A BASIC BRIEF

ECONOMIC COOPERATION ADMINISTRATION
WASHINGTON 25, D. C.

BASIC BRIEF

This BASIC BRIEF is only for orientation of employees. It reflects information as of May 1948, so that it is not up to date and does not represent current thinking and procedure in all respects. It constitutes useful background information. It should not be used as a basis for legal interpretations which must be based on the law itself or official documents relating to the legislative history of the ECA Act.

The following corrections should be noted:

(1) Page 2, Section 1, Paragraph A, line 3, should read:

"total appropriations and authorizations up to April 2, 1949, cannot exceed $5,300,000,000;"

(2) Page 7, line 2, should read:

"At the start of the program, our timber exports will probably be 2% of our total production,..."

November 24, 1948
Prepared by
Organization and Management Division

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ECONOMIC COOPERATION ADMINISTRATION

A Basic Brief

Public Law 472, 80th Congress, established the Economic Cooperation Administration for the purpose of helping certain foreign countries help themselves to economic betterment.

Two definitions are basic to an understanding of the Act:

Participating country: Any European country and its dependent areas which agrees and adheres to the principles of a joint program for European recovery. (Section 103(a).)

Commodity: Any commodity, material, article, supply or goods necessary for the purpose of the Act.

The nucleus of the Act lies in Section 111:

Section 111(a) lists the assistance functions to be performed by ECA:

The procurement of commodities.

Processing, storing, repairing, and transporting commodities; 50% of them in U.S. bottoms, if practicable.

Procurement and furnishing of technical information and assistance.

Transfer of any commodity or service; such transfer to be signified by the delivery of custody and right of possession or use so that there will be a definite standard of measuring the amount of assistance actually provided.

Allocation of commodities and services to specific projects approved by the Administrator.

Section 111(b) lists the methods of facilitating the assistance functions:

By establishing accounts against which:

(1) letters of commitments may be issued; or

(2) withdrawals may be made by participating countries upon presentation of proper documentation.

By utilizing the services of various establishments and agencies of the United States Government.

By guaranteeing private investments, with these restrictions:

(1) the guaranty shall not exceed the amount of dollars invested with the approval of the Administrator;

(2) the guaranty is limited to the transfer of foreign currencies into dollars (i.e., the investor is guaranteed only the right to convert his foreign currencies into dollars);

(3) the guaranty must end by April 2, 1962;

(4) if the United States Government pays a guaranty, the foreign currencies involved become the property of the United States Government;

(5) guaranties must not exceed $300,000,000 total;

(6) the investment must be in connection with a specific project approved by the Administrator.

The Administrator can set up an "insurance fund," by charging fees up to 1% of the amount of the guaranty per annum; if that fails to provide enough money to pay the guaranties, he can get more money by issuing notes for purchase by the Secretary of the Treasury.

Section 111(c) sets forth the terms on which the assistance functions may be performed:

By grants, to be matched by commensurate deposits made by and in the participating country for the furtherance of its economic welfare and independence.

By cash payments by the participating country.

By the extension of credit to the participating country, such credit to be financed by the issuance of notes for sale to the Secretary of the Treasury.

By exchange for vital materials in short supply in the United States.

On any other terms approved by the Administrator.

The total amount available for financing foreign purchases on credit, either directly or through investment guaranties, is one billion dollars. The greater the amount earmarked for guaranties (within the stated limitations), the less can be realized through the issuance and sale of notes.

All other Sections of the Act provide ways and means of developing and carrying out the functions listed in Section 111.

In this brief, portions of the Act of particular and immediate interest to officials of the ECA, together with a digest of related comments, suggested procedures, and procedures existing as of May 1948 are arranged by subject matter.

I. Appropriations

A. What the Act Provides

In order to get the program started, without waiting for Congress to appropriate funds, the RFC advanced 1 billion dollars; any money left over from appropriations under the Foreign Aid Act of 1947 can be used by ECA; total appropriations up to April 2, 1949, cannot exceed $5,300,000,000; as soon as Congress approves appropriations for ECA, 3 billion dollars is to be put into a Trust Fund, from which the Administrator will make fiscal 1949 expenditures until the fund is exhausted.

The usual restrictions on expenditures of government funds may be disregarded by the Administrator if he thinks they would impede the administration of the Act. (Section 114.)

B. Comments and Suggested Procedures

1. Senate Report (No. 978) - Witnesses appearing before the Senate Committee generally agreed that a minimum of 6.8 billion dollars should be appropriated for the first 15 months. The Committee decided to change the figures to 5.8 billion dollars for 12 months. This plan gives the new Congress a chance to review the program early in 1949. By that time the Administrator, in the light of his experience, should have some helpful recommendations. It was also felt that the knowledge that their accomplishments are to be reviewed so soon might spur the participating countries to even greater efforts than they would otherwise make toward economic self-help.

   The device of establishing a 3 billion dollar Trust Fund from the 1948 Treasury surplus is designed, according to Senator Millikan, Chairman of the Senate Finance Committee, to prevent this and other important projects from "cannibalizing" each other in a year when demands on the Treasury are expected to be great.

2. Conference Report (No. 1655) - This report clarifies the portion of Section 114(a) dealing with advances from and repayments to the RFC, as follows: The RFC can advance funds for the assistance of any participating country before there has been any decision as to whether assistance is to be on a grant or loan basis. After the decision is made, the RFC will be repaid either out of appropriations or out of proceeds from the sale of notes, depending on what the decision was.

3. House Report (No. 1585) - This spells out certain divisions in the total authorization of $5,300,000,000 as follows:

$1,000,000,000 to be advanced by RFC;

$4,300,000,000 to be appropriated for grants or loans;

$1,000,000,000 of the total $5,300,000,000 to be earmarked for guaranties up to $500,000,000 and for loans made through the Export-Import Bank financed by public debt transactions.

It is pointed out (on pages 18 and 19) that RFC advances and the use of money left over from the Foreign Aid Act are necessary to allow immediate forceful action by the U. S. and thus to avoid a psychological let-down in European countries.

C. Existing Procedures

There was precedent for the interest-free advances by RFC in the Relief Assistance and Foreign Aid Acts. In view of the compelling needs of the participating countries and the necessity for losing no time, it was decided to adopt this procedure, pending ECA appropriations. (Senate Report No. 978.)

II. Procurement of Commodities

A. What the Act Provides

The Administrator must observe these rules, in so far as practicable, in procuring commodities:

1. Use private trade channels;
2. Do not create serious shortages in the United States;
3. Procure necessary oil, oil products, and other commodities in short supply, elsewhere than in the United States;
4. Discourage the use of equipment requiring oil if anything else will do;
5. See that 25% of the amount of United States wheat to be transferred by grant is in the form of flour.
6. Use agricultural surpluses whenever the United States can spare them and the participating countries need them;
7. Use existing governmental channels, where necessary to prevent sharp price fluctuations (i.e., as in procuring wheat through the Commodity Credit Corporation). (Section 112.)
8. Laws such as those governing advertising for purchases and contracts and opening of bids may be disregarded in order to expedite procurement. (Section 119.)

B. Comments and Suggested Procedures

1. Senate Report (No. 978) - One of the reasons for setting up a new agency was to provide greater flexibility in procurement by exempting it from the usual governmental rules about gathering bids, etc. (Page 14.)

If the Administrator and the heads of other interested agencies disagree about the allocation of scarce commodities, the President makes a decision. (Page 17.)

Petroleum and its products are to be procured outside the U. S. as far as possible. (Actually, most of these purchase in dollars will be from American companies operating in the Caribbean and Middle East areas.) U.S. exports will be more than offset by imports. Western Hemisphere and Middle East areas are expected to supply most of the European requirements,

with the result that our exports to the OEEC area will decline from the 1938 level of 77,000,000 barrels to 35,000,000 barrels in 1948. (Page 30.)

Private procurement and normal channels of trade should be used as much as possible. Procurement should be through U. S. Government channels when necessary to safeguard price levels or other aspects of our national economy. (Page 33.)

Off-shore procurement is authorized in order to prevent shortages here. It will also help Western Hemisphere countries to meet their dollar requirements with some of their export surplus. Under this authority, the Administrator can finance procurement for one participating country of commodities available to the exporting country and diminish its need for U. S. assistance. It is expected that about 60% of all off-shore procurement will be of food products. (Page 34.)

The amount of each agricultural commodity to be transferred by grant should be in proportion to its total exportable surplus. (Page 63.)

2. Conference Report (No. 1655) - This report spells out the intent of the legislators regarding documentation for off-shore procurement. They want the regulations to be approved by the Comptroller General, but they may be very general recommendations, leaving the Administrator free to use his own judgment in individual situations. (Page 29.)

3. House Report (No. 1585) - Participating countries, private importers in those countries, U. S. Government agencies, international agencies, and private investors all may do actual purchasing of commodities with funds and credits made available by ECA.

Because the program must work in a variety of conditions and countries, procurement is exempted from such rules as those prohibiting advance payment for purchases out of public funds, requiring advertising for bids, requiring bidders to be present at opening of contracts, restricting purchases to U. S. produced goods, and limiting employment on government contracts to 8-hour days. (Pages 28 and 29.)

The arrangement for disposal of surplus commodities now in government hands is not intended to be permanent, but it provides a useful way to dispose of supplies now on hand, for which no other sale is in prospect, and which are needed by the participating countries.

4. Tentative Planning Documents (State Department) - The State Department felt that ECA should have discretion as to the types of commodities to be procured, and their allocation, but subject to periodic reports to Congress. It suggests that, after specific procurement programs have been agreed on for specific periods, funds should be disbursed for them only on the submission of evidence that the specific purchases were within the limits of the agreed-upon program. The State Department emphasizes the use of private trade channels and Federal procurement agencies. (Page 56.) It also suggests that government procurement may have to be extended to assure efficient use of available funds. Export controls, post-auditing and, in some cases, prescreening of proposed contracts are all suggested as controls over procurement by foreign governments or agents.

In off-shore procurement, it may be advisable for the U. S. to join with recipient countries in negotiating for supplies in other countries. (Page 122.)

Army procurement should be coordinated with government procurement for ECA. Allocation of commodities in short supply should be maintained, as at present, in Commerce

for non-food and non-agricultural items and in Agriculture for the others. Other export claims should be presented by ECA for participating countries, by the Army for occupied areas, by the State Department if foreign policy considerations are involved, and in all other cases by the export programming sections of Commerce and Agriculture. (Pages 127-128.)

5. Tentative Planning Documents (State Department) - Existing procurement channels, both public and private, should be used as far as practicable and, if any changes have to be made, they should be in the direction of greater utilization of private rather than government channels. (This appears to be in contrast with the State Department's "Outline of ERP," which indicated that government procurement might have to be extended.) During the first few weeks, government procurement of certain bulk commodities may be essential. The ECA and the participating country should get together and decide whether a given request for assistance should be handled privately or through the government.

Private procurement may be handled in either of two ways: (1) the participating country or its agent may buy directly from an American supplier, applying for an ECA reimbursement; or (2) financing may be through letters of commitment to banking institutions, as a basis for letter of credit in favor of the supplier.

The McGehee Manual suggests the following procedure for government procurement:

1. After a program has been approved, the Program Scheduling Group prepares a procurement authorization and gives it to the Supply and Transportation group;
2. That group determines which material is to be procured by each agency and estimates the value; initiates authorization for funds; sends a requisition to the procurement agency, a copy to the participating country, and a copy to the ECA mission in the participating country.
3. The procurement agency deals with the supplier, including in the contract all terms, conditions, and required documentation; makes shipping arrangements and notifies the shipping section of the Supply and Transportation group.
4. The Records Division gathers up all the documents for transmission [illegible] he participating country.
5. Records kept by ECA include program, allocation, authorization, requisition, expenditure, and fiscal control records.

On the subject of off-shore procurement by the U. S. Government, the McGehee Manual recommends contracts which provide specifically for inspections, loading certificates, invoices, packing lists, dock or mate's receipt, ocean bills of lading, payment through draft, letter of credit, or other agreed terms.

Procurement for countries getting assistance on a grant basis should be mostly food, fuel, and fertilizer, at least at first. Large-scale purchases should be made whenever possible.

6. State Department Check List of Problems - When the Administrator wants to buy something in one country for transfer to another, he must first be assured by the Secretary of Agriculture that such a course will not lead to a burdensome surplus here.

Procedures for procurement of CCC commodities must be worked out so [illegible] payment by the CCC can be prior to or simultaneous with the Administrator's payment of his costs. A similar plan must be worked out for the subsidy payments which Section 112(f) of the Act says the Secretary of Agriculture can make.

It is suggested that the Administrator get from the War Assets Administration a list of available items which might be of immediate use to ECA and arrange to be notified as other things become available.

7. "How to do Business Under the Marshall Plan" (Kiplinger Magazine, May 1948) - This hypothetical example gives a quick picture of the procurement process:

"A French maker of farm equipment decides he needs lathes and drill presses to keep his production going. He goes to his local machine tool dealer, through whom, traditionally, U. S. machine tool exports overseas are channeled. The dealer has probably had similar requests from other French makers of farm equipment.

"The dealer works with the French government. The government weighs the request. Is it in line with the purposes of the recovery program? Yes - farm equipment helps food production. With the OEEC and ECA representatives in Paris, the French government also views the request in this light: Do the French makers of farm equipment need the machine tools more urgently at the time than the Belgian or British farm equipment makers who are also trying to get them? Say the decision goes to the French.

"The ECA officer forwards the request to the Administrator in Washington. The Administrator consults with the National Advisory Council; decides this type of deal can be put on a loan basis. He further checks with the Commerce Department and his machine tools advisory committee; decides we have plenty of machine tools to spare. The Administrator notifies the ECA officer in Paris of his okay. Word goes back to the French machine tool dealer who gets an import license.

"The dealer then sets about getting the lathes and drill presses in the U. S. He may deal with the U. S. machine tool maker, either directly or via a French purchasing commission in the U. S. Specifications, prices, date of delivery are agreed upon. The U. S. manufacturer gets his export license (and he won't if the export license office in Washington doesn't think the price set is reasonable). He makes and ships the tools, say $100,000 worth.

"The American machine tool manufacturer presents his export license and shipping documents to the ECA in the U. S. and collects his $100,000. (The Export-Import Bank is the ECA's handling agent.) When shipment is received, the French farm equipment maker pays his government $100,000 worth of francs. The French machine tool dealer gets his commission. The ECA deducts the $100,000 from the total amount we have pledged to help France."

As the writers of this article see it, we will export our surplus cotton, wheat, tobacco, fruits, etc., and as much as we can spare of coarse grains, fats and oils. Our exports of fertilizer will remain about as they have been. We are hoping for some increased production of farm machinery, now in short supply because of the steel shortage. We will export no scrap metal and be very sparing about crude and semi-finished steel. Coal that we can spare will be exported till Europe's own coal production gets rolling. Oil will probably be procured by the participating countries themselves from Middle Eastern sources. No big electric generators will be exported and only limited quantities of any kind of electrical equipment. Only 20,000 freight cars can be spared, and those will go to Western Germany

to get the coal moving. We can send some 65,000 trucks in the first 15 months of the program. At the start of the program, our timber exports will probably be 27% of our total production, and that will gradually decline. Our machine tool industry can double production, if need be, and fill Europe's demands for standard tools.

C. Existing Procedures

Government procurement agencies include the Commodity Credit Corporation for agricultural and food items; the Treasury's Bureau of Federal Supply and the Department of the Army for other items. (Page 128, Outline of ERP)

House Report No. 22 says the procurement activities of the Bureau of Federal Supply, in the Treasury Department, already amount to anywhere from $100,000,000 to $150,000,000 a year; a third of this is procured by the Bureau itself and the rest by the consuming agencies, under contracts arranged by the Bureau. In addition, the Bureau has handled such special procurement projects as emergency relief, lend-lease, and UNRRA.

With respect to food products, the Commodity Credit Corporation in the Department of Agriculture has 17 commodity branches and 11 field offices, manned by personnel from the Production and Marketing Administration, for its extensive procurement programs.

III. Shipment of Commodities

A. What the Act Provides

Fifty per cent of the gross tonnage of commodities procured here and shipped on ocean vessels should be shipped on U. S. flag vessels to the extent that such vessels are available at market rates.

Delivery may be made directly to business firms acting as agents for participating countries. (Section 111.)

The Administrator may pay ocean freight charges on individual relief packages and on shipments from recognized non-profit relief agencies in this country. He may make agreements with the participating countries to pay the freight on such shipments from the port of entry to final destination. After consultation with him, the Secretary of State shall arrange, if practicable, for the free entry of such shipments at the participating ports. (Section 117(c).)

B. Comments and Suggested Procedures

1. House Conference Report (No. 1655) - With respect to paying for the shipment of relief packages, the House felt that paying anything beyond ocean freight would be an unwarranted drain on ECA funds. (Page 32.)

2. Senate Report (No. 935) - The original plan to sell 200 and charter 300 vessels to participating countries was changed to a plan for the charter only of 300 dry-cargo merchant vessels. Secretary Forrestal said it would be to our national advantage to charter or sell any number up to 500 (Page 36). (All specific references to selling, chartering and number of ships were omitted from the Act as passed; the only directive is to ship 50% in U. S. bottoms if practicable.)

It was intended that ships chartered to a participating country would not be subject to the laws controlling operation of U. S. vessels. (Page 60.)

3. House Report (No. 1585) - The House Committee objected to the 50% provision because it would "add to the costs of the operation in requiring payment in dollars, and in tending to

drive shipping rates upward." They also felt it would divert ECA funds to keep our maritime operations at an inflated level. They tried (unsuccessfully) to have the "50%" changed to "a substantial portion"; to allow the chartering of 200 ships; and to specify the instant revocability of any charter in the interest of national defense. (Page 35.)

4. Tentative Planning Documents (State Department) - The State Department's idea was to allow the charter to participating countries of any vessels which the Maritime Commission regarded as surplus. (Page 17.)

The participating countries were said to anticipate ship construction of about 15.7 million tons from July 1, 1947 through 1951, plus the purchase of 2 million tons of war-built vessels from us. The State Department recommended sale of 200 war-built vessels, plus the chartering of up to 300 bulk-cargo carriers, as a means of reducing the costs of ERP. They estimated that disapproval of the charger program would increase costs by $35,000,000, while disapproval of the purchase program would raise them another $300,000,000. They felt that the participating countries could use their money to better advantage than in such a large program of ship construction. (Page 91.)

5. House Preliminary Report (No. 22) - The Navy Department, the Maritime Commission, and the State Department each have different and unintegrated, shipping policies. Maritime opposes sale and charter of U. S. ships, while State urges it. Effective interagency machinery must be set up if the U. S. is to be an important part of the Intergovernmental Maritime Consultative Organization. The President's Advisory Council has recommended giving operating functions to a Maritime Commissioner, who would report to the Secretary of Commerce, and setting up a Maritime Board for quasi-judicial and quasi-legislative functions. (Page 31.)

6. Tentative Planning Documents (State Department) - It is assumed that the present pattern of shipping will not be changed, at least until we can get a statistical study of trade for the past six months between the U. S. and the 16 participating countries.

It appears that shipping 50% of ECA material in U. S. bottoms will have no disruptive effect except possibly with regard to tankers. The 50% rule may tend to anchor in the "16 country"-trade, some not now being used there. As far as dry cargo bulk carriers are concerned, it will not change the present picture.

In November 1947, 1203 vessels cleared and entered the U. S. to and from the 16 ERP countries. The memorandum on interim operational responsibilities proposed a Transportation Unit in the division of Transportation and Supply to supervise and coordinate both inland transportation and ocean shipping; keep an eye on ocean rates and classifications and inland routings and rates; be responsible for in-transit storage and for any follow-through involved in the diversion of any cargoes on the high seas.

7. State Department Check List of Problems - The Administrator should draw up rules for paying freight on relief packages; get from the Voluntary Foreign Aid Committee a list of recommended agencies; work out procedures with the Post Office for postal rates for such packages to cover mailing costs and port charges within the U. S. and figure out with the Post Office a way to determine whether relief packages meet the specifications in the Act.

IV. Export Controls

A. What the Act Provides

Exports to non-participating countries are prohibited if the export would leave us without a sufficient supply of the commodity to fill the needs of participating countries. (Section 112(g).)

The Administrator is authorized to recommend the refusal of export licenses to non-participating countries if he thinks it wise; the President shall have the final say in any difference of opinion on this point. The Administrator must also take steps to assure that non-participating countries will not get ECA commodities indirectly by reshipment from a participating country or in the form of end products from a participating country. (Section 117(d).)

B. Comments and Suggested Procedures

1. Memorandum by Hefner and Moore on Interagency Relationships. March 30, 1948 - The Department of Commerce will be responsible for export and import controls and export priorities. (Page 4.)
2. "How to do Business Under the Marshall Plan" (Kiplinger Magazine, May 1948) - "You must get an export license from the government to ship goods. That license can be denied if the government is not satisfied with the price set for, and the quality of, the goods."
3. State Department Check List of Problems - The Administrator should confer with the Secretary of Commerce about drafting (for the President's signature) rules by which the Administrator can tell when export licenses would be refused certain commodities for shipment to non-participating European countries. He must also arrange to get adequate proof from participating countries that they are not reshipping ECA commodities to non-participating countries, either directly or as end-products.
4. Tentative Planning Documents (State Department) - Administration of export controls should be continued in the Department of Commerce, and changed only to conform to ERP requirements.
5. Brookings Report - Export control function should be kept in the Department of Commerce rather than transferred to ECA in order to:
   a. Make it possible to strike a balance between needs of the participating countries on the one hand, and need of the U. S. and the rest of the world on the other; and
   b. avoid forcing the Administrator to act as both advocate and judge in passing on European claims.

   If the Administrator and the Secretary of Commerce fail to agree on any export, the question is referred to the President.

   Advocates of having the export control function transferred to ECA argue that the greatest need for controls will arise from ERP and that therefore they could be handled more quickly and efficiently by ECA. (Pages 11, 12, 17 and 18.)

C. Existing Procedures

Commerce handles export controls, but gets recommendations from the Advisory Committee on the Second Decontrol Act (composed of people from Commerce, Agriculture, Interior, Office of Defense Transportation, and State). Those recommendations are gone over, before they get to Commerce, by a review committee composed of people from all the agencies listed above plus the Housing and Home Finance Agency; the Committee also reviews actions already taken by

Commerce in this field. Commerce and Agriculture together have built up "commodity committees." Organization units working on export controls include the Export Supply Branch of the Office of International Trade, the Office of Domestic Commerce, and the Office of Materials Distribution. Commerce has relied heavily on Agriculture in the matter of controlling exports of food, fertilizers, and agricultural raw materials.

State plays an important part in controlling exports, and has commodity experts in the International Resources Division, Office of International Trade, and the Office of Transport and Communications. These staffs screen items on the export control Positive List. Under the Second Decontrol Act, the Secretary of State is authorized to certify that the export of certain items is essential, as well as to recommend against the export of other items; he does this with the concurrence of the Secretary of Commerce.

V. Technical Assistance

A. What the Act Provides

So that the Administrator may have the benefit of technical know-how, he may (1) employ consultants and organizations of consultants (Section 104(d)), (2) appoint any advisory committee he needs (Section 107(b)) and, (3) use the services and facilities of any United States Government agency, department or establishment (Section 113(a)).

The definition of "commodity" is broad enough to permit the Administrator to furnish technical information and assistance (including technical training) to participating countries. (Section 111(a).)

B. Comments and Suggested Procedures

Note: Technical information and assistance may be either that which the Administrator gets for his own guidance, or that which he supplies to participating countries.

1. Senate Report (No. 935) - The Administrator will lean heavily on Agriculture, Commerce, Interior, Army, Labor, and other agencies for advice and direction in technical matters. (Page 16.)

ECA people abroad must have a high degree of technical competence. (Page 17.)

The Administrator may find it useful to set up advisory groups in industry, labor, agriculture, commerce, and other specialized fields. (Page 19.)

American business enterprise and technical know-how should prove of great value to the Administrator; that is why he is authorized to hire consultants. (Page 53.)

The Administrator is authorized to furnish technical information or technical personnel for instruction purposes to a participating country, as well as other forms of technical information and assistance. (Page 60.)

The Administrator can use any department, agency, or establishment of the government in providing assistance. (Page 62.)

2. House Report (No. 1585) - The expenses of persons hired as technicians in the economies concerned are among the things the U. S. is to make available in Europe. (Page 28.)

Advice on financial matters is to be given the Administrator by the National Advisory Council. Advice on general matters affecting business, labor, agriculture, and the professions will be supplied by the Public Advisory Board. It was considered advisable to separate the public sources and the official sources of advice rather than to merge them. (Page 44.)

Originally, assistance from other agencies could be obtained only with the consent of the agency head; the bill as passed provides that it can be given voluntarily or at the direction of the President. (Page 46.)

VI. Allocation

A. What the Act Provides

The Administrator is authorized to review the requirements of participating countries and to approve projects for self-help submitted to him by those countries. (Section 105(a).) He may allocate commodities and services to those projects. (Section 111(a)(5.) Such projects (according to Section 115(b)) should be designed to increase production in the participating country of coal, steel, transportation facilities, and food.

B. Comments and Suggested Procedures

1. Senate Report (No. 935) - If the Administrator and the Secretary of Commerce, or the Administrator and the Secretary of Agriculture, fail to agree about the proper allocation of scarce commodities, the President must decide. (Page 17.)

OEEC technical committees, after careful study, recommend certain allocations. The executive branch of the government analyzed the recommendations and made changes. For instance, a requirement figure was regarded as unjustified unless it was proved absolutely essential to recovery or to a reasonable standard of living in a particular country; thus, the recommended allocations of heavy farm machinery were cut considerably, on the theory that European farms aren't big enough to need it. Other considerations were how much that country or other participating countries could produce themselves, whether something more plentiful could be used instead; and how scarce is the commodity. (Page 20.)

2. House Report (No. 1585) - The Administrator's power to allocate assistance includes the authority to withhold or withdraw assistance from any country that doesn't live up to its agreement or undergoes some change that affects our national interest. (Page 45.)

3. Tentative Planning Documents (State Department) - Appraisal and approval of European requirements are responsibilities shared with the Administrator by Treasury, Agriculture, Commerce, Interior, Army, Labor, and other agencies. Allocations of items in short supply should continue to be made by Commerce and Agriculture. Such allocations would treat the participating countries as a group, and ECA would then make allocations to individual countries. (Page 57.)

The allocation of scarce items should not be left entirely to an agency like ECA which has a primary interest in just one part of the world. Instead, ECA should present claims on behalf of participating countries, while other export claims continue to be presented by the export programming sections of Commerce and Agriculture and (for occupied areas) by the Army. Foreign policy considerations involved in the distribution of exports should be presented by State. (Page 127.)

Agriculture should determine the availability of agricultural and food items and Commerce of everything else.

ECA, with State Department help, should establish periodic allocation programs within the OEEC areas. (Page 130.)

4. Brookings Report - In making allocations of scarce materials, the Administrator should consult with the agencies responsible for conserving supplies. Arrangements between them should be prescribed by the President from time to time in the light of experience. Consultations should cover both domestic and foreign allocations, including commercial exports. Existing agency set-ups should continue to be used. In case of a disagreement, the President should decide.

5. "Basic Principles of ECA Organization" - Items on the Export List must be selected and reviewed in connection with allocations of scarce commodities; otherwise, the List is not important in getting adherence to the recovery program. (Page 2.)

   One of the jobs of OEEC will be to work closely with such international allocating agencies as the Economic Commission for Europe and the International Emergency Food Committee. (Page 3.)

6. Senate Hearings - Mr. Harriman made it clear that, although he thought some overall direction was necessary to reduce the non-essential consumption of steel, he would not be in favor of a system of allocation of steel throughout the industry. (Page 278.)

C. Existing Procedures

Primary allocation job is done by Agriculture (for food) and Commerce (for non-food and non-agricultural items). When international allocations are involved, the State Department interprets foreign policy considerations in connection with commodity controls. Commodity specialists are on the staffs of the Office of International Trade Policy, Office of Transport and Communications, Commerce, the Tariff Commission, and the Bureau of Mines.

State has worked with such international allocation agencies as the Coal Committee for the Economic Commission for Europe and the International Emergency Food Committee.

Commerce performs functions arising out of the voluntary industrial allocation agreements provided for in Public Law No. 395, 80th Congress. It prepares agreements, subject to the approval of the Attorney General and the President, and then requests compliance by the industry. These activities of Commerce apply to all non-agricultural items except coal and oil. Commerce has a staff trained in this work and has built up, with the Department of Agriculture, commodity committees and working groups.

Agriculture has had the main job of allocating food, fertilizers, and agricultural raw materials. It has been the contact point between our government and the Food and Agriculture Organization of U. N., which absorbed the allocation functions of the International Emergency Food Council. It also is responsible for the voluntary allocation agreements (authorized by Public Law No. 395) in the field of food and agricultural import and export allocations.

Interior handles the voluntary agreements with the coal and oil industry and coordinates Federal policy and operations regarding petroleum. Its Interdepartmental Petroleum Committee was the screening agency for OEEC petroleum requirements.

The National Petroleum Council (about 65 oil and gas industry representatives) meets quarterly with the oil and gas division of Interior.

The Military Petroleum Advisory Committee (25 persons from the oil industry) gives expert advice to the military authorities on petroleum matters.

The Review Committee on the Second Decontrol Act has made recommendation on export allocation procedure under ERP.

VII. Financial Arrangements

A. Letters of Commitment and Withdrawals

1. What the Act Provides - The Administrator may make advance payment or reimbursements to participating countries in either of two ways. He may establish accounts on the books of ECA or of any other agency or, if the Secretary of the Treasury approves, in United States banks. Letters of commitment then can be issued against these accounts to participating countries or to suppliers, such letters to be used like United States government contracts. The alternative method would be to permit withdrawals against an established account upon the presentation of specified documents by a participating country. It is up to the Administrator to make sure that the expenditures are for approved purposes and in necessary amounts. (Section 111(b)(1).)

2. Comments and Suggested Procedures.

a. Senate Report (No. 935) - The U. S. banks in which accounts may be established include the overseas branches of such banks. (Page 61.)

In a letter of commitment, the Administrator would promise to pay for certain commodities upon presentation of the letter of commitment plus evidence that the funds are being properly spent for approved purposes. Thus the participating country could make purchases, without borrowing and without freezing its scarce dollars, by giving a supplier an irrevocable letter of credit. The supplier can use the letter of commitment for his own credit arrangements just as he would use a U.S. Government contract. (Page 61.)

The Administrator makes the rules about what documents must be submitted before a withdrawal can be made. They need not include all the documents ordinarily required when government expenditures are being made, just so he makes sure that participating country doesn't withdraw more than it needs to make current dollar payments for approved items. He should also check, at the same time, to be sure the timing and method of procurement isn't harmful to our domestic economy. (Page 61.)

b. House Report (No. 1585) - The withdrawals may be in the form of advancements or of reimbursements. (Page 28.)

c. Tentative Planning Documents (State Department) - After a transaction has been approved, the ECA and the participating country together decide whether the ECA will establish a letter of credit by issuing a Letter of Commitment to commercial banks. If that is what the participating country favors, it should say so when submitting its original request for assistance; likewise, if it prefers a letter of commitment to the supplier, rather than to a bank, it should say so. It was here suggested that no bank deposit accounts should be set up during the interim period. (Section E., PP2 and 3.)

Among the proposed regulations is one that the participating country must promptly pay back any money which the Administrator decides was improperly withdrawn. Another specifies that the letter of commitment must require the bank to support each payment by documentation showing:

(1) commodity or service;

(2) unit price;

(3) basis for payment schedule;

(4) acknowledgment and certification by the supplier that payment was made out of ECA funds.

Still another limits the use of letters of commitment to a supplier to instances in which there is a specific contract.

Also according to the recommended rules, monies due or to become due, under such letters of commitment, are assignable only after certification by the supplier and notice to GAO, the date of such notice to be entered on the letter of commitment.

Sample forms and letters of commitment are included in Section E - 2 of the McGehee Manual.

3. Existing Procedures

The Accounting Committee, representing GAO, the Treasury and the Bureau of the Budget, has worked out documentation requirements. Top level accounting personnel from all three agencies are available to work with the ECA Comptroller and his staff.

B. Reimbursement To Other Agencies

1. What the Act Provides

Procurement may be through or from United States government agencies, the United Nations, international organizations, and agencies of the participating countires. Funds allocated to any United States government agency are to be established in separate appropriation accounts in the Treasury. (Section 111(b)(2).)

The agency head and the Administrator can agree on any legal price or none, if the agency says a replacement is unnecessary.

Sometimes after a commodity has been procured, circumstances will make it advisable not to send it abroad but to use it here because the government needs it, or because it has to be used before it spoils. In such a case, ECA can transfer it to another government agency, which will reimburse ECA, or sell it and put the money back in whatever fund the original purchase came from. (Section 113(a).)

Services and facilities of the United Nations and related agencies can be paid for by ECA either in advance or by reimbursement. (Section 121(a).)

2. Comments and Suggested Procedures

a. Senate Report (No. 933) - Sometimes, the Administrator will take over commodities which government agencies have procured for their own use, or will provide assistance in the form of services rendered by government agencies. When that happens, the agency is to be reimbursed at any legal rate agreed upon between it and the Administrator. The reimbursement money is to be credited to current applicable appropriations, funds, or accounts so replacements can be made. If no replacement is necessary, any reimbursement funds received should be covered into the Treasury as miscellaneous receipts.

b. Tentative Planning Documents (State Department) - Surplus property can be utilized under any circumstances upon payment to a disposal agency. (Page 18.)

3. Existing Procedures

There are regular permanent procedures for reimbursement of one agency by another for detail of personnel and for procurement.

C. Investment Guaranties

1. What the Act Provides

The United States Government's guarantee is simply that the investor will be able to transfer his foreign currency proceeds into dollars; it does not cover normal business risks. Both the Administrator and the participating country have to approve any investment before it can be guaranteed. (Section 111(b)(3).)

2. Comments and Suggested Procedures

a. Senate Hearings - Secretary Marshall and Ambassador Douglas emphasized that if an investment fails completely, the investor is out of luck. The U. S. Government guarantees only that whatever the investor recovers, up to but not including the profits, can be converted into dollars. The guaranty is confined to capital investment and then only if the return from the capital investment is sufficient to amortize it.

The amount of money which can be covered by guaranties must not exceed 5% of the money authorized under the Foreign Assistance Act. (Pages 29 - 32.) (The Act limits the amount to $300,000,000.)

Secretary Snyder emphasized that investment by private capital would be purely voluntary, encouraged by the guarantee that earnings would be convertible. He further emphasized that it does not cover normal business losses and is no guarantee of the exchange rates either. "We simply tell him," said Mr. Snyder, "***that any time he gets local currencies out of the operation of his business, we will see that he gets them into dollars, up to the amount of his original investment. ***We are not guaranteeing the business judgment of any man nor the success of his business."

One test as to whether a project should be approved for guaranties, according to Snyder, would be whether it would be approved as a project for which ECA funds themselves could be used; if it would, then private capital may be substituted and a guaranty given, provided the total amounts guaranteed are no more than 5% of the total authorized for ECA. (Pages 403, 404.)

b. Senate Report (No. 935) - The executive branch of the government estimated that in the first 15 months of ECA, $1,285,000,000 of financing would be available from sources other than the U. S. Treasury -- $500,000,000 from the International Bank, private investments, and outstanding Export-Import Bank credits, $700,000,000 from credits advanced by other Western Hemisphere countries, and $85,000,000 from certain of the participating countries.

The Harriman Committee estimated $50,000,000 from private investment during the first 15 months, $750,000,000 from the International Bank, and $450,000,000 from other Western Hemisphere countries. (Page 51.)

Private investment is expected to increase as the program progresses.

The Administrator can make guaranties for the transfer into dollars of local currency proceeds from new investments, including loans approved by him and the participating country. The guaranties must cover only projects which further the recovery program.

c. Conference Report (No. 1655) - With respect to guaranties in projects to produce or distribute information media, the guaranty "might well apply to the convertibility of foreign currencies earned by the sale or exhibition of the products," but only to the extent that the dollar cost of the whole process can be attributed to those products. In other words, the production of monies, or magazines, or whatever, would probably occur here, and some of the products would be consumed here, so it is necessary to make a distinction between the cost of those for domestic and those for foreign use.

The provision that local currencies regarding which guaranties are paid become the property of the U. S. applies only to the amount of local currency or credit for which payment was actually made. (Pages 29 and 30.)

d. "How To Do Business Under the Marshall Plan" (Kiplinger Magazine, May 1948) - The guaranty operates only where local currencies cannot be converted via normal foreign channels; it covers earnings on the investment and the sale of all or part of the investment; conversion is always at the going rate of exchange. The size of the project is not the criterion as to whether it should have a guaranty; its importance to ERP is the significant factor. Even after it has been approved, post-auditing may show that the project is not actually important to the program and the guaranty may be withdrawn. The investor has 14 years to take advantage of the guaranty. (Page 10.)

e. House Report (No. 1585) - The House introduced the provision that the Administrator could charge up to 1% per annum for investment guaranties, feeling that it would limit the use of guaranties to investors who really need them, and that some of the liabilities incurred can be discharged out of those fees.

By including information projects among those which may be guaranteed, it is hoped to promote a better understanding abroad of American institutions and policies. (Pages 38 and 39.)

Approved projects may include expanding existing facilities where the program calls for additional capital equipment. The Administrator will follow up approved projects to be sure the agreed amount has been invested, that the resulting investment is reasonably related to recovery, and that the local currencies tendered for transfer into dollars are attributable to the investment.

Guaranties for information enterprises are limited to $15,000,000 for the first year. (Page 90.)

f. State Department Check List of Problems - Rules must be drawn up covering the types of projects for which investments can be guaranteed; the extent of the guaranty; provisions for securing the currency or credits in currency when payment is made on a guaranty; and the amount of the fee to be charged.

VIII. Grants

A. What the Act Provides

The Administrator is a member of the National Advisory Council on International Monetary and Financial Problems; other members are the Secretary of the Treasury, as Chairman; Secretary of State; Secretary of Commerce; Chairman of the Board of Governors of the Federal Reserve System; and Chairman of the Board of Directors of the Export-Import Bank. (Section 106.) This Council

helps the Administrator decide whether assistance is to be given on grant, cash, or credit terms. If no agreement is reached, the President can decide. Grants are not to be made to countries which can pay cash or repay loans. (Section 111(c).)

Any participating country which gets assistance on a grant basis must make a deposit, in a commensurate amount, of its own currency. The deposit shall include any money left over from deposits made by the country under the terms of Public Laws 84 or 389. The money is to be used by the participating country for such things stabilizing currency, stimulating productive activity, and finding new sources of wealth.

If there is any money left in the deposit account when the ECA program ends, it shall be disposed of within the participating country according to agreement, approved by Congress, between that country and the United States. (Section 115(b)(6).)

B. Comments and Suggested Procedures

1. Senate Hearings - The standard to be applied in deciding whether assistance should be a loan or a grant is the ability (either present or prospective) to repay; the kind of goods or services involved makes no difference. (Page 64.) The ability to pay is determined by such things as natural resources, productive capacity, and ability to transfer local currencies into foreign currencies. (Page 145.)

   Secretary Snyder explained that the amount of money deposited locally would be "the local currency equivalent at an agreed rate of exchange to the dollar cost to the U.S. Government of the goods supplied through grants-in-aid." He made it clear that these accounts are to be used for constructive purpose only; that sometimes it will be best to use them for reconstruction, or the development of resources; but that sometimes it may be better to let them lie idle or to use them to reduce the participating country's national debt. (Pages 408 and 409.)

   There is no sound method of predicting what amount of the total assistance should be in grants. (Page 431.) An "educated guess" was considered to be 20% to 40% in loans and the rest in grants. (Page 442.)

2. Senate Report (No. 935) - Possible uses for local deposits include freezing the local currency as a stabilization measure; retiring the country's national debt; increasing production of strategic materials; partially financing approved projects; paying U. S. administrative expenses within the country. Too great control by the U. S. on these deposits would arouse resentment and defeat the "self-help" feature of ERP. (Page 37.)

   The Senate Committee felt that the character and purpose of the assistance, as well as ability to repay, should be considered in determining whether assistance should be in the form of grants, but emphasized that grants should not be made to countries which can pay cash or repay loans. As far as practicable, grants should be limited to food, fuel, fertilizer, and raw materials not used for capital development. The Committee guessed that in the early stages of the program certain countries, like Austria and Greece, would get assistance entirely by grants, while others, like France and Great Britain would get partly grants and partly loans.

3. House Report (No. 1585) - Greece provides an example of varying conditions which will have to be considered in deciding how to use local currency deposits. In Greece, the money must be used for current expenditures because of the disruption caused by the civil war.

This Committee, too, wanted to avoid giving the U. S. too much control over (and, thereby, responsibility for) the local deposits.

This Committee felt that the funds should be available to private firms, either American or in the participating country, to facilitate productive enterprise.

One future possibility might be the creation from these deposits of a foundation fund to promote a "western union."

The inflationary impact of ECA is lessened by the fact that much of the assistance will be in the form of grants, and purchases will be paid for out of government monies. It will have a deflationary effect in the recipient countries because the imports won't have to be matched by exports; some local currency will be taken out of circulation temporarily, and the ratio of goods to money will therefore be increased temporarily. (Pages 33 and 37.)

4. Tentative Planning Documents (State Department)

State concurs in the opinion of the Harriman group that a substantial part of ERP assistance should be in the form of grants. It recommends as deciding factors ability to repay and the effect which additional international indebtedness would have on recovery. (Page 46.) This report sets the amount to be deposited locally at an amount of local currency equal to what the aid cost the U. S. to produce, ship, and deliver, figured at an agreed rate of exchange. The possible use for such deposits corresponds to those listed in the Act and in other reports. (Page 49.)

5. Basic Principles of ECA Organization

Total aid for any country, (loans, grants, and cash transactions) must be decided on the basis of economic rather than financial considerations. (How the total aid will be distributed among grants, loans, and cash transactions presumably would be decided on a financial basis.)

6. State Department Check List of Problems

The "agreed" rate of exchange by which the local deposits are to be measured must be worked out, as well as the time at which deposits are to be made and the uses which bilateral agreements allow in each case.

7. Tentative Planning Documents (State Department)

The initial assignment of ERP funds to participating countries should not prejudice later decisions by the Administrator and the NAC as to whether aid should be on a grant basis.

The participating country should be notified as soon as a decision has been made as to terms (grant, loan, etc.).

C. Existing Procedures

The Foreign Aid Act of 1947 provides procedures for establishing local currency deposits similar to those required when assistance is on a grant basis.

The NAC, which helps the Administrator decide on terms, was set up under Public Law 171, 79th Congress. It meets each week to study material previously screened and documented by "working groups." The Secretary of the Treasury is Chairman, and the Treasury Department supplies the secretariat. They have already studied, along with many other matters, such ERP problems as exchange rates, grants versus loans, etc.

IX. Loans

A. What the Act Provides

When the Administrator and the NAC decide to grant some particular assistance on a loan basis, under the authority in Section 111(c), the Administrator shall allocate funds to the Export-Import Bank of Washington. (He shall get the money, at least at the outset of the program, by issuing notes for purchase by the Secretary of the Treasury.) The Export-Import Bank will administer the loans on terms laid down by the Administrator and the NAC. The Bank's administrative expenses in this connection will be borne by ECA, either through advances or reimbursements.

"Loans" may be made in the form of "exchanges." In other words, Section 111(c) provides that, if the participating country has materials which are in short supply in the United States, the terms of the loan may be repayment by transfer of an appropriate quantity of such materials to the United States.

B. Comments and Suggested Procedures

1. House Report (No. 1585) - Deciding when assistance should be in the form of a loan is the job of the Administrator and the NAC, regardless of the Export-Import Bank Act of 1945, but there should be the same reasonable assurance of repayment as in Export-Import Bank loans.

   At least one billion dollars is available solely for loans and guaranties; any of it not earmarked for guaranties is available for loans financed through the Export-Import Bank as public-debt transactions. That money is taken out of regular ECA appropriations for loan purposes. (Page 36.)

2. Senate Report (No. 935) - The role of the Export-Import Bank in administering loans is purely ministerial. (Page 16.)

   In calculating ability to repay, receipts from all future exports should be considered, including strategic materials which might be sold to us. (Page 36.)

   As far as practicable, loans (or cash payments by the recipient) should be made to finance imports of capital equipment and raw materials for use in connection with capital development. Estimates indicate that 20% to 40% of assistance will be in the form of loans. Some countries, such as Switzerland and Portugal, are expected to pay cash for goods received; others will get loans only; others, like France and Great Britain, will get some loans and some grants. (Page 48.)

3. Tentative Planning Documents (State Departments) - Assistance in stabilizing currencies should be available to participating countries in the form of loans made through the U. S. stabilization fund, but only after the participating countries have made a start in that direction themselves. Such loans reduce the commodity drain on the U. S. by stimulating production and the flow of private capital in the countries concerned. Such loans are not authorized in this Act because it is not possible to tell how much money would be needed, but ECA people abroad should keep an eye on the progress of stabilization measures; if enough progress is made, it may be possible to authorize stabilization loans to further recover. (Page 48.)

4. Brookings Report - Careful distinction is necessary between grants and loans in order to encourage private investment by eliminating from a country's obligations assistance which is called a loan but without any real expectation of repayment.

5. Basic Principles of ECA Organization - The proportion of any program to be financed by loans must not be reached by adding up the costs of capital improvement projects which seem self-liquidating. Loans should be directed at capital, not consumers.

6. State Department Check List of Problems - The Administrator is to issue notes to the Treasury, in an amount not over one billion dollars, for loans and guaranties. Procedures and rates of interest must be worked out with Treasury.

The Administrator is to determine how much he expects to be required for guaranties and how much for notes. This determination does not have to be final and binding, but can be varied from time to time. Thus the Administrator could determine that 700 million dollars realized from the sale of notes will be available for loans and, when he has exhausted that amount, he may then utilize appropriated funds for making loans. Subsequently he may determine that he does not intend to utilize the full 300 million dollars of the proceeds from the sale of notes set aside for guaranties. He may then make additional loans from the proceeds realized from the sale of those notes to the extent he determines that they are then available.

The Administrator should get an estimate of what administrative expenses of the Export-Import Bank will be in connection with ECA loans so he can set aside that amount.

7. Tentative Planning Documents (State Department) - Participating countries receiving loans should be told to handle problems concerning such loans with the Export-Import Bank (once the Bank has taken over) at ECA direction.

8. Senate Hearings - Ambassador Douglas made it clear that loans made in dollars would be repaid in dollars, and the repaid dollars would be covered into the "miscellaneous receipts" of the Treasury. (Page 182.) He also cited an example of how a loan could be paid off in strategic materials. We loan $20,000,000 to a country that has copper; that country could deliver copper to us and apply the copper delivered, at a specified price, against its loan. The copper would be in the hands of the Administrator; the Bureau of Federal Supply in the Treasury Department could buy the copper, out of its appropriated funds, from the Administrator. Thus the loan would be paid off. Mr. Douglas pointed out that such a plan would have no adverse affect on the amount of dollars, the balance of payments, of the country which received the loan. (Page 225.)

Secretary Harriman emphasized that one of the reasons for the program was to avoid burdening the participating countries with debts that cannot be repaid through their exports; and that decisions as to grants versus loans can only be based on a study of each country and how its balance of payments is expected to work out. (Page 290.)

Secretary Snyder said the International Bank could not be expected to carry all or even the major part of the recovery program which should be on a loan basis. He also emphasized that each decision as to grants versus loans would be based on conditions current at the time the decision is being made, not on any previous studies or conclusions. (Page 388.) He said further that the recipient country should be required to pledge its entire national credit to repayment. (Page 393.) He explained, too, that the Export-Import Bank would have a voice in the decisions as to grants versus loans only through its Chairman's membership in the NAC. (Page 428.)

C. Existing Procedures

The administration of loans will be handled entirely through procedures already in use at the Export-Import Bank.

X. Role of Participating Countries

A. Cooperation Among Participating Countries

1. What the Act Provides - Assistance from the United States will continue only so long as the participating countries continue to cooperate among themselves for their mutual benefit. (Section 102(a).) There must be multilateral agreements among the participating countries that they will work together for their mutual economic betterment and that they will maintain a continuing organization to coordinate their efforts in that direction. These efforts should include the reduction of trade barriers between countries so that surplus production in any country would be available to the others; review and follow-up activities by the joint organization to see that each country is using its resources fully and efficiently; arrangements among the countries and in conjunction with the International Refugee Organization to insure the best use of manpower; agreements, where necessary, that capital goods scheduled to be taken from Germany as reparations be left there instead for use in the recovery program, and observance of present agreements covering the repatriation of war prisoners. (Section 115(b), (d), (e), (f), and (g).)

2. Comments and Suggested Procedures

a. House Report (No. 1585) - By working with the IRC, OEEC is expected to help with the displaced persons problem, as well as to make the most effective use of manpower. The Committee expressed hope that resettlement would be in family groups rather than in grouping by ability to work. (Page 27.)

b. Conference Report (No. 1655) - The U. S. leaves to the participating governments the initial decision as to whether a new country should be admitted to their cooperative organization. (Page 28.)

c. Tentative Planning Documents (State Department) - The OEEC countries have set themselves these cooperative goals for the end of 1951:

(1) Prewar grain production and more livestock;

(2) 584,000,000 tons of coal a year;

(3) Increase of 70,000,000,000 Kilowatt hours in electricity output and of 25,000,000 Kilowatts in generating capacity;

(4) Two and one-half times prewar oil-refining capacity;

(5) 55,000,000 tons of crude steel a year;

(6) 25% increase in inland transport over prewar;

(7) Restoration of all merchant fleets;

(8) Their own production of capital equipment for these expansions. (Page 7.)

They already are studying the possibility of a common customs union and the preparation of a specimen common tariff. They have worked out ways for effective use of surplus manpower across international boundaries; and for improving training. They have invited the five participating countries which are not yet members of OEEC to confer with them on all problems. And they plan a system of interchanging freight cars.

Their permanent organization will undoubtedly screen requirements; integrate production and investment programs, and make positive proposals for increasing production in Western Europe. (Page 8.)

As of the middle of 1947, OEEC countries held $7,094,000,000 in U. S. assets. The largest portion (100 to 150 million dollars) of directly held assets is owned by French citizens, and their government is trying to mobilize those resources. Pledging of individually owned assets as collateral for loans would involve their seizure by the participating countries and, accordingly, is not required by the Bill. (Page 54.)

d. State Department Check List of Problems - Presumably OEEC or its successor will follow up to see that all its members are cooperating fully. If the Administrator is not satisfied with the OEEC follow-up system he should suggest a better one. The same is true of OEEC arrangements for utilizing manpower.

3. Existing Procedures - The Economic Commission for Europe is equipped to study production problems. It has technical committees on such things as industry and materials; alkalis; fertilizer; housing; timber; electric power, etc. A Transport Committee studies problems of standardization of equipment and related matters.

The Food and Agriculture Organization (FAO) analyzes European food and agricultural production and supplies various kinds of technical assistance to European countries on request. Its committee, the International Emergency Food Committee (IEFC), is equipped to make recommendations for allocating such items as beans and peas, cereals, cocoa, fats, and oils, fertilizers, meat and meat products, rice, etc.

The International Trade Organization has the same objectives as ERP. Its greatest usefulness will come after European production is restored.

Procedures used during the war by combined boards might be adapted to ERP uses. Other international organizations with existing machinery for cooperative efforts include the Combined Tin Committee which allocates tin (still a scarce item); International Children's Emergency Fund (ICEF), a relief agency of UN; International Monetary Fund, to promote monetary cooperation and expand trade; and the International Bank for reconstruction and development to facilitate the investment of private capital. If these existing procedures are to be used effectively, they should be coordinated. (House Preliminary Report No. 22.)

B. Production at Home

1. What the Act Provides - Sections 114(e) and 115(b) both mention local currency deposits to be made by participating countries getting aid on a grant basis. Section 115(b) further specifies that one of the uses for such a deposit shall be the promotion of increased agricultural and industrial production in the participating country, as for instance --

the country can plan specific projects for stepping up production of coal, steel, transportation facilities and food and, if the project is approved by the Administrator, can get ECA assistance to carry it out;

the country should use all the resources it has and anything it gets from ECA (including technical assistance) with a view to increasing its own production and becoming independent of outside economic aid;

the country should locate any assets belonging to its own nationals, but situated in the United States its territories or possessions, so that the dollar incomes from such assets can be made available to the participating country;

the country should set up a schedule of increased production of strategic materials and earmark a certain percentage of them for the United States.

2. Comments and Suggested Procedures

a. House Report (No. 1585) - It was first planned that strategic materials could be required in repayment of either loans or grants but the "grant" provision was dropped.

The helpful effect of grants is considerably increased by matching them with local deposits to increase production and otherwise hasten recovery. (Page 41.)

b. State Department Check List of Problems - The bilateral agreements must show clearly the exact manner in which the participating country is to make use of the assets and earnings from assets belonging to its citizens but situated in the U. S. Any use which will further the recovery program will be appropriate.

The Administrator should earmark a certain amount of money to be used to increase production of strategic materials.

C. Stabilizing Currencies.

1. What the Act Provides - Another use of the local currency deposits mentioned in Section 115(b) is for the stabilization of currency (by immobilizing the local currency, for instance) along with budget balancing and other steps designed to restore confidence in the monetary system of the participating country. The country and the Administrator shall consult with the National Advisory Council and the Public Advisory Board as to how this may best be accomplished.

2. Comments and Suggested Procedures

a. Senate Report (No. 935) - The OEEC conference recommended a plan for setting up of debits against credits in inter-European payments as a means of stimulating trade. A multilateral clearing arrangement went into effect in January, 1948.

Since the conference, OEEC countries have tried harder to balance budgets and reduce inflation. (Page 8.)

Freezing local currencies and retiring the national debt are both sound uses for the local deposits.

The bilateral agreements should include promises to attempt to establish a valid rate of exchange.

b. Senate Hearings - Ambassador Douglas pointed out that the participating countries must first take drastic steps to balance their budgets; this must be followed by internal currency reform, including putting a stop to the issuance of indebtedness and currency by the central banks of issue. After that, the foreign exchange rates must be adjusted downward. These steps, plus increased production and export, should tend to stabilize currency. (Page 189.)

Secretary Snyder made it clear that we don't want to dictate detailed procedures by which participating countries should stabilize their currencies, but the Administrator is to watch their progress closely and stop giving them assistance if he thinks they are not trying hard enough. (Page 407.)

3. Existing Procedures - OEEC set up a Payments Agreement Committee and a Customs Union Study Group, both of which are working toward stabilization. The International Monetary Fund has the problem of exchange rates and their effect on balances of payments constantly under consideration. (Senate Hearings, Part I, Page 409.)

D. Stock-Piling

1. What the Act Provides - Participating countries are expected to sell or otherwise transfer to the United States as great a quantity of strategic materials as they can spare. (Section 115(b).) To make sure the countries will have such materials to spare, the Administrator is authorized to help them increase their production of such material. (Section 117(a).) Local currency deposits may be used in attempts to increase such production. (Section 115(b).) Agreements for the transfer of such material may extend beyond the life of ECA. The Administrator may specify such stock-piling among the terms upon which loans will be made. (Section 111(c).)

2. Comments and Suggested Procedures

a. House Report (No. 1585) - The Act, in unmistakable terms, encourages stock-piling through development, purchase, or repayment through strategic materials in short supply in the U. S.

b. Conference Report (No. 1655) - The Conference Committee felt that materials like scrap iron should be available for transfer to the U. S. for immediate use and not for stock-piling.

c. Senate Report (No. 935) - Arrangements for stock-piling may extend beyond the life of ECA and must specify terms and quantities. (Page 36.)

It is expected that ordinarily we will buy strategic materials with dollars appropriated separately, but we may get them in repayment of ECA loans. (Page 36.)

d. Tentative Planning Documents (State Department) - Tin, industrial diamonds, natural rubber, quinine, manganese, chromium, copper, lead, and zinc are among the products expected to be in short supply here for a long time. Some of the participating countries have these things either within their own territory or that of their dependencies. Some of them could increase their present production rates in these fields. In scheduling transfer of such items to the U. S., the domestic and ordinary export requirements of the participating country must be considered. (Page 48.)

e. State Department Check List of Problems - The Administrator should get from the Munitions Board a complete list of needed materials and the amount of money available to procure them. Then he should figure out how much ECA money to earmark for projects designed to increase production of such materials. (Page 10.)

E. Information

1. What the Act Provides - Each participating country is required to report quarterly on the use of all funds, commodities and services furnished by ECA, and to furnish any other relevant information the United States requests. This Section seems to contemplate that publicity will be given within each country, also, to the assistance furnished it by the United States. (Section 115(b).) Information media are specifically mentioned as appropriate for investment guaranties. (Section 111(b).)

2. Comments and Suggested Procedures

a. House Report (No. 1585) - Some witnesses advocated making full publicity a prerequisite for continuing assistance; others said the U. S. could handle the publicity better itself. As written, the Act names no specific publicity undertakings. The convertibility guarantee is apparently meant to extend to information media already in operation abroad. (Page 28.)

The requirement of quarterly reports may eventually prove to be the most effective check on proper use of aid. (Page 42.)

b. Tentative Planning Documents (State Department) - The proposed programs of assistance submitted periodically by the participating countries should contain information about such things as the country's current and expected balance-of-payments position, including major imports from other dollar sources, and its need for specific commodities. (Page 121.)

c. Brookings Report - To maintain public confidence, which is essential to the success of ERP, the greatest practicable publicity should be given to its progress. (Page 17.)

d. State Department Check List of Problems - Some countries have local laws about publicity. A problem in this connection has already arisen in Sweden. (Page 9.)

In addition to the regular quarterly reports, the Administrator should arrange to get regular reports during the first three months while operations are going on under letters of intent.

3. Existing Procedures - Ration stamps used in Trieste are marked "The supplies you are receiving came from the U. S." (Senate Hearings, Part 2, Page 795.)

F. Agreements

1. What the Act Provides

a. Bilateral Agreements - The Secretary of State, after consulting with the Administrator, is to enter into agreements with individual countries or groups of countries, or with agencies representing them. These are the so-called "bilateral agreements," i.e., with the United States as one party and a participant or participants as the other. By such agreements the participating countries undertake (in exchange for the United States promise of assistance) to:

(1) promote the objectives of the recovery program;

(2) observe such restrictions as not reshipping goods to nonparticipating countries to which the United States would not ship directly;

(3) promote industrial and agricultural developments;

(4) take steps to balance budgets and stabilize currencies;

(5) work to reduce trade barriers and promote increased trade among European countries;

(6) use all their own resources to the greatest extent possible for their own economic betterment;

(7) help the United States to get strategic materials in short supply here;

(8) set up (when assistance is on a grant basis) local deposits in their own currency and use that money to execute United States-approved projects for the participating country's own economic betterment;

(9) cooperate with all approved agencies in seeking methods of economic improvement;

(10) report quarterly on use of assistance;

(11) give local publicity to United States assistance;

(12) make separate agreements with the United States whenever possible for long range stock-pile transfers of strategic materials;

(13) submit for arbitration, to the International Court of Justice, contractual disputes involving the United States.

b. Multilateral Agreements - These are agreements the participating countries make among themselves, such as:

(1) to cooperate to increase production;

(2) to reduce trade barriers;

(3) to remove obstacles to free movement of persons within Europe; and

(4) to develop common resources in partnership with one another.

c. Letters of Intent - The Administrator is authorized to render necessary assistance to any participating country for three months from April 3, 1948, even though the country has not yet entered into a bilateral agreement; this can be done, however, only if the country is doing all the things participating countries are supposed to do and if it has signified its intention of entering into an agreement. (Section 115.)

2. Comments and Suggested Procedures

a. House Report (No. 1585) - Each bilateral agreement must follow the basic rules laid down in the Act but must also be worked out specifically for each country according to conditions there. (Page 24.)

Some witnesses wanted the participating countries to promise not to nationalize industries or impair free enterprise, but this was left out of the Bill as too indelicate an interference in the countries' internal affairs. (Page 26.)

There were many arguments as to whether the dismantling of German plants should proceed as scheduled; the Act as written at least allows for a re-examination, in the light of ERP, of the merits of dismantling. (Page 27.)

The reference to repatriation of prisoners was included only to show that the U. S. is keeping an eye on performance under the agreements already in effect.

Although the basic agreements will be made by the Secretary of State in consultation with the Administrator, it is the Administrator who must carry out the specific interpretations of those agreements. (Page 46.)

b. Senate Report (No. 935) - The 16 OEEC countries which are immediately eligible to enter into agreements are Austria; Belgium; Denmark; France; Greece; Iceland; Ireland; Italy; Luxemburg; the Netherlands; Norway; Portugal; Sweden; Switzerland; Turkey; and the United Kingdom. The Act leaves the way open for any other country wholly or partly in Europe, which wants to cooperate, to enter into agreements. Even Spain, the only European country not invited to the OEEC conference, may be allowed to join the program if she is willing to assume the necessary obligations; if the other European countries will let her join them in their multilateral agreements; and if she is able to make a satisfactory bilateral agreement with the U. S. (Page 13.)

Bilateral agreements are to respect the dignity of both the U. S. and the participating country. The general commitments outlined in the Act omitted certain provisions about labelling which are included in the Foreign Aid Act of 1947. (Page 44.)

When the Administrator decides that a country is not living up to its agreement, he does not have to stop all assistance to it if he thinks that some remedial action would be more in the interests of ERP. (Page 45.)

c. Tentative Planning Documents (State Department) - The mutual undertakings set forth in the OEEC report must be reaffirmed in a multilateral agreement. (Page 123.)

The preparation and negotiation of bilateral agreements could be handled by the country missions under instructions resulting from consultations among the State Department, ECA, NAC, and other interested bodies. (Page 131.)

d. State Department Check List - Even though Bizonia and the French zone of occupation are not yet participating countries, they are expected to be, and letters of intent should be prepared for them, to be followed by bilateral agreements.

A bilateral agreement with the British-American zone of Trieste should be drawn up in accordance with Section 5 of the Foreign Aid Act of 1947, rather than having Trieste adhere to the joint recovery program at this time; thus, the bilateral agreement with Trieste will differ from other ECA bilateral agreements in such matters as publicity, incentive goods, prohibition against re-export, and U. S. authority to observe and report progress. (Page 1.)

In drafting bilateral agreements, the Administrator must figure out the extent to which he wants specific projects submitted to him and the exact ways in which participating countries are supposed to use assets situated here but belonging to their nationals; it must be made clear that the assets don't have to be liquidated in order to be used. Uses for local deposits must also be spelled out. (Page 9.)

3. Existing Procedures - Trade between European countries, prior to ECA, was usually carried on under bilateral agreements calling for periodic settlement in gold or dollars of the debit balance of the country having the larger imports. With the increasing dollar shortage, this plan has hampered trade. To improve the situation, the OEEC countries started a multilateral clearing arrangement.

XI. Relationships Between Administrator and Other Official Groups

A. Agriculture Department

1. What the Act Provides - The Secretary of Agriculture decides which agricultural products are surplus; consults with the Administrator regarding their procurement and transfer; decides what amount can be procured without impairing the supply needed for our domestic requirements; tells all agencies concerned which commodities are available for foreign assistance or relief; determines the domestic market price of commodities at the time and place of delivery; and pays for such commodities, but at not more than 50% of the sales price. (Section 112.)

The Department will also be a major source of the technical assistance mentioned in Section 111(a) (3).

2. Comments and Suggested Procedures

a. State Department Check List of Problems - The legislative intent seems to be to dispose only of burdensome surpluses. The Administrator must draw up procedures for procuring such commodities within the U. S. If he wants to go in for offshore procurement, he first must find out from the Secretary of Agriculture that offshore procurement won't create burdensome surpluses here. The Secretary should take the initiative in drawing up lists of surpluses, by class, type, and amount, so the Administrator can work out procurement rules and regulations for them. The Secretary and the Administrator together should work out procurement procedures that will insure that the Commodity Credit Corporation gets paid promptly.

The Secretary must decide what commodities he will subsidize, so he and the Administrator can work out payment procedures that won't tie up the Administrator's funds. (Pages 7 and 8.)

b. House Report (No. 1585) - The Committee thought it a good idea to sell government-held surpluses at prices based on their value as substitutes for foods that are usually cheaper; they pointed out, however, that such provisions should not be used to delay economic adjustments here or to maintain a boom-or-bust philosophy. (Page 34.)

The House Committee felt that the Administrator should be on the same priority basis as other agency heads in procuring surpluses for agency use. (Page 871.)

The Committee intended that the sales prices of surplus commodities should not be higher than domestic market prices as determined by the Secretary of Agriculture. (Page 94.)

c. Tentative Planning Documents (State Department) - Appraisal of European requirements in relation to ours and those of the rest of the world is a responsibility shared by several agencies, including agriculture. (Page 126.)

d. House Preliminary Report (No. 22) - The agricultural sector of Europe was the least damaged by the war, but production needs to be expanded. Some agricultural technicians are available in Western Europe, but more must come from the Department of Agriculture, as well as from agricultural colleges and from our farming population. Selection and recruitment, according to this Committee should be handled by the Administrator but with "well-organized aid" from the Department of Agriculture. (Pages 22-24.)

e. "How To Do Business Under The Marshall Plan" (Kiplinger Magazine, May, 1948) - Food items, with which the Department of Agriculture is directly concerned, will form the bulk of the first year's aid. Principal items include wheat, rye, corn, barley, oats, grain sorghum, fats and oils, sugar, rice, meat, coffee, cocoa, tea, dried & fresh fruits, and tobacco; of these, such "incentive items" as coffee and tobacco are expected to increase production. The Administrator, on advice of the Secretary of Agriculture, may make such substitutions as sending more oats and less corn when we have a good oat crop and a small corn crop. Some of the items will be procured (if the Secretary of Agriculture says it's O.K.) from Western Hemisphere countries: coffee from Brazil; wheat from Canada; meat and wheat from Argentina (we will export only horsemeat during the first two years), and sugar from Cuba. (Page 7.)

f. Senate Hearings (Part 1) - Ambassador Douglas emphasized that the primary responsibility for deciding what food items should be sent abroad and what should be consumed here must lie with the Secretary of Agriculture, who is also primarily responsible for deciding how much should go to participating countries as a group and how much to non-participating countries. After that is decided, the Administrator makes allocations of the available items among the participating countries, in consultation with Agriculture and other interested agencies. (Page 156.)

3. Existing Procedures - Agriculture has an export-programming section which determines what food and agricultural items are scarce and how they should be allocated between domestic use and total export. (Tentative Planning Documents (State Dept.) (Page 130.)

The Department is equipped to furnish statistics and technical help on such things as nutritional needs and foreign agricultural methods. It has procedures for procurement, warehousing, and shipping of food and agricultural items. It acts as the contact point between the U. S. and the U. N. in food and agricultural matters. In connection with voluntary allocation agreements, it has jurisdiction over food and food-processing industries. Under Public Law 395, 80th Congress, it is empowered to carry out projects designed to stimulate foreign agricultural production. (House Preliminary Report No. 22, Pages 22 and 23.)

B. China, Joint Commission on Rural Reconstruction of

1. What the Act Provides - Such a Commission is to be established by agreement between China and the Secretary of State, membership to consist of two United States citizens appointed by the President of the United States and three Chinese citizens appointed by the President of China. (Section 407.)

2. Comments and Suggested Procedures

a. House Report (No. 1585) - Not less than 5% nor more than 10% of the funds provided may be used for Commission purposes.

b. Tentative Planning Documents (State Department) - A "Special Assistant for China" is proposed for internal ECA operations, who would make recommendations concerning all aspects of aid to China including the terms of bilateral agreements. He would also "backstop" the China Relief Mission and coordinate all operations under the China program as they develop.

C. Civil Service Commission

1. What the Act Provides - Although the Act does not mention the Commission by name, Section 104(e) says all but 100 of the ECA employees working within the United States must be paid according to the Classification Act of 1923, which the Commission administers.

2. Comments and Suggested Procedures - The Administrator is not bound by the technical requirements of civil service classifications as far as 70 of his employees are concerned, but other civil service laws apply. It is intended that any civil service laws which might hamper the Administration of ERP can be waived by the Commission or by the President. The Commission, in an exchange of letters with the State Department agreed to grant exemptions on whatever basis is necessary to effective operation of ECA. (Page 81, House Report No. 1585.)

D. Commerce Department

1. What the Act Provides - Section 117(b) directs the Administrator to cooperate with the Secretary of Commerce to encourage United States citizens to travel in participating countries.

   No other function is specifically allocated to Commerce, but it will undoubtedly be a source of the technical assistance mentioned in Section 111(a)(3) and may be called upon to operate the export controls mentioned in Sections 112(g) and 117(d).

2. Comments and Suggested Procedures

   a. Senate Hearings (Part 1) - For other than food, agricultural items, coal, and oil, the Department of Commerce has the primary responsibility for deciding what and how much we can safely export and how much of that should go to participating countries; after that, the Administrator, in consultation with the Secretary of Commerce, can make allocations among participating countries.

   b. House Report (No. 1585) - The Herter proposal was to give export control authority to the Administrator; Congress decided to leave the controls as they are for the time being, but provided for consultations between the Administrator and the Secretary of Commerce. This report points out that, if experience shows the other plan to be better, Public Law 395 contains authority for a change. (Page 47.)

   c. Tentative Planning Documents (State Department) - The Secretary of Commerce should decide when priorities should be given and to what agencies in urgent cases. He should continue to administer export controls. (Page 128 and 131.)

   d. House Preliminary Report (No. 22) - The position of Commerce needs to be studied, especially regarding the chairmanship of important interdepartmental commodity committees and representation in international groups and the relationships with such agencies as the Tariff Commission, the Maritime Commission, Office of Defense Transportation and the Interstate Commerce Commission. (Pages 20-22.)

   e. State Department Check List of Problems - The Administrator and the Secretary of Commerce should designate "opposite numbers" within their respective agencies to keep each other up to date on activities in each place. (Page 3.)

   Subsection 112(g) of the Act will apply only when the Administrator can't meet the requirements of participating countries and finds that the commodities involved are going to non-participating countries. Arrangements should be made for the Secretary of Commerce to keep the Administrator informed about exports to non-participating countries. (Page 8.)

   The Administrator should get advice from the Secretary of Commerce on how to encourage European travel. Primary responsibility for carrying out the program of encouraging travel rests with Commerce. (Page 11.)

   The Secretary of Commerce should draft, for the President and after consultation with the Administrator, rules by which the Administrator can tell what commodities would be refused export licenses to a non-participating country.

3. Existing Procedures - Under the Second Decontrol Act, Commerce was charged with administering export controls and priorities. It has a trained staff which works closely with Agriculture. The Export Supply Branch of the Office of International Trade, the Office of Domestic Commerce, and the Office of Materials Distribution have procedures for export

controls and voluntary allocations; the Office of Business Economics has extensive information on our foreign trade; the Bureau of the Census keeps track of the value and quantity of commodities exported and imported. (Pages 20-21, House Preliminary Report No. 22.)

E. Committee of European Economic Cooperation (OEEC)

1. What the Act Provides - The purpose of the Act is to encourage cooperation of the type outlined in this Committee's report of September 22, 1947; it contemplates the continuance of such an organization to direct the carrying out of the multilateral agreements. (Sections 102(a) and 115(b).)

   The United States Special Representative is the chief representative of the United States government to such an organization. (Section 108.)

2. Comments and Suggested Procedures

   a. Senate Hearings (Part 1) - Secretary Marshall said OEEC, or its successor, will submit periodic statements of their needs; these will be reviewed by the country missions and the Special Representative; the statements will take into account the developing programs of mutual aid worked out by OEEC. (Page 7.)

      Ambassador Douglas pointed out that the program which emerged from the Paris Conference was the report of the 16 OEEC countries themselves. The U. S. never sat in on the conference. (Page 191.)

   b. "How To Do Business Under The Marshall Plan" (Kiplinger Magazine, May 1948) - OEEC is the European right arm of ECA. It works with country missions; irons out conflicting demands by member countries; and checks on those countries to see that they are living up to their bargains. (Page 6.)

      In any particular case, OEEC, the country involved, and the country mission get together to figure out what the country needs and if it can get it somewhere besides from the U. S.

   c. House Report (No. 1585) - The first step in qualifying for assistance is to join the multilateral undertakings of OEEC or its successor. (Page 24.)

   d. Tentative Planning Documents (State Department) - The Special Representative should work closely with OEEC, should receive its progress reports and reviews of country programs, and should himself review and report on the progress of the continuing organization. (Page 58.)

   e. State Department Check List of Problems - The Administrator must see that the continuing organization is satisfactory and meets the requirements of the Act. (Page 9.) He will have to check on OEEC follow-up procedures and suggest more effective ones if necessary. He should also check the effectiveness of OEEC arrangements with the International Refugee Organization for the utilization of manpower and arrange for regular reports on the repatriation of war prisoners. (Page 10.)

3. Existing Procedures - The procedures set up under OEEC, in the form of commodity committees, etc., can be carried over to the permanent joint organization (now set up and called Organization for European Economic Cooperation).

F. Commodity Credit Corporation

1. What the Act Provides - Section 112 indicates that the Corporation is the actual procuring agency and that it shall be reimbursed for its procurements, but that no more than 50% of the sales price shall come out of funds authorized under Section 32 of Public Law 320, 74th Congress.

2. Comments and Suggested Procedures

   a. House Report (No. 1585) - Under the price-support programs, any surpluses acquired by CCC is to be used for foreign aid to the greatest extent practicable. Prices should be high enough so that CCC will be fully reimbursed but not higher than domestic market prices.

      CCC can get reimbursement either from the prices paid by the Administrator or funds made available under section 112(f) of the Act which provides that only 50% of the price at which commodities are sold can come out of those funds. Thus the Administrator will spend ERP money only to the extent of the net cost of the commodities he buys.

   b. State Department Check List of Problems - Procedures must be worked out for the procurement of commodities held by CCC, and in such a way that ECA funds won't be tied up while waiting for CCC to pay the price support amount. (Page 7.)

3. Existing Procedures - For years the CCC has been procuring foodstuffs destined for Europe. It has done this work for Agriculture, the War Department, UNRRA, and many foreign governments, including some of those in OEEC. In the fiscal year 1944 it purchased three times as much foodstuff as it will be required to purchase in any year for ECA. It has trained personnel and corporate flexibility. It is skilled in such operations as purchasing large quantities of grain without seriously disturbing the market. It also has means of aiding production in participating countries. (Senate Hearings, Page 314.)

G. Comptroller General

1. What the Act Provides - Off-shore procurement of commodities and services may be accounted for by any type of certification the Administrator and the Comptroller General prescribe. Other expenditures must be accounted for in standard ways. (Section 111(b).)

2. Comments and Suggested Procedures

   a. Conference Report (No. 1655) - The Administrator can set his own rules for documentation of offshore procurement, but he has to get the Comptroller General's approval of the rules. (Page 29.)

   b. Senate Report (No. 935) - As far as procurement in the U. S. is concerned, the Administrator must eventually submit to the Comptroller General all the standard documents necessary for auditing.

   c. Brookings Report - The Administrator should maintain an accounting system subject to post-audit by GAO. (Page 16.)

   d. State Department Check List of Problems - Types of certification to be used in connection with offshore procurement should be decided before any such procurement takes place; in the beginning, however, the types required may be specified in each case, subject to approval by the Comptroller General. (Page 5.)

H. Congress

1. Joint Committee on Foreign Economic Cooperation

a. What the Act Provides - Section 124 sets up a joint congressional committee, as follows:

(1) Membership

(a) Three from Senate Foreign Relations Committee (two from the majority and one from the minority party) to be appointed by the Chairman of that Committee;

(b) Two from the Senate Appropriations Committee (one from each major party) to to be appointed by the Chairman of that Committee;

(c) Three from the House Foreign Affairs Committee (two from the majority and one from the minority party) to be appointed by the Chairman;

(d) Two from the House Appropriations Committee (one from each major party) to be appointed by the Chairman;

(e) The Committee shall elect its own chairman.

(2) Functions

(a) Review the progress of the recovery program;

(b) Assist standing committees of Congress having legislative jurisdiction over any part of the program;

(c) Make reports and recommendations to Congress.

(3) Authority

(a) To hold meetings;

(b) To subpoena witnesses and documentary evidence;

(c) To hire personnel without regard to the Classification Act;

(d) To issue vouchers signed by the Chairman;

(e) To call the Administrator for consultation.

b. Comments and Suggested Procedures

(1) Senate Report (No. 935) - The authorization to appropriate funds for the committee's use is separate from and in addition to the authority to appropriate funds for ECA use. (Page 67.) It was felt that this committee should not be given any legislative authority, but that it would serve to bridge the gap between the executive and legislative branches. (Page 19.)

(2) State Department Check List of Problems - The Administrator might designate a particular person to work with the committee and receive any requests they have which do not require specific action by the Administrator. (Page 12.)

(3) Conference Report (No. 1655) - The House wanted to give the responsibility for Congressional checking to the regular committees handling appropriations and foreign affairs. The Senate felt there should be a joint committee having a special obligation to follow up on ECA operations. The compromise reached was to give the joint committee the checking function but to leave any necessary action to the appropriate standing committees, to which they make recommendations. (Page 33.)

2. Senate Committee on Foreign Relations and House Committee on Foreign Affairs

a. What the Act Provides - Copies of the certifications by the Secretary of State as to the loyalty of all ECA employees, must be filed with this committee. (Section 110(c).)

b. Comments and Suggested Procedures

(1) Conference Report (No. 1655) - The original plan was to have the administrator and the Secretary of State certify to these committees as to the unquestioned loyalty of employees, but this was later changed to certification of belief as to loyalty. (Page 29.)

3. Congress as a Whole

a. What the Act Provides - Congress, by concurrent resolution, may end the recovery program before June 30, 1952, if the need for it is considered to be over. (Section 122.)

The President must make quarterly reports to Congress through June 30, 1952, and annual reports thereafter, of operations under the recovery program. The reports must include the text of bilateral and multilateral agreements. (Section 123.)

b. Comments and Suggested Procedures

(1) House Report (No. 1585) - Although a program lasting till 1952 is planned; there has been no commitment beyond 12 months; the present Congress made no attempt to bind future Congresses. Congress is therefore given the right to terminate the whole program by concurrent resolution whenever it wants to. (Page 40.)

(2) State Department Check List of Problems - Someone should be designated right away to work on the quarterly reports to Congress, so they won't have to be done at the last minute. (Page 12.)

I. Economic Commission for Europe

1. What the Act Provides - This is a part of the United Nations organization. Section 108 says the United States Special Representative in Europe may be designated also as the United States Representative on this Commission.

2. Comments and Suggested Procedures - This group has no executive powers but makes recommendations to its member governments and to specialized agencies. ECA should work closely with it. (House Preliminary Report No. 22, Pages 48-50.)

3. Existing Procedures - The ECE has technical committees on industry and materials; alkalis; fertilizers; housing; timber; electric power; transport; and coal. It has absorbed the work of the European coal organization, has helped procure and distribute mining supplies, and has worked to increase production and conserve use of coal. As the currency situation gets better, the ECE timber committee could resume its informal allocation system.

J. ECA Missions

1. What the Act Provides - There will be a special ECA mission in each participating country to be responsible for ECA operations there. The chief of any such mission will be second in rank to the diplomatic chief in that country, who, of course, is responsible for carrying out our foreign policy there. The two chiefs are directed to keep each other fully informed of their activities and intentions. Whenever they fail to agree on the advisability of any step, they shall confer with the Special Representative, and unresolved differences are to be referred to the Administrator and the Secretary of State.

The Free Territory of Trieste and the occupied zones of Germany will not have these special missions. The President is authorized to make separate arrangements in these areas for carrying out the recovery program.

The chiefs of such missions must keep the Special Representative informed of their activities, so that he may coordinate the work of all the missions, and give him whatever other cooperation he needs. (Section 109.)

2. Comments and Suggested Procedures

   a. "How To Do Business Under the Marshall Plan" (Kiplinger Magazine, May, 1948) - These missions are scouts on the spot, finding out what Europe needs, checking on how they use it, and reporting to the Special Representative. (Page 1.)

   b. House Report (No. 1585) - The missions are expected to follow up on the use of aid. (Page 42.)

   c. Senate Report (No. 935) - The mission chief ranks next to the Ambassador, Minister, or charge d' affaires ad interim, whichever is in charge of the diplomatic mission. (Page 59.)

   d. Brookings Report - People in the missions should have technical competance, ability to deal with foreign officials, and effectiveness in working with our diplomatic corps. The mission chief should have the right to make objections and proposals and should be free to communicate directly with the Administrator, the Special Representative, and the heads of other missions. (Pages 19-20.)

   e. State Department Check List of Problems - Procedures for submitting instructions should be worked out promptly so that reports from the Special Representative will go immediately to the Administrator, the Secretary of State, and the chiefs of ECA and diplomatic missions. (Page 3.)

3. Existing Procedures - It will be necessary only to work out with the State Department how best to use existing staff and facilities of the economic mission now operating in Greece.

K. Export-Import Bank of Washington

1. What the Act Provides - The Chairman of the Board of Directors of the Export-Import Bank is a member of the National Advisory Council on International Monetary and Financial Problems, which helps the Administrator decide the terms on which assistance is to be given in any particular case. (Section 106.)

   The Export-Import Bank will administer loans to participating countries as the Administrator directs and with funds allocated to it by the Administrator. It will be paid for the administrative expenses involved. The credits made in this connection are exempt from the usual limitations imposed by the Export-Import Bank Act of 1945. (Section 111(c).)

2. Comments and Suggested Procedures

   a. Senate Report (No. 935) - The role of the bank in extending loans is purely ministerial. The bank simply carries out the Administrator's direction. (Page 17.)

   b. State Department Check List of Problems - The Administrator must tell the Bank the terms on which loans are to be made and the procedures to be followed in administering them. He should also get from the Bank an estimate of what its administrative expenses will be in this connection.

   c. Senate Hearings (Part 1) - Money for ECA loans would be allocated to the Bank by the Administrator. It would not come out of the Bank's appropriations. The Chairman of the Bank is a member of NAC where his experience would probably have considerable influence in directing the decisions of the Administrator and the NAC as to whether the assistance should be on a grant or loan basis. (Pages 385 and 428.)

Loans made by the Bank as agent for the Administrator and loans made by the Bank under the Export-Import Bank Act are to be kept separate on the books. (Page 430.)

d. House Report (No. 1585) - A billion dollars is available for loans and guaranties. After the Administrator has earmarked funds (up to $500,000,000) for guaranties, the rest of the billion dollars will be available for loans to be financed as a public debt transaction and handled through the Export-Import Bank. (Page 36.)

L. Federal Bureau of Investigation

1. What the Act Provides - The Bureau must investigate and report, to the Secretary of State and the Administrator, on the loyalty of every United States citizen employed in any capacity by the ECA. No employee can be kept on the ECA rolls longer than three months unless his loyalty has been established. (Section 110.)

Section 304 makes the same rules apply to people detailed to the United States missions to Greece and Turkey.

Officers appointed by the President and approved by the Senate are exempt from these provisions. (Section 110.)

2. Comments and Suggested Procedures

a. House Report (No. 1585) - Every precaution must be taken to avoid the hiring of disloyal people since it is easier not to hire such people than to get rid of them later. The House felt that the FBI should investigate before a person could be hired even temporarily. (Page 48.)

b. State Department Check List of Problems - The Administrator should make immediate arrangements with the FBI to rush investigations of personnel.

M. Interior Department

1. What the Act Provides - Although the Act does not mention the Department specifically, it will play a large part in the protection of our domestic economy called for by Section 112, especially with respect to petroleum and petroleum products. It will also be a source of the technical assistance mentioned in Section 111(a)(3).

2. Comments and Suggested Procedures

a. Tentative Planning Documents (State Department) - Domestic controls, including export licensing and priorities, should be handled by Interior when fuels are involved. (Page 131.)

3. Existing Procedures - Interior is equipped to offer technical advice on such things as European fisheries, power developments, and reclamation projects.

The interdepartmental Petroleum Committee, under Interior's direction helped to screen the OEEC requests.

The government is not equipped at present to develop an international petroleum policy. (House Preliminary Report No. 22, pp. 26-28.)

N. International Court of Justice

1. What the Act Provides - Participating countries must agree to submit contractual disputes involving the United States, in connection with the recovery program, to this or some similar international tribunal. (Section 115(b)(10).)

2. Comments and Suggested Procedures

a. House Report (No. 1585) - A dispute involving compensation or property rights of U. S. nationals in connection with ERP must be submitted to the court only if it is a case which the U. S. actually espouses. (Page 98.)

b. Conference Report (No. 1655) - In deciding whether to espouse a claim, the U. S. should find out whether the national involved has exhausted all the local remedies available. (Page 31.)

O. International Refugee Organization

1. What the Act Provides - Participating countries are urged to cooperate with the I.R.O. with a view to the greatest possible utilization of manpower. (Section 115(e)(1).)

2. Comments and Suggested Procedures - Each participating country is expected to accept a "fair share" of displaced persons, including family groups. Arrangements should be made by each participating country with the I.R.O. (House Report No. 1585, Page 99.)

P. Maritime Commission

1. What the Act Provides - Although the Commission is not specifically mentioned in the Act, the Administrator will have dealings with it in carrying out the directive that 50% of the commodities shipped under the recovery program should be carried in United States bottoms if they are available at market rates. (Section 111(a)(2).)

2. Comments and Suggested Procedures

a. House Report (No. 1585) - The House regarded the 50% requirement as a device to "save American interests from the impact of peace" and did not want it included. They wanted to allow chartering of ships declared by the Maritime Commission to be surplus. (Page 35.)

b. State Department Check List of Problems - The Administrator should draw up rules to assure that the 50% requirement will be fulfilled. (Page 5.)

c. Preliminary Report (No. 22) - The Navy, the Maritime Commission, and the State Department frequently disagree on policy; some coordinating mechanism should be set up, so that policy can be clarified and the U. S. can be effectively represented in international transportation groups. (Page 32.)

3. Existing Procedures - Maritime maintains information on European shipping and ship-building; it helped screen OEEC requests.

Q. National Advisory Council on International Monetary and Financial Problems

1. What the Act Provides - The Administrator is a member of this group (Section 106) and consults with it as to whether assistance is to be on a loan or a grant basis. (Section 111(c).) He also consults with this group and the Public Advisory Board as to how local currency deposits are to be spent. (Section 106.)

2. Comments and Suggested Procedures

a. Tentative Planning Documents (State Department) - In deciding about such things as the use of ERP loans as against support through the International Bank or the private money market, the Administrator should be guided by international financial policies developed by NAC. (Page 126.)

He should get policy guidance from NAC in determining, country by country, the extent to which financing is required for the import program, considering the country's balance of payments, independent resources, and other sources of financing; terms of financing; and financial objectives in connection with offshore procurement. (Page 130.)

b. House Report (No. 1585) - The original bill provided only that the Administrator get advice from NAC; the Senate changed that to make the Administrator a member of NAC. (Page 44.)

The bill contemplates that differences of opinion between the Administrator and the NAC should be referred to the President for decision. (Page 92.)

c. State Department Check List of Problems - The NAC meets often and considers many matters. The Administrator must have personnel to advise him regarding problems on which he will have to vote. (Page 3.)

3. Existing Procedures - The NAC was set up by the Bretton Woods Agreement Act to coordinate U. S. policies on foreign exchange, any kind of monetary transactions, and dealings with the Monetary Fund and the International Bank. It helps direct our financial and monetary policies and helps the President direct the actions of U. S. Representatives on the Fund and on the Bank. It formulated U. S. fiscal policy regarding ERP while the Act was being developed.

NAC is independent of the agencies represented on it. It holds weekly meetings, preceded by careful spade work done by working groups and the staff committee. Although it couldn't force the Export-Import Bank to grant a loan, it is doubtful if the Bank would extend any loan to which NAC had any objection as to form or substance.

NAC handled war settlement arrangements and credits, helped with the British loan, handled the French loan, and formulated ERP financial policies before the Act was passed. Usually a consensus is reached, but sometimes the majority rules. (House Preliminary Report No. 22, pp. 35 and 36.)

R. Public Advisory Board

1. What the Act Provides - Section 107 provides for such a Board to advise the Administrator on general and policy matters. The Administrator will act as chairman; other members will be limited to 12 to be appointed by the President and approved by the Senate, with these restrictions:

a. They must not be officers or employees of the United States government;

b. No political party can have a majority of more than two.

c. They must be United States citizens of "broad and varied experience in matters affecting the public interest."

The Board meets at least once a month, and oftener if the Administrator calls them or if three or more members ask the Administrator to call them. Each member will get $50 for each day he serves, plus actual travel expenses, plus not more than $10 per day in lieu of subsistence.

Section 115(b)(6) gives the Public Advisory Board a voice in guiding the expenditure of monies in the local currency deposits.

2. Comments and Suggested Procedures

a. House Report (No. 1585) - Such a Board not only gives the Administrator the benefit of the wide experience of the members, but also assures that the public will be kept informed of ERP progress. The House wanted to specify that the members be drawn from business, labor, agriculture, and the professions as well as other fields of public interest. (Page 83.)

b. Senate Report (No. 935) - Such a Board will increase public confidence in ECA. (Page 18.) The Senate felt that such a Board would be a real help to the Administrator and not a burden on his time. (Page 19.)

c. Conference Report (No. 1655) - The Conference Committee thought the members should be chosen for their broad experience in matters affecting the public interest, without reference to particular fields. (Page 28.)

S. Reconstruction Finance Corporation

1. What the Act Provides - Before Congress has approved ECA appropriations, this agency, at the direction of the President, can make advances to ECA up to $1,000,000,000. RFC can get the money from the Treasury without interest, and ECA will repay RFC without interest after it gets its appropriations. (Section 114(a).)

Section 301 makes a similar authorization with regard to money to be used for Greek-Turkish aid, but limits the amount to $50,000,000.

Section 406 makes a similar authorization with regard to money to implement aid for China, but limits the amount to $50,000,000.

2. Comments and Suggested Procedures

a. Conference Report (No. 1655) - Assistance to Trieste may be financed either out of $20,000,000 of the funds to be advanced by RFC, or out of funds authorized under the Foreign Aid Act of 1947. (Page 28.)

Assistance to any participating country may be financed out of the funds advanced by RFC, and before it is decided whether the assistance is to take the form of a loan or a grant. After that has been decided, RFC will be repaid either out of the appropriations authorized in Section 114(c) or out of proceeds from the sale of notes authorized under Section 114(c). (Page 31.)

T. State Department

1. Secretary of State

a. What the Act Provides - The Administrator and the Secretary of State must keep each other fully informed as to their acts and intentions, and whenever one thinks the other is doing something ill-advised they must consult about it; if they fail to agree, the President decides the issue. (Section 105.)

The Secretary of State and the Administrator both serve on the National Advisory Council on International Monetary and Financial problems. (Section 106.)

The Secretary of State, as well as the Administrator and others, is to be kept informed of the activities of the United States Special Representative in Europe. (Section 108.)

The Secretary of State and the Administrator will act as joint referees in settling differences between the Chief of the United States diplomatic mission in any country and the chief of the special ECA mission in that country, when the differences have failed to be settled by consultation between the chiefs and the United States Special Representative in Europe. (Section 109.)

The Secretary of State must provide the United States Special Representative and special missions with such office space and administrative services as the Secretary and the Administrator agree on. (Section 109.)

The Secretary of State may appoint or assign to the Foreign Service Reserve or Staff (a) persons recommended by the Administrator or (b) alien clerks and employees, at the request of the Administrator. (Section 110.)

The Secretary of State gets a copy of all loyalty reports on personnel, and either he or the Administrator must certify to each person's loyalty in writing filed with the Senate Committee on Foreign Relations and the House Committee on Foreign Affairs. (Section 110.)

The Secretary of State is authorized to conclude the agreements mentioned in Section X, Paragraph "F" of this digest. (Section 115.)

The Administrator may request the Secretary to get agreements from European countries to let capital equipment stay in Germany if it will be more help to the ECA program there. (Section 115.)

The Secretary may make agreements, whenever he and the Administrator find it practicable, for the free entry of relief supplies at participating ports. (Section 117.)

The Secretary is to enter into an agreement with China for the establishment of a Joint Commission on Rural Reconstruction in China. (Section 407.)

b. Comments and Suggested Procedures

(1) Tentative Planning Documents (State Department) - The selection of programs for the various countries depends on several factors which the Secretary of State is in the best position to evaluate. (Page 56.)

Foreign policy is not just a matter of announced intentions. The progress of ERP will affect foreign policy, just as foreign policy will help determine ECA operations. Ending aid to any country, for instance, is a step closely tied up with foreign policy considerations and should be taken only when the Secretary of State and the Administrator agree on it. (Page 126.)

(2) House Report (No. 1585) - Both military and economic aid must fit in with our broad foreign policy objectives. This can be done through constant consultations between the Administrator and the Secretary of State. (Page 2.)

The House Committee carefully considered but put aside the Herter recommendation making the Administrator responsible in part to a corporate board of directors and in part to the President, and the proposal in the original bill that the Administrator be subordinate to the Secretary of State in all matters affecting foreign policy.

(3) Senate Report (No. 935) - In case of differences between the Secretary and the Administrator, the Secretary has a temporary veto over the actions of the Administrator, with the President as the referee. (Page 16.)

(4) Conference Report (No. 1655) - The Administrator has as much right as the Secretary to refer differences to the President. (Page 28.)

(5) State Department Check List of Problems - The Administrator and Secretary must lose no time in working out ways to keep each other completely informed of their respective activities in connection with ERP and of keeping information flowing to them from the U. S. Representative. (Pages 2 and 3.)

Arrangements should be begun at once to secure supplies and office space for ECA missions. The Administrator, the Secretary, and the Secretary of the Army should work out Administrative arrangements for ECA operations in occupied Germany and Trieste. (Page 3.)

The Administrator and the Secretary should work out joint procedures for loyalty certifications.

(6) House Preliminary Report (No. 22) - It is important to establish operating relationships between State and ECA that will prevent the kind of clashes which have occurred in the past between State and other agencies, such as Agriculture, Treasury, and the Central Intelligence Agency which have carried on international programs more or less independently. (Page 17.)

"The bill reported out of the Senate Foreign Relations Committee implies that in case of disagreement between the Ambassador and overseas representatives of the new Agency, action overseas will be held up pending instructions from Washington. Unless this power is exercised with rigorous self-restraint....the veto may prove to be a useless and dangerous embarrassment to the new agency abroad." (Page 18.)

c. Existing Procedures

The Secretary of State and the Administrator should work together in much the same way that the export-program people in Commerce have always worked with State. (Outline of ERP, p. 126.)

The Secretary, working with the President and the Army, has a large part in setting policy for occupied areas. The State-Army-Navy-Air Force Coordinating Committee and the Advisory Committee on occupied Areas Affairs are interdepartmental groups which help in this work. (House Preliminary Report 22, p. 10.)

The Secretary has had most of the responsibility for the Greek aid program, under Public Law 75, and for European relief, under Public Law 84. (Page 12.)

The Secretary has influenced export controls and allocations to a considerable extent, and has groups of commodity specialists to study the questions involved. (Page 16.)

2. Chiefs of the United States Diplomatic Missions

a. What the Act Provides - The Special Representative is to include the chiefs of diplomatic missions among those to be kept informed of his activities; he shall also consult with them and get from them whatever cooperation he needs. (Section 108.)

Chiefs of these missions rank just ahead of the chiefs of special ECA missions in each country; the chief of each special mission must keep the chief of the corresponding diplomatic mission informed on his actions and intentions. (Section 109.)

It is up to the diplomatic chiefs to see that the special missions do nothing inconsistent with our foreign policy; when a diplomatic chief feels that any act, omission, or intention of the special mission chief is ill-advised, he shall consult with the chief and the Special Representative; if no agreement is reached, the Secretary of State and the Administrator settle the dispute. (Section 109.)

b. Comments and Suggested Procedures

(1) Tentative Planning Documents (State Department) - The diplomatic chiefs should be consulted frequently by ECA mission chiefs on reporting standards and policy recommendations; they should work with the mission chiefs in major negotiations involving more than one country; they should supervise and control ECA missions in matters affecting foreign policy. (Page 129.)

(2) House Report (No. 1585) - The diplomatic chief will have recourse to Washington in case of disagreements. The committee decided that the same recourse for mission chiefs was inherent and that the other formula struck the proper balance between unity in policy and independence in action. (Pages 47 and 48.)

3. Foreign Service Reserve or Staff

a. What the Act Provides - The Administrator may employ personnel for foreign service outside the Foreign Service system but at the same rate of pay; or may recommend to the Secretary of State the appointment or assignment of personnel as Foreign Service Staff officers or employees. Staff officers and employees so appointed from other agencies would have the same reemployment rights regular Foreign Service Reserve officers get under Section 528 of the Foreign Service Act of 1946. (Section 110.)

b. Comments and Suggested Procedures

(1) Tentative Planning Documents (State Department) - There should be in each mission a chief economic officer, in some cases with the rank of minister. They should be recruited by ECA, acting jointly with State, and placed in the Foreign Service Reserve unless chosen from regular Foreign Service Officers. (Pages 58 and 28.)

(2) House Report (No. 1585) - The Administrator can appoint overseas personnel in his own right or facilitate appointments through channels of the Foreign Service reserve.

The Secretary of State, at the request of the Administrator, can assign Foreign Service officers to perform ECA functions. (Page 85.)

(3) State Department Check List - Arrangements should be made with Foreign Service personnel of State for hiring alien clerks and employees as soon as necessary.

U. Treasury Department

1. What the Act Provides - The Secretary of the Treasury is Chairman of the National Advisory Council on International Monetary and Financial Problems, which helps the Administrator decide the terms of assistance. (Section 106.)

It is up to the Secretary of the Treasury to decide the circumstances under which accounts may be established in United States banks in order to facilitate operations of the recovery program through private trade channels. (Section 111(b).)

Reimbursement funds allocated to any government agency, as a result of the operations of the program, are to be established in separate accounts on the Treasury books. (Section 111(b).)

Section 111(c) provides for the purchase of notes by the Secretary of the Treasury in amounts not exceeding $1,000,000,000 at interest rates determined by the Secretary and having maturity dates approved by him.

The same section notes that repayments made to the Export-Import Bank in connection with assistance tendered to participating countries on credit terms shall be deposited into miscellaneous receipts of the Treasury, except that provision shall be made for the retirement of notes by depositing in the Treasury principal and interest payments made out of funds realized from their sale.

When the Administrator gets money from the disposal of commodities secured from government agencies, and the agencies don't need replacements, that money goes into the Treasury as miscellaneous receipts. (Section 113.)

The Secretary of the Treasury is sole trustee of the Foreign Economic Cooperation Trust Fund. (See Section I of this digest, entitled "Appropriations." (Section 114(f).)

The Secretary may make interest-free advances to the RFC up to $50,000,000 for the purpose of rendering aid to China, up to $50,000,000 for aid to Greece and Turkey, and up to $1,000,000,000 for European recovery. (Sections 406, 303, and 114(a).)

2. Comments and Suggested Procedures

a. House Report (No. 1585) - Notes for purchase by the Treasury are not supposed to be issued until the Administrator actually needs the money, either for assistance or for meeting liabilities under the guaranty provision; notes should not be issued when a guaranty is made, but only when a liability arises during the first year; later liabilities should be met out of later authorizations. In order to keep within the 5.3 billion figure (4.3 billion by appropriation and one billion by public-debt transaction) the authority to issue such notes is reduced as guaranties are made. (Page 95.)

Money in the Trust Fund, of which the Secretary of the Treasury is trustee, will be treated by the Administrator just like ordinary appropriations. The only difference will be that the $3,000,000,000 in the Trust Fund will be recorded as part of 1947-48 expenditures. (Page 96.)

b. Tentative Planning Documents (State Department) - Representatives of GAO and the Budget Bureau are working with Treasury on accounting plans for ECA. They are considering needs of ECA operating groups and also the needs of other agencies for information. In addition, plans were drawn up for ECA accounting by an Accounting Committee made up of people from GAO, the Budget Bureau, and Treasury.

c. State Department Check List of Problems - In drawing up rules and regulations for establishing accounts in private banks, the Administrator must get the approval of the Secretary of the Treasury as to terms and conditions. (Page 5.) He must also consult with Treasury about the procedure for issuing notes and the rate of interest to be charged on them, and the procedures for drawing on the Trust Fund during fiscal 1949.

d. House Preliminary Report (No. 22) - Either through NAC or independently, Treasury will influence the proportion of loans to grants; use of dollars in offshore procurement; use of dollar assets of foreign countries; the effect of disposing of foreign currencies acquired under the program; and anti-inflation measures in participating countries.

3. Existing Procedures - Interim Aid accounting, and Lend-Lease and UNRRA procedures should be helpful in planning ECA accounting. (McGehee Manual.)

Treasury has membership in all the principal interdepartmental committees concerned with pre-ECA foreign aid and recovery; it furnishes technical advice, information, and personnel with respect to all kinds of international finance. It is also active in such things as International Trade Organization conferences and the United Kingdom loan negotiations. Its Office of International Finance handles international financial and monetary matters. (House Preliminary Report 22.)

V. United Nations

1. What the Act Provides - The President and the Administrator may use the services and facilities of the United Nations and pay for their use if appropriate. (Sections 111(b) and 121(a).)

A copy of each of the President's reports to Congress must be sent to the Secretary-General of the United Nations, and agreements will be registered with United Nations whenever such registration is required by the Charter of the United Nations. (Section 121(b) and (c).)

2. Comments and Suggested Procedures

a. House Report (No. 1585) - The specific prohibition against delegating any of the Administrator's authority to any international organization is to prevent an UNRRA type of operation. The House committee wanted to leave the Administrator free to use the facilities of such groups, however, and not to restrict the amount of money spent in that way. (Pages 40-41.) They made sure, too, that UN would be kept informed of ECA operations by requiring the registration of agreements if the UN Charter calls for it. (Page 102.)

b. Senate Report (935) - The success of ERP will further the objectives of UN. (Page 42.)

c. State Department Check List of Problems - There should be drawn up for the President's approval a list of international organizations (including UN groups), the facilities and services of which are to be used by ECA, together with a statement of the way ECA expects to use them, and the probable costs (Pages 5 and 12). It is necessary to find out whether "letters of intent" must be registered with UN. (Page 12.)

3. Existing Procedures - Some aspects of ERP are in fields already covered by such UN groups as the International Emergency Food Council, the Food and Agriculture Organization, the International Bank, the International Monetary Fund, and the Economic Commission for Europe. How far their procedures should be used is largely up to the participating countries. (Outline of ERP, pp. 59-60.) Supplies of scarce items from sources other than the U. S. will be easier through UN groups like the European Coal organization and the IEFC in which other supplies also participate. (Page 122.)

The Economic and Social Council as it is now probably won't be much help, since many of the delegates have no authority to commit their governments. (House Preliminary Report 22, p. 49.)

The International Children's Emergency Fund has some procedures similar to those which ECA will need. Operations are conducted under agreements, one of the terms of which is that the participating country should supply part of the supplementary aid needed. Records are open for inspection and access to official information is provided. Each recipient country agrees not to export supplies like those imported. Distribution is by other government and private agencies in the receiving country under the supervision of the Fund. The Fund maintains permanent missions in each country and a central headquarters in Paris. The Fund has a record as an effective agency. (House Preliminary Report 22, p. 56.)

W. United States Special Representative in Europe

1. What the Act Provides - Appointed by the President, with the advice and consent of the Senate, the Special Representatives has the rank of ambassador extraordinary and plenipotentiary. He represents the United States on the Committee of European Economic Cooperation and the Economic Commission for Europe. His broadly defined duties include carrying out instructions from the President and the Administrator, coordinating the activities of the special ECA missions, and keeping the Administrator, Secretary of State, diplomatic chiefs, and chiefs of special missions all informed of what he is doing or plans to do. (Section 108.)

   One of his jobs is trying to settle policy differences between the diplomatic chief and the chief of the ECA mission of a country. (Section 109.)

2. Comments and Suggested Procedures

   a. "How To Do Business Under The Marshall Plan" (Kiplinger Magazine, May, 1948) - The Special Representative is a roving ambassador, finding out what Europeans need and how much, reporting back to the Administrator, and checking to be sure goods are being properly used. (Page 6.)

   b. Tentative Planning Documents (State Department) - The Special Representative should report jointly to the Administrator and the Secretary of State and cooperate closely with our ECE representative and the diplomatic representatives. He should be responsible for getting progress reports and reviews of country programs. His instructions should be joint efforts of the Administrator and Secretary of State. (Pages 58 and 129.)

   c. Brookings Report - His functions should relate mainly to matters requiring joint negotiation with two or more participating countries and cannot therefore be handled through the mission chiefs. (Page 20.)

   d. House Report (No. 1585) - Participating countries are urged to help him see that the resources of the program are devoted to its objectives. (Page 41.)

      The House Committee thought he should be required to keep House and Senate committees informed of his activities, but this requirement was left out of the Act. (Page 47.)

   e. Senate Report (No. 936) - His exact relationships with the Administrator, Secretary of State, diplomatic chiefs, etc., can be worked out only in practice. In the meantime he must keep them all informed of his activities. (Page 18.)

X. Voluntary Foreign Aid Committee

1. What the Act Provides - Voluntary non-profit relief agencies must be registered with and recommended by this Committee before the Administrator can pay ocean freight charges on supplies shipped by them. (Section 117(c).)

2. Comments and Suggested Procedures - The Administrator must work out rules for subsidizing the shipment of voluntary relief contributions, working out with the Post Office postal rates which will cover mailing costs and port charges and procedures for making sure that the packages meet specifications. He must get from the Voluntary Foreign Aid Committee a list of authorized agencies. (State Department Check List of Problems, p. 11.)

Y. General

1. What the Act Provides - The Administrator is expected to use the resources and facilities of existing agencies whenever practicable. (Section 111(b).)

The provision in the same section for the furnishing of technical information and assistance implies that government agencies will be the source of much of such information and assistance.

2. Comments and Suggested Procedures

a. Tentative Planning Documents (State Department) - Assessment of European requirements is a responsibility shared with the Administrator by Treasury, Agriculture, Commerce, Interior, Army, Labor and other agencies. (Page 56.) There is a special inter-agency problem between ECA and the Army regarding occupied zones. (Page 126.)

b. Brookings Report - It is important to avoid placing authority in one agency and responsibility in another. Thus, the Administrator, subject to the over-all authority of the President, should formulate programs and determine requirements and then, in consultation with appropriate agencies, be responsible for fulfilling them.

Special arrangements for inter-agency consultation and experience should be prescribed from time to time by the President, in the light of experience. (Page 17.)

c. House Report (No. 1585) - The Administrator will have cabinet rank and the President is empowered to direct other agencies to help him. (Page 46.)

d. Tentative Planning Documents (State Department) - Before the supply program is finally approved, the commodity program should be cleared with Commerce; the agricultural portions of it with Agriculture and, through it, with international allocating agencies, as necessary; certain portions with Interior; and occupied area portions with the Army.

e. House Preliminary Report (No. 22) - Inter-agency bodies should be advisory only, so there won't be any division of responsibility. (Page 6.)

3. Existing Procedures - U-S. Government procurement should be done by existing procurement agencies, other established Federal facilities being used wherever appropriate. Methods of financing, such as the choice between loans and grants, or between ERP and private or International Bank loans, must reflect national financial policy as determined by the NAC. Existing civilian advisory committees and boards of consultants from industry, agriculture, labor, commerce, etc., should be utilized. (Outline of ERP, pp. 56 and 57.)

U. S. programs directly related to aid and recovery include post-UNRRA and interim Aid; Greek-Turkish Aid; prevention of disease and unrest in occupied areas; loans by the

X-M Bank; credit sales of surplus property; and a system of export controls. Several Federal departments and agencies have statutory responsibilities in the foreign economic field. They have accumulated considerable knowledge which will be useful to ECA.

Deficiencies in existing procedures are pointed out in the Herter report (House Preliminary Report No. 22) as follows:

"The functions of the departments themselves are often far from clear. The present position of the Department of Commerce in economic foreign relations presents especial difficulties. Commodity and production responsibilities in the nonagricultural field ramify through a number of agencies such as the Interior Department, the Antitrust Division of the Justice Department, and Tariff Commission. The Department of Commerce presently exercises the principal authority with respect to the United States import and export controls; the State Department rather than the Commerce Department exercises the principal influence in the development of the formal commercial policy of the United States; and the power of the Department of Agriculture over Commerce in its field has not been seriously challenged. Conflicts have occurred between the executive committee on economic foreign policy under the chairmanship of the State Department, the Advisory and Review Committees under the chairmanship of Commerce, and the various food and agricultural committees. Lack of clarity in the distribution of responsibility for petroleum policy among Interior, Commerce, State, and the Army-Navy Petroleum Board is partly responsible for the present situation in which the Government is not equipped to formulate and carry out an integrated policy.

"The Interior Department is the recognized United States agency for dealing with the coal industry; the Department of Commerce exercises leadership in the United States coal-operating committee which determines United States coal-export quotas, yet the State Department selects representatives to the Coal Committee of the Economic Commission for Europe which recommends to the United States and other coal-exporting nations the allocation of coal among European nations. On the other hand, in the case of fertilizer allocations, the Department of Agriculture designates representatives to the International Emergency Food Committee and makes the principal decisions with respect to United States export allocations.

"Important improvements could be made in the organization for foreign economic activities of some of the operating divisions of the principal United States agencies discussed in this report, if their responsibilities where more clearly established. At present, there is an excessive amount of scattering of responsibilities for foreign-aid programs and other foreign economic matters within some of these agencies, particularly the State and Commerce Departments. This, in turn, leads to excessive use of internal or intradepartmental committees and other devices in order to achieve coordination within the agency. Further, it renders working-level contacts between agencies more difficult and opens the door in some instances to the projection into different interdepartmental committees of conflicting positions within an agency. The principles on which the State Department is organized and staffed, particularly with respect to the delineation between

the geographical, the functional, and the operating sections of the Department, reflect a traditional organization on policy lines that tends to minimize economic considerations. The geographic or political desks still seem to make the final policy decisions, sometimes on a prestige basis. This may have an important bearing on the Department's handling of the primarily economic phases of any foreign-aid program." (Pages 3 and 4.)

XII. Management and Direction

A. Legal Status

1. What the Act Provides - ECA is set up as an agency of the Government, and the Administrator's status is the same as that of the head of an executive department.

If the Administrator wishes, and the President approves, ECA may be set up as a corporation to administer the recovery program. Such a corporation could sue and be sued, buy, use, and sell property, and exercise other necessary or appropriate powers. Its powers would be listed in a charter filed with the Senate and the House. Only an Act of Congress could extend its life beyond June 30, 1952. It would be subject to the Government Corporation Control Act. All its capital stock would be of one class, would be issued for cash only, and would be subscribed for by the Administrator out of appropriated funds. (Section 104.)

2. Comments and Suggested Procedures

a. Senate Report (No. 935) - Although some people had argued before the Senate Committee that a corporate structure would have special merit regarding flexibility, freedom from governmental regulations on procurement, personnel, and auditing, the Committee felt that a non-corporate agency, if exempt from normal governmental requirements, would be a superior arrangement. It was considered important that the new agency be an integral part of the Executive Branch and on a plane with that of the Cabinet Departments (p. 14.) In this way, the Administrator would have the same access to the President as other Cabinet Members. (p. 15.)

b. House Report (No. 1585) - The House Committee came to a similar conclusion (p. 2). In their recommendations the Administrator could create a corporation, with Presidential approval, and if such a corporation were created, it would be subject to the Government Corporation Control Act. Congress and the public should be given appropriate notification when such a corporation is created. In the interest of flexibility, it was recommended that the statutory requirements applying to financing, bids, 8-hour day, and the like be waived (p. 81.)

c. State Check List - If it is decided to create a corporation, the Bureau of the Budget should be consulted, especially in regard to sections 102, 103, and 104 of the Government Corporation Control Act (p. 2.)

B. Delegation of Authority and Responsibility

1. The President

a. What the Act Provides

(1) Appoints the Administrator and the Deputy Administrator, the Public Advisory Board, and the U. S. Representative in Europe, all subject to Senate approval. (Sections 104(a) and (b), 107, and 108.)

(2) Has the final say as to whether or not a corporation shall be set up (Section 104(d));

(3) Controls the functions performed by the Administrator (Section 105(a));

(4) Decides differences of opinion between the Secretary of State and Administrator, between the Administrator and the head of any government department or agency (Section 105(b));

(5) Decides when it is advisable to disregard the usual rules regarding government contracts and expenditures (Section 119);

(6) Requests specific cooperation from the United Nations or other international organizations and sees that they are paid, when appropriate, for their services or facilities (Section 112(a));

(7) Transmits reports to Congress (Section 123) and copies of them to the United Nations (Section 121(b));

(8) Sometime within 12 months after the end of the program, transfers the Administrator's powers and duties to appropriate agencies (Section 122(b));

(9) Makes contributions out of ECA and other appropriations to the International Children's Emergency Fund of the United Nations (Section 203);

(10) Is the custodian of appropriations for aid to China (Section 404).

(11) Makes appropriate administrative arrangements for carrying out the recovery program in Trieste and occupied Germany (Section 109(d));

(12) Determines the size and frequency of advances to be made to ECA by RFC and what portion of Foreign Aid Act balances shall be available to ECA (Section 114(a) and (b));

(13) Encourages Western Hemisphere countries to help participating countries in any way practicable (Section 116.)

b. Comments and Suggested Procedures

(1) House Report (No. 1585) - The President would be authorized to designate the U. S. Representative as the U. S. member on ECE (p. 84.)

Although the President may approve a corporate structure, the Committee felt non-corporate structure would be better (p. 81.)

Laws which the President may decide to disregard, in connection with ECA contracts and expenditures, include the prohibition against advances of public money (Revised Statutes 3648); the requirement of general advertising for all government purchases (Revised Statutes 3709); the guarantee to all bidders of the opportunity to be present at the opening of bids (Revised Statutes 3710); the Buy American Act (47 Statutes 1520); and the requirement that goods bought with government loans be shipped in U. S. vessels (U.S.C. 6162). In order to insure that such laws are observed, except when their observance would hinder ERP, only the President is given authority to specify which should be waived, and when. (Page 101.)

Because of the special problems involved there, the President is charged with making administrative arrangements for carrying out the necessary program in Trieste and occupied Germany. Nevertheless, the Administrator should have full authority to perform his legal functions with respect to those areas. (Page 85.)

(2) Outline of ERP (Prepared by State) - The President, through the Secretary of State, should give direction to the foreign assistance program where it affects foreign policy (p. 56).

(3) Brookings Report - The President, in addition to having over-all authority over the Administrator, should from time to time prescribe special arrangements for inter-agency allocation of commodities (p. 12).

c. Existing Procedures

Senate Report (No. 935) - The arrangement whereby the President would resolve differences between the Administrator and the Secretary of State is somewhat comparable to the procedure specified in the Atomic Energy Act of 1946.

2. The Administrator

a. What the Act Provides

(1) Draws up necessary rules and regulations for such things as the establishment of accounts and honoring of withdrawals, making investment guaranties (Section 111(b)), and shipping relief packages (Section 117(c));

(2) May, if the President approves, create a corporation to carry out the recovery program (Section 104(d));

(3) Appraises requirements of participating countries and plans and executes programs to fill them (Section 105(a));

(4) Approves certain specific projects suggested by participating countries (Sections 105(a) and 115(b));

(5) Delegates certain authority to his subordinates (Section 104(f)), but not to any international or foreign agency (Section 121(a));

(6) Keeps the Secretary of State and other agency heads involved in the program informed of his actions and intentions (Section 105(b) and (c));

(7) Consults with the Secretary of State whenever one of them thinks the other has done or is about to do something inadvisable (Section 105(b));

(8) Serves as chairman of the Public Advisory Board and consults with it as necessary (Section 107(a));

(9) Appoints other advisory groups as necessary (Section 107(b));

(10) Submits instructions to the U. S. Representative in Europe according to procedures agreed upon by the Secretary of State and the Administrator (Section 108);

(11) Instructs the chiefs of special ECA missions abroad (Section 109(a));

(12) Joins the Secretary of State in deciding disputes between special and diplomatic chiefs which cannot be settled in the field, and in deciding what services and facilities shall be provided for the Special Representative and the special missions in Europe (Section 109(b) and (c));

(13) Makes or recommends appointments or assignments of personnel and joins the Secretary of State in reporting on the loyalty of all employees (Section 110);

(14) Utilizes private trade channels whenever practicable in furnishing the types of assistance listed in Section 111(a), (i.e., procuring, shipping, transferring and allocating commodities or supplying technical information), in the ways and on the terms set forth in Section 111(b) and (c). (See introductory paragraphs of this digest.) (Section 112(h));

(15) Determines the size of fees to be charged on investment guaranties (Section 111(b)(3));

(16) Issues notes for sale to the Secretary of the Treasury for the purpose of allocating funds to the Export-Import Bank and reimburses the Export-Import Bank for its administrative expenses in connection with the ECA programs (Section 111(c));

(17) Directs procurement functions in such a way as to safeguard the public interest of the U. S., working closely with such agencies as the Departments of Interior, Agriculture, and Commerce to that end (Section 112);

(18) Reimburses government agencies, as necessary, for their commodities, services, or facilities used in the ECA program (Section 113(a));

(19) Uses own judgment as to whether to transfer a specific commodity to a participating country or to avoid loss through spoilage, etc. (Section 113(b));

(20) Requisitions funds as necessary from the Foreign Economic Cooperation Trust Fund (Section 114(f));

(21) Consults with Secretary of State regarding proposed agreements with participating countries (Section 115(a)) and with China (Sections 405 and 407);

(22) During the three months from April 3, 1948, may perform ECA functions with respect to any participating country which has submitted a letter of intent even though no formal agreement has been signed (Section 115(b));

(23) Through June 30, 1948, may send food, medical supplies, fuel, etc., to any OEEC country where he thinks it is necessary for the alleviation of cold and hunger;

(24) Encourages participating countries to maintain their own joint organization and to cooperate with other international organizations to promote recovery (Section 115(d), (e), (f), and (g));

(25) Promotes increased production in participating countries of materials in short supply in the U. S. (Section 116(a));

(26) Works with the Secretary of Commerce to encourage travel in participating countries (Section 116(b));

(27) Enters into agreements with participating countries regarding use of their local currency deposits (Section 116(e));

(28) Refuses delivery of any shipment he regards as contrary to the purpose of the recovery program (Section 117(f));

(29) Calls off all assistance to any country which fails to live up to its agreements with the U. S. (Section 118);

(30) Consults with the Joint Congressional Committee at its request (Section 124(b)).

b. Comments and Suggested Procedures

(1) Senate Report (No. 935) - It was recommended that the Administrator establish accounts on the books of the ECA or of any other department or agency or, on conditions approved by the Secretary of the Treasury, in U. S. Banking institutions. He should specify the documents necessary to make withdrawals against established accounts for participating countries (p. 61).

(2) House Report (No. 1585) - The Administrator may delegate authority to subordinates but not the function of rule-making (p. 82). Furthermore, he should not delegate to any international agency the authority to determine the type or amount of assistance.

Basic agreements with the participating countries will be made by the Secretary of State consulting with the Administrator; implementing and interpretation of agreements will be in the Administrator's hands (pp. 46, 96).

The Administrator may refuse delivery to participating countries of commodities or products which go into the production of any commodities or products for delivery to any non-participating European country, which commodity would be refused export license in the first place. Under Section 6 of the Act of July 2, 1940, the President is expected to promulgate regulations whereby the Administrator can make findings whether export licenses with respect to commodities destined for non-participating countries in Europe have been refused on grounds of national security or otherwise (p. 32).

3. Public Advisory Board

a. What the Act Provides - Section 107 directs the Board to advise the Administrator in connection with all problems, and Section 115 specifically mentions consultation on the use of local currency deposits.

b. Comments and Suggested Procedures

(1) Senate Report (No. 935) - The Board's function, as its name implies, is to be advisory only.

(2) Brookings Report - Public confidence in ERP will be greater if the Administrator has the benefit of the knowledge and experience of eminent private citizens.

(3) Congressional Record, April 2, 1948 - In presenting the Conference Report, Senator Vandenberg said the Advisory Board should represent a cross-section of fundamental American interests, but the categories of interests are not spelled out in the Act because the Board is so small that there might be more categories than there were places to be filled. He also said that service on the Board was such a tremendous responsibility in behalf of the public welfare that the only criterion for appointment should be complete fitness for the complete responsibility assumed. He did say, however, that the interests of such groups as labor and agriculture will certainly be considered in the selection of the Board. (Page 4147.)

4. National Advisory Council on International Monetary and Financial Problems

a. What the Act Provides - The Council has a voice in deciding the terms on which assistance is to be rendered (Section 111) and in deciding how local currency deposits are to be spent. (Section 115(b)(6).)

b. Comments and Suggested Procedures

(1) House Report (No. 1585) - If, after consultation, the NAC and the Administrator cannot agree on whether a particular item of assistance should be by grant or loan, the President will decide. (Page 92.)

5. Deputy Administrator - Section 104 directs the Deputy to act for the Administrator during the latter's absence or disability and perform any other duties the Administrator designates.

6. U. S. Special Representative in Europe

a. What the Act Provides - Section 108 directs him to carry out instructions from the President and Administrator; represent the U. S. on OEEC and the Economic Commission for

Europe; coordinate activities among special missions; keep the Administrator, Secretary of State, and special and diplomatic chiefs informed of his activities, settle disputes between diplomatic and special chiefs.

b. Comments and Suggested Procedures

(1) Senate Report (No. 935) - The Senate committee envisioned the Special Representative as a roving ambassador performing such functions as coordinating the activities of chiefs of special missions, and handling matters which require joint negotiations between two or more states and cannot therefore be handled in the normal way. (Page 18.)

(2) Tentative Planning Documents (State Department) - The State Department felt that, since the Special Representative is responsible for the program objectives of ECA and the more general foreign policy objectives, he should report jointly to ECA and State and receive instructions formulated jointly by these agencies. He should be generally responsible for receiving the progress reports and reviews of country programs developed by OEEC, and for making his own independent reviews and reports on progress, particularly with respect to cooperative action among the participating countries. He should consult frequently with diplomatic and special mission chiefs on reporting standards and policy recommendations for the operation of the program. In cases of major negotiations with governments as to matters involving more than one country, he should join with the appropriate ambassadors. (Page 58.)

7. Comptroller General

a. What the Act Provides - Section 111 allows him to join with the Administrator in setting up special rules for accounting for off-shore procurement expenditures.

b. Comments and Suggested Procedures - Previous experience has shown that in procurement outside the U. S., standard forms of documentation required for auditing of accounts is frequently impossible to get. Hence, the Administrator is authorized to prescribe the documents required for off-shore procurement with the approval of the Comptroller General. The regulations will simply indicate the general requirements, leaving details to the discretion of the Administrator. (Conference Report No. 1655, p. 29.)

8. Secretary of State

a. What the Act Provides - The Secretary must keep the Administrator informed of his activities and consult with him concerning policy disagreements. (Section 105.)

He is a joint referee (with the Administrator) in differences between diplomatic and special chiefs; is responsible for supplying space and services to the U. S. Representative and his special missions. (Section 109.)

He must certify to the loyalty of ECA employees. (Section 110.)

He is authorized to conclude bilateral agreements and letters of intent. (Sections 115 and 407.)

b. Comments and Suggested Procedures

(1) Conference Report (No. 1655) - He may delegate the loyalty functions to trusted subordinates but he remains responsible. (Page 29.)

(2) Tentative Planning Documents (State Department) - He should be given the power to conclude agreements with the 16 nations and any continuing organization (OEEC) of the countries. Such agreements would not require Senate ratification. (Page 19.) ECA functions affecting foreign policy should be performed subject to the direction and control of the Secretary of State. This relationship requires not only top-level policy coordination but active participation at the working levels in the formulation and execution of specific programs. (Page 126.)

XIII. Personnel

A. Classification of Foreign Personnel

1. What the Act Provides - ECA overseas personnel are appointed in one of two ways: (a) they are employed by the Administrator or (b) upon recommendation of the Administrator, they are appointed or assigned by the Secretary of State to a class in the Foreign Service Reserve or Staff corps. Under either type of appointment, they are paid at the rates provided for the Foreign Service Reserve and Staff. (Section 110(a)).

Section 110(b) authorizes the employment of alien personnel outside the U. S.

2. Comments and Suggested Procedures

a. House Report (No. 1585) - The original proposal was to staff the country missions by appointing people to the Foreign Service Reserve. "For some members this might be desirable from the standpoint of prestige and precedence. For others it might be undesirable as involving them in formal considerations having no relationship to their practical work." The Act as written permits either direct appointment by the Administrator or Foreign Reserve appointments through the Secretary of State. This is designed to give the individual some choice in the matter and also to make his status appropriate to the nature of his job. (Page 48.)

Foreign Service staff appointed from other agencies may be given the same reemployment rights provided by Section 250 of the Foreign Service Act of 1946. (Page 85.)

The assignment to an overseas post, or transfer from one such post to another, and promotions, are to be made by the Secretary of State on the recommendation of the Administrator. (Page 85.)

b. Tentative Planning Documents (State Department) - Economic Cooperation officers should be recruited by ECA and State, acting jointly, and placed in the Foreign Service Reserve unless chosen from among regular Foreign Service officers. (Page 58.)

c. State Department Check List of Problems - A detailed list of Foreign Service pay scales, allowances, and benefits should be prapared for the Administrator. Decisions must be made as to status of country mission staffs and arrangements made with the Foreign Governments to secure such status. Procedures must be worked out with State under which persons working abroad may be appointed or assigned to the Foreign Service Reserve or Staff, for the hiring of alien clerks, chauffeurs, translators, etc. (Page 4.)

B. Securing Technical Personnel

1. What the Act Provides - Section 104 authorzies the employment of experts and consultants or consulting organizations.

Section 107 allows the appointment of special advisory committees, presumably including committees of technicians or specialists in various fields.

Section 112 indicates the necessity for securing personnel skilled in such fields as agriculture, oil, milling, etc.

Section 113 implies that the Administrator can borrow technicians and specialists from any agency on a reimbursable basis.

Section 120 makes it easier to get technical personnel by exempting members of advisory boards and other experts, consultants, and technicians from the laws governing regular Federal employment, such as that prohibiting attorneys from serving simultaneously the Federal Government and a client who has a claim against the Government.

Section 124 authorizes the Joint Congressional Committee to hire experts, consultants, technicians, and organizations thereof.

2. Comments and Suggested Procedures - ECA doesn't have to observe the personnel ceilings imposed by the Federal Employees' Pay Act of 1946. It is not exempt from Civil Service Laws because such exemptions wouldn't give ECA any greater flexibility, and they might deprive ECA employees of civil service benefits. It is understood, though, that the President or the Civil Service Commission can waive any civil service rules that hamper ECA Administration.

   The authority to pay 10 people salaries up to $15,000 will help the Administrator get more able people. Also, the Administrator can hire an unlimited number of consultants, such as engineers and accountants. (House Report No. 1585, page 81.)

   It is extremely important to permit the employment of experienced lawyers and businessmen. (Page 101.)

3. Existing Procedures - Exemptions from numerous laws relating to government employment were made during World War II so that businessmen could serve on selective service boards, etc.

C. Salary Limitations

1. What the Act Provides

Section 104:

a. Administrator . . . . . .$20,000 per year
b. Deputy Administrator . . . . . 17,500 per year
c. 25 Employees . . . . . 15,000 per year
d. Experts & Consultants . . . . . $50 per diem, plus travel and living expenses.
e. All except 100 employees used in the U. S. . . . . in accordance with the Classification Act of 1923.

Section 107:

f. Public Advisory Board Members . . . . . .$ 50 per diem, plus travel expenses, plus $10 a day for living expenses.

Section 108:

g. U. S. Special Representative . . . . some compensation and allowances as the chief of a diplomatic mission, Class 1.

Section 110:

h. Foreign Service Personnel . . . . . compensation and allowances prescribed by the Foreign Service Act of 1946.

2. Comments and Suggested Procedures - The Herter Bill would have freed ECA from all restrictions surrounding Federal employment, but Congress felt that raising the salary limitations would give ECA enough leeway. The Administrator's $20,000 salary is $5,000 above that of a Cabinet Secretary; the Special Representative gets $25,000 plus generous allowances; personnel abroad can get up to $13,500 a year plus allowances. (House Report No. 1585, Pages 48 and 49.)

D. Loyalty

1. What the Act Provides - Section 110(c) sets three months as the longest an individual not appointed by the President, may serve ECA without having a loyalty certification on file with the House Foreign Affairs Committee and the Senate committee on Foreign Relations.

2. Comments and Suggested Procedures

a. House Report (No. 1585) - The House Committee wanted an FBI investigation to precede even temporary employment (Page 48), unless the person was already a government employee in which case he could be assigned to ECA duties for six months without a full-dress investigation (Page 86).

b. Conference Report (No. 1655) - Certain changes were made in conference to (1) permit consideration of information other than that obtained by the FBI; (2) require certifications of belief as to loyalty, rather than "unquestioned loyalty"; and (3) not to bar persons who may have belonged to organizations opposing specific statutory enactments as distinguished from organizations advocating the overthrow of the government by force and violence. Present employees of the government were to be allowed to serve for three months pending investigation. (Page 29.)

c. State Department Check List of Problems - The Administrator's certification must be as to his belief that the employee is loyal to the U. S., its Constitution and form of government, and is not now and never has been a member of any organization advocating otherwise. Although the Administrator may delegate authority to make the certification, he is still responsible. The certification is to be made only after consideration of the FBI report.

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