

DIPLOMACY OF THE EXPORT-IMPORT BANK
OF WASHINGTON, D. C.

by

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PREFACE

During the decade of confusion and depression in the United States, President Franklin D. Roosevelt and leading statesmen were creating facilities to alleviate the then present economic situation. The Export-Import Bank of Washington, D. C. was created to stimulate one portion of the economy. Commerce or trade and its associated activities needed to be stabilized, as well as agriculture and industry. The Bank was established to stimulate trade in the United States by extending credits to domestic exporting-importing groups. At the same time the Bank was intended to stimulate trade in foreign countries. The result was expected to be twofold, benefits going both to the United States and to foreign countries.

The purpose of this study of the Export-Import Bank has been to show how this emergency institution grew in stature so that its functions were no longer directed to meet emergency conditions. The Bank has proved itself of more value throughout the years, even to the extent of becoming an integral part of American foreign policy.

The writer has restricted this study to the history and diplomacy of the Export-Import Bank. Examining the financial workings of the Bank would provide an interesting study within itself (though financial reports are of course contained in this study). Sources for the study were fairly extensive; however, there was a

notable lack of periodical material. Particularly abundant sources were the government documents, government bulletins, and the New York Times.

The writer would like to acknowledge the time, help, and encouragement given to her by Dr. A. Bower Sageser of the Department of History and Government, graduate adviser; and would like to acknowledge the information so cooperatively given by Sidney Sherwood, Secretary of the Export-Import Bank of Washington, D. C.

CHAPTER I

BEGINNINGS OF THE EXPORT-IMPORT BANK

In 1934, the United States was the center of a world-wide depression. She had led the world in a depression; she was expected to lead the countries out of it. Soon after his inauguration, President Franklin D. Roosevelt established emergency legislation to alleviate the existing financial conditions within the United States. This legislation was effective as far as it went. It covered many fields, but the field of foreign and domestic trade was largely neglected. Without such legislation, complete recovery from depression conditions could not be had.

For more than a year, many leading exporters and importers had advocated the creation of a national foreign trade bank to deal with the then existing financial situation. In January, 1934 a committee, headed by John Abbink, vice-president and general manager of Business Publishers International Corporation, was formed to promote legislation to create such a bank.¹ This committee advocated a foreign trade bank for the following reasons: 1) the 89 percent shrinkage in export volume since 1929 was due to the fact that there was a lack of financing facilities; 2) an increase in sales volume would be had if such a bank were established; 3) unemployment would be alleviated in the fields of

¹ New York Times, January 21, 1934, Section II, p. 6. Others on the committee were: H. P. Barrand, banker; Henry P. DuBois, foreign trade authority; James D. Mooney, president of the General Motors Export Corporation and head of the American Manufacturers Export Association; and E. P. Thomas, president of the National Foreign Trade Council.

trade (12,000,000 lost jobs due to a loss in trade; 4) the benefits of the Bank would not be dependent on any modification of the tariff or tariff treaties; 5) the Bank would help international understanding of present conditions; 6) the Bank would facilitate the solution of foreign trade problems and perhaps establish a sound foreign trade policy. The committee set forth a final reason, supported by President Roosevelt and leading politicians that once the United States had set in motion easy trading conditions, both this and other countries would be lifted more readily from the financial depths in which they found themselves.²

In addition to the financial situation at this time, there was another political-economic reason which was used as an argument for the formation of a foreign trade bank. In 1933, Russia was recognized by the United States. Recognition did not insure easy trade or relations between the countries. Diplomatic objections in the United States prevented direct loans to foreign nations. A governmental corporation was intended to sidestep such objections. Russian trade opportunities opened up vast possibilities, and Russia was ready to buy from the United States if she could secure long-term credits. President Roosevelt, along with leading exporters, saw the opportunities of trade with Russia that would be aided by a foreign trade bank.

So, another Rooseveltian idea in New Deal emergency legis-

² Ibid.

lation took form. At the beginning of February, President Roosevelt announced definite plans for a foreign trade bank. He allied himself with Jesse H. Jones in the planning. Jones advocated the Bank's loaning to all countries, and President Roosevelt placed emphasis on trade with Russia.

The first White House conference dealing with the suggested bank was held February 2, 1934. Jesse H. Jones; William C. Bullitt, ambassador to Russia; and John Wiley, counselor of the embassy at Moscow, were present. The inclusion of Wiley and Bullitt indicated that Russian credits were to be major considerations. President Roosevelt revealed the plans the next day and estimated the amount of capital needed to be \$500,000,000. At this time there was an indication that the bank would not be confined to foreign trade but also included domestic trade; the bank would extend loans to domestic importers and exporters or to foreign countries and their agencies.

Immediately upon this announcement, exporters and importers offered advice and a special advisory committee was authorized to consult with the President. It sought assurance that the bank would accept applications from small exporters and importers as well as the larger groups or countries. It advised Federal officials to establish the headquarters of the bank in Washington, D. C. This advisory committee also suggested terms and provisions for prospective loans and the extent of the capital the bank would have.

Within a few hours, and on the same day as the White House

conference and the meeting of the advisory committee, the President issued an Executive Order (No. 6581) establishing the Export-Import Bank of Washington, D. C. It was established under the authority granted to the President in Section 2, Title I of the National Industrial Recovery Act. The Bank was incorporated under the laws of the District of Columbia. The date of creation was set by President Roosevelt for February 12, 1934. The executive order stated that the Export-Import Bank was created "to aid in financing and to facilitate exports and imports and the exchange of commodities between the United States and other nations or the agencies or nationals of other nations."³

The certification of incorporation of the Export-Import Bank read in part as follows:

Know all men by these presents that ... desiring to form a corporation pursuant to Title 5, Chapter 9, Section 261 of the Code of the District of Columbia, enacted by Congress and approved by the President of the United States do hereby certify:

First: To do a general banking business (except that of discount or circulation); to receive deposits; to purchase, sell and negotiate, with or without its endorsement or guarantee, notes, drafts, checks, bills of exchange, acceptances, including bankers' acceptance, cable transfers and other evidences of indebtedness; to purchase and sell securities, including obligations of the United States or of any State thereof but not including the purchase with its funds of any stock in any other corporation; to accept bills or drafts drawn upon it; to issue letters of credit; to purchase and sell coin, bullion and exchange; to borrow and to

³ Executive Order 6581 text in New York Times, February 17, 1934, p. 21, and in all United States Government Manuals from date of Bank's establishment. Department of State Bulletin or Statutes-at-large do not contain this executive order. Not obtainable at all at Kansas State College.

lend money, and to do and perform the necessary functions permitted by law to be done or performed in conducting said enterprise or business....

Second: The term of its existence shall be ten years from the date of its incorporation.

Third: The amount of capital stock of the corporation shall be \$11,000,000, divided into classes and shares as follows:

(a) \$1,000,000 par value of common stock, divided into 10,000 shares of the par value of \$100 each; and

(b) \$10,000,000 par value of preferred stock, divided into 10,000 shares of the par value of \$1,000 each⁴

Of the \$11,000,000 capital, \$10,000,000 was purchased by the Reconstruction Finance Corporation, and \$1,000,000 of the capital was obtained from the Public Works Administration.

The charter also stated that there should be a board of trustees numbering five. An increase to eight members was allowed for, with the approval of the President. The men named on the board of trustees when the bank began were: Daniel C. Roper, Secretary of Commerce; Robert F. Kelley, Secretary of State; Chester C. Davis, Secretary of Agriculture; Stanley Reed, R. F. C. General Counsel; and Lynn P. Talley, President of Commodity Trust Corporation. George N. Peek, Special Advisor to the President on matters of commerce, was named President of the Bank by Roosevelt. On February 14, 1934, R. Walton Moore, Assistant Secretary of State; Harold H. Neff, Assistant Chief of the Securities Division of the Federal Trade Commission; and Tom K. Smith, Secretary of

⁴ New York Times, February 17, 1934, p. 27. See Appendix A for full Certificate of Incorporation.

Treasury, were appointed as the three additional members on the Board of Trustees.

The Bank had been created to facilitate exports and imports. More specifically, however, the Bank was to finance certain types of credits. First, the bank was created to assist in financing exports from the United States and imports into the United States. Second, the Bank provided for purchasing American engineering and technical services in connection with specific projects in the country which requested aid. The third type of service, and most important of the three, was the extending of credits to facilitate the export of goods.

Those who were eligible to apply for loans from the Export-Import Bank were: 1) United States exporters; 2) United States importers; 3) foreign governments and their agencies; 4) foreign banks; and 5) foreign enterprises. Thus the Bank provided for aid for the domestic trade field and the international trade field. It also exemplified the idea which promoted the Bank's creation -- alleviation of depression conditions.

From the public's reaction, the creation of the Bank seemed almost to be an executive coup d'etat. The Merchants Association of New York registered a protest which stated that industry and commerce and agriculture were interdependent and that support of one or more groups against the other was disastrous. A second criticism, by the Merchants, was based on the supposition that the Bank would succeed in aiding only a few geographic sections of the United States, much to the impoverishment of the other

sections. The World Trade League also questioned the usefulness of such a bank. This organization voiced a question that was later to become important. The question was, should the Federal government sponsor such a loan agency? Senator Millard Tydings of Maryland voiced a lone criticism, and this was a specific criticism directed against the proposed loan to Russia that was one of the reasons for the Bank's establishment. He pointed out that Russia was already in debt to the United States and that it was questionable whether or not she could repay any other loan.⁵

George N. Peek made a statement when he took over the Bank in February, 1934, which could be considered a partial answer to the above criticisms. In his preliminary statement he said the bank had not been created for the purpose of acting "as Santa Claus to hand out presents at home or abroad." He continued, addressing his remarks to special groups:

To Agriculture: I shall not forget the farmers' interests, to which I have devoted myself for at least a decade I call attention to the fact that for many years I have advocated expansion of our agricultural exports to relieve our burden of surpluses, present and recurring....

To Industry: Due to changing conditions throughout the world, government can and should assist in many directions in the conduct of a sound international trade.... I want to make it clear that this bank has been created for the purpose of assisting our foreign trade and of providing facilities, not now obtainable in regular banking channels, for financing the seller....

To the public generally: I say that this is just one move on the part of the President in his program

⁵ Ibid., February 16-23, 1934.

to break the back of the depression....⁶

Despite the criticisms of the Bank, the public seemed inclined to accept the organization on a temporary basis and let it prove itself, if possible. Those who were against the Bank soon had the satisfaction of seeing it lapse into temporary inactiveness. Russia was to get the first loan from the Export-Import Bank. However, before the loan was authorized, the Johnson Act was pending.⁷ As Russia was in debt to the United States, according to the Johnson Act, she could get no further loans from the United States. Legal obstacles could have been avoided. However, the Board of Trustees was not willing to enter into a questionable agreement. The Board decided that until there was a satisfactory settlement of debts by the Soviet Union, the credit facilities of the Bank should be reserved for a year for the anticipated Soviet trade. Thus the Export-Import Bank marked time until debt settlement took place.

Critics, who were elated at the sterility of the Export-Import Bank, were not long satisfied. Other countries, primarily Cuba, wanted credit for trade with the United States. To facilitate this trade, Roosevelt continued his idea of an Export-Import Bank. On March 9, 1934 Roosevelt issued an Executive Order (No. 6638) which established the Second Export-Import Bank of Washing-

⁶ Ibid., February 27, 1934.

⁷ For text of the Johnson Act, see Appendix B.

ton, D. C.⁸ The certificate of the corporation read the same as that for the First Export-Import Bank, except that provisions for loans to the Soviet Union were omitted. Also, its capital was only one-fourth as large.

The Second Export-Import Bank fared somewhat better than the First. Cuba had requested a loan for the purchase of silver and for the meeting of other expenses. In accordance with the Cuban request, the Second Bank loaned \$10,000,000 to that country. It also extended a loan to China. Other early transactions were those that facilitated the marketing of United States products. Otherwise the Second Bank made few financial commitments.

In 1935 there were two new developments which affected the status of the two Banks. The first was the Reconstruction Finance Corporation Act, approved January 31, 1935 which continued the functions of the First and Second Export-Import Banks until January 16, 1937. The second new development was, seemingly, due to two different reasons. The first reason was based on the idea that a new export-import bank would be established for each country which wished a loan. Many officials in Washington thought that this arrangement was exceedingly complicated and impractical. They advocated one bank with an enlarged capital. A second reason for reorganization of the Banks was the breakdown in Soviet debt negotiations with the United States. As a result of both arguments, the President issued another Executive Order

⁸ Department of State Press Releases (June 9, 1934), p. 136-138.

(No. 7365) affecting both the Export-Import Bank and the Second Export-Import Bank.⁹ This order, dated May 16, 1936, dissolved the Second Export-Import Bank of Washington; and the First Export-Import Bank (henceforth known as the Export-Import Bank) was given power to take over all the activities that the Second Bank had, effective June 30, 1936. The stocks of the Second Bank were retired and the cash originally received was returned to the United States Treasury.

Thus the consolidated or revitalized Export-Import Bank of Washington, D. C. was ready to begin its operations. From 1934 to 1936 the work of the Bank was small. Its policies were beginning to be formed and its work as an international trade bank was to be much larger than before.

⁹ New York Times, January 19-February 1, 1935. Also United States Statutes-at-Large, v. 49, p. 1-5; Senate Report No. 21, 74th Cong. 1 Sess., No. 21, p. 1-7; House Report, 74th Cong. 1 Sess., No. 34, p. 6-8.

CHAPTER II
PEACETIME ACTIVITIES 1936-1941

The Export-Import Bank's start in 1936 was rather hesitant. George N. Peek, President of the Bank, was solely responsible for the new problem which confronted the Bank. Peek had formulated many ideas of international trade, and he tried to use the Bank as a means of carrying out one of them. He tried to negotiate a type of trade exchange with countries that had applied for loans which did not include credit. He tried to promote the system of barter, instead of credit loans. For instance, he would have exported large amounts of cotton to Germany. Secretaries Wallace and Hull, both members of the Board of Directors objected strenuously to such a policy as being contrary to the Bank's policies. Political pressure resulting from Peek's efforts at barter caused his resignation as President.

In February 1936, Warren Lee Pierson, formerly counsel for the Reconstruction Finance Corporation, was elected President of the Bank to replace George N. Peek. Pierson was held in high regard by his associates, and the bank was expected to run smoothly.¹

In June 1937, the Export-Import Bank gave its first report, covering the years 1934, 1935, and 1936. The total of authorized

¹ New York Times, February 19, 1936, p. 27. At this time an advisory committee was established whose members were: Jesse H. Jones, Chairman; Secretary of Commerce, Rope; Messrs. Mood, Taylor, Pierson, and Chester G. Davis of the Department of Agriculture.

loans was \$101,430,556, of which \$41,264,348 was canceled or had lapsed; \$30,842,067 had been disbursed; and \$13,950,159 was repaid to the bank. The loans to foreign countries, their agencies or banks had been made as follows: Spain, Czechoslovakia, Germany, Latvia, Poland, China, Canada, Costa Rica, Cuba, Brazil, British India, and Mexico.² Operations covered a large and varying field.

Questions of the benefits of the Bank came to the fore early in 1937 when the date of continuation of the bank came near. January 16, 1937 had been set for the time of expiration or continuation of the Bank. The Senate was in favor of continuation. The New York Times recorded that Senator Harry Byrd of Virginia was, "the only Senator, Democrat, Republican, or Independent, who opposed continuance of this most popular of all the emergency agencies set up to fight the depression."³ The House vote went through smoothly, and President Roosevelt signed the bill extending the life of the Reconstruction Finance Corporation and the Export-Import Bank until June 30, 1939. Apparently the bank had been accepted by most people as a necessary piece of emergency legislation.

In 1938, the expectations of Congress of the importance of the Bank were borne out by the amount of loans and the ways of assisting various countries. The first important loan in 1938 was to Haiti; a \$5,000,000 credit to finance a public works pro-

² Ibid., July 10, 1936, p. 29. Reports prior to 1945 were not published for general use, but were requested at various House or Senate hearings.

³ Ibid., January 16, 1937, p. 1.

gram there. The J. G. White Engineering Corporation of New York was given a contract to assist in building roads, bridges, irrigation works, and to assist installing municipal water systems in Haiti. This loan was expected to bring excellent relations between Haiti and the United States.

In August of 1938, the Bank loaned \$6,000,000 to Italy to assist in exporting cotton to that country. The cotton was purchased by organized spinners in Italy and financed through Italian banks. Similar loans to finance the exporting of cotton were extended to Poland, Latvia, and Czechoslovakia at this time. Credits covering exports of railroad equipment and heavy machinery were committed to Brazil, Chile, and Venezuela during the summer months.

This series of loans to South America during July and August (including the Haitian loan) indicated that the Bank was turning more to Latin American credits. Many public officials and exporters noted this and thoroughly approved. The exporters promoted this idea of enlarged South American trade in order to meet the competition of Britain, Germany, France, Italy, and Japan who previously had seen a large field in Latin American trade.⁴

Bearing out this cultivation of Latin American credits by the Bank, its President, W. L. Pierson, traveled to Brazil late in August 1938. Exporters and public officials felt that Pierson

⁴ Ibid., August 7, 1938, Section 3, p. 1. Also "Open Door", Time, 32:41, August, 1938.

and the Export-Import Bank would direct South American trade to the United States. Lack of adequate financing was blamed for previous drops in trade with Brazil (and Latin America) and Pierson's trip to Brazil was expected to clarify the facilities the United States now had to offer. At the close of Pierson's visit, all felt his mission had been fruitful. In addition, the Bank extended credit for the exportation of railroad equipment to Brazil.

In December 1938, the Bank turned westward to extend a \$25,000,000 loan to China. This loan, specifically made to the Universal Trading Company of New York, was to assist in exporting American agricultural and manufactured products to China and the importing of wood oil from China. Immediate repercussions resulted from this loan. American statesmen questioned it as possibly violating the shaky neutral position maintained by the United States in the war between China and Japan. K. P. Chen, a Shanghai banker, thanked Secretary of Treasury Morgenthau for America's sympathetic aid! Americans and Chinese were not the only ones to see the political implications of this loan by the Export-Import Bank. Japanese statesmen declared that Chiang Kai-shek's regime had been weakening, but now this loan had given the Chinese hope; that America was prolonging the war between Japan and China. They decided that the Open Door and equal opportunity policies had been violated. Furthermore they stated that this loan would foreshadow military aid to China by the United States; that Japanese-American relations were being des-

troysed instead of becoming more agreeable. Despite the political inferences of the loan, no public official in the United States censured the bank publicly at this time. If anything, the Bank's actions foreshadowed a re-definition of some of the neutrality legislation of the United States.

The 1938 Report of the Export-Import Bank showed the extent of the past year's loans. The Bank authorized commitments totaling \$74,808,092; disbursed \$18,602,974; received payments totaling \$9,772,940; active commitments of the bank totaled \$46,165,508. Since it was created, the Bank had made commitments totaling \$208,863,930. Of this, \$101,261,000 were cancelled. Total disbursements were \$61,436,535, and of this \$35,233,345 was repaid.⁵

In February 1939, the continuation of the Export-Import Bank came under discussion by Congress, the expiration or renewal date again being imminent. The question of renewal was not as easy to decide in 1939 as it was in 1937. The Bank had perhaps made a false step in loaning money to China at a critical time. The Republicans assailed the bank primarily on the grounds that a government agency was being used to implement foreign policy, and possibly create international complications. Excerpts from hearings before the Committee of Banking and Currency in the Senate revealed the temper of the Republicans at this time:

⁵ Hearings of the Senate Before the Committee on Banking and Currency, on S. 1084 and S. 1102, 76th Cong. 1 Sess., p. 61-63.

Senator Taft. Is this a strictly banking operation, or is it what might be termed 'an instrument of foreign policy' as well?

Mr. Jones. It is for granting of credit to our exporters and importers.

Senator Taft. For instance this loan to China.... Is it a direct loan by the bank to the Government of China?

Mr. Jones. It is a loan to an American corporation with offices in New York, the capital stock of which is either owned in China or by the Chinese.

Senator Taft. As a matter of fact, isn't the loan made as a question of foreign policy and not at all as a banking proposition or particularly to help our exports?

Mr. Jones. I would not say that....

Mr. Taft. Mr. Chairman, I am heartily in favor of continuing the Export-Import Bank. I think they perform a very useful function. However, I do not think they ought to lend money to foreign governments.... My objection is that it might well be used to finance an European war without Congress knowing anything about it. If it is limited to \$100,000,000, I am willing to do it, but I shall certainly object to going beyond that....

Senator Tobey. There is no way.... of making this any safer than it has been?

Mr. Jones. We examine all the circumstances that may affect the payment of a loan. Naturally we take a chance on any foreign loan.

Senator Taft. Our experience in making loans to foreign governments has been most unfortunate in the past, has it not?

Mr. Jones. We are operating a little bit of a baby here, the Export-Import Bank....

Senator Taft. It seems to me that it should be definitely cut off. I do not think the Government should be in business. I do not think you ought to be making loans that are not safe enough for bankers to make. It seems to me that the entire business of

the United States Government extending credit abroad is unsound and that the time has come to end the power of the Government to conduct that kind of business.⁶

Immediately, both Democrats and exporting-importing groups rushed to the defense of the Bank and replied to Republican accusations. The National Foreign Trade Council Incorporated sent a letter to the Congressional Committee which stated that the Export-Import Bank served alone in its lending capacity that was beyond private banks. The letter also pointed out that Britain, Germany, and France had equivalent institutions and that the United States exporters and importers would suffer if the Bank was discontinued.

The Chairman of the Committee also read a letter from the Tradesmens National Bank and Trust Company of Philadelphia:

We believe that the charter of this bank should by all means be extended at this time.

Our bank has operated abroad with its own correspondents for over sixty years, and believes itself, therefore, qualified to express the opinion that the Export-Import Bank does a job which will prove of undoubted benefit to the U. S. A.

S. E. Guggenheim, Vice-President⁷

The Chairman went on to insert into the record a telegram from L. T. Murray, Secretary and General Manager of the Texas Cotton Association. Murray felt that it was bad to think of abandoning the Bank when outlets for American surplus agricultural crops were so badly needed.

⁶ Ibid., p. 35-44.

⁷ Ibid., p. 56.

During these Senate hearings, W. L. Pierson, President of the Bank was brought in for questioning. He was asked if the Export-Import Bank had aided in selling some American products that would not have otherwise been sold. His answer was affirmative. He was also asked if the transactions of the Bank had been made satisfactorily. His answer was that they had been done through "established hands of trade" and that there had been no losses.⁸

The outstanding Democrat who defended the Bank was Secretary of State Hull. His letter given to the Senate Committee by Jesse H. Jones read in part as follows:

.... Because I deem the matter to be of such importance in our whole program of sustaining and developing American commerce and other economic interests with the rest of the world, I take the liberty of writing you this note....

Several features of the existing situation increase the necessity of having some such institution as the Export-Import Bank to carry out these operations among which I may mention the following: (1) the existing unemployment and agricultural surpluses in this country; (2) the widespread evidence of various types of controls over trade and delays in payment for trade which create conditions unusually hard for the exporter or commercial banker to handle by himself; (3) the virtual cessation of private capital investments to which other countries -- especially the growing ones -- could ordinarily look for the credit facilities to carry them through their ordinary trade fluctuations and help to finance their development; and (4) the fact that other governments are in many ways giving credit and financial assistance to their commerce and the complete lack of it would mean that American producers would lose substantial business available to them with some measure of credit assistance....⁹

⁸ Ibid., p. 56.

⁹ Ibid., p. 60, House Report, 76th Cong. 3 Sess., No. 1670, p. 1-2.

Secretary Hull's letter apparently was the deciding factor, for on March 5, 1939 the President signed the bill extending the Bank until June 30, 1941. As was suggested by Senator Robert A. Taft of Ohio, there was a \$100,000,000 limit placed on the lending capacity of the bank in July 1939. This seemed to limit the bank so that political complications might be avoided.

The fiscal report of the Bank for 1939 revealed that the confidence of the devotees of the Bank had not misplaced their trust. During the past fiscal year the Bank had made a profit of more than \$1,740,000, and delinquencies on disbursed loans amounted to only \$50,000. Since 1934 the bank had made commitments of \$242,000,000 of which \$101,000,000 were cancelled. Actual disbursements amounted to \$95,000,000, and repayments \$41,000,000. During 1939 the loans were about equally divided between Europe, Asia, and Latin America. The largest loan went to the Chilean Corporacion de Fomento de la Produccion, for developmental projects.¹⁰

Early in 1940, in view of its extensive loaning throughout 1938 and 1939, the Bank's Board of Directors asked for an increase of \$100,000,000 in the revolving fund, which supplied the money

¹⁰ New York Times, July 16, 1939, Section III, p. 1, Hearings of the Senate Before the Committee on Foreign Relations, on S. 3069, 76th Cong. 3 Sess., p. 11-12. Loans from 1934 to 1939 were made to the following countries: Arabia, Argentina, Australia, Austria, Belgium, Bolivia, Brazil, Dutch East Indies, Chile, Canada, Columbia, Costa Rica, Cuba, Dutch West Indies, Czechoslovakia, China, Denmark, Dominican Republic, Ecuador, Egypt, England, Finland, France, Germany, Guatemala, Haiti, Holland, Honduras, Iran, India, Nicaragua, Panama, Peru, Poland, Portugal, Portuguese East Africa, Sweden, Switzerland, Syria, Spain, British West Indies, Venezuela, and Yugoslavia.

for the loans. At first this law was not specifically requested. The Bank had pending a \$10,000,000 loan to Finland, but did not have the capital in reserve to cover this loan. The Republicans contended that the Board of Directors of the Bank used this proposed loan to Finland as a move to force Congress to increase the working capital of the Bank. President Roosevelt had recommended the loan, but despite this, it was only after much discussion that the bill was passed. The Republican objections again centered on the fear that such a loan to Finland might involve us in a European conflict. Representative Jesse D. Wolcott of Michigan thought that the whole idea was senseless. Senator Pepper felt the same way, and added that even if the Finnish loan was not considered, he felt the Bank should have a substantial increase due to its growing importance and its opening of trade contacts. On March 3, 1940 these arguments came to an end when the President signed the bill increasing the lending authority of the bank by \$100,000,000. At the same time, the Bank allocated \$20,000,000 to Finland, \$15,000,000 to Sweden, and \$10,000,000 to Norway.

Another important loan in March was one of \$20,000,000 given to China. Again the Japanese protested loudly and vociferously. They cried that this had not only been a political loan, but a psychological one bent on giving China more strength and taking away the power that Japan had in China. The loan was called "disguised assistance" in helping China to win over Japan in their war.

This loan was dispensed to aid in building roads and other

transport facilities. It did seem to be a loan which could have been politically inspired, as it was used for repairs and development of the Burma Road. The Chinese, at any rate, regarded it as a help to their most critical wartime problem -- transportation. The loan certainly did little to alleviate the friction between the United States and Japan that had been growing for some time. A second loan to China after Japan's protests over the 1938 loan was perhaps foolish.

The situation in Europe was now becoming more complicated. What was to become World War II had already had its inception in Europe the year before. Americans were not overly troubled by these events at first. In 1940, however, the United States became more acutely aware of the situation, particularly in Europe. The Export-Import Bank was affected early in 1940. On April 14, 1940, all the promised loans to the Scandinavian countries were cancelled. On the twenty-sixth of that month, President Roosevelt put into effect the Neutrality Act regulations which placed all commercial transactions on a strict cash-and-carry basis. This meant that loans of the Bank to belligerents would be no longer considered and any undisbursed loans would be immediately rescinded.

With these developments and the growing war in Europe, there came a very perceptible shift in emphasis in the Bank's policies; and a shift in emphasis as to where the loans went. The European and Oriental countries were necessarily ignored, and the Bank turned toward South America. Loans to South America had been

encouraged previously on the grounds that American trade was poor in the face of European competition in that area. Now long-term credits to South America were promoted on the basis of eliminating the Facist and Nazi influence from South America. In other words, the Bank was one means of implementing the defense policy of United States, a diplomatic weapon.

As a means of implementing this policy and as a means of re-balancing trade lost by the war, the leaders of the Export-Import Bank, prompted by President Roosevelt and Secretary of State Cordell Hull, asked Congress for an increase in lending authority of \$500,000,000 to be used in Latin American credits. Roosevelt himself, took the initiative to see this increase carried out. On July 22, 1940, he spoke to Congress. His message was in part as follows:

As a result of the war in Europe, far reaching changes in world affairs have occurred, which necessarily have repercussions on the economic life both of the United States and of the other American republics. All American republics in some degree make a practice of selling and should sell, surplus products to other parts of the world, and we in the United States export many items that are also exported by other countries of the Western Hemisphere.

The course of the war, the resultant blockades and counterblockades, and the inevitable disorganization is in preventing the flow of these surplus products to their normal markets. Necessarily this has caused distress in various parts of the New World, and will continue to cause distress until foreign trade can be resumed on a normal basis and the seller of these surpluses is in a position to protect himself in disposing of his products. Until liberal commercial policies are restored and fair trading on a commercial plan is reopened, distress may be continued.

I therefore, request that the Congress give prompt consideration to increasing the capital and lending

power of the Export-Import Bank of Washington, D. C. by \$500,000,000.... To the end that the Bank may be of greater assistance to our neighbors south of the Rio Grande, including financing the handling and orderly marketing of some part of their surpluses.

.... I call the attention of Congress to the fact that by helping our neighbors we will be helping ourselves.... ¹¹

Despite, or perhaps because of, Presidential approval there were sharp debates in the House and Senate before votes were taken. The opponents had various reasons for turning down the increase. Representative E. E. Cox of Georgia attacked the measure. He said, "The bill comes out of the Havana conference where the Latin American diplomats took us up in their laps and took out our eye-teeth." He called it "a candy-stick proposal to subsidize those nations to produce in competition with us." He felt that the Bank would industrialize South America and she would thereafter compete with United States industries; that agricultural credits lent would do the same for agriculture of the United States. Representative Jesse D. Wolcott of Michigan also was an objector to the proposed measure. He described it as a "roundabout method of assisting the British blockade of Germany"; in other words, it would be an act just short of war. He, like Cox, attacked the proposal as eventually being detrimental to American agriculture and industry.¹²

Senator Taft made the most rational objection to the pro-

¹¹ Department of State Bulletin No. 57 (July 27, 1940), p. 41, New York Times, July 23, 1940, p. 1.

¹² Ibid., August 15-21, 1940.

posal. He presented the minority views of his own and of those on the Committee on Banking and Currency which was investigating the measure. According to Taft:

The present bill.... is a part of a new economic policy which is a departure from everything the United States has ever done in the past. It is in no sense an extension of the original purposes of the Export-Import Bank. It is not concerned with encouraging or convincing the export of American products. The loans are to be made to governments as a part of a grandiose plan to control the world price of commodities produced in North and South America....

The minority of the committee consider that the policy is unsound, futile, and a waste of the people's money.

1. The bill is unconstitutional. Section 8 of Article I of the U. S. Constitution authorized the Congress to lay and collect taxes to pay the debts and provide for the common defense and general welfare of the United States.... Money may well be spent in time of war to finance allies who are cooperating in the war, but this country is at peace....

2. The policy of international surplus control is not only futile but positively harmful to the producers of South America and North America alike.

3. The furnishing of economic aid to South America is not an advisable foreign policy....

4. The new policy has a distinctly anti-German flavor.

5. the ultimate effect of the policy proposed will be distinctly harmful to the United States.... We are literally financing competition of our farmers and livestock industry.

6. We wish to make clear that we approve Secretary Hull's sincere and effective policy of promoting friendship with South American countries.... but we say that the lending of money to those countries is not an essential part of that policy.... We know as individuals

that the poorest way to make a man a good neighbor is to lend him money. It is far more likely to make him your enemy for life.... 13

The proponents of the measure were numerous. Representative Fred L. Crawford of Michigan, a Republican proponent, defended the bill. He said, in effect, that if this measure were not approved, Americans should "stop talking about the Monroe Doctrine and stop spending billions for defense." Senator Robert F. Wagner of New York argued that this Bank could be used to solidify the Western Hemisphere against totalitarian economic penetration. Representative Wagner indicated that this bill would assure the United States in its leadership in the Western Hemisphere, and consequently insure freedom. "If it costs half a billion it will be money well spent", he added. Senator Wagner indicated this particular measure was putting our Good Neighbor policy to the crucial test. He said:

This bill represents an essential measure of economic preparedness for ourselves and our Latin American neighbors against the uncertain future of a war-torn world.... A situation of political, social, and economic instability in the Latin American republics renders them helpless to defend against future domination and control by totalitarian forces. Such a situation demands and justifies anticipatory steps to prevent a disastrous economic and political future.... The authority established by the bill is thus vital to our own defense and to the rigorous application of the Monroe Doctrine throughout the Western Hemisphere.

Secretary of State, Cordell Hull, again urged strengthening of the bank. He said that the proposed expansion fitted in with the agreements reached at the Havana Conference. "They agreed there",

¹³ Senate Report, 76 Cong. 3 Sess., No. 2005, p. 5-9.

he said, "that it was imperative to improve American trade relations and to devise and apply appropriate means of effective action to cope with difficulties arising from the present disturbed and dislocated world conditions."¹⁴

After several months of discussion and disagreement, as shown above, the bill to amend the Export-Import Bank's authority was passed on September 26, 1940 (Public Law 792, 76th Congress). It was in part as follows:

To assist in the development of the resources, the stabilization of the economics, and the orderly marketing of the products of the countries of the Western Hemisphere by supply funds, not to exceed \$500,000,000 outstanding at any one time, to the Export-Import Bank of Washington through loans to or by subscriptions to preferred stock of such bank, to enable such bank, to make loans to any governments, their central banks, or any other acceptable banking institutions and when guaranteed by any such government, or central bank, or any other acceptable banking institution, to a political subdivision, agency, or national of any such government, notwithstanding any other provisions of law insofar as they may restrict or prohibit loans or other extensions of credit to, or other transactions with, the governments of the countries of the Western Hemisphere or their agencies or nationals.

At this time, though the bank had been authorized to function until June 30, 1941, it was continued until January 22, 1947. This in itself was an indication of its growing importance and the place it had taken in the foreign and domestic policies of the United States. Relating to its place in policy-making, a proviso was attached to the bill, which stated:

¹⁴ New York Times, August 1-21, 1940.

That no such loans shall be made in violation of international law as interpreted by the Department of State, or the Act of April 13, of 1934 (48 Stat. 574), or of the Neutrality Act of 1939. Upon the written request of the Federal Loan Administrator, with the approval of the President, the bank is authorized, subject to such conditions and limitations as may be set forth in such request and approval, to exercise the powers and perform the functions herein set forth. Such loans may be made and administered in such manner and upon such terms and conditions as the bank may determine.¹⁵

With the passage of the above bill, and through Presidential influences, the Export-Import Bank had been made a new instrument of American foreign policy.

During 1940 and 1941 the Bank did loan the majority of its money to Latin America. New commitments to Latin America totaled \$112,928,000. The largest loans were to Colombia, \$12,000,000; \$11,300,000 to the Cuban Sugar Stabilization Institute; \$25,000,000 to the Republic of Cuba; and \$30,000,000 to Mexico. In 1941 all of the bank's authorized disbursements and commitments were to countries south of the Rio Grande. Aid for road construction went to Colombia, Panama, Paraguay, Haiti, Costa Rica, Nicaragua, and El Salvador. Loans to build roads which might be an aid for hemispheric defense were granted readily.

Other South American countries received loans for electrical projects, mining machinery, rubber production, and small industrial ventures of many types. At the end of 1941, the Export-Import Bank had since its beginning, authorized \$837,696,143, of which \$189,888,016 was cancelled or expired; \$326,395,560 was dis-

¹⁵ Senate Report, 76 Cong. 3 Sess., No. 2005, p. 9, Department of State Bulletin, No. 284 (December 3, 1944), p. 667.

bursed; \$140,214,555 was repaid; and outstanding loans and undischarged commitments totaled \$512,232,868.¹⁶

In the years from 1936 to 1941 the Bank had matured and changed. In these years it had become a recognized institution, and had extended credits to countries all over the world. With the event of the European war, however, the change in credits became perceptible. The Bank, as shown, approved loans to South America to assist in hemispheric defense. The types of enterprises subsidized were those which would strengthen the economic structure of all North American countries. Also there was a growing tendency to encourage loans for strategic industries, such as road construction, to provide for military defense and for necessities. The most obvious change in the business done by the Export-Import Bank, was the shift from domestic aid to international aid. This Bank began as domestic legislation for a depression and had become effective legislation to implement American foreign policies.

¹⁶ New York Times, January 2, 1942, p. 42.

CHAPTER III

WARTIME ACTIVITIES 1941-1945

As a preparation for war, the Export-Import Bank had turned to South American credits to insure hemispheric defense. The loans in 1942 superficially assisted in the development of projects in the Latin American countries. Actually they were vital to war activities, particularly vital to the United States.

One type of loan, during these times, was meant to overcome complications that arose from wartime transportation conditions. The Bank assumed the responsibility for delivery of goods underwritten by approved foreign banks. This was a new departure in exporting credits and was especially important to Latin America during World War II.

A second type of loan was credits to Latin American countries for transportation facilities and highway construction. A great portion of these loans went to the Pan-American Highway project. It was obvious that road repairing and building was an essential part of the war policies. Among the larger loans of this type in 1942 were those to Ecuador, for completing its section of the Pan-American Highway; Mexico, for general highway programs and the Pan-American Highway; to the Central American countries, for the Pan-American Highway.

A third wartime loan was credit to aid in the stabilization of agriculture in these countries. The countries that received such loans in 1942 were Costa Rica and Bolivia. A fourth type

of loan was intended to stabilize financial conditions and abate unemployment which was prevalent in some countries to the South. The largest of these loans in 1942 went to Costa Rica and Honduras.

A fifth type of loan, and most important, was to aid in the promotion of industry in Latin America. In 1942 the Bank extended \$12,000,000 to Uruguay for the construction of a hydroelectric plant at the Rio Negro Dam, one hundred and fifty miles from Montevideo. To Bolivia went \$15,500,000 for the development of mineral resources. Other large loans were given to Argentina, Bolivia, Brazil, Cuba, Ecuador, Haiti, Chile, Peru, Columbia, Venezuela, Paraguay, and the Dominion Republic, for the development of strategic metals and materials industries.¹

During 1942 the bank authorized commitments which amounted to \$264,056,685 and disbursed \$50,410,827. Repayments totaled \$55,040,943. Outstanding loans were \$181,500,340; undisbursed commitments aggregated \$425,796,128. From 1934 to 1942, the Bank made commitments of \$1,101,761,946 of which \$303,457,120 were canceled. Actual disbursements were \$577,724,431, and of this amount, \$196,224,091 was repaid to the Bank.²

The only change in status of the Bank in 1942 was its transfer to the Department of Commerce by Executive Order on February 24, 1942. The change occurred after Jesse H. Jones became Secre-

¹ W. L. Pierson, "The Export-Import Bank and the War", Vital Speeches, 9:123, December 1, 1942.

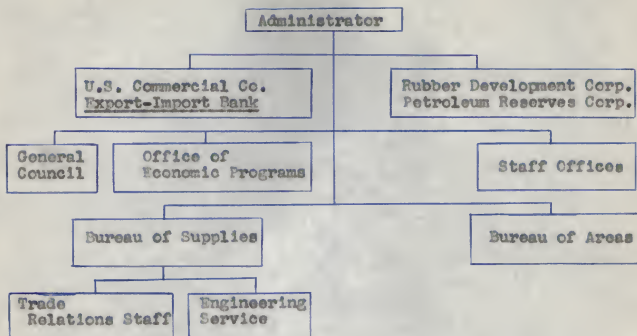
² New York Times, February 1, 1943, p. 27.

tary of Commerce. The change was made because Jones has guided the Export-Import Bank while he headed the Reconstruction Finance Corporation and in his new capacity he was still guiding the Bank.

During the next few years the Bank's duties were destined to be taken over by special wartime agencies. On July 15, 1943 the Export-Import Bank was transferred to the Office of Economic Warfare by Executive Order No. 9361. All the functions, powers, duties, personal property, capital, contracts, assets, and liabilities were transferred to the O. E. W. This was done to insure coordination of agencies of the government relating to foreign supply, and, of course, the Bank had fallen into this category.

Shortly after this transfer, there was another move which affected the Bank. On September 25, 1943, by Executive Order 9380, the Office of Economic Warfare was taken into the Foreign Economic Administration.³ The place of the Bank in this governmental organization is best shown by the following chart:

³ United States Report to Congress on Operations of the Foreign Economic Administration (September 25, 1944), p. 46.



During 1943 the most important loans were to Colombia, \$10,000,000 for materials equipment and services; Uruguay, \$20,000,00, also for materials equipment and services; and to Uruguay, \$250,000 for agricultural products.⁴

In 1944 post-war plans were being made for many institutions. The Export-Import Bank was expected to play an essential part in post-war reconstruction. Before the end of 1944 several members of Congress, particularly Representative Charles S. Dewey, Republican of Illinois, Speaker Sam Rayburn of Texas, and President Roosevelt advocated expansion of the Bank so that it could help to handle the demand for foreign credits expected at the end of the war in Europe. They advocated that the lending power of the

⁴ Export-Import Bank of Washington First Semiannual Report to Congress, (July-December 1945), p. 42-51. Hereafter referred to as Semiannual Report. During the war the Bank made no reports. Loans extended during this period were found only in later reports.

Bank be increased to \$3,000,000,000. They also suggested the Johnson Act be repealed, for it would be a great stumbling block in loaning to European countries after the war. The National Planning Association made a study in which it estimated the world's capital needs for trade reconstruction. The sum was set from \$150,000,000,000 to \$500,000,000,000 for the first few years after the cessation of hostilities. Of this amount, \$60,000,000,000 to \$70,000,000,000 was to be for European trade reconstruction.⁵ Of this latter sum, the Export-Import Bank was expected to loan a substantial portion. Even though plans for enlargement were spoken of in 1944, nothing was done.

Meanwhile, during 1944 the Bank continued loaning money to South America to bolster wartime activities. Largest of the loans went to the Banco de Brazil, to Empresa de Energia Electric in Colombia, to the Republic of Colombia, to Petroleos Mexicanos in Mexico, and to the Ferrocarril de Antioquia in Colombia. One loan of \$500,000 went to the Ethiopian Empire.⁶

During the first ten years of the Bank's existence (1934-1944) the Bank's financial status was as follows:

⁵ New York Times, November 17, 1944, p. 1.

⁶ First Semiannual Report (July-December 1945), p. 42-51; also Third Semiannual Report (July-December 1946), p. 30-41.

Total Commitments	\$1,195,203,549.96
Total Cancellations and Expirations	353,158,138.44
Total Disbursements	475,003,851.09
Total Repayments	251,696,494.76
Total Outstanding Loans	223,307,356.33
Balance of Commitments not yet Disbursed	367,041,560.43
Total of Outstanding Loans and Balances of Commitments not yet Disbursed	590,348,916.76 ⁷

During the war years, Lend-Lease had overshadowed the Bank in the European field. However, the Bank more than made up for this loss in its extension of credits to Latin America. During the time Lend-Lease competed with the Bank, the Bank expended approximately \$800,000,000 more than Lend-Lease.⁸ Lend-Lease was a transitory measure, the Bank, it was hoped, would be a basis for economic reconstruction the world over in post-war years. Before the war, loans had been made primarily to private firms. Since the war the trend had changed, the majority of loans had since gone to foreign governments. It was expected this trend would continue after the war, as part of the reconstruction era.

On January 10, 1945 in President Roosevelt's Federal Budget message, he noted that the Export-Import Bank had had ten successful years of operations. He said that the Bank's resources were too limited then to allow it to participate in fully aiding a world-wide recovery program. He requested that legislative restrictions -- the Johnson Act -- be removed so that the Bank

⁷ Department of State Bulletin, No. 284 (December 3, 1944), p.670.

⁸ Ibid., p. 669.

would not be hampered in its role.

In February 1945, Congressional action was begun regarding the Export-Import Bank. Minority members of the House of Representatives proposed an amendment to the George Bill then under discussion. This amendment would have made the Export-Import Bank an independent agency of the government, cut its Board from eleven members to five, and barred the Secretary of Commerce from its board. The amendment was defeated, but it was the first actual plan proposed to make the Bank an independent agency.

Action on this idea was postponed until June 1945. On June 7th, Representative Jesse D. Wolcott of Michigan proposed that the Export-Import Bank be made an independent agency and that its capital be increased from \$700,000,000 (its capital at that time) to \$2,200,000,000. According to Wolcott, the Bank would relieve the demand for dollars expected to be made on the World Bank for Reconstruction that had been proposed at the Bretton Woods Conference. He added that by giving the Export-Import Bank increased powers and a stable position, it would implement international trade advantages agreed upon at the Bretton Woods Conference. Representative Brent Spence of Kentucky also spearheaded support for the Bank, and his arguments were in the main similar to those of Wolcott. In addition, he stated that already France, Belgium, and the Netherlands had requested the financing for delivery of industrial equipment and supplies when hostilities had ceased. And that the Bank, with unhampered powers (the Johnson Act) was the institution to finance these requests.

Quite noticeable was the lack of opposition for this measure. In contrast to the spiced debates the Democrats and Republicans had participated in in 1939, there was wholehearted agreement on both sides. Most Congressional members supported it on the grounds that it was a supplement to the Bretton Woods Agreement. Another group -- mostly Republicans who supported it, were opposed to the International Bank for Reconstruction, and wanted the Export-Import Bank's powers increased so that it might replace the International Bank. A third group advocated this measure because they felt the Bank would provide needed credits to finance exports when lend-lease aid was diminishing.

In July, Senator Taft of Ohio, the leading Republican Senator came out in wholehearted support of the Bank measure. He was one of the group that opposed the International Bank and chose the Export-Import Bank. In 1939 Taft had attacked the Bank as a political weapon in United States foreign policy. He felt the government should not meddle in such things. Now he advocated strengthening the Bank so that the United States would have a strong arm in postwar international affairs; the Bank providing an excuse to see that the international situation was satisfactory to peace and to American interests.

President Truman had recognized the need for the Bank's enlargement for the third reason, the diminishing of Lend-Lease aid to countries. On June 4, 1945 he had sent a message to Congress:

Our recent lend-lease agreements.... will be carried out by lend-lease to the fullest extent consistent with changed war conditions and the basic wartime purposes of lend-lease aid. Beyond this I propose that these allies be assisted in financing necessary equipment and supplies by the Export-Import Bank.

Such assistance is consistent with the enlarged roll which the bank should be given in providing certain types of industrial equipment and supplies which other nations may wish to obtain from us for reconstruction. Some aspects of reconstruction are of particular interest to this nation and can most appropriately be financed by our own instrumentality.⁹

As at the time of establishment of the Bank in 1934, Russia was an additional factor in influencing the Bank. Russia, in 1945, had requested a \$700,000,000 loan. The present capital of the Bank could not cover it, but increased capitalization in the proposed act would have. Russia was an ally and the United States needed her help in Asia; therefore this loan was backed by all leading statesmen. Russia again had helped the formation of the Export-Import Bank.

On July 21, 1945 the Bretton Woods Bill was signed by President Harry S. Truman, and less than two hours later, the Senate approved the House bill regarding the Export-Import Bank. There was not a dissenting vote in the Senate. Shortly thereafter, on July 31, 1945, the Export-Import Bank Act was approved and signed by the President.¹⁰

The Export-Import Bank Act of 1945¹¹ made four changes in

⁹ First Semiannual Report (July-December, 1945), p. 8.

¹⁰ New York Times, July 10, 1945-August 5, 1945.

¹¹ For full Act, see Appendix C.

the status of the Bank. First, the limit on outstanding loans and guarantees of the Bank was extended from \$700,000,000 to \$3,500,000,000. Second, the prohibition of loans to governments in default to the United States was removed for the Export-Import Bank; and the prohibition on loans by private persons to such governments was also removed. Third, the Bank's management was given to a Board of Directors consisting of the Secretary of State, serving *ex officio* and four full-time members appointed by the President of the United States with the advice and consent of the Senate. One member of the Board was to be named chairman. Of the Board, not more than three could be members of the same political party. There was an Advisory Board provided for, and the members of this were the chairman of the Export-Import Bank's Board of Directors and also chairman of this Advisory Board, the Secretaries of State, Treasury, and Commerce, and the chairman of the Board of Governors of the Federal Reserve System.¹²

During the war the Bank had aided the hemispheric defense program and complemented the Lend-Lease Program. Now, as an independent agency with an enlarged capital and lessened legislative restrictions, the Bank was to aid in reconstruction financially of the post-war world.

¹² First Semiannual Report (July-December 1945), p. 9.

CHAPTER IV
THE BANK SINCE 1945

Before the passage of the Export-Import Bank Act of 1945, requests for reconstruction credits had been made. So numerous were the requests that the Bank had to set up six standards to consider before granting any loans. The standards were: first, the urgency of the borrower; second, the gold resources and dollar exchange position of the borrower; third, the possibility of the borrower obtaining loans from private institutions or the International Bank; fourth, ability of the borrower to make good use of the loan; fifth, the ability of the borrower to repay the loan; sixth, the effect the loan might have on the Bank's economic status. At first, in late 1945, the Export-Import Bank was the only source of international credits, the International Bank having not been ratified as yet. Also trade was no longer restricted by the war in any way, and therefore, domestic and foreign requests were extremely heavy.

During the last six months of 1945, the Bank extended European loans to Belgium, Denmark, France, Netherlands, and Norway. These loans amounted to \$920,000,000. They were loaned mostly for reconstruction purposes and in a few instances to aid in the export of raw cotton. Asiatic loans were made to the Kingdom of Saudi Arabia and to Turkey (Turkish State Airways). The loan to Arabia was for the export of various goods and services; the loan to Turkey was for the export of airport equipment. These loans

totaled \$8,000,000. During the same period, the following Latin American countries received loans: Brazil, Chile (Chilian State Railways, Fomento Corporation), Ecuador, Mexico, and Peru. These loans totaled \$105,000,000. They went for the export of cargo vessels, locomotives, electrical equipment, engineering services, for highway construction, and the import of Mexican handicrafts. In addition there were loans to United States exporters and importers. The majority of the loans went to European countries for reconstruction purposes. Total credits extended in the last half of 1945 amounted to \$1,040,000,000. From 1934 through 1945 the Bank had authorized loans totaling \$2,308,000,000. Almost half of this amount was loaned during the last six months of 1945.¹

During the last two months of 1945, a measure was discussed and approved which included the Philippine Islands among the nations which might request credits from the Bank. The Islands were not a foreign country and hence could not be considered for a loan. However, they needed credits for reconstruction. On December 28, 1945, the Bank was authorized to extend their operations to the Philippine Islands.²

At the end of 1945, the Bank published a General Policy Statement. This statement was meant to clarify, for Congress, the general public, and prospective borrowers, just why the Bank was

¹ First Semiannual Report (July-December 1945), p. 15-22.

² House Report, 79 Cong. 1 Sess., No. 1285, p. 2. Department of State Bulletin, No. 351 (October 28, 1945), p. 692, Senate Report, 79 Cong. 1 Sess., No. 838, p. 1.

established, its history, and the terms on which loans were made. Much of the statement was contained in previous laws of Congress. Most important was the presentation of the basic principles the Bank had established since its beginnings. The first of these principles was that the Bank would loan only to promote the export and import trade of the United States. Loans to foreign countries, eventually and usually, had the effect of promoting United States foreign trade. The second principle was that the Bank made loans, for the most part, only for specific purposes. Usually the Bank watched to see if the loan was being used for the purpose for which it was granted. A third principle was that the Bank made loans which had evidence of being repaid. A fourth principle was that the Bank extended credit "only to finance purchases of materials and equipment produced or manufactured in the United States and the technical service of American firms and individuals as distinguished from outlays for materials and labor in the borrowing country or purchases in third countries." A fifth principle was that the Bank did not attempt to compete with private capital but was to encourage it.

The General Policy Statement also included what the Bank did not do. It did not compete with private banks, purchase stock in any corporation, make lump-sum advances for anything the borrower wanted, and did not loan to the United States territories or insular possessions (with the exception of the Philippine Islands, as provided).

The terms of loans, financial arrangements, those who might

apply, and procedures in applying, remained the same as they had been at the time of the Bank's establishment.

The relation of the Bank to the International Bank was clarified. They were not in competition with each other. They were meant to be complimentary. The Export-Import Bank could aid the domestic exporter and importer. The International Bank could not do so. In view of the great task of war reconstruction, there was more than enough work for both banks in the international field. The National Advisory Council on International Monetary and Financial Problems, established by the Bretton Woods Agreement Act, was to coordinate the activities of the two Banks.³

During the first half of 1946, the Bank's loans were extended primarily to meet the reconstruction needs of the war-torn countries of Europe and Asia. An additional \$2,800,000,000 increase in lending authority was granted the Bank especially for this purpose.

Loans to European countries amounted to \$950,000,000. These loans were made to Czechoslovakia (Prague Credit Bank), Finland (the Republic and Finland's Bank), France, Greece, Italy, Netherlands, and Poland. These credits were used for the export of raw cotton, reconstruction, export of industrial equipment, export of raw materials -- principally cotton -- and the export of locomotives and coal cars.

³ Export-Import Bank of Washington General Policy Statement (1945) p. 6-18. Also found in Department of State Bulletin, No. 326 (September 23, 1945), p. 441-444.

Of the Asiatic loans, China received six loans totaling \$67,000,000. The first of these went to the Bank of China to help finance the export of raw cotton to China. The remainder went to the Chinese government for the purchase of cargo vessels, the export of railway repair materials, the export of generating equipment and engineering services, and the export of equipment and supplies for coal mining. Another Asiatic loan went to the Netherlands Indies for the export of goods and services. And there was a loan to Saudi Arabia for the purchase of goods and services. Asiatic loans aggregated \$191,790,000.

Latin American loans were exceedingly small in relation to loans extended there during the Second World War. The countries that did receive loans were: Brazil, for the export of diesel locomotives and air transportation equipment; Chile, for the export of electrical equipment; Colombia, for the export of locomotives and railing equipment; Ecuador, for highway construction; Mexico (Aeronautical Radio de Mexico and Fred Leighton, Inc.) for the purchase of ground equipment for aviation and the import of Mexican handicraft; Peru, for the export of electrical equipment. Loans to Latin America totaled only \$15,250,000.⁴ These loans indicated an emphasis on transportation services. This was begun during the war, but had been heavily emphasized since then.

In 1946, bearing out the policy of cooperating with commercial banks, there was created within the bank, a Private Capital Participation Division. During 1946 various commercial banks

⁴ Second Semiannual Report (January-July 1946), p. 15-33.

participated with the Export-Import Bank in several loans (For example, half of the loan to the Netherlands was financed in conjunction with commercial banks). In addition, the Bank provided financial information requested by commercial banks.

Another policy issue acted upon by the Bank in 1946 was the problem of interest rates. The National Advisory Council on International Monetary and Financial Problems recommended that the Bank's general rate of interest on 20-to-30 year loans to foreign governments for reconstruction purposes should be 3 percent (usually 4 percent). The Bank carried out this recommendation.

Loans during the last half of 1946 shifted away from reconstruction credits. The loans indicated a trend to pre-war days when loans were evenly distributed geographically. Ethiopia was the only country to receive a credit for reconstruction, one for \$3,000,000. The only other European loan was \$2,000,000, to Czechoslovakia (Prague Credit Bank) for the export of tobacco. One loan of \$5,700,000 went to Canada for the export of textile machinery. Loans to Latin America totaled \$13,650,000 and went to Argentina, Brazil, and Chile for the exportation of harbor barges, railway equipment, and machinery. Total loans during 1946 amounted to \$3,407,000,000. The financial status of the bank from 1934 to 1946 was as follows:

⁵ Third Semiannual Report (July-December 1946), p. 7-19.

Total authorizations	\$3,519,530,582.66
Total advanced by participating banks and others under authori- zations	26,849,904.09
Total calculations and expirations ..	561,028,334.74
Total disbursements	1,592,207,176.79
Total repayments	350,347,127.68
Total outstanding loans	1,241,660,049.11
Balance of authorizations not yet disbursed	1,339,445,167.04
Total of outstanding loans and balance of authorizations not yet disbursed	2,581,105,216.15 ⁶

Loans in 1947 indicated that the Bank had completed a cycle. The loans were no longer directed for a single purpose -- such as hemispheric defense or reconstruction credits. Nor were the loans directed to a particular geographical area, such as to Latin America during the War or to Europe for reconstruction.

During the period of January to June 1947 the Bank extended loans aggregating \$225,480,000. These loans went to Finland, Italy, Argentina (Agencia de Transportes Moore-McCormack), Austria (Hypotheken-und-Credit Institut), Bolivia (Corporacion Boliviano de Fomento), Brazil (many railway industries and the National Alkali Corporation), Mexico, Netherlands (Royal Dutch Airlines), Turkey, Venezuela (S. and S. Construction Co., de Venezuela), and Hungary. Loans to small exporters and importers totaled \$230,000. These loans were to assist in the export of coal and petroleum, metals and machinery, foodstuffs, industrial products, harbor barges, electrical railway equipment, locomo-

⁶ Ibid., p. 44.

tives, tires, tubes, steam boilers, rocker shovels, generators, construction equipment, tobacco, and raw cotton. No pattern as to the type of loan most extended was discernible. The loans were for various types of commodities during the first half of 1947.⁷

By Public Law No. 89 during the Eightieth Congress, the Export-Import Bank Act of 1945 was amended. This law provided for re-incorporation of the Bank under a Federal Charter and extended its life to June 30, 1953.

During 1947 the Bank's general aim was to concentrate on the "problems of transition from the emergency program of large reconstruction loans of a general character to a selective program specifically designed to contribute towards a better balance of two-way foreign trade."⁸

The loans during the last half of 1947 showed that the Bank had succeeded. Its operations were normal peacetime operations (no reconstruction credits). The loans from June to December totaled \$388,613,000. These loans went to Austria, Belgium, Canada, Colombia, Ecuador, Egypt (Fertilizer and Chemical Industries of Egypt), Italy (Istituto Mobiliare Italiano), Mexico, Turkey, Finland, and Germany. In addition, small exporters and importers in the United States received \$185,000. These loans went to aid in the export of raw materials, United States services, export of seagoing hopper dredges, export of United States

⁷ Fourth Semiannual Report (January-June 1947), p. 4-17.

⁸ Ibid., p. 4.

products, export of cigarette-manufacturing machinery, reconversion of cargo and passenger vessels, and export of raw cotton.⁹

Total loans extended during 1947 totaled \$614,093. The financial status of the Bank since February 1934 was as follows:

Total authorization	\$4,133,645,781.62
Total cancellations and expirations	100,383,574.09
Total disbursements	584,486,263.25
Total repayments	446,018,290.04
Total outstanding loans	1,970,788,433.03 ¹⁰

By the end of 1947 the Bank had issued a revised General Policy Statement. This statement is valid at the present time. It differed very little from the General Policy Statement of 1945. There was one principle which the Bank added to its policies that was particularly important. This principle concerned Private Trade (Section 19 of the Statement).

The Bank prefers to extend credits to private entities rather than to foreign governments or their agencies; but, when credits are extended to foreign governments or their agencies as the most appropriate means of carrying out the purposes of the Bank, it encourages insofar as possible the purchasing through private channels of the products financed.¹¹

The statement also reiterated the fact that the Bank did not intend to compete with either commercial banks or the International Bank, but rather welcomes their existence.

During the first half of 1948 two developments affected the Export-Import Bank. The first was a Presidential Message to Con-

⁹ Fifth Semiannual Report (June-December, 1947), p. 7-17.

¹⁰ Ibid., p. 36.

¹¹ Export-Import Bank of Washington General Policy Statement (Revised 1947), p. 15.

gress in which he urged the Bank to enlarge and make more loans to Latin America. Hemispheric defense was no longer a reason for the loans, but creating economic stability was the new cause. On April 18, 1948, President Truman said:

.... Genuine friendship has long existed between the people of the United States and our neighbors to the south. This friendship has been marked by cultural and economic association and close cooperation....

The United States has long recognized the importance of economic and political stability in the Western Hemisphere. Such stability rests substantially upon the continuation of a satisfactory rate of economic progress. In this respect we must fairly recognize that the economics of the other American republics are relatively undeveloped. In these countries natural resources are abundant, but the expansion of production has been restricted due to the lack of capital and of modern production methods. Production can be increased only by means of a considerable volume of capital investment....¹²

The relative decrease in Latin American loans was a cause for this message. Later reports of the Bank revealed that Latin American loans again assumed top place.

The second development in this period was the passage of the Foreign Assistance Act (62 Stat. 137). Section III (c) (2) of the Act provided for the cooperation of the Export-Import Bank when the Administrator of the Economic Cooperative Administration so requested. Thus the Bank was to participate in the European Recovery Program.

(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, as amended, make and

¹² Department of State Bulletin, No. 459 (April 18, 1948), p. 548-9.

administer the credit on terms specified by the Administrator in consultation with the National Advisory Council on International Monetary and Financial Problems....¹³

The amount of \$1,000,000,000 was allocated to the Bank for use in carrying out its part of the Foreign Assistance Act of 1948. This work of the Bank is carried on independently of the work done under this Act. Loans under the E. C. A., of course, went to European countries or their territories.

Due to the Bank's cooperation with the E. C. A., its loans were smaller and fewer than at any time since July 1, 1945. The Board of Directors laid down a policy that, since the inception of the E. C. A., no loans would be made to European countries except under unusual circumstances. Finland was the only European country to receive a loan from the Bank.

During the first six months of 1948, loans totaled \$77,052,000. These loans went to China, Colombia, Egypt, Finland, Mexico (Nacional Financiera), Norway (Standard Telefon og Kabelfabrik), Sweden (Swedish Airways), Turkey, Venezuela, Japan (Occupied Japan Export-Import Revolving Fund), Germany (American Cotton Supply Corporation), United Kingdom, and Brazil. Loans went to assist in the export of United States goods and services, passenger cars and bus chassis, tractors, plows, mowers, tires, tubes and accessories, materials and equipment for construction of nitrogenous fertilizer plant, equipment for cable plants, raw

¹³ Seventh Semiannual Report (July-December, 1948), p. 51. For full provisions of the Foreign Assistance Act that apply to the Bank, see Appendix D.

cotton, aircraft, and locomotives.¹⁴

During the second six months of 1948 loans went to Bolivia (Corporacion Boliviana de Fomento), Brazil, Canada (Steep Rock Iron Mines, Ltd.), Chile, Finland (Finland's Bank), Haiti, Mexico (Nacional Financiera), Panama (Hoteles Interamericanos), Uruguay (Industria Papilera Uruguaza), Venezuela (La Electricidad de Caracas). These credits went for highway construction, road transport, electric power development, iron ore development, rayon and staple fiber production, metal working machines, steel mill, expansion in exports of wood products, agricultural development, hotel construction and paper manufacture. These loans totaled \$61,194,000. During the year 1948, the total authorized loans aggregated \$138,246,000.¹⁵

During 1949 the most important problem confronting the Bank was the demand for United States products which exceeded the ability of most countries to obtain the dollars necessary to pay for them. The Bank was doubly discriminate in dispensing loans. The Bank favored those loans which were for the exporting of equipment, materials and services. This type of loan helped the countries to expand their productive capacity, and thus was considered by the Bank to be more important than any other type of loan.

In June 1949 President Truman recommended to Congress that

¹⁴ Sixth Semiannual Report (January-June, 1948), p. 4-14.

¹⁵ Seventh Semiannual Report (July-December, 1948), p. 1-11.

they authorize the Bank to guarantee United States private capital in productive enterprises abroad. Bills (S. 2197 and H. R. 5594) were introduced, but no action has been taken as yet on this proposal.

Loans in the first half of 1949 went to Israle, Colombia, Ecuador, Liberia (Liberia Mining Co., Ltd.), Chile (Corporacion de Fomento), and Amertool Services, Inc. There were increases in authorizations to Japan and Mexico. These loans totaled \$112,664,000. They went for equipment, materials, services, production of iron ores, export of machine tools, agriculture, housing, transportation, and communication.¹⁶ The total of loans directed by the E. C. A. that the Bank extended totaled \$973,300,000 for the period June 1948 through June 1949.

The Bank from February 1934 through February 1950 extended loans which aggregated \$4,618,000,000. Of this, the amount outstanding was \$2,196,000,000. The Bank had \$800,000,000 uncommitted of its total authorization of three and a half billion dollars. There remained \$500,000,000 in undisbursed authorizations. The most recent loans were made to Yugoslavia and the new Republic of Indonesia.¹⁷

Since 1945 the stature of the Bank had increased considerably. The Bank had greatly aided in post-war reconstruction, by

¹⁶ Eighth Semiannual Report (January-December, 1949), p. 3-11.

¹⁷ Letter from Albert M. Cole, M. C., dated March 10, 1950, who had contacted the Secretary of the Export-Import Bank. The June-December 1949 Report has not yet been published and no information is available for that period.

loaning directly to those countries in need and by helping through the European Recovery Program. Loans also were directed to South America to continue the task of economic recovery and stability in that area. In the United States the Bank worked in cooperation with commercial banks, and continued its loans to domestic exporters and importers, thus helping to keep economic stability at home.

CHAPTER V
EVALUATION OF THE EXPORT IMPORT BANK

The Export-Import Bank was created during the Depression as emergency legislation to alleviate the then existing economic conditions both in the United States and in the rest of the world. It was established "to aid in financing and to facilitate exports and imports and the exchange of commodities between the United States and other nations or the agencies or nationals of other nations."¹ There are four main questions to ask and answer about the Bank in any complete evaluation of its work. The first is, did it fulfill the purpose for which it was created? That is, did it alleviate Depression conditions? Secondly, did the Bank follow the words of the Executive Order when established--did it actually aid and finance exports and imports between the United States and other nations? The third question is, did the Bank serve a purpose above and beyond the alleviation of Depression conditions? And the fourth question is, is the Bank serving a purpose today, or should it be dissolved?

The first question regarding the economic help the Bank gave during the Depression can be answered in the affirmative. Proof of this has been found, of course, in the later history of the Bank during the periods of the Bank's renewal. In 1939 during Senate and House hearings, there was revealed the necessity for

¹ New York Times, February 17, 1934.

this piece of legislation. In these hearings it was brought out that without the Bank, the United States would not have gained the extensive foreign markets if it had not been for the Export-Import Bank. During these hearings, also, the National Trade Council, The Tradesmens National Bank and Trust Company of Philadelphia, and the Texas Cotton Association, all supported the Bank on the grounds that it had helped domestic trade, helped find outlets for American agricultural crops (a very important item), and had provided, through its economic help to domestic importers and exporters, outlets for the jobless--increased employment. Thus the Bank had fulfilled part of its purpose, that of helping to alleviate the domestic economic condition.

As for helping foreign countries in their similar situations, the Bank can also be given much credit. Secretary of State, Cordell Hull, in 1939, stated that the Bank had spanned the gap that had been so evident when the depression struck. The gap had been caused by the cessation of private capital investments to which other countries had looked for credit facilities to help them in their trade fluctuations and domestic financial developments. The Bank stepped in here and provided the needed credits to foreign countries. Reports of the Bank from 1935 to the end of the Depression reveal that the Bank aided over 45 countries, not just a few countries, but a substantial number. By aiding these countries, the United States in turn received a new abundance of markets in these rejuvenated lands.

The second question is, did the Bank aid and finance exports

and imports between the United States and other countries? The answer was again in the affirmative. The Bank's policies were formulated quite early and were followed with strict attention. The attempt of George N. Peek to use the Bank as an auctioneer in barter exchange failed completely, and the Bank remained a bank or credit agency. The financial reports from 1934 to 1945 reveal the extent to which the Bank assisted the foreign countries and domestic groups in exporting and importing through its credit facilities.

The third question to be answered is, did the Bank serve an additional purpose beyond that which it was created for? Again an affirmative answer seems correct. Throughout the history of the Bank, beginning particularly in 1939 there was an element not specifically related to credits for domestic or foreign use. This new element was the Bank in the role of a politician; or definitely, the Bank became an instrument of American foreign policy. Among the advisers for the Bank was a representative from the Department of State, and credits to foreign countries were given with his consent; thus the Bank was not acting alone. This is important to remember as the Bank swung into this new position.

The use of the Bank in its new role was first seen in 1939 when it extended a credit to China. Critics rightly claimed that America had shown her sympathy towards China when China was fighting Japan. The second time the Bank was used as a political weapon was immediately before and during World War II. This time

the Bank aided in hemispheric defense; credits to the Latin American nations were expected to forestall the influence of any totalitarian countries in Latin America. The third time the Bank was used in this capacity was immediately after the war. Credits were extended by the Bank to aid in reconstruction in war-torn countries. American help in reconstructing these countries would be noted, and gratefulness to America would produce dependence upon her. In turn trade might be expected to go to America in preference to any other country. Thus the Bank graduated from its status as an emergency institution and became an institution to be used in American foreign policy.

The fourth question is, is the Bank useful today? Again the answer can be, yes. The answer can be, yes, in two ways. First, the Bank can continue in its role of being part of the foreign policy of the United States. It can boost a feeling for America by extending necessary credits to all nations. In this way, America can compete with Russia in these foreign countries, particularly the small countries. Using the Bank, American foreign policy might reach farther than Russian foreign policy.

True, these countries might obtain loans from the International Bank for Reconstruction and development; however, this Bank has not developed its program fully, and the countries can turn to the Export-Import Bank. Even with the two working together there are indications that they are both necessary. The Export-Import Bank extends loans for specific projects much more readily than does the International Bank.

The Export-Import Bank also has a purpose today in a second way--that of carrying out President Truman's Four Point Program. Point Four of that program is world wide economic development -- or a better world balance in living conditions. In a bulletin put out by the Foreign Policy Association it is stated, "The under-developed countries are poor. Because they are poor their rate of saving is low. If ever they are to lift themselves out of their poverty, they will need the aid of foreign capital. This is as true of many countries in Latin America as it is of Asia, Europe, Africa, and the Middle East."² Also, it is known that low imports into the United States endangers United States exports. The Export-Import Bank can be one means of implementing a better world economy. One institution, the Export-Import Bank, though only one, can greatly aid and encourage foreign countries and domestic export-import groups in raising the world economy and in producing a world balance in living conditions.

² J. B. Condliffe and Harold H. Hutcheson, Point Four and the World Economy, Headline Series, p. 39.

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APPENDIX A

The certificate of incorporation of the Export-Import Bank of Washington is as follows:

District of Columbia
Certificate of Incorporation
of
Export-Import Bank
of
Washington

Know all men by these presents that we, the undersigned, desiring to form a corporation pursuant to Title 5, Chapter 9, Sec. 261 of the Code of the District of Columbia, enacted by Congress and approved by the President of the United States do hereby certify:

First: That the name of the corporation shall be Export-Import Bank of Washington, and the object and purpose for which it is formed is to aid in financing and to facilitate exports and imports and the exchange of commodities between the United States and other nations or the agencies or nationals thereof, and in connection with and in furtherance thereof.

To do a general banking business (except that of discount or circulation); to receive deposits; to purchase, sell and negotiate, with or without its endorsement or guarantee, notes, drafts, checks, bills of exchange, acceptances, including bankers' acceptances, cable transfers and other evidences of indebtedness; to purchase and sell securities, including obligations of the United States or of any State thereof but not including the purchase with its funds of any stock in any other Corporation; to accept bills or drafts drawn upon it; to issue letters of credit; to purchase and sell coin, bullion and exchange; to borrow and to lend money; and to do and to perform the necessary functions permitted by law to be done or performed in conducting said enterprise or business.

The foregoing objects and purposes shall, except when otherwise expressed, be in no way limited or restricted by reference to, or interference from, the terms of any other clause of this or any other article of this certificate of incorporation or of any amendment thereto, and shall each be regarded as independent, and construed as powers as well as objects and purposes.

The corporation shall be authorized to exercise and enjoy all of the powers, rights and privileges granted to, or conferred upon, corporations of a similar character by the Code of the District of Columbia now or hereafter in force, and the enumeration

of the foregoing powers shall not be deemed to exclude any powers, rights or privileges so granted or conferred.

Second: The terms of its existence shall be ten years from the date of its incorporation.

Third: The amount of capital stock of the corporation shall be \$11,000,000, divided into classes and shares as follows:

(a) \$1,000,000 par value of common stock, divided into 10,000 shares of the par value of \$100 each; and

(b) \$10,000,000 par value of preferred stock, divided into 10,000 shares of the par value of \$1,000 each.

The designations and the powers, preferences and rights and the qualifications, limitations or restrictions thereof are as follows:

The holders of the preferred stock shall be entitled to receive, when and as declared by the board of trustees from the surplus or net profits of the corporation, dividends at the rate of 5 per centum per annum, payable semi-annually on dates to be fixed by the board of trustees. The dividends on the preferred stock shall be cumulative and shall be payable before any dividend on the common stock shall be paid or set apart; so that, if in any year dividends amounting to 5 percent shall not have been paid thereon, the deficiency shall be payable before any dividend shall be paid upon or set apart for the common stock. The preferred stock shall not be entitled to participate in any further dividends beyond the 5 percent aforesaid.

Whenever all cumulative dividends on the preferred stock for all previous years shall have been declared and shall have become payable, and the accrued instalment for the current year shall have been declared and the corporation shall have paid such cumulative dividends for previous years and such accrued instalments or shall have set apart from its surplus or net profits a sum sufficient for the payment thereof, and shall have made such charge-offs, write downs, and transfers to reserves requested by the Comptroller of the Currency, the board of trustees may declare dividends on the common stock payable then and thereafter out of any remaining surplus or net profits.

In the event of any liquidation or dissolution or winding up (either voluntary or involuntary) of the corporation, the holders of the preferred stock shall be entitled to be paid in full both the par value of their shares and the unpaid dividends accrued thereon, before any amount shall be paid to the holders of the common stock; and after the payment to the holders of the preferred stock of its par value and the unpaid accrued dividends thereon, the remaining assets and funds shall be divided and paid

to the holders of the common stock according to their respective shares.

With the approval of the Comptroller of the Currency, the corporation may redeem the whole or any part of the preferred stock at any time at the option of the board of trustees at one thousand dollars (\$1,000) per share plus any accumulated and unpaid dividends plus an amount equivalent to a proportionate dividend from the last dividend date to the date of redemption. In the case of the redemption of a part only of the preferred stock the shares so to be redeemed shall be determined by lot. Ten days' (or more) previous notice by mail, postage prepaid, shall be given to the holders of record of the preferred stock to be redeemed; such notice to be addressed to each stockholder at his address as it appears upon the books of the corporation. If the aforesaid notice of redemption shall have been duly given, and if on or before the redemption date named in such notice, the funds necessary for such redemption shall have been set apart so as to be and continue to be available therefor, then, notwithstanding that any certificate of the preferred stock so called for redemption shall not have been surrendered for cancellation, dividends on the preferred stock so called for redemption shall cease to accumulate from and after the date of redemption so designated, and all rights with respect to such preferred stock shall forthwith upon such redemption date cease and determine, except only the right of the holder to receive the payment on account of such redemption as above provided, but without interest.

Each share of the preferred stock and each share of common stock issued and outstanding shall entitle the holder of record thereof, at all meetings of the stockholders, to one vote for each share thereof standing in his name on the books of the corporation.

Fourth: The concerns of the corporation for the first year shall be managed by a board of five trustees, namely, Daniel C. Roper, Robert F. Kelley, Chester C. David, Stanley Reed, Lynn P. Talley.

The board of trustees may be increased from five to not more than eight members with the approval of the President of the United States.

The board of trustees by an affirmative vote of a majority of the entire board, may appoint from the trustees an executive committee of three members, a majority of whom shall constitute a quorum, and to such extent as may be provided in the by-laws of the corporation shall have and may exercise all or any of the powers of the board of trustees.

Fifth: The operations of the corporation are to be carried on in the District of Columbia and the main office of the corpora-

tion shall be 1825 H Street N.W., Washington, D. C.

This corporation reserves the right to amend, alter or change any provision contained in this certificate of incorporation in any manner prescribed by statute, and all rights conferred on stockholders herein are granted subject to this reservation.

APPENDIX B

JOHNSON ACT (Public No. 151 73 Congress) (S. 682)

AN ACT to prohibit financial transactions with any foreign government in default on its obligations to the United States.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That hereafter it shall be unlawful within the United States or any place subject to the jurisdiction of the United States for any person to purchase or sell the bonds, securities, or other obligations of, any foreign government or political subdivision thereof or any organization or association, except a renewal or adjustment of existing indebtedness while such government, political subdivision, organization, or association, is in default in the payment of its obligations, or any thereof, to the Government of the United States. Any person violating the provisions of this Act shall upon conviction thereof be fined not more than \$10,000 or imprisoned for not more than 5 years, or both.

Sec. 2. As used in this Act the term "person" includes individual, partnership, corporation, or association other than a public corporation created by or pursuant to special authorization of Congress, or a corporation in which the Government of the United States has or exercises a controlling interest through stock ownership or otherwise.

Approved, April 13, 1934.

APPENDIX C

EXPORT-IMPORT BANK ACT OF 1945, as amended

BE IT ENACTED BY THE SENATE AND HOUSE OF REPRESENTATIVES OF THE UNITED STATES OF AMERICA IN CONGRESS ASSEMBLED, That this Act may be cited as the "Export-Import Bank Act of 1945."

Sec. 2. (a) There is hereby created a corporation with the name Export-Import Bank of Washington, which shall be an agency of the United States of America. The objects and purposes of the Bank shall be to aid in financing and to facilitate exports and imports and the exchange of commodities between the United States or any of its Territories or insular possessions and any foreign country or the agencies or nationals thereof. In connection with and in furtherance of its objects and purposes, the Bank is authorized and empowered to do a general banking business except that of circulation; to receive deposits; to purchase, discount, rediscount, sell, and negotiate, with or without its endorsement or guaranty, and to guarantee notes, drafts, checks, bills of exchange, acceptances, including bankers' acceptances, cable transfers, and other evidences of indebtedness; to purchase, sell, and guarantee securities but not to purchase with its funds any stock through the enforcement of any lien or pledge or otherwise to satisfy a previously contracted indebtedness to it; to accept bills and drafts drawn upon it; to issue letters of credit; to purchase and sell coin, bullion, and exchange; to borrow and to lend money; to perform any act herein authorized in participation with any other person, including any individual, partnership, corporation, or association; to adopt, alter, and use a corporate seal, which shall be judicially noticed; to sue and to be sued; to complain and to defend in any court of competent jurisdiction; and the enumeration of the foregoing powers shall not be deemed to exclude other powers necessary to the achievement of the objects and purposes of the Bank. The Bank shall be entitled to the use of the United States mails in the same manner and upon the same conditions as the executive departments of the Government. The Bank is hereby authorized to use all of its assets and all moneys which have been or may hereafter be allocated to or borrowed by it in the exercise of its functions. Net earnings of the Bank after reasonable provision for possible losses shall be used for payment of dividends on capital stock. Any such dividends shall be deposited into the Treasury as miscellaneous receipts.

(b) It is the policy of the Congress that the Bank in the exercise of its functions should supplement and encourage and not compete with private capital, and that loans, so far as possible

consistently with carrying out the purposes of subsection (a), shall generally be for specific purposes, and, in the judgment of the Board of Directors, offer reasonable assurance of repayment.

Sec. 3. (a) The management of the Export-Import Bank of Washington shall be vested in a Board of Directors consisting of the Administrator of the Foreign Economic Administration, who shall serve as Chairman, the Secretary of State, and three persons appointed by the President of the United States by and with the advice and consent of the Senate. The Secretary of State, to such extent as he deems it advisable, may designate to act for him in the discharge of his duties as a member of the Board of Directors any officer of the Department of State who shall have been appointed by and with the advice and consent of the Senate.

(2) If the Foreign Economic Administration ceases to exist in the Office for Emergency Management in the Executive Office of the President, the President of the United States shall appoint, by and with the advice and consent of the Senate, another member of the Board of Directors. The member so appointed shall serve for the remainder of the existing terms of the other three appointed members, but successors shall be appointed for terms of 5 years. After the Foreign Economic Administrator ceases to be a member of the Board of Directors the President of the United States shall, from time to time, designate one of the members of the Board to serve as Chairman.

(3) Of the five members of the Board, not more than three shall be members of any one political party. Each of the appointed directors shall devote his time not otherwise required by the business of the United States principally to the business of the Bank. Before entering upon his duties each of the directors so appointed and each officer of the Bank shall take an oath faithfully to discharge the duties of his office. The terms of the appointed directors shall be 5 years, except that the terms of the directors first appointed shall run from the date of appointment until June 30, 1950. Whenever a vacancy occurs among the directors so appointed, the person appointed to fill such vacancy shall hold office for the unexpired portion of the term of the director whose place he is selected to fill. Each of the appointed directors shall receive a salary at the rate of \$12,000 per annum, unless he is an officer of the Bank, in which event he may elect to receive the salary of such officer. No director, officer, attorney, agent, or employee of the Bank, shall in any manner, directly or indirectly, participate in the deliberation upon or the determination of any question affecting his personal interests, or the interests of any corporation, partnership, or association in which he is directly or indirectly personally interested.

(b) A majority of the Board of Directors shall constitute a quorum.

(c) The Board of Directors shall adopt such bylaws as are necessary for the proper management and functioning of the Export-Import Bank of Washington, and may amend the same.

(d) There shall be an Advisory Board consisting of the Chairman of the Export-Import Bank of Washington, who shall serve as Chairman, the Secretary of State, the Secretary of the Treasury, the Secretary of Commerce, and the Chairman of the Board of Governors of the Federal Reserve System, which shall meet at the call of the Chairman. The Advisory Board may make such recommendations to the Board of Directors as it deems advisable, and the Board of Directors shall consult the Advisory Board on major questions of policy.

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

(f) The Export-Import Bank of Washington shall constitute an independent agency of the United States and neither the Bank nor any of its functions, powers, or duties shall be transferred to or consolidated with any other department, agency, or corporation of the Government unless the Congress shall otherwise by law provide.

Sec. 4. The Export-Import Bank of Washington shall have a capital stock of \$1,000,000,000 subscribed by the United States. Payment for \$1,000,000 of such capital stock shall be made by the surrender to the Bank for cancellation of the common stock heretofore issued by the Bank and purchased by the United States. Payment for \$174,000,000 of such capital stock shall be made by the surrender to the Bank for cancellation of the preferred stock heretofore issued by the Bank and purchased by the Reconstruction Finance Corporation. Payment for the \$825,000,000 balance of such capital stock shall be subject to call at any time in whole or in part by the Board of Directors of the Bank. For the purpose of making payments of such balance, the Secretary of the Treasury is authorized to use as a public-debt transaction the proceeds of any securities hereafter issued under the Second Liberty Bond Act, as amended, and the purpose for which securities may be issued under the Act are extended to include such purposes. Payment under this section of the subscription of the United States to the Bank and repayments thereof shall be treated as public-debt transactions of the United States. Certificates evidencing stock ownership of the United States shall be issued by the Bank to the President of the United States, or to such other person or persons as he may designate from time to time, to the extent of the common and preferred stock surrendered and other payments made for the capital stock of the Bank under this section.

Sec. 5 (a) The Secretary of the Treasury shall pay to the Reconstruction Finance Corporation the par value of the preferred stock upon its surrender to the Bank for cancellation. For the purpose of making such payments to the Reconstruction Finance Corporation the Secretary of the Treasury is authorized to use as a public-debt transaction the proceeds of any securities hereafter issued under the Second Liberty Bond Act, as amended, and the purposes for which securities may be issued under that Act are extended to include such purposes. Payment under this subsection to the Reconstruction Finance Corporation shall be treated as public-debt transactions of the United States.

(b) Any dividends on the preferred stock accumulated and unpaid to the date of its surrender for cancellation shall be paid to the Reconstruction Finance Corporation by the Bank.

Sec. 6. The Export-Import Bank of Washington is authorized to issue from time to time for purchase by the Secretary of the Treasury its notes, debentures, bonds, or other obligations; but the aggregate amount of such obligations outstanding at any one time shall not exceed two and one-half times the authorized capital stock of the Bank. Such obligations shall be redeemable at the option of the Bank before maturity in such manner as may be stipulated in such obligations and shall have such maturity as may be determined by the Board of Directors of the Bank with the approval of the Secretary of the Treasury. Each such obligation shall bear interest at a rate determined by the Secretary of the Treasury, taking into consideration the current average rate on outstanding marketable obligations of the United States as of the last day of the month preceding the issuance of the obligation of the Bank. The Secretary of the Treasury is hereby authorized and directed to purchase any obligations of the Bank issued hereunder and for such purpose the Secretary of the Treasury is authorized to use as a public-debt transaction the proceeds of any securities hereafter issued under the Second Liberty Bond Act, as amended, and the purposes for which securities may be issued under that Act are extended to include such purpose. Payment under this section of the purchase price of such obligations of the Bank and repayments thereof by the Bank shall be treated as public-debt transactions of the United States.

Sec. 7. The Export-Import Bank of Washington shall not have outstanding at any one time loans and guaranties in an aggregate amount in excess of three and one-half times the authorized capital stock of the Bank.

Sec. 8. Export-Import Bank of Washington shall continue to exercise its functions in connection with and in furtherance of its objects and purposes until the close of business on June 30, 1953, but the provisions of this section shall not be construed as preventing the Bank from acquiring obligations prior to such date which mature subsequent to such date or from assuming prior

to such date liability as guarantor, endorser, or acceptor of obligations which mature subsequent to such date or from issuing, either prior or subsequent to such date, for purchase by the Secretary of the Treasury, its notes, debentures, bonds, or other obligations which mature subsequent to such date or from continuing as a corporate agency of the United States and exercising any of its functions subsequent to such date for purposes of orderly liquidation, including the administration of its assets and the collection of any obligations held by the Bank.

Sec. 9. The Export-Import Bank of Washington shall transmit to the Congress semiannually a complete and detailed report of its operations. The report shall be as of the close of business on June 30 and December 31 of each year.

Sec. 10. Section 9 of the Act of January 31, 1935 (49 Stat. 4, ch. 2), as amended, is repealed.

Sec. 11. Notwithstanding the provisions of the Act of April 15, 1934 (48 Stat. ch. 112, p. 574), any person, including any individual, partnership, corporation, or association, may act for or participate with the Export-Import Bank of Washington in any operation or transaction, or may acquire any obligation issued in connection with any operation or transaction, engaged in by the Bank.

Sec. 12. The Export-Import Bank of Washington created hereby shall be virtue of this Act succeed to all of the rights and assume all of the liabilities of Export-Import Bank of Washington, a District of Columbia corporation, and any outstanding capital stock of the District of Columbia corporation shall be deemed to have been issued by and shall be capital stock of the corporation created by this Act and all of the personnel, property, records, funds (including all unexpended balances of appropriations, allocations, or other funds now available), assets, contracts, obligations, and liabilities of the District of Columbia corporation are hereby transferred to, accepted, and assumed by the corporation created by this Act without the necessity of any act or acts on the part of the corporation created by this Act or of the District of Columbia corporation, their officers, employees, or agents or of any other department or agency of the United States to carry out the purposes hereof and it shall be unnecessary to take any further action to effect the dissolution or liquidation of Export-Import Bank of Washington, a District of Columbia corporation. The members of the Board of Directors of the District of Columbia corporation, appointed pursuant to the provisions of the Export-Import Bank Act of 1945, shall, during the unexpired portion of the terms for which they were appointed, continue in office as members of the Board of Directors of the corporation created by this Act.

(59 Stat. 526,666; 61 Stat. 130.)

APPENDIX D

SECTION III (c) (2) OF FOREIGN ASSISTANCE ACT OF 1948,
62 STAT. 137

(2) When it is determined that assistance should be extended under the provisions of this title on credit terms, the Administrator shall allocate funds for the purpose to the Export-Import Bank of Washington, which shall, notwithstanding the provisions of the Export-Import Bank Act of 1945 (59 Stat. 526), as amended, make and administer the credit on terms specified by the Administrator in consultation with the National Advisory Council on International Monetary and Financial Problems. The Administrator is authorized to issue notes from time to time for purchase by the Secretary of the Treasury in an amount not exceeding in the aggregate \$1,000,000,000 (1) for the purpose of allocating funds to the Export-Import Bank of Washington under this paragraph during the period of one year following the date of enactment of this Act and (ii) for the purpose of carrying out the provisions of paragraph (3) of subsection (b) of this section until all liabilities arising under guaranties made pursuant to such paragraph (3) have expired or have been discharged. Such notes shall be redeemable at the option of the Administrator before maturity in such manner as may be stipulated in such notes and shall have such maturity as may be determined by the Administrator with the approval of the Secretary of the Treasury. Each such note shall bear interest at a rate determined by the Secretary of the Treasury, taking into consideration the current average rate on outstanding marketable obligations of the United States as of the last day of the month preceding the issuance of the note. Payment under this paragraph of the purchase price of such notes and 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. 526), as amended. Amounts received in repayment of principal and interest

on any credits made under this paragraph shall be deposited into miscellaneous receipts of the Treasury: PROVIDED, That, to the extent required for such purpose, amounts received in repayment of principal and interest on any credits made out of funds realized from the sale of notes authorized under this paragraph shall be deposited into the Treasury for the purpose of the retirement of such notes.