyzing the application and relevant factors involved and incorporating appropriate recommendations will be prepared by the staff of the Administrator and the representative or representatives of Eximbank. This memorandum will be submitted to the Administrator and the Board of Directors of Eximbank.

Consideration of recommendation. The Administrator and the Board of Directors of Eximbank will consult on the recommendation made by the staff of the Administrator and the representative or representatives of Eximbank.

Determination by Administrator. The Administrator will make a determination as to the making of the guaranty, giving such weight to the
recommendations and opinions adduced from the foregoing procedures as the Administrator shall deem advisable.

**Making of the Guaranty**

**Issuance.** A guaranty will be issued in the form of a contract of guaranty which will be prepared in each case jointly by the staffs of the Administrator and Eximbank. Each contract will contain such standard provisions as may be worked out by the two staffs and the special terms which the Administrator shall determine are to be imposed in the particular case involved. Upon the preparation of the definitive contract, the Administrator will transmit the contract to Eximbank with the request that Eximbank arrange for the execution of the contract by Eximbank and the beneficiary of the guaranty.

**Funds.** The Administrator and Eximbank will make necessary arrangements with the Treasury Department for the deposit of fees, issuance of notes and withdrawal of funds necessary to discharge liabilities under guaranties issued.

**Administration of the Guaranty**

**During statutory existence of Administrator.** So long as the Administrator shall have statutory existence, Eximbank shall administer the guaranties under such arrangements as the Administrator may from time to time establish as necessary and advisable; it being understood that the Administrator will follow up the investments involved in the guaranties through the European organization of ECA and thereby reduce to a minimum
the independent field work by Eximbank with respect to the supervision of such investments.

Subsequent to statutory existence of Administrator. After the Administrator shall cease to have statutory existence, Eximbank will administer the guaranties with like discretion and authority as in the case of credits and guaranties extended by Eximbank under the Export-Import Bank Act of 1945 unless the President or the Congress shall provide for another method of administering the guaranties.
MEMORANDUM TO The Board of Directors

July 1, 1948

Re: ECA and Interbank

At the suggestion of Mr. Tyler Wood, Special Assistant to the Deputy Administrator, I had lunch with Mr. Demuth, Assistant to President McCloy of the International Bank. The purpose of the luncheon was to bring the International Bank up to date on various matters connected with the lending activities of ECA.

I gave Mr. Demuth a fairly detailed account of the loan negotiations now in progress, referring specifically to Iceland, Norway, Denmark, Italy and the NEI. I also corrected certain misinformation regarding Iceland.

I went into some detail also with respect to the loan procedures as of present in effect in ECA, and gave him the highlights of the Agency Relationship Agreement of May 21 between ECA and the Bank. I gave him as reasoned explanation for the procedures now in effect, especially the setting up of lines of credit prior to a determination of the commodities to be financed under the credits and the thinking relating to the rate of interest and other terms and conditions. In connection with the interest rate, I referred to the Action of the NAS on the subject.

Mr. Demuth raised the following questions:

1. He requested a copy of the Agency Relationship between ECA and the Bank, and a copy of the draft credit agreements with Iceland. I am sending him a copy of the former document, and will forward to him the draft credit agreement as soon as it is in shape. Mr. Demuth is particularly interested in the negative pledge clause.

2. Mr. Demuth desired to know what the best way of keeping posted with respect to ECA loan matters was. I told him that problem could best be resolved by himself. I gave him my personal belief that as the Bank was acting as agent of ECA in all loan matters, both under the Foreign Assistance Act of 1948 and the Agency Agreement of May 21, the Bank might be the proper channel for the International Bank to be kept currently advised on various developments at ECA on loans. I suggested that part of the fortnightly meetings between the two banks might be devoted to a discussion of matters relating to ECA loans. He agreed that this might be the proper channel and said that he would take the matter up with Mr. McCloy.

3. Mr. Demuth was under the impression that ECA believed that the International Bank would not and should not engage in European financing in the foreseeable future. I explained to him that that impression was incorrect and, in fact, at the time of the negotiation of the Agency Agreement between the Bank and ECA, quite a bit of time and thought had been devoted to the problem of keeping the International Bank fully advised of projects likely to be of interest to that Bank and give them the chance to pick up whatever projects they desired to finance. I stated that I further recalled
that it was Mr. Taylor's desire to prevent any competition between the three institutions engaged in European financing and stressed to him the desire of Mr. Taylor to prevent any of the participating countries from shopping around with a view to getting the best terms. I stated that it was my belief that, if in the opinion of ECA or the Bank, a project presented to ECA was likely to be of interest to the International Bank, that either institution would take the initiative of clearing with the International Bank prior to taking further action on such a project or projects. I explained further to him that no such projects had yet been presented to the ECA.

Rifat Tirana

cc: Mr. Arey
Mr. Sherwood
Mr. Sauer
Mr. Taylor - ECA
Mr. Tyler Wood
MEMORANDUM TO The Board of Directors

Re: ECA Lending and Financial Functions

I am attaching copies of three memoranda issued by Mr. Hoffman defining the functions within ECA in the field of lending and financial problems.

The first memorandum spells out the functions of Mr. Taylor. The main provisions are as follows:

1. Mr. Taylor's title has been changed to that of Assistant to the Administrator;

2. Mr. Taylor is to handle the financial aspects of loans and guaranties;

3. Mr. Taylor is to be the alternate of the Administrator at the NAC.

The second memorandum of loan authorization procedure does not contain anything new, and is not a radical departure from the Memorandum of Agreement between this Bank and ECA of May 21.

The subject of the third memorandum is a Finance Division set up under Mr. Bissell. This division takes over certain functions in the local currency domestic and international financial problems which were being handled by Mr. Taylor. This division is to service Mr. Taylor and provide the staff for the Staff Committees of the NAC.

Rifat Tirana

Circulated to:

Mr. Arey
Mr. Sherwood
Mr. Sauer
Mr. Lynch

Attachments
SUBJECT: Organization: Establishment and Functions of the Position of Assistant to the Administrator

I. Organization

There is hereby established the position of Assistant to the Administrator. The Assistant to the Administrator will act in a staff capacity to the Administrator on broad financial policy decisions and will serve as his Alternate on the National Advisory Council.

II. Functions of the Assistant to the Administrator

A. Advises the Administrator as to the creditworthiness of participating countries and the proportion of the assistance granted to them that should be in the form of loans, based on estimates of the abilities of these countries to repay loans in dollars.

B. Determines the terms of loans, including maturities and rates of interest.

C. Advises the Administrator on general questions of loan policy, such as the right of the participating nations to accept grants in aid while refusing to accept assistance in the form of loans.

D. Completes the negotiations through the Export-Import Bank for loans on projects which have been approved as part of the program, within the total amount allocated for loans to each country, and in this connection deals with the Washington representatives of the participating countries as required.

E. Develops policies and procedures with respect to ECA guarantees of private investments in participating countries. He will examine applications for guarantees from a financial point of view and will negotiate with applicants all financial provisions of guarantees.

F. Exercises general responsibility for making and supervising detailed arrangements with the Department of Commerce for the dissemination to the business community of information on ECA programs and authorizations.

G. Reviews and develops recommendations for policies and procedures for procurement and transfer to participating countries of commodities purchased by non-participating countries prior to March 1, 1948, where an export license has been denied. (Section 204 of Appropriations Act.)

H. Maintains liaison with the International Bank, and serves as the alternate to the Administrator on the National Advisory Council.

I. Performs such other functions as the Administrator may from time to time assign.

Issued by authority of the Administrator, effective June 29, 1948.
SUBJECT: Loan Authorization Procedure

I. Purpose

This order is to establish the relationships among ECA organization units and the sequence of steps to be followed in authorizing ECA loans.

II. Procedure

A. The country programs will be reviewed, and the total amounts of aid to each country determined, by the program units responsible to the Assistant Deputy Administrator.

B. The Division of Statistics and Reports will, as may be needed, assemble such estimates of the projected national accounts and future balance of payments of the participating countries for use in determining their creditworthiness.

C. On the basis of the estimates prepared by the Division of Statistics and Reports, the Assistant to the Administrator will advise the Administrator as to the creditworthiness of participating countries, and as to the proportion of total aid (determined in (A) above) that should be in the form of loans.

D. The National Advisory Council and its staff will be consulted by ECA as to the proportion of aid that should be in the form of loans. The Fiscal Division of ECA will provide the regular representation of ECA on the staff committee of the NAC, and will provide or arrange for ECA representation on staff and working committees. On all questions concerning the creditworthiness of participating countries, and the proportion of aid to be extended to them in the form of loans, the ECA representatives of these committees will receive their instructions from the Assistant to the Administrator.

E. In consultation with the NAC, the Administrator will determine the proportion of aid for each country that will be in the form of loans.

F. The Trade Policy and Program Coordination Division, in cooperation with the appropriate program division, will identify the commodities or projects for which loans will be granted, up to the total amount approved for loans to each participating country.

G. The Assistant to the Administrator will determine the terms of loans, including maturities and rates of interest, and will complete the negotiation of the approved loans through the Export-Import Bank.

Issued by authority of the Administrator, effective June 29, 1948.
SUBJECT: Organization: Establishment and Functions of the Finance Division

I. Organization

There is hereby established a Finance Division under the direction of the Assistant Deputy Administrator. The Division will be headed by a Director.

II. Functions of the Finance Division

A. In conjunction with the Division of Trade Policy and Program Coordination, determines ECA policy on matters concerning the internal and external finances of the participating countries, including their international trade policy, international exchange policy, and domestic fiscal and monetary policy.

B. Examines all proposals for the use of local currency deposits by the participating countries, and keeps informed as to the size and status of such deposits.

C. Provides the regular representation of the ECA on the staff committees of the National Advisory Council and provides or arranges for ECA representation on staff and working committees. On all questions concerning the creditworthiness of participating countries, and the proportion of aid to be extended to them in the form of loans, the ECA representatives on these committees will receive their instructions from the Assistant to the Administrator.

Issued by the Authority of the Administrator and is effective June 29, 1948.
July 7, 1948

MEMORANDUM FOR MR. MARTIN

Subject: Eximbank Administration of ECA Loans

Introduction. Judging from the comments of Administrator Hoffman at the July 6 DAC meeting and Mr. L. Corrin Strong at the Eximbank Board meeting of July 7, ECA and the Bank now see eye to eye as to what are the essential elements of the ECA loan program. The area of agreement includes:

(a) Loan program on an annual basis (with initial loan quotas for the first nine months of ERP);

(b) Loans in the form of lines of credit (with the ERP loan program geared into the over-all ERP program by making available funds for items which are from time to time approved by ECA as falling within the ERP program); and

(c) The rate of disbursements of loans and grants to be so controlled that a loan-grant ratio of approximately 20 percent will be achieved by January 1, 1949. (On this point, Mr. Hoffman indicated that ECA would put in an administrative cut-off date of October 1 and make loan countries disburse up to 75 percent of their annual loan quota by the end of the third quarter. Mr. Tirana advised me today that ECA would place this policy in effect by requiring all loan countries fully to commit (through letters of intent, etc.) their initial lines of credit ($300 million in the case of the UK) by December 31, 1948 and by withholding fourth quarter grants until this had been accomplished. This is a superior method of controlling the grant-loan ratio to the one suggested in my memo of July 2, inasmuch as it will get the loan-grant ratio in line by January 1 rather than April 1, 1949.)

Comments. If ECA will follow through promptly on the above line of policy, the essential policy interests of Eximbank in its role of loan agent will be met. The major issues that will thereafter arise fall into the administrative category. They include:

(a) Technique of disbursement of the lines of credits. Here the issue resolves itself into whether the disbursements will be made in accordance with established Eximbank practice or whether Eximbank will carry out disbursements
in conformity with ECA practice on grant disbursements. I agree fully with Walter Sauer that the established Bank practice should prevail here inasmuch as it meets the essential tests of promptness and proper documentation. The ECA should forward to the Bank complete lists of approved programmed items and maximum amounts of disbursements against each item and leave up to the Bank the subsequent administration of the credit.

(b) Analysis of the impact of the ECA credits on the Bank. It is my view that the ECA program, especially the loan phase, should be followed carefully by the economic staff of the Bank from the point of view of the impact of the program on the Bank's outstanding credits in the ERP area. I believe this study should be made entirely independently of ECA and the NAC machinery, and be made purely for internal purposes of the Board. I believe that the Chairman of the Board should be in a position to go before the Congressional Committees next year and discuss the loan program of ERP from the viewpoint of its impact on Eximbank. I believe that considerable weight would be given, for example, to the independent judgment of the Eximbank Chairman that an additional billion of loans in 1949 would (or would not) jeopardize the prospects of repayment of the Eximbank reconstruction credits.

Lowell H. Pumphrey
MEMORANDUM FOR MR. MARTIN

Subject: Some ECA Matters

Timing of the EGA Loans. In a discussion with Walter Sauer yesterday, I expressed my concern over the fact that the EGA had not already firmed up the basic elements of its loan contracts with the participating countries. Bissell indicated to the press last week that EGA would require the participating countries to draw down their loan quotas in the third quarter of ERP. I personally do not see how they can be expected to do this unless workable lines of credit are established by September 1 at the very latest. Walter agreed and expressed the opinion, with which I concur, that strong representations on the subject should be made to Administrator Hoffman if the loan terms are not firmed up within the next two weeks.

Terms of ECA loans. Walter Sauer stated that a general pattern of 25 year, 3 percent loans appeared to be emerging from the current discussions. Although recognizing ECA's full responsibility here, it is my feeling that a pattern of 30-35 year loans would be more in the Bank's interest. The amortization formula suggested by Ed Lynch in the Danish case, namely, amortization beginning at the sixth year but at one-quarter of the normal rate until the tenth year, has a great deal of appeal. The longer the term and the more generous the amortization schedule on ECA loans, the less likely becomes the necessity for an early recasting of the whole post-war foreign credit structure. It is my view that the principal concern of Eximbank in this field lies in the avoidance of a wholesale recasting of U.S. post-war credits in the 1951-54 period. I think it would be most unfortunate if this action were precipitated by severe ECA loan amortization requirements added on top of the Eximbank amortization payments.

Lowell M. Pumphrey
MEMORANDUM FOR MR. MARTIN

June 15, 1948

Subject: Some Current ERP Loan Problems

The following discussion stems from some comments about current ECA thinking on the ERP loan problem made by Mr. Maffry at the NAC Staff Committee meeting of June 10 (see attached memo). Judging from what he said, the ECA should be coming to grips shortly with several basic loan policy problems, especially the grant-loan ratio problem and the type of credit approach (project or general purpose) to be used during the first year of ERP.

Grant-loan ratio. The whole tenor of the Executive Branch consideration of the problem, the legislative history of the Act, and finally the Economic Cooperation Act itself, in my opinion, morally commit the Administrator for Economic Cooperation to making every effort to extending 20 percent of the total assistance to Europe in the first year of ERP in the form of loans and guaranties.

Inasmuch as Congress provided that $1 billion of aid could be extended on credit terms and financed as a public debt transaction, it seems to me that the Administrator can reasonably make the presumption that Congress felt that the participating countries as a whole are in a position to carry at least that heavy a repayment load. Accordingly, the Administrator, as I see it, is not obliged to make an independent determination of whether or not it is safe to extend a billion dollar total of aid on payment terms in this first year. Rather, it is his problem, in consultation with the NAC, to evaluate the relative capacity of the participating countries to repay loans and guaranties of that magnitude in order to distribute the loan and guarantees burden in such a fashion as to maximize the prospect of repayment to the U.S.

The ECA/NAC evaluation of the relative repayment capacities of the participating countries will be reflected in the loan-grant ratios that finally emerge from the ECA operations. The ratios submitted by the NAC to the Administrator will represent the Council's index of the relative capacity of each participating country to repay, on the assumption that ERP will be a success and general equilibrium of the economies of the participating countries achieved by 1952. The Administrator's allocations may deviate from the Council's recommendations for a number of policy and administrative reasons. The principal policy reason relating to loans that may be advanced by ECA is the statutory requirement (Sec. 111(c)(1)) that weight be given in determining the amount of aid extended on payment terms to the character and purpose of assistance.
It seems to me that the ability of a country to repay a loan has to be the determining consideration in the loan policy of any prudent lending agency, and that the character and purpose of assistance has a policy significance only to the extent that it improves or adversely affects the repayment capacity. Project loans are superior to general purpose loans only to the extent that they improve the balance of payments prospects of a country more than the latter. This may be the case, especially in the instance of countries which tend to dissipate the proceeds of a general purpose loan on unnecessary consumption items. Also, project loans are particularly appropriate where the capital requirements of the country in question tend to fall into clear-cut areas of project operations. Contrariwise, there are instances where general purpose loans may be preferable, e.g., where the country in question (Britain?) is tending to devote too high a percentage of its resources to capital expansion and exports and too little to current consumption. General purpose loans may be the only type feasible when the diversity of items required is such that they cannot be fitted into a project pattern.

General purpose vs. project loans. Bearing in mind the conditions which prevail in the participating countries today, it seems to me probable that ECA will find general purpose loans more appropriate than project loans during the first year of ERP.

The early experience of ECA has revealed the difficulties of phasing the loans into the over-all ERP program. It seems clear now that no loans (except the $2.3 million Icelandic credit) will have been made during the first quarter of ERP. It has therefore become necessary for ECA to tackle the loan problem on a six-months, rather than quarterly, allocation basis. In order to get the loans moving at the outset, ECA will have to agree to general purpose credits. Project credits are not practicable at this stage where the basic purpose is to expedite the flow of capital items and hasten European recovery.

The question before the ECA is whether it is feasible and advisable to try to shift onto a project loan pattern during the second six-months of ERP. Whether or not the initial loan pattern should be tightened in that period, in my opinion, will hinge largely on whether or not ECA believes that project credits can be set up and substantial disbursement of funds made against them before the first year of ERP is up. I believe it would be a serious policy mistake for ECA, after setting up general purpose credits during the first half-year of ERP and having disbursed, e.g., $400 million quite promptly against them, to try to shift over onto a project credit basis with negligible disbursements against such credits during the second half-year of ERP. The Appropriations Committees will, very properly, tend to look at loan disbursements, not commitments, when ERP is up for its second-year's appropriations and I think that the Administrator must have the objective of approximately 20 percent of loan disbursements (rather than commitments) to grant disbursements during the first year. If he winds
up with a half billion or more of loan commitments made during the second half-year without any disbursements against them, he will lay himself open to the attack that the loans are subterfuges designed to magnify the amount of assistance extended during the first year. This policy need for prompt disbursement of loan, as well as grant, funds during the first year of ERP argues strongly for general purpose credits as against project credits. Because of the difficulties in setting up project credits and disbursing funds against them promptly, I do not see how EGA could afford to shift over to a project loan approach during the second half-year. In order to pave the way for a later more extensive use of project credits, however, EGA should try to tighten up its second series of general purpose credits so that as far as possible they cover capital goods rather than raw materials requirements of the recipient countries.

Supervision of Loans. The need for careful phasing of loan commitments and disbursements so that they gear into the ERP program of grant disbursements appears to me to commit the EGA to the general purpose credit rather than the project credit approach and poses a difficult policy problem for the Administrator. Project loans look like "sound" loans whereas general purpose loans are inevitably going to be attacked by some Congressmen as "phony" loans. The Administrator will have to have a convincing rationale for the use of the general purpose loan approach and satisfy the Congress that the expenditure of loan funds has been properly supervised even though on a non-project basis. As for the defense of the general loan approach, it seems to me that it has to be made substantially along the lines presented in this memorandum. As for supervision, general purpose loans are obviously not susceptible to the same type of detailed supervision as project loans. The most that can be done is to ensure through appropriate disbursement techniques that they are utilized for the purposes agreed. The Administrator must look, not to the precise utilization of the loan funds, but to the overall effect of ERP aid and the over-all recovery in a given country as an ex post facto indication of whether or not the loan portion of the aid has met the basic test of falling within the country's capacity to repay. If there is a serious lag in recovery, the Administrator may be obliged to advocate assistance during the second year of ERP being extended on an all-grant basis (or with a smaller loan component).

Lowell M. Pumphrey

Attachment: Memorandum dated June 11, 1948
June 11, 1948

MEMORANDUM FOR THE RECORD

Subject: NAC Staff Meeting June 10, 1948

The following items were considered in the NAC staff meeting:

1. Commodity Credit Corporation Incentive Credit to Netherlands Indies

This is a proposal by which CCC will make available up to $25 million incentive goods to the N.I. Government to be used to stimulate the production of copra and palm oil for export. The credit would be made in accordance with authority under Section 7 of Public Law 895, 80th Congress. Repayment in two years, 3 months and interest at 3 percent.

The staff recommends that NAC (via telephone poll) offer no objection to the proposed agreement between the CCC and the N.I. Government. Since state had no political, or commercial policy objections, the credit seems in order.

2. ECA Loan-grant Ratio for Third Quarter of Calendar 1948

An extended discussion was held on ECA loan policy. Mr. Naffy, in outlining his understanding of the present stage of ECA thinking, made the following salient points: ECA has been approached so far only by the British, French, Italians, Dutch, Austrians and Icelanders for credits. Iceland, Austria and Italy had certain project credits in mind, whereas the other countries were seeking credits for entirely current supplies and replacements, i.e., general purpose credits. The British, French and Dutch were seeking to have ECA tackle the credit problem on an annual as distinct from a quarterly credit basis. They had in mind 200 million (British), 300 million (French) and 100 million (Dutch). No short-term credits were acceptable to any of these. All were seeking fairly long grace periods (52 upward). All were seeking long repayment periods, generally 30 to 35 years. Naffy pointed out no ECA loans, apart from the 2.3 Iceland credit, were likely in the first quarter of the program. He stated that at present ECA was thinking in terms of two preliminary findings as prerequisites to consideration of extension of credit to a given country: (a) that the credit would be used for purposes within the EAP and (b) that the country in question was creditworthy. In response to Mr. Scudder's query as to the criteria ECA would use for ascertaining creditworthiness, Naffy replied that there was as yet no complete agreement in ECA on the subject but that he felt that the Administrator would eventually accept the ability-to-repay approach that the Council has always used and evaluate the relative creditworthiness of countries in light of the basic
assumptions (a) that the ERP would be a success and (b) that the $1 billion figure represented a reasonable minimum amount of good loans possible for the first year of ERP. He mentioned however that there was a school of thought in the ECA (apparently headed by General Counsel Henderson) that felt that the Administrator would have to go beyond the examination of relative creditworthiness and make independent country determinations (on the basis of as yet unexplained criteria.) In response to a question from Havlik, Naffry said that ECA was not pressing the matter of preferring project loans over general purpose loans.

In light of Naffry's statements of current ECA thinking, the NAC staff agreed that it would best advise ECA on the appropriate loan-grant ratios for the third quarter of 1946 by tackling the problem as follows: the NAC working group for ERP would attempt to allocate $500 million loans between various participating countries. This would give the loan-grant ratio for all the participating countries for the second and third quarters of calendar 1946. The Staff agreed that, in view of the first quarter lag, the ECA would have to tackle the loan problem on a half year basis as a minimum and possibly on a full year basis. Naffry pointed out that the ECA would find it administratively necessary to hold back on loan allocations for the first six months in order to reserve funds for guarantees (possibly $500 million during the first year).

Judging from what Naffry said, it seems clear that ECA thinking has advanced considerably in recent weeks. If ECA tackles the loan problem by giving the participating countries from 6 month - 1 year loan allocations, it should be possible for it to approximate the 20 percent loan figure by the year end and to have the ultimate loan-grant ratios in line with previous NAC calculations.

3. Austrian Loan Application to ECA

Inasmuch as State Department representatives had satisfied ECA that Austria could meet its first-quarter capital goods requirements out of the $75 million ECA grant allocation, the Staff Committee agreed to Naffry's request that NAC consideration of the Austrian loan application to ECA be tabled.

4. Irish Opposition to Participating in ERP on a 100 Percent Loan Basis

After considerable discussion the Staff Committee agreed that the Irish had not made a case for receiving aid on other than a 100 percent basis. It was felt that ECA should inform the Irish that they would have to take their aid at this time on an all-loan basis, but that of course the Irish capacity to repay was constantly under examination. It was believed that the Irish would not continue to insist that they could not accept loans, but that in any event it was agreed that it would be inadvisable for ECA to recede from the 100 percent loan position at this time.

Lowell N. Pumphrey
MEMORANDUM FOR MR. MARTIN

Subject: Present Status of ECA Loan Program

After reviewing the subject with Messrs. Sauer, Tirana, and Lynch in accordance with your request, I have the following comments to offer on the present status of the ECA loan program.

In the first place, a sharp distinction has to be drawn between the official ECA loan policy as outlined to the NAC by Administrator Hoffman on July 6 and present status of the implementation of that policy by the ECA staff.

As to the policy itself, ECA formally took a position on loan policy that in all significant respects corresponds to the best judgments of the Bank staff and yourself. I believe everybody in this Bank would agree with Mr. Hoffman that the goal of ECA should be to set up workable lines of credit in time to implement the avowed ECA policy of complete disbursements or commitment in the 3rd ERP quarter.

It is the matter of implementation of the ECA declared policy that arouses the greatest concern in the Bank staff. Both Mr. Tirana and Mr. Sauer agree that, at the rate things are moving at ECA, it is most unlikely that all the lines of credit will have been established by your tentative September 1 target date. Even more important, they fear that a continuation of the present attitude of the ECA Comptroller on documentation will result in largely unworkable credits and prevent anything resembling reasonable rapidity of disbursements.

In the light of this situation, it is my suggestion that a meeting be held in your office this week with Messrs. Sauer, Tirana, Lynch and myself to review the whole subject.

Lowell M. Pumphrey
MEMORANDUM FOR MR. MARTIN

June 21, 1948

Subject: The ECA Loan Program: Further Comments

Introduction. At the NAC Staff Committee meeting of June 17, Mr. Maffry had several additional points of interest to make regarding the current EGA approach to the loan problem. They were:

(a) the prevailing opinion in the EGA is that the recipient governments must be given the choice whether or not to accept loans on the grounds that otherwise the Administrator would be engaged in "forced loans);

(b) the EGA feels obliged to undertake an independent determination of the "creditworthiness" of recipient countries;

(c) the EGA is not insisting on project loans but is quite prepared to accept the general purpose loan approach; and

(d) because of considerations such as the above, the loan phase of ERP aid has become almost completely divorced from the grant phase.

Examining these points one by one, it seems to me that ECA is running a grave risk of adopting a basic approach to the loan phase of ERP that is in fundamental conflict with that intended by the Executive Branch (and developed by the NAC), repeatedly expressed in the legislative history, and (in my opinion) implicit in the wording of the European Cooperation Act.

(a) "Forced loans". As for the forced loans argument, it is my conviction that the Congress intended loans to be an integral part of the first year program -- that grants, not loans, shall be the residual element of the program and that $1 billion upward of loans and guaranties would be extended in proportion to the relative capacities to repay of the recipient countries. Adherence to the approach that decision whether or not to accept the loan portion of ERP rests with the recipient government independently of whether it accepts the grant portion will mean that, to the extent the aid extended in the first year falls below the total aid authorized and appropriated, the program will correspondingly tend to approximate a pure grant, i.e., relief program.

(b) Independent determination of creditworthiness. Here again, the ECA approach seems to me to run the risk of ending up with results counter to the intent of the Act. An independent determination approach is likely to give
the policy twist to the program that the $1 billion figure provided in the Act for loans and guaranties is accepted as a ceiling rather than a floor. If this happens, the practical consequence of ECA's attempting to reach independent appraisals of creditworthiness of the various recipient countries will almost inevitably be to adopt criteria of assurance of repayment that will seriously discourage the making of loans. Actually, the whole ERP program was presented to, and accepted by, The Congress as a calculated risk and the estimates of the various participating countries' capacity to repay credits have to be approached in that light. The assumption has to be made that ERP will be a success and that the Western European-British economies will be viable by 1952. On this premise, the issue before the EGA narrows down to evaluating, in consultation with the NAC, the relative capacity of the recipient countries to assume additional external debt. The task of the EGA, as I see it, is to distribute loans and guaranties among the participating countries within the framework of ERP in such a fashion as to maximize the repayment prospects to the U.S., not to withhold loans in the absence of certainty of, or even reasonable assurance of, repayment.

(c) General purpose loan approach. The acceptance by EGA of the general purpose loan approach is, in my opinion and for the reasons set forth in my memorandum of June 15, a real step forward and an indispensable element in an effective first year ERP loan program. But in the absence of a changed attitude towards points (a) and (b) above, it seems to me very unlikely that EGA will gain much during the first half-year of ERP from being willing to consider general purpose credits. As long as recipient countries are free not to accept loans, they will obviously hold off from accepting aid on payment terms until they exhaust their grant aid.

(d) Practical divorcement of the loan and grant programs of EGA. The tendency in this direction is the inevitable consequence of the initial ERP approach to the loan problem and, in my view, if continued throughout the year, will gravely jeopardize the prospects for continuing an effective ERP. By separating the less palatable loan phase of the over-all program from, and subordinating it to, the grant phase, the EGA is gambling that the grant aid will not be sufficient and that before the year is up the participating countries will have to take up an appropriate portion of aid on payment terms. This may turn out to be the case, but in the view of the notorious flexibility of international balance of payments and the comparative slowness with which loan commitments can be implemented and disbursements made against them, it seems to me that it is not the course of prudence for EGA to make this assumption.

Conclusion: In view of the direction in which EGA appears to be heading, I have come to the conclusion that the whole subject of the role of loans in ERP should be threshed out in the National Advisory Council at the earliest opportunity. I believe, in particular, that the Council should go clearly on record in opposition to any approach which makes loans, rather than grants, the marginal element of the aid program.

Lowell M. Pumphrey
MEMORANDUM TO Mr. Martin

Mr. Taylor

Re: Status of Loan Negotiations

Before leaving on vacation I thought I would take stock briefly of that end of the loan negotiations with which I have been connected.

Staff Memoranda on Loan Applications. The situation as of this date on the work of the Joint Staff Memoranda on loan applications is as follows:

1. Iceland: Out of the way.

2. Norway: Everything is complete, and the loan authorization has been held up by ECA Legal for the last 10 days awaiting the writing of ECA determination.

3. Italy: Staff memorandum completed and circulated.

4. Denmark: Staff memorandum drafted by Mr. Lynch and ready to be issued as soon as loan terms become definite.

5. U.K.: Staff memorandum drafted by Mr. Lawrence with my concurrence. Awaiting final determination on terms for issuance.

6. France: A memorandum with certain blanks relating particularly to terms has been drafted by me and is ready as soon as terms become firm.

7. Netherlands; NEI: Mr. Strong is drafting a memorandum on both of these countries.

8. Ireland: Draft memorandum being drawn up by Mr. Lawrence.

The above list completes the countries with which loan negotiations have been going on. No word has been heard from either the Swedes, the Belgians or the Luxembourgers.

Terms and Conditions Discussed to Date.

1. Iceland: Line of credit $2.3 million; interest rate 3%; payable immediately; period of grace 3 years; repayment of principal in remaining 7 years; availability of credit June 30, 1949.

2. Norway: Line of credit $30 million; to be committed by December 31, 1948; interest rate 3%; period of grace 5 years; repayment in following 20 years; availability of credit June 30, 1949.
3. **Italy**: Line of credit $50 million; to be committed by December 31, 1948; rate of interest 3%; payable immediately; period of grace 5 years; repayment in the next 25 years in graduated payments, with light payments in first 5, and moderate payments in next 5 years; availability December 31, 1949.

4. **Denmark**: Line of credit $25 million; to be committed by December 31, 1948; rate of interest 3%; payable immediately; period of grace 5 years; repayment over next 30 years, with light payments in the first 5 years and moderate payments in the next 5 years.

5. **France**: Line of credit $170 million; to be committed by December 31, 1948; rate of interest 3%; payable immediately; period of grace 6 years; repayment in next 24 years in graduated installments, making allowance for peaks and troughs in payments for existing obligations.

6. **N.E.I.**: Line of credit $15 million; interest rate 3% payable immediately; period of grace 5 years; repayment in remaining 10 years.

7. **Netherlands**: Line of credit $80 million; interest rate 3% payable immediately; period of grace 5 years; repayment in next 20 years.

8. **U.K.**: Line of credit $300 million; interest rate 3% payable immediately; period of grace up to 1956; repayable over a total period of 50 years, with interest waiver as in 1945 loan and deferrment of principal repayments in the event of interest waiver.

9. **Ireland**: Terms and conditions to be similar to the British as soon as these have been determined.

A firm determination, or final acceptance of, terms discussed to date with Italy, Denmark, France, N.E.I., and the Netherlands has not been possible largely owing to concerted maneuvers on the part of the borrowers whereby each is awaiting the results of the negotiations with the British in the hope or expectation of getting identical terms.

What remains to be made firm is the following:

a) Whether forgiveness of interest in the period up to July 1952 is applicable across the board to all countries, or merely to the British;

b) Whether a British type waiver is to be applicable to other countries;

c) Whether the maturities discussed to date, except for minor variations, are adhered to and the procrastination and delays on the part of the borrowers are brought to an end.
During my absence, Mr. Lynch will take over at EGA; all interested parties in EGA and the Bank have been informed about these arrangements. The International Bank has similarly been informed that Mr. Lynch will keep them advised from time to time. Mr. Lockhart will continue to be available on N.E.I., China, and Turkey.

I am ready to return from Nantucket on 24 hours' notice at any time, if the Bank or EGA should desire.

The main problems that need to be resolved still continue to be those relating to the lists of commodities eligible for financing, and the documentation required by the Controller of EGA. I am ready to return to fight that battle, but I expect it will be some time before these two connecting problems come up for real attention.

Rifat Tirana

cc: The Board of Directors
    Mr. Sherwood
    Mr. Sauer
    Mr. Lynch
    Mr. Lockhart
<table>
<thead>
<tr>
<th>Item</th>
<th>EIB - 1949</th>
<th>ECA - 1949</th>
<th>Total EIB &amp; ECA</th>
</tr>
</thead>
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<tr>
<td>Salaries</td>
<td>$714,911.</td>
<td>$58,859.</td>
<td>$773,770.</td>
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<tr>
<td>Travel</td>
<td>30,000.</td>
<td>2,000.</td>
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<td>Transportation of Things</td>
<td>500.</td>
<td>700.</td>
<td>1,200.</td>
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<tr>
<td>Communications</td>
<td>10,600.</td>
<td>500.</td>
<td>11,100.</td>
</tr>
<tr>
<td>Rents</td>
<td>89,700.</td>
<td>15,900.</td>
<td>105,600.</td>
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<td>Printing and Binding</td>
<td>6,000.</td>
<td>500.</td>
<td>6,500.</td>
</tr>
<tr>
<td>Other Contractual Services</td>
<td>6,600.</td>
<td>10,000.</td>
<td>16,600.</td>
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<td>Supplies</td>
<td>4,000.</td>
<td>1,000.</td>
<td>5,000.</td>
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<tr>
<td>Equipment</td>
<td>----</td>
<td>7,500.</td>
<td>7,500.</td>
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<td><strong>Total</strong></td>
<td><strong>$862,311.</strong></td>
<td><strong>$96,959.</strong></td>
<td><strong>$959,270.</strong></td>
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### Estimated Annual Administrative Expenses FY 1949

**Estimated FY 1949**

#### Salaries and Wages:

<table>
<thead>
<tr>
<th></th>
<th>As of June 25, 1948</th>
<th>As of July 27, 1948</th>
<th>(Est. in Nov. 1947)</th>
<th>Actual expenses FY 1948</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>EIB</td>
<td>ECA</td>
<td>EIB</td>
<td>ECA</td>
</tr>
<tr>
<td><strong>Add:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ramspeck promotions</td>
<td>8,018</td>
<td>5,700</td>
<td>8,018</td>
<td>5,700</td>
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<tr>
<td>Accumulated leave payments</td>
<td>9,000</td>
<td>15,000</td>
<td>9,000</td>
<td>15,000</td>
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<tr>
<td>Salary increase of $330</td>
<td>44,880</td>
<td>41,078</td>
<td>44,880</td>
<td>41,078</td>
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<tr>
<td>One day's accrual</td>
<td>-</td>
<td>2,759</td>
<td>-</td>
<td>2,759</td>
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<tr>
<td>Allowances for cost of living, etc.</td>
<td>2,730</td>
<td>2,738</td>
<td>2,730</td>
<td>2,738</td>
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<tr>
<td>Temporary employment</td>
<td>-</td>
<td>1,000</td>
<td>-</td>
<td>1,000</td>
</tr>
<tr>
<td><strong>Less:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reimbursement (FALCAO)</td>
<td>(-) 20,674</td>
<td>(-) 1,600</td>
<td>(-) 20,674</td>
<td>(-) 1,600</td>
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<tr>
<td>Lapses</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
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<tr>
<td><strong>Total Salaries and Wages</strong></td>
<td>$659,673</td>
<td>$42,413</td>
<td>$668,536</td>
<td>$58,859</td>
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#### Other expenses:

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<tr>
<th></th>
<th>As of June 25, 1948</th>
<th>As of July 27, 1948</th>
<th>(Est. in Nov. 1947)</th>
<th>Actual expenses FY 1948</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Travel</strong></td>
<td>30,000</td>
<td>2,000</td>
<td>44,184</td>
<td>24,304.57</td>
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<tr>
<td>Transportation of things</td>
<td>400</td>
<td>700</td>
<td>-</td>
<td>236.85</td>
</tr>
<tr>
<td>Communications:</td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Telephone</td>
<td>9,000</td>
<td>10,600</td>
<td>7,700</td>
<td>6,094.17</td>
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<tr>
<td>Telegraph</td>
<td>6,000</td>
<td>7,000</td>
<td>250</td>
<td>2,547.93</td>
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<tr>
<td><strong>Postage:</strong></td>
<td></td>
<td></td>
<td></td>
<td>539.00</td>
</tr>
<tr>
<td>Regular</td>
<td>300</td>
<td>50</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Penalty Mail</td>
<td>300</td>
<td>50</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Rents and utility services</strong></td>
<td>80,825</td>
<td>15,400</td>
<td>89,700</td>
<td>80,000</td>
</tr>
<tr>
<td>Printing and binding</td>
<td>6,000</td>
<td>500</td>
<td>6,000</td>
<td>6,000</td>
</tr>
<tr>
<td><strong>Other contractual services</strong></td>
<td>11,300</td>
<td>7,200</td>
<td>10,000</td>
<td>2,500</td>
</tr>
<tr>
<td>Photography</td>
<td>1,800</td>
<td>1,700</td>
<td>300</td>
<td>1,646.99</td>
</tr>
<tr>
<td>Special and miscellaneous</td>
<td>1,000</td>
<td>1,400</td>
<td>1,000</td>
<td>1,324.36</td>
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<tr>
<td>Maintenance of auto</td>
<td>500</td>
<td>700</td>
<td>-</td>
<td>691.56</td>
</tr>
<tr>
<td>Repairs and alterations</td>
<td>8,000</td>
<td>2,800</td>
<td>1,500</td>
<td>8,882.62</td>
</tr>
<tr>
<td>Rental of IBM machines, ECA</td>
<td>-</td>
<td>-</td>
<td>7,200</td>
<td>-</td>
</tr>
<tr>
<td><strong>Supplies</strong></td>
<td>4,200</td>
<td>4,000</td>
<td>1,000</td>
<td>5,300</td>
</tr>
<tr>
<td><strong>Equipment - ECA</strong></td>
<td>-</td>
<td>4,000</td>
<td>7,500</td>
<td>3,163.26</td>
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<tr>
<td><strong>Refunds, awards and indemnities</strong></td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>165.73</td>
</tr>
</tbody>
</table>

|                  |                      |                      |                      |                         |
| **Total**        | 845,552             | 69,013               | 862,311             | 96,959.00               | 800,000             | 758,583.14          |

<table>
<thead>
<tr>
<th></th>
<th>EIB</th>
<th>ECA</th>
<th>FY 1948</th>
<th>FY 1948</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Salaries and Wages</strong></td>
<td></td>
<td></td>
<td>$619,126.96</td>
<td></td>
</tr>
<tr>
<td><strong>Actual expenses FY 1948</strong></td>
<td>-</td>
<td>-</td>
<td>$619,126.96</td>
<td></td>
</tr>
</tbody>
</table>
**Formal Applications from Countries Participating in ERP**

<table>
<thead>
<tr>
<th>Country:</th>
<th>Austria</th>
</tr>
</thead>
<tbody>
<tr>
<td>Applicant:</td>
<td>Republic of Austria</td>
</tr>
<tr>
<td>Amount:</td>
<td>$35,900,000</td>
</tr>
<tr>
<td>Purpose:</td>
<td>A loan to assist in financing certain selected industrial projects along the following lines submitted by the Austrian Government:</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Machine and metal working</td>
<td>$6.9</td>
<td>$1.5</td>
</tr>
<tr>
<td>Electrical</td>
<td>2.4</td>
<td>1.6</td>
</tr>
<tr>
<td>Textile, Leather, Wood, Paper</td>
<td>0.7</td>
<td>1.8</td>
</tr>
<tr>
<td>Steel</td>
<td>2.0</td>
<td>11.0</td>
</tr>
<tr>
<td>Chemical</td>
<td>2.0</td>
<td>--</td>
</tr>
<tr>
<td>Power</td>
<td>--</td>
<td>4.0</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>1.8</td>
<td>2.2</td>
</tr>
<tr>
<td>Totals</td>
<td>$15.8</td>
<td>$20.1</td>
</tr>
</tbody>
</table>

**Country:** Austria  
**Borrower:** Creditanstalt-Bankverein 
**Applicant:** Republic of Austria 
**Amount:** $4,500,000 
**Purpose:** To insure an adequate supply of wood for the Austrian paper industry by financing the purchase of coal to be procured in the U.S. and Europe to be covered by exports of Austrian pulp, newsprint, and high grade papers.

**Country:** Austria  
**Borrower:** Republic of Austria  
**Applicant:** Republic of Austria  
**Amount:** $3,000,000  
**Purpose:** Short-term credit of 12 months to finance the purchase of U.S. raw cotton.
Country: Belgium  
Borrower: Societe Anonyme Belge d'Exploitation  
(Appelgian Government Airline)  
Applicant: Consolidated Vultee Aircraft Corporation  
Amount: $1,100,000  
Purpose: A credit to assist in financing a sale of 6 model 240 airliners by Consolidated Vultee Aircraft Corporation. Of total selling price of $1,950,000 SABENA has already paid $487,500 as a down payment leaving $1,462,500 to be financed. Suggested term: 5 years.

Country: France  
Borrower: Societe Anonyme Air France  
(French Government Airline)  
Applicant: Societe Anonyme Air France  
Amount: $3,500,000  
Purpose: For purchase of replacement parts by Air France for the applicant's American planes. Suggested term: 2 years.

Country: Sweden  
Borrower: Swedish Airlines  
(Applewegian Government Airline)  
Applicant: Douglas Aircraft Co., Inc.  
Amount: $4,200,000  
Purpose: To assist in financing the sale of 10 aircraft by Douglas Aircraft Company to the Swedish Airlines. Involves the unpaid balance 10 aircraft. The amount to be financed is about $4,200,000.

Country: Iceland  
Borrower: Icelandic Government  
Applicant: Icelandic Government  
Amount: $2,300,000  
Purpose: A loan to finance United States purchases of equipment for the Government-owned fisheries industry in Iceland. A 7-year term was suggested.

Country: Turkey  
Borrower: Turkish State Railways  
Applicant: Vulcan Iron Works  
Amount: $3,745,500  
Purpose: To assist in financing the manufacture of 42 steam locomotives by the Vulcan Iron Works for the Turkish State Railways. A term of 7 years quarterly payments suggested.  
(Application for allocation under existing credit line.)
Informal Applications from Countries Participating in EPF

<table>
<thead>
<tr>
<th>Country</th>
<th>Amount</th>
<th>Purpose</th>
<th>Terms</th>
</tr>
</thead>
<tbody>
<tr>
<td>Austria</td>
<td>$4,400,000</td>
<td>To finance installation of a filament rayon and cellophane</td>
<td>Repayable in equal semiannual installments over a period of five years beginning three years from effective date of contract, with interest at the rate of 3% per annum. Total credit desired is $5,500,000, of which Kohorn's participation (20%) amounts to $1,100,000.</td>
</tr>
<tr>
<td>France</td>
<td>$2,000,000</td>
<td>Modernization of a steel sheet mill</td>
<td>Fifteen years, repayment beginning four years from date of credit</td>
</tr>
<tr>
<td>Norway</td>
<td>$820,000</td>
<td>Purchase of machinery for production of air mail paper,</td>
<td>Three years</td>
</tr>
<tr>
<td>Sweden, Norway and Denmark</td>
<td>$4,500,000</td>
<td>Sale of eleven airplanes to the above Scandinavian air lines</td>
<td>One year from date of delivery, no rate of interest specified. Total contract price is $5,700,000, of which Douglas is prepared to participate to the extent of $1,200,000, the balance to be taken up by the Export-Import Bank and commercial banks.</td>
</tr>
</tbody>
</table>
August 13, 1948

MEMORANDUM TO MR. WAYNE TAYLOR:

During the past two weeks we have given considerable thought to the suggestion made to me separately by Mr. Henderson and Mr. Kohler that it might be desirable to have ECA handle disbursement of ECA credits. Our experience with the Iceland credit, with which you are familiar, has convinced us that we must work out some procedure along the general lines of that suggested.

At the time I discussed the matter with Mr. Kohler, I thought it might be necessary for ECA to use appropriated funds in the first instance, with reimbursement to ECA by us out of the proceeds of the notes of the Administrator delivered to the Treasury. It now appears to me that a simpler and more satisfactory procedure may be followed.

ECA will determine when it is prepared to authorize a disbursement to a borrowing country, either by way of reimbursement for prior expenditures by the borrower or by way of an advance for a working fund. A direction to us by the Administrator to disburse X dollars to the borrower will enable us to draw down the money from the Treasury and pay it over to the borrower against its promissory note. All disbursements could be confined to the borrower, as distinguished from suppliers and commercial banks, by the simple expedient of using a working fund established for the borrower through an advance to it. The borrower would use the working fund to make payment to suppliers and commercial banks on orders and letters of credit. Any guaranties of such commitments that ECA would be called upon to give would merely be for protection of the suppliers or commercial banks and as a practical matter would not require disbursements by ECA under the guaranties since arrangements would be made with the borrowing countries for them to meet the payments out of the working fund. This procedure, of course, is the one we follow in all our credits and I have explained its workings to Mr. Kohler.

The following changes in the loan agreement would suffice to permit us to adopt the procedure:

1. Change Article I to read as follows:

"Eximbank hereby establishes in favor of __________ a line of credit of $___________ to assist __________ in financing the
acquisition cost of such commodities and services as shall from time to

time be approved by the Administrator. Disbursements under the credit

will be made by Eximbank from time to time in such amounts as shall be

authorized by the Administrator. It is understood and agreed that

_______________ will take all reasonable steps to make the proceeds

of the credit available for the use of its nationals through private

channels of trade to the extent that it shall be practicable and consistent

with the general welfare and interests of _________________."

2. Delete Articles III, IV and V of the Agreement.

3. Make necessary changes in Termination provision (Article VI)

to indicate undertakings with respect to letters of credit will be given

by the Administrator.

In suggesting the above procedure, we again state that we do not

subscribe to the reason which prompted Mr. Henderson and Mr. Kohler to

entertain the idea; namely, that under the Economic Cooperation Act, no

practical distinction may be drawn between grants and credits other than

the fact that credits are evidenced by an obligation to repay the debt.

As you know, over the past several months, we have argued repeatedly and,

at times too vehemently perhaps, with Mr. Bissell, Mr. Henderson,

Mr. Kohler and their subordinates that a real distinction is drawn between

credits and grants under the Act for other purposes than the taking of an

obligation and that the distinction may and should be drawn in practice

without departing from the basic principle to which all subscribe—that

the ECA Program should be a unified, over-all program controlled and

directed by the Administrator.

We have never made and do not now propose to make an issue on juris-

dictional grounds to the approach being followed by ECA. We believe it

advisable, for the sake of getting the job done, to do no more than attempt

to persuade ECA that its approach is unsound. We failed in our effort, as

you know. The ECA approach resulted in our being confronted with a

situation in the Iceland case which cannot, from the standpoint of either

the ECA or the Bank, be permitted to arise in future credits.

As we see it, therefore, the logical and inevitable end of the ECA

approach is for ECA to authorize the Bank to make disbursements in the

manner suggested above.

Walter C. Sauer

General Counsel
Honorable William Martin, Jr.,
Chairman, Export-Import Bank,
73k - 15th Street, N. W.,
Washington, D. C.

Dear Mr. Martin:

In order to simplify and facilitate arrangements for furnishing assistance under the Economic Cooperation Act, this Administration proposes to adopt a consolidated procedure for drawing upon both grants and loans. The proposed procedure, set forth below, will eliminate the necessity for identifying any particular transactions with loans, and thereby eliminate dual documentation by the Export-Import Bank and curb administrative expense:

1. The total allocation to a participating country will be fixed for each quarter. Assume it is $100,000,000.

2. The loan-grant ratio will be fixed for each country in accord with the statutory standards (Section 111(c)(1)). Assume that, in the case of a particular country, this is 80% grant and 20% loan. It would then be contemplated that approximately 20% of the assistance authorized would be used in order to finance imports of capital equipment and of raw materials for use in connection with capital development. Thus, although the procedure outlined below eliminates the present "tagging" of each item authorized as a loan item or a grant item, the substantive effect of the program will be the same as that resulting from the present procedure.

3. The participating country will enter into a loan agreement with the Export-Import Bank by which it will agree to a credit, on terms specified by the Administrator in consultation with the National Advisory Council, for $20,000,000.

4. EGA will then allocate $20,000,000 (obtained by the execution of a note to the Treasury) to the credit of the Export-Import Bank for a loan to the participating country.

5. All items will be processed as though they were grant items, EGA receiving in each transaction the documentation required by Regulation No. 1. The money will be expended directly by EGA out of appropriated funds as in the case of grants.
6. As ECA makes payments (to the country, or to a bank or a supplier), or at such other time or times as the Administrator may choose within or at the end of each quarter, ECA will give a certificate to the Export-Import Bank setting forth such amounts of ECA advances as are attributable to the loan, and will be entitled to reimbursement to that extent by the recipient country from the proceeds of the loan. The Export-Import Bank will issue its check against the ECA certificates, payable to the country, for delivery as instructed by the Administrator. (The check will be delivered to the country representative in the ECA offices and immediately endorsed over to ECA as reimbursement of the expenditures already made as described above).

7. The participating country will deliver the necessary note to the Export-Import Bank at the beginning of each quarter. The note will state that it is effective only for the amount actually advanced. Since these credits will not carry interest until 1952, this adjustable type of note will not give rise to difficulties.

8. The only documentation the Export-Import Bank will receive will be the certificates of ECA described in (6) above.

If you are prepared to acquiesce in the operating procedures outlined above, they will be put into effect forthwith.

Sincerely yours,

(signed) Paul G. Hoffman

Administrator
MEMORANDUM TO The Board of Directors

The attached three documents are the latest versions of the Economic Cooperation Administration drafts on loans to ERP countries.

Rifat Tirana

Circulated to: Messrs. Arey
Sherwood
Lynch
Mr. Richard Demuth – Int'l. Bank.

Attachments
LETTER OF NOTIFICATION

First part of letter will set forth total allocation and segregation, and also specify period covered. The following paragraphs should be included:

"In addition to the foregoing allotment, you are hereby notified that expenditures made by (Country) __ during the second and third calendar quarters of 1948 for commodities or services within approved programs for those quarters and for which it has not been reimbursed by the Economic Cooperation Administration will be reimbursed to it upon a loan basis in an amount not to exceed $ for the second and third calendar quarters of 1948, upon the terms and conditions hereinafter set forth with respect to loans for the fourth calendar quarter of 1948.

The foregoing allocation (hereinafter called the "line of credit") is made upon the following terms and conditions:

(a) Before any procurement authorization shall be issued hereunder (country) will be required to execute to Export-Import Bank of Washington a Loan Agreement and promissory note in the form and content attached hereto as Exhibits A and B respectively. The initial principal amount of such promissory note shall be for the total of the maximum amounts specified above as available under loans for the second, third and fourth calendar quarters of 1948. As soon as practicable after the end of the fourth calendar quarter, the principal amount of said note will be adjusted to the amount of actual reimbursement for procurement with loan funds during the second and third calendar quarters of 1948, and to _______ % of the total allotment for all purposes actually expended or committed for the fourth calendar quarter of 1948.

(b) The line of credit will be available to (country) initially from the Economic Cooperation Administration upon compliance with the procedure set forth in ECA Regulation No. 1, as from time to time amended, and upon the documentation prescribed there- in, as in the case of grants.
(c) (Country) will be required to furnish the Administrator with such signatures, endorsements, or authorizations as are necessary or desirable in administering the disbursement of this line of credit.

(d) This line of credit shall expire at the end of the second calendar quarter of 1949 except as to amounts theretofore firmly committed. Amounts shall be deemed to be firmly committed for the purpose hereof if (country) has entered into a binding agreement for commodities or services to be supplied after the end of such quarter, or if country is actively negotiating a contract for the acquisition of commodities requiring the preparation of complex plans and specifications which from their nature cannot be reduced to contract prior to the expiration of the quarter. In either case, in order to preserve its rights under the line of credit, (country) shall certify the pertinent facts to the Administrator (including in the latter case an estimate of the ultimate contract price) prior to the end of such quarter. Upon receipt of such certification, the Administrator will take appropriate steps (a) to have the necessary funds therefor set aside by the Export-Import Bank of Washington; (b) to provide for the disbursement thereof, and (c) to provide for the adjustment of the Promissory Note referred to in paragraph (a) hereof in the event of abandonment of any such contract or negotiations.

(f) The Administrator assumes no obligation or responsibility for the issuance by any agency or department of the Government of the United States of any priority, allocation, permit or license which may be required under existing or future laws of the United States or any existing or future regulation of any agency or department thereof to manufacture, produce, purchase, sell or export any item which may be financed hereunder.

Please indicate your acceptance of the foregoing on the enclosed copy of this letter.

Administrator for Economic Cooperation
AGREEMENT

This Agreement made and entered into as of the ______ day of ______, 1948 by and between the Government of ________________________ (hereinafter referred to as "_________") and Export-Import Bank of Washington (hereinafter referred to as "Eximbank"), an Agency of the United States of America,

WITNESSETH:

WHEREAS, the Administrator for Economic Cooperation (hereinafter referred to as "Administrator") has advised Eximbank that in accordance with the provisions of the Economic Cooperation Act of 1948 a determination has been made to extend assistance to __________________________ on credit terms in the amount not exceeding __________________________ Dollars ($__________) for financing the acquisition of such commodities and services as are approved by the Administrator; and

WHEREAS, the Administrator has allocated funds to Eximbank for the purpose and in the amount aforesaid by the issuance of a promissory note to the Secretary of the Treasury of the United States, and has specified, after consultation with the National Advisory Council on International Monetary and Financial Problems, the terms upon which Eximbank shall make and administer the credit;

NOW, THEREFORE, It is agreed that:

1. Eximbank hereby establishes in favor of __________________________ a line of credit of not exceeding __________________________ Dollars ($__________) to assist __________________________ in financing the acquisition of such commodities and services as shall be from time to time approved by the Administrator;

2. Simultaneously with the execution of this agreement __________________________ has executed in favor of and delivered to Eximbank a promissory note in the principal amount of __________________________ Dollars ($__________), or so much thereof as may be advanced under the credit hereby established; a copy of which promissory note is attached hereto as Exhibit A;

3. Eximbank will make disbursements for the account of __________________________ under the credit in such amounts and at such times as shall be specified by the Administrator;
4. If at any time when an instalment of interest or principal becomes, or is about to become, due on the aforesaid promissory note, Aximbank and (______________) determine that because of adverse economic conditions it would be in their common interests to postpone, or provide for the postponement of, such instalment or to provide that such instalment of any part thereof shall be made and received in local currency of __________________________ at a rate of exchange to be agreed upon, or to modify the aforesaid promissory note in any other respect, they may by mutual agreement in writing provide for any such postponement for payment in local currency, or other modification hereof. Any agreement for payment in local currency may specify the purposes for which such currency may be used.

5. Prior to and as a condition precedent to the first disbursement under the credit, Aximbank shall be furnished:

(a) Evidence of authority of the person who has executed this agreement and the promissory note and otherwise acts as the representative of ______________________ in connection with the credit;

(b) An opinion of the Minister of Justice of ______________________, or other Legal Counsel, satisfactory to Aximbank demonstrating to the satisfaction of Aximbank that ______________________ has taken all action necessary under its constitutional laws to authorize the contracting of the credit and that the promissory note given to evidence the credit constitutes the valid and binding obligation of __________________________ in accordance with its terms.

IN WITNESS WHEREOF, etc.
PROMISSORY NOTE

Washington, D. C., 1948

U. S. $ ____________

1. FOR VALUE RECEIVED ___________________________ hereby promises to pay to Export-Import Bank of Washington, an Agency of the United States of America, its successors or assigns, the principal sum of ____________ Dollars (U. S. $ ____________), or so much thereof as may be advanced against this note, in installments as herein set forth, and to pay interest at the rate of two and one-half percent (2½%) per annum on the unpaid principal balance hereof from time to time outstanding from June 30, 1952; such interest to be payable semi-annually thereafter beginning on December 31, 1952.

2. The principal of and interest on this promissory note are payable at the office of Export-Import Bank of Washington, Washington, D. C., in lawful money of the United States of America, unless the parties hereto mutually agree otherwise.

3. The principal of this promissory note shall be paid in semi-annual installments, beginning June 30, 1956, in the amounts and at the times set forth below:

<table>
<thead>
<tr>
<th>Date</th>
<th>Amount</th>
<th>Date</th>
<th>Amount</th>
</tr>
</thead>
</table>

Digitized for FRASER
http://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis
If less than the face amount of this note shall be advanced hereunder, proportionate adjustments will be made in the amounts of the respective instalments of principal, after final advance hereunder.

4. __________ (Country) ______________________ may prepay on any interest date without penalty or premium all or any part of the principal of this promissory note, any such prepayment to be applied to the above instalments of principal in the inverse order of their maturity.

5. Upon default in the prompt and full payment of any instalment of principal or any interest on this promissory note the entire unpaid principal thereof and interest thereon to the date of payment shall immediately become due and be payable at the option and upon demand of the holder thereof. The non-exercise by the holder thereof of such right, with respect to any particular default shall not constitute a waiver of such right with respect to such default or any other default.

6. This note is issued pursuant to the provisions of that certain Loan Agreement between the parties hereto dated _______________, 1948 and is subject to all of the terms and conditions thereof.

__________ (Country)
MEMORANDUM TO The Board of Directors

Re: ECA Loan Agreement -- Postponement Clause

In previous memoranda you have been informed about the negotiations with the UK regarding the Postponement Clause, Article IV, of the draft Credit Agreement and the objections the British raised to the use of the words "local currency". These objections were alleged to have arisen from the special problems relating to blocked sterling and the anxiety of the Chancellor of the Exchequer to avoid in Parliament any complications on the subject. It was the assumption of the American negotiators, however, that what the British were really trying to get was a complete waiver of both interest and principal and the ruling out of any possibility of payment in any form whatsoever at a time when Article IV came into effect.

In order to exclude this interpretation on the part of the British at a subsequent date, the Administrator has written the attached letter to the British Ambassador, making the position clear and stating that the United States does not in any way waive the possibility of payment in some form. The letter is an important document from the point of view of this Bank's administration of the loan.

R. Tirana

Attachment

cc: Messrs. Arey
    Sherwood
    Sauer
    Lynch
My dear Mr. Ambassador:

The proposed agreement between your Government and Export-Import Bank of Washington covering assistance on a loan basis for the last three calendar quarters of 1948 under the Economic Cooperation Act of 1948 contains a paragraph providing, under certain circumstances, for postponement of interest or principal, or modification of the promissory note, by mutual agreement of the parties. The current draft of this paragraph states that such mutual agreement may provide for payments in local currency.

You have assured me that this specific reference to the possibility of payments in local currency presents certain problems to your Government. Your Government has informed me that the following alternative text will meet these problems and is acceptable. The change is also acceptable to me.

"If at any time or from time to time the parties hereto determine that it would be in their common interests because of adverse economic conditions or for any other reasons to postpone, or provide for the postponement of, any instalments of interest or principal or to alter or provide for the alteration of any provisions of the aforesaid promissory note relating to payment of interest and principal, or to modify the aforesaid promissory note in any other respect, they may by mutual agreement in writing provide for any such postponement or alteration or other modification."

I should point out, however, that this revised paragraph does not in fact reduce the scope of the modifications that may be agreed to by the parties during the term of the promissory note. The new paragraph clearly permits alteration, by mutual agreement, of the terms of the note in any respect. This would cover the exploration of other means of payment, including payment in local currency, and no inference to the contrary should be drawn from my acceptance of the alternative text quoted above.

Sincerely yours,

/s/ Paul G. Hoffman

Administrator

His Excellency

Sir Oliver Franks, K.C.B., C.B.E.

British Ambassador
September 15, 1948

Dear Mr. Hoffman:

Since our acknowledgment of September 2, 1943 of your letter of August 26, 1943, the Board of Directors of the Bank has given thought to your proposal "to adopt a consolidated procedure for drawing upon both grants and loans" and thereby "eliminate the necessity for identifying any particular transaction with loans".

As has been made known to various members of the Economic Cooperation Administration, including Messrs. Bissell, Henderson and Kohler and their subordinates, at the time of the drafting of our Memorandum Agreement of May 21, 1948 and in discussions since that time, we do not subscribe to the theory that the Economic Cooperation Act of 1948 draws no distinction between grants and credits other than the fact that obligations are taken to evidence credits. It has been our opinion that the Congress intended, and that the Act provides, that a real distinction is to be drawn between the two forms of assistance and that the distinction may and should be drawn in practice without departing from the basic principle to which all subscribe — that the ERP program should be a unified, over-all program controlled and directed by the Administrator.

However, we recognize that the Act vests in the Administrator the right to determine the approach to be followed in the extension of credits under the Act. Since we have never raised and do not now intend to raise a jurisdictional issue, we are prepared to follow the proposed procedure to the extent we may do so within the requirements of the Act in so far as they apply to the Bank.

Section 111(c)(2) of the Act requires that the Bank, as a minimum, establish each credit, disburse the funds thereunder to or for the account of the borrowing country, receive its obligations in evidence thereof, and receive payments on the indebtedness. Accordingly, we are prepared, upon authorization of the Administrator, to establish a line of credit upon condition that disbursements will be made by the Bank to or for the account of the borrowing country at
such times and in such amounts as shall be certified to the Bank by the Administrator.

We believe this type of agreement, to which only the Bank and the borrowing country will be parties, will permit the Economic Cooperation Administration to achieve the purposes which are expressed in your letter of August 26, 1948. It will necessitate, however, that the Administrator and the respective countries enter into independent arrangements with respect to the mechanics of the combined grant and loan procedure rather than providing for these matters in the credit agreements as has been proposed by the Economic Cooperation Administration.

It is understood, of course, that our Memorandum Agreement of May 21, 1948 is modified by this exchange of letters.

Sincerely yours,

Wm. McC. Martin, Jr.
Chairman

The Honorable
Paul G. Hoffman, Administrator
Economic Cooperation Administration
Washington, D.C.
MEMORANDUM TO The Board of Directors

Re: Proposed ECA Loan Procedures

The Administrator addressed a letter to the Chairman on August 26, 1948, copy of which is attached.

After discussions with Mr. Gaston, at which there were present Messrs. Sherwood, Sauer, Holbrook and myself, a brief reply was sent to Mr. Hoffman, a copy of which is attached.

Rifat Tirana

Enclosures

Circulated to: Messrs. Sherwood, Sauer, Holbrook, Lynch
September 2, 1948

Dear Mr. Hoffman:

In Mr. Martin's absence, I am acknowledging your letter of August 26, 1948 relating to operating procedures which the Economic Cooperation Administration proposes to put into effect with respect to loans under the Economic Cooperation Act.

We are advised by Mr. Henderson, your General Counsel, that the Legal Division of E.C.A. is preparing a draft of a contract embodying the procedures proposed in your letter. We should like to have the opportunity of considering the procedures as they are spelled out in the draft contract and will give you our conclusions following a study of the contract.

Sincerely yours,

Herbert E. Gaston
Acting Chairman

The Honorable
Paul C. Hoffman
Administrator
Economic Cooperation Administration
Washington, D.C.
ECONOMIC COOPERATION ADMINISTRATION

Washington, D. C.

August 26, 1948

Honorable William Martin, Jr.
Chairman, Export-Import Bank
734 - 15th Street, N. W.
Washington, D. C.

Dear Mr. Martin:

In order to simplify and facilitate arrangements for furnishing assistance under the Economic Cooperation Act, this Administration proposes to adopt a consolidated procedure for drawing upon both grants and loans. The proposed procedure, set forth below, will eliminate the necessity for identifying any particular transactions with loans, and thereby eliminate dual documentation by the Export-Import Bank and curb administrative expense:

1. The total allocation to a participating country will be fixed for each quarter. Assume it is $100,000,000.

2. The loan-grant ratio will be fixed for each country in accord with the statutory standards (Section III(c)(1)). Assume that, in the case of a particular country, this is 80% grant and 20% loan. It would then be contemplated that approximately 20% of the assistance authorized would be used in order to finance imports of capital equipment and of raw materials for use in connection with capital development. Thus, although the procedure outlined below eliminates the present "tagging" of each item authorized as a loan item or a grant item, the substantive effect of the program will be the same as that resulting from the present procedure.

3. The participating country will enter into a loan agreement with the Export-Import Bank by which it will agree to a credit on terms specified by the Administrator in consultation with the National Advisory Council, for $20,000,000.

4. ECA will then allocate $20,000,000 (obtained by the execution of a note to the Treasury) to the credit of the Export-Import Bank for a loan to the participating country.

5. All items will be processed as though they were grant items, ECA receiving in each transaction the documentation required by Regulation No. 1. The money will be expended directly by ECA out of appropriated funds as in the case of grants.
6. As ECA makes payments (to the country, or to a bank or a supplier), or at such other time or times as the Administrator may choose within or at the end of each quarter, ECA will give a certificate to the Export-Import Bank setting forth such amounts of such advances as are attributable to the loan, and will be entitled to reimbursement to that extent by the recipient country from the proceeds of the loan. The Export-Import Bank will issue its check against the ECA certificates, payable to the country, for delivery as instructed by the Administrator. (The Check will be delivered to the country representative in the ECA offices and immediately endorsed over to ECA as reimbursement of the expenditures already made as described above.)

7. The participating country will deliver the necessary note to the Export-Import Bank at the beginning of each quarter. The note will state that it is effective only for the amount actually advanced. Since these credits will not carry interest until 1952, this adjustable type of note will not give rise to difficulties.

8. The only documentation the Export-Import Bank will receive will be the certificates of ECA described in (6) above.

If you are prepared to acquiesce in the operating procedures outlined above, they will be put into effect forthwith.

Sincerely yours,

/s/ Paul Hoffman
Administrator
November 16, 1948

Dear Mr. Hoffman:

In accordance with your request of November 10, 1948 that Export-Import Bank designate a representative to work with your Assistant to the Deputy Administrator, Mr. C. Tyler Wood, in formulating the European Recovery Program for next year, I am naming Mr. Walter C. Sauer, our General Counsel, to act as representative of the Bank.

Sincerely yours,

(Signed) Wm. McC. Martin, Jr.
Chairman

The Honorable
Paul G. Hoffman, Administrator
Economic Cooperation Administration
Washington 25, D. C.
MEMORANDUM TO THE BOARD

Subject: ERP Loans for Fiscal 1950

A meeting was held on December 3 by the Financial Policy Committee, a subcommittee of the Correlation Committee on ERP. The latter committee, organized by the ECA, includes, in addition to that organization, representatives of the Treasury, State, Commerce, and Agriculture Departments. The Bank, although not a member of it, is represented on the Financial Policy Committee.

Mr. Arey distributed a paper prepared by the staff of the Bank suggesting that ECA request Congress for sufficient funds to carry out its program for fiscal 1950 entirely by way of grants. The paper further proposed that to the extent that good loans could be found in Europe, they be made by the Export-Import Bank, with a possible saving of part of the ECA appropriation. Mr. Smithies, representing ECA, stated that the latter organization was very strongly of the opinion that its initial approach to Congress must be for funds part of which should be available for loans. The Administrator, however, would ask for discretionary power to make loans, rather than for the system obtaining this year. Mr. Southard observed that this approach would be likely to lead to the same sort of legislation as that regulating this year's operations. He thought it the better part of wisdom to seek authority from Congress to disburse all of ECA's appropriation in the form of grants.

Mr. Smithies insisted that his proposal be subject to a vote by the Financial Policy Committee. The result of the poll was 4 to 2 against his proposal. Only the State Department sided with the ECA.

Mr. Arey then suggested that the Committee advise that Mr. Hoffman seek from Congress authority to disburse his entire appropriation in the form of grants, with the explicit condition that the Export-Import Bank might, if it saw fit, make loans to participating countries. He made it clear that it was not the Bank's desire that two programs be established. Rather, the Bank felt very strongly—as it has from the beginning of the European aid discussions—that the program must be under the control of the Administrator. He believed, however, that the program could be more effectively accomplished by his proposal. Mr. Southard reminded Mr. Smithies that Mr. Martin's position has consistently been that the European Recovery Program must be under a single administration. He pointed out further that without Mr. Martin's insistence on this point a dual administration of the program might have been put into effect by Congress this year.
Mr. Blau, of Commerce, said that he would go along with this proposal provided that it did not involve any increase in Export-Import Bank's lending authority specifically for Europe. (He stated that in his judgment the $500 million increase in lending authority for Latin America was as much as the Export-Import Bank should ask of Congress.) Mr. Arey's proposal was put to a vote, the result of which was a 3-3 tie, ECA, State, and Commerce voting against it. Both before and after the vote, Mr. Arey pointed out that the question of an extension of the Export-Import Bank's lending authority was before the NAC and that it was not the province of the Financial Policy Committee to rule on it.

The Committee then voted on the proposal that the Administrator be advised to request Congress for authority to disburse all of its appropriation in the form of grants, with the understanding that the Export-Import Bank would engage in extending loans to the participating countries. This vote carried 5 to 1, only the ECA opposing.

A suggestion had been made by Mr. Dembitz, of the Federal Reserve Board, that the ECA request authority to make contingent loans. This was ruled out without a vote after a short discussion.

The Secretariat was instructed to prepare a brief report to the Correlation Committee stating the Financial Policy Committee's position on the ECA loan-grant approach to Congress. This paper will be available for review by the Export-Import Bank before it goes to the Correlation Committee.

Edward S. Lynch

Copies to Members of the Board
Mr. Arey
Mr. Sauer
December 15, 1948

MEMORANDUM TO The Board of Directors

Re: Joint Congressional Committee on EGA

Late in November the staff of the Joint Committee on Foreign Economic Cooperation, known as the "Watchdog Committee", and set up under P.L. 7472, submitted a confidential report for the use of the Joint Committee of Congress. There are mainly three points of particular interest to the Bank in this report of 95 pages:

(1) In answer to the Committee's question "what services and facilities of any United States department, agency, etc., have been used by the Administrator?" the EGA made the following significant statement regarding this Bank: "Loans and guaranties made by EGA are turned over to the Export-Import Bank to administer, inasmuch as they extend beyond the present life of EGA." (page 37)

(2) In answer to two separate questions on the number and type of projects being considered or put into effect by EGA, the Committee was informed by EGA that no projects proper have been approved by EGA. It was stated further that considerable study is being given to this question by EGA, both in Washington and in Paris. (pages 19-20 and 35)

(3) The most significant statement in the report from the point of view of the Bank is a question relating to loans and the answer of the Watchdog Committee itself on it. The question and the answer of the Watchdog Committee is textually as follows: "What were the underlying factors determining the nature of the payments described in (1) above?" "The Administrator has made no statement as to these underlying factors. An examination of the proceedings of the National Advisory Council and of the loan agreements apparently indicates that emphasis is placed on lending the full amount of money authorized by the act, even though repayment may be uncertain, rather than treating the $1,000,000,000 authorized for loans as a sum available to be used to the extent that borrowers can be found who qualify." (page 40)

Rifat Tirana

cc: Messrs. Arey
    Sherwood
    Sauer
    Lynch
A GLOBAL AID PROGRAM

Introduction - Any new foreign aid program should, in my opinion, be a global rather than a narrowly European program. It seems to me that it would be a serious mistake for this Government, once it discards the present piecemeal approach, to follow it with a narrow "continental" approach with an overtly political bias rather than a global approach with a predominantly economic rationale. The great virtue of the original U.S. foreign lending policy approach was that it was a global economic concept. I think that any new program should stem from the point of view that the deficiency of the original approach was, not that it was basically non-political, but that untoward political events destroyed its effectiveness in coping with the postwar economic rehabilitation problem.

I have the feeling that the U.S. finance portion of an adequate global aid program would involve amounts somewhere between the $1 billion annual figure you spoke of and the $5 billion annual figure being mentioned in the Press.

A representative breakdown for the three year period 1947-49 follows:

Europe

- $4 billion upward
  - U.K. - $2 billion
  - France - $1 billion
  - Italy - $500 million
  - Austria, Germany - $250 million
  - Greece - $500 million
  - Turkey - $250 million
  - Other - $250 million

Asia

- $1 billion upward
  - China - $500 million
  - Korea - $250 million
  - Japan - $250 million

Latin America

- $500 million
U.S. Financing of Program - The U.S. financing of a global aid program of the above magnitude would, I believe, fall into three parts -

1. Untied grants-in-aid or lines of credit.
2. Tied short-term or long-term credits.
3. Administered grants-in-aid and loans.

A definitive solution of the British and French balance of payments problem is the key to any global aid program. If the British and French problem cannot be met, there is no real hope of solving the continental European problem (at least in a manner desired by this country). If, on the other hand, this government should reject a global (or even a more narrow continental European) approach, there would appear to be little advantage in going ahead with an attempt to deal with the UK and French situations in isolation. A sound global aid program therefore, as I see it, would have as its central feature the extension by this country of sufficient aid to cover the (reasonable) residual balance of payments deficits of the United Kingdom and France during the 1947-49 period. Such aid would be most appropriately extended in the form of an untied line-of-credit or grant-in-aid handled through the Treasury.

The remaining European problem, as I see it, can be broken down into three categories: First, the requirements of the "good risk" areas of Western Europe (Belgium, Netherlands, Denmark and Norway); second, the rehabilitation requirements of the "middle risk" areas of Europe (Austria, Germany and Italy) exclusive of the USSR satellites; thirdly, the rehabilitation requirements of poor risk, politically upset strategic areas (Greece).
Developments since VJ-Day have destroyed the original hope that the International Bank, once it got into operation, would be able to take care of all the reconstruction requirements of Europe. As a practical matter, it seems to me that the International Bank can be used, for the time being at least, only to meet the reconstruction problems of the good risk areas of Western Europe. Any attempt under present world conditions to use the International Bank to cover the needs of the "middle risk" and "poor risk" areas of Europe would be likely to result in fatally undermining the Bank's borrowing capacity. On the other hand, should U.S. investors become satisfied that the British and French problems will be definitely solved through direct U.S. aid, the International Bank should be able to market sufficient debentures to take care of the remaining reconstruction credit needs of the good risk areas of Western Europe. This, of course, would leave it up to this country to decide to what extent the rehabilitation requirements of the middle risk and poor risk areas would be met.

As for the "middle risk" category, I believe that the rehabilitation requirements of Austria, Germany, and Italy should be accepted as a direct U.S. financial responsibility. Although both Britain and France have a major stake in Austria and Germany, neither country is in a position to cover their share of the rehabilitation (i.e., category B) requirements of Austria and Germany without borrowing from abroad for the purpose. Under these circumstances I believe it would be more straightforward for the United States to assume the full responsibility of financing the category B requirements of both areas directly rather than to furnish dollars in the first
instance to Britain and France, part of which they are obliged to use to
carry their agreed portion of such financial assistance to Austria and
Germany. Similarly, although the British have a stake in Italy equal to our
own, they are in no position to assume any additional financial burden with
respect thereto. Under these circumstances, it seems to me that the United
States should provide the exchange needed to carry out the Italian rehabili-
tation task.

Any U.S. financial assistance to Austria, Germany and Italy should, in
my opinion, be made on a tied loan basis, preferably through the Export-
Import Bank. This would serve two purposes: First, it would insure that the
funds were used for productive rehabilitation purposes and not diverted to
relief channels. Secondly, the prospect of repayment of loans to these three
areas is sufficient good to warrant using a loan technique most likely to
facilitate the repayment. In the case of Italy and Austria, because of their
liberated area status, I believe it would be advisable to extend assistance on
a long-term basis. In the case of Germany, however, U.S. category B
financing should be furnished on a short-term basis and constitute a first
charge on German exports as long as it is quadripartite policy to ultimately
collect in hard currency for category A supplies.

This leaves the problem of politically-strategic poor risk areas, of
which Greece and Turkey are the European examples. Here some type of
administered-aid technique as a means of ensuring proper use of U.S. funds
seems essential. The pattern of administration of this type of aid (under
State Department and War Department control) will presumably be set in
Greece and Turkey. The area of U.S. interest in Asia falls largely into this
category. If a global aid program is adopted, it seems to me that any assistance to China and Korea should be extended only on this administered aid basis. In order to minimize the overtly political aspects of the global aid program and thereby enhance the prospect of the United States being repaid for the loan portion of the program, this phase of the U.S. global aid program should be differentiated as completely as possible from the remainder of the program.

As for post-war developmental as distinct from reconstruction needs, if a global aid program is adopted by the U.S. and it appears likely to succeed in its purpose, the International Bank would be placed in an exceptionally good position to meet all developmental needs in Latin America and elsewhere. If, however, the International Bank should be unwilling to enter the Latin American field extensively pending demonstration of success of such a U.S. global aid program, this Government should be prepared to continue in this field during the interim and render an appropriate amount of assistance to Latin America through the Export-Import Bank.

Role of the Eximbank - In recapitulation, if a global aid program should be adopted, the Eximbank would appear to be the appropriate agency of the U.S. Government to handle several phases of the program; (a) financing the category B requirements of Germany and Austria on either a short-term or long-term basis, (b) financing the rehabilitation requirements of Italy and other "middle risk" areas on a long-term basis, (c) financing Latin American developmental credit requirements (to the extent that the International Bank is unwilling to do so).
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Article Title: This Letter is About the Marshall Plan
Journal Title: The Kiplinger Washington Letter, Special Issue
Date: February 14, 1948
IN THE HOUSE OF REPRESENTATIVES

MARCH 15, 1948

Referred to the Committee on Foreign Affairs

MARCH 20, 1948

Reported with amendments, committed to the Committee of the Whole House on the State of the Union, and ordered to be printed

[Strike out all after the enacting clause and insert the part printed in italic]

AN ACT

To promote the general welfare, national interest, and foreign policy of the United States through necessary economic and financial assistance to foreign countries which undertake to cooperate with each other in the establishment and maintenance of economic conditions essential to a peaceful and prosperous world.

1 Be it enacted by the Senate and House of Representa-
2 tives of the United States of America in Congress assembled,
3 That this Act may be cited as "The Economic Cooperation
4 Act of 1948".

FINDINGS AND DECLARATION OF POLICY

Sec. 2. (a) Recognizing the intimate economic and other
7 relationships between the United States and the nations of
Europe, and recognizing that disruption following in the wake of war is not contained by national frontiers, the Congress finds that the existing situation in Europe endangers the establishment of a lasting peace; the general welfare and national interest of the United States; and the attainment of the objectives of the United Nations. The restoration or maintenance in European countries of principles of individual liberty, free institutions, and genuine independence rests largely upon the establishment of sound economic conditions, stable international economic relationships, and the achievement by the countries of Europe of a healthy economy independent of extraordinary outside assistance. The accomplishment of these objectives calls for a plan of European recovery, open to all such nations which cooperate in such plan, based upon a strong production effort, the expansion of foreign trade; the creation and maintenance of internal financial stability; and the development of economic cooperation, including all possible steps to establish and maintain equitable rates of exchange and to bring about the progressive elimination of trade barriers. Mindful of the advantages which the United States has enjoyed through the existence of a large domestic market with no internal trade barriers, and believing that similar advantages can accrue to the countries of Europe, it is the hope of the people of the United States that these countries through a joint organization will
exert sustained common efforts which will speedily achieve
that economic cooperation in Europe which is essential for
lasting peace and prosperity. Accordingly, it is declared to
be the policy of the people of the United States to sustain and
strengthen principles of individual liberty, free institutions,
and genuine independence in Europe through assistance to
those countries of Europe which participate in a joint recovery
program based upon self-help and mutual cooperation: Pro-
vided, That no assistance to the participating countries herein
contemplated shall seriously impair the economic stability
of the United States. It is further declared to be the policy
of the United States that continuity of assistance provided
by the United States should, at all times, be dependent upon
continuity of cooperation among countries participating in
the program.

PURPOSES OF ACT

(b) It is the purpose of this Act to effectuate the policy
set forth in subsection (a) of this section by furnishing
material and financial assistance to the participating coun-
tries in such a manner as to aid them, through their own
individual and concerted efforts, to become independent of
extraordinary outside economic assistance within the period
of operations under this Act, by—

(1) promoting industrial and agricultural produc-
tion in the participating countries;
(2) furthering the restoration or maintenance of the soundness of European currencies, budgets, and finances; and

(3) facilitating and stimulating the growth of international trade of participating countries with one another and with other countries by appropriate measures including reduction of barriers which may hamper such trade.

PARTICIPATING COUNTRIES

Sec. 3. As used in this Act, the term "participating country" means—

(a) any country, together with dependent areas under its administration, which signed the report of the Committee of European Economic Cooperation at Paris on September 22, 1947; and

(b) any other country (including any of the zones of occupation of Germany, any areas under international administration or control, and the Free Territory of Trieste or either of its zones) wholly or partly in Europe, together with dependent areas under its administration;

provided such country adheres to, and for so long as it remains an adherent to, a joint program for European recovery designed to accomplish the purposes of this Act.
ESTABLISHMENT OF ECONOMIC COOPERATION

ADMINISTRATION

Sec. 4. (a) There is hereby established, with its principal office in the District of Columbia, an agency of the Government which shall be known as the Economic Cooperation Administration, hereinafter referred to as the Administration. The Administration shall be headed by an Administrator for Economic Cooperation, hereinafter referred to as the Administrator, who shall be appointed by the President, by and with the advice and consent of the Senate, and who shall receive compensation at the rate of $20,000 per annum. The Administrator shall be responsible to the President and shall have a status in the executive branch of the Government comparable to that of the head of an executive department. Except as otherwise provided in this Act, the administration of the provisions of this Act is hereby vested in the Administrator and his functions shall be performed under the control of the President.

(b) There shall be in the Administration a Deputy Administrator for Economic Cooperation who shall be appointed by the President, by and with the advice and consent of the Senate, and shall receive compensation at the rate of $17,500 per annum. The Deputy Administrator for Economic Cooperation shall perform such functions as the
1 Administrator shall designate, and shall be Acting Adminis-
2 trator for Economic Cooperation during the absence or dis-
3 ability of the Administrator or in the event of a vacancy
4 in the office of Administrator.
5 
6 (c) The President is authorized, pending the appoint-
7 ment and qualification of the first Administrator or Deputy
8 Administrator for Economic Cooperation appointed here-
9 under, to provide, for a period of not to exceed thirty days
10 after the date of enactment of this Act, for the performance
11 of the functions of the Administrator under this Act through
12 such departments, agencies, or establishments of the United
13 States Government as he may direct. In the event the
14 President nominates an Administrator or Deputy Adminis-
15 trator prior to the expiration of such thirty-day period, the
16 authority conferred upon the President by this subsection
17 shall be extended beyond such thirty-day period but only
18 until an Administrator or Deputy Administrator qualifies and
19 takes office.
20 (d) Any department, agency, or establishment of the
21 Government (including, whenever used in this Act, any
22 corporation which is an instrumentality of the United States)
23 performing functions under this Act is authorized to employ,
24 for duty within the continental limits of the United States,
25 such personnel as may be necessary to carry out the pro-
26 visions and purposes of this Act, and funds available pursuant
to section 14 of this Act shall be available for personal
services in the District of Columbia and elsewhere without
regard to section 14 (a) of the Federal Employees Pay Act
of 1946 (60 Stat. 219). Of such personnel employed by
the Administration, not to exceed sixty may be compensated
without regard to the provisions of the Classification Act
of 1923, as amended, of whom not more than ten may be
compensated at a rate in excess of $10,000 per annum;
but not in excess of $15,000 per annum. Experts and
consultants or organizations thereof, as authorized by section
15 of the Act of August 2, 1946 (U. S. C., title 5, sec. 55a),
may be employed by the Administration, and individuals so
employed may be compensated at rates not in excess of
$50 per diem and while away from their homes or regular
places of business; they may be paid actual travel expenses
and not to exceed $10 per diem in lieu of subsistence and
other expenses while so employed.

(c) The head of any department, agency, or establish-
ment of the Government performing functions under this
Act may, from time to time, promulgate such rules and regu-
lations as may be necessary and proper to carry out his func-
tions under this Act, and he may delegate authority to
perform any of such functions to his subordinates, acting
under his direction and under rules and regulations pro-
mulgated by him.
1. **GENERAL FUNCTIONS OF ADMINISTRATOR**

Sec. 5. (a) The Administrator, under the control of the President, shall in addition to all other functions vested in him by this Act—

1. review and appraise the requirements of participating countries for assistance under the terms of this Act;

2. formulate programs of United States assistance under this Act, including approval of specific projects which have been submitted to him by the participating countries;

3. provide for the efficient execution of any such programs as may be placed in operation; and

4. terminate provision of assistance or take other remedial action as provided in section 47 of this Act.

(b) In order to strengthen and make more effective the conduct of the foreign relations of the United States—

1. the Administrator and the Secretary of State shall keep each other fully and currently informed on matters, including prospective action, arising within the scope of their respective duties which are pertinent to the duties of the other;

2. whenever the Secretary of State believes that any action, proposed action, or failure to act on the part of the Administrator is inconsistent with the foreign-
policy objectives of the United States, he shall consult with the Administrator and, if differences of view are not adjusted by consultation, the matter shall be referred to the President for final decision.

(e) The Administrator and the department, agency, or officer in the executive branch of the Government exercising the authority granted to the President by section 6 of the Act of July 2, 1940 (54 Stat. 714), as amended, shall keep each other fully and currently informed on matters, including prospective action, arising within the scope of their respective duties which are pertinent to the duties of the other. Whenever the Administrator believes that any action, proposed action, or failure to act on the part of such department, agency, or officer is inconsistent with the purposes and provisions of this Act, he shall consult with such department, agency, or officer and, if differences of view are not adjusted by consultation, the matter shall be referred to the President for final decision.

NATIONAL ADVISORY COUNCIL

Sec. 6. Section 4 (a) of the Bretton Woods Agreement 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 transac-
tions, there is hereby established the National Advisory Coun-
cil on International Monetary and Financial Problems
(hercinafter referred to as the 'Council'), consisting of the
Secretary of 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 Trustees of the Export-Import Bank of Wash-
ington, and during such period as the Economic Cooperation
Administration shall continue to exist, the Administrator for
Economic Cooperation."

PUBLIC ADVISORY BOARD

Sec. 7. (a) There is hereby created a Public Advisory
Board, hereinafter referred to as the Board, which shall
advise and consult with the Administrator with respect to
general or basic policy matters arising in connection with
the Administrator's discharge of his responsibilities. The
Board shall consist of the Administrator, who shall be Chair-
man, and not to exceed twelve additional members to be
appointed by the President, by and with the advice and con-
sent of the Senate, and who shall be selected from among
citizens of the United States of broad and varied experience
in matters affecting the public interest, other than officers and
employees of the United States (including any agency or
instrumentality of the United States who, as such, regularly receive compensation for current services. The Board shall meet at least once a month and at other times upon the call of the Administrator or when three or more members of the Board request the Administrator to call a meeting. Not more than a majority of two of the members shall be appointed to the Board from the same political party. Members of the Board, other than the Administrator, shall receive, out of funds made available for the purposes of this Act, a per diem allowance of $50 for each day spent away from their homes or regular places of business, for the purpose of attendance at meetings of the Board, or at conferences held upon the call of the Administrator, and in necessary travel, and while so engaged, they may be paid actual travel expenses and not to exceed $10 per diem in lieu of subsistence and other expenses.

(b) The Administrator may appoint such other advisory committees as he may determine to be necessary or desirable to effectuate the purposes of this Act.

UNITED STATES SPECIAL REPRESENTATIVE ABROAD

SEC. 8. There shall be a United States Special Representative in Europe who shall (a) be appointed by the President, by and with the advice and consent of the Senate; (b) be entitled to receive the same compensation and allowances as a chief of mission, class 1, within the meaning of the Act.
of August 13, 1946 (60 Stat. 999), and (e) have the rank
of ambassador extraordinary and plenipotentiary. He shall
be the representative of the Administrator; and shall also
be the chief representative of the United States Government
to any organization of participating countries which may be
established by such countries to further a joint program for
European recovery, and shall discharge in Europe such addi-
tional responsibilities as may be assigned to him with the
approval of the President in furtherance of the purposes of
this Act. He may also be designated as the United States
representative on the Economic Commission for Europe.
He shall receive his instructions from the Administrator and
such instructions shall be prepared and transmitted to him
in accordance with procedures agreed to between the Ad-
ministrator and the Secretary of State in order to assure
appropriate coordination as provided by subsection (b) of
section 5 of this Act. He shall coordinate the activities
of the Chiefs of Special Missions provided for in section 9
of this Act. He shall keep the Administrator, the Secretary
of State, the chiefs of the United States diplomatic missions,
and the chiefs of the special missions provided for in section
9 of this Act currently informed concerning his activities.
He shall consult with the chiefs of all such missions, who
shall give him such cooperation as he may require for the
performance of his duties under this Act.
SPECIAL ECA MISSIONS ABROAD

SEC. 9. (a) There shall be established in each participating country, except as provided in subsection (d) of this section, a special mission for economic cooperation under the direction of a chief who shall be responsible for assuring the performance within such country of operations under this Act. The chief shall be appointed by the Administrator, shall receive his instructions from the Administrator, and shall report to the Administrator on the performance of the duties assigned to him. The chief of the special mission shall take rank immediately after the chief of the United States diplomatic mission in such country.

(b) The chief of the special mission shall keep the chief of the United States diplomatic mission fully and currently informed on matters, including prospective action, arising within the scope of the operations of the special mission and the chief of the diplomatic mission shall keep the chief of the special mission fully and currently informed on matters relative to the conduct of the duties of the chief of the special mission. The chief of the United States diplomatic mission will be responsible for assuring that the operations of the special mission are consistent with the foreign-policy objectives of the United States in such country and to that end whenever the chief of the United States diplomatic mission believes that any action, proposed action, or failure to act...
on the part of the special mission is inconsistent with such
foreign-policy objectives, he shall so advise the chief of the
special mission and the United States special representative
in Europe. If differences of view are not adjusted by con-
sultation, the matter shall be referred to the Secretary of
State and the Administrator for decision.

(e) The Secretary of State shall provide such office
space, facilities, and other administrative services for the
United States Special Representative in Europe and his staff,
and for the special mission in each participating country, as
may be agreed between the Secretary of State and the
Administrator.

(d) With respect to any of the zones of occupation of
Germany and of the Free Territory of Trieste, during the
period of occupation, the President shall make appropriate
administrative arrangements for the conduct of operations
under this Act, in order to enable the Administrator to carry
out his responsibility to assure the accomplishment of the
purposes of this Act.

PERSONNEL OUTSIDE UNITED STATES

Sec. 10. (a) For the purpose of performing functions
under this Act outside the continental limits of the United
States the Administrator may—

(1) employ persons who shall receive compensa-
tion at any of the rates provided for the Foreign Service
Reserve and staff by the Foreign Service Act of 1946 (60 Stat. 999), together with allowances and benefits established thereunder; and

(2) recommend the appointment or assignment of persons, and the Secretary of State may appoint or assign such persons, to any class in the Foreign Service Reserve or Staff for the duration of operations under this Act, and the Secretary of State may thereafter assign, transfer, or promote such persons upon the recommendation of the Administrator. Persons so appointed to the Foreign Service Staff shall be entitled to the benefits of section 528 of the Foreign Service Act of 1946.

(b) For the purpose of performing functions under this Act outside the continental limits of the United States, the Secretary of State may, at the request of the Administrator, appoint, for the duration of operations under this Act, alien clerks and employees in accordance with applicable provisions of the Foreign Service Act of 1946 (60 Stat. 999).

(e) Civilian personnel who are citizens or residents of the United States employed or appointed pursuant to this section to perform functions under this Act shall be investigated by the Federal Bureau of Investigation which shall make a report thereof to the appointing authority as soon as possible; Provided, however, That they may temporarily
1. assume their posts and perform their functions after preliminary investigation and clearance by the Administrator or the Secretary of State, as the case may be, but such employment may be terminated after the receipt of the report of the Federal Bureau of Investigation.

2. NATURE AND METHOD OF ASSISTANCE

SEC. 11. (a) The Administrator may, from time to time, furnish assistance to any participating country by providing for the performance of any of the functions set forth in paragraphs (1) through (6) of this subsection when he deems it to be in furtherance of the purposes of this Act, and upon the terms and conditions set forth in this Act and such additional terms and conditions consistent with the provisions of this Act as he may determine to be necessary and proper.

(1) Procurement from any source, including Government stocks, of any commodity which he determines to be required for the furtherance of the purposes of this Act. As used in this Act, the term "commodity" means any commodity, material, article, supply, or goods necessary for the purposes of this Act.

(2) Processing, storing, transporting, and repairing any commodities, or performing any other services with respect to a participating country which he deter-
mines to be required for accomplishing the purposes of this Act:

The Administrator shall, in providing for the procurement of commodities under authority of this Act, take such steps as may be necessary to assure, so far as is practicable, that at least 50 per centum of the gross tonnage of commodities procured within the United States out of funds made available under this Act and transported abroad on ocean vessels, is so transported on United States flag vessels to the extent such vessels are available at market rates:

(3) Procurement of and furnishing technical information and assistance.

(4) Transfer of any commodity or service, which transfer shall be signified by delivery of the custody and right of possession and use of such commodity, or otherwise making available any such commodity, or by rendering a service to a participating country or to any agency or organization representing a participating country.

(5) The allocation of commodities or services to specific projects designed to carry out the purposes of this Act, which have been submitted to the Adminis-
trator by participating countries and have been approved
by him.

(b) The Administrator may provide for the perform-
ance of any of the functions described in subsection (a) of
this section—

(1) by establishing accounts against which, under
regulations prescribed by the Administrator—

(i) letters of commitment may be issued in
connection with supply programs approved by the
Administrator (and such letters of commitment,
when issued, shall constitute obligations of appli-
cable appropriations); and

(ii) withdrawals may be made by partici-
pating countries, or agencies or organizations rep-
resenting participating countries, upon presentation
of contracts, invoices, or other documentation speci-
fied by the Administrator.

Such accounts may be established on the books of the
Administration, or any other department, agency, or
establishment of the Government specified by the Admin-
istrator, or, on terms and conditions approved by the
Secretary of the Treasury, in banking institutions in
the United States. Expenditures of funds which have
been made available through accounts so established shall
be accounted for on standard documentation required.
for expenditures of Government funds; Provided, That such expenditures for commodities or services procured outside the continental limits of the United States under authority of this section may be accounted for exclusively on such certification as the Administrator may prescribe to assure expenditure in furtherance of the purposes of this Act, and such certification shall be binding on the accounting officers of the Government.

(2) by utilizing the services and facilities of any department, agency, or establishment of the Government as the President shall direct, or with the consent of the head of such department, agency, or establishment, or, in the President's discretion, by acting in cooperation with the United Nations or with other international organizations or with agencies of the participating countries, and funds allocated pursuant to this section to any department, agency, or establishment of the Government shall be established in separate appropriation accounts on the books of the Treasury.

(3) by making, under rules and regulations to be prescribed by the Administrator, guaranties to any person of investments in connection with projects approved by the Administrator and the participating country concerned as furthering the purposes of this Act, which guaranties shall terminate not later than fourteen
years from the date of enactment of this Act: Provided,

That—

(i) the guaranty to any person shall not exceed the amount of dollars invested in the project by such person with the approval of the Administrator and shall be limited to the transfer into United States dollars of other currencies, or credits in such currencies, received by such person as income from the approved investment, as repayment or return thereof, in whole or in part, or as compensation for the sale or disposition of all or any part thereof;

(ii) the total liabilities assumed under such guaranties shall not exceed 5 per centum of the total funds appropriated for the purposes of this Act and any liabilities accruing under such guaranties shall be defrayed within the limits of funds so appropriated; and

(iii) as used in this paragraph, the term "person" means a citizen of the United States or any corporation, partnership, or other association created under the law of the United States or of any State or Territory and substantially beneficially owned by citizens of the United States.

(4) (i) By making, under rules and regulations pre-
scribed by the Administrator, guaranties to any person or
government in the Western Hemisphere with respect to
credits any such person or government may grant for com-
modities and services to be transferred, with the approval
of the Administrator, to a participating country: Provided,
That guaranties to governments in the Western Hemisphere
shall not exceed 70 per centum of the credits so extended
by any such government: And provided further, That the
Administrator determines that the use of this method of
guaranteeing credits, as opposed to this method of direct
procurement and delivery to participating countries, will
not substantially prejudice the extension or validity of
credits or loans by other governments, by the International
Bank for Reconstruction and Development, or by private
persons, where such credits or loans have been, or in the
future might be, prudently made without such guaranty,
considering the capacity of the several participating coun-
tries to repay. In determining whether to provide for the
procurement of commodities and services outside the conti-
nental limits of the United States, the Administrator shall
take into account whether the government of the country
in which commodities or services are available for transfer
fails to extend such credits or to arrange such prices, terms
and conditions as the Administrator considers equitable and
prudent in connection with such transfers. In connection
with such guaranties, the Administrator, on terms and conditions prescribed by him, may agree to advance dollars on account of such guaranties at the time such exports are made, or at any time not more than ten years after the making of such agreement.

(ii) As used in this paragraph, the term "person" means a citizen of any Western Hemisphere country, or any corporation, partnership, or other association created under the law of any such country or under any political subdivision thereof, and substantially owned by citizens of Western Hemisphere countries.

(c) (1) The Administrator may provide assistance for any participating country, in the form and under the procedures authorized in subsections (a) and (b), respectively, of this section, through grants or upon payment in cash, or on credit terms; or on such other terms of payment as he may find appropriate, including payment by the transfer to the United States (under such terms and in such quantities as may be agreed to between the Administrator and the participating country) of materials which are required by the United States as a result of deficiencies or potential deficiencies in its own resources. In determining whether such assistance shall be through grants or upon terms of payment, and in determining the terms of payment, he shall act in consultation with the National Advisory Council.
on International Monetary and Financial Problems, and the
determination whether or not a participating country should
be required to make payment for any assistance furnished
to such country in furtherance of the purposes of this Act,
and the terms of such payment, if required, shall depend
upon the character and purpose of the assistance and upon
the capacity of such country to make such payments without
jeopardizing the accomplishment of the purposes of this Act.

(2) 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, not-
withstanding 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 Admin-
istrator in consultation with the National Advisory Council
on International Monetary and Financial Problems. The
Administrator shall make advances to, or reimburse, the
Export-Import Bank of Washington for necessary admin-
istrative expenses in connection with such credits. The
Bank shall deposit into the Treasury of the United States,
as miscellaneous receipts, amounts received by the Bank in
repayment of principal and interest on any 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
ing 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 (50 Stat. 529), as amended.

PROTECTION OF DOMESTIC ECONOMY

SEC. 12. (a) The Administrator shall provide for the
procurement in the United States of commodities under this
Act in such a way as to (1) minimize the drain upon the
resources of the United States and the impact of such
procurement upon the domestic economy, and (2) avoid
impairing the fulfillment of vital needs of the people of
the United States.

(b) The procurement of petroleum and petroleum
products under this Act shall, to the maximum extent prac-
ticable, be made from petroleum sources outside the United
States; and, in furnishing commodities under the provisions
of this Act, the Administrator shall take fully into account
the present and anticipated world shortage of petroleum and
its products and the consequent undesirability of expansion
in petroleum-consuming equipment where the use of alter-
nate fuels or other sources of power is practicable.

(c) In order to assure the conservation of domestic grain
supplies and the retention in the United States of byproduct
feeds necessary to the maintenance of the agricultural
economy of the United States, the amounts of wheat and
wheat flour produced in the United States to be transferred
by grant to the participating countries shall be so determined
that the total quantity of wheat used to produce the wheat
flour transferred to such countries under this Act shall not
be less than 25 per centum of the aggregate of the unproces-
seed wheat and wheat in the form of flour transferred to
such countries under this Act.

(d) The term "surplus agricultural commodity" as used
in this section is defined as any agricultural commodity, or
product thereof, produced in the United States which is
determined by the Secretary of Agriculture to be in excess
of domestic requirements. In providing for the procurement
of any such surplus agricultural commodity for transfer by
grant to any participating country in accordance with the
requirements of such country, the Administrator shall, insofar
as practicable and where in furtherance of the purposes of
this Act, give effect to the following:

(i) The Administrator shall authorize the procurement
of any such surplus agricultural commodity only within the
United States; Provided, That this restriction shall not be
applicable (i) to any agricultural commodity, or product
thereof, located in one participating country, and intended
for transfer to another participating country, if the Adminis-
trator, in consultation with the Secretary of Agriculture,
determines that such procurement and transfer is in further-
1. None of the purposes of this Act, and would not create a
burdensome surplus in the United States or seriously prejudice the position of domestic producers of such surplus agricultural commodities, or (ii) if, and to the extent that any such surplus agricultural commodity is not available in the United States in sufficient quantities to supply the requirements of the participating countries under this Act.

(2) In providing for the procurement of any such surplus agricultural commodity, the Administrator shall, so far as practicable and applicable, and after giving due consideration to the excess of any such commodity over domestic requirements, and to the historic reliance of United States producers of any such surplus agricultural commodity upon markets in the participating countries, provide for the procurement of each class or type of any such surplus agricultural commodity in the approximate proportion that the Secretary of Agriculture determines such classes or types bear to the total amount of excess of such surplus agricultural commodity over domestic requirements.

(c) Whenever the Secretary of Agriculture determines that any quantity of any surplus agricultural commodity, heretofore or hereafter acquired by Commodity Credit Corporation in the administration of its price-support programs, is available for use in furnishing assistance to foreign countries, he shall so advise all departments, agencies, and estab-
lishments of the Government administering laws providing for the furnishing of assistance or relief to foreign countries (including occupied or liberated countries or areas of such countries). Thereafter the department, agency, or establishment administering any such law shall, to the maximum extent practicable, consistent with the provisions and in furtherance of the purposes of such law, and where for transfer by grant and in accordance with the requirements of such foreign country, procure or provide for the procurement of such quantity of such surplus agricultural commodity. The sales price paid as reimbursement to Commodity Credit Corporation for any such surplus agricultural commodity shall be in such amount as Commodity Credit Corporation determines will fully reimburse it for the cost to it of such surplus agricultural commodity at the time and place such surplus agricultural commodity is delivered by it, but in no event shall the sales price be higher than the domestic market price at such time and place of delivery as determined by the Secretary of Agriculture, and the Secretary of Agriculture may pay not to exceed 50 per centum of such sales price as authorized by subsection (e) of this section.

(f) Subject to the provisions of this section, but notwithstanding any other provision of law, in order to encourage utilization of surplus agricultural commodities pursuant to this or any other Act providing for assistance or
relief to foreign countries, the Secretary of Agriculture, in
carrying out the purposes of clause (1), section 32, Public
Law 320, Seventy-fourth Congress, as amended, may make
payments, including payments to any government agency
procuring or selling such surplus agricultural commodities,
in an amount not to exceed 50 per centum of the sales price
(basis free along ship or free on board vessel, United States
ports), as determined by the Secretary of Agriculture, of
such surplus agricultural commodities. The rescission of the
remainder of section 32 funds by the Act of July 30, 1947
(Public Law 266, Eightieth Congress), is hereby canceled
and such funds are hereby made available for the purposes
of section 32 for the fiscal year ending June 30, 1948.

(g) No export shall be authorized pursuant to authority
conferred by section 6 of the Act of July 2, 1940 (54 Stat.
714), including any amendment thereto, of any commodity
from the United States to any country wholly or partly
in Europe which is not a participating country, if the Sec-
retary of Commerce determines that the supply of such
commodity is insufficient (or would be insufficient if such
export were permitted) to fulfill the requirements of partici-
pating countries under this Act as determined by the Ad-
ministrator; Provided, however, That such export may be
authorized if the Secretary of Commerce determines that
such export is otherwise in the national interest of the United States.

(b) In providing for the performance of any of the functions described in subsection (a) of section 44, the Administrator shall, to the maximum extent consistent with the accomplishment of the purposes of this Act, utilize private channels of trade.

REIMBURSEMENT TO GOVERNMENT AGENCIES

SEC. 19. (a) The Administrator shall make reimbursement or payment, out of funds available for the purposes of this Act, for any commodity, service, or facility procured under section 44 of this Act from any department, agency, or establishment of the Government. Such reimbursement or payment shall be made to the owning or disposal agency, as the case may be, at replacement cost, or, if required by law, at actual cost, or at any other price, authorized by law and agreed to between the Administrator and such agency.

The amount of any reimbursement or payment to an owning agency for commodities, services, or facilities so procured shall be credited to current applicable appropriations, funds, or accounts from which there may be procured replacements of similar commodities or such services or facilities: Provided, That such commodities, services, or facilities may be procured from an owning agency only with the consent of
such agency: And provided further, That where such appropriations, funds, or accounts are not reimbursable except by reason of this subsection, and when the owning agency determines that replacement of any commodity procured under authority of this section is not necessary, any funds received in payment therefor shall be covered into the Treasury as miscellaneous receipts.

(b) The Administrator, whenever in his judgment the interests of the United States will best be served thereby, may dispose of any commodity procured out of funds made available for the purposes of this Act, in lieu of transferring such commodity to a participating country, (1) by transfer of such commodity, upon reimbursement, to any department, agency, or establishment of the Government for use or disposal by such department, agency, or establishment as authorized by law, or (2) without regard to provisions of law relating to the disposal of Government-owned property, when necessary to prevent spoilage or wastage of such commodity or to conserve the usefulness thereof. Funds realized from such disposal or transfer shall revert to the respective appropriation or appropriations out of which funds were expended for the procurement of such commodity.

AUTHORIZATION OF APPROPRIATIONS

SEC. 14. (a) Notwithstanding the provisions of any other law, the Reconstruction Finance Corporation is au-
Authorized and directed, until such time as an appropriation shall be made pursuant to subsection (c) of this section, to make advances not to exceed in the aggregate $1,000,- 000,000 to carry out the provisions of this Act, in such manner, at such time and in such amounts as the President shall determine, and no interest shall be charged on advances made by the Treasury to the Reconstruction Finance Corporation for this purpose. The Reconstruction Finance Corporation shall be repaid without interest from appropriations authorized under this Act for advances made by it hereunder.

(b) Such part as the President may determine of the unobligated and unexpended balances of appropriations or other funds available for the purposes of the Foreign Aid Act of 1947 shall be available for the purpose of carrying out the purposes of this Act.

(c) In order to carry out the provisions of this Act with respect to those participating countries which adhere to the purposes of this Act, and remain eligible to receive assistance hereunder, there are hereby authorized to be appropriated to the President, from time to time through June 30, 1952, out of any money in the Treasury not otherwise appropriated, such sums as may be necessary to carry out the provisions and accomplish the purposes of this Act: Provided, however, That for carrying out the provisions and accom-
plishing the purposes of this Act for the period of one year following the date of enactment of this Act, there are hereby authorized to be so appropriated not to exceed $5,300,000,000.

(d) Funds made available for the purposes of this Act shall be available for incurring and defraying all necessary expenses incident to carrying out the provisions of this Act, including administrative expenses and expenses for compensation, allowances and travel of personnel, including Foreign Service personnel whose services are utilized primarily for the purposes of this Act, and, without regard to the provisions of any other law, for printing and binding, and for expenditures outside the continental limits of the United States for the procurement of supplies and services and for other administrative purposes (other than compensation of personnel) without regard to such laws and regulations governing the obligation and expenditure of government funds, as the Administrator shall specify in the interest of the accomplishment of the purposes of this Act.

(e) The unexpended portions of any deposits which may have been made by any participating country pursuant to section 6 of the joint resolution providing for relief assistance to the people of countries devastated by war (Public Law 84, Eightieth Congress) and section 5 (b) of the Foreign Aid Act of 1947 (Public Law 389, Eightieth Con-
(g) If any such appropriations are provided in this Act, they shall be held or used under the same terms and conditions as are provided in section 15 (b) of this Act.

(f) In order to reserve some part of the surplus of the fiscal year 1948 for payments thereafter to be made under this Act, there is hereby created on the books of the Treasury of the United States a trust fund to be known as the Foreign Economic Cooperation Trust Fund. Notwithstanding any other provision of law, an amount of $2,000,000,000, out of sums appropriated pursuant to the authorization contained in this Act shall, when appropriated, be transferred immediately to the trust fund, and shall thereupon be considered as expended during the fiscal year 1948, for the purpose of reporting governmental expenditures. The Secretary of the Treasury shall be the sole trustee of the trust fund and is authorized and directed to pay out of the fund such amounts as the Administrator shall duly requisition. The first expenditures made out of the appropriations authorized under this Act in the fiscal year 1949 shall be made with funds requisitioned by the Administrator out of the trust fund until the fund is exhausted, at which time such fund shall cease to exist. The provisions of this subsection

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shall not be construed as affecting the application of any provision of law which would otherwise govern the obligations of funds so appropriated or the auditing or submission of accounts of transactions with respect to such funds.

BILATERAL AND MULTILATERAL UNDERTAKINGS

Sec. 15. (a) The Secretary of State, after consultation with the Administrator, is authorized to conclude, with individual participating countries or any number of such countries or with an organization representing any such countries, agreements in furtherance of the purposes of this Act.

(b) The provision of assistance under this Act results from the multilateral pledges of the participating countries to use all their efforts to accomplish a joint recovery program based upon self-help and mutual cooperation as embodied in the report of the Committee of European Economic Cooperation signed at Paris on September 22, 1947, and is contingent upon continuous effort of the participating countries to accomplish a joint recovery program through multilateral undertakings and the establishment of a continuing organization for this purpose. In addition to continued mutual cooperation of the participating countries in such a program, each such country shall conclude an agreement with the United States in order for such country to be eligible to receive assistance under this Act. Such agreement shall provide for the adherence of such country
to the purposes of this Act and shall, where applicable, make
appropriate provision, among others, for—

1. promoting industrial and agricultural produc-
tion in order to enable the participating country to be-
come independent of extraordinary outside economic
assistance; and submitting for the approval of the Ad-
imistrator, upon his request and whenever he deems
it in furtherance of the purposes of this Act, specific
projects proposed by such country to be undertaken in
substantial part with assistance furnished under this Act;
which projects, whenever practicable, shall include proj-
jects for increased production of coal, steel, transportation
facilities, and food;

2. taking financial and monetary measures neces-
sary to stabilize its currency, establish or maintain a
valid rate of exchange, to balance its governmental
budget as soon as practicable, and generally to restore or
maintain confidence in its monetary system;

3. cooperating with other participating countries
in facilitating and stimulating an increasing interchange
of goods and services among the participating countries
and with other countries and cooperating to reduce
barriers to trade among themselves and with other
countries;

4. making efficient and practical use, within the
framework of a joint program for European recovery;
of the resources of such participating country, including
any commodities, facilities, or services furnished under
this Act, which use shall include, to the extent practi-
cable, taking measures to locate and control, in further-
ance of such program, assets, and earnings therefrom;
which belong to the citizens of such country and which
are situated within the United States, its Territories and
possessions;
(5) facilitating the transfer to the United States by
sale, exchange, barter, or otherwise for stock-piling pur-
poses, for such period of time as may be agreed to and
upon reasonable terms and in reasonable quantities, of
materials which are required by the United States as a
result of deficiencies or potential deficiencies in its own
resources, and which may be available in such participat-
ing country after due regard for reasonable requirements
for domestic use and commercial export of such country;
(6) placing in a special account a deposit in the
currency of such country, in commensurate amounts and
under such terms and conditions as may be agreed to
between such country and the Government of the United
States, when any commodity or service is made avail-
able through any means authorized under this Act, and
is not furnished to the participating country on terms
11 gain of payment. Such special account, together with the
12 unexpended portions of any deposits which may have
13 been made by such country pursuant to section 6 of the
14 joint resolution providing for relief assistance to the
15 people of countries devastated by war (Public Law 84,
16 Eightieth Congress) and section 5 (b) of the Foreign
17 Aid Act of 1947 (Public Law 839, Eightieth Congress),
18 shall be held or used only for such purposes as may be
19 agreed to between such country and the Administrator
20 in consultation with the National Advisory Council on
21 International Monetary and Financial Problems, and
22 under agreement that any unencumbered balance remain-
23 ing in such account on June 30, 1952, will be disposed
24 of within such country for such purposes as may, subject
25 to approval by Act or joint resolution of the Congress, be
26 agreed to between such country and the Government of
27 the United States;
28 (7) publishing in such country and transmitting to
29 the United States, not less frequently than every cal-
30 endar quarter after the date of the agreement, full
31 statements of operations under the agreement, including
32 a report of the use of funds, commodities and services
33 received under this Act; and
34 (8) furnishing promptly, upon request of the
35 United States, any relevant information which would be
of assistance to the United States in determining the
nature and scope of operations and the use of assist-
ce provided under this Act:

(o) Notwithstanding the provisions of subsection
(b) of this section, the Administrator, during the three
months after the date of enactment of this Act, may
perform with respect to any participating country any of the
functions authorized under this Act which he may determine
to be essential in furtherance of the purposes of this Act,
if such country (1) has signified its adherence to
the purposes of this Act and its intention to conclude an
agreement pursuant to subsection (b) of this section, and
(2) he finds that such country is complying with the
applicable provisions of subsection (b) of this section:

Provided, That, notwithstanding the provisions of this sub-
section, the Administrator may, through June 30, 1948,
provide for the transfer of food, medical supplies, fibers,
fuel, petroleum and petroleum products, fertilizer, pesticides,
and seed to any country of Europe which participated in
the Committee of European Economic Cooperation and
which undertook pledges to the other participants therein;
when the Administrator determines that the transfer of any
such supplies to any such country is essential in order to
make it possible to carry out the purposes of this Act by
1 alleviating conditions of hunger and cold and by preventing
2 serious economic retrogression.
3 (d) The Administrator shall encourage the joint or-
4 ganization of the participating countries referred to in
5 subsection (b) of this section to ensure that each par-
6 ticipating country makes sufficient use of the resources of
7 such country, including any commodities, facilities, or serv-
8 ices furnished under this Act, by observing and reviewing
9 such use through an effective follow-up system approved
10 by the joint organization.
11 (e) It is the understanding of the Congress that, in
12 accordance with agreements now in effect, prisoners of war
13 remaining in participating countries shall if they so freely
elect be repatriated prior to January 1, 1949.
15 WESTERN HEMISPHERE COUNTRIES
16 Sec. 16. The President shall take appropriate steps to
17 encourage all countries in the Western Hemisphere to make
18 available to participating countries such assistance as they
19 may be able to furnish.
20 OTHER DUTIES OF THE ADMINISTRATOR
21 Sec. 17. (a) The Administrator, in furtherance of the
22 purposes of section 15 (b) (5), and in agreement with a par-
23 ticipating country, may promote, by means of funds made
24 available for the purposes of this Act, an increase in the
production in such participating country of materials which
are required by the United States as a result of deficiencies
or potential deficiencies in the resources within the United
States.

(b) The Administrator, in cooperation with the Secretary
of Commerce, shall facilitate and encourage, through
private and public travel, transport, and other agencies, the
promotion and development of travel by citizens of the
United States to and within participating countries.

c) In order to further the efficient use of United
States voluntary contributions for relief in participating
countries receiving assistance under this Act in the form of
grants, funds made available for the purposes of this Act
may be used, in the discretion of the Administrator, and
under rules and regulations prescribed by him, to pay ocean
freight charges from a United States port to a designated
foreign port of entry (1) of supplies donated to, or pur-
chased by, United States voluntary nonprofit relief agencies
licensed for operations in Europe, or (2) of relief packages
conforming to such specified size, weight, and contents, as
the Administrator may prescribe originating in the United
States and consigned to an individual residing in a par-
ticipating country receiving assistance under this Act in the
form of grants.

The Administrator may make an agreement with such
country for the use of a portion of the deposit of local currency placed in a special account pursuant to paragraph 6 of subsection (b) of section 15 of this Act, for the purpose of defraying the transportation cost of such supplies and relief packages from the port of entry of such country to the designated shipping point of consignee.

TERMINATION OF ASSISTANCE

SEC. 18. The Administrator, in determining the form and measure of assistance provided under this Act to any participating country, shall take into account the extent to which such country is complying with its undertakings embodied in its pledges to other participating countries and in its agreement concluded with the United States under section 15. The Administrator shall terminate the provision of assistance under this Act to any participating country whenever he determines that (1) such country is not adhering to its agreement concluded under section 15, or is diverting from the purposes of this Act assistance provided hereunder, and that in the circumstances remedial action other than termination will not more effectively promote the purposes of this Act or (2) because of changed conditions, assistance is no longer consistent with the national interest of the United States.

EXEMPTION FROM CONTRACT AND ACCOUNTING LAWS

SEC. 19. When the President determines it to be in
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In furtherance of the purposes of this Act, the functions authorized under this Act may be performed without regard to such provisions of law regulating the making, performance, amendment, or modification of contracts and the expenditure of Government funds as the President may specify.

EXEMPTION FROM CERTAIN FEDERAL LAWS RELATING TO EMPLOYMENT

Sec. 20. Service of an individual as a member of the Public Advisory Board (other than the Administrator) created by section 7 (a), as a member of an advisory committee appointed pursuant to section 7 (b), as an expert or consultant under section 4 (d), or as an expert, consultant, or technician under section 24 (d), shall not be considered as service or employment bringing such individual within the provisions of sections 109 or 113 of the Criminal Code (U. S. C., title 18, secs. 198 and 202), of section 190 of the Revised Statutes (U. S. C., title 5, sec. 90), or of section 10 (c) of the Contract Settlement Act of 1944, or of any other Federal law imposing restrictions, requirements, or penalties in relation to the employment of persons, the performance of services, or the payment or receipt of compensation in connection with any claim, proceeding, or matter involving the United States.

UNITED NATIONS

Sec. 21. (a) The President is authorized to request
the cooperation of or the use of the services and facilities
of the United Nations, its organs and specialized agen-
cies, or other international organizations, in carrying out the
purposes of this Act, and may make payments, by advance-
ments or reimbursements, for such purpose, out of funds
made available for the purposes of this Act, as may be neces-
sary, to the extent that special compensation is
usually required for such services and facilities.

(b) The President shall cause to be transmitted to the
Secretary General of the United Nations copies of reports
to Congress on the operations conducted under this Act.
(e) Any agreements concluded between the United
States and participating countries, or groups of such coun-
tries, in implementation of the purposes of this Act, shall be
registered with the United Nations if such registration is
required by the Charter of the United Nations.

TERMINATION OF PROGRAM

SEC. 22. (a) After June 30, 1952, or after the date of
the passage of a concurrent resolution by the two Houses of
Congress before such date, which declares that the powers
conferred on the Administrator by or pursuant to subsection
(a) of section 11 of this Act are no longer necessary for the
accomplishment of the purposes of this Act, whichever shall
first occur, none of the functions authorized under such pro-
visions may be exercised; except that during the twelve
months following such date commodities and services with respect to which the Administrator had, prior to such date, authorized procurement for, shipment to, or delivery in a participating country, may be transferred to such country, and funds appropriated under authority of this Act may be obligated during such twelve-month period for the necessary expenses of procurement, shipment, delivery, and other activities essential to such transfer, and shall remain available during such period for the necessary expenses of liquidating operations under this Act.

(b) At such time as the President shall find appropriate after such date, and prior to the expiration of the twelve months following such date, the powers, duties, and authority of the Administrator under this Act may be transferred to such other departments, agencies, or establishments of the Government as the President shall specify; and the relevant funds, records, and personnel of the Administration may be transferred to the departments, agencies, or establishments to which the related functions are transferred.

REPORTS TO CONGRESS

Sec. 23. The President from time to time, but not less frequently than once every calendar quarter through June 30, 1952, and once every year thereafter until all operations under this Act have been completed, shall transmit
to the Congress a report of operations under this Act. Reports provided for under this section shall be transmitted to the Secretary of the Senate or the Clerk of the House of Representatives, as the case may be, if the Senate or the House of Representatives, as the case may be, is not in session.

JOINT CONGRESSIONAL COMMITTEE

SEC. 24. (a) There is hereby established a joint congressional committee to be known as the Joint Committee on Foreign Economic Cooperation (hereinafter referred to as the committee), and to be composed of seven Members of the Senate to be appointed by the President of the Senate, and seven Members of the House of Representatives to be appointed by the Speaker of the House. In each instance, not more than four members shall be members of the same political party. A vacancy in the membership of the committee shall be filled in the same manner as the original selection. The President of the Senate and the Speaker of the House, acting jointly, shall appoint a chairman and a vice chairman from among the members of the committee.

(b) It shall be the function of the committee to make a continuous study of the programs of United States economic assistance to foreign countries, and to review the progress achieved in the execution and administration of such programs. Upon request, the committee shall aid the several
standing committees of the Congress having legislative juris-
diction over any part of the programs of United States
economic assistance to foreign countries; and it shall make a
report to the Senate and the House of Representatives, from
time to time, concerning the results of its studies, together
with such recommendations as it may deem desirable. The
Administrator, at the request of the committee, shall consult
with the committee from time to time with respect to his
activities under this Act.

(e) The committee, or any duly authorized subcom-
mittee thereof, is authorized to hold such hearings, to sit and
act at such times and places, to require by subpoena or other-
wise the attendance of such witnesses and the production of
such books, papers, and documents, to administer such oaths,
to take such testimony, to procure such printing and binding;
and to make such expenditures as it deems advisable. The
cost of stenographic services to report such hearings shall
not be in excess of 25 cents per hundred words. The pro-
visions of sections 102 to 104, inclusive, of the Revised
Statutes shall apply in case of any failure of any witness
to comply with any subpoena or to testify when summoned
under authority of this subsection.

(d) The committee is authorized to appoint and, with-
out regard to the Classification Act of 1923, as amended, fix
the compensation of such experts, consultants, technicians,
and organizations thereof, and, clerical and stenographic assistants as it deems necessary and advisable.

There are hereby authorized to be appropriated such sums as may be necessary to carry out the provisions of this section, to be disbursed by the Secretary of the Senate on vouchers signed by the chairman.

SEPARABILITY CLAUSE

Sec. 25. If any provision of this Act or the application of such provision to any circumstances or persons shall be held invalid, the validity of the remainder of the Act and the applicability of such provision to other circumstances or persons shall not be affected thereby.

That this Act may be cited as the "Foreign Assistance Act of 1948".

TITLE I

Sec. 101. This title may be cited as the "Economic Cooperation Act of 1948".

FINDINGS AND DECLARATION OF POLICY

Sec. 102. (a) Recognizing the intimate economic and other relationships between the United States and the nations of Europe, and recognizing that disruption following in the wake of war is not contained by national frontiers, the Congress finds that the existing situation in Europe endangers the establishment of a lasting peace, the general welfare and national interest of the United States, and the attainment of
the objectives of the United Nations. The restoration or maintenance in European countries of principles of individual liberty, free institutions, and genuine independence rests largely upon the establishment of sound economic and political conditions, stable international economic and political relationships, and the achievement by the countries of Europe of a healthy economy independent of extraordinary outside assistance. The accomplishment of these objectives calls for a plan of European recovery, open to all such nations which cooperate in such plan, based upon a strong production effort, the expansion of foreign trade, the creation and maintenance of internal financial stability, and the development of economic cooperation, including all possible steps to establish and maintain equitable rates of exchange and to bring about the progressive elimination of trade barriers. Mindful of the advantages which the United States has enjoyed through the existence of a large domestic market with no internal trade barriers, and believing that similar advantages can accrue to the countries of Europe, it is declared to be the policy of the people of the United States to encourage these countries through a joint organization to exert sustained common efforts as set forth in the report of the Committee of European Economic Cooperation signed at Paris on September 22, 1947, which will speedily achieve that economic cooperation
in Europe which is essential for lasting peace and prosperity. It is further declared to be the policy of the people of the United States to sustain and strengthen principles of individual liberty, free institutions, and genuine independence in Europe through assistance to those countries of Europe which participate in a joint recovery program based upon self-help and mutual cooperation: Provided, That no assistance to the participating countries herein contemplated shall seriously impair the economic stability of the United States. It is further declared to be the policy of the United States that continuity of assistance provided by the United States should, at all times, be dependent upon continuity of cooperation among countries participating in the program.

PURPOSES OF TITLE

(b) It is the purpose of this title to effectuate the policy set forth in subsection (a) of this section by furnishing material and financial assistance to the participating countries in such a manner as to aid them, through their own individual and concerted efforts, to become independent of extraordinary outside economic assistance within the period of operations under this title, by—

(1) promoting industrial and agricultural production in the participating countries;
(2) furthering the restoration or maintenance of the soundness of European currencies, budgets, and finances; and

(3) facilitating and stimulating the growth of international trade of participating countries with one another and with other countries by appropriate measures including reduction of barriers which may hamper such trade.

PARTICIPATING COUNTRIES

Sec. 103. (a) As used in this title, the term "participating country" means—

(1) any country, together with dependent areas under its administration, which signed the report of the Committee of European Economic Cooperation at Paris on September 22, 1947; and

(2) any other country (including any of the zones of occupation of Germany, any areas under international administration or control, and the Free Territory of Trieste or either of its zones) wholly or partly in Europe, together with dependent areas under its administration;

provided such country adheres to, and for so long as it remains an adherent to, a joint program for European recovery designed to accomplish the purposes of this title.

(b) Until such time as the Free Territory of Trieste
or either of its zones becomes eligible for assistance under this title as a participating country, assistance to the Free Territory of Trieste, or either of its zones, is hereby authorized under the Foreign Aid Act of 1947 until June 30, 1949, and the said Foreign Aid Act of 1947 is hereby amended accordingly, and not to exceed $20,000,000 out of funds authorized to be advanced by the Reconstruction Finance Corporation under subsection (a) of section 114 of this title may be utilized for the purposes of this subsection:

Provided, That section 11 (b) of the Foreign Aid Act of 1947 shall not apply in respect of the Free Territory of Trieste or either of its zones: And provided further, That the provisions of section 115 (b) (6) of this title shall apply to local currency deposited pursuant to section 5 (b) of that Act.

ESTABLISHMENT OF ECONOMIC COOPERATION ADMINISTRATION

SEC. 104. (a) There is hereby established, with its principal office in the District of Columbia, an agency of the Government which shall be known as the Economic Cooperation Administration, hereinafter referred to as the Administration. The Administration shall be headed by an Administrator for Economic Cooperation, hereinafter referred to as the Administrator, who shall be appointed by the President, by and with the advice and consent of the Senate,
and who shall receive compensation at the rate of $20,000 per annum. The Administrator shall be responsible to the President and shall have a status in the executive branch of the Government comparable to that of the head of an executive department. Except as otherwise provided in this title, the administration of the provisions of this title is hereby vested in the Administrator and his functions shall be performed under the control of the President.

(b) There shall be in the Administration a Deputy Administrator for Economic Cooperation who shall be appointed by the President, by and with the advice and consent of the Senate, and shall receive compensation at the rate of $17,500 per annum. The Deputy Administrator for Economic Cooperation shall perform such functions as the Administrator shall designate, and shall be Acting Administrator for Economic Cooperation during the absence or disability of the Administrator or in the event of a vacancy in the office of Administrator.

(c) The President is authorized, pending the appointment and qualification of the first Administrator or Deputy Administrator for Economic Cooperation appointed hereunder, to provide, for a period of not to exceed thirty days after the date of enactment of this Act, for the performance of the functions of the Administrator under this title through such departments, agencies, or establishments of the United
States Government as he may direct. In the event the
President nominates an Administrator or Deputy Admin-
istrator prior to the expiration of such thirty-day period, the
authority conferred upon the President by this subsection
shall be extended beyond such thirty-day period but only
until an Administrator or Deputy Administrator qualifies
and takes office.

(d) (1) The Administrator, with the approval of the
President, is hereby authorized and empowered to create a
corporation with such powers as the Administrator may deem
necessary or appropriate for the accomplishment of the
purposes of this title.

(2) If a corporation is created under this section—

(i) it shall have the power to sue and be sued, to
acquire, hold, and dispose of property, to use its revenues,
to determine the character of and necessity for its obli-
gations and expenditures and the manner in which they
shall be incurred, allowed and paid, and to exercise such
other powers as may be necessary or appropriate to
carry out the purposes of the corporation;

(ii) its powers shall be set out in a charter which
shall be valid only when certified copies thereof are filed
with the Secretary of the Senate and the Clerk of the
House of Representatives and published in the Federal
Register, and all amendments to such charter shall be valid only when similarly filed and published;

(iii) it shall not have succession beyond June 30, 1952, except for purposes of liquidation, unless its life is extended beyond such date pursuant to Act of Congress; and

(iv) it shall be subject to the Government Corporation Control Act to the same extent as wholly owned Government corporations listed in section 101 of such Act.

(3) All capital stock of the corporation shall be of one class, be issued for cash only, and be subscribed for by the Administrator. Payment for such capital stock shall be made from funds available for the purposes of this title.

(e) Any department, agency, or establishment of the Government (including, whenever used in this title, any corporation which is an instrumentality of the United States) performing functions under this title is authorized to employ, for duty within the continental limits of the United States, such personnel as may be necessary to carry out the provisions and purposes of this title, and funds available pursuant to section 114 of this title shall be available for personal services in the District of Columbia and elsewhere without regard to section 14 (a) of the Federal Employees Pay Act of 1946 (60 Stat. 219). Of such
personnel employed by the Administration, not to exceed sixty may be compensated without regard to the provisions of the Classification Act of 1923, as amended, of whom not more than ten may be compensated at a rate in excess of $10,000 per annum, but not in excess of $15,000 per annum. Experts and consultants or organizations thereof, as authorized by section 15 of the Act of August 2, 1946 (U. S. C., title 5, sec. 55a), may be employed by the Administration, and individuals so employed may be compensated at rates not in excess of $50 per diem and while away from their homes or regular places of business, they may be paid actual travel expenses and not to exceed $10 per diem in lieu of subsistence and other expenses while so employed.

(f) The Administrator may, from time to time, promulgate such rules and regulations as may be necessary and proper to carry out his functions under this title, and he may delegate authority to perform any of such functions to his subordinates, acting under his direction and under rules and regulations promulgated by him.

GENERAL FUNCTIONS OF ADMINISTRATOR

Sec. 105. (a) The Administrator, under the control of the President, shall in addition to all other functions vested in him by this title—

(1) review and appraise the requirements of par-
ticipating countries for assistance under the terms of this title;

(2) formulate programs of United States assistance under this title, including approval of specific projects which have been submitted to him by the participating countries;

(3) provide for the efficient execution of any such programs as may be placed in operation; and

(4) terminate provision of assistance or take other remedial action as provided in section 118 of this title.

(b) In order to strengthen and make more effective the conduct of the foreign relations of the United States—

(1) the Administrator and the Secretary of State shall keep each other fully and currently informed on matters, including prospective action, arising within the scope of their respective duties which are pertinent to the duties of the other;

(2) whenever the Secretary of State believes that any action, proposed action, or failure to act on the part of the Administrator is inconsistent with the foreign-policy objectives of the United States, he shall consult with the Administrator and, if differences of view are not adjusted by consultation, the matter shall be referred to the President for final decision;

(3) whenever the Administrator believes that any
action, proposed action, or failure to act on the part
of the Secretary of State is inconsistent with the pur-
poses and provisions of this title, he shall consult with
the Secretary of State and, if differences of view are
not adjusted by consultation, the matter shall be referred
to the President for final decision.

(c) The Administrator and the department, agency,
or officer in the executive branch of the Government exer-
cising the authority granted to the President by section
6 of the Act of July 2, 1940 (54 Stat. 714), as amended,
shall keep each other fully and currently informed on matters,
including prospective action, arising within the scope of their
respective duties which are pertinent to the duties of the
other. Whenever the Administrator believes that any action,
proposed action, or failure to act on the part of such depart-
ment, agency, or officer is inconsistent with the purposes and
provisions of this title, he shall consult with such depart-
ment, agency, or officer and, if differences of view are not
adjusted by consultation, the matter shall be referred to the
President for final decision.

NATIONAL ADVISORY COUNCIL

SEC. 106. Section 4 (a) of the Bretton Woods Agree-
ments 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 trans-
actions, 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 Ad-
ministrator for Economic Cooperation."

PUBLIC ADVISORY BOARD

SEC. 107. (a) There is hereby created a Public Ad-
visory Board, hereinafter referred to as the Board, which
shall advise and consult with the Administrator with respect
to general or basic policy matters arising in connection with
the Administrator's discharge of his responsibilities. The
Board shall consist of the Administrator, who shall be Chair-
man, and not to exceed twelve additional members to be
appointed by the President, by and with the advice and con-
sent of the Senate, and who shall be selected from among
citizens of the United States of broad and varied experience
in business, labor, agriculture, the professions, and in matters affecting the public interest, other than officers and employees of the United States (including any agency or instrumentality of the United States) who, as such, regularly receive compensation for current services. The Board shall meet at least once a month and at other times upon the call of the Administrator or when three or more members of the Board request the Administrator to call a meeting. Not more than a majority of two of the members shall be appointed to the Board from the same political party. Members of the Board, other than the Administrator, shall receive, out of funds made available for the purposes of this title, a per diem allowance of $50 for each day spent away from their homes or regular places of business, for the purpose of attendance at meetings of the Board, or at conferences held upon the call of the Administrator, and in necessary travel, and while so engaged, they may be paid actual travel expenses and not to exceed $10 per diem in lieu of subsistence and other expenses.

(b) The Administrator may appoint such other advisory committees as he may determine to be necessary or desirable to effectuate the purposes of this title.

UNITED STATES SPECIAL REPRESENTATIVE ABROAD

SEC. 108. There shall be a United States Special Representative in Europe who shall (a) be appointed by the Presi-
dent, by and with the advice and consent of the Senate, (b) be entitled to receive the same compensation and allowances as a chief of mission, class 1, within the meaning of the Act of August 13, 1946 (60 Stat. 999), and (c) have the rank of ambassador extraordinary and plenipotentiary. He shall be the representative of the Administrator, and shall also be the chief representative of the United States Government to any organization of participating countries which may be established by such countries to further a joint program for European recovery, and shall discharge in Europe such additional responsibilities as may be assigned to him with the approval of the President in furtherance of the purposes of this title. He may also be designated as the United States representative on the Economic Commission for Europe. He shall receive his instructions from the Administrator and such instructions shall be prepared and transmitted to him in accordance with procedures agreed to between the Administrator and the Secretary of State in order to assure appropriate coordination as provided by subsection (b) of section 105 of this title. He shall coordinate the activities of the chiefs of special missions provided for in section 109 of this title. He shall keep the Administrator, the Secretary of State, the chiefs of the United States diplomatic missions, the chairmen of the Senate Foreign Relations Committee, the House Foreign Affairs Committee, the Senate
Appropriations Committee, and the House Appropriations Committee, and the chiefs of the special missions provided for in section 109 of this title currently informed concerning his activities. He shall consult with the chiefs of all such missions, who shall give him such cooperation as he may require for the performance of his duties under this title.

SPECIAL ECA MISSIONS ABROAD

Sec. 109. (a) There shall be established for each participating country, except as provided in subsection (d) of this section, a special mission for economic cooperation under the direction of a chief who shall be responsible for assuring the performance within such country of operations under this title. The chief shall be appointed by the Administrator, shall receive his instructions from the Administrator, and shall report to the Administrator on the performance of the duties assigned to him. The chief of the special mission shall take rank immediately after the chief of the United States diplomatic mission in such country.

(b) The chief of the special mission shall keep the chief of the United States diplomatic mission fully and currently informed on matters, including prospective action, arising within the scope of the operations of the special mission and the chief of the diplomatic mission shall keep the chief of the special mission fully and currently informed on matters relative to the conduct of the duties of the chief of the special
mission. The chief of the United States diplomatic mission will be responsible for assuring that the operations of the special mission are consistent with the foreign-policy objectives of the United States in such country and to that end whenever the chief of the United States diplomatic mission believes that any action, proposed action, or failure to act on the part of the special mission is inconsistent with such foreign-policy objectives, he shall so advise the chief of the special mission and the United States Special Representative in Europe. If differences of view are not adjusted by consultation, the matter shall be referred to the Secretary of State and the Administrator for decision.

(c) The Secretary of State shall provide such office space, facilities, and other administrative services for the United States Special Representative in Europe and his staff, and for the special mission in each participating country, as may be agreed between the Secretary of State and the Administrator.

(d) With respect to any of the zones of occupation of Germany and of the Free Territory of Trieste, during the period of occupation, the President shall make appropriate administrative arrangements for the conduct of operations under this title, in order to enable the Administrator to carry out his responsibility to assure the accomplishment of the purposes of this title.
PERSONNEL OUTSIDE UNITED STATES

SEC. 110. (a) For the purpose of performing functions under this title outside the continental limits of the United States, the Administrator may—

(1) employ persons who shall receive compensation at any of the rates provided for the Foreign Service Reserve and Staff by the Foreign Service Act of 1946 (60 Stat. 999), together with allowances and benefits established thereunder; and

(2) recommend the appointment or assignment of persons, and the Secretary of State may appoint or assign such persons, to any class in the Foreign Service Reserve or Staff for the duration of operations under this title, and the Secretary of State may assign, transfer, or promote such persons upon the recommendation of the Administrator. Persons so appointed to the Foreign Service Staff shall be entitled to the benefits of section 528 of the Foreign Service Act of 1946.

(b) For the purpose of performing functions under this title outside the continental limits of the United States, the Secretary of State may, at the request of the Administrator, appoint, for the duration of operations under this title, alien clerks and employees in accordance with applicable provisions of the Foreign Service Act of 1946 (60 Stat. 999).

(c) No citizen or resident of the United States may be
employed, or if already employed, may be assigned to duties by the Secretary of State or the Administrator under this title until such individual has been investigated as to loyalty and security by the Federal Bureau of Investigation and a report thereon has been made to the Secretary of State and the Administrator: Provided, however, That any present employee of the Government, pending the report as to such employee by the Federal Bureau of Investigation, may be temporarily assigned to duties under this title for the period of six months from the date of its enactment. This subsection shall not apply in the case of any officer appointed by the President by and with the advice and consent of the Senate.

NATURE AND METHOD OF ASSISTANCE

SEC. 111. (a) The Administrator may, from time to time, furnish assistance to any participating country by providing for the performance of any of the functions set forth in paragraphs (1) through (6) of this subsection when he deems it to be in furtherance of the purposes of this title, and upon the terms and conditions set forth in this title and such additional terms and conditions consistent with the provisions of this title as he may determine to be necessary and proper.

(1) Procurement from any source, including Government stocks on the same basis as procurement by Government agencies under Public Law 375 (Seventy-
ninth Congress) for their own use, of any commodity which he determines to be required for the furtherance of the purposes of this title. As used in this title, the term “commodity” means any commodity, material, article, merchant vessel authorized to be chartered under paragraph (4) of this subsection, supply, or goods necessary for the purposes of this title.

(2) Processing, storing, transporting, and repairing any commodities, or performing any other services with respect to a participating country which he determines to be required for accomplishing the purposes of this title. The Administrator shall, in providing for the procurement of commodities under authority of this title, take such steps as may be necessary to assure, so far as is practicable, that a substantial portion of the gross tonnage of commodities, procured within United States out of funds made available under this title and transported abroad on dry-cargo ocean vessels, is so transported on United States flag vessels to the extent such vessels are available at market rates.

(3) Procurement of and furnishing technical information and assistance.

(4) With the approval of the President, placing in operating condition, and, for periods not extending be-
yond December 31, 1952, chartering to participating countries, not more than two hundred dry-cargo merchant vessels owned by the United States and not in operation at the time of charter. If a vessel of the United States is so chartered, its documents as a vessel of the United States shall be surrendered and it shall, during the charter period, be considered as a foreign vessel for the purposes of the navigation and vessel inspection laws of the United States. Each charter under this paragraph shall be terminable whenever (i) the President determines that such termination is necessary in the interest of national security or (ii) the Administrator, pursuant to section 118, terminates the provision of assistance to the country to which the vessel is chartered. Any vessel chartered under this paragraph shall engage primarily in the transportation of commodities supplied under this title to the participating countries, and shall not otherwise compete with vessels of the United States on ship routes served by them unless the charterer certifies such service to be necessary to maintain adequate service on such routes.

(5) Transfer of any commodity or service, which transfer shall be signified by delivery of the custody and right of possession and use of such commodity, or otherwise making available any such commodity, or by
rendering a service to a participating country or to any
agency or organization representing a participating
country.

(6) The allocation of commodities or services to
specific projects designed to carry out the purposes of
this title, which have been submitted to the Admin-
istrator by participating countries and have been
approved by him.

(b) In order to facilitate and maximize the use of
private channels of trade, subject to adequate safeguards
to assure that all expenditures in connection with such pro-
curement are within approved programs in accordance with
terms and conditions established by the Administrator, he
may provide for the performance of any of the functions
described in subsection (a) of this section—

(i) by establishing accounts against which, under
regulations prescribed by the Administrator—

(ii) letters of commitment may be issued in
connection with supply programs approved by the
Administrator (and such letters of commitment,
when issued, shall constitute obligations of appli-
cable appropriations);

(ii) withdrawals may be made by participating
countries, or agencies or organizations representing
participating countries, upon presentation of con-
tracts, invoices, or other documentation specified by
the Administrator under arrangements prescribed by
the Administrator to assure the use of such with-
drawals for purposes approved by the Administrator.

Such accounts may be established on the books of the
Administration, or any other department, agency, or
establishment of the Government specified by the Admin-
istrator, or, on terms and conditions approved by the
Secretary of the Treasury, in banking institutions in
the United States. Expenditures of funds which have
been made available through accounts so established shall
be accounted for on standard documentation required
for expenditures of Government funds: Provided, That
such expenditures for commodities or services procured
outside the continental limits of the United States under
authority of this section may be accounted for exclu-
sively on such certification as the Administrator may
prescribe to assure expenditure in furtherance of the
purposes of this title, and such certification shall be
binding on the accounting officers of the Government.

(2) by utilizing the services and facilities of any
department, agency, or establishment of the Government
as the President shall direct, or with the consent of the
head of such department, agency, or establishment, or, in
the President's discretion by acting in cooperation with
the United Nations or with other international organizations or with agencies of the participating countries, and funds allocated pursuant to this section to any department, agency, or establishment of the Government shall be established in separate appropriation accounts on the books of the Treasury.

(3) by making, under rules and regulations to be prescribed by the Administrator, guaranties to any person of investments in connection with projects approved by the Administrator and the participating country concerned as furthering the purposes of this title (including guaranties of investments in enterprises producing or distributing informational media: Provided, That the amount of such guaranties in the first year after the date of the enactment of this Act does not exceed $15,000,000), which guaranties shall terminate not later than fourteen years from the date of enactment of this Act: Provided, That—

(i) the guaranty to any person shall not exceed the amount of dollars invested in the project by such person with the approval of the Administrator and shall be limited to the transfer into United States dollars of other currencies, or credits in such currencies, received by such person as income from the approved investment, as repayment
or return thereof, in whole or in part, or as compensation for the sale or disposition of all or any part thereof. Provided, That, when any payment is made to any person under authority of this paragraph, such currencies, or credits in such currencies, shall become the property of the United States Government;

(ii) the Administrator may charge a fee in an amount determined by him not exceeding 1 per centum per annum of the amount of each guaranty, and all fees collected hereunder shall be available for expenditure in discharge of liabilities under guaranties made under this paragraph until such time as all such liabilities have been discharged or have expired, or until all such fees have been expended in accordance with the provisions of this paragraph.

(iii) as used in this paragraph, the term "person" means a citizen of the United States or any corporation, partnership, or other association created under the law of the United States or of any State or Territory and substantially beneficially owned by citizens of the United States.

The total amount of the guaranties made under this paragraph (3) shall not exceed $500,000,000, and as such guaranties are made the authority to realize funds
from the sale of notes for the purpose of allocating funds
to the Export-Import Bank of Washington under para-
graph (2) of subsection (c) of this section shall be
accordingly reduced. Any payments made to discharge
liabilities under guaranties issued under paragraph (3)
of this subsection shall be paid out of fees collected under
subparagraph (ii) of paragraph (3) of this subsection
as long as such fees are available, and thereafter shall
be paid out of funds realized from the sale of notes issued
under authority of paragraph (2) of subsection (c)
of this section, which funds shall be obligated for this
purpose at the time each such guaranty is made.

(c) (1) The Administrator may provide assistance for
any participating country, in the form and under the pro-
cedures authorized in subsections (a) and (b), respectively,
of this section, through grants or upon payment in cash, or
on credit terms, or on such other terms of payment as he
may find appropriate, including payment by the transfer to
the United States (under such terms and in such quantities
as may be agreed to between the Administrator and the
participating country) of materials which are required by
the United States as a result of deficiencies or potential
deficiencies in its own resources. In determining whether
such assistance shall be through grants or upon terms of
payment, and in determining the terms of payment, he shall
act in consultation with the National Advisory Council on International Monetary and Financial Problems, and the determination whether or not a participating country should be required to make payment for any assistance furnished to such country in furtherance of the purposes of this title, and the terms of such payment, if required, 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 accomplishment of the purposes of this title.

(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. For the purpose of carrying out the provisions of this paragraph during the period of one year following the date of enactment of this Act, and for the purpose of carrying out the provisions of paragraph (3) of subsection (b) of this section 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.
Such notes shall bear such rate of interest as may be deter-
mined by the Administrator with the approval of the Secre-
tary of the Treasury. The Secretary of the Treasury is
hereby authorized and directed to purchase any notes issued
hereunder, and for such purpose the Secretary of the Treas-
ury is authorized to use as a public-debt transaction the pro-
cceeds 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 hereby extended to
include such purpose. Payment under this paragraph of the
purchase price of such notes shall be treated as public-debt
transactions of the United States. In allocating funds to
the Export-Import Bank of Washington under this para-
graph, 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 admin-
istrative 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. 529), 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.

PROTECTION OF DOMESTIC ECONOMY

SEC. 112. (a) The Administrator shall provide for the procurement in the United States of commodities under this title in such a way as to (1) minimize the drain upon the resources of the United States and the impact of such procurement upon the domestic economy, and (2) avoid impairing the fulfillment of vital needs of the people of the United States.

(b) The procurement of petroleum and petroleum products under this title shall, to the maximum extent practicable, be made from petroleum sources outside the United States; and, in furnishing commodities under the
provisions of this title, the Administrator shall take fully into account the present and anticipated world shortage of petroleum and its products and the consequent undesirability of expansion in petroleum-consuming equipment where the use of alternate fuels or other sources of power is practicable.

(c) In order to assure the conservation of domestic grain supplies and the retention in the United States of by-product feeds necessary to the maintenance of the agricultural economy of the United States, the amounts of wheat and wheat flour produced in the United States to be transferred by grant to the participating countries shall be so determined that the total quantity of United States wheat used to produce the wheat flour procured in the United States for transfer by grant to such countries under this title shall not be less than 25 per centum of the aggregate of the unprocessed wheat and wheat in the form of flour procured in the United States for transfer by grant to such countries under this title.

(d) The term "surplus agricultural commodity" as used in this section is defined as any agricultural commodity, or product thereof, produced in the United States which is determined by the Secretary of Agriculture to be in excess of domestic requirements. In providing for the procurement of any such surplus agricultural commodity for transfer by grant to any participating country in accordance with the requirements of such country, the Administrator shall, insofar
as practicable and where in furtherance of the purposes of this title, give effect to the following:

(1) The Administrator shall authorize the procurement of any such surplus agricultural commodity only within the United States: Provided, That this restriction shall not be applicable (i) to any agricultural commodity, or product thereof, located in one participating country, and intended for transfer to another participating country, if the Administrator, in consultation with the Secretary of Agriculture, determines that such procurement and transfer is in furtherance of the purposes of this title, and would not create a burdensome surplus in the United States or seriously prejudice the position of domestic producers of such surplus agricultural commodities, or (ii) if, and to the extent that any such surplus agricultural commodity is not available in the United States in sufficient quantities to supply the requirements of the participating countries under this title.

(2) In providing for the procurement of any such surplus agricultural commodity, the Administrator shall, insofar as practicable and applicable, and after giving due consideration to the excess of any such commodity over domestic requirements, and to the historic reliance of United States producers of any such surplus agricultural commodity upon markets in the participating countries, provide for the procurement of each class or type of any such surplus agricul-
tural commodity in the approximate proportion that the Secretary of Agriculture determines such classes or types bear to the total amount of excess of such surplus agricultural commodity over domestic requirements.

(e) Whenever the Secretary of Agriculture determines that any quantity of any surplus agricultural commodity, heretofore or hereafter acquired by Commodity Credit Corporation in the administration of its price-support programs, is available for use in furnishing assistance to foreign countries, he shall so advise all departments, agencies, and establishments of the Government administering laws providing for the furnishing of assistance or relief to foreign countries (including occupied or liberated countries or areas of such countries). Thereafter the department, agency, or establishment administering any such law shall, to the maximum extent practicable, consistent with the provisions and in furtherance of the purposes of such law, and where for transfer by grant and in accordance with the requirements of such foreign country, procure or provide for the procurement of such quantity of such surplus agricultural commodity. The sales price paid as reimbursement to Commodity Credit Corporation for any such surplus agricultural commodity shall be in such amount as Commodity Credit Corporation determines will fully reimburse it for the cost to it of such surplus agricultural commodity at the time and place such surplus
agricultural commodity is delivered by it, but in no event shall the sales price be higher than the domestic market price at such time and place of delivery as determined by the Secretary of Agriculture, and the Secretary of Agriculture may pay not to exceed 50 per centum of such sales price as authorized by subsection (f) of this section.

(f) Subject to the provisions of this section, but notwithstanding any other provision of law, in order to encourage utilization of surplus agricultural commodities pursuant to this or any other Act providing for assistance or relief to foreign countries, the Secretary of Agriculture, in carrying out the purposes of clause (1), section 32, Public Law 320, Seventy-fourth Congress, as amended, may make payments, including payments to any Government agency procuring or selling such surplus agricultural commodities, in an amount not to exceed 50 per centum of the sales price (basis free along ship or free on board vessel, United States ports), as determined by the Secretary of Agriculture, of such surplus agricultural commodities. The rescission of the remainder of section 32 funds by the Act of July 30, 1947 (Public Law 266, Eightieth Congress), is hereby canceled and such funds are hereby made available for the purposes of section 32 for the fiscal year ending June 30, 1948.

(g) No export shall be authorized pursuant to authority conferred by section 6 of the Act of July 2, 1940 (54 Stat.
79

1 714), including any amendment thereto, of any commodity
2 from the United States to any country wholly or partly
3 in Europe which is not a participating country, if the Sec-
4 retary of Commerce determines that the supply of such
5 commodity is insufficient (or would be insufficient if such
6 export were permitted) to fulfill the requirements of partici-
7 pating countries under this title as determined by the Ad-
8 ministrator: Provided, however, That such export may be
9 authorized if the Secretary of Commerce determines that
10 such export is otherwise in the national interest of the United
11 States.
12
13 (h) In providing for the performance of any of the
14 functions described in subsection (a) of section 111, the
15 Administrator shall, to the maximum extent consistent with
16 the accomplishment of the purposes of this title, utilize private
17 channels of trade.
18
19 REIMBURSEMENT TO GOVERNMENT AGENCIES
20
21 Sec. 113. (a) The Administrator shall make reimburse-
22 ment or payment, out of funds available for the purposes of
23 this title, for any commodity, service, or facility procured
24 under section 111 of this title from any department, agency,
25 or establishment of the Government. Such reimbursement
26 or payment shall be made to the owning or disposal agency,
27 as the case may be, at replacement cost, or, if required
28 by law, at actual cost, or at any other price authorized
by law and agreed to between the Administrator and such agency. The amount of any reimbursement or payment to an owning agency for commodities, services, or facilities so procured shall be credited to current applicable appropriations, funds, or accounts from which there may be procured replacements of similar commodities or such services or facilities: Provided, That such commodities, services, or facilities may be procured from an owning agency only with the consent of such agency: And provided further, That where such appropriations, funds, or accounts are not reimbursable except by reason of this subsection, and when the owning agency determines that replacement of any commodity procured under authority of this section is not necessary, any funds received in payment therefor shall be covered into the Treasury as miscellaneous receipts.

(b) The Administrator, whenever in his judgment the interests of the United States will best be served thereby, may dispose of any commodity procured out of funds made available for the purposes of this title, in lieu of transferring such commodity to a participating country, (1) by transfer of such commodity, upon reimbursement, to any department, agency, or establishment of the Government for use or disposal by such department, agency, or establishment as authorized by law, or (2) without regard to provisions of law relating to the disposal of Government-owned property.
when necessary to prevent spoilage or wastage of such commodity or to conserve the usefulness thereof. Funds realized from such disposal or transfer shall revert to the respective appropriation or appropriations out of which funds were expended for the procurement of such commodity.

AUTHORIZATION OF APPROPRIATIONS

SEC. 114. (a) Notwithstanding the provisions of any other law, the Reconstruction Finance Corporation is authorized and directed, until such time as an appropriation shall be made pursuant to subsection (c) of this section, to make advances not to exceed in the aggregate $1,000,000,000 to carry out the provisions of this title, in such manner, at such time, and in such amounts as the President shall determine, and no interest shall be charged on advances made by the Treasury to the Reconstruction Finance Corporation for this purpose. The Reconstruction Finance Corporation shall be repaid without interest from appropriations authorized under this title for advances made by it hereunder.

(b) Such part as the President may determine of the unobligated and unexpended balances of appropriations or other funds available for the purposes of the Foreign Aid Act of 1947 shall be available for the purpose of carrying out the purposes of this title.
(c) In order to carry out the provisions of this title with respect to those participating countries which adhere to the purposes of this title, and remain eligible to receive assistance hereunder, such funds shall be available as are hereafter authorized and appropriated to the President from time to time through June 30, 1952, to carry out the provisions and accomplish the purposes of this title: Provided, however, That for carrying out the provisions and accomplishing the purposes of this title for the period of one year following the date of enactment of this Act, there are hereby authorized to be so appropriated not to exceed $4,300,000,000. Nothing in this title is intended nor shall it be construed as an express or implied commitment to provide any specific assistance, whether of funds, commodities, or services, to any country or countries. The authorization in this title is limited to the period of twelve months in order that subsequent Congresses may pass on any subsequent authorizations.

(d) Funds made available for the purposes of this title shall be available for incurring and defraying all necessary expenses incident to carrying out the provisions of this title, including administrative expenses and expenses for compensation, allowances and travel of personnel, including Foreign Service personnel whose services are utilized primarily for the purposes of this title, and, without regard to the provisions of any other law, for printing and binding,
and for expenditures outside the continental limits of the United States for the procurement of supplies and services and for other administrative purposes (other than compensation of personnel) without regard to such laws and regulations governing the obligation and expenditure of government funds, as the Administrator shall specify in the interest of the accomplishment of the purposes of this title.

(e) The unexpended portions of any deposits which may have been made by any participating country pursuant to section 6 of the joint resolution providing for relief assistance to the people of countries devastated by war (Public Law 84, Eightieth Congress) and section 5 (b) of the Foreign Aid Act of 1947 (Public Law 389, Eightieth Congress) may be merged with the deposits to be made by such participating country in accordance with section 115 (b) (6) of this title, and shall be held or used under the same terms and conditions as are provided in section 115 (b) (6) of this title.

(f) In order to reserve some part of the surplus of the fiscal year 1948 for payments thereafter to be made under this title, there is hereby created on the books of the Treasury of the United States a trust fund to be known as the Foreign Economic Cooperation Trust Fund. Notwithstanding any other provision of law, an amount of $3,000,000,000, out of sums appropriated pursuant to the authorization contained in this title shall, when appropri-
cited, be transferred immediately to the trust fund, and shall thereupon be considered as expended during the fiscal year 1948, for the purpose of reporting governmental expenditures. The Secretary of the Treasury shall be the sole trustee of the trust fund and is authorized and directed to pay out of the fund such amounts as the Administrator shall duly requisition. The first expenditures made out of the appropriations authorized under this title in the fiscal year 1949 shall be made with funds requisitioned by the Administrator out of the trust fund until the fund is exhausted, at which time such fund shall cease to exist. The provisions of this subsection shall not be construed as affecting the application of any provisions of law which would otherwise govern the obligation of funds so appropriated or the auditing or submission of accounts of transactions with respect to such funds.

BILATERAL AND MULTILATERAL UNDERTAKINGS

Sec. 115. (a) The Secretary of State, after consultation with the Administrator, is authorized to conclude, with individual participating countries or any number of such countries or with an organization representing any such countries, agreements in furtherance of the purposes of this title. The Secretary of State, before an Administrator or Deputy Administrator shall have qualified and taken office, is authorized to negotiate and conclude such temporary agreements in implementation of subsection (b) of this section as he may
1. deem necessary in furtherance of the purposes of this title.

2. Provided, That when an Administrator or Deputy Administrator shall have qualified and taken office, the Secretary of State shall conclude the basic agreements required by subsection (b) of this section only after consultation with the Administrator or Deputy Administrator, as the case may be.

3. (b) The provision of assistance under this title results from the multilateral pledges of the participating countries to use all their efforts to accomplish a joint recovery program based upon self-help and mutual cooperation as embodied in the report of the Committee of European Economic Cooperation signed at Paris on September 22, 1947, and is contingent upon continuous effort of the participating countries to accomplish a joint recovery program through multilateral undertakings and the establishment of a continuing organization for this purpose. In addition to continued mutual cooperation of the participating countries in such a program, each such country shall conclude an agreement with the United States in order for such country to be eligible to receive assistance under this title. Such agreement shall provide for the adherence of such country to the purposes of this title and shall, where applicable, make appropriate provision, among others, for—

4. (1) promoting industrial and agricultural production in order to enable the participating country to
become independent of extraordinary outside economic
assistance; and submitting for the approval of the Ad-
ministrator, upon his request and whenever he deems
fit in furtherance of the purposes of this title, specific
projects proposed by such country to be undertaken in
substantial part with assistance furnished under this title,
which projects, whenever practicable, shall include proj-
jects for increased production of coal, steel, transportation
facilities, and food;

(2) taking financial and monetary measures neces-
sary to stabilize its currency, establish or maintain a
valid rate of exchange, to balance its governmental
budget as soon as practicable, and generally to restore or
maintain confidence in its monetary system;

(3) cooperating with other participating countries in
facilitating and stimulating an increasing interchange of
goods and services among the participating countries and
with other countries and cooperating to reduce barriers
to trade among themselves and with other countries;

(4) making efficient and practical use, within the
framework of a joint program for European recovery,
of the resources of such participating country, including
any commodities, facilities, or services furnished under
this title, which use shall include, to the extent practi-
cable, taking measures to locate and control, in further-
ance of such program, assets, and earnings therefrom, which belong to the citizens of such country and which are situated within the United States, its Territories and possessions;

(5) facilitating the transfer to the United States by sale, exchange, barter, or otherwise for stock-piling purposes, for such period of time as may be agreed to and upon reasonable terms and in reasonable quantities, of materials which are required by the United States as a result of deficiencies or potential deficiencies in its own resources, and which may be available in such participating country after due regard for reasonable requirements for domestic use and commercial export of such country;

(6) placing in a special account a deposit in the currency of such country, in commensurate amounts and under such terms and conditions as may be agreed to between such country and the Government of the United States, when any commodity or service is made available through any means authorized under this title, and is furnished to the participating country on a grant basis. Such special account, together with the unexpended portions of any deposits which may have been made by such country pursuant to section 6 of the joint resolution providing for relief assistance to the people of countries devastated by war (Public Law 84,
Eightieth Congress) and section 5 (b) of the Foreign Aid Act of 1947 (Public Law 389, Eightieth Congress), shall be held or used within such country for such purposes as may be agreed to between such country and the Administrator in consultation with the National Advisory Council on International Monetary and Financial Problems, and the Public Advisory Board provided for in section 107 (a) for purposes of internal monetary and financial stabilization, for the stimulation of productive activity and the exploration for and development of new sources of wealth, or for such other expenditures as may be consistent with the purposes of this title, including local currency administrative expenditures of the United States incident to operations under this title, and under agreement that any unencumbered balance remaining in such account on June 30, 1952, shall be disposed of within such country for such purposes as may, subject to approval by Act or joint resolution of the Congress, be agreed to between such country and the Government of the United States;

(7) publishing in such country and transmitting to the United States, not less frequently than every calendar quarter after the date of the agreement, full statements of operations under the agreement, including a report...
of the use of funds, commodities, and services received under this title;

(8) furnishing promptly, upon request of the United States, any relevant information which would be of assistance to the United States in determining the nature and scope of operations and the use of assistance provided under this title;

(9) recognizing the principle of equity in respect to the drain upon the natural resources of the United States and of the recipient countries, and (a) providing for a future schedule of availabilities to the United States for future purchase and delivery of a fair share of strategic materials at world market prices so as to protect the access of United States industry to an equitable share of such materials either in percentages of production or in absolute quantities from the territories and possessions of the participating countries, and (b) agreeing to negotiate suitable protection for the right of access for United States enterprise in the development of such materials on terms of treatment equivalent to those afforded to the nationals of the country concerned, and (c) providing an agreed schedule of increased production of such materials where practicable in the Territories or possessions of such participating countries and for
delivery of an agreed percentage of such increased production in repayment on a long-term basis of grants or loans made by the Administrator to such countries.

(10) submitting for the decision of the International Court of Justice or of any arbitral tribunal mutually agreed upon any case espoused by the United States Government involving compensation of a national of the United States for governmental measures affecting his property rights, including contracts with or concessions from such country.

(c) Notwithstanding the provisions of subsection (b) of this section, the Administrator, during the three months after the date of enactment of this Act, may perform with respect to any participating country any of the functions authorized under this title which he may determine to be essential in furtherance of the purposes of this title, if (1) such country has signified its adherence to the purposes of this title and its intention to conclude an agreement pursuant to subsection (b) of this section, and (2) he finds that such country is complying with the applicable provisions of subsection (b) of this section: Provided, That, notwithstanding the provisions of this subsection, the Administrator may, through June 30, 1948, provide for the transfer of food, medical supplies, fibers, fuel, petroleum and petroleum products, fertilizer, pesticides, and seed to any country of Europe...
which participated in the Committee of European Economic Cooperation and which undertook pledges to the other participants therein, when the Administrator determines that the transfer of any such supplies to any such country is essential in order to make it possible to carry out the purposes of this title by alleviating conditions of hunger and cold and by preventing serious economic retrogression.

(d) The Administrator shall encourage the joint organization of the participating countries referred to in subsection (b) of this section to insure that each participating country makes efficient use of the resources of such country, including any commodities, facilities, or services furnished under this title, by observing and reviewing such use through an effective follow-up system approved by the joint organization.

(e) The Administrator shall encourage arrangements among the participating countries looking toward the largest practicable utilization of manpower available in any of the participating countries in furtherance of the accomplishment of the purposes of this title. Such utilization of manpower shall include integration into the various recovery programs of the participating countries of a fair share of displaced persons who are the responsibility of the International Refugee Organization, under reasonable terms to be established in cooperation with that organization, in number and under
conditions negotiated by the Administrator with the respective participating countries. The Administrator will request the Secretary of State to seek to obtain the agreement of those countries concerned that such capital equipment as is scheduled for removal as reparations from the three western zones of Germany be retained in Germany if such retention will most effectively serve the purposes of the European recovery program.

(f) It is the understanding of the Congress that, in accordance with agreements now in effect, prisoners of war remaining in participating countries shall, if they so freely elect, be repatriated prior to January 1, 1949.

WESTERN HEMISPHERE COUNTRIES

Sec. 116. The President shall take appropriate steps to encourage all countries in the Western Hemisphere to make available to participating countries such assistance as they may be able to furnish.

OTHER DUTIES OF THE ADMINISTRATOR

Sec. 117. (a) The Administrator, in furtherance of the purposes of section 115 (b) (5), and in agreement with a participating country, shall, whenever practicable, promote, by means of funds made available for the purposes of this title, an increase in the production in such participating country of materials which are required by the United States
as a result of deficiencies or potential deficiencies in the resources within the United States.

(b) The Administrator, in cooperation with the Secretary of Commerce, shall facilitate and encourage, through private and public travel, transport, and other agencies, the promotion and development of travel by citizens of the United States to and within participating countries.

(c) In order to further the efficient use of United States voluntary contributions for relief in participating countries receiving assistance under this title in the form of grants or any of the zones of occupation of Germany for which assistance is provided under this title and the Free Territory of Trieste or either of its zones, funds made available for the purposes of this title may be used, in the discretion of the Administrator, and under rules and regulations prescribed by him, to pay port charges in the United States and ocean freight charges from a United States port to a designated foreign port of entry (1) of supplies donated to, or purchased by, United States voluntary nonprofit relief agencies registered with and recommended by the Advisory Committee on Voluntary Foreign Aid for operations in Europe, or (2) of relief packages conforming to such specified size, weight, and contents, as the Administrator may prescribe originating in the United States and consigned to an individual residing in a participating country.
receiving assistance under this title in the form of grants
or any of the zones of occupation of Germany for which
assistance is provided under this title and the Free Territory
of Trieste or either of its zones. The Administrator may
make an agreement with such country for the use of a portion
of the deposit of local currency placed in a special account
pursuant to paragraph (6) of subsection (b) of section 115
of this title, for the purpose of defraying the transportation
cost of such supplies and relief packages from the port of
entry of such country to the designated shipping point of
consignee.

(d) The Administrator is directed to refuse delivery to
participating countries of commodities or products which go
into the production of commodities or products for delivery
to any country which has announced its intention to attempt
to prevent the success of the European recovery program,
which commodities or products would be refused export
licenses to those countries by the United States.

TERMINATION OF ASSISTANCE

SEC. 118. The Administrator, in determining the form
and measure of assistance provided under this title to any
participating country, shall take into account the extent to
which such country is complying with its undertakings em-
beded in its pledges to other participating countries and
in its agreement concluded with the United States under
section 115. The Administrator shall terminate the provision of assistance under this title to any participating country whenever he determines that (1) such country is not adhering to its agreement concluded under section 115, or is diverting from the purposes of this title assistance provided hereunder, and that in the circumstances remedial action other than termination will not more effectively promote the purposes of this title or (2) because of changed conditions, assistance is no longer consistent with the national interest of the United States. Termination of assistance to any country under this section shall include the termination of deliveries of all supplies scheduled under the aid program for such country and not yet delivered.

EXEMPTION FROM CONTRACT AND ACCOUNTING LAWS

Sec. 119. When the President determines it to be in furtherance of the purposes of this title, the functions authorized under this title may be performed without regard to such provisions of law regulating the making, performance, amendment, or modification of contracts and the expenditure of Government funds as the President may specify.

EXEMPTION FROM CERTAIN FEDERAL LAWS RELATING TO EMPLOYMENT

Sec. 120. Service of an individual as a member of the Public Advisory Board (other than the Administrator) created by section 107 (a), as a member of an advisory
committee appointed pursuant to section 107 (b), as an expert or consultant under section 104 (e), shall not be considered as service or employment bringing such individual within the provisions of section 109 or 113 of the Criminal Code (U. S. C., title 18, secs. 198 and 203), of section 190 of the Revised Statutes (U. S. C., title 5, sec. 99), or of section 19 (e) of the Contract Settlement Act of 1944, or of any other Federal law imposing restrictions, requirements, or penalties in relation to the employment of persons, the performance of services, or the payment or receipt of compensation in connection with any claim, proceeding, or matter involving the United States.

UNITED NATIONS

Sec. 121. (a) The President is authorized to request the cooperation of or the use of the services and facilities of the United Nations, its organs and specialized agencies, or other international organizations, in carrying out the purposes of this title, and may make payments, by advancements or reimbursements, for such purpose, out of funds made available for the purposes of this title, as may be necessary, to the extent that special compensation is usually required for such services and facilities. Nothing in this title shall be construed to authorize the Administrator to delegate to or otherwise confer upon any international or foreign organization or agency any of his authority to decide
the method of furnishing assistance under this title to any participating country or the amount thereof.

(b) The President shall cause to be transmitted to the Secretary General of the United Nations copies of reports to Congress on the operations conducted under this title.

(c) Any agreements concluded between the United States and participating countries, or groups of such countries, in implementation of the purposes of this title, shall be registered with the United Nations if such registration is required by the Charter of the United Nations.

TERMINATION OF PROGRAM

SEC. 122. (a) After June 30, 1952, or after the date of the passage of a concurrent resolution by the two Houses of Congress before such date, which declares that the powers conferred on the Administrator by or pursuant to subsection (a) of section 111 of this title are no longer necessary for the accomplishment of the purposes of this title, whichever shall first occur, none of the functions authorized under such provisions may be exercised; except that during the twelve months following such date commodities and services with respect to which the Administrator had, prior to such date, authorized procurement for, shipment to, or delivery in a participating country, may be transferred to such country, and funds appropriated under authority of this S. 2202—7
title may be obligated during such twelve-month period for
the necessary expenses of procurement, shipment, delivery,
and other activities essential to such transfer, and shall remain
available during such period for the necessary expenses of
liquidating operations under this title.

(b) At such time as the President shall find appro-
priate after such date, and prior to the expiration of the
twelve months following such date, the powers, duties, and
authority of the Administrator under this title may be trans-
ferred to such other departments, agencies, or establishments
of the Government as the President shall specify, and the
relevant funds, records, and personnel of the Administration
may be transferred to the departments, agencies, or establish-
ments to which the related functions are transferred.

REPORTS TO CONGRESS

SEC. 123. The President from time to time, but not less
frequently than once every calendar quarter through June
30, 1952, and once every year thereafter until all opera-
tions under this title have been completed, shall transmit
to the Congress a report of operations under this title,
including the text of bilateral and multilateral agreements
entered into in carrying out the provisions of this title.
Reports provided for under this section shall be transmitted
to the Secretary of the Senate or the Clerk of the House of
Representatives, as the case may be, if the Senate or the
House of Representatives, as the case may be, is not in session.

**SEPARABILITY CLAUSE**

**Sec. 124.** If any provision of this Act or the application of such provision to any circumstances or persons shall be held invalid, the validity of the remainder of the Act and the applicability of such provision to other circumstances or persons shall not be affected thereby.

**TITLE II**

**Sec. 201.** This title may be cited as the "International Children's Emergency Fund Assistance Act of 1948".

**Sec. 202.** It is the purpose of this title to provide for the special care and feeding of children by authorizing additional moneys for the International Children's Emergency Fund of the United Nations.

**Sec. 203.** The President is hereby authorized and directed any time after the date of the enactment of this Act and before July 1, 1949, to make contributions (a) from sums appropriated to carry out the purposes of this title and (b) from funds made available pursuant to the proviso in the first paragraph of the first section of the joint resolution of May 31, 1947 (Public Law 84, Eightieth Congress), as amended, to the International Children's Emergency Fund of the United Nations for the special care and feeding of children.
SEC. 204. No contribution shall be made pursuant to this title or such joint resolution of May 31, 1947, which would cause the sum of (a) the aggregate amount contributed pursuant to this title and (b) the aggregate amount contributed by the United States pursuant to such joint resolution of May 31, 1947, to exceed whichever of the following sums is the lesser:

(1) 50 per centum of the total resources contributed after May 31, 1947, by all governments for programs carried out under the supervision of such fund; or

(2) $100,000,000.

SEC. 205. No contribution shall be made pursuant to this title or such joint resolution of May 31, 1947, unless, at the time of such contribution, governments other than the United States Government have provided for use in the world program for the special care and feeding of children under the supervision of the fund at least 20 per centum of the total resources contributed by governments for such use after May 31, 1947.

SEC. 206. Funds made available pursuant to such joint resolution of May 31, 1947, shall remain available through June 30, 1949.

SEC. 207. There is hereby authorized to be appropriated
to carry out the purposes of this title for the fiscal year ending June 30, 1949, the sum of $60,000,000.

TITLE III

Sec. 301. This title may be cited as the "Greek-Turkish-Chinese Assistance Act of 1948".

Sec. 302. Paragraph (2) of section 1 of the Act entitled "An Act to provide assistance to Greece and Turkey" (61 Stat. 103), is hereby amended to read as follows:

"(2) by detailing to the United States Missions to Greece or Turkey or China under this Act, or to the governments of those countries in implementation of the purposes of this Act, any persons in the employ of the Government of the United States; and while so detailed, any such persons shall be considered, for the purpose of preserving his rights and privileges as such, as an officer or employee of the Government of the United States and of the department or agency from which detailed. Traveling expenses of such personnel to and from the place of detail shall be paid by the Government of the United States. Such personnel, and personnel detailed pursuant to paragraph (3) of this section, may receive such station allowances or additional allowances as the President may prescribe; and payments of such allowances heretofore made are hereby validated. No citizen
or resident of the United States may be employed, or if already employed, may be assigned to duties by the Secretary of State under this Act until such individual has been investigated as to loyalty and security by the Federal Bureau of Investigation and a report thereon has been made to the Secretary of State: Provided, however, That any present employee of the Government, pending the report as to such employee by the Federal Bureau of Investigation, may be temporarily assigned to duties under this Act for the period of six months from the date of the enactment of the Greek-Turkish-Chinese Assistance Act of 1948. The preceding sentence shall not apply in the case of any officer appointed by the President by and with the advice and consent of the Senate;

Sec. 303. Paragraph (3) of section 1 of the Act entitled “An Act to provide assistance to Greece and Turkey” (61 Stat. 103), is hereby amended to read as follows:

“(3) by detailing to the United States Missions to Greece or Turkey or China under this Act, or to the governments of those countries in implementation of the purposes of this Act, a limited number of members of the military services of the United States to assist those countries, in an advisory capacity only; and the provisions of the Act of May 19, 1926 (44 Stat. 565), as
amended, applicable to personnel detailed pursuant to such Act, as amended, shall, except as otherwise provided herein, be applicable to personnel detailed pursuant to this paragraph;”.

SEC. 304. (a) Subsection (a) of section 4 of the Act entitled “An Act to provide assistance to Greece and Turkey” (61 Stat. 103), is hereby amended by adding at the end thereof the following: “The Reconstruction Finance Corporation is authorized and directed to make additional advances, not to exceed in the aggregate $50,000,000 to carry out the provisions of this Act in such manner and in such amounts as the President shall determine. No interest shall be charged on advances made by the Treasury to the Reconstruction Finance Corporation for this purpose.”

(b) Subsection (b) of section 4 of the Act entitled “An Act to provide assistance to Greece and Turkey” (61 Stat. 103), is hereby amended by deleting “$400,000,000” and inserting in lieu thereof “$675,000,000” and by inserting after the word “repaid” the following: “without interest”.

(c) There is hereby authorized to be appropriated to the President not to exceed $150,000,000 to carry out the provisions of the Act of May 22, 1947 (Public Law 75, Eightieth Congress), as amended, in relation to China.

SEC. 305. The Act entitled “An Act to provide assistance to Greece and Turkey” (61 Stat. 103), including the
1. Title thereof, is amended by inserting before the word "Greece",
wherever appearing therein, the following: "China;": Provided, however, That this section shall apply neither to the
preamble of such Act nor to the amendments to such Act made
by sections 302 and 303 of this title.

2. TITLE IV

3. SEC. 401. This title may be cited as the "China Aid
Act of 1948".

4. SEC. 402. Recognizing the intimate economic and other
relationships between the United States and China, and
recognizing that disruption following in the wake of war is
not contained by national frontiers, the Congress finds that
the existing situation in China endangers the establishment
of a lasting peace, the general welfare and national interest
of the United States, and the attainment of the objectives
of the United Nations. It is the sense of the Congress that
the further evolution in China of principles of individual
liberty, free institutions, and genuine independence rests
largely upon the continuing development of a strong and
democratic national government as the basis for the estab-
ishment of sound economic and political conditions and for
stable international economic and political relationships.

5. Mindful of the advantages which the United States has en-
joyed through the existence of a large domestic market with
no internal trade barriers, and believing that similar ad-
vantages can accrue to China, it is declared to be the policy of the people of the United States to encourage the Republic of China and its people to exert sustained common efforts which will speedily achieve the internal peace and economic stability in China which are essential for lasting peace and prosperity in the world. It is further declared to be the policy of the people of the United States to encourage the Republic of China in its efforts to maintain the genuine independence and the administrative integrity of China, and to sustain and strengthen principles of individual liberty and free institutions in China through a program of assistance based on self-help and cooperation: Provided, That no assistance to China herein contemplated shall seriously impair the economic stability of the United States. It is further declared to be the policy of the United States that assistance provided by the United States under this title should at all times be dependent upon cooperation by the Republic of China and its people in furthering the program: Provided further, That assistance furnished under this title shall not be construed as an express or implied assumption by the United States of any responsibility for policies, acts, or undertakings of the Republic of China or for conditions which may prevail in China.

SEC. 403. In addition to the amount authorized by section 11 (a) of the Foreign Aid Act of 1947 (Public
Law 389, Eightieth Congress), appropriations in the amount of $420,000,000 are hereby authorized for assistance to China under such Act until June 30, 1949, and such Act is hereby amended accordingly: Provided, That—

(a) paragraphs (1), (2), and (3) of section 4, section 10, and section 11 (b) of the Foreign Aid Act of 1947 shall not apply with respect to China;

(b) the agreement provided for by section 5 of the Foreign Aid Act of 1947 (1) shall, to the extent practicable, make appropriate provision for the matters covered by paragraphs (1), (2), (4), (5), (7), (8), (9), and (10) of subsection (b) of section 115 of title I; and (2) may contain such other undertakings by China as are necessary to improve commercial relations between China and the United States, consistent with the purposes of this title: Provided, That the provision for the disposal of any unencumbered balance of local currency deposits provided for in section 5 (b) of the Foreign Aid Act of 1947 shall not be effective with respect to China until September 30, 1949;

(c) the authority to procure or provide for the procurement of commodities for China shall include authority to procure or provide for the procurement of such other commodities and services in addition to those specified in section 3 (a) of the Foreign Aid Act of
1947 and for the furnishing of technical assistance as
the President deems necessary for the accomplishment
of the purposes of this title;
(d) without regard to the provisions of section 5
of the Foreign Aid Act of 1947, assistance under such
Act may be provided for China during the three months
following the date of enactment of this Act when the
President determines it to be essential in furtherance
of the purposes of this title;
(e) the provisions of sections 104, 105, 107, 110,
111 (c) (1), 112, 113, 117, 119, and 121 of the Eco-
nomic Cooperation Act of 1948 shall be applicable to
the furnishing of assistance for China under the For-
egn Aid Act of 1947 in the same manner and to the
same extent as such provisions are applicable to the fur-
nishing of assistance to participating countries under the
Economic Cooperation Act of 1948;
(f) when it is determined that assistance should
be extended under the provisions of this title on credit
terms, the Administrator for Economic Cooperation shall
allocate funds for the purpose to the Export-Import Bank
of Washington, which shall, notwithstanding the provi-
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 shall make advances to, or reimburse, the Export-Import Bank of Washington for necessary administrative expenses in connection with such credits. The bank shall deposit into the Treasury of the United States, as miscellaneous receipts, amounts received by the bank in repayment of principal and interest on any 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. 529), as amended; notwithstanding the appropriation made by the Third Supplemental Appropriation Act, 1948, for foreign aid, the provisions of section 11 (d) of the Foreign Aid Act of 1947 shall be applicable for carrying out the provisions of this Act; (h) not less than 5 per centum nor more than 10 per centum of the funds made available for the purposes of this title shall be used to carry out the purposes of section 404.

Sec. 404. The Secretary of State, after consultation with
the Administrator, is hereby authorized to conclude an agree-
ment with China establishing a Joint Commission on Rural
Reconstruction in China, to be composed of two citizens of
the United States appointed by the President of the United
States and three citizens of China appointed by the President
of China. Such Commission shall, subject to the direction
and control of the Administrator, formulate and carry out a
program for reconstruction in rural areas of China, which
shall include such research and training activities as may be
necessary or appropriate for such reconstruction: Provided,
That assistance furnished under this section shall not be
construed as an express or implied assumption by the United
States of any responsibility for making any further contribu-
tions to carry out the purposes of this section.

SEC. 405. There shall be established in China a special
mission under the direction of a chief who shall be responsible
for assuring the performance within China of operations
under this title, and who shall take rank immediately after
the chief of the United States diplomatic mission in China.
The chief shall be appointed by the Administrator, shall
receive his instructions from the Administrator, and shall
report to the Administrator on the performance of the duties
assigned to him. He shall keep the chief of the United
States diplomatic mission in China fully and currently in-
formed on matters, including prospective action, arising
1 within the scope of the operations of the special mission;
2 and the chief of the diplomatic mission in China shall keep
3 the chief of the special mission fully and currently
4 informed on matters relative to the conduct of the duties of
5 the chief of the special mission. The chief of the special
6 mission shall also keep the Administrator, the Secretary of
7 State, the chairmen of the Senate Foreign Relations Com-
8 mittee, the House Foreign Affairs Committee, the Senate
9 Appropriations Committee, and the House Appropriations
10 Committee currently informed concerning his activities.
11 The chief of the United States diplomatic mission will be
12 responsible for assuring that the operations of the special
13 mission are consistent with the foreign policy objectives
14 of the United States in China and to that end whenever the
15 chief of the United States diplomatic mission believes that
16 any action, proposed action, or failure to act on the part
17 of the special mission is inconsistent with such foreign policy
18 objectives, he shall so advise the chief of the special mission.
19 If differences of view are not adjusted by consultation, the
20 matter shall be referred to the Secretary of State and the
21 Administrator for decision.

Amend the title so as to read: "An Act to promote
world peace and the general welfare, national interest, and
foreign policy of the United States through economic, financial, and other measures necessary to the maintenance of
conditions abroad in which free institutions may survive and consistent with the maintenance of the strength and stability of the United States."

Passed the Senate March 13 (legislative day, February 2), 1948.

Attest: CARL A. LOEFFLER, Secretary.
AN ACT

To promote the general welfare, national interest, and foreign policy of the United States through necessary economic and financial assistance to foreign countries which undertake to cooperate with each other in the establishment and maintenance of economic conditions essential to a peaceful and prosperous world.

MARCH 15, 1948
Referred to the Committee on Foreign Affairs

MARCH 20, 1948
Reported with amendments, committed to the Committee of the Whole House on the State of the Union, and ordered to be printed
AN ACT

To promote world peace and the general welfare, national interest, and foreign policy of the United States through economic, financial, and other measures necessary to the maintenance of conditions abroad in which free institutions may survive and consistent with the maintenance of the strength and stability of the United States.

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 "Foreign Assistance Act of 1948".

TITLE I

SEC. 101. This title may be cited as the "Economic Cooperation Act of 1948".

FINDINGS AND DECLARATION OF POLICY

SEC. 102. (a) Recognizing the intimate economic and other relationships between the United States and the nations of Europe, and recognizing that disruption following in the wake of war is not contained by national frontiers, the Congress finds that the existing situation in Europe endangers the establishment of a lasting peace, the general welfare and national interest of the United States, and the attainment of the objectives of the United Nations. The restoration or maintenance in European countries of principles of individual liberty, free institutions, and genuine independence rests largely upon the establishment of sound economic conditions, stable international economic relationships, and the achievement by the countries of Europe of a healthy economy independent of extraordinary outside assistance. The accomplishment of these objectives calls for a plan of European recovery, open to all such nations which cooperate in such plan, based upon a strong production effort, the expansion of foreign trade, the creation and maintenance of internal financial stability, and the development of economic cooperation, including all possible steps to establish and maintain equitable rates of exchange and to bring about the progressive elimination of trade barriers. Mindful of the advantages which the United States has enjoyed through the existence of a large domestic market with no internal trade barriers, and believing that similar advantages can accrue to the countries of Europe, it is declared to be the policy of the people of the United States to encourage these countries through a joint organization to exert sustained common efforts as set forth in the report of the Committee of European Economic Cooperation signed at Paris on September 22, 1947, which will speedily achieve that economic cooperation in Europe which is essential for lasting peace and prosperity. It is further declared to be the policy of the people of the United States to sustain and strengthen
principles of individual liberty, free institutions, and genuine independence in Europe through assistance to those countries of Europe which participate in a joint recovery program based upon self-help and mutual cooperation: *Provided*, That no assistance to the participating countries herein contemplated shall seriously impair the economic stability of the United States. It is further declared to be the policy of the United States that continuity of assistance provided by the United States should, at all times, be dependent upon continuity of cooperation among countries participating in the program.

**PURPOSES OF TITLE**

(b) It is the purpose of this title to effectuate the policy set forth in subsection (a) of this section by furnishing material and financial assistance to the participating countries in such a manner as to aid them, through their own individual and concerted efforts, to become independent of extraordinary outside economic assistance within the period of operations under this title, by—

1. promoting industrial and agricultural production in the participating countries;
2. furthering the restoration or maintenance of the soundness of European currencies, budgets, and finances; and
3. facilitating and stimulating the growth of international trade of participating countries with one another and with other countries by appropriate measures including reduction of barriers which may hamper such trade.

**PARTICIPATING COUNTRIES**

Sec. 103. (a) As used in this title, the term "participating country" means—

1. any country, together with dependent areas under its administration, which signed the report of the Committee of European Economic Cooperation at Paris on September 22, 1947; and
2. any other country (including any of the zones of occupation of Germany, any areas under international administration or control, and the Free Territory of Trieste or either of its zones) wholly or partly in Europe, together with dependent areas under its administration; provided such country adheres to, and for so long as it remains an adherent to, a joint program for European recovery designed to accomplish the purposes of this title.

(b) Until such time as the Free Territory of Trieste or either of its zones becomes eligible for assistance under this title as a participating country, assistance to the Free Territory of Trieste, or either of its zones, is hereby authorized under the Foreign Aid Act of 1947 until June 30, 1949, and the said Foreign Aid Act of 1947 is hereby amended accordingly, and not to exceed $20,000,000 out of funds authorized to be advanced by the Reconstruction Finance Corporation under subsection (a) of section 114 of this title, or under subsection (d) of section 11 of the Foreign Aid Act of 1947 notwithstanding any appropriation heretofore made under such Act, may be utilized for the purposes of this subsection: *Provided*, That section 11 (b)
of the Foreign Aid Act of 1947 shall not apply in respect of the Free Territory of Trieste or either of its zones: And provided further, That the provisions of section 115 (b) (6) of this title shall apply to local currency deposited pursuant to section 5 (b) of that Act.

ESTABLISHMENT OF ECONOMIC COOPERATION ADMINISTRATION

SEC. 104. (a) There is hereby established, with its principal office in the District of Columbia, an agency of the Government which shall be known as the Economic Cooperation Administration, hereinafter referred to as the Administration. The Administration shall be headed by an Administrator for Economic Cooperation, hereinafter referred to as the Administrator, who shall be appointed by the President, by and with the advice and consent of the Senate, and who shall receive compensation at the rate of $20,000 per annum. The Administrator shall be responsible to the President and shall have a status in the executive branch of the Government comparable to that of the head of an executive department. Except as otherwise provided in this title, the administration of the provisions of this title is hereby vested in the Administrator and his functions shall be performed under the control of the President.

(b) There shall be in the Administration a Deputy Administrator for Economic Cooperation who shall be appointed by the President, by and with the advice and consent of the Senate, and shall receive compensation at the rate of $17,500 per annum. The Deputy Administrator for Economic Cooperation shall perform such functions as the Administrator shall designate, and shall be Acting Administrator for Economic Cooperation during the absence or disability of the Administrator or in the event of a vacancy in the office of Administrator.

(c) The President is authorized, pending the appointment and qualification of the first Administrator or Deputy Administrator for Economic Cooperation appointed hereunder, to provide, for a period of not to exceed thirty days after the date of enactment of this Act, for the performance of the functions of the Administrator under this title through such departments, agencies, or establishments of the United States Government as he may direct. In the event the President nominates an Administrator or Deputy Administrator prior to the expiration of such thirty-day period, the authority conferred upon the President by this subsection shall be extended beyond such thirty-day period but only until an Administrator or Deputy Administrator qualifies and takes office.

(d) (1) The Administrator, with the approval of the President, is hereby authorized and empowered to create a corporation with such powers as the Administrator may deem necessary or appropriate for the accomplishment of the purposes of this title.

(2) If a corporation is created under this section—

(i) it shall have the power to sue and be sued, to acquire, hold, and dispose of property, to use its revenues, to determine the character of any necessity for its obligations and expenditures and the manner in which they shall be incurred, allowed and paid, and to exercise such other powers as may be necessary or appropriate to carry out the purposes of the corporation;

(ii) its powers shall be set out in a charter which shall be valid
only when certified copies thereof are filed with the Secretary of the Senate and the Clerk of the House of Representatives and published in the Federal Register, and all amendments to such charter shall be valid only when similarly filed and published;

(iii) it shall not have succession beyond June 30, 1952, except for purposes of liquidation, unless its life is extended beyond such date pursuant to Act of Congress; and

(iv) it shall be subject to the Government Corporation Control Act to the same extent as wholly owned Government corporations listed in section 101 of such Act.

(3) All capital stock of the corporation shall be of one class, be issued for cash only, and be subscribed for by the Administrator. Payment for such capital stock shall be made from funds available for the purposes of this title.

(e) Any department, agency, or establishment of the Government (including, whenever used in this title, any corporation which is an instrumentality of the United States) performing functions under this title is authorized to employ, for duty within the continental limits of the United States, such personnel as may be necessary to carry out the provisions and purposes of this title, and funds available pursuant to section 114 of this title shall be available for personal services in the District of Columbia and elsewhere without regard to section 14 (a) of the Federal Employees Pay Act of 1946 (60 Stat. 219). Of such personnel employed by the Administration, not to exceed one hundred may be compensated without regard to the provisions of the Classification Act of 1923, as amended, of whom not more than twenty-five may be compensated at a rate in excess of $10,000 per annum, but not in excess of $15,000 per annum. Experts and consultants or organizations thereof, as authorized by section 15 of the Act of August 2, 1946 (U. S. C., title 5, sec. 55a), may be employed by the Administration, and individuals so employed may be compensated at rates not in excess of $50 per diem and while away from their homes or regular places of business, they may be paid actual travel expenses and not to exceed $10 per diem in lieu of subsistence and other expenses while so employed.

(f) The Administrator may, from time to time, promulgate such rules and regulations as may be necessary and proper to carry out his functions under this title, and he may delegate authority to perform any of such functions to his subordinates, acting under his direction and under rules and regulations promulgated by him.

GENERAL FUNCTIONS OF ADMINISTRATOR

Sec. 105. (a) The Administrator, under the control of the President, shall in addition to all other functions vested in him by this title—

(1) review and appraise the requirements of participating countries for assistance under the terms of this title;

(2) formulate programs of United States assistance under this title, including approval of specific projects which have been submitted to him by the participating countries;

(3) provide for the efficient execution of any such programs as may be placed in operation; and

(4) terminate provision of assistance or take other remedial action as provided in section 118 of this title.
(b) In order to strengthen and make more effective the conduct of the foreign relations of the United States—

(1) the Administrator and the Secretary of State shall keep each other fully and currently informed on matters, including prospective action, arising within the scope of their respective duties which are pertinent to the duties of the other;

(2) whenever the Secretary of State believes that any action, proposed action, or failure to act on the part of the Administrator is inconsistent with the foreign-policy objectives of the United States, he shall consult with the Administrator and, if differences of view are not adjusted by consultation, the matter shall be referred to the President for final decision;

(3) whenever the Administrator believes that any action, proposed action, or failure to act on the part of the Secretary of State in performing functions under this title is inconsistent with the purposes and provisions of this title, he shall consult with the Secretary of State and, if differences of view are not adjusted by consultation, the matter shall be referred to the President for final decision.

(c) The Administrator and the department, agency, or officer in the executive branch of the Government exercising the authority granted to the President by section 6 of the Act of July 2, 1940 (54 Stat. 714), as amended, shall keep each other fully and currently informed on matters, including prospective action, arising within the scope of their respective duties which are pertinent to the duties of the other. Whenever the Administrator believes that any action, proposed action, or failure to act on the part of such department, agency, or officer in performing functions under this title is inconsistent with the purposes and provisions of this title, he shall consult with such department, agency, or officer and, if differences of view are not adjusted by consultation, the matter shall be referred to the President for final decision.

NATIONAL ADVISORY COUNCIL

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."

PUBLIC ADVISORY BOARD

Sec. 107. (a) There is hereby created a Public Advisory Board, hereinafter referred to as the Board, which shall advise and consult with the Administrator with respect to general or basic policy matters
arising in connection with the Administrator's discharge of his responsibilities. The Board shall consist of the Administrator, who shall be Chairman, and not to exceed twelve additional members to be appointed by the President, by and with the advice and consent of the Senate, and who shall be selected from among citizens of the United States of broad and varied experience in matters affecting the public interest, other than officers and employees of the United States (including any agency or instrumentality of the United States) who, as such, regularly receive compensation for current services. The Board shall meet at least once a month and at other times upon the call of the Administrator or when three or more members of the Board request the Administrator to call a meeting. Not more than a majority of two of the members shall be appointed to the Board from the same political party. Members of the Board, other than the Administrator, shall receive, out of funds made available for the purposes of this title, a per diem allowance of $50 for each day spent away from their homes or regular places of business, for the purpose of attendance at meetings of the Board, or at conferences held upon the call of the Administrator, and in necessary travel, and while so engaged, they may be paid actual travel expenses and not to exceed $10 per diem in lieu of subsistence and other expenses.

(b) The Administrator may appoint such other advisory committees as he may determine to be necessary or desirable to effectuate the purposes of this title.

UNITED STATES SPECIAL REPRESENTATIVE ABROAD

Sec. 108. There shall be a United States Special Representative in Europe who shall (a) be appointed by the President, by and with the advice and consent of the Senate, (b) be entitled to receive the same compensation and allowances as a chief of mission, class 1, within the meaning of the Act of August 13, 1946 (60 Stat. 999), and (c) have the rank of ambassador extraordinary and plenipotentiary. He shall be the representative of the Administrator, and shall also be the chief representative of the United States Government to any organization of participating countries which may be established by such countries to further a joint program for European recovery, and shall discharge in Europe such additional responsibilities as may be assigned to him with the approval of the President in furtherance of the purposes of this title. He may also be designated as the United States representative on the Economic Commission for Europe. He shall receive his instructions from the Administrator and such instructions shall be prepared and transmitted to him in accordance with procedures agreed to between the Administrator and the Secretary of State in order to assure appropriate coordination as provided by subsection (b) of section 105 of this title. He shall coordinate the activities of the chiefs of special missions provided for in section 109 of this title. He shall keep the Administrator, the Secretary of State, the chiefs of the United States diplomatic missions, and the chiefs of the special missions provided for in section 109 of this title currently informed concerning his activities. He shall consult with the chiefs of all such missions, who shall give him such cooperation as he may require for the performance of his duties under this title.
SPECIAL ECA MISSIONS ABROAD

Sec. 109. (a) There shall be established for each participating country, except as provided in subsection (d) of this section, a special mission for economic cooperation under the direction of a chief who shall be responsible for assuring the performance within such country of operations under this title. The chief shall be appointed by the Administrator, shall receive his instructions from the Administrator, and shall report to the Administrator on the performance of the duties assigned to him. The chief of the special mission shall take rank immediately after the chief of the United States diplomatic mission in such country.

(b) The chief of the special mission shall keep the chief of the United States diplomatic mission fully and currently informed on matters, including prospective action, arising within the scope of the operations of the special mission and the chief of the diplomatic mission shall keep the chief of the special mission fully and currently informed on matters relative to the conduct of the duties of the chief of the special mission. The chief of the United States diplomatic mission will be responsible for assuring that the operations of the special mission are consistent with the foreign-policy objectives of the United States in such country and to that end whenever the chief of the United States diplomatic mission believes that any action, proposed action, or failure to act on the part of the special mission is inconsistent with such foreign-policy objectives, he shall so advise the chief of the special mission and the United States Special Representative in Europe. If differences of view are not adjusted by consultation, the matter shall be referred to the Secretary of State and the Administrator for decision.

(c) The Secretary of State shall provide such office space, facilities, and other administrative services for the United States Special Representative in Europe and his staff, and for the special mission in each participating country, as may be agreed between the Secretary of State and the Administrator.

(d) With respect to any of the zones of occupation of Germany and of the Free Territory of Trieste, during the period of occupation, the President shall make appropriate administrative arrangements for the conduct of operations under this title, in order to enable the Administrator to carry out his responsibility to assure the accomplishment of the purposes of this title.

PERSONNEL OUTSIDE UNITED STATES

Sec. 110. (a) For the purpose of performing functions under this title outside the continental limits of the United States the Administrator may—

(1) employ persons who shall receive compensation at any of the rates provided for the Foreign Service Reserve and Staff by the Foreign Service Act of 1946 (60 Stat. 999), together with allowances and benefits established thereunder; and

(2) recommend the appointment or assignment of persons, and the Secretary of State may appoint or assign such persons, to any class in the Foreign Service Reserve or Staff for the duration of operations under this title, and the Secretary of State may
assign, transfer, or promote such persons upon the recommenda-
tion of the Administrator. Persons so appointed to the Foreign
Service Staff shall be entitled to the benefits of section 528 of the
Foreign Service Act of 1946.

(b) For the purpose of performing functions under this title out-
side the continental limits of the United States, the Secretary of State
may, at the request of the Administrator, appoint, for the duration of
operations under this title, alien clerks and employees in accordance
with applicable provisions of the Foreign Service Act of 1946
(60 Stat. 999).

(c) No citizen or resident of the United States may be employed,
or if already employed, may be assigned to duties by the Secretary
of State or the Administrator under this title for a period to exceed
three months unless such individual has been investigated as to loyalty
and security by the Federal Bureau of Investigation and a report
thereon has been made to the Secretary of State and the Administrator,
and until the Secretary of State or the Administrator has certified
in writing (and filed copies thereof with the Senate Committee on
Foreign Relations and the House Committee on Foreign Affairs)
that, after full consideration of such report, he believes such individual
is loyal to the United States, its Constitution, and form of government,
and is not now and has never been a member of any organization advo-
cating contrary views. This subsection shall not apply in the case of
any officer appointed by the President by and with the advice and
consent of the Senate.

NATURE AND METHOD OF ASSISTANCE

Sec. 111. (a) The Administrator may, from time to time, furnish
assistance to any participating country by providing for the perform-
ance of any of the functions set forth in paragraphs (1) through (5)
of this subsection when he deems it to be in furtherance of the pur-
poses of this title, and upon the terms and conditions set forth in this
title and such additional terms and conditions consistent with the pro-
visions of this title as he may determine to be necessary and proper.

(1) Procurement from any source, including Government stocks
on the same basis as procurement by Government agencies under
Public Law 375 (Seventy-ninth Congress) for their own use, of
any commodity which he determines to be required for the further-
ance of the purposes of this title. As used in this title, the term
"commodity" means any commodity, material, article, supply, or
goods necessary for the purposes of this title.

(2) Processing, storing, transporting, and repairing any com-
modities, or performing any other services with respect to a par-
ticipating country which he determines to be required for
accomplishing the purposes of this title. The Administrator shall,
in providing for the procurement of commodities under authority
of this title, take such steps as may be necessary to assure, so far
as is practicable, that at least 50 per centum of the gross tonnage
of commodities, procured within the United States out of funds
made available under this title and transported abroad on ocean
vessels, is so transported on United States flag vessels to the extent
such vessels are available at market rates.
(3) Procurement of and furnishing technical information and assistance.

(4) Transfer of any commodity or service, which transfer shall be signified by delivery of the custody and right of possession and use of such commodity, or otherwise making available any such commodity, or by rendering a service to a participating country or to any agency or organization representing a participating country.

(5) The allocation of commodities or services to specific projects designed to carry out the purposes of this title, which have been submitted to the Administrator by participating countries and have been approved by him.

(b) In order to facilitate and maximize the use of private channels of trade, subject to adequate safeguards to assure that all expenditures in connection with such procurement are within approved programs in accordance with terms and conditions established by the Administrator, he may provide for the performance of any of the functions described in subsection (a) of this section—

(1) by establishing accounts against which, under regulations prescribed by the Administrator—

(i) letters of commitment may be issued in connection with supply programs approved by the Administrator (and such letters of commitment, when issued, shall constitute obligations of the United States and monies due or to become due thereunder shall be assignable under the Assignment of Claims Act of 1940 and shall constitute obligations of applicable appropriations); and

(ii) withdrawals may be made by participating countries, or agencies or organizations representing participating countries or by other persons or organizations, upon presentation of contracts, invoices, or other documentation specified by the Administrator under arrangements prescribed by the Administrator to assure the use of such withdrawals for purposes approved by the Administrator.

Such accounts may be established on the books of the Administration, or any other department, agency, or establishment of the Government specified by the Administrator, or, on terms and conditions approved by the Secretary of the Treasury, in banking institutions in the United States. Expenditures of funds which have been made available through accounts so established shall be accounted for on standard documentation required for expenditures of Government funds: Provided, That such expenditures for commodities or services procured outside the continental limits of the United States under authority of this section may be accounted for exclusively on such certification as the Administrator may prescribe in regulations promulgated by him with the approval of the Comptroller General of the United States to assure expenditure in furtherance of the purposes of this title.

(2) by utilizing the services and facilities of any department, agency, or establishment of the Government as the President shall direct, or with the consent of the head of such department, agency, or establishment, or, in the President's discretion, by acting in cooperation with the United Nations or with other international
organizations or with agencies of the participating countries, and funds allocated pursuant to this section to any department, agency, or establishment of the Government shall be established in separate appropriation accounts on the books of the Treasury.

(8) by making, under rules and regulations to be prescribed by the Administrator, guaranties to any person of investments in connection with projects approved by the Administrator and the participating country concerned as furthering the purposes of this title (including guaranties of investments in enterprises producing or distributing informational media: Provided, That the amount of such guaranties in the first year after the date of the enactment of this Act does not exceed $15,000,000), which guaranties shall terminate not later than fourteen years from the date of enactment of this Act: Provided, That

(i) the guaranty to any person shall not exceed the amount of dollars invested in the project by such person with the approval of the Administrator and shall be limited to the transfer into United States dollars of other currencies, or credits in such currencies, received by such person as income from the approved investment, as repayment or return thereof, in whole or in part, or as compensation for the sale or disposition of all or any part thereof: Provided, That, when any payment is made to any person under authority of this paragraph, such currencies, or credits in such currencies, shall become the property of the United States Government:

(ii) the Administrator may charge a fee in an amount determined by him not exceeding 1 per centum per annum of the amount of each guaranty, and all fees collected hereunder shall be available for expenditure in discharge of liabilities under guaranties made under this paragraph until such time as all such liabilities have been discharged or have expired, or until all such fees have been expended in accordance with the provisions of this paragraph; and

(iii) as used in this paragraph, the term “person” means a citizen of the United States or any corporation, partnership, or other association created under the law of the United States or of any State or Territory and substantially beneficially owned by citizens of the United States.

The total amount of the guaranties made under this paragraph (3) shall not exceed $300,000,000, and as such guaranties are made the authority to realize funds from the sale of notes for the purpose of allocating funds to the Export-Import Bank of Washington under paragraph (2) of subsection (c) of this section shall be accordingly reduced. Any payments made to discharge liabilities under guaranties issued under paragraph (3) of this subsection shall be paid out of fees collected under subparagraph (ii) of paragraph (3) of this subsection as long as such fees are available, and thereafter shall be paid out of funds realized from the sale of notes which shall be issued under authority of paragraph (2) of subsection (c) of this section when necessary to discharge liabilities under any such guaranty.
(c) (1) The Administrator may provide assistance for any participating country, in the form and under the procedures authorized in subsections (a) and (b), respectively, of this section, through grants or upon payment in cash, or on credit terms, or on such other terms of payment as he may find appropriate, including payment by the transfer to the United States (under such terms and in such quantities as may be agreed to between the Administrator and the participating country) of materials which are required by the United States as a result of deficiencies or potential deficiencies in its own resources. In determining whether such assistance shall be through grants or upon terms of payment, and in determining the terms of payment, he shall act in consultation with the National Advisory Council on International Monetary and Financial Problems, and the determination whether or not a participating country should be required to make payment for any assistance furnished to such country in furtherance of the purposes of this title, and the terms of such payment, if required, 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 accomplishment of the purposes of this title.

(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 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 repayments 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. 529), 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.

PROTECTION OF DOMESTIC ECONOMY

SEC. 112. (a) The Administrator shall provide for the procurement in the United States of commodities under this title in such a way as to (1) minimize the drain upon the resources of the United States and the impact of such procurement upon the domestic economy, and (2) avoid impairing the fulfillment of vital needs of the people of the United States.

(b) The procurement of petroleum and petroleum products under this title shall, to the maximum extent practicable, be made from petroleum sources outside the United States; and, in furnishing commodities under the provisions of this title, the Administrator shall take fully into account the present and anticipated world shortage of petroleum and its products and the consequent undesirability of expansion in petroleum-consuming equipment where the use of alternate fuels or other sources of power is practicable.

(c) In order to assure the conservation of domestic grain supplies and the retention in the United States of byproduct feeds necessary to the maintenance of the agricultural economy of the United States, the amounts of wheat and wheat flour produced in the United States to be transferred by grant to the participating countries shall be so determined that the total quantity of United States wheat used to produce the wheat flour procured in the United States for transfer by grant to such countries under this title shall not be less than 25 per centum of the aggregate of the unprocessed wheat and wheat in the form of flour procured in the United States for transfer by grant to such countries under this title.

(d) The term “surplus agricultural commodity” as used in this section is defined as any agricultural commodity, or product thereof, produced in the United States which is determined by the Secretary of Agriculture to be in excess of domestic requirements. In providing for the procurement of any such surplus agricultural commodity for transfer by grant to any participating country in accordance with the requirements of such country, the Administrator shall, insofar as practicable and where in furtherance of the purposes of this title, give effect to the following:

(1) The Administrator shall authorize the procurement of any such surplus agricultural commodity only within the United States: Provided, That this restriction shall not be applicable (1) to any agri-
cultural commodity, or product thereof, located in one participating country, and intended for transfer to another participating country, if the Administrator, in consultation with the Secretary of Agriculture, determines that such procurement and transfer is in furtherance of the purposes of this title, and would not create a burdensome surplus in the United States or seriously prejudice the position of domestic producers of such surplus agricultural commodities, or (ii) if, and to the extent that any such surplus agricultural commodity is not available in the United States in sufficient quantities to supply the requirements of the participating countries under this title.

(2) In providing for the procurement of any such surplus agricultural commodity, the Administrator shall, insofar as practicable and applicable, and after giving due consideration to the excess of any such commodity over domestic requirements, and to the historic reliance of United States producers of any such surplus agricultural commodity upon markets in the participating countries, provide for the procurement of each class or type of any such surplus agricultural commodity in the approximate proportion that the Secretary of Agriculture determines such classes or types bear to the total amount of excess of such surplus agricultural commodity over domestic requirements.

(e) Whenever the Secretary of Agriculture determines that any quantity of any surplus agricultural commodity, heretofore or hereafter acquired by Commodity Credit Corporation in the administration of its price-support programs, is available for use in furnishing assistance to foreign countries, he shall so advise all departments, agencies, and establishments of the Government administering laws providing for the furnishing of assistance or relief to foreign countries (including occupied or liberated countries or areas of such countries). Thereafter the department, agency, or establishment administering any such law shall, to the maximum extent practicable, consistent with the provisions and in furtherance of the purposes of such law, and where for transfer by grant and in accordance with the requirements of such foreign country, procure or provide for the procurement of such quantity of such surplus agricultural commodity. The sales price paid as reimbursement to Commodity Credit Corporation for any such surplus agricultural commodity shall be in such amount as Commodity Credit Corporation determines will fully reimburse it for the cost to it of such surplus agricultural commodity at the time and place such surplus agricultural commodity is delivered by it, but in no event shall the sales price be higher than the domestic market price at such time and place of delivery as determined by the Secretary of Agriculture, and the Secretary of Agriculture may pay not to exceed 50 per centum of such sales price as authorized by subsection (f) of this section.

(f) Subject to the provisions of this section, but notwithstanding any other provision of law, in order to encourage utilization of surplus agricultural commodities pursuant to this or any other Act providing for assistance or relief to foreign countries, the Secretary of Agriculture, in carrying out the purposes of clause (1), section 32, Public Law 320, Seventy-fourth Congress, as amended, may make payments, including payments to any government agency procuring or selling such surplus agricultural commodities, in an amount not to exceed 50
per centum of the sales price (basis free along ship or free on board vessel, United States ports), as determined by the Secretary of Agriculture, of such surplus agricultural commodities. The rescission of the remainder of section 32 funds by the Act of July 30, 1947 (Public Law 266, Eightieth Congress), is hereby canceled and such funds are hereby made available for the purposes of section 32 for the fiscal year ending June 30, 1948.

(g) No export shall be authorized pursuant to authority conferred by section 6 of the Act of July 2, 1940 (54 Stat. 714), including any amendment thereto, of any commodity from the United States to any country wholly or partly in Europe which is not a participating country, if the department, agency, or officer in the executive branch of the Government exercising the authority granted to the President by section 6 of the Act of July 2, 1940, as amended, determines that the supply of such commodity is insufficient (or would be insufficient if such export were permitted) to fulfill the requirements of participating countries under this title as determined by the Administrator: Provided, however, That such export may be authorized if such department, agency, or officer determines that such export is otherwise in the national interest of the United States.

(h) In providing for the performance of any of the functions described in subsection (a) of section 111, the Administrator shall, to the maximum extent consistent with the accomplishment of the purposes of this title, utilize private channels of trade.

REIMBURSEMENT TO GOVERNMENT AGENCIES

Sec. 113. (a) The Administrator shall make reimbursement or payment, out of funds available for the purposes of this title, for any commodity, service, or facility procured under section 111 of this title from any department, agency, or establishment of the Government. Such reimbursement or payment shall be made to the owning or disposal agency, as the case may be, at replacement cost, or, if required by law, at actual cost, or at any other price authorized by law and agreed to between the Administrator and such agency. The amount of any reimbursement or payment to an owning agency for commodities, services, or facilities so procured shall be credited to current applicable appropriations, funds, or accounts from which there may be procured replacements of similar commodities or such services or facilities: Provided, That such commodities, services, or facilities may be procured from an owning agency only with the consent of such agency: And provided further, That where such appropriations, funds, or accounts are not reimbursable except by reason of this subsection, and when the owning agency determines that replacement of any commodity procured under authority of this section is not necessary, any funds received in payment therefor shall be covered into the Treasury as miscellaneous receipts.

(b) The Administrator, whenever in his judgment the interests of the United States will best be served thereby, may dispose of any commodity procured out of funds made available for the purposes of this title, in lieu of transferring such commodity to a participating country, (1) by transfer of such commodity, upon reimbursement, to any department, agency, or establishment of the Government for use or disposal by such department, agency, or establishment as
authorized by law, or (2) without regard to provisions of law relating to the disposal of Government-owned property, when necessary to prevent spoilage or wastage of such commodity or to conserve the usefulness thereof. Funds realized from such disposal or transfer shall revert to the respective appropriation or appropriations out of which funds were expended for the procurement of such commodity.

AUTHORIZATION OF APPROPRIATIONS

SEC. 114. (a) Notwithstanding the provisions of any other law, the Reconstruction Finance Corporation is authorized and directed, until such time as an appropriation shall be made pursuant to subsection (c) of this section, to make advances not to exceed in the aggregate $1,000,000,000 to carry out the provisions of this title, in such manner, at such time, and in such amounts as the President shall determine, and no interest shall be charged on advances made by the Treasury to the Reconstruction Finance Corporation for this purpose. The Reconstruction Finance Corporation shall be repaid without interest for advances made by it hereunder, from funds made available for the purposes of this title.

(b) Such part as the President may determine of the unobligated and unexpended balances of appropriations or other funds available for the purposes of the Foreign Aid Act of 1947 shall be available for the purpose of carrying out the purposes of this title.

(c) In order to carry out the provisions of this title with respect to those participating countries which adhere to the purposes of this title, and remain eligible to receive assistance hereunder, such funds shall be available as are hereafter authorized and appropriated to the President from time to time through June 30, 1952, to carry out the provisions and accomplish the purposes of this title: Provided, however, That for carrying out the provisions and accomplishing the purposes of this title for the period of one year following the date of enactment of this Act, there are hereby authorized to be so appropriated not to exceed $4,300,000,000. Nothing in this title is intended nor shall it be construed as an express or implied commitment to provide any specific assistance, whether of funds, commodities, or services, to any country or countries. The authorization in this title is limited to the period of twelve months in order that subsequent Congresses may pass on any subsequent authorizations.

(d) Funds made available for the purposes of this title shall be available for incurring and defraying all necessary expenses incident to carrying out the provisions of this title, including administrative expenses and expenses for compensation, allowances and travel of personnel, including Foreign Service personnel whose services are utilized primarily for the purposes of this title, and, without regard to the provisions of any other law, for printing and binding, and for expenditures outside the continental limits of the United States for the procurement of supplies and services and for other administrative purposes (other than compensation of personnel) without regard to such laws and regulations governing the obligation and expenditure of government funds, as the Administrator shall specify in the interest of the accomplishment of the purposes of this title.

(e) The unencumbered portions of any deposits which may have been made by any participating country pursuant to section 6 of the
joint resolution providing for relief assistance to the people of countries devastated by war (Public Law 84, Eightieth Congress) and section 5 (b) of the Foreign Aid Act of 1947 (Public Law 389, Eightieth Congress) may be merged with the deposits to be made by such participating country in accordance with section 115 (b) (6) of this title, and shall be held or used under the same terms and conditions as are provided in section 115 (b) (6) of this title.

(f) In order to reserve some part of the surplus of the fiscal year 1948 for payments thereafter to be made under this title, there is hereby created on the books of the Treasury of the United States a trust fund to be known as the Foreign Economic Cooperation Trust Fund. Notwithstanding any other provision of law, an amount of $3,000,000,000, out of sums appropriated pursuant to the authorization contained in this title shall, when appropriated, be transferred immediately to the trust fund, and shall thereupon be considered as expended during the fiscal year 1948, for the purpose of reporting governmental expenditures. The Secretary of the Treasury shall be the sole trustee of the trust fund and is authorized and directed to pay out of the fund such amounts as the Administrator shall duly requisition. The first expenditures made out of the appropriations authorized under this title in the fiscal year 1949 shall be made with funds requisitioned by the Administrator out of the trust fund until the fund is exhausted, at which time such fund shall cease to exist. The provisions of this subsection shall not be construed as affecting the application of any provision of law which would otherwise govern the obligation of funds so appropriated or the auditing or submission of accounts of transactions with respect to such funds.

BILATERAL AND MULTILATERAL UNDERTAKINGS

SEC. 115. (a) The Secretary of State, after consultation with the Administrator, is authorized to conclude, with individual participating countries or any number of such countries or with an organization representing any such countries, agreements in furtherance of the purposes of this title. The Secretary of State, before an Administrator or Deputy Administrator shall have qualified and taken office, is authorized to negotiate and conclude such temporary agreements in implementation of subsection (b) of this section as he may deem necessary in furtherance of the purposes of this title: Provided, That when an Administrator or Deputy Administrator shall have qualified and taken office, the Secretary of State shall conclude the basic agreements required by subsection (b) of this section only after consultation with the Administrator or Deputy Administrator, as the case may be.

(b) The provision of assistance under this title results from the multilateral pledges of the participating countries to use all their efforts to accomplish a joint recovery program based upon self-help and mutual cooperation as embodied in the report of the Committee of European Economic Cooperation signed at Paris on September 22, 1947, and is contingent upon continuous effort of the participating countries to accomplish a joint recovery program through multilateral undertakings and the establishment of a continuing organization for this purpose. In addition to continued mutual cooperation of the participating countries in such a program, each such country shall
conclude an agreement with the United States in order for such country to be eligible to receive assistance under this title. Such agreement shall provide for the adherence of such country to the purposes of this title and shall, where applicable, make appropriate provision, among others, for—

(1) promoting industrial and agricultural production in order to enable the participating country to become independent of extraordinary outside economic assistance; and submitting for the approval of the Administrator, upon his request and whenever he deems it in furtherance of the purposes of this title, specific projects proposed by such country to be undertaken in substantial part with assistance furnished under this title, which projects, whenever practicable, shall include projects for increased production of coal, steel, transportation facilities, and food;

(2) taking financial and monetary measures necessary to stabilize its currency, establish or maintain a valid rate of exchange, to balance its governmental budget as soon as practicable, and generally to restore or maintain confidence in its monetary system;

(3) cooperating with other participating countries in facilitating and stimulating an increasing interchange of goods and services among the participating countries and with other countries and cooperating to reduce barriers to trade among themselves and with other countries;

(4) making efficient and practical use, within the framework of a joint program for European recovery, of the resources of such participating country, including any commodities, facilities, or services furnished under this title, which use shall include, to the extent practicable, taking measures to locate and identify and put into appropriate use, in furtherance of such program, assets, and earnings therefrom, which belong to the citizens of such country and which are situated within the United States, its Territories and possessions;

(5) facilitating the transfer to the United States by sale, exchange, barter, or otherwise for stock-piling or other purposes, for such period of time as may be agreed to and upon reasonable terms and in reasonable quantities, of materials which are required by the United States as a result of deficiencies or potential deficiencies in its own resources, and which may be available in such participating country after due regard for reasonable requirements for domestic use and commercial export of such country;

(6) placing in a special account a deposit in the currency of such country, in commensurate amounts and under such terms and conditions as may be agreed to between such country and the Government of the United States, when any commodity or service is made available through any means authorized under this title, and is furnished to the participating country on a grant basis. Such special account, together with the unencumbered portions of any deposits which may have been made by such country pursuant to section 6 of the joint resolution providing for relief assistance to the people of countries devastated by war (Public Law 84, Eightieth Congress) and section 5 (b) of the Foreign Aid Act of 1947 (Public Law 389, Eightieth Congress), shall be held or used within such country for such purposes as
may be agreed to between such country and the Administrator in consultation with the National Advisory Council on International Monetary and Financial Problems, and the Public Advisory Board provided for in section 107 (a) for purposes of internal monetary and financial stabilization, for the stimulation of productive activity and the exploration for and development of new sources of wealth, or for such other expenditures as may be consistent with the purposes of this title, including local currency administrative expenditures of the United States incident to operations under this title, and under agreement that any unencumbered balance remaining in such account on June 30, 1952, shall be disposed of within such country for such purposes as may, subject to approval by Act or joint resolution of the Congress, be agreed to between such country and the Government of the United States;

(7) publishing in such country and transmitting to the United States, not less frequently than every calendar quarter after the date of the agreement, full statements of operations under the agreement, including a report of the use of funds, commodities, and services received under this title;

(8) furnishing promptly, upon request of the United States, any relevant information which would be of assistance to the United States in determining the nature and scope of operations and the use of assistance provided under this title;

(9) recognizing the principle of equity in respect to the drain upon the natural resources of the United States and of the recipient countries, by agreeing to negotiate (a) a future schedule of minimum availabilities to the United States for future purchase and delivery of a fair share of materials which are required by the United States as a result of deficiencies or potential deficiencies in its own resources at world market prices so as to protect the access of United States industry to an equitable share of such materials either in percentages of production or in absolute quantities from the participating countries, and (b) suitable protection for the right of access for any person as defined in paragraph (iii) of subparagraph (3) of section 111 (b) in the development of such materials on terms of treatment equivalent to those afforded to the nationals of the country concerned, and (c) an agreed schedule of increased production of such materials where practicable in such participating countries and for delivery of an agreed percentage of such increased production to be transferred to the United States on a long-term basis in consideration of assistance furnished by the Administrator to such countries under this title; and

(10) submitting for the decision of the International Court of Justice or of any arbitral tribunal mutually agreed upon any case espoused by the United States Government involving compensation of a national of the United States for governmental measures affecting his property rights, including contracts with or concessions from such country.

(c) Notwithstanding the provisions of subsection (b) of this section, the Administrator, during the three months after the date of enactment of this Act, may perform with respect to any participating country any of the functions authorized under this title which
he may determine to be essential in furtherance of the purposes of
this title, if (1) such country has signified its adherence to the pur-
poses of this title and its intention to conclude an agreement
pursuant to subsection (b) of this section, and (2) he finds that
such country is complying with the applicable provisions of subsec-
tion (b) of this section: Provided, That, notwithstanding the
provisions of this subsection, the Administrator may, through June
30, 1948, provide for the transfer of food, medical supplies, fibers,
fuel, petroleum and petroleum products, fertilizer, pesticides, and
seed to any country of Europe which participated in the Committee
of European Economic Cooperation and which undertook pledges
to the other participants therein, when the Administrator determines
that the transfer of any such supplies to any such country is essential
in order to make it possible to carry out the purposes of this title
by alleviating conditions of hunger and cold and by preventing
serious economic retrogression.

(d) The Administrator shall encourage the joint organization of
the participating countries referred to in subsection (b) of this section
to ensure that each participating country makes efficient use of the
resources of such country, including any commodities, facilities, or
services furnished under this title, by observing and reviewing such
use through an effective follow-up system approved by the joint
organization.

(e) The Administrator shall encourage arrangements among the
participating countries in conjunction with the International Refugee
Organization looking toward the largest practicable utilization of
manpower available in any of the participating countries in further-
ance of the accomplishment of the purposes of this title.

(f) The Administrator will request the Secretary of State to obtain
the agreement of those countries concerned that such capital equipment
as is scheduled for removal as reparations from the three western zones
of Germany be retained in Germany if such retention will most effec-
tively serve the purposes of the European recovery program.

(g) It is the understanding of the Congress that, in accordance
with agreements now in effect, prisoners of war remaining in particip-
ating countries shall, if they so freely elect, be repatriated prior to
January 1, 1949.

WESTERN HEMISPHERE COUNTRIES

SEC. 116. The President shall take appropriate steps to encourage
all countries in the Western Hemisphere to make available to par-
ticipating countries such assistance as they may be able to furnish.

OTHER DUTIES OF THE ADMINISTRATOR

SEC. 117. (a) The Administrator, in furtherance of the purposes
of section 115 (b) (5), and in agreement with a participating country,
shall, whenever practicable, promote, by means of funds made avail-
able for the purposes of this title, an increase in the production in
such participating country of materials which are required by the
United States as a result of deficiencies or potential deficiencies in
the resources within the United States.

(b) The Administrator, in cooperation with the Secretary of Com-
merce, shall facilitate and encourage, through private and public
travel, transport, and other agencies, the promotion and development of travel by citizens of the United States to and within participating countries.

(c) In order to further the efficient use of United States voluntary contributions for relief in participating countries receiving assistance under this title in the form of grants or any of the zones of occupation of Germany for which assistance is provided under this title and the Free Territory of Trieste or either of its zones, funds made available for the purposes of this title shall be used insofar as practicable by the Administrator, under rules and regulations prescribed by him, to pay ocean freight charges from a United States port to a designated foreign port of entry (1) of supplies donated to, or purchased by, United States voluntary nonprofit relief agencies registered with and recommended by the Advisory Committee on Voluntary Foreign Aid for operations in Europe, or (2) of relief packages conforming to such specified size, weight, and contents, as the Administrator may prescribe originating in the United States and consigned to an individual residing in a participating country receiving assistance under this title in the form of grants or any of the zones of occupation of Germany for which assistance is provided under this title and the Free Territory of Trieste or either of its zones. Where practicable the Administrator is directed to make an agreement with such country for the use of a portion of the deposit of local currency placed in a special account pursuant to paragraph 6 of subsection (b) of section 115 of this title, for the purpose of defraying the transportation cost of such supplies and relief packages from the port of entry of such country to the designated shipping point of consignee. The Secretary of State, after consultation with the Administrator, shall make agreements where practicable with the participating countries for the free entry of such supplies and relief packages.

(d) The Administrator is directed to refuse delivery insofar as practicable to participating countries of commodities which go into the production of any commodity for delivery to any nonparticipating European country which commodity would be refused export licenses to those countries by the United States in the interest of national security. Whenever the Administrator believes that the issuance of a license for the export of any commodity to any country wholly or partly in Europe which is not a participating country is inconsistent with the purposes and provisions of this title, he shall so advise the department, agency, or officer in the executive branch of the Government exercising the authority with respect to such commodity granted to the President by section 6 of the Act of July 2, 1940 (54 Stat. 714), as amended, and, if differences of view are not adjusted by consultation, the matter shall be referred to the President for final decision.

TERMINATION OF ASSISTANCE

SEC. 118. The Administrator, in determining the form and measure of assistance provided under this title to any participating country, shall take into account the extent to which such country is complying with its undertakings embodied in its pledges to other participating countries and in its agreement concluded with the United States under section 115. The Administrator shall terminate the provision of assistance under this title to any participating country whenever he
determines that (1) such country is not adhering to its agreement concluded under section 115, or is diverting from the purposes of this title assistance provided hereunder, and that in the circumstances remedial action other than termination will not more effectively promote the purposes of this title or (2) because of changed conditions, assistance is no longer consistent with the national interest of the United States. Termination of assistance to any country under this section shall include the termination of deliveries of all supplies scheduled under the aid program for such country and not yet delivered.

EXEMPTION FROM CONTRACT AND ACCOUNTING LAWS

SEC. 119. When the President determines it to be in furtherance of the purposes of this title, the functions authorized under this title may be performed without regard to such provisions of law regulating the making, performance, amendment, or modification of contracts and the expenditure of Government funds as the President may specify.

EXEMPTION FROM CERTAIN FEDERAL LAWS RELATING TO EMPLOYMENT

SEC. 120. Service of an individual as a member of the Public Advisory Board (other than the Administrator) created by section 107 (a), as a member of an advisory committee appointed pursuant to section 107 (b), as an expert or consultant under section 104 (e), or as an expert, consultant, or technician under section 124 (d), shall not be considered as service or employment bringing such individual within the provisions of section 109 or 113 of the Criminal Code (U. S. C., title 18, secs. 198 and 203), of section 190 of the Revised Statutes (U. S. C., title 5, sec. 99), or of section 19 (e) of the Contract Settlement Act of 1944, or of any other Federal law imposing restrictions, requirements, or penalties in relation to the employment of persons, the performance of services, or the payment or receipt of compensation in connection with any claim, proceeding, or matter involving the United States.

UNITED NATIONS

SEC. 121. (a) The President is authorized to request the cooperation of or the use of the services and facilities of the United Nations, its organs and specialized agencies, or other international organizations, in carrying out the purposes of this title, and may make payments, by advancements or reimbursements, for such purposes, out of funds made available for the purposes of this title, as may be necessary therefor, to the extent that special compensation is usually required for such services and facilities. Nothing in this title shall be construed to authorize the Administrator to delegate to or otherwise confer upon any international or foreign organization or agency any of his authority to decide the method of furnishing assistance under this title to any participating country or the amount thereof.

(b) The President shall cause to be transmitted to the Secretary General of the United Nations copies of reports to Congress on the operations conducted under this title.

(c) Any agreements concluded between the United States and participating countries, or groups of such countries, in implementa-
tion of the purposes of this title, shall be registered with the United Nations if such registration is required by the Charter of the United Nations.

TERMINATION OF PROGRAM

Sec. 122. (a) After June 30, 1952, or after the date of the passage of a concurrent resolution by the two Houses of Congress before such date, which declares that the powers conferred on the Administrator by or pursuant to subsection (a) of section 111 of this title are no longer necessary for the accomplishment of the purposes of this title, whichever shall first occur, none of the functions authorized under such provisions may be exercised; except that during the twelve months following such date commodities and services with respect to which the Administrator had, prior to such date, authorized procurement for, shipment to, or delivery in a participating country, may be transferred to such country, and funds appropriated under authority of this title may be obligated during such twelve-month period for the necessary expenses of procurement, shipment, delivery, and other activities essential to such transfer, and shall remain available during such period for the necessary expenses of liquidating operations under this title.

(b) At such time as the President shall find appropriate after such date, and prior to the expiration of the twelve months following such date, the powers, duties, and authority of the Administrator under this title may be transferred to such other departments, agencies, or establishments of the Government as the President shall specify, and the relevant funds, records, and personnel of the Administration may be transferred to the departments, agencies, or establishments to which the related functions are transferred.

REPORTS TO CONGRESS

Sec. 123. The President from time to time, but not less frequently than once every calendar quarter through June 30, 1952, and once every year thereafter until all operations under this title have been completed, shall transmit to the Congress a report of operations under this title, including the text of bilateral and multilateral agreements entered into in carrying out the provisions of this title. Reports provided for under this section shall be transmitted to the Secretary of the Senate or the Clerk of the House of Representatives, as the case may be, if the Senate or the House of Representatives, as the case may be, is not in session.

JOINT CONGRESSIONAL COMMITTEE

Sec. 124. (a) There is hereby established a joint congressional committee to be known as the Joint Committee on Foreign Economic Cooperation (hereinafter referred to as the committee), to be composed of ten members as follows:

(1) Three members who are members of the Committee on Foreign Relations of the Senate, two from the majority and one from the minority party, to be appointed by the chairman of the committee; two members who are members of the Committee on Appropriations of the Senate, one from the majority and one
from the minority party, to be appointed by the chairman of the committee; and

(2) Three members who are members of the Committee on Foreign Affairs of the House, two from the majority and one from the minority party, to be appointed by the chairman of the committee; and two members who are members of the Committee on Appropriations of the House, one from the majority and one from the minority party, to be appointed by the chairman of the committee.

A vacancy in the membership of the committee shall be filled in the same manner as the original selection. The committee shall elect a chairman from among its members.

(b) It shall be the function of the committee to make a continuous study of the programs of United States economic assistance to foreign countries, and to review the progress achieved in the execution and administration of such programs. Upon request, the committee shall aid the several standing committees of the Congress having legislative jurisdiction over any part of the programs of United States economic assistance to foreign countries; and it shall make a report to the Senate and the House of Representatives, from time to time, concerning the results of its studies, together with such recommendations as it may deem desirable. The Administrator, at the request of the committee, shall consult with the committee from time to time with respect to his activities under this Act.

(c) The committee, or any duly authorized subcommittee thereof, is authorized to hold such hearings, to sit and act at such times and places, to require by subpoena or otherwise the attendance of such witnesses and the production of such books, papers, and documents, to administer such oaths, to take such testimony, to procure such printing and binding, and to make such expenditures as it deems advisable. The cost of stenographic services to report such hearings shall not be in excess of 25 cents per hundred words. The provisions of sections 102 to 104, inclusive, of the Revised Statutes shall apply in case of any failure of any witness to comply with any subpoena or to testify when summoned under authority of this subsection.

(d) The committee is authorized to appoint and, without regard to the Classification Act of 1923, as amended, fix the compensation of such experts, consultants, technicians, and organizations thereof, and clerical and stenographic assistants as it deems necessary and advisable.

(e) There are hereby authorized to be appropriated such sums as may be necessary to carry out the provisions of this section, to be disbursed by the Secretary of the Senate on vouchers signed by the chairman.

SEPARABILITY CLAUSE

SEC. 125. If any provision of this Act or the application of such provision to any circumstances or persons shall be held invalid, the validity of the remainder of the Act and the applicability of such provision to other circumstances or persons shall not be affected thereby.

TITLE II

SEC. 201. This title may be cited as the "International Children's Emergency Fund Assistance Act of 1948".
SEC. 202. It is the purpose of this title to provide for the special care and feeding of children by authorizing additional moneys for the International Children's Emergency Fund of the United Nations.

SEC. 203. The President is hereby authorized and directed any time after the date of the enactment of this Act and before July 1, 1949, to make contributions (a) from sums appropriated to carry out the purposes of this title and (b) from sums appropriated to carry out the general purposes of the proviso in the first paragraph of the first section of the joint resolution of May 31, 1947 (Public Law 84, Eightieth Congress), as amended, to the International Children's Emergency Fund of the United Nations for the special care and feeding of children.

SEC. 204. No contribution shall be made pursuant to this title or such joint resolution of May 31, 1947, which would cause the sum of (a) the aggregate amount contributed pursuant to this title and (b) the aggregate amount contributed by the United States pursuant to such joint resolution of May 31, 1947, to exceed whichever of the following sums is the lesser:

1. 72 per centum of the total resources contributed after May 31, 1947, by all governments, including the United States, for programs carried out under the supervision of such Fund: Provided, That in computing the amount of resources contributed there shall not be included contributions by any government for the benefit of persons located within the territory of such contributing government; or

2. $100,000,000.

SEC. 205. Funds appropriated for the purposes of such joint resolution of May 31, 1947, shall remain available through June 30, 1949.

SEC. 206. There is hereby authorized to be appropriated to carry out the purposes of this title for the fiscal year ending June 30, 1949, the sum of $60,000,000.

TITLE III

SEC. 301. This title may be cited as the “Greek-Turkish Assistance Act of 1948”.

SEC. 302. In addition to the amounts authorized to be appropriated under subsection (b) of section 4 of the Act of May 22, 1947 (61 Stat. 103), there are hereby authorized to be appropriated not to exceed $275,000,000 to carry out the provisions of such Act, as amended.

SEC. 303. (a) Subsection (a) of section 4 of such Act of May 22, 1947, is hereby amended by adding at the end thereof the following: “The Reconstruction Finance Corporation is authorized and directed to make additional advances, not to exceed the aggregate $50,000,000, to carry out the provisions of this Act, as amended, in such manner and in such amounts as the President shall determine. No interest shall be charged on advances made by the Treasury to the Reconstruction Finance Corporation for this purpose.”

(b) Subsection (b) of section 4 of the said Act is hereby amended by inserting after the word “repaid” the following: “without interest”.

SEC. 304. Subsections (2) and (3) of section 1 of such Act of May 22, 1947, are hereby amended to permit detailing of persons referred to in such subsections to the United States Missions to Greece and Turkey.
as well as to the governments of those countries. Section 302 of the Act of January 27, 1948 (Public Law 402, Eightieth Congress), and section 110 (c) of the Economic Cooperation Act of 1948 (relating to investigations of personnel by the Federal Bureau of Investigation) shall be applicable to any person so detailed pursuant to such subsection (2) of such Act of 1947: Provided, That any military or civilian personnel detailed under section 1 of such Act of 1947 may receive such station allowances or additional allowances as the President may prescribe (and payments of such allowances heretofore made are hereby validated).

TITLE IV

SEC. 401. This title may be cited as the “China Aid Act of 1948”.

SEC. 402. Recognizing the intimate economic and other relationships between the United States and China, and recognizing that disruption following in the wake of war is not contained by national frontiers, the Congress finds that the existing situation in China endangers the establishment of a lasting peace, the general welfare and national interest of the United States, and the attainment of the objectives of the United Nations. It is the sense of the Congress that the further evolution in China of principles of individual liberty, free institutions, and genuine independence rests largely upon the continuing development of a strong and democratic national government as the basis for the establishment of sound economic conditions and for stable international economic relationships. Mindful of the advantages which the United States has enjoyed through the existence of a large domestic market with no internal trade barriers, and believing that similar advantages can accrue to China, it is declared to be the policy of the people of the United States to encourage the Republic of China and its people to exert sustained common efforts which will speedily achieve the internal peace and economic stability in China which are essential for lasting peace and prosperity in the world. It is further declared to be the policy of the people of the United States to encourage the Republic of China in its efforts to maintain the genuine independence and the administrative integrity of China, and to sustain and strengthen principles of individual liberty and free institutions in China through a program of assistance based on self-help and cooperation: Provided, That no assistance to China herein contemplated shall seriously impair the economic stability of the United States. It is further declared to be the policy of the United States that assistance provided by the United States under this title should at all times be dependent upon cooperation by the Republic of China and its people in furthering the program: Provided further, That assistance furnished under this title shall not be construed as an express or implied assumption by the United States of any responsibility for policies, acts, or undertakings of the Republic of China or for conditions which may prevail in China at any time.

SEC. 403. Aid provided under this title shall be provided under the applicable provisions of the Economic Cooperation Act of 1948 which are consistent with the purposes of this title. It is not the purpose of this title that China, in order to receive aid hereunder, shall adhere to a joint program for European recovery.
SEC. 404. (a) In order to carry out the purposes of this title, there is hereby authorized to be appropriated to the President for aid to China a sum not to exceed $338,000,000 to remain available for obligation for the period of one year following the date of enactment of this Act.

(b) There is also hereby authorized to be appropriated to the President a sum not to exceed $125,000,000 for additional aid to China through grants, on such terms as the President may determine and without regard to the provisions of the Economic Cooperation Act of 1948, to remain available for obligation for the period of one year following the date of enactment of this Act.

SEC. 405. An agreement shall be entered into between China and the United States containing those undertakings by China which the Secretary of State, after consultation with the Administrator for Economic Cooperation, may deem necessary to carry out the purposes of this title and to improve commercial relations with China.

SEC. 406. Notwithstanding the provisions of any other law, the Reconstruction Finance Corporation is authorized and directed, until such time as an appropriation is made pursuant to section 404, to make advances, not to exceed in the aggregate $50,000,000, to carry out the provisions of this title in such manner and in such amounts as the President shall determine. From appropriations authorized under section 404, there shall be repaid without interest to the Reconstruction Finance Corporation the advances made by it under the authority contained herein. No interest shall be charged on advances made by the Treasury to the Reconstruction Finance Corporation in implementation of this section.

SEC. 407. (a) The Secretary of State, after consultation with the Administrator, is hereby authorized to conclude an agreement with China establishing a Joint Commission on Rural Reconstruction in China, to be composed of two citizens of the United States appointed by the President of the United States and three citizens of China appointed by the President of China. Such Commission shall, subject to the direction and control of the Administrator, formulate and carry out a program for reconstruction in rural areas of China, which shall include such research and training activities as may be necessary or appropriate for such reconstruction: Provided, That assistance furnished under this section shall not be construed as an express or implied assumption by the United States of any responsibility for making any further contributions to carry out the purposes of this section.

(b) Insofar as practicable, an amount equal to not more than 10 per centum of the funds made available under subsection (a) of section 404 shall be used to carry out the purposes of subsection (a) of this section. Such amount may be in United States dollars, proceeds in Chinese currency from the sale of commodities made available to China with funds authorized under subsection (a) of section 404, or both.

Approved April 3, 1948.
FOREIGN ASSISTANCE ACT OF 1948

APRIL 1, 1948.—Ordered to be printed

Mr. Eaton, from the committee of conference, submitted the following

CONFERENCE REPORT

[To accompany S. 2202]

The committee of conference on the disagreeing votes of the two Houses on the amendment of the Senate to the amendments of the House to the bill (S. 2202) to promote the general welfare, national interest, and foreign policy of the United States through necessary economic and financial assistance to foreign countries which undertake to cooperate with each other in the establishment and maintenance of economic conditions essential to a peaceful and prosperous world, having met, after full and free conference, have agreed to recommend, and do recommend to their respective Houses as follows:

That the House recede from its disagreement to the amendment of the Senate to the amendment of the House and agree to the same with an amendment as follows:

In lieu of the matter inserted by the Senate amendment and the House amendment, insert the following: That this Act may be cited as the "Foreign Assistance Act of 1948".

TITLE I

SEC. 101. This title may be cited as the "Economic Cooperation Act of 1948".

FINDINGS AND DECLARATION OF POLICY

SEC. 102. (a) Recognizing the intimate economic and other relationships between the United States and the nations of Europe, and recognizing that disruption following in the wake of war is not contained by national frontiers, the Congress finds that the existing situation in Europe endangers the establishment of a lasting peace, the general welfare and national interest of the United States, and the attainment of the objectives of the United Nations. The restoration or maintenance in European countries of principles of individual liberty, free institutions, and genuine...
independence rests largely upon the establishment of sound economic conditions, stable international economic relationships, and the achievement by the countries of Europe of a healthy economy independent of extraordinary outside assistance. The accomplishment of these objectives calls for a plan of European recovery, open to all such nations which cooperate in such plan, based upon a strong production effort, the expansion of foreign trade, the creation and maintenance of internal financial stability, and the development of economic cooperation, including all possible steps to establish and maintain equitable rates of exchange and to bring about the progressive elimination of trade barriers. Mindful of the advantages which the United States has enjoyed through the existence of a large domestic market with no internal trade barriers, and believing that similar advantages can accrue to the countries of Europe, it is declared to be the policy of the people of the United States to encourage these countries through a joint organization to exert sustained common efforts as set forth in the report of the Committee of European Economic Cooperation signed at Paris on September 22, 1947, which will speedily achieve that economic cooperation in Europe which is essential for lasting peace and prosperity. It is further declared to be the policy of the people of the United States to sustain and strengthen principles of individual liberty, free institutions, and genuine independence in Europe through assistance to those countries of Europe which participate in a joint recovery program based upon self-help and mutual cooperation: Provided, That no assistance to the participating countries herein contemplated shall seriously impair the economic stability of the United States. It is further declared to be the policy of the United States that continuity of assistance provided by the United States should, at all times, be dependent upon continuity of cooperation among countries participating in the program.

PURPOSES OF TITLE

(b) It is the purpose of this title to effectuate the policy set forth in subsection (a) of this section by furnishing material and financial assistance to the participating countries in such a manner as to aid them, through their own individual and concerted efforts, to become independent of extraordinary outside economic assistance within the period of operations under this title, by—

(1) promoting industrial and agricultural production in the participating countries;
(2) furthering the restoration or maintenance of the soundness of European currencies, budgets, and finances; and
(3) facilitating and stimulating the growth of international trade of participating countries with one another and with other countries by appropriate measures including reduction of barriers which may hamper such trade.

PARTICIPATING COUNTRIES

Sec. 103. (a) As used in this title, the term "participating country" means—

(1) any country, together with dependent areas under its administration, which signed the report of the Committee of European Economic Cooperation at Paris on September 22, 1947; and
(2) any other country (including any of the zones of occupation of Germany, any areas under international administration or control,
and the Free Territory of Trieste or either of its zones) wholly or partly in Europe, together with dependent areas under its administration;

provided such country adheres to, and for so long as it remains an adherent to, a joint program for European recovery designed to accomplish the purposes of this title.

(b) Until such time as the Free Territory of Trieste or either of its zones becomes eligible for assistance under this title as a participating country, assistance to the Free Territory of Trieste, or either of its zones, is hereby authorized under the Foreign Aid Act of 1947 until June 30, 1949, and the said Foreign Aid Act of 1947 is hereby amended accordingly, and not to exceed $20,000,000 out of funds authorized to be advanced by the Reconstruction Finance Corporation under subsection (a) of section 114 of this title, or under subsection (d) of section 11 of the Foreign Aid Act of 1947 notwithstanding any appropriation heretofore made under such Act, may be utilized for the purposes of this subsection: Provided, That section 11 (b) of the Foreign Aid Act of 1947 shall not apply in respect of the Free Territory of Trieste or either of its zones: And provided further, That the provisions of section 115 (b) (6) of this title shall apply to local currency deposited pursuant to section 5 (b) of that Act.

ESTABLISHMENT OF ECONOMIC COOPERATION ADMINISTRATION

SEC. 104. (a) There is hereby established, with its principal office in the District of Columbia, an agency of the Government which shall be known as the Economic Cooperation Administration, hereinafter referred to as the Administration. The Administration shall be headed by an Administrator for Economic Cooperation, hereinafter referred to as the Administrator, who shall be appointed by the President, by and with the advice and consent of the Senate, and who shall receive compensation at the rate of $20,000 per annum. The Administrator shall be responsible to the President and shall have a status in the executive branch of the Government comparable to that of the head of an executive department. Except as otherwise provided in this title, the administration of the provisions of this title is hereby vested in the Administrator and his functions shall be performed under the control of the President.

(b) There shall be in the Administration a Deputy Administrator for Economic Cooperation who shall be appointed by the President, by and with the advice and consent of the Senate, and shall receive compensation at the rate of $17,500 per annum. The Deputy Administrator for Economic Cooperation shall perform such functions as the Administrator shall designate, and shall be Acting Administrator for Economic Cooperation during the absence or disability of the Administrator or in the event of a vacancy in the office of Administrator.

(c) The President is authorized, pending the appointment and qualification of the first Administrator or Deputy Administrator for Economic Cooperation appointed hereunder, to provide, for a period of not to exceed thirty days after the date of enactment of this Act, for the performance of the functions of the Administrator under this title through such departments, agencies, or establishments of the United States Government as he may direct. In the event the President nominates an Administrator or Deputy Administrator prior to the expiration of such thirty-day period the authority conferred upon the President by this subsection shall be extended beyond such thirty-day period but only until an Administrator or Deputy Administrator qualifies and takes office.
(d) (1) The Administrator, with the approval of the President, is hereby authorized and empowered to create a corporation with such powers as the Administrator may deem necessary or appropriate for the accomplishment of the purposes of this title.

(2) If a corporation is created under this section—

(i) it shall have the power to sue and be sued, to acquire, hold, and dispose of property, to use its revenues, to determine the character of any necessity for its obligations and expenditures and the manner in which they shall be incurred, allowed and paid, and to exercise such other powers as may be necessary or appropriate to carry out the purposes of the corporation;

(ii) its powers shall be set out in a charter which shall be valid only when certified copies thereof are filed with the Secretary of the Senate and the Clerk of the House of Representatives and published in the Federal Register, and all amendments to such charter shall be valid only when similarly filed and published;

(iii) it shall not have succession beyond June 30, 1952, except for purposes of liquidation, unless its life is extended beyond such date pursuant to Act of Congress; and

(iv) it shall be subject to the Government Corporation Control Act to the same extent as wholly owned Government corporations listed in section 101 of such Act.

(3) All capital stock of the corporation shall be of one class, be issued for cash only, and be subscribed for by the Administrator. Payment for such capital stock shall be made from funds available for the purposes of this title.

(e) Any department, agency, or establishment of the Government (including, whenever used in this title, any corporation which is an instrumentality of the United States) performing functions under this title is authorized to employ, for duty within the continental limits of the United States, such personnel as may be necessary to carry out the provisions and purposes of this title, and funds available pursuant to section 114 of this title shall be available for personal services in the District of Columbia and elsewhere without regard to section 14 (a) of the Federal Employees Pay Act of 1946 (60 Stat. 219). Of such personnel employed by the Administration, not to exceed one hundred may be compensated without regard to the provisions of the Classification Act of 1923, as amended, of whom not more than twenty-five may be compensated at a rate in excess of $10,000 per annum, but not in excess of $15,000 per annum. Experts and consultants or organizations thereof, as authorized by section 15 of the Act of August 2, 1946 (U. S. C., title 5, sec. 55a), may be employed by the Administration, and individuals so employed may be compensated at rates not in excess of $50 per diem and while away from their homes or regular places of business, they may be paid actual travel expenses and not to exceed $10 per diem in lieu of subsistence and other expenses while so employed.

(f) The Administrator may, from time to time, promulgate such rules and regulations as may be necessary and proper to carry out his functions under this title, and he may delegate authority to perform any of such functions to his subordinates, acting under his direction and under rules and regulations promulgated by him.
FOREIGN ASSISTANCE ACT OF 1948

GENERAL FUNCTIONS OF ADMINISTRATOR

Sec. 105. (a) The Administrator, under the control of the President, shall in addition to all other functions vested in him by this title—

(1) review and appraise the requirements of participating countries for assistance under the terms of this title;
(2) formulate programs of United States assistance under this title, including approval of specific projects which have been submitted to him by the participating countries;
(3) provide for the efficient execution of any such programs as may be placed in operation; and
(4) terminate provision of assistance or take other remedial action as provided in section 118 of this title.

(b) In order to strengthen and make more effective the conduct of the foreign relations of the United States—

(1) the Administrator and the Secretary of State shall keep each other fully and currently informed on matters, including prospective action, arising within the scope of their respective duties which are pertinent to the duties of the other;
(2) whenever the Secretary of State believes that any action, proposed action, or failure to act on the part of the Administrator is inconsistent with the foreign-policy objectives of the United States, he shall consult with the Administrator and, if differences of view are not adjusted by consultation, the matter shall be referred to the President for final decision;
(3) whenever the Administrator believes that any action, proposed action, or failure to act on the part of the Secretary of State in performing functions under this title is inconsistent with the purposes and provisions of this title, he shall consult with the Secretary of State and, if differences of view are not adjusted by consultation, the matter shall be referred to the President for final decision.

(c) The Administrator and the department, agency, or officer in the executive branch of the Government exercising the authority granted to the President by section 6 of the Act of July 2, 1940 (54 Stat. 714), as amended, shall keep each other fully and currently informed on matters, including prospective action, arising within the scope of their respective duties which are pertinent to the duties of the other. Whenever the Administrator believes that any action, proposed action, or failure to act on the part of such department, agency, or officer in performing functions under this title is inconsistent with the purposes and provisions of this title, he shall consult with such department, agency, or officer and, if differences of view are not adjusted by consultation, the matter shall be referred to the President for final decision.

NATIONAL ADVISORY COUNCIL

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.”

PUBLIC ADVISORY BOARD

SEC. 107. (a) There is hereby created a Public Advisory Board, hereinafter referred to as the Board, which shall advise and consult with the Administrator with respect to general or basic policy matters arising in connection with the Administrator’s discharge of his responsibilities. The Board shall consist of the Administrator, who shall be Chairman, and not to exceed twelve additional members to be appointed by the President, by and with the advice and consent of the Senate, and who shall be selected from among citizens of the United States of broad and varied experience in matters affecting the public interest, other than officers and employees of the United States (including any agency or instrumentality of the United States) who, as such, regularly receive compensation for current services. The Board shall meet at least once a month and at other times upon the call of the Administrator or when three or more members of the Board request the Administrator to call a meeting. Not more than a majority of two of the members shall be appointed to the Board from the same political party. Members of the Board, other than the Administrator, shall receive, out of funds made available for the purposes of this title, a per diem allowance of $50 for each day spent away from their homes or regular places of business, for the purpose of attendance at meetings of the Board, or at conferences held upon the call of the Administrator, and in necessary travel, and while so engaged, they may be paid actual travel expenses and not to exceed $10 per diem in lieu of subsistence and other expenses.

(b) The Administrator may appoint such other advisory committees as he may determine to be necessary or desirable to effectuate the purposes of this title.

UNITED STATES SPECIAL REPRESENTATIVE ABROAD

SEC. 108. There shall be a United States Special Representative in Europe who shall (a) be appointed by the President, by and with the advice and consent of the Senate, (b) be entitled to receive the same compensation and allowances as a chief of mission, class 1, within the meaning of the Act of August 13, 1946 (60 Stat. 999), and (c) have the rank of ambassador extraordinary and plenipotentiary. He shall be the representative of the Administrator, and shall also be the chief representative of the United States Government to any organization of participating countries which may be established by such countries to further a joint program for European recovery, and shall discharge in Europe such additional responsibilities as may be assigned to him with the approval of the President in furtherance of the purposes of this title. He may also be designated as the United States representative on the Economic Commission for Europe. He shall receive his instructions from the Administrator and such instructions shall be prepared and transmitted to him in accordance with proce-
dures agreed to between the Administrator and the Secretary of State in order to assure appropriate coordination as provided by subsection (b) of section 105 of this title. He shall coordinate the activities of the chiefs of special missions provided for in section 109 of this title. He shall keep the Administrator, the Secretary of State, the chiefs of the United States diplomatic missions, and the chiefs of the special missions provided for in section 109 of this title currently informed concerning his activities. He shall consult with the chiefs of all such missions, who shall give him such cooperation as he may require for the performance of his duties under this title.

Special ECA Missions Abroad

Sec. 109. (a) There shall be established for each participating country, except as provided in subsection (d) of this section, a special mission for economic cooperation under the direction of a chief who shall be responsible for assuring the performance within such country of operations under this title. The chief shall be appointed by the Administrator, shall receive his instructions from the Administrator, and shall report to the Administrator on the performance of the duties assigned to him. The chief of the special mission shall take rank immediately after the chief of the United States diplomatic mission in such country.

(b) The chief of the special mission shall keep the chief of the United States diplomatic mission fully and currently informed on matters, including prospective action, arising within the scope of the operations of the special mission and the chief of the diplomatic mission shall keep the chief of the special mission fully and currently informed on matters relative to the conduct of the duties of the chief of the special mission. The chief of the United States diplomatic mission will be responsible for assuring that the operations of the special mission are consistent with the foreign-policy objectives of the United States in such country and to that end whenever the chief of the United States diplomatic mission believes that any action, proposed action, or failure to act on the part of the special mission is inconsistent with such foreign-policy objectives, he shall so advise the chief of the special mission and the United States Special Representative in Europe. If differences of view are not adjusted by consultation, the matter shall be referred to the Secretary of State and the Administrator for decision.

(c) The Secretary of State shall provide such office space, facilities, and other administrative services for the United States Special Representative in Europe and his staff, and for the special mission in each participating country, as may be agreed between the Secretary of State and the Administrator.

(d) With respect to any of the zones of occupation of Germany and of the Free Territory of Trieste, during the period of occupation, the President shall make appropriate administrative arrangements for the conduct of operations under this title, in order to enable the Administrator to carry out his responsibility to assure the accomplishment of the purposes of this title.

Personnel Outside United States

Sec. 110. (a) For the purpose of performing functions under this title outside the continental limits of the United States the Administrator may—

(1) employ persons who shall receive compensation at any of the rates provided for the Foreign Service Reserve and Staff by the For-
eign Service Act of 1946 (60 Stat. 999), together with allowances and benefits established thereunder; and

(2) recommend the appointment or assignment of persons, and the Secretary of State may appoint or assign such persons, to any class in the Foreign Service Reserve or Staff for the duration of operations under this title, and the Secretary of State may assign, transfer, or promote such persons upon the recommendation of the Administrator. Persons so appointed to the Foreign Service Staff shall be entitled to the benefits of section 528 of the Foreign Service Act of 1946.

(b) For the purpose of performing functions under this title outside the continental limits of the United States, the Secretary of State may, at the request of the Administrator, appoint, for the duration of operations under this title, alien clerks and employees in accordance with applicable provisions of the Foreign Service Act of 1946 (60 Stat. 999).

(c) No citizen or resident of the United States may be employed, or if already employed, may be assigned to duties by the Secretary of State or the Administrator under this title for a period to exceed three months unless such individual has been investigated as to loyalty and security by the Federal Bureau of Investigation and a report thereon has been made to the Secretary of State and the Administrator, and until the Secretary of State or the Administrator has certified in writing (and filed copies thereof with the Senate Committee on Foreign Relations and the House Committee on Foreign Affairs) that, after full consideration of such report, he believes such individual is loyal to the United States, its Constitution, and form of government, and is not now and has never been a member of any organization advocating contrary views. This subsection shall not apply in the case of any officer appointed by the President by and with the advice and consent of the Senate.

NATURE AND METHOD OF ASSISTANCE

SEC. 111. (a) The Administrator may, from time to time, furnish assistance to any participating country by providing for the performance of any of the functions set forth in paragraphs (1) through (5) of this subsection when he deems it to be in furtherance of the purposes of this title, and upon the terms and conditions set forth in this title and such additional terms and conditions consistent with the provisions of this title as he may determine to be necessary and proper.

(1) Procurement from any source, including Government stocks on the same basis as procurement by Government agencies under Public Law 375 (Seventy-ninth Congress) for their own use, of any commodity which he determines to be required for the furtherance of the purposes of this title. As used in this title, the term "commodity" means any commodity, material, article, supply, or goods necessary for the purposes of this title.

(2) Processing, storing, transporting, and repairing any commodities, or performing any other services with respect to a participating country which he determines to be required for accomplishing the purposes of this title. The Administrator shall, in providing for the procurement of commodities under authority of this title, take such steps as may be necessary to assure, so far as is practicable, that at least 50 per centum of the gross tonnage of commodities, procured within the United States out of funds made available under
this title and transported abroad on ocean vessels, is so transported on United States flag vessels to the extent such vessels are available at market rates.

(3) Procurement of and furnishing technical information and assistance.

(4) Transfer of any commodity or service, which transfer shall be signified by delivery of the custody and right of possession and use of such commodity, or otherwise making available any such commodity, or by rendering a service to a participating country or to any agency or organization representing a participating country.

(5) The allocation of commodities or services to specific projects designed to carry out the purposes of this title, which have been submitted to the Administrator by participating countries and have been approved by him:

(b) In order to facilitate and maximize the use of private channels of trade, subject to adequate safeguards to assure that all expenditures in connection with such procurement are within approved programs in accordance with terms and conditions established by the Administrator, he may provide for the performance of any of the functions described in subsection (a) of this section—

(1) by establishing accounts against which, under regulations prescribed by the Administrator—

(i) letters of commitment may be issued in connection with supply programs approved by the Administrator (and such letters of commitment, when issued, shall constitute obligations of the United States and monies due or to become due theretoward shall be assignable under the Assignment of Claims Act of 1940 and shall constitute obligations of applicable appropriations); and

(ii) withdrawals may be made by participating countries, or agencies or organizations representing participating countries or by other persons or organizations, upon presentation of contracts, invoices, or other documentation specified by the Administrator under arrangements prescribed by the Administrator to assure the use of such withdrawals for purposes approved by the Administrator.

Such accounts may be established on the books of the Administration, or any other department, agency, or establishment of the Government specified by the Administrator, or, on terms and conditions approved by the Secretary of the Treasury, in banking institutions in the United States. Expenditures of funds which have been made available through accounts so established shall be accounted for on standard documentation required for expenditures of Government funds: Provided, That such expenditures for commodities or services procured outside the continental limits of the United States under authority of this section may be accounted for exclusively on such certification as the Administrator may prescribe in regulations promulgated by him with the approval of the Comptroller General of the United States to assure expenditure in furtherance of the purposes of this title.

(2) by utilizing the services and facilities of any department, agency, or establishment of the Government as the President shall direct, or with the consent of the head of such department, agency, or establishment, or, in the President’s discretion, by acting in coopera-

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tion with the United Nations or with other international organizations or with agencies of the participating countries, and funds allocated pursuant to this section to any department, agency, or establishment of the Government shall be established in separate appropriation accounts on the books of the Treasury.

(3) by making, under rules and regulations to be prescribed by the Administrator, guaranties to any person of investments in connection with projects approved by the Administrator and the participating country concerned as furthering the purposes of this title (including guaranties of investments in enterprises producing or distributing informational media): Provided, That the amount of such guaranties in the first year after the date of the enactment of this Act does not exceed $15,000,000, which guaranties shall terminate not later than fourteen years from the date of enactment of this Act: Provided, That—

(i) the guaranty to any person shall not exceed the amount of dollars invested in the project by such person with the approval of the Administrator and shall be limited to the transfer into United States dollars of other currencies, or credits in such currencies, received by such person as income from the approved investment, as repayment or return thereof, in whole or in part, or as compensation for the sale or disposition of all or any part thereof: Provided, That, when any payment is made to any person under authority of this paragraph, such currencies, or credits in such currencies, shall become the property of the United States Government;

(ii) the Administrator may charge a fee in an amount determined by him not exceeding 1 per centum per annum of the amount of each guaranty, and all fees collected hereunder shall be available for expenditure in discharge of liabilities under guaranties made under this paragraph until such time as all such liabilities have been discharged or have expired, or until all such fees have been expended in accordance with the provisions of this paragraph; and

(iii) as used in this paragraph, the term "person" means a citizen of the United States or any corporation, partnership, or other association created under the law of the United States or of any State or Territory and substantially beneficially owned by citizens of the United States.

The total amount of the guaranties made under this paragraph (3) shall not exceed $300,000,000, and as such guaranties are made the authority to realize funds from the sale of notes for the purpose of allocating funds to the Export-Import Bank of Washington under paragraph (2) of subsection (c) of this section shall be accordingly reduced. Any payments made to discharge liabilities under guaranties issued under paragraph (3) of this subsection shall be paid out of fees collected under subparagraph (ii) of paragraph (3) of this subsection as long as such fees are available, and thereafter shall be paid out of funds realized from the sale of notes which shall be issued under authority of paragraph (2) of subsection (c) of this section when necessary to discharge liabilities under any such guaranty.

(c) (1) The Administrator may provide assistance for any participating country, in the form and under the procedures authorized in
subsections (a) and (b), respectively, of this section, through grants or upon payment in cash, or on credit terms, or on such other terms of payment as he may find appropriate, including payment by the transfer to the United States (under such terms and in such quantities as may be agreed to between the Administrator and the participating country) of materials which are required by the United States as a result of deficiencies or potential deficiencies in its own resources. In determining whether such assistance shall be through grants or upon terms of payment, and in determining the terms of payment, he shall act in consultation with the National Advisory Council on International Monetary and Financial Problems, and the determination whether or not a participating country should be required to make payment for any assistance furnished to such country in furtherance of the purposes of this title, and the terms of such payment, if required, 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 accomplishment of the purposes of this title.

(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 (6) 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 repayments 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. 529), 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.

PROTECTION OF DOMESTIC ECONOMY

SEC. 112. (a) The Administrator shall provide for the procurement in the United States of commodities under this title in such a way as to (1) minimize the drain upon the resources of the United States and the impact of such procurement upon the domestic economy, and (2) avoid impairing the fulfillment of vital needs of the people of the United States.

(b) The procurement of petroleum and petroleum products under this title shall, to the maximum extent practicable, be made from petroleum sources outside the United States; and, in furnishing commodities under the provisions of this title, the Administrator shall take fully into account the present and anticipated world shortage of petroleum and its products and the consequent undesirability of expansion in petroleum-consuming equipment where the use of alternate fuels or other sources of power is practicable.

(c) In order to assure the conservation of domestic grain supplies and the retention in the United States of byproduct feeds necessary to the maintenance of the agricultural economy of the United States, the amounts of wheat and wheat flour produced in the United States to be transferred by grant to the participating countries shall be so determined that the total quantity of United States wheat used to produce the wheat flour procured in the United States for transfer by grant to such countries under this title shall not be less than 25 per centum of the aggregate of the unprocessed wheat and wheat in the form of flour procured in the United States for transfer by grant to such countries under this title.

(d) The term "surplus agricultural commodity" as used in this section is defined as any agricultural commodity, or product thereof, produced in the United States which is determined by the Secretary of Agriculture to be in excess of domestic requirements. In providing for the procurement of any such surplus agricultural commodity for transfer by grant to any participating country in accordance with the requirements of such country, the Administrator shall, insofar as practicable and where in furtherance of the purposes of this title, give effect to the following:

(1) The Administrator shall authorize the procurement of any such surplus agricultural commodity only within the United States: Provided, That this restriction shall not be applicable (i) to any agricultural commodity, or product thereof, located in one participating country, and intended for transfer to another participating country, if the Administrator, in consultation with the Secretary of Agriculture, determines that such procurement and transfer is in furtherance of the purposes of this title, and would not create a burdensome surplus in the United States or seriously prejudice the position of domestic producers of such surplus agricultural commodities, or (ii) if, and to the extent that any such surplus agricultural commodity is not available in the United States in sufficient quantities to supply the requirements of the participating countries under this title.
(2) In providing for the procurement of any such surplus agricultural commodity, the Administrator shall, insofar as practicable and applicable, and after giving due consideration to the excess of any such commodity over domestic requirements, and to the historic reliance of United States producers of any such surplus agricultural commodity upon markets in the participating countries, provide for the procurement of each class or type of any such surplus agricultural commodity in the approximate proportion that the Secretary of Agriculture determines such classes or types bear to the total amount of excess of such surplus agricultural commodity over domestic requirements.

(e) Whenever the Secretary of Agriculture determines that any quantity of any surplus agricultural commodity, heretofore or hereafter acquired by Commodity Credit Corporation in the administration of its price-support programs, is available for use in furnishing assistance to foreign countries, he shall so advise all departments, agencies, and establishments of the Government administering laws providing for the furnishing of assistance or relief to foreign countries (including occupied or liberated countries or areas of such countries). Thereafter the department, agency, or establishment administering any such law shall, to the maximum extent practicable, consistent with the provisions and in furtherance of the purposes of such law, and where for transfer by grant and in accordance with the requirements of such foreign country, procure or provide for the procurement of such quantity of such surplus agricultural commodity. The sales price paid as reimbursement to Commodity Credit Corporation for any such surplus agricultural commodity shall be in such amount as Commodity Credit Corporation determines will fully reimburse it for the cost to it of such surplus agricultural commodity at the time and place such surplus agricultural commodity is delivered by it, but in no event shall the sales price be higher than the domestic market price at such time and place of delivery as determined by the Secretary of Agriculture, and the Secretary of Agriculture may pay not to exceed 50 per centum of such sales price as authorized by subsection (f) of this section.

(f) Subject to the provisions of this section, but notwithstanding any other provision of law, in order to encourage utilization of surplus agricultural commodities pursuant to this or any other Act providing for assistance or relief to foreign countries, the Secretary of Agriculture, in carrying out the purposes of clause (1), section 32, Public Law 320, Seventy-fourth Congress, as amended, may make payments, including payments to any governmental agency procuring or selling such surplus agricultural commodities, in an amount not to exceed 50 percentum of the sales price (basis free along ship or free on board vessel, United States ports), as determined by the Secretary of Agriculture, of such surplus agricultural commodities. The rescission of the remainder of section 32 funds by the Act of July 30, 1947 (Public Law 266, Eightieth Congress), is hereby canceled and such funds are hereby made available for the purposes of section 32 for the fiscal year ending June 30, 1948.

(g) No export shall be authorized pursuant to authority conferred by section 6 of the Act of July 2, 1940 (54 Stat. 714), including any amendment thereto, of any commodity from the United States to any country wholly or partly in Europe which is not a participating country, if the department, agency, or officer in the executive branch of the Government exercising the authority granted to the President by such section 6 of the Act of July 2, 1940, as amended, determines that the supply of such commodity is insufficient (or would be insufficient if such export were permitted).
to fulfill the requirements of participating countries under this title as
determined by the Administrator: Provided, however, That such export
may be authorized if such department, agency, or officer determines that
such export is otherwise in the national interest of the United States.

(h) In providing for the performance of any of the functions described
in subsection (a) of section 111, the Administrator shall, to the maximum
extent consistent with the accomplishment of the purposes of this title,
utilize private channels of trade.

REIMBURSEMENT TO GOVERNMENT AGENCIES

SEC. 113. (a) The Administrator shall make reimbursement or pay-
ment, out of funds available for the purposes of this title, for any com-
modity, service, or facility procured under section 111 of this title from
any department, agency, or establishment of the Government. Such
reimbursement or payment shall be made to the owning or disposal agency,
as the case may be, at replacement cost, or, if required by law, at actual
cost, or at any other price authorized by law and agreed to between the
Administrator and such agency. The amount of any reimbursement or
payment to an owning agency for commodities, services, or facilities so
procured shall be credited to current applicable appropriations, funds,
or accounts from which there may be procured replacements of similar
commodities or such services or facilities: Provided, That such com-
modities, services, or facilities may be procured from an owning agency
only with the consent of such agency: And provided further, That where
such appropriations, funds, or accounts are not reimbursable except by
reason of this subsection, and when the owning agency determines that
replacement of any commodity procured under authority of this section
is not necessary, any funds received in payment therefor shall be covered
into the Treasury as miscellaneous receipts.

(b) The Administrator, whenever in his judgment the interests of the
United States will best be served thereby, may dispose of any commodity
procured out of funds made available for the purposes of this title, in lieu
of transferring such commodity to a participating country, (1) by transfer
of such commodity, upon reimbursement, to any department, agency, or
establishment of the Government for use or disposal by such department,
agency, or establishment as authorized by law, or (2) without regard to
provisions of law relating to the disposal of Government-owned property,
when necessary to prevent spoilage or wastage of such commodity or to
conserve the usefulness thereof. Funds realized from such disposal or
transfer shall revert to the respective appropriation or appropriations
out of which funds were expended for the procurement of such commodity.

AUTHORIZATION OF APPROPRIATIONS

SEC. 114. (a) Notwithstanding the provisions of any other law, the
Reconstruction Finance Corporation is authorized and directed, until
such time as an appropriation shall be made pursuant to subsection (c)
of this section, to make advances not to exceed in the aggregate $1,000,-
000,000 to carry out the provisions of this title, in such manner, at such
time, and in such amounts as the President shall determine, and no
interest shall be charged on advances made by the Treasury to the Recon-
struction Finance Corporation for this purpose. The Reconstruction
Finance Corporation shall be repaid without interest for advances made
by it hereunder, from funds made available for the purposes of this title.
(b) Such part as the President may determine of the unobligated and unexpended balances of appropriations or other funds available for the purposes of the Foreign Aid Act of 1947 shall be available for the purpose of carrying out the purposes of this title.

(c) In order to carry out the provisions of this title with respect to those participating countries which adhere to the purposes of this title, and remain eligible to receive assistance hereunder, such funds shall be available as are hereafter authorized and appropriated to the President from time to time through June 30, 1952, to carry out the provisions and accomplish the purposes of this title; Provided, however, That for carrying out the provisions and accomplishing the purposes of this title for the period of one year following the date of enactment of this Act, there are hereby authorized to be so appropriated not to exceed $4,300,000,000. Nothing in this title is intended nor shall it be construed as an express or implied commitment to provide any specific assistance, whether of funds, commodities, or services, to any country or countries. The authorization in this title is limited to the period of twelve months in order that subsequent Congresses may pass on any subsequent authorizations.

(d) Funds made available for the purposes of this title shall be available for incurring and defraying all necessary expenses incident to carrying out the provisions of this title, including administrative expenses and expenses for compensation, allowances and travel of personnel, including Foreign Service personnel whose services are utilized primarily for the purposes of this title, and, without regard to the provisions of any other law, for printing and binding, and for expenditures outside the continental limits of the United States for the procurement of supplies and services and for other administrative purposes (other than compensation of personnel) without regard to such laws and regulations governing the obligation and expenditure of government funds, as the Administrator shall specify in the interest of the accomplishment of the purposes of this title.

(e) The unencumbered portions of any deposits which may have been made by any participating country pursuant to section 6 of the joint resolution providing for relief assistance to the people of countries devastated by war (Public Law 84, Eightieth Congress) and section 5 (b) of the Foreign Aid Act of 1947 (Public Law 389, Eightieth Congress) may be merged with the deposits to be made by such participating country in accordance with section 115 (b) (6) of this title, and shall be held or used under the same terms and conditions as are provided in section 115 (b) (6) of this title.

(f) In order to reserve some part of the surplus of the fiscal year 1948 for payments thereafter to be made under this title, there is hereby created on the books of the Treasury of the United States a trust fund to be known as the Foreign Economic Cooperation Trust Fund. Notwithstanding any other provision of law, an amount of $8,000,000,000, out of sums appropriated pursuant to the authorization contained in this title shall, when appropriated, be transferred immediately to the trust fund, and shall thenceforth be considered as expended during the fiscal year 1948, for the purpose of reporting governmental expenditures. The Secretary of the Treasury shall be the sole trustee of the trust fund and is authorized and directed to pay out of the fund such amounts as the Administrator shall duly requisition. The first expenditures made out of the appropriations authorized under this title in the fiscal year 1949 shall be made with funds requisitioned by the Administrator out of the trust fund until the fund is exhausted, at which time such fund shall cease to exist. The provi-
BILATERAL AND MULTILATERAL UNDERTAKINGS

SEC. 115. (a) The Secretary of State, after consultation with the Administrator, is authorized to conclude, with individual participating countries or any number of such countries or with an organization representing any such countries, agreements in furtherance of the purposes of this title. The Secretary of State, before an Administrator or Deputy Administrator shall have qualified and taken office, is authorized to negotiate and conclude such temporary agreements in implementation of subsection (b) of this section as he may deem necessary in furtherance of the purposes of this title: Provided, That when an Administrator or Deputy Administrator shall have qualified and taken office, the Secretary of State shall conclude the basic agreements required by subsection (b) of this section only after consultation with the Administrator or Deputy Administrator, as the case may be.

(b) The provision of assistance under this title results from the multilateral pledges of the participating countries to use all their efforts to accomplish a joint recovery program based upon self-help and mutual cooperation as embodied in the report of the Committee of European Economic Cooperation signed at Paris on September 22, 1947, and is contingent upon continuous effort of the participating countries to accomplish a joint recovery program through multilateral undertakings and the establishment of a continuing organization for this purpose. In addition to continued mutual cooperation of the participating countries in such a program, each such country shall conclude an agreement with the United States in order for such country to be eligible to receive assistance under this title. Such agreement shall provide for the adherence of such country to the purposes of this title and shall, where applicable, make appropriate provision, among others, for—

(1) promoting industrial and agricultural production in order to enable the participating country to become independent of extraordinary outside economic assistance; and submitting for the approval of the Administrator, upon his request and whenever he deems it in furtherance of the purposes of this title, specific projects proposed by such country to be undertaken in substantial part with assistance furnished under this title, which projects, whenever practicable, shall include projects for increased production of coal, steel, transportation facilities, and food;

(2) taking financial and monetary measures necessary to stabilize its currency, establish or maintain a valid rate of exchange, to balance its governmental budget as soon as practicable, and generally to restore or maintain confidence in its monetary system;

(3) cooperating with other participating countries in facilitating and stimulating an increasing interchange of goods and services among the participating countries and with other countries and cooperating to reduce barriers to trade among themselves and with other countries;

(4) making efficient and practical use, within the framework of a joint program for European recovery, of the resources of such par-
participating country, including any commodities, facilities, or services furnished under this title, which use shall include, to the extent practicable, taking measures to locate and identify and put into appropriate use, in furtherance of such program, assets, and earnings therefrom, which belong to the citizens of such country and which are situated within the United States, its Territories and possessions;

(5) facilitating the transfer to the United States by sale, exchange, barter, or otherwise for stock-piling or other purposes, for such period of time as may be agreed to and upon reasonable terms and in reasonable quantities, of materials which are required by the United States as a result of deficiencies or potential deficiencies in its own resources, and which may be available in such participating country after due regard for reasonable requirements for domestic use and commercial export of such country;

(6) placing in a special account a deposit in the currency of such country, in commensurate amounts and under such terms and conditions as may be agreed to between such country and the Government of the United States, when any commodity or service is made available through any means authorized under this title, and is furnished to the participating country on a grant basis. Such special account, together with the unencumbered portions of any deposits which may have been made by such country pursuant to section 6 of the joint resolution providing for relief assistance to the people of countries devastated by war (Public Law 84, Eightieth Congress) and section 5 (b) of the Foreign Aid Act of 1947 (Public Law 389, Eightieth Congress), shall be held or used within such country for such purposes as may be agreed to between such country and the Administrator in consultation with the National Advisory Council on International Monetary and Financial Problems, and the Public Advisory Board provided for in section 107 (a) for purposes of internal monetary and financial stabilization, for the stimulation of productive activity and the exploration for and development of new sources of wealth, or for such other expenditures as may be consistent with the purposes of this title, including local currency administrative expenditures of the United States incident to operations under this title, and under agreement that any unencumbered balance remaining in such account on June 30, 1952, shall be disposed of within such country for such purposes as may, subject to approval by Act or joint resolution of the Congress, be agreed to between such country and the Government of the United States;

(7) publishing in such country and transmitting to the United States, not less frequently than every calendar quarter after the date of the agreement, full statements of operations under the agreement, including a report of the use of funds, commodities, and services received under this title;

(8) furnishing promptly, upon request of the United States, any relevant information which would be of assistance to the United States in determining the nature and scope of operations and the use of assistance provided under this title;

(9) recognizing the principle of equity in respect to the drain upon the natural resources of the United States and of the recipient countries, by agreeing to negotiate (a) a future schedule of minimum availabilities to the United States for future purchase and delivery of a fair share of materials which are required by the United States
as a result of deficiencies or potential deficiencies in its own resources at world market prices so as to protect the access of United States industry to an equitable share of such materials either in percentages of production or in absolute quantities from the participating countries, and (b) suitable protection for the right of access for any person as defined in paragraph (vii) of subparagraph (3) of section 111 (b) in the development of such materials on terms of treatment equivalent to those afforded to the nationals of the country concerned, and (c) an agreed schedule of increased production of such materials where practicable in such participating countries and for delivery of an agreed percentage of such increased production to be transferred to the United States on a long-term basis in consideration of assistance furnished by the Administrator to such countries under this title; and

(10) submitting for the decision of the International Court of Justice or of any arbitral tribunal mutually agreed upon any case espoused by the United States Government involving compensation of a national of the United States for governmental measures affecting his property rights, including contracts with or concessions from such country.

(c) Notwithstanding the provisions of subsection (b) of this section, the Administrator, during the three months after the date of enactment of this Act, may perform with respect to any participating country any of the functions authorized under this title which he may determine to be essential in furtherance of the purposes of this title, if (1) such country has signified its adherence to the purposes of this title and its intention to conclude an agreement pursuant to subsection (b) of this section, and (2) he finds that such country is complying with the applicable provisions of subsection (b) of this section: Provided, That, notwithstanding the provisions of this subsection, the Administrator may, through June 30, 1948, provide for the transfer of food, medical supplies, fibers, fuel, petroleum and petroleum products, fertilizer, pesticides, and seed to any country of Europe which participated in the Committee of European Economic Cooperation and which undertook pledges to the other participants therein, when the Administrator determines that the transfer of any such supplies to any such country is essential in order to make it possible to carry out the purposes of this title by alleviating conditions of hunger and cold and by preventing serious economic retrogression.

(d) The Administrator shall encourage the joint organization of the participating countries referred to in subsection (b) of this section to ensure that each participating country makes efficient use of the resources of such country, including any commodities, facilities, or services furnished under this title, by observing and reviewing such use through an effective follow-up system approved by the joint organization.

(e) The Administrator shall encourage arrangements among the participating countries in conjunction with the International Refugee Organization looking toward the largest practicable utilization of manpower available in any of the participating countries in furtherance of the accomplishment of the purposes of this title.

(f) The Administrator will request the Secretary of State to obtain the agreement of those countries concerned that such capital equipment as is scheduled for removal as reparations from the three western zones of Germany be retained in Germany if such retention will most effectively serve the purposes of the European recovery program.
(g) It is the understanding of the Congress that, in accordance with agreements now in effect, prisoners of war remaining in participating countries shall, if they so freely elect, be repatriated prior to January 1, 1949.

WESTERN HEMISPHERE COUNTRIES

SEC. 116. The President shall take appropriate steps to encourage all countries in the Western Hemisphere to make available to participating countries such assistance as they may be able to furnish.

OTHER DUTIES OF THE ADMINISTRATOR

SEC. 117. (a) The Administrator, in furtherance of the purposes of section 115 (b) (5), and in agreement with a participating country, shall, whenever practicable, promote, by means of funds made available for the purposes of this title, an increase in the production in such participating country of materials which are required by the United States as a result of deficiencies or potential deficiencies in the resources within the United States.

(b) The Administrator, in cooperation with the Secretary of Commerce, shall facilitate and encourage, through private and public travel, transport, and other agencies, the promotion and development of travel by citizens of the United States to and within participating countries.

(c) In order to further the efficient use of United States voluntary contributions for relief in participating countries receiving assistance under this title in the form of grants or any of the zones of occupation of Germany for which assistance is provided under this title and the Free Territory of Trieste or either of its zones, funds made available for the purposes of this title shall be used insofar as practicable by the Administrator, under rules and regulations prescribed by him, to pay ocean freight charges from a United States port to a designated foreign port of entry (1) of supplies donated to, or purchased by, United States voluntary nonprofit relief agencies registered with and recommended by the Advisory Committee on Voluntary Foreign Aid for operations in Europe, or (2) of relief packages conforming to such specified size, weight, and contents, as the Administrator may prescribe originating in the United States and consigned to an individual residing in a participating country receiving assistance under this title in the form of grants or any of the zones of occupation of Germany for which assistance is provided under this title and the Free Territory of Trieste or either of its zones. Where practicable the Administrator is directed to make an agreement with such country for the use of a portion of the deposit of local currency placed in a special account pursuant to paragraph 6 of subsection (b) of section 115 of this title, for the purpose of defraying the transportation cost of such supplies and relief packages from the port of entry of such country to the designated shipping point of consignee. The Secretary of State, after consultation with the Administrator, shall make agreements where practicable with the participating countries for the free entry of such supplies and relief packages.

(d) The Administrator is directed to refuse delivery insofar as practicable to participating countries of commodities which go into the production of any commodity for delivery to any nonparticipating European country which commodity would be refused export licenses to those countries by the United States in the interest of national security. When-
ever the Administrator believes that the issuance of a license for the export of any commodity to any country wholly or partly in Europe which is not a participating country is inconsistent with the purposes and provisions of this title, he shall so advise the department, agency, or officer in the executive branch of the Government exercising the authority with respect to such commodity granted to the President by section 6 of the Act of July 2, 1940 (54 Stat. 714), as amended, and, if differences of view are not adjusted by consultation, the matter shall be referred to the President for final decision.

TERMINATION OF ASSISTANCE

Sec. 118. The Administrator, in determining the form and measure of assistance provided under this title to any participating country, shall take into account the extent to which such country is complying with its undertakings embodied in its pledges to other participating countries and in its agreement concluded with the United States under section 115. The Administrator shall terminate the provision of assistance under this title to any participating country whenever he determines that (1) such country is not adhering to its agreement concluded under section 115, or is diverting from the purposes of this title assistance provided hereunder, and that in the circumstances remedial action other than termination will not more effectively promote the purposes of this title or (2) because of changed conditions, assistance is no longer consistent with the national interest of the United States. Termination of assistance to any country under this section shall include the termination of deliveries of all supplies scheduled under the aid program for such country and not yet delivered.

EXEMPTION FROM CONTRACT AND ACCOUNTING LAWS

Sec. 119. When the President determines it to be in furtherance of the purposes of this title, the functions authorized under this title may be performed without regard to such provisions of law regulating the making, performance, amendment, or modification of contracts and the expenditure of Government funds as the President may specify.

EXEMPTION FROM CERTAIN FEDERAL LAWS RELATING TO EMPLOYMENT

Sec. 120. Service of an individual as a member of the Public Advisory Board (other than the Administrator) created by section 107 (a), as a member of an advisory committee appointed pursuant to section 107 (b), as an expert or consultant under section 104 (e), or as an expert, consultant, or technician under section 124 (d), shall not be considered as service or employment bringing such individual within the provisions of section 109 or 113 of the Criminal Code (U. S. C., title 18, secs. 198 and 203), of section 190 of the Revised Statutes (U. S. C., title 5, sec. 99), or of section 19 (e) of the Contract Settlement Act of 1944, or of any other Federal law imposing restrictions, requirements, or penalties in relation to the employment of persons, the performance of services, or the payment or receipt of compensation in connection with any claim, proceeding, or matter involving the United States.

UNITED NATIONS

Sec. 121. (a) The President is authorized to request the cooperation of or the use of the services and facilities of the United Nations, its organs
and specialized agencies, or other international organizations, in carrying out the purposes of this title, and may make payments, by advancements or reimbursements, for such purpose, out of funds made available for the purposes of this title, as may be necessary therefor, to the extent that special compensation is usually required for such services and facilities. Nothing in this title shall be construed to authorize the Administrator to delegate to or otherwise confer upon any international or foreign organization or agency any of his authority to decide the method of furnishing assistance under this title to any participating country or the amount thereof.

(b) The President shall cause to be transmitted to the Secretary General of the United Nations copies of reports to Congress on the operations conducted under this title.

(c) Any agreements concluded between the United States and participating countries, or groups of such countries, in implementation of the purposes of this title, shall be registered with the United Nations if such registration is required by the Charter of the United Nations.

**TERMINATION OF PROGRAM**

**SEC. 122.** (a) After June 30, 1952, or after the date of the passage of a concurrent resolution by the two Houses of Congress before such date, which declares that the powers conferred on the Administrator by or pursuant to subsection (a) of section 111 of this title are no longer necessary for the accomplishment of the purposes of this title, whichever shall first occur, none of the functions authorized under such provisions may be exercised; except that during the twelve months following such date commodities and services with respect to which the Administrator had, prior to such date, authorized procurement for, shipment to, or delivery in a participating country, may be transferred to such country, and funds appropriated under authority of this title may be obligated during such twelve-month period for the necessary expenses of procurement, shipment, delivery, and other activities essential to such transfer, and shall remain available during such period for the necessary expenses of liquidating operations under this title.

(b) At such time as the President shall find appropriate after such date, and prior to the expiration of the twelve months following such date, the powers, duties, and authority of the Administrator under this title may be transferred to such other departments, agencies, or establishments of the Government as the President shall specify, and the relevant funds, records, and personnel of the Administration may be transferred to the departments, agencies, or establishments to which the related functions are transferred.

**REPORTS TO CONGRESS**

**SEC. 128.** The President from time to time, but not less frequently than once every calendar quarter through June 30, 1952, and once every year thereafter until all operations under this title have been completed, shall transmit to the Congress a report of operations under this title, including the text of bilateral and multilateral agreements entered into in carrying out the provisions of this title. Reports provided for under this section shall be transmitted to the Secretary of the Senate or the Clerk of the House of Representatives, as the case may be, if the Senate or the House of Representatives, as the case may be, is not in session.
JOINT CONGRESSIONAL COMMITTEE

Sec. 124. (a) There is hereby established a joint congressional committee to be known as the Joint Committee on Foreign Economic Cooperation (hereinafter referred to as the committee), to be composed of ten members as follows:

(1) Three members who are members of the Committee on Foreign Relations of the Senate, two from the majority and one from the minority party, to be appointed by the chairman of the committee; two members who are members of the Committee on Appropriations of the Senate, one from the majority and one from the minority party, to be appointed by the chairman of the committee; and

(2) Three members who are members of the Committee on Foreign Affairs of the House, two from the majority and one from the minority party, to be appointed by the chairman of the committee; and two members who are members of the Committee on Appropriations of the House, one from the majority and one from the minority party, to be appointed by the chairman of the committee.

A vacancy in the membership of the committee shall be filled in the same manner as the original selection. The committee shall elect a chairman from among its members.

(b) It shall be the function of the committee to make a continuous study of the programs of United States economic assistance to foreign countries, and to review the progress achieved in the execution and administration of such programs. Upon request, the committee shall aid the several standing committees of the Congress having legislative jurisdiction over any part of the programs of United States economic assistance to foreign countries; and it shall make a report to the Senate and the House of Representatives, from time to time, concerning the results of its studies, together with such recommendations as it may deem desirable. The Administrator, at the request of the committee, shall consult with the committee from time to time with respect to his activities under this Act.

(c) The committee, or any duly authorized subcommittee thereof, is authorized to hold such hearings, to sit and act at such times and places, to require by subpoena or otherwise the attendance of such witnesses and the production of such books, papers, and documents, to administer such oaths, to take such testimony, to procure such printing and binding, and to make such expenditures as it deems advisable. The cost of stenographic services to report such hearings shall not be in excess of 25 cents per hundred words. The provisions of sections 102 to 104, inclusive, of the Revised Statutes shall apply in case of any failure of any witness to comply with any subpoena or to testify when summoned under authority of this subsection.

(d) The committee is authorized to appoint and without regard to the Classification Act of 1923, as amended, fix the compensation of such experts, consultants, technicians, and organizations thereof, and clerical and stenographic assistants as it deems necessary and advisable.

(e) There are hereby authorized to be appropriated such sums as may be necessary to carry out the provisions of this section, to be disbursed by the Secretary of the Senate on vouchers signed by the chairman.
FOREIGN ASSISTANCE ACT OF 1948

SEPARABILITY CLAUSE

Sec. 125. If any provision of this Act or the application of such provision to any circumstances or persons shall be held invalid, the validity of the remainder of the Act and the applicability of such provision to other circumstances or persons shall not be affected thereby.

TITLE II

Sec. 201. This title may be cited as the "International Children's Emergency Fund Assistance Act of 1948".
Sec. 202. It is the purpose of this title to provide for the special care and feeding of children by authorizing additional moneys for the International Children's Emergency Fund of the United Nations.
Sec. 203. The President is hereby authorized and directed any time after the date of the enactment of this Act and before July 1, 1949, to make contributions (a) from sums appropriated to carry out the purposes of this title and (b) from sums appropriated to carry out the general purposes of the proviso in the first paragraph of the first section of the joint resolution of May 31, 1947 (Public Law 84, Eightieth Congress), as amended, to the International Children's Emergency Fund of the United Nations for the special care and feeding of children.
Sec. 204. No contribution shall be made pursuant to this title or such joint resolution of May 31, 1947, which would cause the sum of (a) the aggregate amount contributed pursuant to this title and (b) the aggregate amount contributed by the United States pursuant to such joint resolution of May 31, 1947, to exceed whichever of the following sums is the lesser:
   (1) 72 per centum of the total resources contributed after May 31, 1947, by all governments, including the United States, for programs carried out under the supervision of such Fund: Provided, That in computing the amount of resources contributed there shall not be included contributions by any government for the benefit of persons located within the territory of such contributing government; or
   (2) $100,000,000.
Sec. 205. Funds appropriated for the purposes of such joint resolution of May 31, 1947, shall remain available through June 30, 1949.
Sec. 206. There is hereby authorized to be appropriated to carry out the purposes of this title for the fiscal year ending June 30, 1949, the sum of $60,000,000.

TITLE III

Sec. 301. This title may be cited as the "Greek-Turkish Assistance Act of 1948".
Sec. 302. In addition to the amounts authorized to be appropriated under subsection (b) of section 4 of the Act of May 22, 1947 (61 Stat. 103), there are hereby authorized to be appropriated not to exceed $275,000,000 to carry out the provisions of such Act, as amended.
Sec. 303. (a) Subsection (a) of section 4 of such Act of May 22, 1947, is hereby amended by adding at the end thereof the following: "The Re-
construction Finance Corporation is authorized and directed to make additional advances, not to exceed in the aggregate $50,000,000, to carry out the provisions of this Act, as amended, in such manner and in such amounts as the President shall determine. No interest shall be charged on advances made by the Treasury to the Reconstruction Finance Corporation for this purpose."

(b) Subsection (b) of section 4 of the said Act is hereby amended by inserting after the word "repaid" the following: "without interest".

Sec. 804. Subsections (2) and (3) of section 1 of such Act of May 22, 1947, are hereby amended to permit detailing of persons referred to in such subsections to the United States Missions to Greece and Turkey as well as to the governments of those countries. Section 302 of the Act of January 27, 1948 (Public Law 402, Eightieth Congress), and section 110 (c) of the Economic Cooperation Act of 1948 (relating to investigations of personnel by the Federal Bureau of Investigation) shall be applicable to any person so detailed pursuant to such subsection (2) of such Act of 1947; Provided, That any military or civilian personnel detailed under section 1 of such Act of 1947 may receive such station allowances or additional allowances as the President may prescribe (and payments of such allowances heretofore made are hereby validated).

TITLE IV

Sec. 401. This title may be cited as the "China Aid Act of 1948".

Sec. 402. Recognizing the intimate economic and other relationships between the United States and China, and recognizing that disruption following in the wake of war is not contained by national frontiers, the Congress finds that the existing situation in China endangers the establishment of a lasting peace, the general welfare and national interest of the United States, and the attainment of the objectives of the United Nations. It is the sense of the Congress that the further evolution in China of principles of individual liberty, free institutions, and genuine independence rests largely upon the continuing development of a strong and democratic national government as the basis for the establishment of sound economic conditions and for stable international economic relationships. Mindful of the advantages which the United States has enjoyed through the existence of a large domestic market with no internal trade barriers, and believing that similar advantages can accrue to China, it is declared to be the policy of the people of the United States to encourage the Republic of China and its people to exert sustained common efforts which will speedily achieve the internal peace and economic stability in China which are essential for lasting peace and prosperity in the world. It is further declared to be the policy of the people of the United States to encourage the Republic of China in its efforts to maintain the genuine independence and the administrative integrity of China, and to sustain and strengthen principles of individual liberty and free institutions in China through a program of assistance based on self-help and cooperation: Provided, That no assistance to China herein contemplated shall seriously impair the economic stability of the United States. It is further declared to be the policy of the United States that assistance provided by the United States under this title should at all times be dependent upon cooperation by the Republic of China and its people in furthering the program: Provided further, That assistance furnished under this
FOREIGN ASSISTANCE ACT OF 1948

Title shall not be construed as an express or implied assumption by the United States of any responsibility for policies, acts, or undertakings of the Republic of China or for conditions which may prevail in China at any time.

Sec. 403. Aid provided under this title shall be provided under the applicable provisions of the Economic Cooperation Act of 1948 which are consistent with the purposes of this title. It is not the purpose of this title that China, in order to receive aid hereunder, shall adhere to a joint program for European recovery.

Sec. 404. (a) In order to carry out the purposes of this title, there is hereby authorized to be appropriated to the President for aid to China a sum not to exceed $338,000,000 to remain available for obligation for the period of one year following the date of enactment of this Act.

(b) There is also hereby authorized to be appropriated to the President a sum not to exceed $125,000,000 for additional aid to China through grants, on such terms as the President may determine and without regard to the provisions of the Economic Cooperation Act of 1948, to remain available for obligation for the period of one year following the date of enactment of this Act.

Sec. 405. An agreement shall be entered into between China and the United States containing those undertakings by China which the Secretary of State, after consultation with the Administrator for Economic Cooperation, may deem necessary to carry out the purposes of this title and to improve commercial relations with China.

Sec. 406. Notwithstanding the provisions of any other law, the Reconstruction Finance Corporation is authorized and directed, until such time as an appropriation is made pursuant to section 404, to make advances, not to exceed in the aggregate $50,000,000, to carry out the provisions of this title in such manner and in such amounts as the President shall determine. From appropriations authorized under section 404, there shall be repaid without interest to the Reconstruction Finance Corporation the advances made by it under the authority contained herein. No interest shall be charged on advances made by the Treasury to the Reconstruction Finance Corporation in implementation of this section.

Sec. 407. (a) The Secretary of State, after consultation with the Administrator, is hereby authorized to conclude an agreement with China establishing a Joint Commission on Rural Reconstruction in China, to be composed of two citizens of the United States appointed by the President of the United States and three citizens of China appointed by the President of China. Such Commission shall, subject to the direction and control of the Administrator, formulate and carry out a program for reconstruction in rural areas of China, which shall include such research and training activities as may be necessary or appropriate for such reconstruction: Provided, That assistance furnished under this section shall not be construed as an express or implied assumption by the United States of any responsibility for making any further contributions to carry out the purposes of this section.

(b) Insofar as practicable, an amount equal to not more than 10 per centum of the funds made available under subsection (a) of section 404 shall be used to carry out the purposes of subsection (a) of this section. Such amount may be in United States dollars, proceeds in Chinese currency from the sale of commodities made available to China with funds authorized under subsection (a) of section 404, or both.
And the Senate agree to the same.
That the Senate recede from its disagreement to the amendment of the House to the title of the bill and agree to the same.

C. A. Eaton,
J. M. Vorys,
K. E. Mundt,
S. Bloom,
J. Kee,
Managers on the Part of the House.
A. H. Vandenberg,
A. Capper,
A. Wiley,
T. Connally,
W. F. George,
Managers on the Part of the Senate.
The managers on the part of the House at the conference on the disagreeing votes of the two Houses on the amendment of the Senate to the amendments of the House to the bill (S. 2202) to promote the general welfare, national interest, and foreign policy of the United States through necessary economic and financial assistance to foreign countries which undertake to cooperate with each other in the establishment and maintenance of economic conditions essential to a peaceful and prosperous world, submit the following statement in explanation of the effect of the action agreed upon by the conferees and recommended in the accompanying conference report:

The differences between the House amendment and the bill as agreed to in conference are noted below, except for incidental changes made necessary by reason of agreements reached by the conferees and minor clarifying changes.

**TITLE I**

**FINDINGS AND DECLARATION OF POLICY (SEC. 102)**

The bill as passed by the Senate stated the restoration and maintenance of individual liberty, free institutions, and genuine independence as resting upon the establishment of sound economic conditions, stable economic relationships, and the achievement by the European countries of a healthy economy, free of extraordinary outside assistance. The amendment as passed by the House added political as well as economic conditions and relationships to the criteria. The House recedes in view of the concept that the European recovery program is primarily an economic undertaking although political and other gains will be the byproducts.

**PARTICIPATING COUNTRIES (SEC. 103)**

Section 3 (a) of the Senate bill provided that other European countries not now in the 16 country group might become participants in the program after fulfilling the steps required by the bill, but no such countries were named. The House amendment, in section 103 (a), inserted the word "Spain" in this provision but left in this qualifying language:

Provided such country adheres to, and for so long as it remains an adherent to, a joint program for European recovery designed to accomplish the purposes of this title.

Thus, the House left it to the joint action of the European nations to provide for inclusion of Spain.

In conference it was felt wiser not to mention Spain or any specific country which might become a participant by fulfilling the required conditions.

The merits of the question of including Spain are not being passed upon. This enterprise is open to Spain whenever the participating
countries desire to have Spain enter the partnership. Under the theory upon which the partnership has been launched and organized, the United States leaves to the participating governments the initial decision on the admission of a new partner.

Nothing in the bill closes the door on Spain's participation. In the view of the managers on the part of the House, it is unnecessary to attempt to open a door that has never been closed in this legislation.

The provision in the amendment as passed by the House for assistance to the Free Territory of Trieste or either of its zones under the Foreign Aid Act of 1947 until such time as the territory or either of its zones becomes a participating country has been retained with an amendment which makes it clear that the $20,000,000 authorized to be advanced by the Reconstruction Finance Corporation pending an appropriation may be made available under the authority either of subsection (a) of section 114 of S. 2202 or subsection (d) of section 11 of the Foreign Aid Act of 1947. The amendment agreed to in the committee of conference does not increase the authorization for appropriation under either the bill or the Foreign Aid Act of 1947.

In the event that Trieste should be returned to Italy, funds authorized for assistance to Trieste will, of course, remain available for the general purposes of the act under which they were authorized.

GENERAL FUNCTIONS OF ADMINISTRATOR (SEC. 105)

The House amendment to S. 2202 (a) directed the Administrator to consult with the Secretary of State in the event the Administrator believed that any action, proposed action, or omission of action on the part of the Secretary of State was inconsistent with the purposes of the European recovery program, and (b) specified that differences between the two officials in this regard should be referred to the President for final decision when the officials concerned were unable to settle these differences themselves.

The Senate recedes with an amendment which confines the relevant area of differences to functions under the European recovery program. The effect of this amendment is to make it clear that the Administrator's right to carry differences with the Secretary of State to the President is no more than equivalent to the corresponding right of the Secretary of State with respect to disagreements with the Administrator.

PUBLIC ADVISORY BOARD (SEC. 107)

The amendment to S. 2202 as passed by the House specified that the members of the Public Advisory Board should have broad and varied experience in business, labor, agriculture, and the professions, as well as in matters affecting the public interest. The House recedes from its position.

It was the view of the committee of conference that the qualifications of the members of the Public Advisory Board should be related to their broad and varied experience in matters affecting the public interest without reference to economic interest groups.

PERSONNEL OUTSIDE UNITED STATES (SEC. 110)

There was retained in substance the provision of the amendment passed by the House requiring certification by the Secretary of State
or the Administrator of his belief in the loyalty of individuals employed for, or assigned to, duties under title I. Certain changes were made (1) to permit consideration of information in addition to the Federal Bureau of Investigation report; (2) to require certifications of belief as to loyalty rather than "unquestioned loyalty"; and (3) not to bar persons who may have belonged to organizations opposing specific statutory enactments as distinguished from organizations advocating the overthrow of the government by force and violence. The proviso contained in the House bill was deleted, however, since the language which was retained made it clear that present employees of the government might be temporarily assigned to such duties for a period of three months pending the Federal Bureau of Investigation report and certification by the Administrator or Secretary of State.

It is recognized that the burden of other duties of the Secretary of State and the Administrator will preclude their making personal evaluations in each case of the Federal Bureau of Investigation reports. It is therefore envisaged that this function may be delegated by the Administrator and the Secretary of State to trusted subordinates, although the responsibility for the selection and retention of employees loyal to the United States would remain in the Secretary of State and the Administrator in their capacity as head of their respective agencies.

**NATURE AND METHOD OF ASSISTANCE (SEC. 111)**

The Senate recedes on the provision in section 111 (b) (1) (i) of the amendment as passed by the House respecting the assignability under the Assignment of Claims Act of 1940 of moneys due or to become due under letters of commitment. A clarifying amendment has been added by the committee of conference to identify such moneys as those due under the letters of commitment rather than under the contracts to which the letters of commitment relate.

It should be noted that the Senate recedes on the language inserted in section 111 (b) of the amendment as passed by the House requiring expenditures for commodities or services procured offshore to be accounted for exclusively on such certification as the Administrator may prescribe "in regulations promulgated by him with the approval of the Comptroller General." Experience has shown that with respect to procurement outside the United States, particularly through normal trade channels, it is frequently impossible to obtain all the standard documentation required for auditing of accounts. Hence the Administrator is authorized to prescribe the documents required in support of expenditures for offshore procurement. The purpose of the amendment made by the House was to assure that the Administrator would obtain the approval of the General Accounting Office in promulgating regulations prescribing the documentation to support such expenditures for offshore procurement.

It is contemplated that the regulations would not specify such documentation with great particularity, but would indicate general requirements assuring appropriate expenditure, while leaving details of documentation to the discretion of the Administrator who would be free to take into account the exigencies of individual situations.

The Senate recedes on the provision in section 111 (b) (3) of the amendment as passed by the House including among the guaranties which may be made the guaranties of investments in enterprises pro-
during or distributing informational media. The members of the committee of conference recognize that the nature of the information media industry is such that in many cases the investment to which the guaranty will apply will have been made in the United States and the product of the investment sold or exhibited abroad. In these cases the guaranty might well apply to the convertibility of foreign currencies earned by the sale or exhibition of the products of the industry, to the extent of the dollar cost of production wholly attributable to those specific products.

The Senate also recedes on the provision in section 111 (b) (3) of the amendment as passed by the House requiring that when any payment is made under a guaranty, foreign currency or credits in such currency in respect of which the guaranty was honored shall become the property of the United States. This provision will, of course, apply only to the amount of local currency or credit in such currency for which payment is made under the guaranty.

PROTECTION OF DOMESTIC ECONOMY (SEC. 112)

The House recedes on the provision written into section 112 (c) of the amendment passed by the House requiring that not less than 50 percent of the corn to be transferred by grant to the participating countries should be in the form of corn derivatives other than intoxicating liquors.

Section 12 (d) of the bill as passed by the Senate provided detailed rules to be followed by the Administrator in the procurement of surplus agricultural commodities in order to protect the domestic economy. The term “surplus agricultural commodity” was defined as any agricultural commodity, or product thereof, produced in the United States which is determined by the Secretary of Agriculture to be in excess of domestic requirements. In section 112 (d) of the amendment passed by the House there was added to this definition “canned foods and domestically produced fishery products which are determined by the Secretary of Agriculture to be in excess of domestic requirements. The House recedes on this amendment. The generality of the definition remains intact.

AUTHORIZATION OF APPROPRIATIONS (SEC. 114)

Section 14 (a) of the bill as passed by the Senate provided that the Reconstruction Finance Corporation was to be repaid without interest from appropriations authorized under the bill for advances made by it in pursuance of the bill. In section 114 (a) of the amendment passed by the House the language was changed to provide for repayment “from funds made available for the purposes of this title.” The Senate recedes on this amendment. This is in keeping with the acceptance by the committee of conference of the portions of the House amendment relating to public-debt transactions. A clarification is necessary: funds may be made available for assistance to any participating country out of the Reconstruction Finance Corporation advance prior to a determination whether such assistance should be by way of grant or loan. When such determination is made, the Reconstruction Finance Corporation will be repaid from appropriations made under section 114 (c) or from proceeds of the sale of notes under section 114 (c) (2) as the case may be.
The Senate recedes on the language adopted by the House in section 114 (c) insuring annual authorizations during the life of the program.

**BILATERAL AND MULTILATERAL UNDERTAKINGS (SEC. 115)**

The bill as passed by the Senate in section 15 (b) (4) would require a participating country where applicable to agree in the basic bilateral agreement to undertake measures, to the extent practicable, to locate and control in furtherance of the joint program assets, and earnings therefrom, situated in the United States and belonging to citizens of such countries. Section 115 (b) (4) of the House amendment changed this language to a requirement to identify and “put into active use” such assets and earnings. The Senate receded on this part of the House amendment with an amendment changing the word “active” to “appropriate”. This provision does not require the liquidation of the assets to which it applies. For instance, investments would be considered as being put into appropriate use if the income therefrom were being used in such a manner as would contribute to the furtherance of the recovery program.

Section 15 (b) (5) of the bill as passed by the Senate provided for a clause in the bilateral agreement, if applicable, under which a participating country would undertake within reasonable limits to facilitate the transfer to the United States, for stockpiling purposes, of materials required by the United States as a result of deficiencies or potential deficiencies in its own resources. The House amendment in section 115 (b) (5) included “other” purposes along with stockpiling so as to indicate that scrap iron, and any similar materials which are immediately needed in our economy, need not be stockpiled. The Senate receded on this portion of the House amendment. In the opinion of the committee of conference materials such as scrap iron, should be available for transfer to the United States under this provision for immediate use and not for stockpiling.

In section 115 (b) (9) the House amendment added to the undertakings which might be applicable to the bilateral agreement an undertaking reinforcing the provisions included in the Senate bill respecting the acquisition of materials required by the United States as a result of deficiencies or potential deficiencies in its own resources. The participating country was to undertake to provide future schedules of minimum availabilities to the United States for future purchase and delivery, and also to provide an agreed schedule of increased production of such materials in repayment on a long term basis of grants or loans made by the Administrator to the participating country. The Senate recedes on this portion of the House amendment with amendments making it clear (1) that the bilateral agreement need only contain an agreement by the participating country to negotiate in the future for providing such schedules and (2) that a portion of the increased production of such materials would be transferred to the United States on a long term basis in consideration of assistance furnished to the participating country under Title I rather than in repayment of specific loans or grants.

Section 115 (b) (10) of the House amendment added to the undertakings which might be applicable to the bilateral agreement an undertaking to submit for the decision of the International Court of Justice or any mutually agreed tribunal any case espoused by the United
States Government involving compensation of a national of the United States for governmental measures affecting his property rights. The Senate recedes on this amendment. It should be pointed out that in making its decision as to whether to espouse a claim, the United States Government will give due regard to the availability of local remedies and to the question whether such remedies, if available, have been exhausted by the United States national concerned.

OTHER DUTIES OF THE ADMINISTRATOR (SEC. 117)

Section 17 (c) of the bill as passed by the Senate would give discretionary authority to the Administrator to defray ocean freight charges on relief packages sent by United States voluntary nonprofit relief agencies or by American individuals and consigned to residents of participating countries receiving aid under grants. Section 117 (c) of the amendment passed by the House provided for a number of extensions and refinements of this authority. It also made the defrayment of such expenses mandatory and included port charges and the handling costs from the post office at the port terminal to shipside along with the ocean freight charges as expenses which might be defrayed. The House recedes on the mandatory requirement and on the inclusion of port charges and handling costs from the port terminal post office to shipside. It was the considered judgment of the members of the committee of conference that the subsidizing of expenses beyond ocean freight would result in an excessive drain on the funds authorized to be appropriated by this bill.

The House recedes also on an additional provision which would authorize the Administrator to grant equal benefits to American relief agencies which deliver packages from stock piles abroad. It was the view of the members of the committee of conference that with the removal of port charges and the cost of handling from the terminal post office to shipside an equitable balance is struck between individuals and organizations shipping relief packages directly from the United States on the one hand and organizations which stock-pile relief supplies in Europe on the other hand.

Section 117 (d) includes a provision which was in section 112 (g) of the amendment as passed by the House relevant to the authority of the Administrator to refuse delivery to participating countries of commodities or products which go into the production of any commodities or products for delivery to any nonparticipating European country, which commodity would be refused export licenses to those countries by the United States in the interest of its national security, and further authorizing the Administrator to intervene in the national interest in the enforcement of section 6 of the act of July 2, 1940 (54 Stat. 714), as amended. The Senate recedes with an amendment.

Under the amendment as agreed to by the committee of conference, it is contemplated that pursuant to the authority conferred by section 6 of the act of July 2, 1940, as amended, regulations will be promulgated by the President under which the Administrator can make a finding whether the denial of export licenses with respect to particular commodities destined for nonparticipating countries in Europe have been refused in the interest of the national security of the United States or whether they have been refused on other grounds.
JOINT CONGRESSIONAL COMMITTEE (SEC. 124)

Section 24 of S. 2202 as originally passed by the Senate contained a provision for a Joint Committee on Foreign Economic Cooperation, to be composed of seven Members of the Senate and seven Members of the House of Representatives to be appointed respectively by the President of the Senate and the Speaker of the House. The function of this committee would be to study continuously the programs of economic assistance to foreign countries, review progress under these programs, and assist the related standing committees of the Congress having legislative jurisdiction relevant to the program.

The House amendment to S. 2202 omitted this provision. Section 108 of the House amendment provided, however, that the United States Special Representative in Europe should keep the chairmen of the Committee on Foreign Relations and the Committee on Appropriations of the Senate and the Committee on Foreign Affairs and the Committee on Appropriations of the House currently informed on his activities. A similar provision respecting the Chief of the Special Mission to China was included in section 405. These two provisions in the House amendment were to implement the legislative and appropriating committees concerned in carrying out their responsibilities under the Legislative Reorganization Act of 1946.

The House recedes with an amendment. The provisions for the United States Special Representative in Europe and the Chief of the Economic Mission to China to make special reports to the committee chairmen concerned are omitted. As a substitute for the provision for a joint congressional committee as contained in the bill as passed by the Senate, the bill as revised in the committee of conference provides for a joint committee to consist of 10 members equally balanced as between the two Houses of Congress, of which 3 members from each House will be from the committee having legislative jurisdiction and 2 members from each House will be from the committee having jurisdiction with respect to appropriations. The joint committee thus envisaged will maintain the balance as between the two major political parties and questions of policy and purse will be brought into a common focus.

The Senate's view emphasizes the need of a joint committee having a special obligation to follow up on the effectiveness of operations carried out in this new and far-reaching experiment in foreign relations. The view of the House, on the contrary, emphasizes the need of protecting the primary responsibility of the legislative committees and of the appropriations committees concerned in the feeling that supervision is most effective when linked to responsibility.

It is the view of the majority of the managers on the part of the House that the formula worked out in the committee of conference is a most satisfactory compromise between these two points of view.

TITLE II

The Senate receded with an amendment to the House amendment inserting title II in the bill. The purpose of the amendment as agreed to in the committee of conference is to set up a more convenient formula for computing the contribution to be made to the Children's
Fund by the United States. The following is the method of computing the amount of the United States' contributions under this amendment:

The entire resources of the fund consist of contributions from three sources:

Category (1): Contributions by governments other than the United States for the benefit of persons within their own territory;

Category (2): Contributions by governments other than the United States for the benefit of persons outside their own territory;

Category (3): Contributions by the United States.

The United States is authorized to contribute up to 70 percent of the total resources contributed by all governments, including the United States. The contributions by the United States, however, are not expected to exceed the sum of the contributions by other governments. Contributions by other governments for the benefit of persons outside their own borders, i.e., category (2), must match United States contributions on a 72-28 basis.

Thus, taking the total resources as 100 percent, category (3), contributions by the United States, are not expected to exceed 50 percent but may reach 70 percent. If the contributions by other governments for the benefit of persons outside their territory, i.e., category (2), equal exactly 20 percent, there will be 30 percent in category (1). For every $2 contributed by other governments for the benefit of persons outside their borders the United States may contribute as much as $5 to the Fund. In case no country makes a contribution to the Fund for the benefit of children inside its own borders, the $5 contributed by the United States would be matched only by the $2 in category (2). The United States contribution would then amount to 70 percent of the total resources, as authorized in the proposed language of the bill. If, however, other countries contribute 30 percent of the total resources for the benefit of children within their own borders, the United States contribution will be just 50 percent of the total resources.

**TITLE III**

The amendment as passed by the House included military-type aid to Greece, Turkey, and China in title III. As a result of the action taken by the committee of conference military-type aid to Greece and Turkey is retained in title III and military-type aid to China is shifted to title IV.

**TITLE IV**

**CHINA**

The managers on the part of the House accepted changes which considerably shorten the text of the bill, consolidate aid to China in a single title, adjust the time period of the authorization from “until June 30, 1949” to a “period of one year”, and adjust the amount authorized to the change from 15 months to 12. The purpose clause of the House bill was retained, as well as the provision on rural reconstruction. The Senate provision on an advance by RFC before appropriation was accepted.
FOREIGN ASSISTANCE ACT OF 1948

ADMINISTRATIVE PROVISIONS

The managers on the part of the House accepted the clause from section 2 of the Senate bill, providing that aid to China is to be provided under the applicable provisions of the Economic Cooperation Act of 1948 which are consistent with the purposes of this title. This clause is a substitute for the complex provisions of the House bill. All of section 403 of the House bill with the exception of the authorization of funds, and the last clause relating to rural reconstruction, together with section 405 of the House bill, are thus replaced by three lines from the Senate bill with no change in effect, embodied in section 403 of the conference bill.

CHINA—AMOUNT AUTHORIZED

The amount authorized was changed from a total of $570,000,000 for approximately 15 months to a total of $463,000,000 for a period of 12 months. The new figure is slightly more than four-fifths of the former House figure, reflecting the assumption that the scale of aid will be highest at the beginning of the program and decline thereafter.

Of the total authorization it was agreed that $125,000,000 should be provided under the language of the Senate bill allowing for aid of military character, with $338,000,000 remaining for the economic reconstruction type of aid. In making this adjustment the allotment for military aid is slightly larger in proportion to purely economic aid than in the original House bill. These changes are embodied in section 404 of the agreed bill.

RURAL RECONSTRUCTION

The so-called “Jimmy Yen” provision of the House bill, consisting of subparagraph (h) of section 403, together with the whole of section 404 of the House bill, was retained as section 407 of the agreed bill. The amount authorized was modified from a fraction of the total United States dollars to include either United States funds, Chinese funds made available under agreement, or both.

RFC CLAUSE

The Senate provision allowing an advance of $50,000,000 by the Reconstruction Finance Corporation against the program for China was accepted by the managers on the part of the House. This reduces the authorization in this connection from $150,000,000 to $50,000,000, but in the judgment of the conference this smaller amount will be entirely adequate for the practical needs of the program. This provision is now Section 406 of the bill.

C. A. Eaton,
J. M. Vorys,
K. E. Mundt,
S. Bloom,
J. Kee,
Managers on the Part of the House.
ECONOMIC COOPERATION ADMINISTRATION

Washington, D. C.

August 26, 1948

Honorable William Martin, Jr.
Chairman, Export-Import Bank
734 - 15th Street, N. W.
Washington, D. C.

Dear Mr. Martin:

In order to simplify and facilitate arrangements for furnishing assistance under the Economic Cooperation Act, this Administration proposes to adopt a consolidated procedure for drawing upon both grants and loans. The proposed procedure, set forth below, will eliminate the necessity for identifying any particular transactions with loans, and thereby eliminate dual documentation by the Export-Import Bank and curb administrative expense:

1. The total allocation to a participating country will be fixed for each quarter. Assume it is $100,000,000.

2. The loan-grant ratio will be fixed for each country in accord with the statutory standards (Section 111(c)(1)). Assume that, in the case of a particular country, this is 80% grant and 20% loan. It would then be contemplated that approximately 20% of the assistance authorized would be used in order to finance imports of capital equipment and of raw materials for use in connection with capital development. Thus, although the procedure outlined below eliminates the present "tagging" of each item authorized as a loan item or a grant item, the substantive effect of the program will be the same as that resulting from the present procedure.

3. The participating country will enter into a loan agreement with the Export-Import Bank by which it will agree to a credit, on terms specified by the Administrator in consultation with the National Advisory Council, for $20,000,000.

4. ECA will then allocate $20,000,000 (obtained by the execution of a note to the Treasury) to the credit of the Export-Import Bank for a loan to the participating country.

5. All items will be processed as though they were grant items; ECA receiving in each transaction the documentation required by Regulation No. 1. The money will be expended directly by ECA out of appropriated funds as in the case of grants.
6. As ECA makes payments (to the country, or to a bank or a supplier), or at such other time or times as the Administrator may choose within or at the end of each quarter, ECA will give a certificate to the Export-Import Bank setting forth such amounts of each advances as are attributable to the loan, and will be entitled to reimbursement to that extent by the recipient country from the proceeds of the loan. The Export-Import Bank will issue its check against the ECA certificates, payable to the country, for delivery as instructed by the Administrator. (The Check will be delivered to the country representative in the ECA offices and immediately endorsed over to EGA as reimbursement of the expenditures already made as described above.)

7. The participating country will deliver the necessary note to the Export-Import Bank at the beginning of each quarter. The note will state that it is effective only for the amount actually advanced. Since these credits will not carry interest until 1952, this adjustable type of note will not give rise to difficulties.

8. The only documentation the Export-Import Bank will receive will be the certificates of ECA described in (6) above.

If you are prepared to acquiesce in the operating procedures outlined above, they will be put into effect forthwith.

Sincerely yours,

/s/ Paul Hoffman

Administrator
Dear Mr. Hoffman:

Since our acknowledgment of September 2, 1948 of your letter of August 26, 1948, the Board of Directors of the Bank has given thought to your proposal "to adopt a consolidated procedure for drawing upon both grants and loans" and thereby "eliminate the necessity for identifying any particular transaction with loans".

As has been made known to various members of the Economic Cooperation Administration, including Messrs. Bissell, Henderson and Kohler and their subordinates, at the time of the drafting of our Memorandum Agreement of May 21, 1948 and in discussions since that time, we do not subscribe to the theory that the Economic Cooperation Act of 1948 draws no distinction between grants and credits other than the fact that obligations are taken to evidence credits. It has been our opinion that the Congress intended, and that the Act provides, that a real distinction is to be drawn between the two forms of assistance and that the distinction may and should be drawn in practice without departing from the basic principle to which all subscribe—that the ERP program should be a unified, over-all program controlled and directed by the Administrator.

However, we recognize that the Act vests in the Administrator the right to determine the approach to be followed in the extension of credits under the Act. Since we have never raised and do not now intend to raise a jurisdictional issue, we are prepared to follow the proposed procedure to the extent we may do so within the requirements of the Act in so far as they apply to the Bank.

Section 111(c)(2) of the Act requires that the Bank, as a minimum, establish each credit, disburse the funds thereunder to or for the account of the borrowing country, receive its obligations in evidence thereof, and receive payments on the indebtedness. Accordingly, we are prepared, upon authorization of the Administrator, to establish a line of credit upon condition that disbursements will be made by the Bank to or for the account of the borrowing country at
such times and in such amounts as shall be certified to the Bank by the Administrator.

We believe this type of agreement, to which only the Bank and the borrowing country will be parties, will permit the Economic Cooperation Administration to achieve the purposes which are expressed in your letter of August 26, 1948. It will necessitate, however, that the Administrator and the respective countries enter into independent arrangements with respect to the mechanics of the combined grant and loan procedure rather than providing for these matters in the credit agreements as has been proposed by the Economic Cooperation Administration.

It is understood, of course, that our Memorandum Agreement of May 21, 1948 is modified by this exchange of letters.

Sincerely yours,

Wm. McC. Martin, Jr.
Chairman

The Honorable
Paul G. Hoffman, Administrator
Economic Cooperation Administration
Washington, D. C.
Chronology

"FOREIGN ASSISTANCE ACT OF 1948"
Public Law 472 - 80th Congress

(Prepared in Library, Export-Import Bank)

Title I. "Economic Cooperation Act of 1948" 1/

<table>
<thead>
<tr>
<th>Date</th>
<th>Documents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dec. 10</td>
<td>&quot;European Recovery Program - Basic Documents and Background Information&quot;. Prepared by the Staffs of Senate Foreign Relations Committee and the House Foreign Affairs Committee. (S.Res. 167) S. Doc. #111</td>
</tr>
<tr>
<td>Dec. 19</td>
<td>President's Message transmitting &quot;Program of United States Support for European Recovery.&quot; H. Doc. #478</td>
</tr>
<tr>
<td></td>
<td>Outline of ERP. Draft Legislation and Background Information. Submitted by State Dept. for the use of Senate Foreign Relations Committee. Committee Print</td>
</tr>
<tr>
<td>Jan. 6</td>
<td>House Administration Bill, by Mr. Eaton. H.R. 4840</td>
</tr>
<tr>
<td>Jan. 8 thru Feb. 5</td>
<td>Hearings held before the Senate Committee on Foreign Relations on &quot;U.S. Assistance to European Economic Recovery.&quot; 2/</td>
</tr>
<tr>
<td>Jan. 12 thru Mar. 10</td>
<td>Hearings held before the House Committee on &quot;United States Foreign Policy for a Post-War Recovery Program, the First Step Being Consideration of Proposals for a European Recovery Program, including H.R. 4840, H.R.4579 and similar measures.&quot; 2/</td>
</tr>
<tr>
<td>Jan. 22</td>
<td>Brookings Report on &quot;Administration of United States Aid for a European Recovery Program.&quot; Committee Print</td>
</tr>
</tbody>
</table>

1/ Popularly known as "ERP" (European Recovery Program)


Senate Committee met in Executive Session to prepare a bill for reporting. Committee agreed to meet on Feb. 17 to vote on reporting the bill.

Feb. 17

Senate Foreign Relations Committee unanimously agreed to introduce and report the Committee draft of a bill to provide for ERP.

Feb. 23

"The Economic Cooperation Act of 1948" introduced by Mr. Vandenberg for himself and Mr. Connally. Referred to the Committee on Foreign Relations.

Feb. 26

S.2202 reported without amendment from Committee with Senate Report.

Mar. 1-12

Debated S.2202 in the Senate. Various amendments proposed.

Mar. 13

S.2202 passed the Senate with several amendments.

Mar. 15

The Senate passed bill, S.2202 "The Economic Cooperation Act of 1948" introduced in the House. Referred to House Committee on Foreign Affairs.

House Foreign Affairs Committee rejected a motion calling for immediate action on Senate approved S.2202. House Committee proceeded to work on a bill to incorporate ERP with military aid to China, Greece and Turkey, and economic aid to China.

Mar. 17

A "single package" foreign aid bill, to include ERP, military aid to China, Greece and Turkey and economic aid to China, was agreed upon by the House Committee. (See Appendices A & B).

Mar. 19

House Foreign Affairs Committee completed work on the Senate approved bill, S.2202.

Mar. 20

S.2202 reported to the House with amendments and House Report.

Mar. 22

S.2202 made special order of business under House Res. 505.

Mar. 22

H.J.Res. 355 by Mr. Wigglesworth. Reported, considered and adopted, making appropriations for foreign aid. This bill provides 55 million for aid to Austria, France and Italy which is to be deducted from the money provided by the Foreign Assistance Act of 1948.
Mar. 23  S.2202 debated in the House. Various amendments proposed.

Mar. 31  S.2202 passed the House as amended. House asked for a conference.

Apr. 1  Senate agreed to House amendment to text of bill, with an amendment; disagreed to the House amendment to the title; insisted upon its amendment. Asked for a conference with the House.

House disagreed with Senate amendment to House amendment to text of bill; further insisted on its amendment to title. Agreed to the conference asked by the Senate. Conference report to be filed by midnight, April 1.

Apr. 2  Conference Committee report on S.2202 was adopted by both Houses, thus clearing the bill for the President's signature.

Apr. 3  S.2202 signed by the President, thus becoming Public Law No. 472

Title II. "International Children's Emergency Fund Assistance Act of 1943."
APPENDIX A

"FOREIGN ASSISTANCE ACT OF 1948"
Public Law 472 - 80th Congress

Title III. "Greek-Turkish Assistance Act of 1948"

<table>
<thead>
<tr>
<th>Date</th>
<th>Event</th>
<th>Documents</th>
</tr>
</thead>
<tbody>
<tr>
<td>1943</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mar. 15 &amp; 17</td>
<td>Senate Committee on Foreign Relations held hearings in executive session on &quot;Aid to Greece and Turkey.&quot;</td>
<td>Included in S. Report 1017</td>
</tr>
<tr>
<td>Mar. 19</td>
<td>Bill drafted and approved by a unanimous vote</td>
<td></td>
</tr>
<tr>
<td>Mar. 22</td>
<td>Mr. Vandenberg, from the Committee on Foreign Relations, reported S.2358, a bill to amend</td>
<td>S. 2358, and S. Report 1017</td>
</tr>
<tr>
<td></td>
<td>Public Law 75 approved May 22, 1947 to provide assistance to Greece and Turkey with Senate</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Report.</td>
<td></td>
</tr>
<tr>
<td>Mar. 23</td>
<td>S. 2358 debated and passed by voice vote in the Senate.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Referred to House Committee on Foreign Affairs</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Superseded by S. 2202, amended</td>
<td></td>
</tr>
<tr>
<td>Apr. 1</td>
<td>Conference report to accompany S. 2202</td>
<td>H. Report 1655</td>
</tr>
<tr>
<td>Apr. 3</td>
<td>S. 2202 &quot;Foreign Assistance Act of 1948&quot; was signed by the President thus becoming a Public Law.</td>
<td>Public Law 472</td>
</tr>
</tbody>
</table>
APPENDIX B

"FOREIGN ASSISTANCE ACT OF 1948"
Public Law 472 - 30th Congress

Title IV. "China Aid Act of 1948"

<table>
<thead>
<tr>
<th>Date</th>
<th>Event</th>
<th>Documents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Feb. 19</td>
<td>President's Message on Aid to China</td>
<td>S.Doc. 120 and H.Doc. 536</td>
</tr>
<tr>
<td>Feb. 20</td>
<td>Text of Proposed China Aid Bill and Background Information on Economic Assistance Program for China. Submitted by State Department to the House Committee on Foreign Affairs.</td>
<td>Committee Print</td>
</tr>
<tr>
<td>Mar. 19, 20 &amp; 26</td>
<td>Senate Committee on Foreign Relations held executive hearings.</td>
<td>Not available</td>
</tr>
<tr>
<td>Mar. 22</td>
<td>Senate Committee drafted bill, approved by unanimous vote.</td>
<td>S.2393 and S.Report 1026 and S.Report 1026 Amend</td>
</tr>
<tr>
<td>Mar. 25</td>
<td>Sen. Vandenberg reported the bill from Committee on Foreign Relations with Report.</td>
<td></td>
</tr>
<tr>
<td>Mar. 30</td>
<td>S. 2393 bill to provide aid to China was debated and passed by voice vote in the Senate.</td>
<td></td>
</tr>
<tr>
<td>Mar. 31</td>
<td>S. 2393 referred to House Committee on Foreign Affairs. Superseded by S. 2202, Amended.</td>
<td></td>
</tr>
<tr>
<td>Apr. 1</td>
<td>Conference report to accompany S.2202</td>
<td>H.Report 1655</td>
</tr>
<tr>
<td>Apr. 3</td>
<td>S.2202 &quot;Foreign assistance act of 1948&quot; was signed by the President thus becoming Public Law.</td>
<td>Public Law 472</td>
</tr>
</tbody>
</table>