

**A REPORT  
OF BASIC AGREEMENTS**

**( UNDER SECTION 115(K)  
OF THE ECONOMIC COOPERATION  
ACT OF 1948 )**

**European effort for productivity**

**PRODUCTIVITY AND TECHNICAL ASSISTANCE DIVISION  
OFFICE OF THE SPECIAL REPRESENTATIVE IN EUROPE**

**PARIS FRANCE**

**June 1953**

"...we shall strive to foster everywhere, and to practice ourselves, policies that encourage productivity and profitable trade. For the impoverishment of any single people in the world means danger to the well-being of all other peoples.

"...the productivity of our heads, our hands, and our hearts is the source of all the strength we can command, for both the enrichment of our lives and the winning of peace."

Inaugural Address  
President Dwight D. Eisenhower  
January 20, 1953

TABLE OF CONTENTS

A.	Introduction (including summary tables)	i - vi
B.	Section 115(k) Agreements	
	Austria . . . . .	7
	Belgium . . . . .	20
	Denmark . . . . .	28
	France . . . . .	39
	Germany . . . . .	54
	Greece . . . . .	74
	Italy . . . . .	91
	Netherlands . . . . .	106
	Norway . . . . .	119
	Turkey . . . . .	127
	United Kingdom . . . . .	138
	Organization for European Economic Cooperation (European Productivity Agency) . . . . .	149
C.	Annex I, Section 115(k) Agreement with the United Kingdom concerning Uganda and Tanganyika. . . . .	169
D.	Annex II, Text of Section 115(k) of the Economic Cooperation Act of 1948, as amended . . . . .	179
E.	Annex III, Text of Section 516(a) of the Mutual Security Act of 1952. . . . .	181

## INTRODUCTION

This book presents the texts of the agreements recently concluded between the Government of the United States and the governments of eleven European countries, and with the Organization for European Economic Cooperation, for programs to support and strengthen the European effort for productivity. The country agreements set forth expanded national programs to be financed in large part from the counterpart of the dollar aid granted under the agreements. The agreement with the O.E.E.C. provides for the establishment and operation of a European Productivity Agency to furnish European leadership to the various country efforts and to undertake responsibility for over-all European action in this area.

These agreements were drawn up in accordance with the legislation passed by Congress in May 1952 and contained in section 115(k) of the Economic Cooperation Act of 1948, as amended. The legislation provided that of the total dollar aid to be made available to Europe in 1952/53, \$100 million would be extended only upon terms and conditions whereby the counterpart of the aid would be used to promote the objectives of section 516(a) of the Mutual Security Act of 1951, as amended, and specifically would be used to encourage and support free enterprise, competition, productivity and free trade unions. In addition, the legislation provided that up to \$2.5 million might be transferred to the O.E.E.C. for the same purposes.

The agreements reflect only incompletely the efforts which have been and are being made by Europeans to raise productivity in Europe. In general, they have been shaped in accordance with the particular problems of each country, and according to the portions of the national programs which could most significantly be supplemented by financing under section 115(k).

What the agreements do have in common is a determination to place at the disposition of management the understanding and the tools to carry on the most effective management techniques. These arrangements make it possible for the governments to give aid and assistance to those who themselves wish to act.

The programs also have in common the recognition of the responsibilities of other elements of society in achieving high productivity. Provisions are made, varying from country to country, for the appropriate participation of labor in the program and a number of country agreements specifically provide for various mechanisms to inform the consumer of his role. All agreements recognize that the benefits of productivity must, in a healthy economy, be shared by all members of the economy.

A guiding idea underlying all the agreements has been the recognition of the need to develop and strengthen European institutions to promote productivity. The dynamics of an expanding economy, such as the concepts of free enterprise, competition and market expansion, are not self-evident to societies which have been characterized by a preoccupation with the status quo. The various country agreements all emphasize the role of a central productivity authority to direct current efforts and through which the constructive forces for dynamic expanding economies can be marshalled and put in operation. The development of the European Productivity Agency likewise is a recognition of the need to build European institutions in which the responsibility for promoting productivity can be lodged and which can provide the international leadership required for the concerted European effort.

About \$113 million (in equivalent European currencies) is provided for program implementation under the country 115(k) agreements. The source and use by country is shown in Table I. As shown there, \$84.6 million is derived from the 90% counterpart of a total 115(k) aid allocation of \$94 million, and an additional sum estimated at nearly \$29 million is derived from general 90% counterpart funds and, in some cases, from national budget appropriations. Each of the country agreements has provided that the equivalent of 8% of the dollar aid will be used for the country contributions to the EPA, with a resulting total of \$7.5 million earmarked for this purpose.

Approximately \$62.0 million equivalent is earmarked in the various agreements to provide medium and short term

productivity credit principally to small and medium sized business enterprises in order to promote the objectives of free enterprise, competition and productivity.

The remaining sum of about \$44 million equivalent will be used to support important sectors of the productivity effort for which credit is not suitable. Here, particularly, wide variations are seen between the proposals made in the different country agreements. Among the more important headings may be listed:

- a. Training programs for management, middle management and labor;
- b. Special expenses involved in providing expert management engineering services to individual plants which are cooperating in productivity programs;
- c. Research into basic problems affecting the dynamic functioning of the economy;
- d. Publicity and information activities;
- e. Budget support for national productivity centers;
- f. Projects to improve marketing and distribution;
- g. Processing and marketing and distribution of agricultural products.

Table II shows a total of slightly over \$10 million to be made available for carrying out the purposes of the European Productivity Agency. It is anticipated that this sum will be spent over a period of three years, in accordance with a yearly program and budget.

An agreement has also been concluded with the United Kingdom providing \$625,000 for a loan program in the British territories of Uganda and Tanganyika. Revolving loan funds are to be established in both territories to make loans to small and medium sized industrial undertakings to increase their productivity and thereby expand the economies of the territories. The territories are

covered by the Economic Cooperation Agreement of 1948 between the United States and the United Kingdom, and their continued economic development is therefore of interest to the United Kingdom and the United States.

It remains necessary to point out that the projects and programs outlined in the following pages are not definitive. Instead they set forth the framework on which detailed programs can be developed and carried out. As a result, some of the information regarding the proposed programs will be subject to change. Detailed plans, such as have already been worked out for Denmark, Germany and the Netherlands, have not been included. As these details are developed, they will be published in a supplementary volume.

A handwritten signature in cursive script, reading "William L. Batt", with a horizontal line extending to the right from the end of the signature.

William L. Batt  
Acting Deputy for Economic Affairs  
Office of the United States Special  
Representative in Europe

TABLE 1

## Source and Use of Funds Under the 115(k) Country Agreements

Country	Date of Agreement	Allocation of 115(k) Aid	Program Funds Provided			Indicated Use of Funds		
			90% 115(k)\$	Other <sup>a</sup>	Total	EPA	Loans	Grants & Other*
\$ Millions (Equivalent)								
Austria	6-24-53	10.0	9.00	0.28 <sup>b</sup>	9.28	0.80	7.00*	1.48
Belgium	6-3-53	1.0	0.90	2.16	3.06	0.08	0.50*	2.48
Denmark	2-24-53	3.0	2.70	1.84	4.54	0.24	0.58	3.72
France	5-28-53	30.0	27.00	1.50	28.50	2.40	14.60	11.50
Germany	6-15-53	10.0	9.00	19.14	28.14	0.80	23.85	3.49
Greece	6-19-53	1.0	0.90	0.60	1.50	0.08	1.18	0.24
Italy	5-17-53	22.0	19.80	0.80	20.60	1.76	10.52*	8.32
Netherlands	4-8-53	3.0	2.70	0.26	2.96	0.24	1.19	1.53
Norway	6-8-53	4.0	3.60	1.11	4.71	0.32	1.41	2.98
Turkey	6-25-53	1.0	0.90	0.10	1.00	0.08	c	0.92
U. K.	2-25-53	9.0	8.10	0.90	9.00	0.72	2.80	5.48
Total		94.0	84.60	28.69	113.29	7.52	63.63	42.14
Undistributed		6.0 <sup>d</sup>						
Grand Total		100.0	84.60	28.69	113.29	7.52	63.63	42.14

<sup>a</sup> preliminary Mostly from general 90% counterpart resources

<sup>b</sup> estimate <sup>c</sup> An unspecified amount of "Grants and Other" may be programmed for loans.

<sup>d</sup> Includes \$625,000 for 115(k) programs in Uganda and Tanganyika.

TABLE II

## Source of Funds for the European Productivity Agency\*

Source	Freely convertible	Transferable <sup>a</sup>	Non-transferable <sup>b</sup>	Total
\$ Thousands (equivalent)				
Austria	--	267	533	800
Belgium	--	80	-	80
Denmark	--	80	160	240
France	--	800	1,600	2,400
Germany	--	400	400	800
Greece	--	27	53	80
Italy	--	587	1,173	1,760
Netherlands	--	240	-	240
Norway	--	107	213	320
Turkey	--	27	53	80
U. K.	--	240	480	720
Total Country Contributions	--	2,855	4,665	7,520
O.E.E.C.	--	429	-	429 <sup>c</sup>
United States	2,500			2,500
<b>Grand Total</b>	<b>2,500</b>	<b>3,284</b>	<b>4,665</b>	<b>10,449</b>

\*To finance the activities of the Agency over the three years period beginning FY 1954. Figures are rounded to nearest thousand dollar equivalents.

<sup>a</sup>Within the European Payments Union

<sup>b</sup>Generally, for expenditure only in the donar country.

<sup>c</sup>To be made available from the O.E.E.C.'s budget for support of the E.P.A.'s activities in FY 1954. The O.E.E.C. intends to make further contributions in succeeding years, but these sums have not been fixed.

THE SECTION 115(k) AGREEMENT WITH

THE FEDERAL GOVERNMENT OF

AUSTRIA

(Index of Contents)

- A. Letter, dated June 23, 1952, from the Honorable C.E. Meyer, Chief of the Special Mission to Austria for Economic Cooperation of the Mutual Security, to His Excellency Chancellor Figl.

Pages 2 to 5

- B. Letter, dated October 31, 1952, from Chancellor Figl to Mr. Meyer.

Pages 6 and 7

- C. Letter, dated May 28, 1953, from His Excellency Chancellor Raab to Mr. Meyer.

Pages 8 and 9

- D. Letter, dated June 19, 1953, from Chancellor Raab to Mr. Meyer.

Pages 10 to 16

- E. Letter of acknowledgment and acceptance, dated June 24, 1953, from Mr. Meyer to Chancellor Raab.

Pages 17 to 19

June 23, 1952

His Excellency  
Federal Chancellor  
Dr. h.c. Dipl. Ing. Leopold Figl  
Office of the Federal Chancellor  
Ballhausplatz 2,  
Vienna I.

Dear Mr. Chancellor:

The attention of our two Governments has been addressed over the last several years to the problems of the strengthening of the basic economic structure of Austria, expanding the Austrian economy, and raising the level of living of the Austrian people. In furtherance of this program, my Government has been able to extend certain financial assistance which enabled construction or reconstruction of certain essential industrial facilities and the acquisition of goods, machines, and equipment, all matters which are the first steps to any productive effort by a modern people.

Our Governments now agree that it is appropriate to place emphasis upon ensuring the most efficient utilization of the real resources and the existent facilities available to the people of Austria. Your Government has determined, therefore, to carry forth a drive to promote productivity and thereby increase production, in all areas of Austrian efforts.

My Government welcomes this determination and will extend to this drive assistance as noted below.

It is our mutual expectation that this drive, through increasing the effective and efficient use of present labor force and skills, of present machines and equipment, and of present facilities, will result in a great increase in the value of the labor of the individual Austrian and so, through the tripartite forces of lower prices, higher wages, and higher profits, strengthen and raise the standards of living of the people of Austria.

The operating responsibility for this drive within Austria will be placed in the Austrian Productivity Center, a non-Governmental, non-profit organization established through the willing assent of management and labor to undertake joint responsibility for carrying forth the tasks of this drive. The Center will undertake to provide to plants throughout Austria services of information and advice in matters of productivity, to stimulate interest in increasing productivity and demonstrate productivity procedures.

But principally, the Center will, within the limits of personnel and funds, offer to carefully selected enterprises service and technicians and technical assistance to enable the introduction and application of methods and techniques to obtain significantly increased production from existing facilities and manpower and at significantly reduced production costs. The Center will also offer its services on a more general basis, to as many plants and activities in Austria as the extent of its resources will permit.

Our Governments agree that it is essential to the success of this undertaking that increased returns resulting from productivity measures be shared between management in the form of profits, labor in the form of higher wages, and the public in the form of lower prices. The Productivity Center will make this principle its one inescapable requirement for the extension of the services mentioned in the last two sentences of the previous paragraph.

It is understood that it is the intention of your Government in view of the importance of the productivity objectives to promote a program which will inform the people of Austria of all classes and levels of the purpose and intention of the productivity drive, with specific attention to the benefits accruing to labor and consumers through directly increased wages and lower prices.

Should any group by private action with respect to any enterprise which undertakes in cooperation with its workers to raise productivity with the purpose of increasing production, raising wages and lowering prices, attempt to restrain or interfere with such enterprise, your Government is prepared to

take such action as is possible and appropriate to ensure that the purpose of the program shall not in this manner be frustrated. Such private action would defeat the purpose of the program if, for example, it were to interfere with the acquisition of raw materials or equipment, utilization of new machinery and methods, and acquisition of essential new capital, the passing on of benefits as lower prices and higher wages, or the free sale of increased production.

Your Government recognizes that credit reasonably available to finance productivity measures will be essential for the success of the productivity drive, and, in developing the credit policies of Austria will therefore give full consideration to the credit requirements of the drive. It is agreed that, in developing and administering the counterpart investment program, requirements for the productivity drive will in accordance with overall counterpart policy be accorded priority consideration as one of the major means for the strengthening of the Austrian economy, including the elimination of the deficit in the Austrian balance of payments. Your Government is prepared to promote and assist the development and successful carrying out of the productivity drive by all other appropriate means.

My Government, through the Special Mission to Austria for Economic Cooperation, will furnish services of technicians and experts for this program as well as related technical services of varied nature. The scope and extent of assistance extended by my Government will be determined by the usual principles applicable to aid extended through the MEC, including the recognized principle that the purpose of American Aid is to assist your Government and people in initiating programs and discharging their own responsibilities for carrying them out. Assistance will also, of course, be subject to the availability of funds and technicians. Further, the Special Mission for Economic Cooperation will give consideration to the needs and purposes of this program in the development and administration of aid programs.

It is understood that the utilization for any specific purpose of technicians supplied through the MEC, as well as utilization of any portion of counterpart funds, is subject to the determination of MEC that the purposes of this agreement

are thereby being furthered and is subject to the continued performance of undertakings agreed to herein.

I would appreciate confirmation of your Excellency of your agreement to the above statement of the purpose of this program as well as the roles of our respective Governments therein.

Sincerely yours,

/s/ C.E. MEYER

REPUBLIC OF AUSTRIA  
THE FEDERAL CHANCELLOR

October 31, 1952.

No. 720,009-ERP/1/52

SUBJ: Productivity Drive

The Honorable  
Mr.C.E. Meyer, Chief,  
U.S. Special Mission for  
Economic Cooperation.

Dear Mr. Minister:

May I express my sincere gratitude for the interest which according to your letter of June 23, 1952, the U.S.Government is taking in Austria's efforts to increase the productivity of her economy, as well as for the aid extended so far by the U.S. Government to Austria in support of these efforts and still is willing to extend as indicated in the said letter.

The Austrian Government, on its part, is willing to extend all necessary assistance to the Austrian Productivity Center as representative of Austria's efforts in this direction within the limits of the Austrian laws; it hopes that the Austrian Productivity Center will be in a position to realize the idea of productivity. It will also be the duty of the Austrian Productivity Center to see that the obligations undertaken by the enterprises participating in the productivity campaign will be complied with, in regard to the sharing of benefits resulting from the productivity drive, in the form of increased profits, wages as well as lower prices; although it has to be left on an individual basis in which way the above mentioned benefits are shared.

Moreover, the Austrian Government is willing as far as possible to support all endeavors aimed at informing the population of the objectives and targets of the productivity drive and, within the scope of the Austrian laws, to check any influence apt to jeopardize the effectiveness of this program.

As regards the Counterpart Investment Program, the Austrian Government believes that far-reaching consideration has been given to the idea of productivity when carrying out the investments programmed in concurrence with the U.S. Special Mission for Economic Cooperation, and intends also to continue under this principle in the future. The Austrian credit policy too will aim at promoting productivity increase within the limits of the given possibilities.

Accept, dear Mr. Minister, the expression of my highest esteem.

Yours very truly,

/s/ FIGL

REPUBLIC OF AUSTRIA

The Federal Chancellor,

No. 68058-ERP 3/53

Vienna, May 28, 1953

Dear Mr. Minister:

I have the honor to refer to the conversations which took place in the past between the US Special Mission for Economic Cooperation and representatives of the Austrian Federal Government relating to the agreement on economic cooperation of July 2nd, 1948 between Austria and the United States, and Section 9 (c) of the Mutual Security Act of 1952 and Section 115 of the Economic Cooperation Act of 1948, as amended.

Furthermore, I have the honor to confirm that, as a result of these discussions, the following agreement has been reached:

- 1.) The Austrian Federal Government agrees with the conception that the stabilization of a healthy and constantly expanding economy as basis for a progressive improvement of the living standard of the Austrian population presents a basic necessity for a successful inter-national development. Furthermore, the Austrian Federal Government is convinced that, by carrying out a concrete program on the basis of Section 115 (k) of the Economic Cooperation Act of 1948 in the version amended by Section 516 (a) of the Mutual Security Act of 1952, it can contribute considerably to the achievement of these goals.
- 2.) The elaboration of this concrete plan, however, requires the solution of a series of difficult problems to coordinate the mentioned goals founded upon the American legislation with the given Austrian conditions. Due to the short time available since the start of these Austro-American discussions it has not yet been possible to conclude the work.
- 3.) However, due to the financial conditions on the American side which set a time-limit as of the end of May 1953 for the acceptance of \$10,000,000 of aid earmarked for Austria and decreed by the American Federal Government to promote

the aims described in the afore mentioned American legislation, and due to the fact that the Austrian Federal Government is determined to further the afore mentioned goals in the same way as done by the governments of the other participating countries, I have the honor to apply in the name of the Austrian Federal Government for the \$10,000,000 of aid earmarked for the Austrian Government for the promotion of the aforementioned goals and drawn from the \$100 million fund established by the Congress of the United States.

- 4.) The Austrian Federal Government agrees to use the counterpart of this aid to promote the goals aimed at by the Congress of the United States and along the lines discussed in more detail with the US Special Mission for Economic Cooperation. In the near future, the Austrian Federal Government will submit to the Government of the United States detailed particulars.

I beg you, Mr. Minister, to convey these declarations to the Government of the United States to serve as a basis for the allocation of the above mentioned \$10,000,000.

I also beg you, Mr. Minister, to inform me of the agreement of the United States to the afore mentioned declarations.

Accept, Mr. Minister, the assurances of my highest esteem,

/s/ JULIUS RAAB

The Honorable C. E. Meyer,  
Chief of US Special Mission for  
Economic Cooperation  
Allianz Building,  
Vienna IX.

REPUBLIC OF AUSTRIA

The Federal Chancellor,  
No. 69.228-ERP/3/53

June 19, 1953

The Honorable  
Mr. C.E. Meyer,  
Chief, MEC, Vienna.

Dear Mr. Minister:

(1) I beg to refer to the conferences lately held between representatives of the U.S. Government and the Austrian Government, on an agreement to be concluded between Austria and the U.S. concerning initiation of a productivity drive, within the meaning of Section 9 (c) of the Mutual Security Act 1952, made in amendment of section 115 (k) of the Economic Cooperation Act 1948. May I in particular refer to my letter No.68.058-ERP/3/53 of May 28, 1953 and express my pleasure in being able to announce the agreement of the Austrian Government with the execution details of the contemplated agreement, the basic principles of which I outlined on behalf of the Austrian Government in my letter dated May 28, 1953.

(2) In the name of the Austrian Government I take the liberty of making certain suggestions regarding implementation of the productivity agreement, for which 10 million dollars have been provided pursuant to section 115 (k) of the Economic Cooperation Act, as amended. The Austrian Government hopes that US legal provisions will allow in good time to issue the procurement authorizations required for utilization of these 10 million dollars.

(3) The principles on which such a productivity drive is to be initiated in Austria have been agreed upon in letters exchanged between Federal Chancellor Figl and You, Mr. Minister, on June 23, October 31, 1952 respectively.

(4) The Austrian Government believes that productivity can be promoted efficiently only by economy itself; the following suggestions have been prompted by the earnest desire to comply with the obligation of the government to assist economy in its efforts to increase productivity.

- (5) The bilateral agreement as amended clearly shows that in case the 10 million dollars are allocated as projected, not only the agreements suggested in this letter will apply to utilization of these funds but also all other stipulations prescribed by the U.S. Government in connection with allocation of aid funds under the Mutual Security Act 1951.
- (6) Therefore the Austrian Government begs to propose that for implementation of the productivity program 90% of the 10 million dollars from counterpart be transferred to a special account "Productivity Promotion". Withdrawal from that account will have to be made in agreement between the U.S. Government and the Austrian Government, in compliance with the suggestions made hereunder. A further transfer of schillings from the general counterpart account to account Productivity Promotion can be effected on the basis of an additional agreement between the two governments.
- (7) The Austrian Government will thoroughly investigate the possibility of extending an additional amount from budget funds for the purpose of expanding the Technical Assistance program.
- (8) The Austrian Government intends to use the equivalent of 800,000 dollars from the so-called Moody Aid as Austria's contribution to the European Productivity Center which has been created by OEEC.
- (9) The counterpart originating from Moody Aid would partly be used for short-term credits with a duration of not more than 5 years, to be extended chiefly to small and medium-sized enterprises, as operating capital and to meet expenditures for fixed assets, provided that the capital is used, and the expenditures are incurred to increase the productivity of the enterprise concerned. Contrary to ordinary counterpart investment credits, these credits are not mainly intended for increasing, establishing, or improving capacity, but will constitute an organic supplementation of other measures suggested for the productivity campaign, such as reduction of prices, rational sales organization, improved accounting methods, higher quality, economical handling of materials.
- (10) Repayments of capital and interest (minus actually incurred administration costs) would flow back to the special account

"Productivity Promotion", so as to be available for further loans within the meaning of the agreement suggested herewith. The interest rate of loans would not exceed 6% but can be changed at any time upon mutual agreement between the Austrian Government and the U.S. Special Mission for Economic Cooperation. After approval by the Austrian government agencies, the loans will be disbursed to the creditees, via the credit institutes authorized to administrate investment credits. For loan transactions the credit institutes will charge a reasonable fee, which, if necessary, can be retained in the form of a specified portion of the payment.

(11) Another portion of counterpart funds originating from Moody Aid will be used for non-repayable, single expenditures for, or allocations to, non-profit organizations, provided that such expenditures or allocations serve to further the aims laid down in section 516 (a) of the Mutual Security Act 1951, as amended, and in section 115 (k) of the Economic Cooperation Act, as amended. The manner in which the program concerning non-repayable expenditures is to be evolved will be jointly determined by the Austrian Government and the U.S. Special Mission for Economic Cooperation. The Austrian Government intends to use part of these funds for research promotion, experiments aimed at developing housing techniques, market analyses, management training, i.e. for purposes specially qualified to increase overall productivity.

(12) As regards agriculture and forestry Moody Aid funds will be used for drives materially increasing productivity of agricultural and forest production proper, as well as productivity in the field of processing and distribution of agricultural and forest produce. In particular these funds will serve to promote new productivity increasing processes, and new methods of production and distribution.

(13) The funds allocated to agriculture and forestry will not exceed 30% of the overall counterpart funds originating from Moody Aid.

(14) The Austrian Government will administrate counterpart funds from Moody aid according to the following directives:

(15) A) Credits earmarked for investment purposes or as operating capital will be allocated to industrial and

commercial enterprises participating in the productivity drive, via an inter-ministerial commission, under the chairmanship of the Federal Minister of Trade and Reconstruction. Pursuant to the Austrian Law on Credit Control, the Credit Control Commission will be represented in this commission by two of its members.

- (16) B) All counterpart funds from Moody Aid (credits or subsidies) to be extended to agriculture and forestry, will also be allocated by an inter-ministerial commission, under the chairmanship of the Federal Minister of Agriculture and Forestry. This commission, too, will comprise two members of the Credit Control Commission.
- (17) C) Utilization of counterpart funds from Moody aid for the various actions aimed at productivity increase, or for allocation to non-profit organizations, will be subject to approval by an inter-ministerial government commission, under the chairmanship of the Federal Chancellor.
- (18) An advisory committee will be established to advise the inter-ministerial government commissions named under A to C. To this advisory committee the Federal Chancellor will delegate one representative each of management, labor, agriculture, and the manager of the Austrian Productivity Center, as well as a person who, owing to sound economic administrative knowledge appears specially qualified to protect public interests and to energetically realize the productivity program. This person will be nominated by the Federal Chancellor, in agreement with the Vice-Chancellor, after having heard the opinion of the aforementioned representatives. A representative of the U.S. Special Mission for Economic Cooperation will be invited to attend the meetings of the advisory committee, as non-voting observer.
- (19) The preliminary review of applications for Moody Aid credits or subsidies from the view point of productivity criteria will be made by the Austrian Productivity Center, and the technically qualified organizations to be coopted by the latter; where other economic and financial viewpoints are concerned the preliminary examination will be carried out by the Central Bureau for ERP Affairs in concurrence with the pertinent ministries.

(20) The resolutions of the afore mentioned inter-ministerial government commissions will be brought to the attention of the U.S. Special Mission for Economic Cooperation after every meeting. If the U.S. Special Mission for Economic Cooperation does not veto the resolution within 14 days, the allocations can be made according to decision, to the project holders and credit applicants respectively.

(21) Furthermore, the Central Bureau for ERP Affairs will keep continuous and close contact with the U.S. Special Mission for Economic Cooperation concerning progress of the productivity drive.

(22) The Austrian Government will base implementation of the productivity action, and distribution of Moody funds on section 115 (k) of the Economic Cooperation Act, which shows the means by which to attain the aims of productivity increase as specified under that act. According to the provisions of that section there are three ways in which the fruits of increased productivity can best be shared. These ways are:

- a) by increased wages to the labor forces;
- b) by lowering prices to the consumer;
- c) by returning to the management and to the investors in the enterprise a profit which represents a fair return on their investment and which provides a continuing flow of capital necessary to provide efficient plant and material to enable the company to maintain a competitive position and to enlarge its facilities in such a manner as will create additional employment and contribute towards the restoration in Austria of a dynamic expanding economy.

(23) The Austrian Government realized that there is no single satisfactory formula to be laid down a priori, expressing the precise form or manner in which the fruits of productivity are to be shared.

(24) There will be cases when the profits will have to be used to reduce prices to maintain competitiveness of the respective firm. In other cases, it may prove necessary to replace obsolete and inefficient machinery. There may be instances where it may be both appropriate and advisable in view of existing productivity

factors initially to grant a wage increase. Establishment of the confidence between management and labor which alone can guarantee the success of the productivity drive, can best be attained by bargaining at the individual plant level. Experience has also demonstrated that the initial agreement resulting from such bargaining must of necessity be of a general nature. It must provide for more or less continuous change in the light of experience. The initial agreement above all should provide an effective means for creating labor-management harmony in the search for the attainment of truly economic objectives.

(25) Criteria for loans and subsidies, based on these principles, would be worked out in concurrence with the U.S. Special Mission for Economic Cooperation. The action being intended to promote the aims laid down in Section 115 (k), loans would, of course, be extended only to such firms and enterprises which have adopted the principles of the productivity drive, which principles are founded on the language and intent of Section 115 (k). Firms or enterprises applying for loans must, therefore, pledge themselves in writing to the principle of justly sharing out the benefits possibly resulting from increased productivity.

(26) Preparation of the share out will be done by bargaining at the plant level in cooperation between labor representatives and management. The representatives both of management and labor are at liberty to take advice from experts in the fields of materials handling, calculation, etc., and in particular also from the pertinent management and labor organizations. As the program progresses, the initial general agreement may have to be supplemented by more detailed agreements on such matters as wage incentives, job reclassification, bonuses, etc. These plant level agreements will be outside of or as supplements to collective bargaining procedures.

(27) Other problems concerning the policy of the enterprise such as price reduction, utilization of profits for further investments, etc., would definitely have to be left to the decision of the management, i.e., under maintenance of the pledge, on principle to increase productivity according to the commitments accepted under the declaration submitted with the credit application.

(28) The credited firm will have to submit to the creditor and the Productivity Center a comprehensive report on the benefits achieved by means of the investment and the manner in which these benefits were shared out, and also submit a copy of the plant level agreement, when negotiated, as evidence of compliance with their previous agreement on which basis the loan originally was approved.

(29) The Austrian Government will endeavor under the existing laws to appropriately support the participants in the productivity drive, and to protect them against unjustified harassment. The Austrian Government will encourage participation by firms, agencies and institutions in the productivity drive.

(30) The Austrian Government will keep the U.S. Special Mission for Economic Cooperation currently informed on utilization of counterpart funds from Moody Aid.

(31) The Austrian Government expects that in view of the objective for which the "Special Account for Productivity Promotion" has been established, funds for productivity increasing measures will be available therefrom during a period of several years. Any withdrawal of such funds will be treated as though annual counterpart releases were concerned.

(32) On termination of the agreed programs concerning utilization of Moody funds, which programs are covered by the agreement between the U.S. Government and the Austrian Government, and on liquidation of the "Special Account for Productivity Promotion" disposition of any funds remaining, including any payments of principal and interest which may accrue thereafter on loans from the revolving loan fund, shall be by agreement between the U.S. Government and the Austrian Government.

(33) I would be much obliged to you, dear Mr. Minister, if you would inform me as soon as possible whether these proposals are acceptable to the Government of the United States.

With the assurance of my highest esteem I beg to remain,

Yours sincerely,

/s/ RAAB.

June 24, 1953

His Excellency  
Federal Chancellor Ing. Julius Raab  
Office of the Federal Chancellor  
Ballhausplatz 2  
Vienna I

My dear Mr. Chancellor:

I wish to acknowledge the receipt of your letter dated June 19, 1953, your letter dated May 28, 1953, which letters in turn refer to my letter to Chancellor Figl dated June 23, 1952 and the reply of Chancellor Figl to me dated October 31, 1952. These communications comprise an understanding between the United States Government and the Austrian Government covering a program for the increase of productivity within Austria and for the utilization of counterpart funds arising pursuant to the provision of Section 115(k) of the Economic Cooperation Act of 1948 as amended. Based upon this understanding, the Mutual Security Agency is taking prompt steps to provide for the allotment for the use of Austria of \$10 million dollars in aid funds under that section of United States legislation.

The allotment of funds and the agreement of the United States Government expressed herein are, of course, subject to the provisions of the various documents set forth above. I should like to point out our understanding and interpretation of certain portions of your letter of June 19.

(1) It is our understanding that Paragraph 21 specifically contemplates the furnishing of information to the Special Mission for Economic Cooperation as to the status of any aspect of the program including information on the status of any loans outstanding or contemplated, and that the Special Mission for Economic Cooperation may make such periodic inspections or audits as are customary in normal counterpart procedures.

(2) In Paragraph 1 of this letter certain reference is made to American legislation. We understand that these references

should read as follows: "...within the meaning of Section 516(a) of the Mutual Security Act of 1951 as amended and of Section 115(k) of the Economic Cooperation Act of 1948 as amended." Further, we understand that wherever reference is made to the Mutual Security Act of 1951 or to the Economic Cooperation Act of 1948, this shall be read to such acts as amended.

(3) The reference in Paragraph 5 to "the bi-lateral agreement" is understood to refer to the agreement for Economic Cooperation between the Government of Austria and the Government of the United States dated July 2, 1948, as amended.

(4) Wherever reference is made within your letter to "Moody Aid" this is understood as referring to counterpart derived from aid furnished pursuant to Section 115(k) of the Economic Cooperation Act of 1948, as amended.

(5) In Paragraph 10 we understand that it is not intended that repayment of capital and payment of interest shall in fact be made to the special sub-account of the Special Account, which is to be entitled "productivity promotion", but that it is intended that releases from such sub-account shall be made to constitute a separate loan fund and to which repayment of capital and payment of interest will be made. In view of the last sentence of Paragraph 10 we understand that the phrase appearing in parentheses in the first sentence should be deleted.

(6) In Paragraph 13 we understand that funds allocated to agriculture and forestry will not exceed thirty percent of the total counterpart funds available under the Agreement after deduction of 10 percent for the use of the United States in accordance with the bi-lateral agreement and 8 percent for the contribution to the European Productivity Agency.

(7) We understand that the words "or subsidies" appearing in Paragraph 16 within the parentheses were included inadvertently, and that it is intended that subsidies for agriculture and forestry will be administered by the Commission established under Paragraph 17.

With the assurance of my highest esteem, I beg to remain,

Sincerely yours,

C.E.MEYER  
Chief of Mission

THE SECTION 115 (k) AGREEMENT WITH  
THE GOVERNMENT OF BELGIUM.

(Index of Contents)

- A. Letter, dated May 29, 1953, from His Excellency Mr. J. Meurice, Minister of Foreign Commerce, to the Honorable Huntington Gilchrist, Chief, MSA Special Mission to Belgium and Luxembourg for Economic Cooperation.

Pages 21 to 23

- B. Annex to Mr. Meurice's letter

Pages 24 to 26

- C. Letter of acknowledgment and acceptance, dated June 3, 1953 from Mr. Gilchrist to Mr. Meurice

Page 27

TEXT OF THE SECTION 115(K) AGREEMENT

WITH BELGIUM.

Brussels, May 29, 1953.

The Honorable Huntington Gilchrist,  
Chief of MSA Mission to  
Belgium-Luxembourg,  
27 Boulevard du Regent,  
Bruxelles.

My dear Mr. Minister,

This letter will confirm the results of conversations between representatives of my Government and MSA concerning the development by Belgium of a productivity program, and particularly the use of funds provided under Section 115(K) of the ECA Act of 1948, as amended. It seems useful to confirm by this means the agreements that have been reached, as well as the concepts under which this program will be carried forward by the agencies of the Belgian Government, as well as through the Belgian Productivity Center.

1. The Belgian Government agrees that the establishment of a sound and expanding economy capable of providing a progressive increase in living standards is essential to the development of mutual security and of the individual and collective defense of the free world and they believe that a concrete program, carried out in Belgium pursuant to the provisions of Section 115(K) of the Economic Cooperation Act of 1948, as amended, and of Section 516 (a) of the Mutual Security Act of 1951, as amended, can make a significant contribution to the achievement of this objective.

2. My Government is therefore glad to confirm its intention to enlarge and intensify the production assistance program already set in motion by the establishment of a productivity center composed of representatives of industry, management, labor and consumers (Office Belge pour l'Accroissement de la Productivité). The purpose of the Center is to disseminate to the Belgian industry and Trade the idea and objectives of the productivity program, and to assist all firms, plants or persons interested

in securing the technical means and personnel available for increasing productivity. This Center is to receive the support of the Belgian Government, but is not to be operated as an agency of the Belgian Government.

3. The Mutual Security Agency has previously agreed to release 59,300,000 Belgian francs in counterpart funds for the support of this Center, in addition to 5,000,000 Belgian francs released in 1951. It is understood that the Center will undertake to arrange adequate financing from other sources as soon as practicable to make further assistance from this source unnecessary. Upon request of my Government, the MSA has also previously agreed to release a further sum of 59,300,000 francs of counterpart funds for various projects aiming at an increase of productivity in Belgian agriculture.

4. In order to expand the program already instituted under the direction of the Productivity Center, the United States Government has agreed, subject to the provisions of this agreement, to make available to the Belgian Government \$1 million of assistance under Section 115(K) of the ECA Act of 1948, as amended, the local currency counterpart of which will be earmarked in accordance with this agreement to carry out the programs described in the Annex to this Agreement.

5. At the request of the Belgian Government and subject to the availability of funds and personnel, the United States Government will provide to the Productivity Center such additional technical assistance in furtherance of these programs as may be appropriate and authorized under the laws of the United States and approved by the MSA. Such assistance would include particularly the provision, where individuals of requisite skills are not otherwise available to the Productivity Center, of US experts and consultants. This personnel may be made available for necessary surveys and recommendations within plants, but, to a greater extent, would be used to train personnel of, or sponsored by, the Productivity Center. Dollars made available under this agreement may, where appropriate, be used to defray the dollar costs of such technical assistance.

6. These programs will be carried out, with a view to increase the ability and willingness of Belgian industry to produce under fully competitive conditions to the mutual benefit of employers and employed and of the consumer.

7. It has further been agreed that my Government would take such steps as are within its power (a) to persuade and encourage members of the business community which have entered into appropriate agreements with Office Belge pour l'Accroissement de la Productivité to share the benefits of an increase of productivity with consumers and workers and (b) to prevent any action which may hamper, directly or indirectly, the sharing out of such benefits.

8. A program will be promoted informing all levels of the Belgian people of the purpose and intention of the productivity program of our Government, outlined in this letter, and explaining the techniques and results of productivity.

9. The Government of Belgium will be prepared to play its part in a productivity agency to be established by the Organization for European Economic Cooperation.

10. Full information as to the status of the programs and projects undertaken pursuant to this agreement will be furnished periodically, and on special occasions, on request to the Special MSA Mission for Economic Cooperation to Belgium-Luxembourg.

11. On the termination of any programs and projects undertaken pursuant to this agreement, including the revolving loan fund provided for in the annex, disposition of any remaining funds, including any payments of principal and interest which may accrue thereafter on loans from the revolving loan fund, will be made by agreement between the Government of Belgium and the Government of the United States.

I would appreciate the indication of agreement of the United States Government to this letter, and to the terms and conditions of the Annex attached hereto.

Very truly yours,

/s/ J. Meurice  
/t/ J. MEURICE  
Minister of Foreign Commerce.

## A N N E X

1. It is understood that upon agreement on the terms of this letter, the MSA will allot \$1 million to the Government of Belgium. Such dollars will be available for expenditure subject to the applicable provisions of law and the procedures and policies related thereto concerning foreign aid of the United States, and the provisions of the Agreement for Economic Cooperation between the Belgian Government and the Government of the United States, dated 2nd of July 1948, as amended.

This amount will be available for financing such imports from the U.S. as the Belgian Government will request in exactly the same manner and under exactly the same procedure as earlier amounts of economic aid which were allocated to Belgium-Luxembourg. It is intended, however, that since this allocation of economic aid is to carry out the Productivity Program, the commodities or services for which financing within the limits of this allocation will be requested by the Belgian Government be limited to those which can be shown to have some direct bearing on the improvement of productivity or the promotion of the Productivity Program. A portion of this allocation could of course be used for defraying the dollar expenses of approved Technical Assistance Projects intended to further the Productivity Program.

2. On allotment of dollars under this agreement, my Government will establish a separate Special Production Assistance Account to which will be deposited the local currency equivalent of dollars allotments made hereunder. (The local currency equivalent of 10% of the dollar allotment hereunder will be transferred as in the case with other dollar assistance under the ECA Act of 1948, as amended, and the Mutual Security Act of 1951, as amended, to the account of the United States). To the extent that such funds are needed before actual accrual of the counterpart of the above-mentioned dollar assistance, such transfers will be effected from the existing general 90% account or from other resources. The dates and amounts of such transfers of funds will be specified in formal MSA/W letters allotting dollars under this agreement. Further transfers of funds may be made to the special Production Assistance Account from time to time.

3. Release of counterpart from such Special Production Assistance Account shall be made to the appropriate agency or agencies carrying out this program in accordance with established

procedures for the release of counterpart funds from the 90% counterpart account.

4. My Government agrees to the establishment of a revolving loan fund which shall draw its initial funds from the Special Production Assistance Account referred to above. Repayment of loans made from said fund and any net interest earnings which may accrue in connection with such loans shall be re-deposited in said fund. Loans to carry out the purposes of this agreement shall be made to private enterprise, particularly in the fields of small and medium-sized business engaged in the production and distribution of consumer goods. Loans made from the aforesaid revolving loan fund shall be made at a reasonable interest rate which shall not exceed 6% and on terms generally more favorable than those available commercially, to encourage industry to participate in and support the purposes of the Productivity Program.

5. For the implementation of this program the following amounts will be available:

TOTAL ALLOCATION - - - - - \$1 million  
Which Would Generate Counterpart  
Funds to be Used as Follows:

Deposit of Counterpart:

Total Deposit - - - - -	50,000,000 B.F.
Less Portion for Use of U.S. Govt (10%) - - - - -	<u>5,000,000 B.F.</u>
Net available to Belgium - - - - -	<u>45,000,000 B.F.</u>

Provision for Allocation to OEEC

Productivity Agency - - - - -	<u>4,000,000 B.F.</u>
Net Available for Program in Belgium - - -	<u>41,000,000 B.F.</u>

Grants for Demonstration Program Funds	16,000,000 B.F.
Loans to Participants in Demonstration Programs - - - - -	<u>25,000,000 B.F.</u>
TOTAL:	41,000,000 B.F.

The program will be put into effect as soon as possible and is being planned on the basis that the bulk of the grant program will be completed within two years.

It is understood that this program, or parts of it, will be reconsidered when modifications appear desirable during its elaboration.

It has been generally agreed that the demonstration program will concern itself with a consumer goods industry, so that productivity principles can be demonstrated to the broadest segment possible of the Belgian population. Initially, it is proposed to carry on a program within the shoe industry. However, it is possible that as the program proceeds successfully, other industries or segments thereof may be selected for demonstration projects so long as they meet certain criteria and voluntarily agree to adhere to certain pre-requisites to participation as outlined herein, and so long as such extra projects can be efficiently conducted within existing manpower and financial abilities.

The objective will be to show how improvement in production techniques and progressive-minded labor and human relations can result in lowered unit manufacturing costs, part of which savings, if any, will be set aside for plant owners to include, for instance, the cost of plant improvements; part for increase in workers' income; and part shared with consumers in the form of lower prices. A second and integral phase will be a demonstration of improved marketing and merchandising techniques to demonstrate how lower prices and proper marketing methods in conjunction with a suitable advertising and publicity program will increase consumption with resultant increase in demand.

It is likely that the action programs will lead to request for short-term loans from medium-sized and small firms in order to finance certain modernizations that may prove desirable to the plants, or to finance certain distribution activities to implement the programs. In order to avoid a situation where such credit funds are not available at a reasonable interest rate, an amount of 25,000,000 Belgian Francs has been earmarked to be used as a revolving loan fund. This fund will be administered, subject to overall policy concurrence between our two governments and to review and audit by the MSA Mission, by the Productivity Center utilizing the services of an appropriate financial institution.

Brussels, Belgium.

June 3, 1953.

His Excellency Mr. J. Meurice  
Minister of Foreign Commerce  
8, rue de la Loi,  
Brussels, Belgium.

Dear Mr. Minister;

Thank you for your letter of May 29 which concerns the Belgian Productivity Program and particularly the use of funds provided by MSA under Section 115 (k) of the ECA Act of 1948 as amended, and of Section 516 (a) of the Mutual Security Act of 1951, as amended.

I have reviewed your letter and its annex, and am glad to confirm the agreement of my Government therewith.

Yours very sincerely,

/s/ Huntington Gilchrist  
Chief of Mission.

THE SECTION 115(k) AGREEMENT WITH

THE GOVERNMENT OF DENMARK

(Index of Contents)

- A. Letter, dated February 24, 1951, from His Excellency Ole Bjorn Kraft, Minister for Foreign Affairs, to the Honorable Charles A. Marshall, Chief, Special Mission to Denmark for Economic Cooperation.

pages 29 to 33

- B. Brief re-capitulation of the Annex referred to in paragraph 3 of Mr. Kraft's letter.

pages 34 to 37

- C. Letter of acknowledgement and acceptance, dated February 25, 1953, from Mr. Marshall to Mr. Kraft.

page 38

TEXT OF THE SECTION 115(K) AGREEMENT

WITH DENMARK.

24 February 1953

His Excellency, Minister C.A. Marshall  
Chief of Mission,  
Mutual Security Agency,  
Copenhagen.

Excellency:

1. This letter refers to the submissions of my Government to the Mutual Security Agency dated September 18, 1952, concerning the program to be undertaken under the provisions of Section 115(K) of the Economic Cooperation Act of 1948 as amended and Section 516(a) of the Mutual Security Act of 1951 as amended, and to discussions held in this respect during recent weeks between the Special Mission for Economic Cooperation to Denmark and the Ministry for Foreign Affairs.

2. We have agreed that the development of mutual security and of individual and collective defenses of the free world rests in large part upon the establishment of a sound and expanding economy capable of providing a progressive increase in living standards. In furtherance of this broad objective, my Government recognizes the desirability of undertaking to stimulate the expansion of Denmark's economy by encouraging higher production and productivity through the medium of private enterprises in full cooperation with labor. We recognize free labor unions as the collective bargaining agencies of labor and encourage competition among private enterprises and discourage restrictive and monopolistic business practices which result in restricting production and increasing prices.

3. The Danish Government are furthering the above objectives through their Government departments and agencies, and are developing a productivity program. My Government now proposes to undertake a further series of special projects designed to contribute to the achievement

of the above objectives. The U.S. Government has agreed to make available in dollar aid the sum of three million dollars drawn from the fund related to Section 115 of the Economic Cooperation Act of 1948 as amended, 90 percent of the counterpart of which is to be devoted to the financing of these projects. In the Annex to this letter the specific projects are defined and the composition of the organizations which will administer this program is indicated, showing the segments of the Danish economy represented on these organizations.

4. (1) My Government have agreed to establish a Special Productivity Fund to which will be transferred 90 percent of the counterpart of the three million dollars, plus accruals of counterpart after January 1, 1952, corresponding to 10 percent of the counterpart of the three million dollars. In addition eleven million kroner of counterpart accrued after Jan. 1, 1952, will be transferred to this Fund and devoted to the agricultural projects described in the Annex. We understand that your Government's customary official approval, subject only to the conditions stated in this letter, will be required before transfer from general counterpart funds to the Special Productivity Fund of such 10 percent counterpart equivalent and such 11 million kroner. Additional funds may be provided from time to time by our Governments.

(2) Releases from this fund will be made by the Minister of Finance for the specific projects and purposes set forth in the Annex as agreed upon between our Governments, together with any modifications of such projects and purposes as in the future may seem desirable and be agreed upon between our two Governments. A Coordinating Productivity Board will supervise the implementation of the entire program and will submit to the Danish Government recommendations for such changes as the Board may, from time to time, find necessary in the program as set forth in the Annex. This Board will be composed of representatives of the interested Government departments and representatives of the major organizations responsible for the operation of this program.

(3) It is agreed between our Governments that the counterpart funds referred to in the first sentence of

sub-paragraph (1) above, except for the revolving loan fund described in paragraph 5 below, will be expended within a twenty-four month period beginning from the date of this letter. Upon termination of this period, any remaining funds, except for the Loan Fund, shall be disposed of as mutually agreed between our Governments for the same or similar purposes.

(4) Of the total counterpart, the kroner equivalent of 240,000 dollars will be reserved for the present to be available as the possible contribution of the Danish Government to a European Productivity Agency to be established by the OEEC. The Danish contribution will be made available on such conditions as may be decided by the OEEC. If no such agency shall have been agreed upon by June 30, 1953, these funds will be made available for the purposes of the Danish national program as agreed with the MSA. In that case a time limit, which may be other than that indicated in sub-paragraph (3) above, will be agreed with the MSA.

5. (1) Releases from the Special Productivity Fund up to the maximum specified in the Annex will be made from time to time to a Revolving Loan Fund for making loans to small and medium private enterprises within industry and trade. Repayment of principal will be made to the Revolving Loan Fund.

(2) Authorization of individual loans will be made by a Loan Committee established by my Government under the Ministry of Commerce and including responsible officials who represent the interests of the Danish consuming public and the branch of industry or trade receiving such loans. Applicants for loans shall have the right to make application directly to the Loan Committee, without prior concurrence of any organization or group. Loans shall be screened for conformity to the criteria described in the Annex.

(3) The Loan Committee will submit periodic reports of its operation to the Danish Government, and the Danish Government will in turn make such information available to the MSA.

6. (1) Recipients of major technical services made available by the Danish Productivity Council under this program will agree in writing that significant benefits

accruing from the introduction of such services will be shared with the Danish community in the most expedient form, either higher wages or lower prices or both.

(2) Recipients of loans will agree in writing to share significant benefits resulting from such loans with the Danish Community in the most expedient form, either higher wages or lower prices or both. Such recipients will also agree not to enter into any agreement inconsistent with this sub-paragraph.

7. The Danish Government proposes to encourage and facilitate by all appropriate means participation by firms, agencies and institutions in the program. Such means should include reasonable assurance to the extent permitted by the laws of Denmark that participating firms will not be denied access to raw materials, equipment, power and necessary foreign exchange and import licenses. In addition, the Danish Government will, to the extent of the Government's authority, protect participating firms which, as a result of increased productivity, have raised wages or lowered prices, against retaliatory action or other harassment.

8. Your Government, through the MSA, agree to assist and facilitate the development of the productivity program in Denmark, as well as the specific projects described in the Annex by providing, upon request of the Danish Government and subject to the availability of funds and personnel, such technical assistance as may be appropriate and authorized under the laws of your Government and approved by the MSA.

9. Our Governments will expect to discuss the progress of the program from time to time, the MSA maintaining its interest and close cooperation. Full information as to the status of the projects will be exchanged on request and when necessary.

10. (1) Upon receipt of your Government's agreement to the contents of this letter, the MSA will make an allotment to the Danish Government from the Fund referred to in Paragraph 1, of 1,500,000 dollars. The Danish Government will thereupon, out of accruals of counterpart after January 1, 1952, make an immediate deposit, equivalent to the allotment in dollars to the Special Production

Assistance Fund. Allotment of 240,000 dollars, representing the sum referred to in sub-paragraph (4) of paragraph 4, shall be made at the time agreed upon for establishment of the OEEC Agency or, if no such Agency be established, by June 30, 1953, in accordance with agreements as foreseen in the said sub-paragraph. The allotment of the balance will be made before July 1, 1953.

(2) The sum of 3,000,000 dollars shall be allotted by MSA subject to the provisions of TGA and MSA legislation for the use of Denmark pursuant to the provisions of the agreement between Denmark and the United States, dated June 29, 1948, as amended.

Please accept, Excellency, the assurances of my highest consideration.

(signed) OLE BJORN KRAPP

Recapitulation of the Annex to Mr. Kraft's

Letter of February 24, 1953

The Annex presents a detailed program of special projects to be financed from the 20,720,000 Danish Kroner equivalent of the \$3,000,000 115(k) aid allotment. In addition, 11,000,000 Kroner from the existing Danish counterpart will likewise be deposited in the Special Productivity Fund for agricultural productivity projects.

The following is a list of the projects and the sums programmed for them:

<u>Industry and Commerce:</u>	<u>Danish Kroner</u> <u>(thousands)</u>
Training of Industrial & Labor Consultants	2,000
Training of Retail Distribution Consultants	1,000
Expansion of Productivity Council Information Program	1,000
Expansion of Activities of Productivity Council	2,000
Consumers' Council - research & information	565
Revolving Loan Fund for modernising of retail stores	<u>4,000</u>
	10,565
 <u>Building Construction:</u>	
Establishment of construction machinery depots	3,400
Training of construction consultants	700
Information program	<u>400</u>
	4,500
 <u>European Productivity Agency Established by</u> <u>Organization for European Economic Cooperation</u>	
Denmark's contribution	1,655

AgricultureDanish Kroner  
(thousands)

A 15,000,000 Kroner program has been set up, of which 11,000,000 kroner will be contributed by the Danish Government from the existing Danish counterpart fund.

Information & Technical Services	7,270	
Demonstration Farms for livestock feeding.	1,900	
Plant Cultivation Projects	700	
Ensilage Projects	600	
Mechanization and Work Simplification	3,430	
Improvement of Farm Buildings	600	
Intensification of 4-H Club Work	500	
	<u>15,000</u>	
Of which, derived from Section 115(k) Counterpart		<u>4,000</u>
	<u>Total</u>	20,720

Expansion of Productivity Center

The Danish Productivity Council, set up by the Ministry of Commerce in December 1949, includes representatives of labor, employers and government. It is to be expanded to include representation from foremen and supervisors and salaried employers.

A parallel council for commerce will have membership from organizations representing private business, co-operatives, workers and the Government. Both councils will operate through the existing Danish Productivity Center.

An expanded program for the Productivity Council includes such projects as funds for conducting courses and round-table conferences on productivity problems for industrial managers, sales managers, supervisors and workers; mobile exhibitions and courses for small industrial enterprises; projects on production planning, time and motion studies, internal transport, materials handling, industrial designing, and packaging.

The current information services of the Productivity Council are to be expanded in the field of production of training films and film strips and their distribution, publishing of technical literature and pamphlets.

#### To train and Utilize Consultants.

The development of a corps of Danish consultants whose services will be available to aid industry, labor and the distribution and building trades is a key part of the program. Intensive training for carefully selected personnel is provided through studies in Denmark, other parts of Europe and the United States.

Upon completion of their training the consultants are to make their services available at least during the following year, usually in close cooperation with the Danish Productivity Council.

#### Construction Machinery Depots.

In order to put into effect economies that may be achieved by the mechanization of building operations, it is planned to establish five machinery depots in various parts of Denmark.

Those contractors who are unable to afford such equipment and machinery as cranes, hoists, scaffolds, concrete mixers, etc., will be able to rent the equipment they need. The total is calculated as representing machinery needs for the construction of 4,200 apartments yearly, about 20 percent of total annual new construction. It is expected that 1.5 million kroner of additional funds to provide for initial costs will be supplied by the organizations which manage the machinery depot company.

#### Revolving Fund for Store Modernization.

A 4 million kroner Revolving Loan Fund is to be devoted to the modernization of existing food stores on the pattern of new self-service stores. Low interest loans not to exceed about 30,000 kroner each (about \$4,250) are to be made to small and medium sized stores seeking to convert to self-service.

## Consumer Information

Inasmuch as the protection of the consumers' interests is one of the purposes of the program it provides for a project to develop and strengthen the existing Danish Consumers' Organizations, which represent a number of consumer groups in various national economic bodies.

The support will permit a substantial expansion both of research work, such as testing of products, and of educational programs for housewives, including booklets, radio programs, demonstrations, courses, etc.

## Agricultural Program.

One of the central provisions of the agricultural program is the setting up of funds for establishment of an Agricultural Information and Technical Services Office. This office will maintain a close working relationship with the Productivity Committee under the Ministry of Agriculture in an effort to help promote the rest of the agricultural action program through films, film strips, publications, exhibits, and aids to extension workers.

A total of 90 pilot farms to demonstrate feeding methods for cattle, pigs and poultry is planned. An extensive program is also being developed to instruct farmers in efficient use of farm machinery. Need for this program arises partly from an increase in the number of tractors from 5,000 in 1945 to nearly 40,000 today. Companion programs in agricultural engineering in the schools and in work simplification are planned.

His Excellency  
Ole Bjorn Kraft  
Minister for Foreign Affairs  
Christiansborg  
Copenhagen.

Excellency;

I have the honor to acknowledge receipt of your letter of February 24, referring to the program as agreed upon between our two Governments, and referred to in the submissions of your government to the Mutual Security Agency dated September 18, 1952.

May I say that your letter clearly states all the understandings, as I know them, that exist upon the subject and we will promptly communicate with Washington, asking for a release of the funds.

So that this letter may constitute a complete document, I am attaching a copy of your letter to me of the 24th, and a copy of your Annex to that letter.

Please accept, Excellency, the assurances of my highest consideration.

Charles A. Marshall  
Chief of Mission

Copenhagen  
February 25, 1953.

THE SECTION 115(k) AGREEMENT WITH

THE GOVERNMENT OF FRANCE

(Index of Contents)

- A. Letter, dated May 28, 1953 from His Excellency Robert Buron, Minister of Economic Affairs, to the Honorable Henry R. Labouisse Chief of Mutual Security Agency Special Mission to France for Economic Cooperation.

pages 40 to 45

- B. Annex to Mr. Buron's letter.

pages 46 to 52

- C. Letter of acknowledgement and acceptance, dated May 28, 1953, from Mr. Labouisse to Mr. Buron.

page 53

TEXT OF THE SECTION 115(k) AGREEMENT

WITH FRANCE

28 May 1953

Ministry of Economic Affairs  
41 Quai Branly  
Paris VII

Dear Mr. Minister:

Referring to the conversations which have taken place recently between representatives of our two Governments relating to Section 115(k) of the Economic Cooperation Act of 1948, as amended, and to Section 516(a) of the Mutual Security Act of 1951, as amended, I have the honor to confirm the understandings set forth below which have been reached on the following points:

1. The development of the mutual security and the individual and collective defense of the free world depends in large measure on the establishment of a healthy and expanding economy capable of assuring a progressive rise in standards of living. In order to attain these objectives, the French Government considers that it is highly desirable to stimulate the expansion of the French economy by encouraging the increase of production and productivity of industry and agriculture in cooperation with the union organizations which have been members of the National Productivity Committee and with like-minded labor groups. To make this action effective, it is recognized that competition should be encouraged, while restrictive trade practices, which result in decreased production and higher prices, should be combatted; that the benefits obtained through an increase in productivity should be equitably divided between consumers, workers and owners; and that the union organizations which have been members of the National Productivity Committee and like-minded labor groups should be developed and strengthened.

2. In order to encourage the expansion of production and the increase of productivity, the French Government

The Honorable Henry R. Labouisse  
Chief of the Mutual Security Agency  
Special Mission to France for Economic  
Cooperation, American Embassy, PARIS

created in 1948 the National Productivity Committee, the membership of which includes representatives of government, labor, management and agriculture. This Committee, and its affiliate, the French Association for the Increase of Productivity (AFAP), have participated in the development of numerous projects designed to expand the French economy and to increase its productivity. However, the funds available have not allowed the undertaking of all the work which it is desirable to accomplish in these fields. The assistance available pursuant to the provisions of Section 115(k) of the Economic Cooperation Act of 1948, as amended, will permit substantial further progress to be made.

3. Accordingly, based on the principles set forth in paragraph 1 above, the French Government has developed an enlarged and extensive program, outlined in the Annex to this letter, intended to further encourage the increase of production and productivity, with a view to stimulating free enterprise and the expansion of the French economy with equitable sharing of the benefits of such increased production and productivity between consumers, workers and owners. It is the intention of the French Government to put this program into effect as soon as possible upon receipt by it of the funds to be allotted in accordance with this exchange of letters. It is planned that the counterpart of such funds available to the French Government will be utilized over a period of two to three years, except that the loan fund provided for in the program may continue for a longer period. The program is constituted under three broad headings:

- (a) grants to encourage projects of the nature set forth in Part A of the Annex hereto (the counterpart of about \$10 million);
- (b) contribution to the European Productivity Agency (the counterpart of \$2.4 million);
- (c) loans and guarantees of loans to private enterprises and to cooperatives wishing to modernize their operations to improve their productivity pursuant to the provisions of Part C of the Annex hereto (the counterpart of about \$14.6 million).

4. In conformity with the provisions of the Economic Cooperation Agreement dated June 28, 1948, as amended, con-

cluded between the French Government and the United States Government, and in accordance with the Mutual Security Act of 1951, as amended, the United States Government will allot to the French Government, for the purpose of the execution of the program outlined in the Annex hereto, a sum of \$30 million during the US fiscal year ending June 30, 1953. This sum will be allotted in accordance with the procedures provided for by the Mutual Security Act of 1951, as amended.

5. The franc counterpart deposits which will accrue, in accordance with the provisions of Article IV of the above-mentioned Economic Cooperation Agreement dated June 28, 1948, as amended, as the counterpart fund of the dollar allotment referred to in paragraph 4 above, shall be dealt with as follows after being passed through the Special Account provided for in said agreement:

- (a) the franc equivalent of 90% of said dollar allocation will be transferred to the account in the French Treasury entitled "Depenses Diverses Effectuees au Moyen de la Contrevalleur de l'Aide Americaine", where a sub-account will be created to be known as the "Fonds National de la Productivite";
- (b) the franc equivalent of \$2.4 million will be transferred from the Fonds National de la Productivite to the account of the European Productivity Agency of the Organization for European Economic Cooperation as a contribution to the operation of that agency;
- (c) the part of the franc counterpart of the dollar allotment referred to in paragraph 4 above which is to be placed at the disposal of the United States Government for its franc expenditures, in conformity with the Economic Cooperation Agreement of 1948, as amended, will be deposited in accordance with procedures presently in effect, to the account of the United States Government;
- (d) in order that the execution of the program can go forward without waiting for the payment of the counterpart of the dollar allotment referred to

above, the sum of 2 billion francs will, if necessary, be transferred at the time of said dollar allotment from the counterpart funds now on deposit in the Special Account provided for in Article IV of the Economic Cooperation Agreement dated June 28, 1948, as amended, to the Fonds National de la Productivité. The counterpart funds thus transferred will be reimbursed to said Special Account by deduction from funds subsequently available for transfer to the Fonds National de la Productivité.

- (e) Releases of franc counterpart funds from the Fonds National de la Productivité shall be made in accordance with established procedures governing releases of counterpart funds from the Special Account provided for in Article IV of the Economic Cooperation Agreement dated June 28, 1948, as amended.

6. It is agreed that the counterpart funds accrued as of the date of this letter, or accruing in the future, in the Special Account provided for in Article IV of the Economic Cooperation Agreement dated June 28, 1948, as amended, as the result of other technical assistance dollar expenditures by the United States on behalf of France, and available for withdrawal, shall also be transferred to the Fonds National de la Productivité. The utilization of such funds, either for the programs specified in the Annex to this letter, or for other programs, will be agreed from time to time between the French Government and the MSA Special Mission to France.

7. The "Fonds pour les prêts destinés à favoriser l'accroissement de la productivité" (hereinafter called the Loan Fund) provided for in Part C of the Annex hereto will be initially constituted by drawing on the resources of the Fonds National de la Productivité referred to in paragraph 5(a) above. The Loan Fund will be administered in accordance with the provisions of Part C of said Annex. Any payments on loans made from the said fund and any net interest earnings which may accrue in connection with such loans will be returned to said fund and made available for further loans in accordance with the provisions of said Part C, unless otherwise agreed between the two Governments.

8. The execution of the program set forth in the

Annex to this letter is placed under the "Commissaire Général à la Productivité", attached administratively to the Ministry of Economic Affairs, who is charged with the duty of seeing that the program is carried out in furtherance of the objectives and in line with the principles mentioned in paragraph 1 above. The Commissaire Général is advised by representatives of various sectors of the French economy through the National Productivity Committee on which sit representatives of government, management, labor and agriculture. Their advice will, during the execution of the program set forth in the Annex, be taken into consideration by the Commissaire Général and the representatives of the French Government.

9. The French Government will provide the MSA Special Mission to France with periodic reports of the progress made in the execution of the program undertaken in this letter and Annex so that the Mission may be kept regularly and fully informed of developments in the program. Decisions as to the branches of industry or of agriculture in which loans would be made, as to the criteria to be developed for such loans, and as to the carrying out of the other sections of the program will be taken in consultation with the MSA Special Mission to France. In the event the program, or any part thereof, requires changes, such changes will be agreed upon by the two Governments.

10. The French Government will encourage and facilitate by all appropriate means participation by firms, agencies and institutions in the program, and will take appropriate action, within its power, to prevent the participating firms from being subjected to restraints and discrimination, such as denial of access to raw materials and credit, by other firms, agencies or institutions.

11. On the termination of the projects and programs outlined in Part A of the Annex, and upon the termination of the Loan Fund, the disposal of any funds remaining, including any payments of principal and interest thereon which may accrue thereafter on loans from the Loan Fund, shall be determined by agreement between the French Government and the United States Government.

I should be glad, Mr. Minister, if you would confirm that the understandings as set forth above and in the Annex

attached hereto also represent the understandings of the Government of the United States. In such event, this letter and your reply will record the agreement reached on this matter between the Government of the Republic of France and the Government of the United States of America.

Please accept, Mr. Minister, the renewed assurance of my highest consideration.

/s/ Robert Buron

## ANNEX

The program of the French Government referred to in paragraph 3 of the attached letter is set forth below. The estimated costs of the various sectors are approximate only, and the French Government will, from time to time, consult with the MSA Special Mission to France with a view to revising these estimates and making other changes in the program.

### PART A

#### PROJECTS AND PROGRAMS OF BROAD PUBLIC INTEREST

(a) Projects and programs aimed at increasing output, lowering prices and raising wages. The following types of projects are included under this heading:

- Industrial projects.

These concern industrial firms or groups of firms and cooperatives which desire to perfect their methods of organization and management, improve their labor-management relations, etc. Their example may then be followed by other firms of their industry branch. Aid will be granted to assist projects where the enterprises participating are considered adaptable to improved productivity techniques, will undertake to expand production and improve productivity, and will make satisfactory arrangements to share equitably the benefits of such increased production and productivity between consumers, workers and owners. Certain of such projects are currently being carried out, i.e., shoes and men's clothing. Others will shortly be worked out (cotton, silk, work clothes, building construction, etc.). It is intended to assure from these funds the financing of action in progress, or their extension, and new projects if they conform to the above criteria.

Credit provided . . . . .700 million francs  
(equals \$2 million)

- Housing construction projects.

These projects are aimed at increasing productivity in the construction of housing, particularly construction of workers' housing. These actions would bring further

assistance to building programs which are already government-supported, especially those which are sponsored by labor unions, or in the accomplishment of which the unions are directly associated.

Credit provided.....210 million francs  
(equals \$0.6 million)

- Distribution and consumer education projects.

These are projects concerning distribution channels (test channels, pilot stores, etc.) and consumer education. These funds can increase the effectiveness of the action undertaken by organizations such as the Federal Consumers Union ("Union Fédérale de la Consommation") and the National Association for the Protection of French Quality "Association National pour la Défense de la Qualité Française". The function of these organizations is to carry out research on distribution, direct consumer education, test products and services and publish the results.

Credit provided.....200 million francs  
(equals \$0.57 million)

(b) Agricultural projects.

These are aimed chiefly at the development of a unified agricultural extension service for farmers. Personnel specialized in the diffusion of agricultural techniques will be trained and put at the disposal of farmers. With this additional personnel, the extension program currently undertaken by the Ministry of Agriculture will be expanded. Other projects concern the improvement of quality products, market organization and distribution of agricultural commodities and foodstuffs.

Credit provided.....850 million francs  
(equals \$2.42 million)

(c) Education projects.

A program is planned in the field of education, and especially for agricultural education. The aims are to integrate the productivity concept into the training of teachers and pupils, to adapt educational methods to the needs of everyday life, and to complete the training of future supervisory and management personnel.

Credit provided.....300 million francs  
(equals \$0.855 million)

(d) Programs for training of management and supervisory personnel.

There has been created for this purpose the French Institute for Practical Training of Industrial Management Personnel ("Institut Français pour la Formation Pratique des Chefs d'Entreprises"), and teaching methods have been worked out with the cooperation of CNOF (National Management Committee). This inter-professional action will be complemented by the training programs provided in the industrial pilot plant projects described in paragraph (a) above.

Credit provided.....250 million francs  
(equals \$.713 million)

(e) Programs for general worker training.

The professional and inter-professional training projects mentioned in the above paragraph must be complemented by an important general worker training program. This program is in addition to that carried out by the labor unions in studying productivity problems. Experts and technical consultants will be made available to the labor unions, either directly, or through organizations such as CIERP.

Credit provided.....390 million francs  
(equals \$1.11 million)

(f) Research on productivity trends in French industry and agriculture.

Since the creation of the National Productivity Committee, there has been established a Productivity Study and Measurement Service. This Service, whose activity has greatly expanded during recent years, now participates in all industrial programs. The field of its competence will soon be extended to economic studies concerning the evolution of productivity in the various branches of industry and agriculture for the purpose of determining the conditions under which the French economy can expand.

Credit provided.....100 million francs  
(equals \$0.285 million)

France

(g) Study of factors affecting the efficiency of the French economy.

This research would deal particularly with means of bringing about personnel participation in the benefits of increased productivity in industry and agriculture. The effects of restrictive business practices will also be studied. A comparison will be made between the respective growth of similar firms within a competitive economy and a monopolistic economy. The program will include research in the fields of sociology and social psychology; relationship between employer, management and employees. This program will be carried out largely under contract by universities and economic or sociological institutes.

Credit provided.....100 million francs  
(equals \$0.285 million)

(h) Public information programs.

These programs will receive extensive publicity in proportion to their new expansion. This publicity, built around the benefits the programs offer and the advantages workers and consumers would derive from participation in them, will be facilitated by a program of regional decentralization of the productivity drive. Productivity centers will be created in a certain number of provincial cities. Their activities will be supported by expositions, conferences, moving pictures, etc. It is foreseen that industries and unions concerned with industry programs will be allocated funds from the publicity budget to conduct information programs among their members and the general public.

Credit provided.....150 million francs  
(equals \$0.428 million)

(i) Technical films, etc.

The preparation and showing of films and the use of other means of technical information are indispensable to the dissemination of productivity information. This type of action has already been developed in France, both in factories and in rural areas. The recent establishment of an Audio-

Visual Center will assure the expansion required. Requests for films and documentary material may originate with employers, unions, etc.

Credit provided.....100 million francs  
(equals \$0.285 million)

(j) Technical Assistance program.

The French Government wishes to bring about important development of intra-European technical assistance and to encourage both the sending of Frenchmen to other countries (considered a necessary complement to the sending of Frenchmen to the United States), and the bringing to France of missions of foreign experts.

Credit provided.....150 million francs  
(equals \$0.428 million)

PART B

EUROPEAN PRODUCTIVITY AGENCY

Contribution to the European Productivity Agency:

840 million francs  
(equals \$2.4 million)

PART C

LOANS TO PRIVATE ENTERPRISES

The French Government has studied the establishment of a "Fonds pour les prêts destinés à favoriser l'accroissement de la productivité" (hereinafter called the Loan Fund) operating under the supervision of the Minister of Economic Affairs. The difficulty of setting aside sufficient financial resources has so far not permitted this project to be implemented; however, its framework has been outlined.

The funds provided under Section 115(k) will make it possible to allocate to this Fund 5.11 billion francs, the counterpart of \$14.6 million.

Added to other resources which can be allocated to the Loan Fund, these sums will make it possible to grant loans to private enterprises in furtherance of the objectives and in line with the principles mentioned in paragraph 1 of the accompanying letter, subject to the following provisions:

1. The loans may be granted to private enterprises, including producers, processors, distributors and cooperatives, for the purchase of equipment, supplies and services, for plant expansion and reorganization, and for the increase of working capital.

2. Loans will only be made to such enterprises as are considered adaptable to improved productivity techniques and which will undertake to use such loans for the purpose of expanding production and improving productivity and which will make satisfactory arrangements to share equitably the benefits of such increased production and productivity between consumers, workers and owners. The French Government will use the resources of the Fund while maintaining conditions of free competition among the recipient enterprises.

3. The loan program will be primarily directed toward small and medium-size enterprises.

4. Interest rates on these loans shall be the minimum rate compatible with French credit regulations, and as a rule the maximum total cost to the ultimate borrower will not exceed 6-percent per annum, inclusive of all banking charges.

5. Duration of any loan under this program shall not exceed seven years.

6. It may prove desirable to utilize a portion of the Loan Fund for the purpose of guaranteeing loans through normal credit channels rather than in the form of direct loans as provided above. In such event, the procedures and

conditions for such guaranties will be developed in consultation between representatives of the French Government and the MSA Special Mission to France.

7. The Loan Fund will be administered by the Commissaire Général à la Productivité through such lending institutions as may be designated. Criteria according to which the lending institutions will appraise applications for loans will be developed by the Commissaire Général in consultation with the National Productivity Committee, and such criteria will, after approval by the Minister of Economic Affairs, be provided to the lending institutions for their guidance. Such criteria will of course conform to the principles and provisions set forth in this Annex and its accompanying letter. Individual loan applications will be handled by the lending institutions, in agreement with the Commissaire Général.

(initialed) RB  
-----

May 28, 1953

My dear Mr. Minister:

I have the honor to acknowledge receipt of your letter and the Annex thereto, dated May 28, 1953, setting forth certain understandings which have been reached as a result of the conversations which have taken place between representatives of our two Governments relating to Section 115(k) of the Economic Cooperation Act of 1948, as amended, and to Section 516(a) of the Mutual Security Act of 1951, as amended. The English translation of your letter and of the Annex is attached hereto and made a part hereof.

I have the honor to confirm that the understandings as set forth in your letter and Annex thereto also represent the understandings of my Government, and that accordingly this exchange of letters records the agreement reached on this matter between the Government of the Republic of France and the Government of the United States of America.

Please accept, Mr. Minister, the renewed assurance of my highest consideration.

/s/ Henry R. Labouisse

Henry R. Labouisse  
Chief of Mutual Security Agency  
Special Mission to France  
for Economic Cooperation

The Honorable  
Robert Buron  
Minister of Economic Affairs  
41 Quai Branly  
Paris (VII)

THE SECTION 115(k) AGREEMENT WITH THE

GOVERNMENT OF THE

FEDERAL REPUBLIC OF GERMANY

(Index of Contents)

- A. Letter, dated January 2, 1953, from the Honorable Michael Harris, Chief, MSA Special Mission to Germany for Economic Cooperation, to His Excellency Mr. Franz Bluecher, Minister of the European Recovery Program for the Federal Republic of Germany.
- pages 55 to 60
- B. Letter, dated March 10, 1953, from Mr. Harris to Mr. Bluecher.
- pages 61 to 64
- C. Letter, dated May 29, 1953, from Mr. Bluecher to Mr. Harris.\*
- pages 65 to 68
- D. Letter, dated June 15, 1953, from Mr. Bluecher to Mr. Harris.
- pages 69 to 72
- E. Letter of acknowledgement and acceptance, dated June 17, 1953, from Mr. Harris to Mr. Bluecher.
- page 73

\*Enclosures 1, 2, and 3, originally attached to this letter and regarding the operational aspects of the program, have not been included.

2 Jan. 1953.

Box 815

Mehlemer Ave.

My Dear Mr. Minister:

I refer to recent discussions between ourselves and between Dr. Albrecht and Mr. Mahder with respect to the advantages of an expanded productivity program in the Federal Republic under the provisions of Section 516, (A) of the Mutual Security Act of 1951, as amended, and Section 115 (K) of the Economic Cooperation Act of 1948, as amended. The former is referred to as the Benton Amendment and the latter as the Moody Amendment. In this connection, and since it became a part of the discussions, I also refer to the excellent summary of the views of my Government on the importance of the subject of productivity and the relationship to it of the Benton and Moody Amendments in promoting the realization of the productivity increases and its benefits as contained in the note from the Office of the Special Representative in Europe (SRE) to the Secretary-General of the OEEC, dated October 9, 1952. A copy of this note was given distribution by Dr. Albrecht to the members of the Arbeitsausschuss of the Productivity Council.

I know we are agreed that a sound and expanding economy, capable of providing a progressive increase in living standards in Western Europe, is essential to the development of mutual security and of the individual and collective defense of the free world. I believe we agree that an expanded productivity program in the Federal Republic, under the provisions of and in the spirit of the above-mentioned Benton and Moody Amendments, can contribute to the achievement of this objective. This concept of a sound and expanding economy provides for the stimulation of free enterprise, with equitable sharing of the benefits of increased production and productivity among consumers, workers, and owners, particularly, in the fields of small and medium size business engaged in manufacturing or distribution.

Mr. Franz Bluecher,  
Minister of the European Recovery Program  
for the Federal Republic of Germany,  
Turmstrasse 48,  
Bad Godesberg.

The realization of the objectives of this program will require the allocation of resources, some organization and assistance. My Government, of course, is prepared to provide some financial assistance to your Government and through it such intensified technical assistance, as may be necessary and would require dollar expenditure, to economic enterprises cooperating in a mutually acceptable productivity improvement program. Deposit of counterpart normally will be waived for technical assistance used in this manner. On the other hand, as against the undertakings of my Government, it would be necessary for your Government to be prepared to undertake certain measures and steps which would provide the necessary foundation and framework of criteria, assistance, and organization by means of which the implementation of the program objectives would be given assurance of reasonable success. It, therefore, was proposed, and it is understood, that your Government would agree:

1. To commit itself to develop and to support a program of action designed to bring about the realization of the purposes and the objectives of a productivity program within the terms of the reference of the Benton-Moody Amendments. The program must represent a major effort with major goals in view. The execution of a program incorporating the five immediately following points would be viewed by my Government as fitting this particular criteria.
2. To allocate and use for the implementation of the productivity program:
  - a. all counterpart available to it from the deposits required against any Moody dollars for which the Federal Government would qualify. This is estimated now as DM 37.8 million.
  - b. the DM 80 million earmarked for the productivity program out of counterpart funds generated by dollar aid made available in 1951-1952.
  - c. the counterpart funds deposited as required against the dollar allocations made on behalf of your Government's technical assistance projects for the year ending June 30, 1953, currently estimated as DM 600,000.

3. to place the greater part of the counterpart funds made available for the program into a revolving credit or loan fund account to be used for short and medium term loans not to exceed five years and at reasonable rate of interest to economic enterprises, particularly, in the fields of small and medium sized business engaged in the production or distribution of goods with significant impact on cost of living, cooperatives, and to agricultural business establishments, however, the latter being limited to producers and distributors of agricultural requisites or processors and distributors of food stuffs. The magnitude of funds set aside for agricultural loans would be determined mutually, but in any event should not exceed 30% of the total funds in the loan account. Loans and or intensive technical assistance would be made available to qualifying economic enterprises only on condition that management and labor in these enterprises undertake that those benefits which would result from increased productivity would be shared by management and labor and the consumer. The loan proceeds would be available for working capital as well as for minor capital additions. Their primary purpose would be to improve the productivity of the enterprise as it exists without major capital improvements and not to create new capacity from investment expansion. Provision would be made for repayment of principal and interest of such loans into the revolving loan fund to be used for the same purposes and under the same conditions.
  
4. to set aside the balance or the smaller part of the counterpart funds into an account separate from the revolving loan fund to be used as grants, largely to non-profit institutions cooperating in support of the general purposes of the program. The grants also would be used for expenditures involved in connection with technical assistance projects and with agricultural extension and information projects. The best current estimate indicates that the initial magnitude of the grant-in-aid account should not be greater than DM 12.5 million. It is understood that the proposed DM 12.5 million limitation does not include counterpart funds previously

released for these grant purposes. Increases to the grant fund could be made by appropriate transfer from the credit fund with the concurrence of the Mission.

5. to fix responsibility for the implementation of this loan and grant program in a competent executive agency which would include representation from labor, management, and government and which would effectively promote the objectives of the program. This executive agency would be empowered with final authority and responsibility in connection with each prospective loan applicant as to final eligibility determination, adequacy of share-out commitment, the sincerity of the borrower to implement the provisions of the loan agreement, and the extent of technical assistance to be requested of MSA on behalf of the loan borrower. It is our understanding that the Arbeitsausschuss of the Productivity Council has been entrusted with this type of authority. The continuation of this arrangement would satisfy this portion of the institutional arrangements criteria. My letter to Minister Erhardt, dated December 1, 1952, a copy of which was furnished your Ministry, sets forth our views on the nature and the scope of operations which would be envisaged in connection with the Geschaeftsstelle backing up and giving implementation to the decisions of this policy organ.
6. to encourage public participation in this expanded productivity program by lending such assistance to participating firms as may be necessary to assure that they will not be denied access to needed raw materials, power, and equipment and to necessary foreign exchange and import licenses and by affording them, when necessary and feasible, protection in the event of retaliatory or harassing actions.

Incorporation of the above listed major points into criteria and procedures governing the use of counterpart funds as loans or grants would be the subject of discussions between us and, in this connection, we should be pleased to submit a memorandum to you containing our suggestions. Meanwhile, our respective staffs could continue to confer on operating details.

I am instructed by my Government, subject to your Government's acceptance of the above understandings, to make available to your Government over and above any other aid allotted for other purposes a grant of \$10 million, against which your Government would deposit equivalent counterpart funds with 10% set aside for MSA administrative purposes.

Of this \$10 million grant, \$5 million would be made available to your Government upon receipt of your letter of concurrence and agreement upon criteria and procedures in principle. The balance of the \$10 million, less \$800,000, would be made available prior to July 1, 1953, upon mutual agreement that the expanded productivity program in general is satisfactorily operative.

The \$800,000 above referred to would be made available to your Government at the time that the projected OEEC Productivity Agency is established with your Government participating. The counterpart of this sum could be used as required to cover contribution by your Government to such institution.

It will be understood that this additional \$10 million grant would be available for general program procurement, under the established procurement authorization procedure governing the expenditure of other dollar assistance made available by the United States under the Mutual Security Act of 1951.

The release of DM 80 million would also take place in instalments. The first instalment of DM 20 million would be made available at the same time the first \$5 million were made available. Thereafter releases would be in accordance with your request subject, of course, to mutual agreement that the expanded productivity program in general is satisfactorily operative. However, separate accounting records would be maintained in the commitment and the expenditures of funds from this source. It is understood that the DM 80 million includes the DM 1.8 million previously released for technical assistance projects and would be the source if approved of the DM 2.5 million which, it is understood, will be requested of you

by the Federal Ministry of Agriculture for use as grants for agricultural extension information projects. This has been the subject of discussions between representatives of your office and representatives of my office.

Will you let me know whether the foregoing conforms to your understanding of the agreement reached in the discussion?

Sincerely yours,

/s/ Michael Harris,  
Chief, MSA Special Mission to Germany  
for Economic Cooperation.

March 10, 1953.

My dear Mr. Minister:

It gives me pleasure to inform you of my agreement in principle to the plan and framework of the productivity program which you and Minister Erhard have outlined and formulated.

This agreement, in principle, is based upon our mutual understanding that dollar aid made available to the Government of the Federal Republic of Germany will be allotted in accordance with the provisions of the Economic Cooperation Agreement between the United States of America and the Federal Republic of Germany dated December 15, 1949, as amended, and in accordance with the applicable procedures under the Mutual Security Act of 1951 as amended.

It is further understood that the program agreed to in principle would be executed and administered to realize the provisions of my letter of January 6, 1953, with the following mutually agreed to modifications:

- I. There will be two parts of the program involving the use of credits:
  - a. The first would be credits to small and medium-sized businesses with the form and pattern of implementation conforming to the outline developed by the Economics Ministry. The source of funds for this portion of the program would be the DM 80 million, less such portion of it as we will agree mutually as necessary for the grant section of the program, supplemented by contributions from indigenous banking resources in the general ratio of 2 to 1.

Mr. Franz Bluecher,  
Minister of the European Recovery Program  
for the Federal Republic of Germany,  
Turmstrasse 48,  
Bad Godesberg.

- b. The second part would involve credits to enterprises which would undertake the intensive and comprehensive productivity program. Ninety percent of local currency funds derived from the allocation of dollars subject to Section 115(K) of the Economic Cooperation Act as amended, less such portion agreed to mutually as a contribution to the grant section of the program, would be exclusively utilized for this portion of the program, would be separately administered and would not necessarily be supplemented by funds raised from indigenous banking resources. Further, the enterprises coming within the intensive and comprehensive section of the program would not be bound by the limitations governing the use of credits to the small and medium sized business portion of the program or limited to the objectives to be realized under it. It always has been understood that in the intensive and comprehensive productivity program, management and labor in the enterprise would work together in the application of making the productivity improvement measures function effectively, in developing understanding for, and comprehending and using techniques and methods to identify the progress and savings which the productivity improvement measures are accomplishing, in developing forms of approach regarding the equitable distribution of productivity savings to owners, consumers, and workers. This involves the use of many techniques, methods, ideas, and factors which in their implementation would be observed and guided carefully by the staff of the Productivity Institute.

- II. The grant fund would be constituted out of the deductions indicated above plus the counterpart deposits to dollar expenditures for Technical Assistance Projects and would be administered in line with the criteria previously transmitted, governing the use of grant funds.

III. The nature of the institutional arrangements and implementing agency involve the greatest degree of departure from my letter of January 6, 1953. There are two important changes. First, the functions formerly envisaged for execution by the Arbeitsausschuss of the Productivity Council would now be performed by the Productivity Institute in collaboration with the Board of Directors of the Rationalisierungs-Kuratorium Der Deutschen Wirtschaft (RKW) and, secondly, the form of representation of management and labor would be that as provided in the Board of Directors of the RKW. The Productivity Institute would be organized as a self contained autonomous entity with its own charter of functions, however, established within the framework of the institutions federated within the system of organizations constituting the RKW. It would be responsible for the execution and implementation of the productivity program criteria mutually agreed to between your government and the Mission and, for this purpose, it would be responsible to the Federal Government. It would be responsible operationally to the Board of Directors of the RKW and while integrated as a part of the RKW it would have its own operating procedures and would not be subordinated to any other administrative operations of the RKW. The Productivity Institute would provide technical service and information to credit and grant recipients; assist RLC in its work, select enterprises for the comprehensive productivity program and administer the implementation of such program; select grant projects and implement their control and administration; collect, coordinate and evaluate results obtained under all three sections of the program and disseminate them to the maximum number of beneficiaries; observe the implementation of the entire program and provide appropriate and pertinent information for the Ministries and the Mission. The institute would be staffed with adequate and necessary technical experts for the performance of these functions and would work with the Ministries and the Mission in conformity with mutually developed criteria.

You will appreciate, I am sure, that until the changes in institutional relationship and procedures have had opportunity to prove themselves effective, I am obligated to request that before final approval is given by the Productivity Institute to a loan for an enterprise undertaking the intensive and comprehensive productivity program or to a grant activity or project that the concurrence of the Mission first be obtained. We hope to eliminate this requirement as soon as sufficient experience justifies this action.

Provisions also should be made for West Berlin. This may be accomplished by authorizing West Berlin to participate directly in the program on an equitable basis, or, there may be some other plan equally satisfactory. In any event, please consider this so that we can mutually agree on a program for West Berlin as soon as possible.

In accordance with my letter of January 6, 1953, steps will be authorized to (a) provide your government with \$5,000,000, (b) release DM 20 million. This action now should make possible the crystallization of the necessary institutional arrangements and the completion of the necessary administrative procedures to permit early implementation of the program.

In closing, I should like to express my sincere appreciation in the considerable amount of work which representatives of your government contributed in formulating and helping to establish this program for approval. In the time it has taken to do this, much necessary educational work has been accomplished and a deeper and greater comprehension for this program has been realized in many places, which now should make possible quicker and more intensive implementation than otherwise would have been the case.

Sincerely yours,

/s/ Michael Harris  
Chief, MSA Special Mission to Germany  
for Economic Cooperation.

May 29, 1953.

His Excellency  
Mr. Michael Harris  
Chief of the MSA Special Mission to Germany  
Mehlemer Aue,  
Bad Godesberg.

My Dear Mr. Harris:

Your letter of March 10, 1953 which gave the approval in principle to the implementation of the Productivity Program which had been agreed with you in the previous discussions has been highly welcomed and appreciated by the Federal Minister of Economics and by myself. Comprehensive negotiations have immediately been initiated with the objective to set up a procedure which should possibly be simple and unbureaucratic, which should meet the general purpose of the drive in the interest of the economy and which should be in accord with the provisions of the Agreement on Economic Cooperation of December 15, 1949, as amended, and of the Mutual Security Act 1951, as amended, and with the objectives of German economic policy. The negotiations held subsequently to your letter required some time because of the complexity of the problems connected with the entire productivity program and because of the many agencies participating in it. Now that the negotiations have shown results, I beg to supplement the agreement on the implementation of the entire program, laid down in your letter of March 10, 1953, and to notify you as follows:

1. For the first part of the Productivity Program under which credits for small and medium enterprises are to be granted for the purpose of increasing productivity, an amount of DM 80 million of counterpart funds had been earmarked out of MSA Economic Aid 1951/52. A part of this amount was to be reserved for grants-in-aid. I suggest to provide DM 70 million for credits and to deviate the remaining DM 10 million for the separate grant-in-aid program. According to the suggestion in your letter of January 6, 1953, to include food economy in the credit program, the directives for the implementation of the credit program contain a

provision that the food industry sector (industry, commerce and handicraft) is entitled to make applications. In accordance with the Ministry of Food, Agriculture and forestry and by an appropriate organization of the credit drive for medium and small enterprises it has been ensured that the food industry sector will be sufficiently considered. I assume your concurrence in the belief that the productivity credit program can afford an important help to refugee enterprises by increasing their competitive power. In order to enable these enterprises to participate in the productivity program it is necessary to grant special credit conditions similar to the refugee programs formerly financed out of ERP counterpart funds. It has, therefore, been provided to channel an amount of DM 7 million of the DM 70 million through the Refugee Bank (Burdens Equalization Bank). In our joint discussion of February 21, 1953, the Federal Minister of Economics stated that due to the importance of the Productivity Program for the German economy, all efforts should be made to induce the banks to add, out of their own funds, an amount twice as large as the funds provided out of the MSA counterpart funds. Thereupon detailed negotiations have been held with the associations of the private bank system, of the savings bank system and of the cooperative system on an increase of the MSA counterparts by private funds. The result of these discussions was that the banks do not feel in a position to enter into any contract or obligation for such increase out of their own funds. The associations, however, pointing to the rationalization credits which they granted so far on a large scale, have stated their readiness to support the Productivity Program. On the basis of the present negotiations it may be expected that the DM 70 million of MSA counterpart funds (less the DM 7 million programmed for refugee enterprises which, as a matter of principle, are not envisaged to be increased) will be supplemented by a further DM 63 million from the credit institutions' own funds. Under this procedure the Reconstruction Loan Corporation would be entrusted with important tasks and responsibilities in administrating the individual credits. This provides another guarantee that the program will be implemented in accordance with its objectives. Enclosure 1

which is attached for your information contains the directives provided for the implementation of the credit drive for the increase of productivity of medium and small enterprises with explanations for expert opinions.

2. In accord with the Federal Minister of Economics, I wish to express my agreement to the principles set forth in your letter of March 10, 1953, concerning the second part of the Productivity Program which provides for the granting of credits to enterprises which are to participate in this intensive and comprehensive productivity program. I should like to propose that DM 30 million of the DM counterparts to be generated under the envisaged \$10 million be used for credits and that the remainder of approximately DM 7.8 million be reserved for the grant-in-aid program. This proposal does not contemplate any increase of the credit funds by private bank funds. The directives separately set up for this program (enclosure 2) provide for the responsible federal departments to give their approval in the individual cases. In compliance with your desire I shall request your approval for the first projects.

3. The efforts aiming at the establishment of a separate agency for the promotion of productivity on which you commented extensively in your u/m letter, may be considered as terminated. Details on the scope and organization of the "Institut zur Foerderung der Produktivitaet" (Institute for the Promotion of Productivity) may be found in the statement attached as enclosure 3 for your information.

4. On the basis of the division of the counterpart funds into credits and grants-in-aid as explained above the sum available for the implementation of the grant-in-aid program would aggregate about DM 17.8 million. A proposal for the utilization of this amount is set forth in enclosure 4. This proposal also covers the amount of about DM 3.4 million, specifically mentioned in your letter of January 6, 1953, for the financing of the European Productivity Agency with the OEEC. It can be expected that in its present form the grant-in-aid program will substantially contribute to an increase in the productivity of the German economy and to the promotion of the idea of productivity.

5. The proposal, set forth in your letter of March 10, 1953, also to carry through a West-Berlin productivity program, has been warmly welcomed by the Federal Government and the Berlin Senat. As a result of discussions held with the Senator for Credit Affairs I wish to propose that, similar to parts I and II of the West German productivity program, a separate Berlin program be implemented to be financed from the counterpart funds allocated to, or programmed for, Berlin. In order that the interests of the Berlin economy may receive special attention, the "Institut zur Foerderung der Produktivitaet" will establish a branch office in Berlin. It is furthermore intended to give the Berlin economy its adequate share in the aforementioned grant-in-aid program. Considering the comprehensive preparations which are now concluded I think that the Productivity Program can now be started without further delay. The numerous inquiries and applications by enterprises requesting participation in the Productivity Program received by the Federal Ministry of Economics, by this Ministry and by the Reconstruction Loan Corporation are indicative of the great interest which the German economy has in the measures planned. I would, therefore, appreciate if you would kindly release the following amounts out of the funds envisaged:

- (a) DM 20 million as a first instalment against the DM 80 million under the MSA economic aid 1951/52
- (b) DM 21 million as a first allotment out of the \$10 million under the Moody amendment. Since so far no DM counterparts have been deposited in respect of this sum, I request your approval for the DM 21 million temporarily to be prefinanced from the above DM 80 million.
- (c) DM 6 million as a first instalment against the DM 17.8 million envisaged for the grant-in-aid program.

Very respectfully yours,

s/ Bluecher

certified:  
(Employee)

15 June, 1953.

Turmstrasse 48, Bad Godesberg.

My dear Mr. Harris,

Following the receipt of my letter of May 29, 1953, dealing with the implementation of the productivity program, you undertook consultations with various individuals of my government regarding problems with respect to this program. You were concerned with having received a plan of implementation for the productivity program approved by the Federal Government but regarding which there were some expressions of difference emanating from various German sources which might jeopardize the successful realization of the program. You pointed out that your government did not desire to be involved in internal problems of this sort and, in view of the time limitations with reference to the program, you suggested to clear them up as soon as possible. I am now in a position to inform you that we have succeeded in reaching an understanding with the trade unions. The special projects \* proposed by the Productivity Institute will have to be approved by the "Kuratorium fuer das Industriekreditbank-Sondervermoegeen Investitionshilfe" on which the trade unions are represented.

I should also like to communicate to you that the top associations of the banking community have stated their readiness to recommend to their members to make available from their own resources, under normal banking terms, funds for the loan program for the promotion of productivity in medium-sized and small enterprises. The top organizations are convinced that the resulting additional funds will exceed the amount of funds made available for the productivity program from ERP special funds.

\* Translator's note: Enterprises proposed for the intensive and comprehensive productivity program (pilot plants).

Mr. Michael Harris,  
Chief, WSA Special Mission to Germany for Economic Cooperation,  
HICOG,  
Mehlemer-Aue,  
Bad Godesberg.

As to the other points occasioned by my letter of May 29, which have been discussed between our respective staffs, agreement has been reached which will now make it possible to begin with the implementation of the program, modifying it as the review of the evolving experience will justify on a case to case basis in the opinion of our respective staffs.

In this connection, I agree in compliance with your wishes and in accordance with the statements made in my letter of May 29, 1953, to obtain your approval in connection with the special productivity projects and the programming of the grants-in-aid funds, until such time as the reservations made in your letter of March 10 have been withdrawn. I shall also seek your concurrence should any modification of the implementing criteria or other substantial feature of our agreement (as embodied in the documents listed below) prove necessary.

My government will promote a fruitful, close working and understanding cooperation and mutual assistance between appropriate members of your staff with representatives of my government, the Productivity Institute and associated German organizations. Such cooperation will assure the success of the productivity program in the mutual interest of our governments. To this end I shall keep you informed, continually and on your request, regarding the progress of the program.

I can now confirm to you that the plan of implementation of the productivity program as you now have it has the approval of the German Federal Government and that the support is assured to us of both employers and labor whose cooperation is needed to make the program a success.

The documents embodying the agreements reached between you and me are again listed below:

1. The principles of this program are set forth in your letter of January 2 as modified in your letter of March 10, 1953.
2. The details of the implementation of the program are set forth in my letter to you of May 29, to which were attached five memoranda:
  - a - Directives for the implementation of the loan program to increase productivity in medium-sized and small enterprises (draft dated May 27, 1953);

- b - Explanatory notes on the preparation of opinions by experts (management consultant reports) within the framework of the productivity program for medium-sized and small enterprises (draft dated May 27, 1953);
- c - Directives for the implementation of the loan program for special productivity projects (draft dated May 27, 1953);
- d - Institute for the promotion of productivity (draft dated May 27, 1953);
- e - Employment of grants-in-aid funds (MSA counterpart funds) made available for the promotion of productivity (draft dated May 27, 1953).

In the meantime, some of the points which were not clear in the above documents have been clarified in discussions between the members of our staffs. The loans out of counterpart funds under the productivity program will be made at lower than prevailing commercial interest rates.

It is agreed that, in case the rate adopted should prove too high to serve the purposes of the special productivity loan program, the interest rate will be re-examined.

It is expected that, as a rule, loans for working capital will be met from commercial banking resources. However, should under the program for special productivity projects applications for working capital be made and such found to be justified, part of the loan made available from the special productivity loan fund may be utilized for this purpose.

Repayments of principal and payments of interest will be used as revolving funds for the same purposes. Upon the termination of the productivity loan program balances not paid out of the loan fund or not received as repayments of credits as well as balances remaining of grant funds shall be disposed of in agreement between both governments.

The letters and memoranda referred to above, together with this letter, constitute the statement of the program for productivity agreed to between our governments. Upon confirmation of your agreement to this program and release of the agreed funds, the German Federal Government will be prepared to start immediately with the implementation of the program.

With the expression of my highest esteem,

Yours sincerely,

(signed) Bluecher,  
Minister of the European Recovery Program  
for the Federal Republic of Germany.

17 June, 1953.

Box 815

Mehlemer-Aue.

My dear Mr. Minister:

I am very pleased to confirm to you that your letter of June 15, 1953, and the letters and memoranda referred to therein are accepted by my government as embodying the agreement and procedures in accordance with which the productivity program will be administered. Action already has been initiated to effect release of funds so that implementation of the program can be undertaken at the earliest possible date.

I was pleased to note the continued understanding and cooperation between the representatives of your government and members of my staff throughout the long period of negotiations which made it possible finally to complete our agreement. I know you share my confident optimism that this same spirit of mutual cooperation and understanding will prevail during the implementation of the program.

Accept, Sir, the assurances of my highest consideration.

Sincerely yours,

Michael Harris,  
Chief, MSA Special Mission to Germany  
for Economic Cooperation.

Mr. Franz Bluecher,  
Minister of the European Recovery Program  
for the Federal Republic of Germany,  
Turmstrasse 48,  
Bad Godesberg.

THE SECTION 115 (k) AGREEMENT WITH  
THE GOVERNMENT OF THE  
KINGDOM OF GREECE.

(Index of Contents)

- A. Letter, dated June 18, 1953, from His Excellency, Spyros Markezinis, Minister of Coordination, to the Honorable Leland Barrows, Chief of the Special Mission to Greece for Economic Cooperation of the Mutual Security Agency.

Pages 75 to 82

- B. Appendix to Mr. Markezinis' letter

Pages 83 to 89

- C. Letter of acknowledgement and acceptance, dated June 19, 1953, from Mr. Barrows to Mr. Markezinis.

Page 90

Athens, June 18, 1953

His Excellency  
Leland Barrows  
Chief of Mutual Security Agency  
Special Mission to Greece.

Excellency:

I have the honor to refer to the conversations which have recently taken place between representatives of our two Governments relating to the Economic Cooperation Agreement signed at Athens on July 2, 1948, as amended, and to Section 9 (c) of the Mutual Security Act of 1952 amending Section 115 of the Economic Cooperation Act of 1948, as amended. I have also the honor to confirm the understandings set out below, which have been reached as a result of these conversations.

The Government of the Kingdom of Greece agrees that the establishment of a sound and expanding economy capable of providing a progressive increase in living standards, through the medium of private enterprise in full cooperation with labor, is essential to the development of mutual security and of the individual and collective defence of the free world and they believe that a concrete program carried out in Greece pursuant to the provisions of Section 115(k) of the Economic Cooperation Act of 1948, as amended, and of the Section 516(a) of the Mutual Security Act of 1951, as amended, can make a significant contribution to the achievement of this objective.

The Government further recognizes that in order for the Greek people to secure the full benefits of increased productivity that collective bargaining by free trade unions should be encouraged, competition in the economy should be fostered, and that restrictive trade practices which result in decreased production and higher prices should be combated and finally that the benefits attained through higher production and increased productivity should be shared out between consumers, workers and owners. The Government is therefore glad to take this opportunity to put forward certain proposals which I shall refer to in this

correspondence and which are outlined more fully in an Appendix, which Appendix shall be considered as a part of this agreement. This program will be put into effect as soon as possible and is being planned on the basis that most of it will be completed within two years.

The program will be financed on the basis of drachma funds equivalent to \$1.5 million. This drachmae will be generated in the following manner: The equivalent of \$900,000 representing 90% counterpart of a special \$1 million grant of Moody-Benton funds, said \$1 million having been included in MSA's terminal grant to Greece for special resources, plus the drachma equivalent of \$600,000 made available from 90% counterpart generated by Technical Assistance dollar aid in the Fiscal Year 1953. Such drachma funds will be deposited in an account in the Bank of Greece to be known as the special Productivity Account. The dates and amounts of such transfers up to the total drachma equivalent of \$1.5 million will be made in accordance with the established procedure by which our two governments concur in the transfer of funds from the Greek State-MSA drachma account. Local currency equivalent of 10% of the \$1 million Moody-Benton grant will be transferred as is the case with other dollar assistance under the ECA Act of 1948 as amended and the Mutual Security Act of 1951 as amended to the account of the United States.

The Government of the Kingdom of Greece will be prepared to play its part in a productivity agency to be established by the Organization for European Economic Cooperation. Eight percent of the Moody-Benton grant, or the drachma equivalent of \$80,000 will be set aside as the Greek contribution to the OEEC Productivity Agency. This fund will be administered in terms of convertibility on the following basis: one-third shall be convertible and two-thirds shall be retained in Greece for the OEEC Agency's use. The drachma equivalent of \$60,000 will be set aside to finance a Greek exhibit at the forthcoming Strasbourg Productivity Fair provided plans for such exhibit materialize. The remaining funds, i.e. the drachma equivalent of \$1,360,000 will be used to finance programs and projects as outlined in the Appendix.

The Greek Government has long recognized the desirability of establishing a National Productivity Center for the dissemination

of technical information and as a coordinating agency in the general field of national productivity. Furthermore, it is necessary to establish an appropriate agency to carry out the objectives of the Moody-Benton program and to perform certain specific duties in connection with that program, such as the management of the revolving loan fund and the handling of special grants. In the interest of close coordination and to avoid unnecessary duplication of facilities it is proposed that the responsibility for administering the Moody-Benton program be placed in the National Productivity Center.

The Center will be established to meet the conditions of the current Greek economy and present productivity deficiencies. In general it may be said that the major factors to be considered are the concentration of industry and commerce in relatively small areas corresponding to the larger cities; the predominance of agriculture and the relatively small and isolated industrial establishments outside the main centers. The economy is characterized by a noticeable lack of up-to-date marketing and distribution practices.

The Productivity Center is to receive the full cooperation and support of the Greek Government but is not to be operated as an agency of the Government. It will be established as an independent entity of public law under the direction of an independent board which will be known as the Productivity Board. The composition of the Productivity Board and an outline of the functions of the Productivity Center together with a brief plan for operation of the Center are to be found in the Appendix.

In order to accomplish this program, it will be necessary that a provision be made for the establishment and administration of a revolving loan fund. The loan fund, which will be administered in accordance with criteria as established in the Moody-Benton Amendment, is designed to provide funds for the carrying out of 3 types of projects as follows:

1. Development of depressed areas.
2. Expansion or development of small consumers goods industries.
3. Development of marketing and distribution facilities for agricultural products.

It is understood that the decision as to the industries or branches of agriculture in which loans would initially be made and as to the general categories of expenditure under the other sections of this program, will be taken in consultation with the MSA Mission to Greece or its successor. MSA Mission to Greece or its successor will have the right to be consulted concerning the formulation of projects under this program and to recommend proposals.

Loans will be made for terms not to exceed 5 years and at a cost to the borrower not to exceed 7%. Such loans will usually but not necessarily be on the basis of demonstration projects. Loan applications will be passed upon by the working committee of the Productivity Board which will, when dealing with loan applications, constitute itself as the Committee on Productivity Loans. A representative of the MSA Mission or its successor will sit with the Committee on Productivity Loans. The Mission will have the right of veto on loan approvals. This veto may be exercised either by the Mission representative on the committee or subsequently in cases where he wishes to temporarily defer judgment for further study or for advice from other Mission specialists. It will be the responsibility of this committee to see that the criteria are followed and that the loan applications represent a sound basis for consideration. It is anticipated that in the interest of encouraging competition and increasing productivity, certain loans may be made which would ordinarily not constitute a sound business risk as considered strictly from the viewpoint of a commercial bank. However, the ordinary concepts of sound business and finance cannot be overlooked. The applicant's ability to carry through on his undertakings must naturally be a very important factor in the decision as to whether a loan should be granted.

The presently contemplated procedure for administering the loan program makes use of ordinary commercial banking facilities which shall receive and process loan applications. The loan applications and supporting documents together with the bank's recommendation will be forwarded through the channels of the Central Loan Committee or its successor to the Productivity Board where final review and decision will be made by the Committee on Productivity Loans. The banks do not guarantee the loans and in cases where a loan is rejected the applicant will, should he

so desire, have the right to appeal directly to the Productivity Loan Committee.

Loan application blanks will be available in selected local banks throughout the country as soon as representatives from the Productivity Committee have visited the area and have acquainted the banking officials with the criteria and purposes of the loan program.

If a loan is approved the same channels will be used, that is the Committee on Productivity Loans will notify the bank through the CLC. The bank will advance the money to the borrower and will be immediately reimbursed from funds at the disposal of the Committee.

Criteria for the granting of loans as well as further details on the administration of the loan program are found in the Appendix.

As is well known, the major economic development of Greece lies in the Athens-Piraeus area and there remains a large degree of rehabilitation which must be carried out in the provinces. The provinces are both economically and technologically far behind. The state of their economies acts as a drain on the more productive areas; domestic markets are under-developed and local industry and investment are inhibited, thus raising Greek import requirements. The agricultural products of these areas are frequently high-priced due to inefficient methods of distribution, high interest rates and restricted trade practices. Increased productivity in Greece depends in large measure upon what can be done in the provincial areas.

Since it is a major objective of this program to develop production and increase productivity in the outlying areas of the country and in particular in those areas which may, upon investigation and survey by the Productivity Center, be considered as "depressed" areas, it has been decided to earmark 80% of the loan funds for the outlying area as against not more than 20% to be utilized in the Athens-Piraeus area. Funds for loans in the field of marketing and distribution are exempt from this ratio inasmuch as there is considerable need for expansion of such facilities in the capital area which, if properly developed and managed, will have considerable benefits to the

rural population.

It is expected that a program of special grants will be undertaken in support of carefully selected projects with a view to advancing the objectives of increased production and greater productivity. Such grants can only be made to non-profit organizations who have need for funds to carry out specific projects to which they shall commit themselves in writing and which must meet the accepted criteria. The Appendix contains certain illustrative proposals.

It is understood by the Greek Government that the program undertaken pursuant to the Moody-Benton Amendments will not be used to finance projects undertaken prior to the initiation of this program. That is, funds designated for this program cannot be used to advance or complete on-going projects or activities. It is further understood that the total amount of funds expended in the field of agriculture will not exceed 30% of local currency funds which will be available under this program.

Any payments of loans made from the revolving loan fund and any interest earnings which may accrue in connection with such loans will be returned to said fund and made available for further loans, unless otherwise agreed between our two governments. On the termination of any programs and projects undertaken pursuant to this agreement, including the revolving loan fund, disposition of any remaining funds including any payment of principal and interest which may accrue thereafter on loan from the revolving fund, shall be made by agreement between the Government of the Kingdom of Greece and the Government of the United States.

It is proposed to give this program wide publicity, emphasizing the contribution it can make to the achievement of the agreed objectives.

I have been assured by your representatives that the MSA Mission to Greece or its successor will undertake to furnish, in accordance with procedures, criteria and terms established by MSA or its successor and subject to availability of funds and personnel, such technical assistance as may be requested by our Government in furtherance of the objectives of the agreed program and in developing and carrying out the productivity program and specific technical assistance projects.

Provision will be made to place the necessary funds to carry out this program at the disposal of the National Productivity Center. There will be established in the Productivity Center the necessary fiscal and audit procedures required for effective administration, control and accountability. MSA shall have the right to be furnished full information at any time as to the status of any aspects of the program including information as to the status of any or all loans outstanding or contemplated and to make such audits as it deems necessary. Furthermore, the Greek Government will provide to the MSA Mission to Greece or its successor periodic reports of the progress made in the execution of this program and will keep the MSA Mission or its successor fully informed of all developments,

Changes in the programs outlined herewith may, if necessary, be subsequently made. Such changes can only be made with the concurrence of the MSA Mission or its successor.

The Greek Government will encourage and facilitate by all appropriate means participation by firms, agencies and institutions in this program and will take all appropriate action within its power to prevent participating firms from being subjected to restraints and discrimination, such as denial of access to raw materials and credit, by other agencies, firms or institutions.

To the extent that Greek legislation may be necessary to carry out any or all of the provisions of this agreement, this shall be secured prior to June 30, 1953, through legislative decree in accordance with Article 35 of the Greek Constitution.

There is included in the Appendix a proposed budget, as worked out with your representatives, for the Productivity Center and the Moody-Benton Program for a two year period beginning July 1, 1953.

It is my wish that an appropriate official of the MSA Mission to Greece or its successor, as designated by the Chief of the Mission, will maintain close liaison with the Productivity Board in such a way as to coordinate the program with related activities which are part of the regular program of the MSA Mission.

The Government of the Kingdom of Greece considers this program to be of real importance and capable of making a significant contribution to the objectives of the Economic Cooperation Act and the Mutual Security Acts, which they uphold in common with the United States Government.

I should be glad if Your Excellency would confirm that the above understandings are also acceptable to the Government of the United States of America. Should you so confirm, I suggest that this exchange of correspondence constitute the agreement on the Moody-Benton Program.

/s/ Sp.B. MARKEZINIS

## A P P E N D I X

### I. PRODUCTIVITY BOARD

Membership on Productivity Board shall be as follows:

1. The Chairman of the Central Technical Assistance Committee
2. A representative of the Confederation of Greek Labor
3. A representative of the Federation of Greek Industry
4. A representative of the Greek Technical Chamber.
5. A representative of small crafts organization
6. A representative of the Industrial and Commercial Chamber of Athens
7. A representative of Greek banking and finance
8. A representative of the Agricultural Cooperatives
9. A representative of the Greek Government
10. A representative, ex-officio, of the MSA Mission
11. A limited number of additional representatives from the Universities or from the public who are to be selected on the basis of their special qualifications and independent character.

In order to assure broad representation and the widest possible interest and cooperation in the productivity program, the Board is admittedly somewhat too large for effective direction. Accordingly, the Charter of the Productivity Board will provide that a working committee with full authority to act on behalf of the Board shall be established. It will consist of members (1) through (10) as outlined above, six of whom will constitute

a quorum. The Charter of the Board shall specify that the Board shall meet at least once each month. The acting committee will meet upon call of the Chairman of the Board.

## II. NATIONAL PRODUCTIVITY CENTER

The functions of the National Productivity Center are defined as follows:

- a) To inform the Greek people in management and labor as to the meaning of productivity and its relationship to the aims and aspirations of the Greek people;
- b) To develop and explain adaptations of modern productivity techniques so as to be consistent with the requirements of the Greek economy;
- c) To provide technical information, pamphlets, and films in order to accomplish the objectives of increased production and greater productivity;
- d) To develop techniques and information concerning marketing and distribution along lines best suited to Greek conditions;
- e) To serve as a clearing house for technical information having to do with productivity and to encourage research studies and surveys into the needs of various segments of the Greek economy and the particular needs of various depressed areas with a view to developing suitable programs for those areas;
- f) To conduct marketing surveys and analyses of industrial potentials;
- g) To make special grants in accordance with the objectives of the Moody-Benton Program and to administer a revolving loan fund in a manner hereinafter described.

The establishment of the Productivity Center and the implementation of the Moody-Benton Program will create a difficult problem of organization and administration. A competent staff of Greek personnel must be recruited. Their functions must be

clearly defined and they must be trained to perform them effectively. The Productivity Center and the related Moody-Benton Program cannot achieve success unless it has a sound organization basis from the beginning, and unless there is careful planning and follow-up on all phases of the program.

The staff of the Productivity Center will be responsible to an Executive Director to be selected and appointed by the Productivity Board on the basis of his special qualifications and competence. Supporting staff should be small at the beginning but should be adequate to cover the major areas of work including the necessary contacts in the initial stages with the Commercial banks who will process the loan applications. A staff of stenographic and clerical personnel will be required as will competent translators capable of handling technical material. It may be necessary to establish one or two regional offices at some later date.

The Productivity Board will be instructed to work in close consultation with the MSA representative in the development of an adequate staffing pattern and in setting up an effective organization. Staff members will be employees of the Productivity Center and not employees of the Greek Government. However, an exception to the latter limitation may be made to the extent that not more than 3 professors or staff members of the Universities and the highest Technical Schools who hold no other Government posts may be employed by the Productivity Center. Drachma equivalent not to exceed \$38,080 shall be made available for the operation of the Productivity Center for a period of two years plus an additional sum not to exceed \$50,000 for surveys, translation, distribution of films, etc.

### III. REVOLVING LOAN PROGRAM

All loans or grants disbursed should be directly related to the purposes as specified in the Moody-Benton amendments.

Individual firms and organizations, in order to be eligible for loans or intensive technical assistance, must agree in writing as follows:

1. To use the proceeds of such loan or such technical assistance as they may receive or both, for a program of increased productivity to be developed and implemented in cooperation with the workers of the enterprise and their representatives of free trade unions.
2. To share out the benefits of increased productivity either with workers in the form of higher wages or with consumers through lower prices, or both. Sharing out with workers should be accomplished through the collective bargaining process with the recognized representatives of their unions.
3. To the extent possible, reflect the increased productivity in increased goods produced and marketed.
4. Not to enter into any agreements with competitors or others inconsistent with carrying out these provisions.

Where no free trade union of acceptable and responsible leadership exists in an individual plant or organization, the Committee on Productivity Loans and the MSA Mission must be satisfied that there is a real opportunity to develop such free leadership.

#### Types of Loans.

The loan program is intended to benefit the small and medium size business unit. It may accordingly be advisable to establish some precise limits as to the size of business organizations which may be eligible for loans as well as to put a limit on the amount of funds any one firm or individual can borrow.

It is believed that loans to improve marketing and distribution of agricultural products can have a most beneficial effect upon the economy. Farmers who bring their produce to Athens and other centers are frequently at the mercy of merchants and wholesalers who restrict prices and keep a large percentage of the produce off the market. Where such monopolistic controls are found to exist it is suggested that loan funds be utilized for the establishment of small farmers markets at which produce coming to the urban areas may be sold and distributed at competitive prices.

Some basic goods industries producing for consumers offer an excellent potential for loans which are consistent with the basic objectives of the Moody-Benton Program. Earlier drafts of this proposal have included as illustrative material a number of possible projects, such as the manufacture of small tools and hardware, the manufacture of work clothing and others. These we believe to be examples of the type of loans which should be encouraged.

Loans made in localities designated as depressed areas shall be considered in terms of over-all economic and employment factors predominant in such areas. Loan programs in these areas have the objective not only of increasing the productivity in a particular plant but must also be evaluated from the standpoint of the importance of the particular plant or industry in relation to the economy of the community as a whole.

The tobacco growing regions of Eastern Macedonia and Thrace are believed to be areas which shall be singled out for special survey and study with a view to developing an integrated loan program which will stimulate production, create employment and, if possible, diversify the economic base.

#### Apportionment of Interest Charges.

A tentative apportionment of the interest charges to be earned on loans has been made as follows: the local bank will receive 4% for the services it renders, including the processing, documentation and original loan investigation. The bank will also make collection on the loans. The CLC will be reimbursed for its services at the rate of 1%. The remaining 2% will go into the Special Productivity Account where it will augment the revolving loan fund as in the case of loan collections. Although funds are to be provided for the initial two years operating expenses of the Productivity Center, it may subsequently be decided to finance these expenses at least in part from a portion of the interest charges received from loans.

The apportionment of interest charges as set forth above is tentative and will be subject to further study. Final decision will be made in consultation with the MSA Mission or its successor.

#### IV. SPECIAL GRANTS

A number of special grants have been proposed. Their inclusion here does not constitute final approval. They will be referred to the Productivity Board for review and consideration. These include:

1. A grant of \$10,000 to be used by forty labor centers in Greece to assist them in training workers in the techniques and methods of collective bargaining.
2. A grant of \$5,000 to assist in the organization of a workers-consumer cooperative to serve as an example of worker cooperation designed to increase competition in the retail sale of consumer goods.
3. A grant of \$75,000 to be utilized in conjunction with the National Productivity Center for training and dissemination of information in the fields of marketing and distribution. Such a program would be coordinated with the market surveys conducted by the Productivity Center and would include work shops and exhibitions designed to teach simple but effective techniques for improving the marketing and distribution of products.

**PROPOSED BUDGET FOR PRODUCTIVITY CENTER  
 AND MOODY-BENTON PROGRAM  
 FOR TWO YEAR PERIOD  
 (Beginning July 1, 1953)**

<u>ITEM</u>	<u>DRACHMA EQUIVALENT OF</u>
OEEC European Productivity Agency	\$80,000
Strasbourg Productivity Fair	60,000
Operation of Productivity Center	38,000
Surveys, Translations, Etc.	50,000
Loan Fund	1,182,000
Grant	90,000
	_____
TOTAL	\$1,500,000
	=====

It is anticipated that not more than 40% of the above funds will be spent during the first year.

June 19, 1953

Excellency:

I have the honor to acknowledge receipt of your letter of June 18 in which you outline a special program designed to increase productivity and to share out such increases as may be attained to workers, owners and the general public.

These objectives I am happy to endorse and I concur in the proposals contained in your letter.

In response to your request that I designate a member of the staff of the MSA Mission to Greece to maintain close liaison with the Productivity Board and to represent the Mission in matters related to this program, I am pleased to designate Mr. James P. Moody, Technical Assistance and Productivity Officer of this Mission.

I assure you of my full cooperation and take this opportunity of wishing this program much success.

Accept, Excellency, the renewed assurances of my highest consideration.

/s/ Leland Barrows

His Excellency  
Spyros Markezinis  
Minister of Coordination  
Athens, Greece.

THE SECTION 115(k) AGREEMENT WITH

THE GOVERNMENT OF ITALY

(Index of Contents)

- A. Letter, dated May 7, 1953, from the Honorable Chauncey C. Parker, Chief, MSA Mission to Italy for Economic Cooperation, to His Excellency, Giuseppe Pella, Minister of the Treasury.

pages 92 to 96

- B. Annexes A, B and C to Mr. Parker's letter.

pages 97 to 101

- C. Letter, dated May 9, 1953, from Mr. Pella to Mr. Parker.

pages 102 and 103

- D. Letter, dated May 12, 1953, from Mr. Parker to Mr. Pella.

page 104

- E. Letter of acknowledgement and acceptance, dated May 17, 1953, from Mr. Pella to Mr. Parker.

page 105

TEXT OF THE SECTION 115(k) AGREEMENT

WITH ITALY

May 7, 1953

The Honorable Giuseppe Pella  
Minister of the Treasury  
Rome

My dear Mr. Minister:

1. This letter refers to discussions held during recent weeks between the Special Mission for Economic Cooperation to Italy and members of the Italian Government on the subject of organizing a program for higher productivity and production in Italy, and particularly to the use of funds related to Section 115(k) of the Economic Cooperation Administration Act as of 1948 as amended, and Section 516(a) of the Mutual Security Act of 1951 as amended. It seems useful to confirm by this means these agreements that have been reached as well as the concepts under which this program will be carried forward by the agencies of the Italian Government including the National Productivity Committee.

2. Our Governments have agreed that the development of mutual security and of the defense of the free world rests in large part upon the establishment of a sound and expanding economy capable of providing a progressive increase in living standards. It is our joint opinion that this broad objective will be furthered by (a) stimulation of free enterprise and the expansion of Italy's economy through equitable sharing of the benefits of increased production and productivity between consumers, workers and owners, particularly in the fields of small and medium sized businesses engaged in fabrication and distribution, (b) by encouraging competition among free private enterprise and by discouraging restrictive and monopolistic practices which result in restricting production and increasing prices, and (c) by encouraging the development and strengthening of free labor union movements as collective bargaining agencies of labor in Italy.

3. Accordingly, it has been agreed to enlarge and intensify the Production Assistance Program already set in motion by the establishment of the National Productivity

Committee. In order to support this expanded program, the United States of America has agreed to make available to the Italian Government, subject to the provisions of this agreement, \$12 million of assistance under Section 115(k) of the Economic Cooperation Administration Act of 1948, as amended, 90 per cent of the local currency counterpart of which will be earmarked in accordance with this agreement to carry out the specific projects and purposes set forth in this agreement.

4. On allotment of dollars under this agreement, your Government agrees to the establishment of a separate Special Production Assistance Account to which will be transferred 90 per cent of the local currency equivalent of dollar allotments made hereunder. (The local currency equivalent of 10 per cent of the dollar allotment hereunder will be transferred as in the case with other dollar assistance under the Economic Cooperation Administration Act of 1948 as amended and the Mutual Security Act of 1951 as amended, to the account of the United States.) To the extent that such funds are needed before actual accrual of the counterpart of the above mentioned assistance, such transfers will be effected from the existing general 90 per cent account or from other resources. There shall also be transferred to such Special Production Assistance Account 90 per cent of the accruals of counterpart after June 30, 1952 on account of technical assistance expenditures made by the United States for Italy. Other funds may be transferred to such Accounts as may be agreed from time to time. The dates and amounts of transfers of local currency equivalents will be specified in formal MSA letters allotting dollars under this agreement. Releases from such Special Production Assistance Account shall be made to the appropriate agency or agencies carrying out this program in agreement between the Special Mission for Economic Cooperation and the Italian Government.

5. The dollar currency deposited in the Special Production Assistance Account shall be used for the purposes outlined in paragraph 6 and in Annexes A, B, and C of this letter. It is understood that the Special Production Assistance Account will provide sufficient funds to finance these purposes through June 1954, but that the further expenditures

of the National Productivity Committee together with such of these activities as the Government of Italy might desire to continue will be covered from its own funds.

6. The Government of Italy will agree to present with their support to the Parliament for adoption a draft productivity legislation authorizing the activities outlined in the agreement. This legislation will establish the National Productivity Center on a firm basis with authority and funds to carry on an active program of productivity assistance and dissemination of technical information; to administer a fund for the support of research and education related to the increase in production and productivity program. This or similar legislation will also provide for Italian participation in the European Productivity Agency. Appropriate measures will also be presented to establish a special revolving fund to assist worker members of free trade union-organized housing cooperatives to qualify for loans from the Home Development Fund (Fondo Incremento Edilizio, Law 715, August 10, 1950).

7. It is expected that the National Productivity Committee will require recipients of major technical services made available by the National Productivity Committee under the Productivity Area Demonstration Program to enter into written agreements of the same type provided for in the loan contract set forth in paragraph 1 of Annex B.

8. It has been indicated in our conversations that your Government is conscious that certain practices by various formal and informal business and labor groups might well prevent the passing on of productivity benefits in the form of higher wages and more particularly in the form of lower prices. It is understood that your government is prepared, should such an eventuality occur with regard to any firm which has entered in appropriate agreement with the Productivity Center, to take such steps as are within its power to ensure that the purposes of this activity shall not be in this manner frustrated, and that the provisions of the contracts can be properly carried out. Furthermore, the government will take such measures as are within its power to prevent any injury due to discrimination to firms participating in this program and carrying out its provisions.

9. The Italian Government proposes to encourage and facilitate by all appropriate means, participation by firms, agencies, and institutions in the program, and is prepared to promote a program informing the Italian people of the purpose and intentions of the productivity program of the Italian Government. Means of encouraging and facilitating participation should include reasonable assurances, to the extent permitted by laws of Italy, that participating firms by reason of their participation will not be denied access to raw materials, equipment, power, credit, foreign exchange, and import and other licenses and permits.

10. My Government, through the MSA, agrees further to assist and facilitate the development of the productivity program in Italy by providing upon request of the Italian Government and subject to the availability of funds and personnel, such technical assistance as may be appropriate and authorized under the laws of my Government.

11. Our Governments will expect to discuss the progress of the program from time to time, the Special Mission for Economic Cooperation maintaining its interest and close cooperation. Full information as to the status of the programs and projects undertaken pursuant to this agreement will be furnished by the National Productivity Committee to the Special Mission for Economic Cooperation periodically, as agreed, or on special occasions, on request of the Mission.

12. On the termination of any part of the program covered by this agreement, including the revolving loan fund, disposal of any funds remaining, including payments of principal and interest thereon which may accrue thereafter on loans from the revolving loan funds, shall be determined by agreement between the Italian Government and the Government of the United States.

13. The Government of the United States will, subject to the terms and conditions of this agreement, allot \$12 million to Italy during the fiscal year 1953 in accordance with established procedures for the allotment of other dollar assistance under the Mutual Security Act of 1951 as amended. Dollars allotted to Italy will be available for expenditure subject to the applicable provisions of law and the procedures

and policies related thereto concerning foreign aid of the United States, and the provisions of the agreement for economic cooperation between the Government of Italy and the Government of the United States, dated June 28, 1948, as revised from time to time.

14. It is possible that an additional \$10 million may become available in support of the purposes and program outlined in this letter. If so, this additional amount also will be subject to the terms and condition of this letter.

15. I would appreciate a reply from you indicating formal agreement of the Italian Government to the contents of this letter.

/s/ Chauncey G. Parker  
Chief, MSA Mission to  
Italy for Economic  
Cooperation

ANNEX A

Agreement Between Italian Government and MSA  
Regarding Activities to be Supported by Releases from the  
Special Production Assistance Account

The following activities and programs may be financed by releases from the Special Production Assistance Account.

1. The budget and activity of the National Productivity Committee for FY 1954, and that part of its activity for FY 1953 which was financed by advances from the Interim Aid Fund. The activities of the committee and its staff should include the provision and dissemination of technical information on production and management processes, the conduct of productivity conferences, the organization of productivity training courses, the training and support of technicians and engineers participating in the Productivity Area Demonstration Program, the provision of training and information to labor unions on productivity problems, the review and approval of applications for loan and grant assistance to productivity programs, and the administration, with the concurrence of the Special Mission for Economic Cooperation, of a Productivity Research and Education Fund for grant assistance to projects in the fields of research and education, including applied research. It is contemplated that the latter fund will be used for scholarships, to endow professorships, support research activities and assist similar activities which promise a permanent increase of knowledge in Italy of the benefits of, barriers to, and techniques of obtaining higher production and productivity.
2. The provision of lire support for the Technical Assistance Program for FY 1954 including travel expenses and allowances of participants, the publication of reports, the provision of technical literature, information and equipment, and the maintenance of the necessary related staff, but excluding the deposit of counterpart against dollar expenses.
3. The establishment of a revolving Production Assistance Loan Fund, to be used for the purposes and under the limitations agreed to in Annex B.

4. The establishment of a revolving Cooperative Low-Cost Housing Loan Fund to be used for the purposes and administered in the manner agreed to in Annex C.

5. The contribution of the Government of Italy to the European Productivity Agency established by the OEEC. (The counterpart of at least 8% of the aid granted under this agreement will be reserved for this purpose.)

An illustrative schedule of the accumulation and of the use of the Special Production Assistance Account for the purposes in this letter and annexes follows.

	Firm	Possible
"Moody Aid	\$ 12.0 million	\$ 22.0 million
Counterpart generated	Lit 7500 million	Lit 13750 million
Less 10%	- 750	- 1375
Plus TA counterpart deposit	500	500
Available for Special Production Ass't Accounts	7250	12875

#### Uses of Special Production Assistance Accounts

1. CNP	1300	1300
2. TA Support	900	900
3. Research & Education Fund	500	500
4. Prod. Ass't Loan Fund	2450	6575
5. Coop. Low Cost Housing Loan Fund	1500	2500
6. Contribution EPA	600	1100
	7250	12875

#### ANNEX B

#### Agreement Between Italian Government and MSA Regarding Conditions and Terms of Loans made by Centrobanca from Production Assistance Loan Fund

1. Loans from the Production Assistance Loan Fund will be made by Centrobanca only to firms which CNP considers adaptable to improved productivity techniques and which have entered into a written agreement with CNP to the effect:

(a) that the loan will be used for the purpose of expanding and improving productivity with a view toward increased sales at lower prices;

(b) that the firm will establish an appropriate collective bargaining system and procedure with representatives of the free trade union(s) in his plant and will negotiate with them in good faith grievances, and questions of wages, hours and working conditions. In case no representatives of free labor unions are employed in its plant, the firm will not place any obstacle in the way of organization of its workers by free labor unions;

(c) that the firm will fully observe existing legislation relating to labor and social security; and,

(d) that the firm will receive and give necessary information to and otherwise cooperate with technicians of the National Productivity Committee seeking to aid it to increase productivity.

2. The loan program shall be primarily directed towards small and medium firms engaged in the manufacture, processing or distribution of industrial products or in the processing and distribution of agricultural products. In no case will firms with more than 500 employees be eligible for a loan.

3. Loans will be available to finance modifications of equipment or buildings (including changes in plant lay-out) or the provision of supplementary equipment and buildings in connection with the program agreed with the National Productivity Committee. It is understood that in the operation of the program Centrobanca will consider the needs of the borrower for short-term working capital; that Centrobanca will use its good offices with the Banche Popolari to ensure that such needs are adequately filled; and that, to aid in this latter objective, Centrobanca will keep its guarantee and collateral requirements on its own loans as low as is consistent with sound banking standards.

4. The maximum cost to the ultimate borrower shall be 5 percent per annum, inclusive of all bank charges except any fee (not to exceed 2 percent) for issuance of a bank guaranty where this is required.

5. Loans to any one firm shall not exceed 30 million lire.
6. Loans will have a duration of not less than one year and not more than five years.
7. The loan contract shall be between Centrobanca and the borrower, although Centrobanca in appraising loan applications will utilize information made available to it by the Banche Popolari and will use these banks as agents for the administration of the loans. Of the rate charged to the ultimate borrower (not to exceed 5 percent per annum, excluding bank guaranty fee, if any), three and one-half percent will be retained by Centrobanca to cover its expenses, including any fees it may pay to institutions acting as agents in the administration of the loans.
8. The Centrobanca will furnish the National Productivity Committee with periodic detailed reports of the operation of the loan program discussed herein and upon request will make accessible, to authorized representatives of the CNP or of Special Mission for Economic Cooperation, the records on loans under this program.

#### ANNEX C

#### Agreement Between Government of Italy and MSA Regarding Conditions and Terms of Loans Made from the Cooperative Low-Cost Housing Loan Fund

1. The Fund shall be administered by a Committee consisting of the Vice-President of the Commission for the Employment of the Home Development Funds, Chairman, a member of the Commission for the Employment of the Home Development Fund, a representative of CISL, a representative of UIL, and a representative of the MSA Mission.
2. Loans may be made by the Committee to members in good standing of a housing cooperative or building-loan association organized by one of the free labor unions, and who have received a loan from the Home Development Fund.

3. The loans shall be second mortgages on dwellings built by the cooperatives and owned by the members thereof. No other security than this and the name of the borrower shall be required.

4. The sum of the loans from the Home Development Fund and the Cooperative low-cost Housing Fund shall not exceed  $97\frac{1}{2}\%$  of the total cost of the dwelling, with the share from the latter Fund not to exceed  $22\frac{1}{2}\%$ .

5. The period of repayment and rate of interest on the loans from this fund will be set with the aim of placing the minimum possible burden on the borrower, and in any case will not exceed the rates of repayment and interest on loans under the Home Development Fund.

6. Interest and repayments on the loans will be paid into the Home Development Fund.

7. Every effort will be made that projects assisted by loans from this fund serve as models in the design, planning and execution of low-cost, high-satisfaction housing, that adequate attention be given to community services, and that the unit construction cost of these projects be significantly lower than that of the average government-assisted housing project. To this end the MSA offers such Technical Assistance Services, including the advice of foreign experts, as may be agreed on.

Rome, May 9, 1953

Mr. Minister:

I have the honor to acknowledge receipt of your letter dated May 7, 1953, in which you have kindly confirmed the substance of the exchange of views between the Mission headed by you, and representatives of the Italian Government, concerning the development in Italy of a productivity program aimed at the goals contemplated in the Economic Cooperation Act of 1948 and in the Mutual Security Act of 1951, as amended.

You have advised me of the intention of the Government of the United States to make available to this end to the Italian Government an appropriation up to 22 million dollars, whose lira counterpart shall be used for the development of the National Productivity Committee, for the expansion of Technical Assistance Programs, and the development of productivity study plans, for credit assistance to medium and small industries, for the development of low-cost cooperative housing and for the Italian participation in the European Productivity Agency.

In confirming our general concurrence with the goals of this program, as well as with the appropriate methods to pursue them, under the existing legislation and such laws as may become necessary to submit to the future Parliament, I would like to ask you to submit to your government the possibility of fitting into the new plan some productivity activities already prepared by the Italian Government, and the desirability that credit assistance functions be handled by the "Mediocredito" Agency recently established for the promotion of medium-term credit to medium and small industries.

I will be grateful if, in the meantime, you will express to the Government of the United States the full appreciation of the Italian Government for the new contribution made to the productivity developments in our country, towards a greater expansion of the economy and a higher standard of living, which is considered desirable by both Governments.

Please accept, dear Minister, the expression  
of my highest consideration.

/s/ Pella

H. W. Minister Chauncey G. Parker  
Chief, MSA Mission to Italy for Economic Cooperation

The Honorable Giuseppe Pella  
Minister of the Treasury  
Rome

May 12, 1953

Dear Minister Pella:

I have your letter of May 9, 1953, concerning the agreement of the Productivity Program.

I am somewhat troubled by the language in the third paragraph of that letter. However, in the light of our several conversations on this subject, I have the feeling that we have reached a meeting of the minds on the program. I interpret the language of your third paragraph to mean that the Italian Government is in full agreement with the goals of this program and is generally in agreement with the specific proposals to carry them out, although it is conceivable that some details of the latter may need further discussion. Your reference to such laws as may become necessary, I take it, indicates your agreement to submit to the new Parliament specific productivity legislation required to carry out the objectives with which you have concurred.

With respect to the two recommendations made in the same paragraph, I wish to confirm your oral statement that they do not constitute conditions to your acceptance of the program. The Mission is not prepared to recommend favorable consideration on either of these two points by Washington, but will, of course, refer them to Washington.

If you can give me a note confirming the above interpretation of the language contained in the letter, I will be in a position to make an immediate recommendation to Washington.

Sincerely yours,

/s/ Chauncey G. Parker  
Chief, MSA Special Mission to  
Italy for Economic Cooperation

May 17, 1953

Dear Minister Parker:

In your kind letter of May 12, 1953, you ask me to clarify the wording of the third paragraph of the letter addressed to you on May 9 to express the Italian Government's agreement to the implementation in Italy of the productivity program contemplated in the Moody Amendment.

I wish to confirm to you the favor with which the Government of which I am a member looks upon this program a favor which I sincerely trust will be shared by the Government which will succeed the present one, and I am sure that such (new) Government will take upon itself to submit to Parliament the legislation required for the full implementation of the agreement reached.

As for my two recommendations to which you refer, I wish to state that they do not condition the said agreement. They constitute suggestions made for purely indicative purposes, which the Mission, should it see fit, may communicate to the U.S. Government.

I am grateful to you, dear Minister Parker, of the opportunity you have given me to express again in this letter my feelings of sincere appreciation, and to renew the expressions of my highest consideration.

/s/ Pella

H.E. Minister Chauncey G. Parker  
Chief, MSA Mission to Italy  
for Economic Cooperation  
Rome

THE SECTION 115(k) AGREEMENT WITH  
THE GOVERNMENT OF THE NETHERLANDS

(Index of Contents)

- A. Letter of agreement, dated April 8, 1953, from His Excellency Drs.E.H.van der Beugel, Director General for the Economic and Military Aid Program, to the Honorable Clarence E,Hunter, Chief, MSA Special Mission to the Netherlands for Economic Cooperation, with Mr.Hunter's acknowledgment and acceptance endorsed thereon.

pages 107 to 110

- B. Appendices A, B, and C to Mr.van der Beugel's letter.

Pages 111 to 118

Text of the Section 115(k) Agreement

With the Netherlands.

April 8, 1953.

Your Excellency:

Referring to our several discussions with respect to the possibility of a cooperative program in the Netherlands under the provisions of Sections 516A of the Mutual Security Act of 1951, as amended, and Section 115K of the Economic Cooperation Act of 1948, as amended, we propose that the following general points may constitute a basic agreement between our two governments.

1. The Government of the Netherlands agrees that the establishment of a sound and expanding economy capable of providing a progressive increase in living standards is essential to the development of mutual security and of the individual and collective defense of the free world, and it believes that a concrete program, carried out in the Netherlands pursuant to the provisions of Section 115K of the Economic Cooperation Act of 1948, as amended, and of the Section 516(a) of the Mutual Security Act of 1951, as amended, can make a significant contribution to the achievement of this objective.

2. We are of the opinion that our mutual objective is to assist in every way possible to increase productivity in the Netherlands to the end that a progressive increase in living standards may be achieved, the international trading position of Netherlands industry, agricultural and related services shall be improved and that thereby the balance of payments of the Netherlands may be favorably affected.

3. It is proposed to set up a special Productivity Fund to finance additional budgetary expenditure in accordance with a Statement of Program to be attached as Exhibit C partly in the form of a revolving loan fund to be used for short and medium term (e.g. up to 5 years) loans to producers and distributors for equipment, re-organization of plants, shops, etc. partly as a fund to give financial support in the form of grants to other projects to increase productivity.

These loans and other projects will aim at the implementation of relevant government policy made in the light of recommendations of the C.O.P., of consultants and TA teams, and of responsible organizations in industry, agriculture and related services e.g. the distribution and marketing of industrial and food products including fish.

4. To this fund would accrue 90 percent of the local currency counterpart of the dollar allotments referred to in paragraph 11 of this letter and 90 percent of the local currency equivalent of the dollar amount expended on the Netherlands TA program since July 1, 1952.

5. The Netherlands government would expect to decide, in agreement with your mission through this Ministry, and in consultation with the C.O.P., upon the industries or branches of agriculture and related services in which loans would conditionally be made upon the criteria of such loans, and upon the general categories of expenditures under the other portions of the program, and upon the terms of any permanent endowments or direct grants of counterpart funds.

6. The screening of projects, subject to the final approval of these projects and loans by M.S.A., administering, directing and controlling the funds etc. would be within the powers of the Minister in charge of productivity in the Netherlands in consultation with the other competent Ministers and upon the advice of the Executive Board of the C.O.P. which will act as permanent advisory committee until termination of the fund.

The members of this permanent advisory committee were selected from each of the organizations listed in Annex B, it being understood that they would act as individuals and not as representatives of the bodies from which they were chosen.

7. The policy to be adopted for the use of this fund will require, inter-alia, that loans and grants from the fund be used to increase production and productivity with consequent lower prices for consumers and thereby help to create an expanding economy capable of providing a progressive increase in standards of living. The policy will recognize the importance of making these funds available a.o. to enterprises which are engaged in special efforts, normally involving intensive technical assistance, to increase their productivity level, thus increasing the ability of Netherlands industry to produce under fully competitive conditions. Furthermore, this policy will be in accordance with the importance of selecting sound firms with satisfactory expectation of marketing their increased production and the necessity, if the loans and grants are to have their maximum utility of providing means whereby the knowledge and experience gained in each case can be made available to others who may be in a position to benefit from it and whereby the results achieved through higher productivity may be equitably shared among consumers, workers and owners. This policy would be in accordance with purposes of the Netherland Government aiming at encouraging, where suitable, competition by providing safeguards against restrictive practices which prove harmful to the development of the Netherlands economy and the national interest in general. It would, furthermore, be the intention that companies enjoying loans and thereby able to increase their productivity and reduce production cost apply, in accordance with the established procedures, to the authorities in charge of the application of the wages policy of the Netherlands government, for permission to increase the wages of their personnel as far as consistent with the wages policy referred to above and justified by the results and sound financial management practice.

8. The Netherlands government will be prepared to play its part in the productivity agency to be established by the O.E.E.C.

9. On termination of the project or programs covered by this agreement including the revolving loan fund, disposition of any funds remaining including any payments of principal or interest thereon, which may accrue thereafter

on loans from the revolving loan fund, shall be by agreement with the Netherlands government and the U.S. Government.

10. It is proposed to give this program wide publicity emphasizing the contribution it can make to the achievements of the objectives stated in the opening paragraphs of this letter.

11. The importance is fully recognized of obtaining the complete and enthusiastic cooperation of industry, agriculture and labor elements in the nation and every endeavor will be made to foster and develop such cooperation.

12. The amount and timing of dollar allotments to be made and the terms and method of deposit and distribution of counterpart under this program together with certain procedural arrangements are covered in Exhibit "A" attached hereto and made part hereof.

13. The Netherlands Government considers this program to be of real importance and capable of making an effective contribution to the objectives of the Mutual Security Act which the Netherlands government holds in common with your government. My government will encourage and facilitate by all appropriate means, the widest possible participation by firms, agencies, agricultural cooperatives, free labor unions, marketing organizations, technical bodies, consultants, and other institutions in this program.

14. The Netherlands government agrees to provide to the Mutual Security Agency all information and facilities necessary to the observation and review of the carrying out of this agreement, including the assistance furnished under it.

15. My government will appreciate your confirmation that the understanding of the agreement reached between us in our discussion is as above outlined.

/s/ van der Beugel

The understanding of the agreement reached between us is as stated in this letter of April 8, 1953, number 44256, with attached exhibits A, B, and C and is hereby confirmed and approved.

/s/ Clarence E. Hunter

EXHIBIT "A"

The government of the United States will allot \$3 million to the Netherlands government during the fiscal year 1953 to carry out the terms of the agreement in accordance with established procedures for the allotment of other dollar assistance under the Mutual Security Act of 1951, as amended. Dollars allotted by the Government of the Netherlands during Fiscal Year 1953 shall be used for the procurement of commodities and services in accordance with procedures for the administration of Foreign Aid of the Government of the United States under the Mutual Security Act of 1951 as amended, and in accordance with the provisions contained in the Agreement for Economic Cooperation between the Government of the Netherlands and the Government of the United States, dated July 2, 1943.

The above sum will be allocated as follows:

- a) \$1,500,000, prior to June 30, 1953, upon agreement on a statement of Program to be attached to this agreement as Exhibit C.
- b) \$240,000 upon the establishment of a Productivity Agency by the OEEC and a decision by the Netherlands Government to join, or if no Agency is established, then together with (c)
- c) \$1,260,000 on or before June 30, 1953, upon adequate assurance that the program is proceeding satisfactorily in accordance with the agreement.

8 percent of the local currency deriving from these funds and to be used for the purposes outlined in this agreement, will be reserved for a contribution to such productivity agency as the OEEC may establish. If no such Agency is established, this contribution will be made available for projects under the program outlined in this Agreement.

The Netherlands Government agrees that the local currency counterpart deposits by the Netherlands government which will accrue, in accordance with the provisions of Article IV of the

Economic Cooperation Agreement between the government of the U.S. and the Netherlands government dated July 2, 1948, as the counterpart of the aforementioned dollar assistance shall be dealt with as follows:

- a) On the initial allotment of the dollars covered by this agreement a special sub account (hereinafter called the Special Productivity Fund) will be established within the Special Account of the Netherlands government, to which will be transferred the local currency equivalent to 90 per cent of the said and successive dollar allotments. (The local currency equivalent of 10 per cent of the dollar allotments under this agreement will be transferred as in the case with other dollar assistance under the Mutual Security Act of 1951, as amended, to the Special account of the United States government). To the extent such funds are needed before actual accrual of counterpart under this agreement, transfers will be effected from the existing general 90 per cent counterpart account. The dates and amounts of such transfers of funds will be specified in the formal MSA/W letter allotting dollars under this agreement.
- b) The Netherlands government will transfer to the Special Productivity Fund referred to in paragraph (a) the local currency derived from counterpart deposits against dollars expended for FA projects authorized since July 1, 1952. These transfers will be effected as the dollar expenditures will be noted.
- c) From the Special Productivity Fund counterpart shall be released in accordance with established procedures governing releases of counterpart from the 90 percent counterpart fund. Allotments of guilders derived from the Special Productivity Fund shall be made by the Minister in charge of productivity and only to agreed agencies which have responsibilities in connection with the approved program.

The revolving loan fund referred to in paragraph 2 of the agreement to which this is Exhibit "A" will draw its initial funds from the Special Productivity Fund referred to in paragraph "A" above and will replenish its funds by the re-deposit in the said revolving fund of re-payments on loans made from said fund and any net interest earnings which may accrue in connection with such loans. Interest rates will not exceed 6 per cent. The loans from this revolving fund shall be made in accordance with the provisions of the agreement to which this Exhibit "A" is attached, particularly paragraph 6 thereof.

EXHIBIT "B"

LIST OF MEMBERS OF THE PERMANENT ADVISORY BOARD

ON THE UTILISATION OF THE MOODY FUNDS

Chairman

Ir. W.H. van Leeuwen

Government

Mr. J.A. Berger

Advisor of the Minister in  
charge of Productivity

Ir. Z.T. Fetter

Ministry of Social Affairs,  
Director-General of Labor

Jhr. Mr. G.L.G. de Milly

Ministry of Foreign Affairs,  
Directorate-General of Labor.  
Economic and Military Aid Program.

Ir. A. W. van der Plassche

Ministry of Agriculture,  
Fisheries and Food,  
Director-General of Agriculture

Employers

Mr. C.P. ter Haseborg

Secretary of Netherlands  
Employers Federation and of the  
Marshall-plan Information  
Center.

Labor

K. de Boer

C.N.V.

W.D. Lelieveld

K.A.B.

A. Vermeulen

N.V.V.

Other institutions

Mr. S.J. Biesheuvel

Foundation of Agriculture

Prof. Ir. D. Dresden

Director of the Industrial  
Organisation of T.N.O.

EXHIBIT "C"

STATEMENT OF PROGRAM

I. For the implementation of this program the following amounts will be available: \$3 million less \$240,000 (for European Productivity Agency).

(i) Counterpart of \$2,760,000 (less 10 percent to be transferred to account of U.S. Government)	Hf1 9.3 mln
(ii) TA counterpart since July 1, 1952 (estimate)	" 1 mln
	<hr/>
	Hf1 10.3 mln

This program provides that these funds will be spent as follows:

(i) <u>Grants</u>	
a. Metal Industry	Hf1 1.-mln
b. Building	" 1.-mln
c. Ready made clothing	" 0.8mln
d. Distribution	" 1.5mln
	<hr/>
	Hf1 4.3 mln
(ii) <u>Loans</u>	" 6.- mln
	<hr/>
Total	Hf1 10.3 mln

The program will be put into effect as soon as possible and is being planned on the basis that the bulk of the grant program will be completed within two or three years.

It is understood that this program, or parts of it, will be reconsidered when modifications appear desirable during its elaboration.

II. Grant Program

a) Metal Industry (including foundries)

The metal industry is the most important industry in the

Netherlands and ranks first in the industrialization program. It employs about 435,000 and the present industrialization program provides for Hfl 240 million new investments annually during 1952-1957 (annual gross investments Hfl 450 million) for this industry alone. This approximates 26 percent of the overall investment goals of the industrialization program amounting to Hfl 9,000 million gross investments during those five years.

Productivity has proved low in this sector which mainly consists of small firms. To remedy this special action is necessary, the more so since improvements of productivity would enable many of these small firms to act as subcontractors for larger concerns. This function would yield great benefits to both the small and the big firms, increase the capacity for defense production and strengthen the structure of Dutch industry in general.

In the small metal industry there is a group of some 2,000 small firms, employing 10-50 workers, annual production Hfl 500 million. This group is composed mainly of small machineshops and workshops, construction shops, stamping and pressing works, firms producing small electrical articles and various types of metalware. Of this group some 500-600 are members of a trade organization.

Plans are now being developed to start a large scale action to raise productivity with the cooperation of this organization and the labor unions in this field. These plans provide for publicity and information about management and production techniques and the results of applied research. Furthermore, assistance by management consultants to groups of firms with similar problems, training programs, etc. Special emphasis will be laid on advantages and problems of subcontracting. It is the intention that these efforts will be directed by a new body, composed of management and labor representatives and comprising specialists. This body will act as productivity centre for the sector and be responsible for the use of the funds allocated to it.

Special measures are also under consideration for the foundries, also an important sector where much can be done. These plans can only be elaborated however after the arrival of a team of American foundry specialists who will shortly be invited under a Type B project.

#### b) Building

The building trade is vitally important because of the shortage of houses (275,000) and the fact that this backlog can only be made up for if building costs can be reduced. Due to

the shortage of capital, it is, in fact, the cost of building (Hfl 1,800 mln) that keeps annual new construction down to some 55,000 dwellings, 40,000 of which are necessary to meet the increases of the population.

Investigations have shown that considerable increases of productivity and corresponding cost reductions can be achieved by the application of modern management and construction techniques, suitable remuneration systems, standardization, etc. Representatives of management and labor and specialists in this field are now elaborating a comprehensive program providing for information, training, research, etc. If funds become available for the implementation of the final program of action this provisional committee will probably be transformed into a productivity center for the building trade with the special responsibility of seeing that the funds will be spent in the right way and the program is implemented according to plan.

c) Clothing Industry

Hfl 800,000

Following a Type A mission to the United States the clothing industry has taken collective action to increase its efficiency. So for instance the application of standardized sizes of ladies' dresses and coats was studied, and with success. An extension of these efforts is under consideration, viz. for men's suits and coats, working clothes and children's clothing.

Standardization of cloth widths and problems of shrinking of cloth will also be studied. A productivity center comprising management and labor representatives and specialists has already been formed to guide these activities and to plan other programs for information and training that prove desirable.

d) Distribution

Hfl 1.5 mln

Preliminary research has shown the importance of productivity problems in distribution and the first reports of missions recently back from the United States and the activities of the O.E.E.C. and the International Chamber of Commerce added to the interest for further work.

An action committee has been created and this is developing a program for research into the main factors governing the situation in several branches which are of importance for the standard of living. The committee will also formulate the techniques and methods for improvement.

Action to improve food distribution methods is under consideration.

A special program is being developed for the distribution of fish. Due to deficiencies in the present system serious marketing problems exist and prices are unstable. Fish consumption is therefore below reasonable standards.

This program provides for a training center for wholesalers and retailers, propaganda, development of ready-to-eat products, and of better processing, handling and storage methods.

The grant program for fish distribution amounts to Hfl 500,000. In addition, it is suggested to implement a loan program (mainly for retailers) of Hfl 1.5 million (see item III last paragraph).

### III. Loans

It is likely that the action programs now under consideration will lead to requests from medium sized and small firms for short term loans in order to finance certain modernizations that proved desirable. In order to avoid a situation that such modernizations could not be realized for lack of credit facilities on suitable terms it has been decided to earmark an amount of Hfl 4.5 million to be used as revolving loan funds to meet the demand for credit from the metal, foundry, building and clothing industry and from the distribution sector whenever this cannot be satisfied by existing institutions.

If existing facilities will appear adequate to meet the demand for credit this amount of Hfl 4.5 million will be used for other.

Plans for the remaining Hfl 1.5 million provide for loans (mainly to retailers) to promote the introduction of modern fish distribution methods.

THE SECTION 115(k) AGREEMENT WITH

THE GOVERNMENT OF THE

KINGDOM OF NORWAY

(Index of Contents)

- A. Letter, dated April 13, 1953, from His Excellency, Lars Evenson, Minister of Industry, to the Honorable Lloyd K. Larson, Chief, MSA Special Mission to Norway for Economic Cooperation.\*

Page 120

- B. Letter, dated April 13, 1953, from Mr. Larson to Mr. Evenson.

Page 121

- C. Memorandum of understanding, dated May 29, 1953, signed by Mr. Evenson and Mr. Larson.\*\*

Pages 122 to 126

\*The draft memorandum of Understanding originally attached to this letter has not been included.

\*\*The required Storting action referred to in paragraph 12 of this memorandum was taken on June 8, 1953.

April 13, 1953

Mr. Lloyd K. Larson  
M.S.A.  
Stortingst, 28  
OSLO

My dear Mr. Larson:

This letter refers to discussions during recent weeks regarding the organization of a program for higher productivity and production in Norway. I should like to confirm to you that the Norwegian Government within 24th April 1953 will make a motion to the Storting regarding the forming of such a program, based on the attached draft Memorandum of Understanding between the United States Government and the Norwegian Government. Formal agreement can, however, not be made before the proposal has been approved by the Storting.

Yours Sincerely

/s/ Lars Evensen  
Minister of Industry

April 13, 1953

The Honorable Lars Evensen  
Royal Norwegian Ministry of Industry  
Dronningensgt, 15  
Oslo

My dear Mr. Minister:

I wish to acknowledge your letter of April 13, 1953 in which you state that the Norwegian Government will make a motion to the Storting regarding a program for higher productivity and production in Norway. This program will, in large part, involve funds derived from Section 115(k) of the Economic Cooperation Act of 1948, as amended. A draft Memorandum of Understanding outlining your proposed program is attached to your letter.

I wish to confirm to you that the United States Government, for its part, is prepared to agree to the program you propose, and to allocate funds accordingly, upon completion of necessary action by the Storting. Formal agreement of our Government will thereafter be signified by signature of the Memorandum of Understanding.

Yours very truly,

/s/ Lloyd K. Larson  
Chief of Mission

MEMORANDUM OF UNDERSTANDING BETWEEN THE  
GOVERNMENT OF THE UNITED STATES AND THE  
GOVERNMENT OF NORWAY REGARDING THE  
UTILIZATION OF COUNTERPART OF THE FUNDS  
TO BE ALLOCATED TO NORWAY SUBJECT TO  
CONDITIONS OF SECTION 115(K) OF THE ECA  
ACT OF 1948 AS AMENDED.

---

This memorandum sets forth certain principles on the subject of organizing a program for higher productivity and production in Norway.

1. The United States Government is willing to make available to the Norwegian Government four million dollars derived from Section 115 (k) of the Economic Cooperation Act of 1948, as amended, the kroner equivalent of which will be used to further the purposes of Section 115 (k) of the ECA Act of 1948, as amended, and of Section 516 (a) of the Mutual Security Act of 1951, as amended.

2. It is agreed that the development of mutual security and of the individual and collective defenses of the free world rests in large part upon the establishment of a sound and expanding economy capable of providing a progressive increase in living standards. In furtherance of this broad objective, the Norwegian Government has recognized the desirability of stimulating the expansion of Norway's economy by, among other means, encouraging higher production and productivity through the medium of private enterprise operating in full cooperation with labor. To this end, the Norwegian Government will continue to support free labor unions as the collective bargaining agencies of labor and will encourage competition among private enterprises and discourage restrictive and monopolistic business practices which result in restricting production and increasing prices.

3. While the Norwegian Government proposes to take all these objectives into account in arriving at basic policies in the Government, it has decided to place some of the burden of carrying out the details of the objectives of paragraph 2 on a new Organization. The Organization shall be independent

and non-political. Its directing authority shall include persons reflecting important elements of Norwegian society, including management and labor, but these persons shall serve in a personal capacity and not as representatives of particular elements. The Organization shall undertake, as rapidly as it can possibly do so, to provide and promote the utilization of professional management and industrial engineering services within individual plants in Norway which subscribe to the objectives of the program set forth in paragraph 2. The Organization shall also have responsibility in the fields of research, training, information, education, and various technical services. While the Organization is not a Government agency, it will be expected that responsible Government departments will look to the Organization for advice and assistance in the areas in which it is competent. Formal details as to the organization, structure and responsibilities of the new productivity Organization are in the course of being determined. All such details will be decided prior to allocation of funds referred to in the next paragraph.

4. The Norwegian Government is prepared to establish this Organization as a non-profit corporation with a capitalization of five million kroner. This capital shall remain intact and shall be invested as stipulated by law for Norwegian trust funds, its yield to be used to cover administrative expenses of the Organization.

5. The United States Government is prepared to allot to the Government of Norway the sum of four million dollars, drawn from the fund related to Section 115(k) of the ECA Act of 1948, 90 percent of the kroner equivalent of which shall be placed in a Special Production Assistance Fund. An additional amount in the kroner equivalent of \$400,000 shall be released in accordance with the purposes of this memorandum, to the Special Production Assistance Fund from the Special Account established under Article IV, para 2 of the Agreement for Economic Cooperation between the Government of the United States and the Norwegian Government. The Fund may receive such other funds (governmental or non-governmental) as may be made available for this purpose from time to time.

6. Expenditures from the Special Production Assistance Fund may be made by the Productivity organization referred to in paragraph 3 for activities of the organization carrying forth the purposes in paragraph 2 of this letter. Expenditure may also be made by the Ministries of Agriculture and Fisheries to the extent stipulated in paragraph 8 for activities of these Ministries which carry forth the purposes outlined in paragraph 2 of this letter. Subject to agreement between the Norwegian Government and the Mutual Security Agency, releases from the Special Production Assistance Fund for specific activities shall be in accordance with a program of work developed by the organization concerned, the general nature of which will at the outset be the subject of special agreement between the organization concerned and the Mutual Security Agency. It is understood that a major portion of the funds in the Special Production Assistance Fund derived from the fund arising under Section 115(k) of the Economic Cooperation Act of 1948 as amended shall be expended for the financing of and in connection with productivity projects within individual enterprises.

7. It is agreed that a certain portion of the Special Production Assistance Fund to be used for financing shall be set aside in a Revolving Fund to which will be made repayment of the principal and payment of interest (less necessary administrative expenses) such payments of principal and interest to be available for further loans for the same purposes. Administrative control of the revolving loan fund shall be established in agreement with MSA. The operation and administration of the revolving fund shall be the responsibility of the board of Tiltaks Fundet, a Norwegian industrial development fund, with final authority resting with the Minister of Industry. The Board will be expected to establish a close relationship in the operation of the revolving fund with the productivity institute. Any applicant for a loan may insist that the board pass on his application. The recipient of loans would be expected to express his adherence to the objectives of this program as set forth in this Memorandum, and would be expected to agree in writing to the principle that the benefits of increased productivity are to be shared out equitably among owners, workers, and consumers in a manner appropriate to the individual case. Recipients of intensive technical assistance

services from the Organization would be expected to agree to the same provision.

8. The Norwegian Government proposes to support and facilitate the activities of the Organization and, to the extent it is appropriate for the Government to do so, it will encourage and facilitate participation by firms, agencies, and institutions in the productivity program, and assist, where appropriate, in the execution of the program. Existing Norwegian law protects against unfair action firms which have been enabled to raise wages or lower prices as a result of their participation in the productivity program of the organization.

9. In addition to the general purposes set forth above, it is agreed that from the total kroner equivalent of four million dollars, there will be reserved for the present the kroner equivalent of three hundred and twenty thousand dollars which will be available to the Government of Norway for its use in making contributions to the European Productivity Agency established by OEEC. If the Norwegian Government makes the contribution to OEEC out of its own funds, this sum shall be available for the productivity program within Norway. Further, it is expected that not more than six million kroner will be available for expenditure through the Ministries of Agriculture and Fisheries for certain programs furthering productivity within the fields of agriculture and fisheries that will be agreed between the Special Mission for Economic Cooperation and the respective Ministry.

10. The United States Government further agrees, subject to legislative authority and availability of funds, and after consultation with the appropriate Norwegian authorities, to advise and assist the Organization and other Norwegian agencies concerned, both public and private, in developing and carrying out a productivity program and specific technical assistance projects, including the provision of such technical assistance as may be requested by the Norwegian Government and as may be appropriate and authorized under the laws of the United States Government and approved by the Mutual Security Agency. In this connection, the Norwegian Government agrees to furnish to the U.S. Government, on request of the Special Mission for Economic

Cooperation, full information as to the status of programs and projects carried out in furtherance of the objectives of this memorandum, including, when appropriate, audit reports of such operations.

11. It is understood that dollars allotted to the Norwegian Government will be available for expenditure subject to the applicable provisions of law and the procedures and policies related thereto concerning foreign aid of the United States, and the provisions of the Agreement for Economic Cooperation between the Norwegian Government and the Government of the United States, dated July 3, 1948, as revised from time to time.

12. It is further understood that upon the signature of this memorandum of understanding, the Mutual Security Agency will make an allotment to the Norwegian Government of four million dollars, including the three hundred and twenty thousand dollars referred to above for the OEEC agency. Signature of the memorandum of understanding on the part of the Norwegian Government is subject to Storting approval. It is understood that should Storting approval not be obtained prior to June 30, 1953 the above-mentioned allotment will be rescinded.

13. Should arrangements provided for by this agreement be terminated, including the Revolving Loan Fund, disposal of any funds remaining, including payments of principal and interest thereon which may accrue thereafter on loans from the Revolving Loan Fund, shall be determined by agreement between the Royal Norwegian Government and the Government of the United States.

/s/ Lars Evensen

/s/ Lloyd K. Larson

May 29, 1953

THE SECTION 115(k) AGREEMENT WITH  
THE GOVERNMENT OF TURKEY

- A. Letter,\* dated January 15, 1953, from the Honorable Leon M. Dayton, Chief, MSA Special Mission to Turkey for Economic Cooperation to His Excellency A. Maydar Gork, Secretary General of the Turkish Organization for International Economic Cooperation.
- pages 128 and 129
- B. Letter, dated May 9, 1953, from Mr. Gork to Mr. Dayton.
- page 130
- C. Letter of Agreement, dated June 25, 1953 from Mr. Gork to Mr. Dayton.
- pages 131 to 134
- D. Appendices A and B to Mr. Gork's letter of June 25, 1953.
- pages 135 to 137

The Section 115(k) Agreement

With Turkey

January 15, 1953

My dear Mr. Gork:

This is with reference to our conversation of January 5, regarding special procedures necessary in the use of counterpart funds accruing from \$1 million of grant aid in addition to the \$45 million minimum aid figure which will be allocated to Turkey to implement Section 516 of the Mutual Security Act of 1951 as amended, and Section 115(k) of the Economic Cooperation Act of 1948, as amended.

The provisions of the above referenced acts are as follows:

Section 516(a) of the Mutual Security Act of 1951 as amended:  
(Text omitted here)

As you will recall, we agreed in our discussions on Monday, January 5th, that we have several preliminary steps to consider in reaching a written agreement for the implementation of a productivity program in Turkey based on, or having as, terms of reference the sections of the U.S. acts quoted in the above. Among these steps are:

a) A clear understanding on the part of the Turkish Government of the conditions under which Moody aid of \$1 million may be allocated.

b) Agreement of the Turkish Government to the following:

Use of the counterpart of the \$1 million of "Moody" funds for special productivity programs including industrial and agricultural productivity, productivity education, training of labor and management in productivity techniques and leadership, for management and labor seminars and the development of an effective productivity board or center, for a productivity program in the existing industrial and consumer goods production plants to decrease cost of production and to share out the savings in production cost with workers managements, and customers.

c) Agreement that a fundamental purpose of this particular program is the improvement of the workers' standard of living.

d) Agreement in principle by the Turkish Government for the use of the TL 2,520,000 (90% of the TL 2,800,000 equivalent of the \$1 million aid) as follows:

TL 2,296,000 for productivity programs within Turkey and TL 224,000 as Turkey's allocation to the proposed C.E.E.C. Productivity Agency.

e) General Agreement to the establishment of a mechanism through which effective steps can be taken to assure that counterpart of the \$1 million of grant aid will be used solely for agreed purposes

Might I suggest that you explore the attitude of the Turkish Government on these points and on the early establishment of a Trust Fund to handle "Moody Counterpart" which would be administered in a manner similar to the Technical Assistance Trust Fund. In my judgment it may be some time before we will have created an effective Productivity Center to carry out the program and administer the funds. We might, therefore, use a Trust Fund to handle the administration and the expenses connected with it until such time as a Productivity Center has been created.

/s/ M. L. Dayton, Chief

May 9, 1953

Dear Mr. Dayton:

I have the pleasure to inform you of our agreement in principle for the use of the TL 2,520,000 (90% of the TL 2,800,000 equivalent to the \$1 million aid program) as proposed in your letter of January 15, 1953.

After studying the problem we have come to the conclusion that some time will be needed in order to create an effective Productivity Center to carry out the program and utilize the funds.

Therefore, we deem it appropriate to set up a Trust fund to handle the administration and the expenses involved, until a Productivity Center can be created.

I would like to inform you that we are prepared to earmark TL 2,296,000 for the above mentioned Trust Fund and TL 224,000 as Turkey's allocation to the proposed O.E.E.C. Productivity Agency.

The future expenditures to be made from this Fund will be mutually determined.

In view of the fact that discussions for determining the details of the Productivity Program will take a long time and thus will not leave us enough time to program and utilize the \$1 million, I consider it appropriate to start programming the \$1 million without any delay.

Looking forward to your prompt and favorable reply, I remain,

/s/ Raydar Gork  
Secretary General

June 25, 1953

Dear Mr. Dayton:

Recognizing the principles outlined in your letter of January 15, 1953:

1. That the development of mutual security and of the collective and individual defenses of the Free World rest in large part on the establishment of a sound and expanding economy, capable of providing progressive increases in living standards.

2. That this broad objective will be furthered by:

a. Stimulation of free enterprise and the expansion of Turkish economy through equitable sharing of the benefits of increased production and productivity between consumers, workers and owners, particularly in the field of small businesses engaged in fabrication and distribution of consumer goods;

b. Encouraging competition among free private enterprises and by discouraging restrictive practices which result in retarding production and increasing prices;

c. Encouraging the development and strengthening of free labor unions in Turkey.

My Government offers the agreement below, for the use of the counterpart funds accruing from the \$1,000,000 of special assistance to be made available under Section 115(k) of the Economic Cooperation Act of 1948, as amended, and in accordance with the provisions of the Mutual Security Act of 1951, as amended. It is understood that the program set forth in the agreement is designed to develop the experience, personnel resources, etc., of Turkey in order that a productivity center can eventually be established and its purposes and related activities effectively carried out.

Now, therefore, it is understood and agreed that:

1. A special Production Assistance Account shall be established to which shall be transferred the 90% counterpart funds arising from the \$1,000,000 of special assistance to be made available by MSA under this program. There will also be trans-

ferred to the Special Production Assistance Account such counterpart as arises on account of Technical Assistance granted by the U.S. Government after January 1, 1953 as well as such other funds as may be transferred from time to time. The funds in this account are to be administered on the same basis as the existing Technical Assistance Trust Fund. It is understood that of the 90% counterpart funds, the counterpart equivalent of eighty thousand dollars will be allotted to the recently established European Productivity Agency and the balance will be used for the program set forth below. The local currency equivalent of 10% of the dollar allotment provided herein will be transferred as is the case of other dollar funds under the Economic Cooperation Act of 1948, as amended, and the Mutual Security Act of 1951, as amended, to the Special Account of the U.S. established for this purpose under Article 4 of the Agreement for Economic Cooperation between the Governments of the United States and Turkey dated 1948.

2. To permit the expeditious initiation of this program, the counterpart funds will be deposited immediately after procurement authorizations have been issued.

3. Funds from the Special Production Assistance Account shall be used for the following programs:

a. A Management Training Program to be carried out in accordance with the attached Appendix A, for which approximately TL 540,000 are to be earmarked.

b. A labor training program to be carried out in accordance with Appendix B for which approximately TL 600,000 are to be earmarked.

c. A portion of the funds to be jointly agreed upon will be earmarked to develop low cost housing and to assist housing cooperatives with a view to introducing more efficient construction techniques and improved finances and administrative procedures.

d. The possibility of also using a portion of the funds for loans or otherwise for the development of small and medium consumer goods industries will be examined.

e. The amount of funds to be used for "c" and "d" immediately above and the terms and conditions applicable thereto will be subject to a later joint agreement.

4. This program will be implemented by the appropriate

Ministeries of the Turkish Government in collaboration with MSA Special Mission for Economic Cooperation to Turkey under the policy guidance of a joint committee composed of the Ministeries of Economy and Commerce, Exploitation, Labor and Education and the Organization for International Economic Cooperation and the Mutual Security Agency. Full information as to the status of the programs and the subjects undertaken pursuant to this agreement will be furnished through the joint committee to the MSA Mission periodically as agreed, or on special occasions as requested by the Mutual Security Agency Mission.

5. The Government of the United States, through the MSA agrees, subject to the availability of funds and personnel, to assist and facilitate the development of the Productivity Program in Turkey by providing upon request of my government such technical assistance as may be appropriate and authorized under the laws of the government of the United States.

6. In order to implement this program expeditiously, we hereby request the MSA Mission, in accordance with paragraph five (5) above, to take immediate steps for the recruitment of specialists required for the Management and Labor Training Programs and for assisting in the development of the low cost housing program. Attached to this agreement are requests for the establishment of appropriate Technical Assistance Projects.

7. It is understood that immediately after signing this agreement, the MSA will allot, subject to the terms and conditions of this agreement, and the Appendices attached hereto, \$1,000,000 of Special Assistance to Turkey. The dollars so allotted will be available for expenditure subject to the applicable provision of law and the procedures and policies related concerning foreign aid of the U.S. and the provisions of the agreement for Economic Cooperation between the Government of Turkey and the United States dated 1948 as revised from time to time.

8. It is planned that the funds made available under this agreement for productivity projects and programs will be implemented and executed within two years of the date of this agreement so that a productivity center can eventually be established, and its purposes and related activities carried out.

9. It is understood that upon the termination of any part of the program covered by this agreement, disposal of any remaining funds shall be determined by agreement between the Turkish Government and the Government of the United States.

If this agreement is acceptable to MSA for implementing the Section 115(k) of the Economic Cooperation Act of 1948, as amended, please indicate your concurrence below. Your signature will thereby constitute the completion of this agreement.

Sincerely yours,

/s/ A. Maydar Gork

I concur:

\_\_\_\_\_ M. L. Dayton

## APPENDIX A

### OUTLINE OF MANAGEMENT TRAINING PROGRAM

#### I. Turkish Government Participation.

The Turkish Government will provide the coordination necessary to the successful continuity of an industrial educational training program. The OIEC will designate one full-time liaison representative, one from the Ministry of Economy and Commerce and one from the Ministry of Exploitation to the Management Engineering Section of your Mission to act on matters of Technical Assistance.

#### II. Education and Training Development Team.

A six-man team of U.S. Management Engineers and Management Training Specialists will come to Turkey to develop, under the direction of your Management Engineering Section, the broad base for continuing the program of industrial education and training. This team will be charged with specific major objectives.

#### III. Creation of a Productivity Center.

The date for the establishment of a Productivity Center may be later mutually agreed upon between the interested Ministries and the MSA, as well as release of funds from the Special Production Assistance Account for the support thereof.

#### IV. Top Management Seminars.

This phase of the program will fit into the generally established pattern previously developed under O.E.E.C in other European countries. The team will be made up of top level American industrialists.

#### V. Middle Management Training.

On the basis of the enthusiasm that should be generated by the seminar among top Turkish managers, it is proposed that the cadre of skilled trainers mentioned above be made available either to individual industries to train directly in plants, or, in the major industrial centers, to train other trainers capable of providing evening or in-plant training to local industries.

## APPENDIX B

### OUTLINE OF THE LABOR TRAINING PROGRAM

It is proposed to train approximately 300 students from the labor movement and workers' representatives, this to be carried out by bringing in 5 persons recruited from the United States in the field of workers' education, i.e., labor management specialists, trade union leadership training specialists, trade union administration, productivity specialist, and one coordinator. In addition to these 5 American specialists 8 qualified Turkish teachers will be needed to instruct the 300 trainees. These teachers will be chosen by the Ministry of Labor in cooperation with the Ministry of Education.

A period of 10 weeks is earmarked at the outset of the program for the briefing and consultation of these teachers with the 5 labor training specialists to be brought to Turkey from the United States.

The trainees will be selected by the Ministry of Labor after consultation with the affected agencies.

It is proposed to carry out this program in 5 central provinces: Istanbul, Ankara, Zonguldak, Izmir and Ceyhan for a period of 8 weeks in each of the central locations.

The courses to be given are as follows:

1. The trade union movement in Turkey, its history and development.
2. Trade union administration, financial records, minutes of meetings, etc.
3. The trade union's relationship to the government, contact with the various government agencies, their functions, etc.
4. The trade union's relationship to the community, welfare organizations, responsibility to and participation in the community.
5. Parliamentary procedure.
6. How to conduct union meetings and the rank and file's participation therein.
7. Turkish labor legislation.

8. How to process and handle grievances, process of mediation and conciliation.

9. The working of labor tribunals and arbitrations.

10. The Confederation's relationship to the syndicate and its constitution, and the individual union's obligations to its membership. The rights of the rank and file to elect leaders of their own choice. How to impeach them in case of violation of their duties and/or oath of office-- or the replacement of a union leader before his term is completed.

11. Free trade union movement in the United States as against the communist-dominated unions behind the Iron Curtain. How to elect leaders under democratic principles.

12. Social and recreational activities in labor unions.

13. Building sound labor organization practice. The responsibility of trade union leaders and representatives.

14. Labor's benefits and responsibilities in increased productivity. Historical background for collective bargaining.

15. Information on the methods of fixing wages in the U.S. job analysis and time study.

All matters which are of interest to both labor and management will be given to the students of both labor and management conducted jointly by Turkish and American specialists of the two programs under the policy guidance of the joint committee. These courses may be subject to alteration on the basis of mutual agreement in the light of experience.

The approximate cost of the program including students' reimbursement for lost wages, teachers' salaries, printing, textbooks, etc, will be approximately TL 600,000.

THE SECTION 115(k) AGREEMENT WITH  
THE GOVERNMENT OF THE UNITED KINGDOM OF  
GREAT BRITAIN AND NORTHERN IRELAND

(Index of Contents)

- A. Letter, dated February 25, 1953, from His Excellency Mr. Anthony Eden, Foreign Minister, to His Excellency Mr. Walter Gifford, the Ambassador of the United States.  
pages 139 to 144
- B. Annex to Mr. Eden's letter of February 25, 1953 to Mr. Gifford.  
pages 145 to 147
- C. Letter of Acknowledgement and Acceptance, dated February 25, 1953 from Mr. Gifford to Mr. Eden.  
page 148

Text of the Section 115 (K) Agreement

With the United Kingdom

February 25, 1953.

"Your Excellency,

I have the honor to refer to the conversations which have recently taken place between representatives of our two Governments relating to the Economic Co-operation Agreement signed at London on the 6th July, 1948, and to Section 9(c) of the Mutual Security Act of 1952 amending Section 115 of the Economic Co-operation Act of 1948. I have also the honor to confirm the understandings set out below, which have been reached as a result of these conversations.

1. The Government of the United Kingdom of Great Britain and Northern Ireland agree that the establishment of a sound and expanding economy capable of providing a progressive increase in living standards is essential to the development of mutual security and of the individual and collective defence of the free world, and they believe that a concrete programme, carried out in the United Kingdom pursuant to the provision of Section 115 (k) of the Economic Co-operation Act of 1948, as amended and of the Section 516 (a) of the Mutual Security Act of 1951, as amended, can make a significant contribution to the achievement of this objective.

2. The Government of the United Kingdom are therefore glad to take this opportunity to put forward certain proposals for projects to be financed with funds deposited in the special account in accordance with Article IV of the said Economic Co-operation Agreement, such funds being the counterpart of aid fund allotted to the United Kingdom under Section 115 (k) of the Economic Co-operation Act referred to in paragraph 1 above. They are satisfied that increase in productivity can only be achieved by industry itself, and, in accordance with the emphasis placed by the Economic Co-operation Act and the

Mutual Security Act on private enterprise, these proposals are designed to meet the responsibility of Government to assist in the provision of services by which industry can help itself to promote research necessary for this purpose, to make what provision it can to give industry encouragement to raise its efficiency, and to provide for cooperative action between government, management and labour, as to enable industry to raise the national production to new heights. Thus, some of the projects put forward call for once-for-all expenditure on the endowment of university studies, research contracts or equipment, or the initiation of services for industry of a kind which it is hoped industry will subsequently be prepared to finance for itself.

3. This programme will be put into effect as soon as possible and is being planned on the basis that the bulk of it will be completed within two or three years. Estimates of the periods for particular items are indicated in subsequent sub-paragraphs. The programme consists of a number of heads under each of which projects can be worked out designed to help to increase the ability and willingness for British industry to produce under fully competitive conditions to the mutual benefit of employers and employed and of the consumer. They are as follows:

(a) Advisory Service. To advise concerns, especially the smaller concerns, on reorganisation and production techniques with a view to increasing productivity and lowering prices. The advisers might be members of the staff of research or business organisations if they specialised in the problems of particular industries, or might work under contract for, say, the British Productivity Council or with the Department of Scientific and Industrial Research if they specialised in techniques applicable to the whole of industry. It is believed that their activities could be spread over a great part of industry and agriculture.

Estimated expenditure during a period of two to three years of counterpart funds from \$1.28 m. (£.457 m.)

(b) Expansion of research into the factors affecting the efficiency of the national economy. This research would

deal with, among other things, such matters as incentives in industry or agriculture, the effects of restrictive practices, and the relative efficiency of competitive and monopolistic enterprise. The programme would range from medical work on, say design of machine controls and industrial fatigue problems, or research into the sociology and social psychology of the relationships between employer, management, and employed to pure economic descriptive, statistical and theoretical work on, for instance, the structure of industry and the structure and practice of trade associations, trade unions and so on. Special emphasis would be given to applied research in these subjects. It would, it is hoped, provide information about a number of points touching the attitude of employers and employed to higher production. Such a programme would be carried out largely under contract by various bodies, including the universities and economic or sociological institutes, the British Institute of Management and other professional and learned bodies.

(c) Promotion of Studies. This proposal includes the promotion of studies in technological subjects at various universities and technical colleges, the training of staff for courses for supervisors, the provision of scholarships, including scholarships for trade unionists, in management subjects. Part of this proposal might take the form of a contribution by endowment to the building up, recently announced by the Government of the U.K. of at least one institution of university rank devoted predominantly to the teaching and study of the various forms of technology, and their application to production processes. These projects would not only help to fill the gap between industrial and agricultural research and its practical application in the factory and farm but also would enable management and labour to gain an appreciation of methods designed to increase productivity.

Estimated expenditure in respect of (b) above during a period of three years and in respect of (c) above during a period of two to three years, of counterpart funds from \$2.8 m. (£ 1.0 m.)

(d) Publicity. It is proposed to give this programme wide publicity, emphasising the contribution it can make to the

achievement of the objectives stated in the paragraphs 1 and 2 above. One effective method would be the organization of local conferences or the showing of exhibits, with the cooperation of industry. As a part of the publicity campaign, but also as part of the training and education courses in particular techniques, arrangements would be made for facilitating the showing in factories, public halls, at conferences and elsewhere, of instructional films, including the films which have been supplied by the Mutual Security Agency. A small number of further films might be made in this country on carefully chosen subjects. The results of the research referred to in sub-paragraph (b) above would also, so far as it is generally applicable, be made available to management, labour, and the public generally.

Estimated expenditure during a period of two to three years of counterpart funds from \$0.5 m. ( $\frac{1}{2}$  178 m.).

(e) Loans to Industry.

1. It is proposed to set up a revolving fund of \$2.8 m. ( $\frac{1}{2}$  1 m.) to be used for short-term loans to industry for equipment and reorganization of plant. In appropriate cases these loans would be used to carry out the recommendations of the Anglo-American Council reports or of the advisers referred to in sub-paragraph (a) above. Producers, processors, and distributors of foodstuffs and agricultural supplies, such as fertilisers, and projects for distribution and marketing of agricultural products would also be eligible.

2. In the administration of the fund advice on the matters referred to in sub-paragraph (3) below would be given by a committee or committees to be created for that purpose including members selected from such national organizations representing both sides of industry as the Federation of British Industries, the National Union of Manufacturers and the Trades Union Congress, possibly through the British Productivity Council. The members would, however, serve as individuals and not as representatives of the bodies from which they were chosen. Guidance on general policy would be given by the interdepartmental Committee hereinafter referred to.

3. The fund would be administered in accordance with terms which would provide, inter alia, that loans should be used to increase production and productivity, with consequent lower prices to consumers, so as to promote an expanding economy capable of providing a progressive increase in standards of living. The importance would be stressed of making these loans available to small and medium-sized enterprises in order to increase the ability of industry to produce under fully competitive conditions: importance would be attached to choosing sound firms likely to be able to market their increased production, and to the necessity, if the loans were to have their maximum utility, of providing means whereby the knowledge and experience gained in suitable cases (such as those in which the money was spent on implementing the recommendations of a productivity report or of the advisers) would be made available to others in a position to benefit from it and whereby the results achieved through higher productivity could be equitably shared.

Estimated expenditure of counterpart funds from \$2.8 m. (£1.0 m.). No period has been set for this operation.

(f) The Government of the U.K. will be prepared to play its part in a productivity agency to be established by the Organization for European Economic Cooperation. Estimated expenditure during a period of three years of counterpart funds from \$0.72 m. (£0.254 m.)

(g) The balance of the counterpart funds to be provided, \$0.9 m. (£0.321 m.) will be distributed, in agreement with the Special Mission to the U.K. of the Mutual Security Agency, among those projects within the above programme on which it would most effectively be used for expenditure within the periods indicated in the appropriate sub-paragraphs.

4. Since the foregoing programme covers a wide range of subjects and involves a considerable number of government departments, the various activities will be coordinated by an inter-departmental Committee. This Committee will be charged with the duty of seeing that the funds allotted are used in conformity with the programme set out above, or any changes subsequently agreed between us, for giving general guidance

in the administration of the loans referred to in sub-paragraph (e) of paragraph 3 above for carrying out forward planning, and for the publicity programme referred to in sub-paragraph (d) of paragraph 3 above. It will also be a function of the inter-departmental Committee to provide the Special Mission to the U.K. of the MSA with periodic reports of progress under the programme so that you may be regularly and fully informed of what it achieves.

5. It is understood that the decision as to the industries or branches of agriculture in which loans would initially be made, as to the general categories of expenditure under the other sections of this programme, and as to the objects of any permanent endowments will be taken in consultation with the Special Mission to the U.K. of the MSA.

6. On the termination of a project or programme referred to in this note, including the revolving loan fund, disposal of any funds remaining, including any payments of principal and interest thereon which may accrue thereafter on loans from the revolving loan fund, shall be determined by agreement between the Government of the United States of America and the Government of the U.K.

7. The amount and timing of dollar allotments to be made and the terms and method of deposit and distribution of counter-part funds under this programme, together with certain procedural arrangements, are contained in the annex to this note, which shall be deemed to be an integral part thereof.

8. The Government of the United Kingdom consider this programme to be of real importance and capable of making a significant contribution to the objectives of the Economic Cooperation Act and the Mutual Security Acts, which they uphold in common with the United States Government. They will encourage and facilitate, by all appropriate means, the widest possible participation by firms, agencies and institutions in this programme.

I should be glad if Your Excellency would confirm that the above understandings are also acceptable to the Government of the United States of America.

/s/ Anthony Eden

ANNEX

1. The Government of the United States will allot \$9 million to the United Kingdom Government during the United States fiscal year 1953 to carry out the terms of this note, in accordance with established procedures for the allotment of other dollar assistance under the Mutual Security Act of 1951, as amended. These dollars will be available for general programme procurement under the established Procurement Authority procedure governing the expenditure of other dollar assistance made available by the United States Government under the said Act.

The above sum will be allotted as follows:

- (a) At the date of the signature of this note: \$5 million.
- (b) Three months after the date of the signature of this note: \$3.28 million.
- (c) Upon the Government of the United Kingdom becoming a party to the productivity agency to be established by the Organisation for European Economic Cooperation provided that such agency is established: \$72 million.

2. The Government of the United Kingdom agree that the local currency counterpart deposits made by them which will accrue, in accordance with the provision of Article IV of the Economic Cooperation Agreement between the Governments of the United Kingdom of Great Britain and Northern Ireland and the United States of America of the 6th July, 1948, as the counterpart fund of the afore mentioned dollar assistance shall be dealt with as follows:

(a) I. On the initial allotment of the dollars referred to in paragraph 1 above, a separate United States/United Kingdom fund will be established, to which will be transferred the local currency equivalent to 90 per cent of the said and successive dollar allotments.

II. The local currency equivalent of 10 per cent of the dollar allotments made in accordance with this note will be

transferred, as is the case with other dollar assistance under the Mutual Security Act of 1951, as amended, to the account of the Government of the United States.

III. To the extent that money is needed before actual accrual of counterpart funds in accordance with this note, transfers will be effected from the existing general 90 per cent counterpart account or from other resources of the Government of the United Kingdom.

IV. The dates and amounts of such transfers of funds will be specified in the formal Mutual Security Agency/W letter allotting dollars in accordance with this note.

(b) The Government of the United Kingdom will transfer to the special funds referred to in sub-paragraph (a) of this paragraph an additional amount of local currency equivalent to \$900,000 derived from counterpart deposits against Technical Assistance dollars expended in the United States fiscal year 1953. To the extent that money is needed before actual accrual of the said counterpart, transfers will be effected from the existing general 90 per cent counterpart account or from other resources of the Government of the United Kingdom.

(c) Releases of counterpart funds from such special United States/United Kingdom fund shall be made only to agreed agencies which have responsibilities in connection with the approved programme in accordance with established procedures governing releases of counterpart funds from the 90 per cent counterpart fund.

3. The revolving loan fund, referred to in sub-paragraph (e) of paragraph 3 of this Note will draw its initial funds from the Special United States/United Kingdom fund, referred to in sub-paragraph (c) of paragraph (2) above. The initial loans from this revolving fund shall be made in accordance with the provisions, particularly sub-paragraph (e) of paragraph 3, of this Note. Any payments on loans made from the aid fund and any net interest earnings which may accrue in connection with such loans will likewise be used to make further loans in accordance with sub-paragraph (e).

4. The total amount of funds expended, in accordance with

this Note, in the field of agriculture will not exceed 30 per cent of the local currency funds which will be available in accordance with its terms.

February 25, 1953

"Sir:

I have the honor to acknowledge the receipt of Your Excellency's Note No.        of today's date, in which you refer to the conversations which have recently taken place between representatives of our two Governments relating to the Economic Cooperation Agreement signed at London on the 6th July, 1948, as amended, and to Section 9(c) of the Mutual Security Act of 1948, as amended, and in which you also confirm certain understandings which have been reached as a result of these conversations. These understandings are set forth in eight numbered paragraphs of the Note and in four numbered paragraphs of the Annex thereto, which is deemed to be an integral part thereof.

In reply I have the honor to confirm that these understandings as set forth in the numbered paragraphs of your Note, including its Annex, also represent the understandings of the Government of the United States of America.

Please accept, Sir, the renewed assurances of my highest consideration."

/s/ Walter Gifford

THE SECTION 115(k) AGREEMENT WITH  
THE ORGANIZATION FOR  
EUROPEAN ECONOMIC COOPERATION CONCERNING  
THE ESTABLISHMENT OF A EUROPEAN PRODUCTIVITY AGENCY

(Index of Contents)

- A. OEEC Document C(53)81(as amended) dated June 17, 1953, being the decision to establish the European Productivity Agency.

pages 150 to 157

- B. Letter, dated June 15, 1953, from Mr. William Batt, Deputy Director for Economic Affairs, Office of the Special Representative in Europe, MSA, to Mr. Robert Marjolin, Secretary-General of the OEEC, concerning the transfer by the United States to the OEEC of \$2.5 million for the purposes of the European Productivity Agency.

pages 158 to 162

- C. Letter, dated June 15, 1953, from Mr. Marjolin to Mr. Batt, acknowledging and accepting the terms and conditions of Mr. Batt's letter.

page 163

- D. OEEC Document C(53)153(Final) dated June 18, 1953, concerning the financing of the European Productivity Agency\*

pages 164 to 167

\*The Annex to this document has not been included.  
See Table II in the Introduction.

ORGANISATION FOR EUROPEAN  
ECONOMIC CO-OPERATION

---

Paris, 27th March, 1953

C(53)81 (as amended)

Scale 1.

Or. Engl.

COUNCIL

DECISION OF THE COUNCIL

CONCERNING THE ESTABLISHMENT OF A  
EUROPEAN PRODUCTIVITY AGENCY.

(Adopted by the Council at its 209th Meeting,  
on 24th March, 1953)

The Council

Having regard to Articles 2, 8, 13(a) and 15(c) of the Convention for European Economic Co-operation of 16th April, 1948 (hereinafter referred to as the "Convention");

Having regard to Supplementary Protocol Nos. I and II to that Convention;

Considering that under the said Convention the Member countries have pledged themselves, for the attainment of its aim, to promote with vigour, both individually and collectively, the development of production through efficient use of the resources at their command, and by making the fullest and most effective use of their available manpower;

Considering that, in conformity with the provisions of the United States Mutual Security Act of 1951, as amended and, in particular, with Sections 115(k) and 516(a) of that Act, the Government of the United States of America has indicated its willingness to provide financial aid to the Organisation towards the attainment of the same aim;

Considering the need to promote an expanding economy as the source of economic strength and of improved living standards in Europe;

Realising that ultimately increase in productivity can be attained only in individual enterprises - be they in industry, commerce, or agriculture - and that national productivity centres, whether private or governmental, have a great part to play in this respect;

Desirous of establishing, to these ends, within the framework of the Organisation, a European Productivity Agency, which, in accordance with Article 12(a) of the Convention, would draw up and promote a European Productivity Program with a view to preparing and implementing the collective action and facilitating, promoting, and co-ordinating the individual action of the Member countries in the field of productivity;

Having regard to the Report of the Ad Hoc Working Party of the Council of 12th March, 1953, on the European Productivity Agency [C(53)69];

Having regard to the Resolutions of the Council of 16th and 20th March, 1953, concerning that Report;

Having regard to the Report of the Productivity and Applied Research Committee of 18th March, 1953 [C(53)84];

On the proposal of the Productivity and Applied Research Committee;

DECIDES:

#### Article 1

##### European Productivity Agency

There is established hereby within the framework of the Organisation a European Productivity Agency (hereinafter referred to as the "Agency"). It shall be operated under the authority of the Council by the Productivity and Applied Research Committee (hereinafter referred to as the "Committee") and the Secretary-General, assisted by an Advisory Board.

## Article 2.

### Purposes of the Agency.

(a) The purposes of the Agency, in conformity with Article 12(a) of the Convention, shall be to seek, develop, and promote the most suitable and effective methods for increasing productivity in individual enterprises, in the various sectors of economic activity in the Member countries, and over the whole field of their economies. To this end, it shall undertake and promote measures tending to the acceptance and adoption of the best and most modern techniques and to the removal of factors limiting their adoption.

(b) In carrying out these purposes the Agency shall be guided by the principles that competition should be encouraged while any business practices which result in decreased production and higher prices should be discouraged; that the benefit obtained through an increase in productivity should be shared to the mutual benefit of consumers, owners and workers, and that co-operation of management and labour organizations, where there is goodwill on both sides, will promote these purposes.

(c) In the attainment of its purposes the Agency shall, in agreement with Member or Associated Governments concerned, co-operate with and seek to strengthen and support national and international organisations having the same purposes.

(d) For the attainment of the purposes of the Agency, the Council shall adopt each year a Programme of Action for implementation by the Agency.

## Article 3.

### Productivity and Applied Research Committee

(a) The Committee shall be concerned with all matters relating to the purposes of the Agency. It shall consider general questions of policy in matters of productivity and make appropriate proposals to the Council. It shall have, in particular, the powers and tasks defined in paragraphs (b) (c) and (e) of this Article and shall exercise such other

powers as may be delegated to it by the Council. It shall exercise its functions in accordance with the Decisions and Resolutions of the Council.

(b) The Committee shall approve Projects proposed under the Programme of Action for the Agency in accordance with Article 5(b) (ii).

(c) The Committee shall consider and transmit, with its comments and conclusions, to the Council

(i) The Programme of Action for the Agency submitted by the Secretary-General;

(ii) The estimates for operational expenditure which form part of the Budget of the Agency;

(iii) Proposals of Projects which require the approval of the Council in accordance with Article 5(b) (i).

(d) Decisions of the Committee relating to the approval of a Project referred to in paragraph (b) of this Article shall be taken by a majority of its Members present and voting, provided always that

(i) The Member within the territory of which the Project is to be carried out may object to its approval; and that

(ii) Any Member may request the Committee that the decision on such a Project should be taken by the Council on the grounds that it seriously affects the interests of that Member or of the Organisation. It shall set out these grounds in a Memorandum submitted at the time the request is made. The Committee shall report on the Project to the Council which shall consider the matter within a week from the date of the request.

(e) The Committee shall make each year a report to the Council on the activities of the Agency.

(f) The Committee may set up such sub-committees and working parties as are required for the performance of its functions.

#### Article 4.

##### Advisory Board.

(a) The Advisory Board shall consist of members appointed by the Council every two years on the proposal of the Committee, chosen in their personal capacity and not as representatives of Governments or specific national or international interests or institutions, from among nationals of Member or Associated countries who have a high standing in the field of productivity. The Committee shall from time to time make proposals to the Council as to the number of members of the Advisory Board.

(b) The Advisory Board shall advise the Committee and the Secretary-General on the work of the Agency, and, in particular, on its public relations and its long term policy. It may report through the Committee to the Council.

(c) The Advisory Board shall meet at least twice a year.

#### Article 5.

##### The Secretary-General.

(a) As part of his functions under the Convention, the Secretary-General shall ensure the elaboration and execution of Projects in implementation of the annual Programme of Action for the Agency.

(b) For the execution of such Projects the Secretary-General shall seek the approval of

(i) the Council, if the estimated cost of the Project exceeds

1. 70% of the total budgetary allocation to the subject under which it falls; or

2. 15,000,000 Fr. francs;

whichever represents the larger amount; and of

(ii) the Committee, if the estimated cost of the Project exceeds

1. a percentage of the total budgetary allocation to the subject under which it falls, which shall be determined in the Budget of the Agency for each subject but which shall not be less than 5%; or

2. 5,000,000 Fr. francs;

whichever represents the larger amount.

(c) The Secretary-General shall seek the confirmation of the approval by the Committee or the Council, as the case may be, if after prior approval, he considers that in the light of subsequent events the expenditure chargeable to the Budget is likely to exceed by 20% or more the original estimate.

#### Article 6.

##### Special Assets of the Agency

(a) The expenditure of the Agency shall be defrayed from special assets of the Organisation which are earmarked for the Agency. They shall consist of:

(i) allocations made from the assets of the Organisation to the Budget of the Agency;

(ii) contributions made by the Government of the United States of America to the Organization for the Agency;

(iii) special contributions made to the Organisation for the Agency by the Governments of the Member countries; and

- (iv) other contributions made to the Organisation for the Agency.
- (b) The Secretary-General shall be authorized:
- (i) to receive for and on behalf of the Organisation funds, contributions or other assistance destined for the Agency from any of the sources indicated in paragraph (a);
  - (ii) to enter into commitments in respect of, and to make expenditures from, the special assets of the Organisation earmarked for the Agency for the implementation of its Programme of Action as authorized by its Budget.

#### Article 7

##### Budget and Accounts

(a) The estimates of expenditure of the Agency (referred to in this Decision as its "Budget") shall form part of the Budget of the Organisation and shall be composed of two parts:

- (i) estimates for operational expenditure of the Agency; and
- (ii) estimates of all other expenditure.

(b) The accounts of the Agency shall form part of the accounts of the Organisation.

#### Article 8

Articles 1 to 8 of this Decision shall be referred to as the "Constitution of the European Productivity Agency".

#### Article 9

The provisions of this Decision shall take effect as from 1st May, 1953.

Article 10

The Council shall review the provisions of this Decision a year after the Agency has begun its activities.

June 15, 1953.

The Honorable  
Robert Marjolin  
Secretary General for O.E.E.C.  
Chateau de la Muette  
2 rue Andre Pascal  
Paris XVI

My dear Mr. Marjolin:

1. I am advised that the Council of the Organization for European Economic Cooperation on March 25, 1953, determined to establish within the Organization as of May 1, 1953, subject to the policy and political control of the Organization, a European Productivity Agency. It is my understanding that the purposes, powers, functions and responsibilities of the Agency are those set forth in O.E.E.C. document C(53) 81, as amended June 15, 1953. Accordingly, it is our understanding that the powers, functions, and responsibilities of the Agency are in all respects consistent with and will promote the purposes and objectives of the related United States legislation, namely, Section 115(k) of the Economic Cooperation Act of 1948, as amended, and Section 516(a) of the Mutual Security Act of 1951, as amended, which is the legislation pursuant to which the United States is authorized to contribute funds to the Agency. It is my understanding that the Agency is to assume active leadership in establishing and directing in Europe a program for the increase of productivity in that area as a means of augmenting production, supporting greater economic strength, and securing a higher standard of living for all.

It is my further understanding that Member countries propose to make contributions, which it is hoped will reach a total value of around \$7,500,000 to the Agency to carry out the purposes and objectives noted above, that the Organization itself proposes to furnish certain support for the Agency's activities from its general budget and that the Agency will be authorized to accept contributions from non-governmental sources.

2. As you may know, Section 115(k)(2) of the Economic Co-operation Act of 1948, as amended, authorizes the Director for Mutual Security to transfer a sum not exceeding \$2,500,000 to the Organization for European Economic Co-operation to be used on terms and conditions to be specified by the Director, in order to promote the objectives of Section 516(a) of the Mutual Security Act of 1951, as amended. On behalf of the Director, I am authorized to inform you that, in the light of the formation of the Agency with the objectives noted above, the United States Government is prepared to transfer to the Organization for the exclusive use of the Agency, up to \$2,500,000 under the following terms and conditions:

- (A) The Agency will use the funds so transferred in accord with the provisions of the decision of the Council embodied in O.E.E.C. document C(53)81, as amended June 15, 1953.
- (B) Member countries of the Organization shall contribute for the use of the Agency and without conditions other than those specified in C(53)81, as amended June 15, 1953, currencies of which, without further governmental agreement, a portion equivalent to the United States dollar contribution may be freely transferred to any country within E.P.U. monetary area.
- (C) The contributions of the United States and Member countries under (a) and (b) shall so far as possible be used to support a programme of approximately three years' duration.
- (D) These contributions by the United States and member countries shall be used in part to carry out productivity projects in the field of food and agriculture.
- (E) The funds held by the Organization for the account of the Agency will be treated as international funds and will be held in such manner so that such funds shall not be subject to garnishment, attachment, seizure, or other legal process by any person, firm, agency, corporation, organization or government.

(F) Reports on a quarterly basis shall be provided the United States Government describing the activities undertaken and the details of its financial activities during the quarter under review. The Agency will also make adequate arrangements for the provision to the United States Government of information on a current basis as to the activities of the Agency.

A comprehensive financial report shall be provided on an annual basis under the auditing procedures of the Organization and certified by a public accounting firm selected by it. Such report will be forwarded to the United States Government within one hundred and twenty days after the termination of the fiscal year to which the report applies.

(G) The intentions of the United States Government expressed in this letter are based on the terms and authority of the Agency as now specified and the actions of the United States Government in assisting the European Productivity Agency must, like all other actions taken by the Government in furtherance of the Foreign Aid Programs of the United States, be taken in conformity with the intentions of the Congress of the United States as specified in the related enactments, including Section 516(a) of the Mutual Security Act of 1951 as amended and Section 115(k) of the Economic Cooperation Act of 1948 as amended. In consequence, the United States Government expects that any decision modifying the purposes or functions of the Agency that is made during the period of United States assistance to the Agency would not be made without prior concurrence of the United States.

(H) In the event that the Organization should liquidate the Agency, or alter substantially its purposes or functions without concurrence of the United States Government before the funds committed by the United States hereunder and the counterpart funds committed by the member countries have been fully expended, actual expenses of the Agency during its existence together with necessary expenses of liquidations shall be apportioned among the contributing countries, including the United States in

proportion to the amount committed by them to the Agency. Thereafter, the remaining funds committed to the Agency will be put to such use by or through the organization as will further the purposes for which the European Productivity Agency was established as the Organization for European Economic Cooperation and the United States shall agree, or, in the absence of agreement and upon notice by either, the O.E.E.C. or the United States, the Organization:

- (i) shall make no further withdrawals from the special account in the U.S. Treasury referred to in paragraph (I)(ii) below, and any further balance remaining in the account shall revert to the United States.
  - (ii) any amount remaining from funds committed by the member countries (as referred to in paragraph 2(b) above) shall revert to the respective contributing countries to be expended in accordance with the provisions of the agreements between these countries and the United States relating to aid furnished pursuant to Section 115(k) of the Mutual Security Act of 1951, as amended.
- (I) The dollar contribution of the United States will be made available under the following procedures:
- (i) The Secretary-General of the OEEC shall certify to the Mutual Security Agency that the European Productivity Agency has been established, and request issuance, prior to June 30, 1953 of a Technical Assistance Authorization for \$2,500,000.
  - (ii) Upon certification by the Secretary-General of the OEEC that Member countries of the Organization have committed themselves to contribute for its unrestricted use in accordance with C(53)81, as amended June 15, 1953, currencies which may be fully transferred to any country within the EPU monetary area in any amount at least equivalent to any contribution requested of the United States, the United States will from time to time through 30th June, 1953, deposit in a special United States

Treasury account in the name of the Organization for the use of the Agency a sum or sums of dollars equal to such requested contribution, but in no event exceeding a total of \$2,500,000.

- (iii) Withdrawals from this account in instalments not exceeding \$250,000 each may be made by OEEC upon certification by a duly authorized officer of the Organization that:
- (a) Funds are to be used solely for purposes which are included in the program and budget of the Agency which are in conformity with paragraph 2(A) of this letter.
  - (b) Total withdrawals from the United States Treasury account (including the instalment in question) do not exceed by more than \$500,000 actual expenditures from the funds contributed by member countries, which may be fully transferred to any country within the EPU monetary area.
  - (c) The funds requested are required to meet current EPA commitments, obligations and needs.

Upon receipt of a certification in the above terms, money will be transferred to a special account of the Organization maintained solely for funds of the Agency in such depository bank as shall be designated in the certification by the Organization.

3. If the OEEC is prepared to accept the conditions applicable to the contribution and desires to request a Technical Assistance authorization as indicated in paragraph (I)(i) above, I should appreciate your advising me of this at your earliest convenience, on or before June 15, 1953.

Sincerely yours,

/s/ William L. Batt  
Acting Deputy for Economic Affairs

15th June, 1953

The Honourable William L. Batt,  
The Acting Deputy for Economic Affairs of the  
United States Special Representative in Europe  
P a r i s

Sir,

I have the honour to acknowledge herewith, on behalf of the Organization for European Economic Cooperation, the receipt of your letter of 15th June, 1953, concerning the transfer to the Organization for the exclusive use of the European Productivity Agency of 2,500,000 U.S. dollars, on the terms and conditions set out therein.

This letter was, as you are aware, considered by the Council of the Organization at its meeting held today, and in pursuance thereof the Council adopted the Decision concerning the Financing of the European Productivity Agency, a copy of which I beg to enclose herewith.

The Council welcomed the proposals made by you and has, by the terms of this Decision, instructed me to accept, on behalf of the Organization, the offer contained in your letter as well as the terms and conditions laid down in it.

I have the honour to be, Sir,

Your obedient Servant,

/s/

Robert Marjolin  
Secretary-General

Paris, 18th June, 1953

C(53)153(Final)

Scale 1

Or. Fr./Engl.

COUNCIL

DECISION OF THE COUNCIL

CONCERNING THE FINANCING OF

THE EUROPEAN PRODUCTIVITY AGENCY

(Adopted by the Council at its 216th Meeting,  
on 15th June, 1953)

The Council

Having regard to Articles 13(a) and (b) of the Convention for European Economic Co-operation of 16th April, 1948;

Having regard to the Decision of the Council of 24th March, 1953, as amended concerning the Establishment of a European Productivity Agency (hereinafter referred to as the "Agency") C(53)81(Final) and, in particular, Article 6(a) of that Decision;

Considering the Letter addressed on 15th June, 1953, by the United States Special Representative in Europe to the Secretary-General C(51)151, in which he states that the United States Government is prepared, on certain terms and conditions, to make a contribution to the Organisation of an amount not exceeding 2,500,000 United States dollars, convertible into any currency, to be used for the purposes of the Agency, which shall be made available to the Organisation provided Member countries commit themselves to make contributions

for those purposes, in currencies fully transferable within the monetary area of the European Payments Union, which, in their aggregate, amount at least to the contribution to be made by the United States Government;

Considering that these contributions are intended to finance a program of at least three years and that, as this program is of interest to a number of Member countries not called upon to pay these contributions, the Organisation has resolved to participate in its financing through annual allocations to be made from the assets of the Organisation;

Recognizing that it is desirable that these allocations should not be less than the expenditure authorised by the Organisation under the heading of productivity during the fiscal year 1952-1953;

INSTRUCTS the Secretary-General to accept, on behalf of the Organisation, the offer contained in the said Letter by the United States Special Representative in Europe, as well as the terms and conditions laid down in it;

DECIDES:

1. The Budget of the Organisation for the Financial Year 1953-54 shall contain an allocation of 150 million French francs to be made from the assets of the Organisation for the purposes of the Agency.

2. (a) The Member countries listed in the Annex to this Decision shall make special contributions to the Organisation for the Agency which shall be equal to:

- (i) the amounts indicated in that Annex for Member countries which shall make their payments as soon as the Decision enters into force; or
- (ii) 8% of the Counterpart Funds deposited in application of Agreements entered into for this purpose with the United States Government, for Member countries which shall make

their payments as soon as the said Counterpart Funds are deposited.

(b) Of each of the special contributions provided for in sub-paragraph (a), not less than one-third shall be made in transferable currency, that is to say, in a currency fully transferable to any country within the monetary area of the European Payments Union.

(c) The portion of the special contributions not covered by the provisions of sub-paragraph (b) shall be administered by the Secretary-General for all legitimate purposes of the Agency in accordance with general principles to be agreed between the Organisation and the contributing Member countries. It shall be expended solely in the currency of the contributing Member country, save insofar as that country may agree to permit its expenditure in the currency of another Member country.

3. The Secretary-General shall add to the Annex to this Decision the name of any other Member country which informs him that it is prepared to make a special contribution, stating its amount and the transferable proportion thereof. He shall inform the Council of any addition to be made to that Annex under this paragraph.

4. Allocations and special contributions provided for in paragraphs 1 and 2(a), together with the contribution from the United States Government, referred to in the Preamble to this Decision, shall be made to the special assets of the Organisation earmarked for the Agency and shall provide for expenditure of the Agency incurred during a period of terminating not earlier than 30th June, 1956.

5. The Secretary-General shall submit to the Productivity and Applied Research Committee quarterly reports on the activities during the quarter under review. These reports, as well as the comments of the Committee, shall be officially transmitted to the United States Government.

6. Upon termination of the activities of the Agency the net amount of the expenditure incurred on its behalf shall be allocated as between the countries which have committed themselves

to make contributions, including the United States of America, in proportion to the total amount of their contributions. Countries which have made payments in excess of their share in the expenditure thus established, shall be reimbursed, and the other countries shall be called upon to make an additional payment provided that no Member country shall have to pay, in aggregate, an amount of transferable currency in excess of the portion of its special contribution defined in paragraph 2(b).

ANNEX I

THE SECTION 115(k) AGREEMENT WITH  
THE UNITED KINGDOM  
CONCERNING PROGRAMS TO BE CARRIED OUT  
IN THE TERRITORIES OF  
UGANDA AND TANGANYIKA

(Table of Contents)

- A. Letter, dated June 24, 1953, from the Right Honorable Selwyn Lloyd, Foreign Office, to the Honorable Lincoln Gordon, MSA Special Mission to the United Kingdom.  
pages 171 to 176
- B. Letter of concurrence and acceptance, dated June 24, 1953, from Mr. Gordon to Mr. Lloyd.  
page 177

PREVIOUS PAGE BLANK

TEXT OF THE SECTION 115(k) AGREEMENT

WITH THE UNITED KINGDOM

REGARDING UGANDA AND TANGANYIKA

Foreign Office  
Downing Street  
London, S.W. 1  
June 24, 1953

The Honourable Lincoln Gordon  
MSA Special Mission to the United Kingdom  
American Embassy  
London W. 1, England

Dear Mr. Gordon:

Conversations have recently taken place between representatives of our two Governments relating to the Economic Cooperation Agreement signed at London on the 6th of July, 1948, as amended, and to Section 9(c) of the Mutual Security Act of 1952, amending Section 115 of the Economic Cooperation Act of 1948. I now write to confirm on behalf of the Government of the United Kingdom of Great Britain and Northern Ireland the understandings set out below, which have been reached as a result of these conversations.

1. The Government of the United Kingdom and the Government of the United States of America consider that a programme carried out in the Uganda Protectorate and in Tanganyika, being British territories to which said Economic Cooperation Agreement extends, pursuant to the provisions of Section 115(k) of the Economic Cooperation Act of 1948, as amended, and of Section 516(a) of the Mutual Security Act of 1951, as amended, may make a significant contribution to the achievement of the objectives set out in these Sections.

2. The Government of the United Kingdom are satisfied that the accomplishment of the objectives mentioned in paragraph 1 requires an increase in the productivity of the economies of the territories, an increase in the supply of skilled labor in

the territories, the increased participation of Africans in industry as either entrepreneur or employee, and the greater efficiency of native production, especially in the field of industry, and that the aim of increased efficiency in turn requires improvement in the organisation of plant and in the technical methods of production. The Government of the United Kingdom are satisfied, furthermore, that cooperation between all elements of the community in the territories -- labor, management and government -- is essential to the success of a programme designed to achieve these objectives.

3. The Government of the United Kingdom have therefore proposed the creation of a revolving loan fund in the Uganda Protectorate and in Tanganyika of approximately £100,000 in each case, to be constituted with funds deposited in the Special Account in accordance with Article IV of the said Economic Cooperation Agreement, such funds being the counterpart of aid funds allotted to the United Kingdom under Section 115(k) of the Economic Cooperation Act referred to in paragraph 1 above. The revolving loan funds will be used in accordance with the following conditions:

- (a) The revolving loan funds will be used for short-term loans to African firms or enterprises for equipment and reorganization of plant. Producers, processors, and distributors of food-stuffs and agricultural supplies, such as fertilisers, and projects for distribution and marketing of agricultural products will also be eligible.
- (b) In each territory the revolving loan fund will be administered by a body, which will include unofficial representation, to be established by the Government of the territory. In each territory there will be appropriate African participation in the administration of the revolving loan fund.
- (c) The revolving loan funds will be administered in accordance with terms which will provide, inter alia, that loans should be used to increase production and productivity, with consequent lower prices to consumers, so as to promote an expanding economy capable of providing a progressive increase in standards of

living. The importance will be stressed of making these loans available to small and medium-sized undertakings in order to increase the ability of industry to produce under fully competitive conditions; importance will be attached to choosing sound undertakings likely to be able to market their increased production, and to the necessity, if the loans are to have their maximum utility, of providing means whereby the knowledge and experience gained in suitable cases will be made available to others in a position to benefit from it and whereby the results achieved through higher productivity can be equitably shared among all elements of the community in the territories.

- (d) Borrowers who receive loans from the revolving loan funds will be furnished with the technical assistance necessary to the best use of the borrowed funds. Such technical assistance will therefore promote the achievement of the objectives cited in the earlier numbered paragraphs of this letter and at the same time improve the ability of the borrowers to repay the sums borrowed so that they will again become available for loans to others.

4. The Government of the United Kingdom will provide the Special Mission to the United Kingdom of the Mutual Security Agency with quarterly reports to be rendered within forty-five days after the end of each quarter on the employment of the revolving loan fund in each territory so that the Government of the United States may be regularly and fully informed of the status, operations, and achievements of the revolving loan funds until such time as the Government of the United States shall indicate their desire to terminate the receipt of the said quarterly reports.

5. The decision as to the industries or branches of agriculture in which loans will originally be made will be taken in consultation with the Special Mission to the United Kingdom of the Mutual Security Agency. Periodic meetings will be held by representatives of the Government of the United Kingdom with representatives of the Special Mission to the United Kingdom of the Mutual Security Agency to discuss the operations of the revolving loan funds until such time as it may be agreed between the two Governments to discontinue such meetings.

6. Either or both of the revolving loan funds may be terminated by agreement between the two Governments. On such termination, disposal of any funds remaining in the fund or funds terminated, including any payments of principal and interest thereon which may accrue thereafter on loans from the fund or funds terminated, shall be determined by agreement between the Government of the United States and the Government of the United Kingdom.

7. (a) The Government of the United States will allot \$625,000 to the Government of the United Kingdom during the United States fiscal year 1953 to carry out the terms of this letter, in accordance with established procedures for the allotment of other dollar assistance under the Mutual Security Act of 1951, as amended. This allotment will be made at the date of signature of this letter. These dollars will be available for general programme procurement under the established Procurement Authority procedure governing the expenditure of other dollar assistance made available by the Government of the United States under the said Act.

(b) The Government of the United Kingdom have agreed that 90% of the local currency counterpart of the dollar sum set forth in sub-paragraph (a) above will be designated in equal portions for the revolving loan fund of each of the territories mentioned in paragraph 3 above.

(c) The Government of the United Kingdom have agreed that the local currency counterpart deposits made by them which will accrue in accordance with the provisions of Article IV of the said Economic Cooperation Agreement as the counterpart fund of the aforementioned dollar assistance shall be dealt with as follows:-

(i) On the date of allotment of the dollars referred to in sub-paragraph (a) above, a separate United States/United Kingdom fund will be established to which will be transferred the local currency equivalent to 90% of the said allotment. The date and amount of such transfer of funds will be specified in the formal letter from the Mutual Security Agency in Washington allotting dollars in accordance with this letter.

(ii) The local currency equivalent of 10% of the dollar allotment made in accordance with the other dollar assistance under the Mutual Security Act of 1951, as amended, to the account of the Government of the United States,

(d) Releases of counterpart funds from such special United States/United Kingdom fund shall be made only to bodies agreed in accordance with sub-paragraph (b) of paragraph 3 above.

(e) The revolving loan funds referred to in paragraph 3 above will draw their initial funds from the special United States/United Kingdom fund referred to in sub-paragraph (c)(i) above. Any payments on loans made from the said funds and any net interest earnings which may accrue in connection with such loans will likewise be used to make further loans in accordance with paragraph 3 above.

(f) The total amount of funds expended in accordance with this letter for loans for projects falling within the scope of the second sentence of sub-paragraph (a) of paragraph 3 above will not exceed 30% of the local currency funds which will be available in accordance with its terms.

(g) The revolving loan funds created hereunder will at all times be separately accounted for and will retain their separate identity.

8. In the event that either or both of the revolving loan funds described in paragraph 3 above do not come into being, the Government of the United Kingdom will refund to the Government of the United States any dollars received by the Government of the United Kingdom pursuant to the arrangements set out above, that is, should one such fund not be established, \$312,500 or such lesser amount as may have been received in respect of the fund not established, or should neither fund be established, \$625,000 or the total amount received pursuant to the arrangements set out above, should that amount be less than \$625,000, and the Government of the United States will refund to the Government of the United Kingdom the sterling equivalent of 10% of such dollar amount

and will agree to the release to the Government of the United Kingdom from the funds in the special United States/United Kingdom account established under sub-paragraph (c) (i) of paragraph 7 above of the sterling equivalent of 90% of such dollar amount.

9. Wherever the words "Special Mission to the United Kingdom of the Mutual Security Agency" occur in the numbered paragraphs above, they shall be deemed to include any other agency which the Government of the United States may appoint.

I would be glad if you would confirm that the understandings set out above also represent the understandings of the Government of the United States of America.

/s/ Selwyn Lloyd

Mutual Security Agency  
Special Mission to the  
United Kingdom  
American Embassy  
London, W. 1  
June 24, 1953

The Rt. Hon. Selwyn Lloyd  
Foreign Office  
Downing Street  
London, S. W. 1

Dear Mr. Lloyd:

I write to acknowledge and thank you for your letter of the 24th of June, 1953 about the understanding reached in recent conversations between representatives of our two Governments about a program pursuant to the provisions of Section 115(k) of the Economic Cooperation Act of 1948, as amended, and of Section 516(a) of the Mutual Security Act of 1951, as amended, to be carried out in the Uganda Protectorate and in Tanganyika.

In reply I am able to confirm that the understanding set out in the nine numbered paragraphs of your letter also represent the understanding of the Government of the United States of America.

/s/ Lincoln Gordon  
Chief of Mission

ANNEX II

The Text of Section 9(c) of the Mutual Security  
Act of 1952 Amending Section 115 of the  
Economic Cooperation Act of 1948, as amended.

Section 115 of the Economic Cooperation Act as amended, is amended by adding at the end thereof a new subsection as follows: (k) Of the funds appropriated pursuant to Section 101(a)(2) of the Mutual Security Act of 1951, as amended. (1) \$100,000,000 shall, to the maximum extent practicable consistent with the accomplishment of the policies and purposes of the Mutual Security Act of 1951, as amended, be expended in such manner and subject to such agreements as may be necessary to assure that the amounts of local currencies deposited under subsection (b)(6) as a result of such expenditure shall be used exclusively, in accordance with principles developed by the Administrator, to establish revolving funds which shall be available for making loans, and otherwise to carry out programs in furtherance of the objectives of section 516 of the Mutual Security Act of 1951, with a view to stimulating free enterprise and the expansion of the economies of those countries with equitable sharing of the benefits of increased production and productivity between consumers, workers, and owners; and (2) the Director for Mutual Security is authorized to transfer not exceeding \$2,500,000 to the Organization for European Economic Cooperation, to be used on terms and conditions to be specified by the Director in order to promote the objectives of Section 516 of the Mutual Security Act of 1951, as amended.

ANNEX III

The Text of Section 516(a) of the  
Mutual Security Act of 1952

It is hereby declared to be the policy of the Congress that this Act shall be administered in such a way as (1) to eliminate the barriers to, and provide the incentives for, a steadily increased participation of free private enterprise in developing the resources of foreign countries consistent with the policies of this Act, (2) to the extent that it is feasible and does not interfere with the achievement of the purposes set forth in this Act, to discourage the cartel and monopolistic business practices prevailing in certain countries receiving aid under this Act which result in restricting production and increasing prices, and to encourage where suitable competition and productivity, and (3) to encourage where suitable the development and strengthening of the free labor union movements as the collective bargaining agencies of labor within such countries.