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EXTENSION OF THE
EUROPEAN RECOVERY PROGRAM

REPORT
OF THE
COMMITTEE ON FOREIGN AFFAIRS
ON
H. R. 3748

A BILL TO AMEND THE ECONOMIC
COOPERATION ACT OF 1948



MARCH 25, 1949.—Committed to the Committee of the Whole House
on the State of the Union and ordered to be printed

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EXTENSION OF THE EUROPEAN RECOVERY PROGRAM

MARCH 25, 1949.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

Mr. KEE, from the Committee on Foreign Affairs, submitted the following

REPORT

[To accompany H. R. 3748]

The Committee on Foreign Affairs, to whom was referred the bill (H. R. 3748) to amend the Economic Cooperation Act of 1948, having considered the same, report favorably thereon without amendment and recommend that the bill do pass.

I. THE OCCASION FOR THE LEGISLATION

Purpose of the bill.—The bill amends the Economic Cooperation Act of 1948 (title I of Public Law 472, 80th Cong.) so as to extend the European recovery program an additional 15 months. It authorizes in section 8 (a) appropriation of \$1,100,000,000 for the period April 3 to June 30, 1949, and \$4,280,000,000 for the fiscal year 1950. These authorizations are discussed on pages 14–19 of this report. It also authorizes in section 6 (c) a public-debt transaction of \$273,300,000 to be available for guaranties of American investment in projects helpful to the European recovery program. This is discussed on page 21 of this report. Other principal items, their location in the bill, and the pages on which they are discussed in this report, are as follows:

An expanded program for investment guaranties (sec. 6 (b) (1), (4), and (5); see pp. 20–22 below).

Extension and modification of guaranties of informational media (sec. 6 (b) (2) and (3); see p. 22 below).

Authorization for interim advances by the Reconstruction Finance Corporation (sec. 8 (b); see p. 22 below).

Extension of availability of unobligated and deobligated funds beyond April 3, 1949 (sec. 8 (a) (1); see p. 22 below).

Inclusion of unification and federation of Europe in the basic policy of the bill (sec. 1; see pp. 10–12 below).

Modification of counterpart fund requirements to permit exceptions in certain cases and to reserve a portion thereof for the United States (sec. 9 (a) and (b); see pp. 23-25 below).

Clarification of requirements for shipment of a portion of cargo in United States flag vessels (sec. 6 (a); see pp. 25-26 below).

Clarification of transportation subsidy for relief shipments by voluntary agencies (sec. 9 (b); see p. 26 below).

Repeal of the requirement for shipping in the form of flour 25 percent of grant-financed wheat exports (sec. 7 (a); see pp. 26-27 below).

Requirement for getting advance procurement information to the trade (sec. 7 (c); see p. 28 below).

Requirement for policing prices on commodity transactions (sec. 7 (d); see p. 28 below).

Charter of 10 United States ships to help Italian emigration (sec. 10 (c); see p. 29 below).

Wider participation of the Administrator in strategic materials programs (sec. 9 (b); see p. 29 below).

Salary adjustments and raising of status of certain administrative officials (secs. 2, 4, and 5; see pp. 31-32 below).

A section-by-section analysis of the bill is included as appendix III of this report (pp. 55-59); compliance with the Ranseyer rule is included as appendix IV (pp. 59-73).

The necessity of a reappraisal.—A synopsis of events in the development and execution of the European recovery program is included in appendix I for the benefit of those who wish a complete recital. Here it is necessary only to recall that in reporting to the House in the Eightieth Congress the legislation establishing the European recovery program, this committee commented:

* * * A program lasting through June 30, 1952, is envisaged. This does not represent a commitment. This Congress does not attempt to bind future Congresses. The program represents rather an objective whose realization will be contingent upon the practical results achieved by the participating nations. * * *

Accordingly the authorization was at that time limited to 1 year, so that the Congress might reappraise the broad policies of the program and measure the concrete accomplishments before deciding whether to go on with it.

Introduction of bill and study by the committee.—H. R. 2362, a bill amending the Economic Cooperation Act of 1948 and extending the authorization, was introduced in the House of Representatives by the Honorable Sol Bloom, late chairman of this committee, on February 7, 1949, and hearings began the next day. The committee closed the taking of testimony on March 14 but continued to obtain further information during executive session meetings which were closed on March 22. A fuller account of the length and scope of the hearings by the Committee on Foreign Affairs is contained in appendix II. These hearings and executive session meetings lasted through 26 days. The Secretary of State, the Secretary of the Treasury, and the Secretary of Agriculture were heard on the relation of the program to broad aspects of United States policy. The Administrator for Economic Cooperation and his principal subordinates covered the accomplishments, problems, and outlook of the program as a whole. The United States Special Representative in Europe and the mission chiefs representing

the Economic Cooperation Administration in six of the principal participating countries presented a detailed consideration of the developments in the participating areas. In addition some dozens of leaders of American industry and commerce, civic leaders, and representatives of particular interest groups discussed the objectives of the program and its impact on particular sectors of the domestic economy and its relation to particular problems of foreign policy. The committee was benefited also by a thorough documentation of progress, problems, programs, and prospects of the European recovery effort prepared by the Economic Cooperation Administration, notably its Report on Recovery Progress and United States Aid; by the reports of the Organization for European Economic Cooperation; and by various published studies of the Joint Committee on Foreign Economic Cooperation in pursuance of its mandate under section 124 of the Economic Cooperation Act.

The committee's decision.—The committee considered the legislation in 18 executive session meetings before determining upon approval. It was decided to bring it before the House in the form of a new bill, which was accordingly introduced March 23. The committee voted to report this bill (H. R. 3748), on March 24, by a unanimous vote.

The divisions of the subject.—The material of the hearings and studies, and the substance of the bill itself, may be considered conveniently under four headings:

Extension of the program.

Clarification of objectives.

The financing of the program.

Modification of operations and administration.

The issues are discussed below in that order.

II. EXTENSION OF THE PROGRAM

A. THE BASIS OF JUDGMENT

The aim of the program.—The Economic Cooperation Act as now in force is the product of a long, thorough, and mature effort in which the executive and the legislative branches of this Government, the American public, and various governments of Europe collaborated. Its objective is the restoration of the free nations of Europe to that self-sustaining basis which alone can insure the continuance of their independence and the freedom of their domestic institutions.

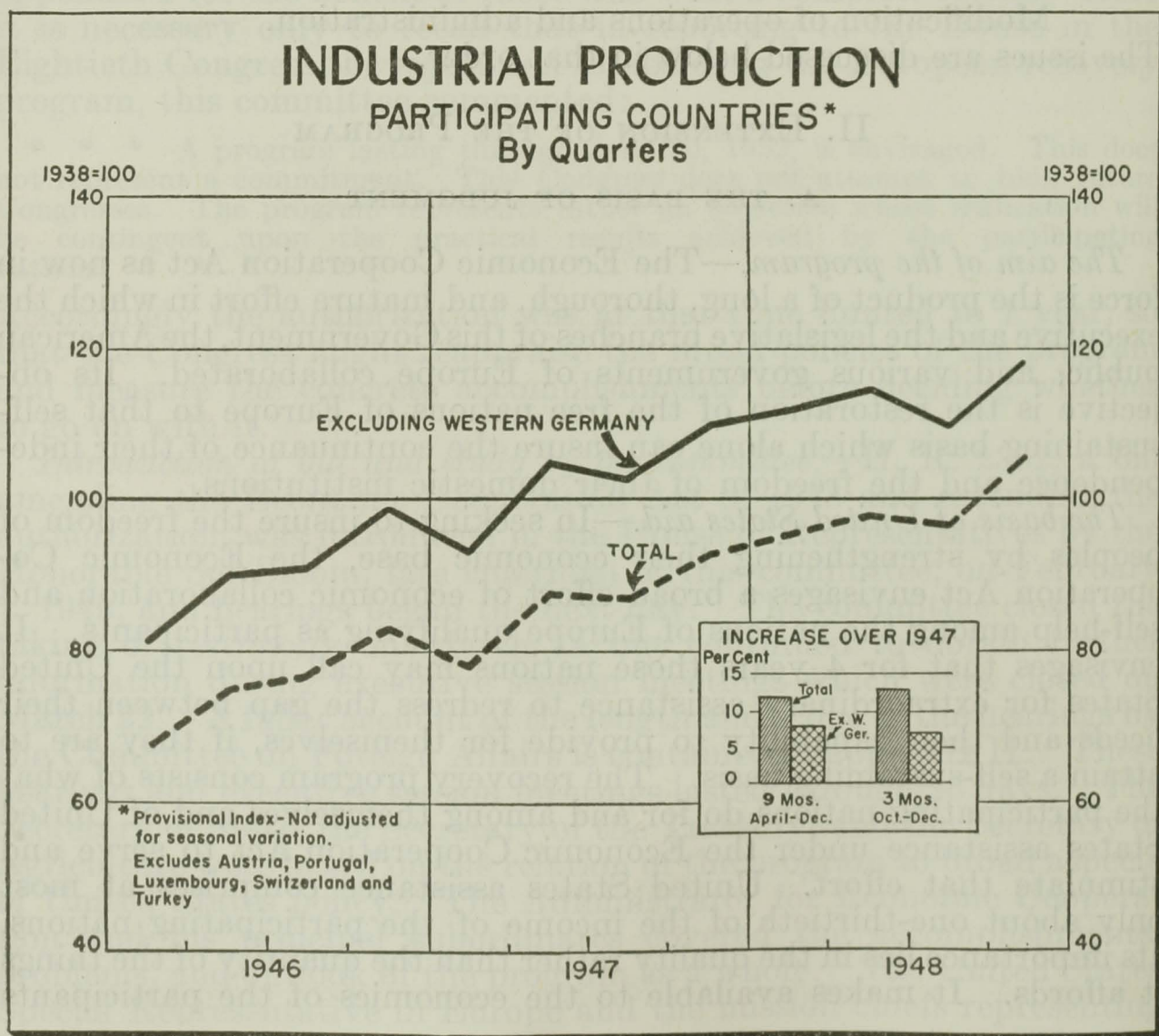
The basis of United States aid.—In seeking to insure the freedom of peoples by strengthening their economic base, the Economic Cooperation Act envisages a broad effort of economic collaboration and self-help among the nations of Europe qualifying as participants. It envisages that for 4 years those nations may call upon the United States for extraordinary assistance to redress the gap between their needs and their capability to provide for themselves, if they are to attain a self-sustaining basis. The recovery program consists of what the participating nations do for and among themselves and of United States assistance under the Economic Cooperation Act to serve and stimulate that effort. United States assistance comprises at most only about one-thirtieth of the income of the participating nations. Its importance lies in the quality rather than the quantity of the things it affords. It makes available to the economies of the participants

commodities of which they would otherwise be deprived because of shortage of foreign exchange to buy things that only dollars can buy, and which are essential to their effort to regain a self-sustaining basis.

The criteria for appraising the program.—The committee's consideration of the proposal to extend the authorization to the midpoint of the program period has centered on two questions: Has the program fulfilled its hopes up to now? Does the rate of headway justify a further investment in the future of Europe? The committee has not sought new paths into which to guide the program. It has sought rather to improve it on the basis of a candid appraisal of the progress made along the specific avenues to the goal as laid out in the Economic Cooperation Act: Increase of production; financial, monetary, and economic stabilization; and expansion of trade. After mature study, the committee is confident that the facts support the conclusions that production is rising significantly; that the participating nations have progressed substantially toward stabilization and have laid the ground work for still further accomplishments in this regard during the coming year; and that the participants have made a start toward developing mutual trade as a principal avenue to the solution of their common economic problems. The accomplishments of the program are given in full detail in the record of the hearings. Here they can be recounted only in summary.

B. THE PRODUCTION RECORD

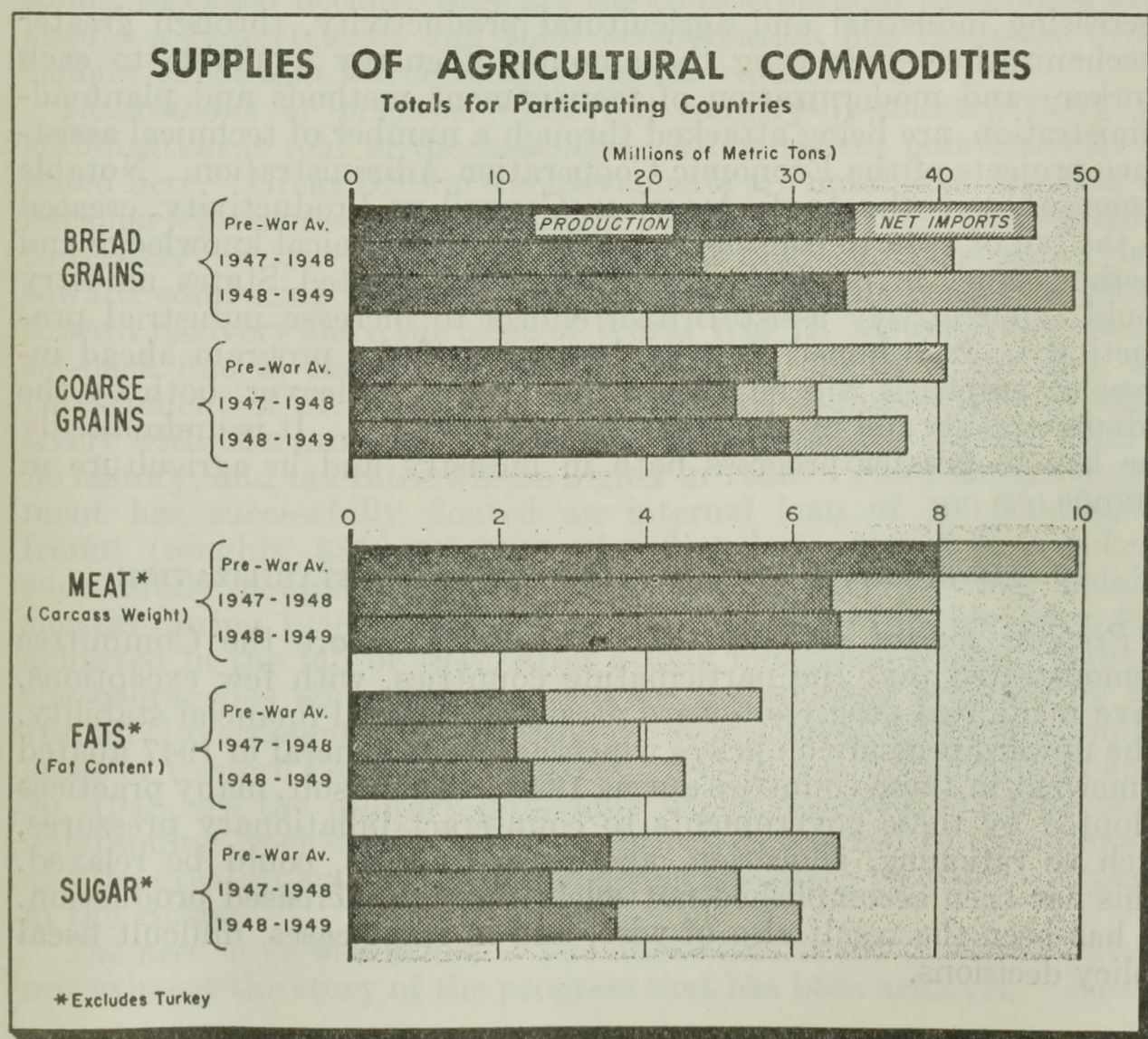
The rise in industrial output.—The conclusion is justified that the expectations of the program were confirmed by Europe's production



record in the first year. The total output of factories and mines in the participating countries during the calendar year 1948 was 14 percent above that of 1947, and about equal to prewar. Excluding western Germany, steel output is currently at a rate exceeding the prewar high of 1937 and 25 percent above that of 1947. The coal shortage has eased; although tonnage in the bizon and the United Kingdom remained below that of prewar, production in all other important coal fields in western Europe increased almost to prewar levels. An accompanying chart presents the general picture.

Power and transportation.—Rapid recovery in railway transportation and electric-power output has assisted materially in the expansion of production. Total electric-power production in 1948 was 65 percent higher than before the war, and 10 percent above 1947 levels. Railway traffic is one-third greater than before the war, notwithstanding a shortage of equipment and arrears of maintenance and repairs.

The investment record.—The investment record justifies the conclusion that economic improvement in Europe is not transitory but permanent. The European recovery program is not a relief program but a recovery program; the record demonstrates also that American assistance has renewed the confidence of western Europe in its own future. Gross investment in all countries for which estimates are available is expected to total roughly the equivalent of \$30,000,000,000 in the fiscal year 1948-49—six to seven times the dollars provided by the Economic Cooperation Act. This means that gross investment



would approximate 20 percent of the gross national product. This is about equivalent in proportion to the investment rate in the United States in the four highest years in the period from 1921 to 1939—namely, 1923, 1925, 1926, and 1929. It is approximately three times the rate of investment of 1932 in the United States, the lowest year of the period referred to.

Progress in agriculture.—Crops in general in 1948 were one-fifth larger than in 1947—admittedly a bad year. The increase in bread grains is particularly striking. The 1948 crop was 41 percent larger than that of the year before, though still below the prewar level. Production of fertilizer in the participating countries was about 25 percent greater in 1948 than it was in 1947. An accompanying chart presents the picture on agricultural production.

Increasing productivity.—Before leaving the subject of production, it should be emphasized that a significant development, just getting under way and not yet reflected in the data, is a new attitude in both management and labor—a consciousness that productivity, as distinguished from production itself—is a huge factor in prosperity. It is probable that no single measure will be as helpful to the goal of higher industrial production in western Europe as the improvement of productivity—output per man-hour—of its industries. The productivity of western European workers, once the highest in the world and still much greater than that of most other areas, is nevertheless relatively low in comparison with the standards prevailing in the United States. This disparity, which is due to technological lag, is one of the roots of Europe's economic difficulties. The problems of increasing industrial and agricultural productivity, through greater mechanization—increasing the amount of energy available to each worker—and modernization of management methods and plant administration, are being attacked through a number of technical assistance projects of the Economic Cooperation Administration. Notable among these is the Anglo-American Council on Productivity, created in the fall of 1948 to consider an exchange of technical knowledge and methods and, in particular, ways in which United States industry could cooperatively assist British efforts to increase industrial productivity. It is hoped that in the stages of the program ahead increasing emphasis will be put on this type of endeavor, both by the Administration and by the participating countries. It is undoubtedly the key to greater progress both in industry and in agriculture in Europe.

C. FINANCIAL, MONETARY, AND ECONOMIC STABILIZATION

Progress toward stability.—The testimony before the Committee demonstrated that the participating countries, with few exceptions, have made real progress toward attaining internal financial stability. The upward pressure on prices which had been general in 1947 abated somewhat in these countries during 1948. As a result, many practices adopted by these governments to counteract inflationary pressures, such as rationing, allocation, and price controls, could be relaxed. This has been accomplished not solely through increased production. It has been the result also of wise, and in most cases, difficult fiscal policy decisions.

The contribution of the program.—The European recovery program made decisive contribution to the control of inflation in western Europe. The Economic Cooperation Administration and the Organization for European Economic Cooperation have exerted continuous influence in that direction. In addition to the increased productivity and other stabilizing factors attributable to the dollar aid extended under the European recovery program, an important factor in the progress toward stability has been the so-called counterpart funds accumulated in connection with grants made to the participating countries.

The role of the counterpart funds.—The Economic Cooperation Act wisely provides that the government of each participating country must deposit in a special account amounts of its own currency commensurate with the value of goods and services financed by grants. When such goods arrive in the receiving country, they are sold through normal trade channels and the proceeds of these sales are the main source of the local currency funds deposited in the special account. The operation of this machinery accomplishes two valuable results. In the first place, the people of western Europe, as private individuals, have to pay for the goods provided by United States aid. Businessmen do not receive capital goods or raw materials, and consumers do not receive food or fuel, as gifts. In the second place, amounts of money commensurate with the value of the goods are withdrawn from circulation and held in the special account instead of being automatically paid out again as income. Thus these counterpart funds, so-called because they are the counterparts of the grants, constitute a budget asset and their accumulation has the same deflationary effect that a true budget surplus would have.

Illustrations of progress.—The full country-by-country story on stabilization is told in the hearings. A few salient points should be noted here. Great Britain's achievements are notable in checking inflationary pressures and providing a budgetary surplus—the keystone to recovery in that kingdom. France has made an encouraging start toward combating inflation, which has plagued the country's efforts toward recovery since the close of World War II. Despite the serious set-back due to the Communist-inspired coal strike of last fall, the Government of M. Henri Queuille has dealt courageously and effectively with this problem. In 1948 France levied the highest taxes in its history, and tax rates will be higher in 1949. The French Government has successfully floated an internal loan of 100,000,000,000 francs (roughly \$310,000,000)—the first loan, not a forced loan, successfully floated in France since 1944. Italy has had notable success during 1948 in maintaining the stability of its economy, first achieved in the fall of 1947, after a long inflationary trend, through the courageous adoption of a rigorous deflationary program by the Italian Government. In the United States-United Kingdom occupied areas of western Germany a currency reform was introduced on June 20, 1948, by the military governors which canceled 93½ percent of outstanding reichsmarks. This reform was referred to in testimony as "the greatest single factor influencing the sharp recovery last year" in the Bizone.

The need of further action.—The above references illustrate but do not exhaust the story of the progress that has been achieved. Never-

theless, performance among the participating nations remains uneven. Signs are encouraging but success is yet to be reached. The participating nations are themselves aware of this. The committee was reassured by this implicit pledge of further action to come in the Interim Report of the Organization for European Economic Cooperation:

* * * In order to achieve both the objectives of transferability and of maximum practicable freedom of trade, the participating countries must therefore address themselves to the following problems:

(i) They must make a determined effort to suppress inflation and to attain internal equilibrium.

(ii) They must cooperate in establishing stable monetary relationships and a price structure which will allow trade to move.

The committee noted also this language from the same source:

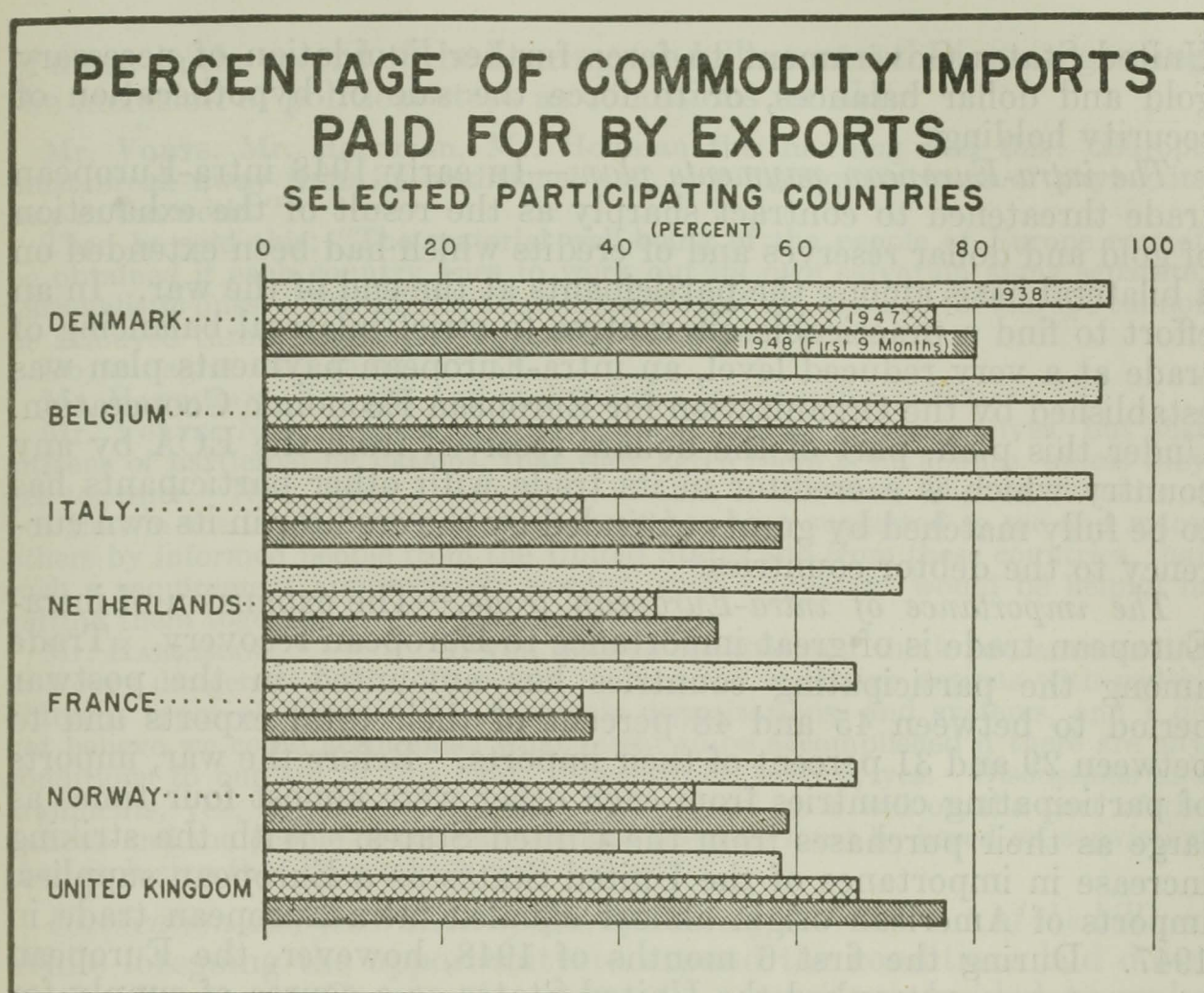
* * * Throughout this report, the need to bring under control the inflation existing in many of the participating countries has been stressed. It threatens the production and investment programs; it generates a demand for imports that wastes resources, including American aid; it hampers the export drive; it makes impossible that reasonable equilibrium in western Europe which must precede greater liberalization of intra-European trade and payments. The things that have to be done during the next 3½ years need time. Yet many can hardly be begun at all until inflationary pressures are under control.

Proposals were made before the committee for writing into the terms of the basic agreements of this program pledges to take specific lines of action toward stabilization. It laid aside these proposals in view of the impossibility of attempting to lay down a rigid pattern of action in a set of dynamic situations. The task is one for the participating governments themselves, but the Administrator for Economic Cooperation, the Special Representative in Europe, and the country mission chiefs should be watchful of every opportunity to press for further progress.

D. EXPANSION OF TRADE

Increase in exports.—As a result of increasing output and stronger fiscal and trade policies, the volume of exports from the participating countries rose and their ability to pay for essential imports improved considerably during 1948. Over-all exports, for the countries taken as a group, excluding western Germany, were up 20 percent above the 1947 level. For the United Kingdom, exports in 1948 were one-quarter again higher than in 1947. In Italy, exports in 1948 were up almost 50 percent from 1947 levels; in the Benelux countries about 30 percent. In this current fiscal year, the earnings of the ERP countries on exports and “invisibles such as income from the tourist trade” will probably pay for a little more than half of the imports they need from the outside world. In the calendar year 1947 these earnings paid for only 40 percent of imports from the outside. As European production and exports have gone up, Europe’s degree of dependence on the United States for assistance has diminished. Accompanying charts illustrate this development.

Narrowing the trade deficit.—As European production and exports have gone up, the large trade deficit of the participating countries with the United States has narrowed. During the first 11 months of 1948, imports from the United States declined by \$1,000,000,000 as compared with 1947, while exports to the United States increased by \$223,000,000. The improvement of Europe’s external position



has thus been substantial. The total deficit on both capital and current accounts amounted to \$7,800,000,000 in 1947, whereas the figure for 1948-49 is expected to be \$5,500,000,000. While a heavy drain on European reserves of \$2,100,000,000 took place in 1947, the 1948-49 deficit will be met almost entirely from funds under this program and those spent by the Army for civilian relief.

Use of assets in the United States.—There will, nevertheless, be a small but manageable drain on gold and dollar resources. Also, during 1948, the participating countries continued to liquidate dollar investments in the United States. Securities worth about \$200,000,000, primarily from France and the Netherlands, were sold during the first 9 months of the year. In accordance with the terms of the Foreign Assistance Act of 1948 and the bilateral agreements, the participating nations have accepted the obligation to take measures, so far as is practicable, to locate, identify, and put to appropriate use assets and earnings therefrom which belong to their citizens and which are situated within the United States. The information resulting from the United States Treasury's census of blocked assets, taken as of June 1, 1948, has been given to the participating nations. The Economic Cooperation Administration missions have been instructed to take up with the governments of the participating countries the problems involved in mobilizing and utilizing these assets. However, existing gold and dollar balances of the participating nations are believed to be no greater than necessary to meet minimum needs, and the long-term investments of these countries in the United States are a vital factor in recovery objectives. It is not the policy of the

United States Government to force further liquidation of necessary gold and dollar balances, or to force the sale or hypothecation of security holdings.

The intra-European payments plan.—In early 1948 intra-European trade threatened to contract sharply as the result of the exhaustion of gold and dollar reserves and of credits which had been extended on a bilateral basis among the participants at the end of the war. In an effort to find a practicable alternative to strict bilateral balancing of trade at a very reduced level, an intra-European payments plan was established by the Organization for European Economic Cooperation. Under this plan, part of the dollars received from the ECA by any country which is a creditor in its trade with other participants has to be fully matched by grants extended by the creditor in its own currency to the debtor countries.

The importance of intra-European trade.—The expansion of intra-European trade is of great importance to European recovery. Trade among the participating countries has amounted in the postwar period to between 45 and 48 percent of their total exports and to between 29 and 31 percent of their imports. Before the war, imports of participating countries from each other were almost four times as large as their purchases from the United States. With the striking increase in importance of the United States as a European supplier imports of American origin almost equaled intra-European trade in 1947. During the first 6 months of 1948, however, the European recovery area outranked the United States as a source of supply for the individual countries by approximately 50 percent. It is evident that the development in this respect envisaged by this program is now well under way.

III. CLARIFICATION OF AIMS

A. OBJECTIVES REGARDING EUROPE

Politics and economics.—No apology needs to be made for the European recovery program. It is working. The aims that the Congress had in mind when it passed the Economic Cooperation Act a year ago are in the course of realization. Just as the basic act recognizes at many junctures the interrelationship of economics and politics, so have the achievements in production, finance, and trade reflected themselves in political amelioration. Western Europe, striving to overcome the depletion left by one struggle against totalitarianism, has been steadfast in the face of a new totalitarian threat arising from another direction. At the same time the participating nations have moved toward stronger and wider cooperation. The only question in the committee's mind was this: Is the rate of development rapid enough?

The question of political conditions.—In this year's appraisal of the program, just as in last year's hearings preceding its establishment, the committee gave earnest attention to the question whether specific political steps should be included in the conditions of assistance. The following colloquy between the Honorable John Vorys, of the committee, and Ambassador W. Averell Harriman, special representative in Europe of the Economic Cooperation Administration, is typical

of many in the record of the hearings and illustrates the issue regarding the inclusion of political steps as conditions for aid:

Mr. VORYS. Mr. Harriman, Mr. Hoffman this morning said this: "Europe must break away from its traditional and now inadequate ways of paying its way in the world."

Then he said this: "The material well-being of the people of Europe cannot be obtained if each country tries to work out its own salvation along separate, nationalistic lines. The effective reconstruction of the economy of Europe cannot be achieved through attempts to restore the prewar pattern."

Do you agree with that?

Mr. HARRIMAN. Yes, sir; and so do all the participating nations.

Mr. VORYS. Now, I have heard from, not official representatives, but just citizens of participating nations, that they agree there is no chance, unless they get together. Now, what I wonder is: If that is the case, why we should not put that in the law? I suggest, because it has been suggested to me and many others by informed people from the United States and from these countries, that such a requirement appropriately worded, such a pressure, would be helpful in getting them together.

Mr. HARRIMAN. * * * If you refer to conditions, I think you are treading in a very dangerous field. These are mature and sovereign nations with widely different types of organization, economic organizations, and systems, and I do not believe we could accomplish what ought to be accomplished if there are any conditions to our aid in this field. Suggestions, advice; yes. Discussions and arguments, yes; but not conditions. There must be a will on the part of the nations and the people of the nations, and progress must be based on conviction that each step that they take is wise and sound.

Unification and federation of Europe as objectives (sec. 1 of the bill).— While foregoing the opportunity to expand the conditions laid down in the Economic Cooperation Act, the committee decided to make explicit reference in the statement of policy to the encouragement of unification and federation of Europe as an objective of American policy. In reporting the basic legislation to the House a year ago, this committee said of its political implications:

* * * The union of Europe is a consummation devoutly to be wished. But the impulse must come from the participants. It is inherent in the entire European recovery program that it is a gesture of encouragement to such an end. * * *

The language in section 1 of the bill simply makes the same idea explicit in the statute. The committee trusts that the inclusion of the new language may serve as an added stimulus to the nations of western Europe to pursue a fundamental solution in the political as well as the economic sphere.

Appraisal of accomplishments.—This should be taken as in no sense a depreciation of what has been accomplished. The Brussels Pact, the establishment of the Organization for European Economic Cooperation, and the Council for Europe deserve high acclaim. Taken together, they present a record of a year's achievement that should encourage free men throughout the world. Here it is appropriate to speak in appreciation of the work of the Organization for European Economic Cooperation. The committee noted particularly these words of Administrator Hoffman:

* * * I rather think that the results have been fairly good up to date because starting in, as I say, a year ago, with a very high degree of isolationism, we have now the OEEC, which is the organization that is functioning directly with ECA to carry out the European recovery program, and I think they have gone a long way in a short time in becoming a compact, efficient body.

You know that they developed during their first year and did reconcile the first year programs of all of the 19 nations. They did introduce an intra-European

payments plan. They did come out and succeeded in getting 19 long-range programs which they are now engaged in studying with the intention of going back and suggesting to each country those changes in this program which would result in an integration of the 19 programs that makes some sense.

I honestly feel that more has been accomplished than almost could have been reasonably hoped for. The Secretary-General of the OEEC said something to me which I thought was quite colorful and quite significant. He said, "You know, Mr. Hoffman, for the first time in a long time there is a group of us who are now thinking as Europeans, and that is something new in Europe."

They are now thinking as Europeans, thinking in terms of bringing back western Europe as an entity, economically.

Quality of the OEEC report.—The committee was impressed directly in examining the Interim Report of the Organization for European Economic Cooperation. It is a candid and courageous document. It never attempts to conceal the difficulties that lie ahead. It points honestly to the weaknesses in the planning of the Europeans' recovery effort. It illuminates the obscure assumptions in the European program. It uncovers the duplications in the various national plans for expansion of production and commerce. So far as honesty and realism in economic planning can help them on the way the Organization is to be congratulated on the start it has made.

The need for a more fundamental approach.—To quote again from the testimony of Administrator Hoffman:

Through the ERP * * * our attention is focused on economic problems. The attack on those problems already has called for some highly practical forms of cooperation among the countries of Europe. If cooperation can succeed in this field, it can succeed in others. It may well be that the measures of cooperation necessary to achieve economic recovery will form the foundation for a far grander structure—the permanent close association of the free nations of Europe.

If the free peoples are united, they can flourish in security. * * *

The crux, in the committee's view, however, is whether political combination is not essential to economic recovery. This is indeed suggested by the Interim Report of the Organization for European Economic Cooperation. The implicit conclusion is that the great frontier of development for Europe is within Europe itself. This is the thought behind the inclusion of unification and federation in the statement of policy of the Economic Cooperation Act. What has been accomplished so far is praiseworthy. It is only a fraction of what must be accomplished, however, and the people and the Government of the United States must lose no opportunity to encourage and assist the nations within this program to think and act beyond the limits of their existing national sovereignties.

The OEEC as the first, not the final, step.—The legislation passed a year ago sought to encourage the countries of Europe to act jointly in quest of economic recovery as a means to peace and prosperity. That first step has been taken. It must be regarded as a first, not a final, step—as an opportunity, not a goal. Time presses. The problems are exigent. The new language recommended by the committee urges the nations of the Organization for European Economic Cooperation "to achieve speedily" the economic cooperation indispensable to the realization of the world's best hopes—and to work on from these to a solution on the political level as well.

Question of Ireland.—Testimony was presented to the committee by representatives of the American League for an Undivided Ireland, advocating that in taking steps to encourage the unification and federation of Europe, action be taken to urge the union of northern and

southern Ireland. The committee, after due consideration, without passing on the merits, concluded that this was not within the purview of the bill.

B. ISSUES RELATING TO WITHDRAWAL AND EXTENSION OF AID

The problem relating to Indonesia.—Another matter relevant to those implications of the European recovery program going beyond its economic aspects concerns its relation to this Government's obligations under the United Nations Charter. Current difficulties between the Netherlands Government and Indonesia were discussed repeatedly in the testimony before the committee. The committee was informed that, following Netherlands military action in Indonesia, the Economic Cooperation Administration, after consultation with the Department of State, suspended assistance to be applied by the Netherlands to Indonesia. This action was taken on the ground that conditions favorable to the continuance of an effective aid program no longer existed and that until conditions favorable to a sound recovery of Indonesia develop, further expenditure of Economic Cooperation Administration funds would be unjustified.

Proposals and action.—Proposals in varied forms but with a single intent were laid before the committee, calling for the Administrator to be required to withhold aid from any nation in default on a decision or recommendation of the Security Council or the General Assembly of the United Nations. It should be kept in mind that the United Nations Charter is already part of the supreme law of the land. The attainment of its objectives is included in section 102 (a) of the act, dealing with findings and declaration of policy. Section 104 (a) of the act subjects the Administrator for Economic Cooperation to the control of the President. Section 105 (b) enjoins the closest collaboration between the Administrator and the Secretary of State and authorizes the Secretary's interposition and reference to the President in event of any inconsistency between the operation of the program and the foreign policy objectives of this country. Section 118 of the act instructs the Administrator to terminate aid to a country whenever "because of changed conditions, assistance is no longer consistent with the national interest of the United States." In the committee's view, the act already contains all that needs to be said about the relationship of the program to the United Nations, and the inclusion of language to make the program a possible instrumentality of sanctions would be redundant.

The question of including Liberia.—Another topic taken up by the committee relating to broad objectives concerns possible extension of the limits of the program so as to include the Republic of Liberia. It was argued that this west African Republic, with which the United States has long been joined in reciprocal friendship, is surrounded by colonial areas which draw substance from this program through ties to the mother countries. The argument of contiguity alone, in the committee's view, is not sufficient to warrant inclusion of another nation in this program, for on that premise the frontiers of the undertaking might be pushed onward to encompass three continents. It seems better to let this remain a European recovery program, based upon the efforts in concert of the economies governed by European nations.

IV. FINANCING THE PROGRAM

A. THE AMOUNT OF THE AUTHORIZATION

The committee's approach to the question.—The continuation of the program having been approved, and the question of objectives having been clarified, there remains the question: How much? The committee gave the most scrupulous attention to this question, approaching it with a combined sense of the importance of maintaining the program at a level of performance sufficient to insure its goals and at the same time taking care that no unnecessary burdens be imposed upon the American taxpayer. No essential must be cut. No non-essential must be permitted.

The formulation of estimates last year.—A year ago the Congress had before it estimates prepared in the first instance by the prospective participating countries. No permanent joint European organization for central scrutiny of the data and objectives had yet come into being. The Economic Cooperation Administration had not yet been established as a central controlling agency in this Government with branches in each of the participating countries and a central office in Europe working in rapport with the joint organization of participating nations. The data prepared by the prospective participants were evaluated and altered a year ago by various committees of the executive establishment, which examined them in relation to broad requirements and to American capabilities.

The method this year.—This year it is different. In laying out the various national programs the mission chiefs of the Economic Cooperation Administration worked in constant collaboration with the respective governments to which they were accredited. In questioning the various mission chiefs who appeared in the hearings, the committee was satisfied that they knew with minute intimacy the various national recovery programs and that the American point of view had been reflected in the formulation. Next the collected national programs were screened by the Organization for European Economic Cooperation. The Special Representative in Europe and his subordinates advised in the deliberations at this level. Finally, the program was subjected in turn to painstaking examination and correction by the responsible agencies of this Government, notably the domestic organization of the Economic Cooperation Administration and the National Advisory Council on International Monetary and Financial Problems.

Examination by the committee.—In sum, the program, as it was submitted to the Congress, was the result of an effort in which responsible officials of this Government had participated at every step. The formula was precisely that which was envisaged by the Congress a year ago in legislating this program; the mandate of the Congress has been executed. The committee felt constrained, nevertheless, to exercise its independent judgment rather than take this program on faith. It closely questioned the Administrator and his principal subordinates in charge of over-all planning and of particular commodity requirements. It likewise examined the special representative in Europe and the principal mission chiefs. It developed confidence in the figures not only because of the manner of preparation but also through specific knowledge of their content. In standing behind the data in their

essentials the committee accepts them not in the sense that they once were unsound and have now been corrected. It does so in the sense that the formula was right, and that the data were essentially right, from the start.

Shift to a fiscal-year basis.—It should be pointed out that the authorized year in the Economic Cooperation Act does not now coincide with the fiscal year. The Foreign Aid Appropriation Act, 1949, attempted to bring the first period of operation into line with the fiscal year by having the appropriated funds do for the authorized 12 months plus three additional months through June 1949, unless the President, upon recommendation of the Administrator, should find it necessary to obligate the appropriated funds in a year rather than 15 months. The President so found and authorized the Administrator to schedule expenditures accordingly on November 26, 1948. The shift to a regular fiscal period remains a desideratum. In the words of the Administrator:

The ECA has found it desirable to estimate needs and organize its operations on a fiscal-year basis for several reasons: The fiscal year accords with normal Government budget practices; it is the year that the OEEC has used in its programming activities; it is a natural economic year in the sense that crop yields can best be estimated in the summer. * * *

Accordingly, section 6 of the present bill contains two authorizations, one for the quarter from April 3 to June 30, 1949, and the other for the fiscal year 1950.

The question of the British position.—In considering the requirements for the program in the periods under review, the committee gave particular attention to questions raised by a speech delivered in the fourth week of February by Mr. Christopher Mayhew, delegate of the United Kingdom to the Economic and Social Council of the United Nations. The gist of the speech as widely reported was that the United Kingdom had virtually completed the process of recovery. This led to queries from many quarters as to whether United States aid was any longer necessary. Mr. Mayhew, however, was speaking of something quite distinct from the United Kingdom's further requirements of United States aid. He was discussing Britain's overall trade position as determined by its import requirements and its exports. The United Kingdom has made great gains in exports to soft currency areas. These gains are not correspondingly reflected in the United Kingdom's dollar account. In large part, Britain's vital needs can be met only in the dollar area. United States aid continues to be needed to sustain it on the road to recovery. The advances cited by Mr. Mayhew evidence significant accomplishments by the British along that road. They do not mean that Britain has yet reached the end of the road so far as dependence on United States aid is concerned.

The factor of recent price changes.—The committee gave close attention also to the impact of price changes on dollar needs. In general, the Economic Cooperation Administration used November 1948 prices in calculating the cost of European imports for the periods under review. Sizeable price changes have occurred since November. It was pointed out to the committee that the sum of money needed to carry out the recovery program depends, of course, both on the amount of money that the Europeans must spend for essential imports

and upon the amount that they earn through the sale abroad of their exports. The effect of recent price changes relating to goods shipped to Europe clearly is thus offset in part by changes in the prices received for European exports to the dollar areas. Thus, while the estimate of the total cost of goods to be shipped to Europe from the dollar areas in 1949-50 might be reduced by about \$35,000,000, the estimate of European earnings through exports to the Western Hemisphere would have to be reduced by at least \$25,000,000 to \$30,000,000. The possible reduction in the estimate of the net aid figure would be only a fraction of the total aid so small as to be well within the margin of error inherent in such calculations. The committee was convinced also that the Economic Cooperation Administration's original figures had taken into account the chief savings in prospect from declines in prices of agricultural staples. Since the estimates were made, there has been no general downward movement in the prices of manufactured goods of a magnitude sufficient to result in appreciable savings in the program. The evidence does not, therefore, justify any significant change in the figures originally presented.

The problem of wheat prices.—The committee also took cognizance of the circumstance that about 40 nations are currently negotiating an international wheat agreement to become effective August 1, 1949, and that they have tentatively agreed that the maximum price under such agreement shall be \$1.80 a bushel, in store, Fort William, which would, in turn, establish an export price for No. 2 Hard Winter wheat of about \$1.65 a bushel in Kansas City. The estimates in question, however, assumed a price of \$2.25 a bushel in Kansas City which, in turn, reflects the mandatory 90-percent support price that will be in effect for 1949-50 fiscal year. The difference between the two prices is 60 cents a bushel. The quantity of wheat which the United States might be expected to supply to participating countries under the proposed wheat agreement is about 110,000,000 bushels. In addition, the countries in the recovery program, other than the United Kingdom which has a special agreement with Canada covering the 1949-50 crop year, might be expected to get 10,000,000 bushels from Canada at the wheat-agreement price. Thus, the potential saving to the program might be 60 cents a bushel on 120,000,000 bushels, or \$72,000,000.

Future appropriation action.—The wheat agreement is still only a prospect, however. It must be approved by representatives of the governments participating in the negotiations. Then it must be submitted to the Congress for approval and, finally, funds would need to be appropriated by the Congress to pay the difference between the mandatory support price (\$2.25 a bushel in Kansas City) and the proposed export price under the wheat agreement (\$1.65 a bushel in Kansas City). Until affirmative action has been taken on all three of these steps, there is no assurance that a saving of \$72,000,000 can be made in purchases of wheat for this program in the 1949-50 fiscal year. Only when and if the Congress appropriates funds necessary to pay the export subsidy under an approved wheat agreement can the Economic Cooperation Administration count upon saving an estimated \$72,000,000 of its 1949-50-fiscal year funds. This committee believes that the House must base its authorizations upon the present facts, not upon future hypotheses. The contingency in

regard to wheat prices is noted, however, so that appropriate account may be taken of them in future actions by the Committee on Appropriations in regard to the possible wheat export subsidy.

The question of Middle East oil prices.—The committee took note of testimony to the effect that petroleum from Middle Eastern sources had been sold in the United States market at prices materially below the price at which it has been procured in the Middle East for delivery in Europe under Economic Cooperation Administration procurement authorizations. The committee was informed, however, by the Administrator that the prescribed policy of the Administration is that competitive market conditions must be reflected in prices paid for petroleum under the program. It was advised that the Middle East oil price discrepancies appeared to arise from exceptional and temporary circumstances and that the whole matter was undergoing thorough study by a special committee appointed by the Administrator. This study should be completed before the House will have acted on the appropriations authorized by this bill. The appropriation bill will afford an opportunity for a more complete review of petroleum prices than is now possible.

The request and the committee's action thereon (sec. 8 (a) of the bill).—The original request of the Economic Cooperation Administration was for \$1,150,000,000 for the period April 3 to June 30, 1949; \$4,280,000,000 for the fiscal year ending June 30, 1950; and authorization for forward contracting to the extent of \$150,000,000 in the fiscal year 1950. The committee now forwards these figures to the House with the following modifications: (a) The authorization for the next 3 months is cut by \$50,000,000; (b) the forward contracting authority is eliminated; (c) authorization for public credit transactions in support of a broadened policy of investment guaranties is included, in the sum of \$300,000,000 subject to reduction commensurate with the amounts in which funds have been already allocated for guaranty of convertibility of currency realized on investments in the participating countries. The authorization for the coming fiscal year is left intact.

Proposed division of aid.—An accompanying table presents the proposed division of American aid for the current and the next fiscal year. The figure \$4,823,500,000 at the bottom of the third column of the table represents the Economic Cooperation Administration's estimates of the requirements of the recovery program during the current fiscal year. Against these requirements the Administration has allocated \$3,673,500,000 from the initial appropriation for the program, the balance of the appropriation having been allocated to the requirements for the period April 3 to June 30, 1948. Consequently the requirements for the period April 3 to June 30, 1949, for which the Administration has asked appropriations, are \$1,150,000,000—the difference between the total for the current fiscal year and what has been allocated already.

The cut for the current year.—The committee came to the conclusion that the estimated unobligated balance of funds already appropriated will be sufficient to justify an over-all cut of \$50,000,000 for the remainder of this fiscal year.

European recovery program—United States aid, 1948-49 and 1949-50

[In millions of dollars]

	1948-49			1949-50	
	Requested by national govern- ments	Recom- mended by OEEC	ECA proposed allotments	Requested by national govern- ments	ECA illus- trative allotments
Austria.....	339.3	217.0	215.2	217.0	197.0
Belgium—Luxemburg and Belgium de- pendencies and overseas territories.....	358.2	250.0	247.9	250.0	200.0
Denmark.....	149.9	110.0	109.1	110.0	109.0
Free Territory of Trieste.....	22.0	18.0	17.8	12.8	12.0
France and dependencies and overseas territories.....	1,114.9	989.0	980.9	890.0	875.0
Germany: Bizone—					
Total aid.....	1,083.0	1,051.0	984.0	912.1	880.6
Less GARIOA.....	-637.0	-637.0	-573.4	-539.7	-476.6
ECA aid.....	446.0	414.0	410.6	372.4	404.0
Germany: French zone.....	100.0	100.0	99.2	100.0	115.0
Greece.....	211.0	146.0	144.8	198.1	170.0
Iceland.....	11.0	11.0	5.2	10.0	7.0
Ireland.....	111.0	79.0	78.3	75.4	64.0
Italy.....	799.5	601.0	555.5	610.1	555.0
Netherlands and dependencies and over- seas territories.....	657.0	496.0	469.6	507.0	355.0
Norway.....	104.0	84.0	83.3	131.8	105.0
Portugal.....	0.0	0.0	0.0	100.6	10.0
Sweden.....	109.0	47.0	46.6	70.7	54.0
Turkey.....	85.3	50.0	39.7	94.2	30.0
United Kingdom.....	1,271.0	1,263.0	1,239.0	940.0	940.0
Commodity reserve ¹			13.5		
Aid allotment, total.....	5,889.1	4,875.0	4,756.2	4,690.1	³ 4,202.0
Administrative and other nonaid expendi- tures ²			67.3		80.0
Grand total.....	5,889.1	4,875.0	4,823.5	4,690.0	4,280.0

¹ Represents purchase price of goods procured or to be procured by U. S. Government agencies, but not yet authorized for procurement by participating countries.

² Consists of dollar costs of strategic materials, ocean freight on relief packages, technical assistance, investment guaranties, administrative expenses, and confidential fund.

³ Rounded downward to \$4,200,000,000 in total request.

Comparison of authorization for fiscal year 1950 with current funds.—Along with its recommendation that the request for fiscal year 1950 be left intact, the committee stresses that the figure represents a reduction from the current year's funds. A year ago the executive branch requested \$6,800,000,000 for the 15-month period April 3, 1948, to June 30, 1949: \$5,300,000,000 for the first 12 months and \$1,500,000,000 for the last 3 months of the current fiscal year. The Congress made available \$5,010,000,000, which the Economic Cooperation Administration used during the first 12 months of the program. The \$1,100,000,000 now sought for the last 3 months of the current fiscal year is \$400,000,000 less than the amount sought for the same period a year ago. The \$4,280,000,000 now sought for the coming fiscal year is \$1,020,000,000 less than the amount requested for the first 12 months of the program a year ago and \$730,000,000 less than the amount which the Congress actually made available for the first 12-month period.

Relation of the estimates for fiscal year 1950 to other foreign requirements.—In passing judgment on this authorization for the next fiscal year the committee believes the House will wish to know its place in the perspective of the general requirements for United States expenditures on undertakings abroad in the same period. Accordingly, these

data are included on an accompanying chart from the President's budget:

Budget statement on international affairs and finance

[Fiscal years, in millions of dollars]

	Expenditures			1950 net new appropriations
	1948, actual	1949, estimated	1950, estimated	
Reconstruction and military aid:				
Economic Cooperation Act—European recovery program (existing and proposed legislation).....	154	4,600	4,500	4,300
Other proposed aid legislation.....			355	600
Greek-Turkish aid (acts of 1947 and 1948).....	186	285	136	
Export-Import Bank loans.....	460	0	146	
Treasury loan to the United Kingdom.....	1,700			
Reconstruction Finance Corporation.....	4	—31	—35	
Foreign relief:				
Army (occupied areas).....	965	1,265	1,030	1,000
Assistance to China (act of 1948).....	1	350	49	
Other (mainly under Foreign Aid Act, UNRRA and post-UNRRA).....	1,027	185	7	
Palestinian refugee program (proposed legislation).....		16		
Displaced Persons Commission.....		1	2	5
Foreign relations:				
Department of State:				
Present programs.....	144	171	171	160
Proposed legislation (mainly war damage claims).....		17	1	2
Other.....	5	7	4	1
Philippine war damage and rehabilitation:				
War damage claims (Philippine War Damage Commission).....	23	171	165	165
Rehabilitation program.....	25	51	46	4
Interest on deposits (Treasury).....	2	4	3	3
Participation in international organizations:				
International Refugee Organization.....	69	73	70	70
Other present programs.....	18	53	57	31
FAO building loan and ITO (proposed legislation).....			2	8
Total.....	4,782	7,219	6,709	¹ 6,349

¹ In addition, this budget includes \$17,000,000 of appropriations recommended to liquidate prior year contract authorizations.

B. THE FUNCTION OF LOANS AND GRANTS

Departure from present act.—The House should note that, in contrast to the program laid before it a year ago, the present undertaking does not contain any provision tying loans to public-debt transactions. In the original act \$1,000,000,000 is reserved solely for lending and for making guaranties of convertibility of returns on American investments. It was hoped that both of these avenues of financing would prove of benefit in reducing the financial burden upon the American people. Both of these hopes have been disappointed in some measure.

Change in the outlook for loans.—Loans have been made in the first year of the program to the full extent contemplated. It is anticipated, however, that the percentage of loans will fall off sharply in the periods covered in this bill. The participating nations are, in the main, at or near the point in their loan commitments where it might actually retard the achievement of the purposes of the program if further loans were undertaken. This was the unanimous testimony of the financial authorities of the Government testifying before the committee. They represented the view taken by the National Advisory Council on International Monetary and Financial Problems—a view based upon exhaustive studies carried on in pursuance of the mandate laid down in section 111 (c) (1) of the Economic Cooperation Act.

Loans and recovery.—The point that many of the participating nations are at or near the saturation point on loans should not, however, be interpreted as indicating that their recovery is illusory. In terms of this program, the process of recovery involves essentially the closing of the dollar gap in the balance-of-payments of the participating countries. Insofar as loans impose upon the recipients the obligation of interest and eventually of amortization, they tend to postpone the day on which it can be said that the recipients of aid have achieved recovery in the sense of having closed the dollar gap and of becoming self-sustaining. The objective of this program is to get the participating countries to a position where they will be economically and financially on their own feet—and to do this by 1952. The critical point is their credit position then—not now. For this reason the critical consideration is the total amount of loans made during the entire recovery period. The allocation of loans to any particular segment of the program is a secondary consideration. The Committee therefore concurs in the judgment of the National Advisory Council that the Administrator be given discretion to determine as between loans and grants, under guidance of the Council, rather than that Congress should attempt to foreclose the matter by segregation of funds.

The place of loans in the program authorized.—The above should not be taken as indicating there will be no loans. To the contrary, the Administrator has assured the committee that some of the participants would probably receive aid only in the form of loans and that certain others would receive aid in part in loans and in part in grants. It is impossible, however, to predict the ratio of loans and grants.

D. THE GUARANTY PROVISION

The record to date.—As to performance under the guaranty provision of the existing act, the committee took note that existing convertibility guaranties include \$2,625,000 for four industrial undertakings and approximately \$965,000 for informational media. There are prospects that the guaranties on information media may rise to some \$6,000,000 to \$8,000,000 by June 30, 1949. Active applications for industrial guaranties total approximately \$4,500,000. These figures fall far short of the expectations of the Congress in originally legislating the convertibility guaranty provision.

Broadening the guaranties.—After extensive study, the committee came to the conclusion that broadening the scope of the guaranties was the key to more significant use of them in this program. Many Government witnesses stressed the view that the obstacle to expanded investment in western Europe lies primarily in the uncertain political and economic conditions and the lack of opportunity to make a greater profit than can be made, with less risk, in the United States. That continued progress in over-all recovery will make Europe more attractive to investors is true obviously. The view of the committee, however, is that something should be done to stimulate investment as a means of bringing about that recovery. The committee believes that a broadened guaranty program must be undertaken forthwith to tap the resources of American business for helping the European

recovery program. These are the resources that must be used in trans-Atlantic economic cooperation when extraordinary assistance as provided by this program draws to a close. It is time to get started now.

The new provisions (sec. 6 (b) (1), and (5) of the bill).—The committee studied various proposals concerning suitable guaranty coverage. The relevant provisions of the present bill, in sections 6 (b) and (c), represent the committee's best judgment as to the risks the Government may properly assume as a stimulus to investment. The Administrator will develop this program through regulations in the spirit and within the limits of the policy prescribed by the Congress. These provisions amend the act in the particulars noted below:

(a) By stating that projects in connection with which the Administrator may guarantee investments shall include "expansion, modernization, or development of existing enterprises"—which items are covered in the Economic Cooperation Administration's present practice regarding convertibility guaranties.

(b) By broadening the scope of the guaranty of convertibility of returns to include not only the dollar value of the original investment but also actual earnings to the extent provided by the contract of guaranty—the limitations to be determined within the Administrator's responsibility and discretion to place suitable limitations on the amount of profits or earnings which the investor will be allowed to convert into dollars under this guaranty.

(c) By extending guaranty coverages to include not only convertibility of currency on realized investment but also losses on the investment resulting from seizure, confiscation, or expropriation; destruction by riot, revolution, or war; any law, ordinance, regulation, decree, or administrative action (other than measures affecting the conversion of currency), which in the opinion of the Administrator prevents the further transaction of the business for which the guaranty was issued.

Relation of guaranties to rest of program (sec. 6 (b) (6) and 6 (c) of the bill).—The present ceiling of \$300,000,000 for guaranties is retained in the bill. Under the present act guaranties may be made only from the \$1,000,000,000 in public debt funds. Of this amount the sum of \$27,700,000 has been allocated for guaranties made or in prospect. The new authorization is for \$300,000,000 minus such sum. It is entirely distinct from the authorization for loans and grants. The committee believed it to be of extreme importance to have a segregated fund available only for the financing of guaranties. To attempt to finance grants and guaranties from the same funds would, for obvious reasons, inhibit the use of guaranties. The revised guaranty provision is intended to supplement, not to substitute for, funds authorized for loans and grants. The guaranty undertaking is an experiment in drawing out the resources of American capital to aid Europe. Its potential has not yet been determined. Its impact will be felt only after an interval for development. The needs of the program under grants and loans in the next year, however, are definite. Fulfilling them cannot be made contingent upon an as yet unascertained willingness of American business to respond to this new guaranty undertaking. It should be pointed out in this connection that funds provided under this authorization will be lost to the

Government only when and if it has to discharge liabilities incurred—and only to the extent of such discharge of liabilities.

Relation of guaranties to long-term projects (sec. 6 (b) (4) of the bill).—Besides broadening the guaranty coverage of ordinary investments in the participating countries, the relevant provisions are designed to enable the Economic Cooperation Administration to assist in financing acquisition of long-lead items. It is intended thus to serve the same purpose as was intended by forward-contracting authorization contained in section 6 (a) of H. R. 2362. The relevant provision in H. R. 2362 was to be limited to June 30, 1950, to an over-all sum of \$150,000,000, and to contracts to finance transfers of capital-goods items or commodities or services related to projects. In the committee's view such authority or its equivalent is essential to long-term undertakings to enlarge industrial facilities. Development of plant in the steel, petroleum-refining, power, coal, fertilizer, and agricultural-machinery industries is a most important part of the European recovery effort. Much must be contemplated or undertaken in the next fiscal year which cannot be completed until subsequent years. United States industry can be expected to undertake the production of the heavy equipment necessary for such long-range developments only upon assurance that contract payments will be made in dollars when due. To meet this purpose the committee expanded the definition of investment, for purposes of the guaranty provision, to include "the furnishing of capital-goods items and related services, for use in connection with projects approved by the Administrator, pursuant to a contract providing for payment in whole or in part after June 30, 1950."

Provisions as to guaranties of informational media (sec. 6 (b) (2) and (3) of the bill).—The changed provisions generally relevant to guaranties apply also to informational media. The committee extends the guaranties for information media, with a \$15,000,000 limit, as in the present act. It set aside the proposed reduction of the ceiling to \$10,000,000, as contained in H. R. 2362 and in the Foreign Aid Appropriation Act, 1949. The committee has added the qualification that media coming under guaranties shall be consonant with the national interests of the United States. It is the intention that the Administrator should exercise his judgment to insure that media assisted under this provision shall reflect the best elements in American life and shall not be such as to bring discredit upon this Nation in the eyes of other nations.

D. OTHER PROVISIONS RELATED TO FINANCING OF THE PROGRAM

Advances by Reconstruction Finance Corporation (sec. 8 (b) of the bill).—Section 8 (b) of the bill proposes a new subsection (h) to section 114 of the Economic Cooperation Act authorizing the Reconstruction Finance Corporation to advance \$1,000,000,000 to the Economic Cooperation Administration pending the enactment of an appropriation act. This is similar to section 114 (a) under which the program was financed by public credit in its initial stages in 1948. This provision is considered necessary in order to avoid a break in the pipe line of assistance. A hiatus causing harmful effects on the program would

occur if the Economic Cooperation Administration were forced to defer the issuance of new procurement authorizations until the appropriations process had been completed.

*Use of unobligated and deobligated funds (sec. 8 (a) (1) of the bill).—*A change in section 114 (c) of the Economic Cooperation Act, as amended by section 8 (a) (1) of the bill at hand, would prevent unintended reductions in assistance resulting from mechanical difficulties involved in carrying out a continuing program with appropriations made for specific fiscal periods. As the law stands, unobligated balances of funds would revert to the Treasury and be lost to the program after June 30, 1949. The same would happen to funds obligated during the current fiscal year and removed from obligation after June 30, 1949. The Economic Cooperation Administration usually obligates funds by procurement authorizations drawn some weeks before the date of purchase and based on estimates of prices, needs, and availabilities as of the time of issue. Prices, requirements, or availabilities may later change so that the procurement authorization may be lowered. When procurement authorizations are reduced, the funds thus freed are then used in some other part of the program. It is in the interest of the program to permit this to be done in fiscal year 1950 with funds appropriated for preceding periods. The circumstance that funds may be unobligated at the moment of expiry of the current fiscal year or may subsequently become deobligated will be due solely to problems inherent in the fluctuation of the market and in the mechanics of bookkeeping. It will not reflect any broad change in the requirements of the recovery effort.

Retention of the trust-fund provision.—The present bill retains section 114 (f) of the Economic Cooperation Act of 1948, which was explained as follows in this committee's report on that legislation:

* * * This subsection establishes a foreign economic trust fund consisting of \$3,000,000,000 of the funds appropriated for the first 12 months of operations under this title, and requires that expenditures made for carrying out this title in the fiscal year beginning July 1, 1948, will first be met out of the trust fund. When the \$3,000,000,000 placed in the trust fund has been exhausted by these expenditures, future expenditures will be made out of appropriation accounts in the customary manner. From the point of view of the Administrator's operations under this title, the trust fund will be utilized in exactly the same manner as ordinary appropriation accounts. The only difference * * * is the recording of the expenditure of the \$3,000,000,000 as part of the budgetary expenditures of the fiscal year ending June 30, 1948.

Repeal of this system of bookkeeping was requested in the President's budget message and in a letter to the Speaker dated January 13, 1949, and signed by Mr. Frank Pace, Jr., then Assistant Director of the Bureau of the Budget. Mr. Pace stated the central argument as follows:

Since the amount * * * will actually be expended during the fiscal year 1949, the present requirement that it be considered as expended during the fiscal year 1948 obviously results in incorrect reporting of Government expenditures. As stated in the budget message of the President, "This wholly artificial bookkeeping shift in no way affects the Government's actual financial operations, but it does result in a distorted picture of the budget surplus or deficit in these 2 years.

The committee decided, however, to stand by the decision made last year on a matter which, in essence, does not concern the success or failure of this program.

V. MODIFICATIONS OF OPERATIONS AND ADMINISTRATION

A. CHANGES IN COUNTERPART FUNDS

Background on counterpart funds.—Section 8 of the bill refers to counterpart funds. These are discussed also on page 6 of this report. These are funds deposited in central banks by the government of each country receiving assistance in the form of grants. These funds are required by section 115 (b) (6) of the act to be commensurate to the amount of aid thus given. The government depositing the funds raises them through the sale of commodities to local users. Use of the funds is subject to joint control by that government and the Economic Cooperation Administrator, who consults with the National Advisory Council on Monetary and Financial Problems and the Public Advisory Board in regard to their use. They may be released for purposes consonant with the act, such as stabilization, stimulation of production, and the like. These funds have proved to be of major importance in forwarding the objectives of the act. Their existence and use are integral to its operation. The amendments herein proposed modify the requirements in a manner consistent with the purposes of the act and advantageous to the United States and the recovery program.

Waiver of counterpart fund requirements in relation to technical assistance (sec. 9 (a) of the bill).—The requirement of counterpart deposits has hampered technical assistance under the program. Expert service in the fields of industrial technology, agricultural development, labor relations, management, marketing, and administration is one of the potentially most useful forms of aid authorized by the act. It is of great importance in quickening the pace of economic advancement in the countries themselves and in the development of colonial areas. Where such aid is made available to business concerns within the participating countries, the problem of raising counterpart funds has not arisen. Where such aid is afforded in projects of a broad public nature rather than to a single business enterprise, the participating government may be required to appropriate for the counterpart deposit. Section 8 (a) would authorize the Administrator to waive the counterpart deposit in these and similar instances. It should open the way to wider resort to undertakings involving technical assistance.

Waiver of counterpart fund requirements to redress transportation cost differentials (sec. 9 (a) of the bill).—Since grant-financed transfers must be covered by counterpart deposits of funds realized through sales, any unusual cost factors due to the nature of operations under the Economic Cooperation Act are reflected in the price structure of the receiving country. Where related operations are more costly, the effect is inflationary. This result has been felt where the price of the commodity must reflect a price differential as a result of being carried in an American-flag ship. Coal is the commodity most directly affected. Its price in turn affects the price structure throughout the western European economy. According to testimony before the committee, British and Polish export prices of coal are currently set just below the price of American coal delivered in United States ships—a level substantially higher than the domestic price and domestic costs in the producing country. If American coal can be made available at

delivered prices in local currency without reflecting a higher cost of transportation on United States-flag vessels, reductions in the price to importing countries of coal purchases from within Europe should follow. These reductions should lessen the inflationary pressures in coal-importing countries caused by high prices of coal used in industry and for household purposes. This would tend to relieve inhibitions on recovery in coal-importing countries. Accordingly, section 8 (a) of the bill would permit the Administrator, in cases where American-flag rates exceed world market rates, to require deposits of local currency only to the extent of the world market rate. The participating country could obtain commodities carried in United States vessels at such local currency prices as would obtain if the commodities had been transported on foreign-flag vessels at world market rates. The matter of shipping rates is discussed below in connection with another action taken by the committee.

Reservation of a portion of counterpart funds for the United States (sec. 9 (b) of the bill).—A provision in title I of the Foreign Aid Appropriation Act, 1949, modifies the counterpart fund requirements of the Economic Cooperation Act by specifying that not less than 5 percent of each such fund shall be made available to the Government of the United States for expenditures for strategic materials and for administrative and other general uses of the United States Government. This has proven of value to the United States. Section 8 (b) incorporates it substantially into the basic legislation. Under this amendment, title to a small portion of each counterpart fund thus vests, not in the participating government, but in the United States. This portion of the bill relates also to stock-piling of strategic materials. Other action by the committee relevant to this is discussed on page 29 of this report.

B. TRANSPORTATION COSTS

The problem of shipping costs.—Paragraph (2) of section 111 (a) of the Economic Cooperation Act requires—

* * * that at least 50 per centum of the gross tonnage of commodities, procured within the United States out of funds made available under this title and transported abroad on ocean vessels, is so transported on United States flag vessels to the extent such vessels are available at market rates.

The Economic Cooperation Administration has interpreted the market-rate clause to mean world market rates and given notice that the 50-50 ratio would not be maintained if and when foreign-flag vessels should become available to carry cargoes financed under this program at rates substantially lower than those charged by United States flag vessels. This contingency has not yet occurred. The 50-50 ratio has been approximately maintained. Meanwhile the Administrator has sought the decision of the Congress on the precise policy to be followed in pursuance of the act.

The committee's proposal (sec. 6 (a) of the bill).—The most important premise in the committee's viewpoint on the question of shipping policy in this program is that to go beyond the general concept of requiring equal sharing of cargoes between United States and foreign shipping would result in serious prejudicing of the recovery capabilities of the participating nations which depend substantially on shipping service as a means of earning foreign exchange. The com-

mittee is aware of the considerations involved in the view of those who would emphasize the use of American merchant shipping in this program. It is aware likewise of the necessity of minimizing the costs of this program. The language proposed by the committee in section 6 (a) of the bill would resolve the difficulty (1) by adding the phrase "for United States flag vessels" to the phrase "market rates" and (2) making this subject to the limitation that these rates are "not to exceed a reasonable differential above current market rates." This latter is included so as to empower the Administrator to curb any tendency of the difference in rates to increase inordinately as a result of the reservation of half the cargoes to United States ships. The present differential is about \$2.40 to \$2.65 a ton on the base rate for shipments from the United States to Europe.

Relation to counterpart funds.—A related provision is found in section 9 (a) of the bill which permits the waiver of deposits of local currency in return for aid in the form of grants to the extent that the cost of such is moved upward by the extra shipping costs resulting from the use of United States rather than foreign ships. This is discussed on page 25 of this report.

Uniform rate on relief packages (sec. 10 (a) of the bill).—The Foreign Aid Appropriation Act of 1949 directed that the rate per pound for ocean transportation of relief packages covered by section 117 (c) of the Economic Cooperation Act, except those sent from an individual to an individual, should be uniform. The purpose was to maintain the favorable position which Cooperative for American Remittances to Europe, Inc. (CARE), a nonprofit agency, had achieved by its ability to secure freight rates for the shipment of its relief packages considerably lower than those available to commercial shippers. Section 117 (c) of the act, by providing for the payment of the actual ocean-freight charges on relief packages, would otherwise have had the effect of removing this advantage. The Committee on Foreign Affairs decided to incorporate the relevant provision into the basic act. Section 10 (a) of the bill requires that the Administrator continue to pay for the ocean transportation of such relief packages at a uniform rate per pound.

C. FUNCTIONS REGARDING PROCUREMENT

The goal of the program.—The committee has been importuned to give statutory consideration to many sectors of the American economy presently burdened with surpluses in greater or less degree. It must stand on the original premise of the act that this is above all a program to solve the broad problems of western Europe's economy, and to help bring about European recovery and thereby to help assure the future of the American economy and of American security. The United States as well as Europe will share in the benefits when the goal is reached. The principle of European recovery as the purpose of this act should not be weakened in ways that would only postpone the achievement of the goal, and thus prolong the burden on the American taxpayer.

Repeal of the flour provision (sec. 7 (a) of the bill).—Section 7 (a) of the bill repeals section 112 (c) of the Economic Cooperation Act—the provision requiring shipment in the form of flour of a fourth of United States wheat exports financed by grants. At the time of

enactment coarse grains were in short supply. The provision was intended to retain byproduct feeds needed for livestock. Coarse grains have now become plentiful. The need to retain by-products has abated. Retention of the provision would only serve to keep the United States milling industry in an artificially advantageous position in the European market. Data presented to the committee showed that the percentage of wheat transferred as flour in relation to total wheat shipments to Europe in the period 1920 to 1940 was 18.6 percent. Actually, however, the significant figure is that of the absolute quantities of United States wheat and flour, going to the participating countries concerned. These are shown in an accompanying table. To understand the impact of the 25-percent provision on the markets concerned, it is necessary only to compare present with prewar volumes of flour shipments. They are currently over 20 times the average volume for the 10-year period preceding World War II. The provision prejudices the milling industry in the participating countries which have milling capacity adequate or nearly adequate to their needs. These are Austria, Belgium, France, the French zone of occupation in Germany, Greece, Ireland, Italy, the Netherlands, and Norway. The detriment to the local economy is bad particularly in Austria, Italy, and Greece, where recovery is complicated by unemployment. Section 112 (c) drains away funds which would otherwise be available for assistance to the participating countries. The committee must stand on the premise that this is a European recovery program.

Combined United States exports of wheat and wheat flour (wheat equivalent) to Belgium, Dutch East Indies, Netherlands, France, Germany, Greece, Ireland, Italy, and Norway, by calendar years ¹

[In thousands of bushels]

Calendar year	Wheat flour (wheat equivalent) ²	Wheat	Total wheat and wheat flour
1920	23,945	106,636	130,581
1921	21,824	164,319	186,143
1922	15,475	83,805	99,280
1923	16,825	39,258	56,083
1924	23,889	64,398	88,287
1925	12,251	42,384	54,635
1926	12,182	53,017	65,199
1927	13,027	63,304	76,331
1928	9,041	26,856	35,897
1929	8,625	25,636	34,261
1930	11,506	33,599	45,105
1931	6,098	32,460	38,558
1932	2,531	27,338	29,869
1933	1,939	2,060	3,999
1934	1,486	3,710	5,196
1935	1,214	91	1,305
1936	2,147	1,036	3,183
1937	2,977	19,234	22,211
1938	3,065	47,413	50,478
1939	5,801	25,762	31,563
1940	1,674	4,464	6,138
1941-44 ³			
1945	5,024	30,049	35,073
1946	47,244	82,387	129,631
1947	79,875	93,578	173,453
1948 (9 months), ECA ⁴	43,875	130,409	174,284

¹ Source: U. S. Department of Commerce.

² Conversion factor, 2.35 bushels of wheat per 100 pounds of flour.

³ No exports during the period 1941 to 1944, inclusive.

⁴ Source: Economic Cooperation Administration.

Getting information to the trade (sec. 7 (c) of the bill).—The present bill amends section 112 (h) of the Economic Cooperation Act relating to the maximum use of private channels of trade. The new language, in section 7 (c), charges the Administrator to do what he can to see that information of prospective purchases proposed to be financed under this program is available to the American trade. The objective is to insure the maintenance of competitive practices within the framework of the policy laid down by the Congress, to promote use of private trade channels.

The committee's objective.—The case for wider participation of small business in the sale of goods financed under this program was argued at length before and within the committee. In the committee's judgment, the question is of importance both within this country and among the recipients of our aid. Direct interposition of the Administrator in the flow of orders would make him an agent of procurement and would be entirely contrary to the purposes of the act in regard to private trade channels, however. In contrast to the lend-lease program, for example, private trade predominates in this program in the United States. (The main exceptions relate to purchase by the Commodity Credit Corporation of grain and of commodities owned or held by it under price support programs, and to purchase of commodities intended for countries, namely the occupied areas, where postwar restoration of private channels is not complete). The new provision is not intended to reverse this. The committee is aware, moreover, that a requirement of publication by the participating governments of complete itemized advance lists of intended purchases to be made under this program would only retard operations and would inevitably entail the growth of state trading in Europe and thus defeat the intended result. On both sides of the Atlantic, however, care must be taken to avoid, on the one hand, such collusive practices as will freeze out competitors in the distribution of purchases and sales, and, on the other hand, the rigidities of state trading. It is particularly important that such trade as may be carried on through agencies of the participant governments in the United States should be on a basis of free competition. Furthermore, the Administrator, the Special Representative in Europe, and the chiefs of the special missions in each participating country should be alert to insure, by all proper means, that private concerns in the participating countries are not discriminated against, and thereby unfairly disadvantaged, in connection with operations under this program and that in the handling of this program by the participating governments procurement opportunities shall be solely on an economic basis.

Policing prices (sec. 7 (d) of the bill).—The integrity of the program, the taxpayer's interest, and the American consumer's welfare make essential a careful policing of prices for commodities procured by funds appropriated to carry out the European recovery program. The Economic Cooperation Act now contains no such provision. Section 202 of the Foreign Aid Appropriation Act, 1949 (Public Law 793, 80th Cong.) remedies the deficiency. Section 5 (b) of the bill would introduce the relevant language as a permanent part of the act. It sets as the maximum payable to the United States prevailing market price adjusted for incidental differences. (A necessary exception is made for commodities procured or held by the Commodity

Credit Corporation in pursuance of price-support programs.) The provision, applying only to bulk items, does not tie the Administrator's hands in single transactions for special purposes. It is consistent with existing procurement standards of proved usefulness. To affirm these in the permanent act will strengthen the Administrator.

Relationship to export controls (secs. 3, 7 (b), and 10 (b) of the bill).—In connection with responsibilities relating to the Economic Cooperation Administration and problems of the domestic economy, it should be noted that various references in the act to the act of July 2, 1940, as amended, relating to export controls are now obsolete since the enactment of the Export Control Act of 1949. Appropriate corrections in the Economic Cooperation Act are made in sections 3, 7 (b), and 10 (b) of the bill.

D. ADDED RESPONSIBILITIES OF THE ADMINISTRATOR

Assistance to Italian emigration (sec. 10 (c) of the bill).—An additional means of alleviating distress and of strengthening the foundations of European recovery is provided in section 9 (c) of the bill. This relates to use of United States ships on a charter basis for transportation of Italian emigrants for resettlement abroad. Italy's relative poverty in natural resources and its rapidly expanding population result in a serious condition of chronic unemployment. One avenue to a solution is the attainment of higher levels of manpower utilization within Italy. This, however, can even at best solve only a fraction of the problem. Large-scale and long-term emigration programs are also necessary. Transfer of population within Europe offers a limited opportunity. Transoceanic emigration offers the principal hope along this line. Italy has shipping available for transporting about 162,000 Italians to overseas destinations in Latin-American countries during 1949. This falls some 40,000 short of the figure representing the willingness of other nations to receive Italian emigrants. The proposed language would make United States shipping—limited to 10 ships at any one time—available for operation under the Italian flag for carrying Italian emigrants for the duration of the program. It may be anticipated that the Italian emigration scheme will continue after 1949; under this provision ships would continue to be made available for the purpose during the period of the European recovery program. The interests of national security are protected. Italy would be obliged to return them at any time upon the President's demand, and in any event by the anticipated terminal date of United States assistance in support of the recovery program. It is emphasized that the Administrator will make the determinations and set the terms relevant to making the ships available to Italy. The Maritime Commission will act on the basis of these.

Strategic materials (sec. 9 (b) of the bill).—The original act provides that the Administrator shall facilitate the transfer of strategic materials to the United States and shall endeavor to develop increased production of materials for future deliveries. The Congress anticipated that surplus materials would be available in the participating countries and that materials would be transferred to the United States only when such materials were in excess of reasonable requirements for domestic use and commercial export of the participating countries.

The Administrator has been able to initiate some projects for increased production. These include arrangements for a larger output of lead in French Morocco, kyanite in Kenya, manganese in North Africa, and flake graphite in Madagascar. The Administrator has likewise been able to purchase 26,000 tons of rubber, 12,000 tons of sisal, and certain quantities of diamonds and other materials. No substantial amounts of materials can be purchased, however, unless additional dollars are provided and authority granted to make long-term contracts to provide assured markets for the producers. Such assured markets should encourage the capital investment required for increased production. The committee did not feel that additional funds should be given to the Economic Cooperation Administration in this field, which is the primary responsibility of the Munitions Board and the Bureau of Federal Supply. It did, however, wish to emphasize that the Administrator should continue to make the fullest use of its bargaining power to promote the work of these agencies. The committee, therefore, adopted an amendment which emphasizes the Administrator's obligation to make use of his bargaining power to increase the production of materials and to assist other agencies of the Government in purchasing materials; authorizes the Administrator, with the approval of the Bureau of Federal Supply and within the limits of the appropriations and authority available to the Bureau of Federal Supply, to enter into contracts for periods as long as 20 years for the purchase of materials; and makes it clear that this authority does not in any way restrict the other agencies of the United States Government from stimulating production or purchasing materials in other parts of the world.

E. PERSONNEL AND ADMINISTRATION

Review of organizational features.—In reviewing operations under the Economic Cooperation Act the committee gave heed to the question of the adequacy of the principles of organization and administration. It should be recalled that the act sets up for the domestic phase an autonomous organization in the executive establishment. At the head of it is an Administrator responsible to the President. It is recognized that a high degree of rapport between the Administrator and the Secretary of State is necessary lest there be division and contradiction in our foreign policy. Accordingly, the act provides that disputes between them should go to the President for resolution. For the overseas organization the act provides a special representative to deal with the participating nations collectively in their organization and a set of country missions to deal with each participating government on the national level. The chiefs of the country missions are given diplomatic status but with autonomy of operation. In event of conflict between an ECA mission chief and a chief of the diplomatic mission, the issue is to be referred to Washington for settlement. At all levels special provisions regarding status and salary are made so as to attract persons of caliber adequate to the important tasks imposed upon the Economic Cooperation Administration.

The system in practice.—The committee was gratified to learn that circumstances had never forced the use of the provisions for settlement of disputes between the Economic Cooperation Administration and our regular foreign policy establishment. The committee was

reassured also by the quality of the representatives of the Economic Cooperation Administration appearing in testimony. They stated their case cogently. They demonstrated an expert grasp of the problems and objectives of the program. They reflected faith in its feasibility and enthusiasm for their tasks. It was apparent that teamwork of a high order had been established within the organization here and abroad, and between the organization and the other elements of our foreign policy establishment. To quote the Special Representative:

* * * I do not know why this system works that has been set up with two separate Administrations, but the Congress in its wisdom set it up, and I think Congress was wise because it has worked.

Adjustment of salaries (sec. 2 of the bill).—The legislation at hand, however, gives opportunity to improve certain portions of the act dealing with personnel. The first relevant change proposed is found in section 2 of the present bill. The existing act permits the employment of 100 persons outside the civil service for domestic duty in the Economic Cooperation Administration. Twenty-five of these may be paid up to \$15,000 and 75 at a rate up to \$10,000. Subsequently Congress has permitted the piercing of the \$10,000 salary limit for top-level civil-service employees (Public Law 900, 80th Cong.). Further upward revisions by the present Congress may also be anticipated. The result of the specific limit of \$10,000 imposed on a few (actually only six at present) of the upper-level Economic Cooperation Administration employees, however, is to deny them salary advantages extended to equivalent employees in other Federal agencies. The section in question simply removes this inadvertent discrimination by permitting them to receive the highest salary allowable under the Civil Service Act of 1923, as amended. This is consistent with Congress' intent, in passing the Economic Cooperation Act, to make the positions attractive to the best talent.

Establishment of a Deputy Special Representative (sec. 4 of the bill).—A second change regarding personnel relates to the Deputy Special Representative in the organization abroad of the Economic Cooperation Administration. The position of a deputy special representative is not provided for in the Economic Cooperation Act. Such an official, however, has been proved necessary in practice, and Mr. William C. Foster has been so designated. Though on the rolls as a Foreign Service Reserve officer of class 1, he has been given the personal rank of ambassador by order of the President, December 21, 1948. Section 4 of the bill would give this post statutory authorization and affirm the ambassadorial status. Presidential appointment and senatorial confirmation are provided. Pay and allowances will be those of a chief of mission, class 3.

A change in regard to mission chiefs (sec. 5 of the bill).—A third change, embodied in section 5 of the bill, relates to the compensation of chiefs of Economic Cooperation Administration missions to the participating countries. A memorandum from the Economic Cooperation Administration states:

The chiefs of ECA missions occupy positions in foreign capitals * * * comparable to the chiefs of United States diplomatic missions, with equivalent official and social responsibilities.

The ECA mission chiefs have incurred unusual expenses in connection with the discharge of their official responsibilities in European capitals. * * *

Because men of proven ability are sought for these posts, they have in most cases sacrificed lucrative positions in the United States. Since they do not enjoy the security of long tenure, they are understandably reluctant to remain away indefinitely from their businesses and professions. This is especially true when the compensation they receive from the United States Government is not sufficient to defray their expenses while they are in its service.

Under the proposed revision the Administrator would be permitted to designate mission chiefs of the Economic Cooperation Administration to receive the emoluments of a chief of mission, class 3 or class 4, in the regular diplomatic establishment. Those so designated would receive salaries of \$15,000 or \$17,500, depending on the respective class indicated. Their present pay level is \$13,500. The Administrator's authority to set allowances for Chiefs of Missions equivalent to the allowances paid to Foreign Service officers of corresponding classes is not impaired or affected by this amendment; upward adjustment of their allowances would, in any event, come from counterpart funds and thus would not affect the budgetary picture.

APPENDIXES

APPENDIX I

DEVELOPMENT OF THE EUROPEAN RECOVERY PROGRAM

When Hitler invaded Poland on September 1, 1939, Europe was still suffering from the economic consequences of World War I. Although the physical damage of the earlier war had been repaired, the years between the wars, especially the early and middle 1930's, were marked by economic crisis and mass unemployment.

Even before World War I, Europe had lost the superiority in industrial production which had been the basis of its prosperity in the 19th century. In order to maintain its imports from the rest of the world at a level that would maintain existing standards of living, Europe had to rely in increasing measure on expenditure of income from its large overseas investments for current consumption instead of reinvestment. Little progress was made in improving productive methods, establishing new industries, and finding new markets to meet the change in trade patterns.

The slump in the thirties resulted in a world-wide adoption of restrictive trade practices—import quotas, foreign-exchange controls, cartel agreements, bilateral agreements, tariffs, and other devices of economic nationalism. The volume of international trade diminished and, to maintain their necessary imports, the nations of Europe had to liquidate part of their overseas investments and spend gold reserves.

To a Europe which had failed fully to recover from the economic shock of World War I and the great depression, the economic devastation of World War II was an almost mortal blow.

Europe's industrial plant, utilities, communication systems, and housing suffered heavy war damage and destruction. Less obvious but equally important was the damage caused by undermaintenance and obsolescence. The network of domestic and foreign trade on which Europe had depended for its livelihood was disrupted. The pipe line of raw materials was dry, Europe's soil was depleted, its people fatigued.

Europe's loss was not confined to the continent itself. Millions of tons of shipping had been sunk or damaged. Its replacement called for great outlays of capital. Shipping became an expenditure instead of an income item in Europe's foreign-exchange ledger. Income from other invisible exports in the form of banking and insurance services was lost. A large part of the overseas investment, still of great size at the outbreak of hostilities, was sold to prosecute the war. Britain, especially, ran up a large debt to countries of the Middle East and to members of the Commonwealth for wartime supplies and material. Other foreign investments, particularly in mines and plantations in

southeast Asia, were damaged in the fighting or left unprofitable by local political strife.

Despite the loss of life during the war, the population of western Europe increased by about 8 percent, from 249,000,000 in 1938 to 270,000,000 in 1947. A swollen demand for a shrunken supply of goods produced strong inflationary pressures. Social, political, and economic disorganization in some countries added to the dislocation.

Reconstruction required fresh energy and cooperation from the liberated peoples, but enemy occupation had encouraged absenteeism, hoarding, and black marketeering as means of self-preservation. Habits developed in patriotic resistance became obstacles to the restoration of an orderly society.

All these factors combined to enlarge import requirements enormously at a time when supplies available outside the Western Hemisphere dollar area were sharply curtailed. Under these difficult conditions, the postwar democratic governments in western Europe began to cope with the problems of economic reconstruction.

At the height of the war the United States took the lead in the preparations for United Nations Organizations to cope on a comprehensive scale with postwar problems of economic distress and dislocation.

The United Nations Relief and Rehabilitation Administration (UNRRA) was established in November 1943 to take care of immediate needs for relief and for the rehabilitation of agriculture and industry and the care of displaced persons. UNRRA started operations in 1944, reaching its peak activity two years later. In Europe its operations came to a virtual halt on June 30, 1947. The United States contribution totaled more than \$2,600,000,000.

The International Bank for Reconstruction and Development was established to meet long-term capital needs, and the International Monetary Fund to assist in the postwar stabilization of currencies. Both organizations came into being on December 27, 1945. The United States raised the capital of the Export-Import Bank in August 1945 from \$500,000,000 to \$3,500,000,000 in an effort to enable that agency to bridge the gap between Europe's immediate need for loans and the time when the World Bank could start functioning as a going concern. Loans amounting to \$1,800,000,000 were made to western European countries.

At the end of the war large amounts of unused lend-lease materials and surplus property left in Europe by United States military forces were sold to European countries under long-term credits. In addition, more than 1,132 vessels, surplus to United States requirements, were transferred to foreign flags.

The serious economic plight of the United Kingdom, caused by its heavy contribution to the war effort, required special United States assistance. Negotiations were completed on December 6, 1945, for a \$3,750,000,000 loan to Britain which was approved by the Congress on July 15, 1946, and took effect immediately. The line of credit was exhausted by March 1948.

In response to an appeal from the Economic and Social Council of the United Nations, the President on January 10, 1947, asked the Congress for \$326,000,000 for European relief to follow the end of UNRRA's operations. On August 26, 1947, the Congress appropriated \$322,000,000 for relief in Austria, Greece, Italy, Trieste, and China. While this

post-UNRRA legislation was pending before the Congress, two major European developments necessitated still another stop-gap measure. In February 1947 the British Government informed the United States that on March 31 it would no longer be able to continue the economic and advisory assistance which it had been giving to Greece. The Greek Government urgently appealed to this Government for assistance in order that Greece, which had been left devastated by the war and which was threatened by a Communist-supported guerilla movement, might survive as a free nation. At various times during preceding months the Turkish Government had appealed to the United States for financial aid. On March 12 the President asked the Congress for \$400,000,000 for military assistance to Turkey and for military and economic aid to Greece. The act providing for assistance to Greece and Turkey was signed on May 22, 1947.

The economic situation was deteriorating so rapidly that in November 1947 the President called a special session of the Congress, which he asked, among other things, to act on interim aid for France, Italy, and Austria for the 4 months, December 1947, through March 1948. A total of \$522,000,000 was appropriated for the European recipients and \$18,000,000 for China.

In summary, total United States assistance to Europe, in loans and grants and including special assistance to occupied areas, between mid-1945 and the passage of the European recovery program in April 1948, amounted to \$12,600,000,000 out of a grand total of \$16,300,000,000 in United States assistance to all countries. The greater part of these funds was spent in the United States for goods and services.

At the end of 1945 western Europe's industrial production was running generally at about 60 percent of the 1938 total. There were bottlenecks in such key industries as food, coal, transportation, steel, timber, and fertilizer. Additional troubles piled up behind each major block to production. For example, the coal shortage limited steel production, which in turn held down the output of mining machinery need to increase the flow of coal. Scarcity of coal also slowed the manufacture of synthetic nitrogen fertilizer necessary to expand food production, while miners stayed out of the pits for lack of food. Sweden, without coal, burned wood, when wood was needed as pit-props for coal mines.

Despite bottlenecks and disorganization, manufacturing, mining, and building made important gains in most countries in 1946. At the end of the year industrial production in the countries of western Europe was close to 85 percent of the last prewar year. Excluding Germany, which was especially depressed, average production in the last quarter of 1946 was over 100 percent of the level of 1938. The first steps taken had been to make emergency repairs to transport and public utilities. Next came measures to deal with bottlenecks. France, through strenuous effort in 1946, raised the level of coal production above the 1938 tonnage, but this achievement was in sharp contrast with production in the rest of western Europe. Coal had to be imported from the United States to offset the deficit in German, British, and Polish output. Although the United States normally exports only a few cargoes of coal a year to Europe, these shipments rose to nearly 20,000,000 tons in 1946 and to 40,000,000 in the following year.

In 1947 industrial recovery was slower than in 1946. The severe winter of 1946-47 created a crisis in transportation, both in the United Kingdom and on the Continent, and caused large-scale diversion of coal from industrial use to household heating. With gold and dollar reserves falling below a safe minimum, the United Kingdom, France, the Netherlands, and Italy had to restrict imports drastically from the United States. Poor crops and a food shortage required concentration of available dollars to a large extent on imports of wheat, yet the maintenance of industrial production depended on continued imports of coal, oil, and raw materials. The dollar shortage became so severe that timber allocations in the United States were not taken up, cotton purchases were halted, and recovery threatened to come to a dead stop with a break in the pipe line of vital recovery supplies from the United States.

In agriculture western Europe's lack of progress was even more discouraging. The harvest in 1945 was only around three-fourths of prewar averages and had improved to between 85 and 90 percent by the following year. General disorganization, adverse weather, and certain shortages of equipment, fertilizer, and farmyard manure combined to cause poor results. In addition, inflation and lack of consumer goods lowered the farmers' incentive to exert maximum effort. The first two postwar harvests were poor; that of 1947 was disastrous. Deep frost followed by severe floods damaged and partly destroyed the winter crops. Inadequate supplies of seed hampered spring resowing. From this bad start, affecting primarily wheat and rye, matters became worse when an extensive drought still further reduced the grain harvests and also reduced the crops of potatoes and sugar beets. Total agricultural production was again reduced to about three-fourths of prewar. In Austria, Germany, France, and Italy, bread, the staple of the diet, was rationed more strictly than at any time during the war, and in the United Kingdom it was rationed for the first time.

The disruption of war had extended far beyond industrial and agricultural production. In the fields of finance, prices, and internal distribution it had left a situation approaching economic chaos. Nazi wartime finance had created an enormous increase of money in circulation in occupied countries. Inflation was aggravated by severe shortages of consumer goods. Some countries attempted to reduce the upward pressure on prices by restricting currency in circulation and blocking excess funds. In Belgium this device was fairly successful, in part because that country's holdings of gold and dollar exchange permitted relatively free imports. Similar measures taken elsewhere, before the supply of goods was sufficient to give value to the new money, were less successful.

In most western European countries price and wage controls, rationing, allocations, priorities, import restrictions, export set-asides, and even in some cases labor allocations, were imposed. There is no general agreement whether or not these measures can substitute for the operation of a price system, but there is no doubt that successful administration of direct economic controls in times of stress requires widespread public cooperation and strong and efficient governmental direction. In most countries, 6 years of war had sharpened the instinct of self-preservation and dulled appeal to national cooperative effort. Moreover, many postwar governments were based on loose coalitions and

lacked political strength. Accordingly, their controls were ineffective and their economies continued throughout 1946 to suffer from disruption and disorganization.

Intra-European trade was at a nearly complete standstill at the end of the war. Even as production increased, trade lagged behind because of unusual demands at home for goods and because of exchange complications. The postwar intra-European trade that did develop depended on bilateral agreements. Some additional trade was based upon payments in "hard" currencies, usually gold, dollars, or Swiss francs. The need for dollars to buy basic commodities in the Western Hemisphere led countries to discourage exports to European neighbors unless they could pay in hard currencies. But at the very time European countries were trying to sell more and more goods in hard-currency areas, they were placed at a competitive disadvantage by high European prices resulting from heavy domestic demand and other inflationary pressures. European goods in a number of lines were thus unable to compete in price with domestic or other imported goods in the Western Hemisphere and Far East.

In spite of the failure to solve many urgent problems, the countries of Europe made some progress toward cooperation. Even before the end of the war cooperative efforts in technical fields, designed to promote common recovery, had been begun. Three regional organizations were formed: the European Coal Organization to recommend allocations of coal imported into the deficit countries of Europe; the European Central Inland Transport Organization, to promote consultation among the European countries to facilitate an early and orderly restoration of the badly disrupted railroad and water transport systems; and the Emergency Economic Committee for Europe, to deal with other pressing economic problems arising from shortages of critical commodities such as timber and fertilizer and the general dislocation of trade. By agreement of the countries concerned, the work of these organizations was taken over by the Economic Commission for Europe established by the Economic and Social Council of the United Nations in the spring of 1947. The Commission has continued and expanded the work begun by these earlier organizations.

The hard winter and spring of 1947 revealed how vulnerable Europe was and made unmistakably clear that the political and economic situation was fast deteriorating. An air of hopelessness began to spread across the Continent.

In the United States there was growing appreciation of the necessity for over-all recovery effort in place of piecemeal relief measures. At the Delta Council meeting in Cleveland, Miss., on May 8, 1947, Under Secretary of State Dean Acheson set forth a five-point program for international economic relations, including concentration of United States—

emergency assistance in areas where it will be most effective in building world political and economic stability, in promoting human freedom and democratic institutions, in fostering liberal trading policies, and in strengthening the authority of the United Nations.

On June 5, 1947, Secretary of State George C. Marshall delivered his famous address at the commencement exercises of Harvard University, in which he described the critical world situation and analyzed the position of Europe. In his analysis Secretary Marshall took account of the destruction and loss suffered by Europe, and stressed

"the dislocation of the entire fabric of European economy" and the threatened break-down in the division of labor which is the basis of modern civilization. He pointed out that before the United States could further assist European recovery, the countries of Europe would have to agree on the requirements of the situation and on the part each country itself could take in contributing to the common recovery of Europe. The initiative, he made clear, had to come from Europe. The role of the United States—

should consist of friendly aid in the drafting of a European program and of later support of such a program so far as it may be practical for us to do so.

A few days later, on June 11, 1947, President Truman, in restating United States policy on aid to Europe, again emphasized that the initiative lay with the European countries themselves.

European response to Secretary Marshall's address was prompt. Ernest Bevin, Foreign Minister of the United Kingdom, welcomed the American suggestion in a speech to foreign newspaper correspondents on June 13, 1947. Arrangements were made for Mr. Bevin and Georges Bidault, the French Foreign Minister, to meet in Paris. The two Foreign Ministers met on June 17 and 2 days later invited the Foreign Minister of the Soviet Union, V.M. Molotov, to join in the discussions. The three Foreign Ministers met in Paris from June 27 to July 2.

The Soviet Union refused to take part in drawing up a joint program for European recovery. The Soviet representative proposed that the United States be asked to state the amount of assistance offered, that this amount be apportioned among the European countries, and that each then be free to use it in its own way. Messrs. Bevin and Bidault insisted, however, that in keeping with the spirit of Secretary Marshall's suggestion, the joint European program should be based primarily on European cooperation to achieve its own recovery. Mr. Molotov withdrew from the conference and issued a warning:

The Soviet Government considers it necessary to caution the governments of Great Britain and France against the consequences of such action.

On July 3 Britain and France invited 22 European nations to meet on July 12 to prepare a joint plan for the economic recovery of Europe. Seven eastern European states, on the insistence of the Soviet Union, eventually refused the invitation. The countries of Europe which accepted, in addition to the inviting powers, were Austria, Belgium, Denmark, Greece, Iceland, Ireland, Italy, Luxemburg, the Netherlands, Norway, Portugal, Sweden, Switzerland, and Turkey. The Anglo-American zones of occupied Germany were represented by the United Kingdom acting on behalf of the occupying powers.

The Committee of European Economic Cooperation (CEEC) was established in Paris on July 12. Following 4 days of plenary sessions, committees were formed to deal with the specific problems of drafting a recovery plan. Four were to consider the problems of food and agriculture, fuel and power, iron and steel, and transport. Separate committees were created on finance and on the balance of payments problem. Later, special groups studied timber, manpower, and coke.

The two-volume report of the CEEC was published on September 22. It consisted of a general report, an outline of the proposed program for European recovery, and special data prepared by the technical committees. The report placed emphasis on production and set targets for key areas of the economy.

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The CEEC summarized its entire program in the following words:

(i) To develop its production to reach the targets, especially for food and coal;

(ii) To make the fullest and most effective use of its existing productive capacity and all available manpower;

(iii) To modernize its equipment and transport, so that labour becomes more productive, conditions of work are improved, and standards of living of all peoples of Europe are raised;

(iv) To apply all necessary measures leading to the rapid achievement of internal financial monetary and economic stability while maintaining in each country a high level of employment;

(v) To cooperate with one another and with like-minded countries in all possible steps to reduce the tariffs and other barriers to the expansion of trade both between themselves and with the rest of the world, in accordance with the principles of the draft Charter for an International Trade Organization;

(vi) To remove progressively the obstacles to the free movement of persons within Europe;

(vii) To organize together the means by which common resources can be developed in partnership.

The CEEC program estimated a deficit with the Western Hemisphere for the 4 years 1948-51 of \$22,440,000,000, of which \$8,040,000,000 was estimated to fall in the calendar year 1948. The Committee calculated that \$3,130,000,000 of the 4-year total could be financed through the International Bank for Reconstruction and Development, assistance from countries other than the United States, and other sources, leaving \$19,310,000,000 to be financed by the United States. The 1948 portion of this last amount was estimated at \$7,120,000,000.

Even before the Committee of European Economic Cooperation began its work, President Truman on June 22, 1947, appointed three committees to study special phases of the effect of aid to Europe on the economy of the United States. The first of these committees, under the chairmanship of the Secretary of the Interior, J. A. Krug, examined the capacity of the Nation's resources to support a program for European recovery. The second, made up of members of the Council of Economic Advisers, under the chairmanship of Edwin G. Nourse, focused its attention on the effects of Government-financed exports on American production, consumption, and prices. A third committee, under the chairmanship of the Secretary of Commerce, W. Averell Harriman, and consisting of 19 distinguished private citizens, undertook to study not only the effects of an aid program upon the United States but also the appropriate size of such a program in the light of European requirements and American capacity to meet them.

The three committees published separate reports in October and November. The Krug committee report concluded that the American economy had the physical resources to support a considerable program of foreign aid; that difficult supply problems would continue in a number of commodities, particularly wheat, steel, coal, nitrogen fertilizer, and certain industrial-equipment items, but could be minimized by careful screening and allocation; and that, because of its high domestic consumption, the United States faced urgent problems of resources conservation. The Nourse committee report, noting that

previous foreign aid had not prevented the American consumer from reaching a higher standard of living than before the war, found that existing price inflation was caused primarily by domestic factors, though foreign demands added to the pressures. It concluded that although there would probably be continued tightness in certain commodity fields, which might be eased by controls, the proposed program would have less over-all effect on the United States economy than earlier foreign-aid measures. Finally, the Harriman committee carefully analyzed the European economic problem and the United States ability to give aid and concluded that the amount of United States assistance in the first year of the program should be about \$5,750,000,000.

Soon after appointment of the Krug, Nourse, and Harriman committees, the House of Representatives voted to establish a Select Committee on Foreign Aid. This committee's activities were to supplement past and prospective investigations by the House Committee on Foreign Affairs. The select committee, established on July 29, sailed for Europe on August 28 and returned on October 10. The committee issued a series of preliminary reports prior to the special session of the Congress in November. These were later supplemented by separate studies on commodities, countries, and special topics. The committee's final report was published on May 1, 1948.

In addition to the select committee, various other congressional committees made on-the-ground studies of European-recovery problems between adjournment of the regular session at the end of July and the special session in November. Foremost among these were investigations made by members of the Senate and House Committees on Appropriations and inspection tours by members of the Senate and House Military Affairs Committees. In all, more than 200 of the 531 Members of the Congress went abroad in 1947. The large majority of them visited Europe.

On September 29, and again on October 23, President Truman met with congressional leaders to plan United States action on the CEEC's request for an aid program of \$19,310,000,000. It was evident that the crisis in western Europe was intense and assistance already provided to the countries in greatest need would not last beyond the end of the year, if until then. The CEEC report assumed United States aid would be granted on a calendar-year basis beginning January 1, 1948, but the Congress, which was not in session, needed considerable time properly to consider European requirements and American capacity to meet them. The President on October 23 called a special session of the Congress for November to act on, among other problems, emergency foreign aid to serve as a "stopgap" until a long-range program for European recovery could be worked out.

On the final day of the session, December 19, the President submitted his message to the Congress, together with the outline of a European recovery program. This document was drawn up by Government officials on the basis of the OEEC report, the findings of the Krug, Nourse, and the Harriman committees, and the discussion between American and OEEC experts. It presented proposed authorizing legislation, a statement of principles on which American aid to a European recovery program should be extended, an American estimate of the probable cost of such assistance, and a set of proposed administrative arrangements. This was the European aid program placed before the

Eightieth Congress when it assembled for its second regular session in January 1948.

The Eightieth Congress began to consider the United States portion of the European recovery program on January 8, 1948. Careful and constructive analysis of the problem and the steps necessary to meet it were given by the Congress during the next 3 months. On April 2, the Congress passed the Foreign Assistance Act of 1948, containing, as title I, the Economic Cooperation Act of 1948, which the President signed on the following day. The Economic Cooperation Act authorized \$1,000,000,000 in note issues and \$4,300,000,000 in appropriations, and made available the unused balance of certain previous foreign-aid funds.

Between December 19, 1947, when the Outline of a European Recovery Program was presented to the Congress, and April 1948, when an appropriation under the Economic Cooperation Act was requested, the executive branch revised its estimates of the cost of the recovery program. This revision was made necessary by receipt of additional information on requirements of the participating countries, by changes in the United States supplies and availabilities, and by inclusion in the authorizing legislation of special provisions which had not previously been taken into account. The revised estimate of \$5,760,000,000 exceeded the authorized amount of \$5,300,000,000 for 12 months.

On June 4 the House of Representatives passed a bill appropriating \$4,000,000,000 for a 15-month period, instead of the \$4,300,000,000 authorized by the Economic Cooperation Act for a 15-month period. The Senate restored the major House cut in the ECA appropriation by changing the period to be covered from 15 months back to 12 months. Differences between the House and Senate measures were reconciled by making the appropriation on a 15-month basis but providing that the President, upon recommendation of the Administrator, could authorize the obligation and expenditure of the funds within 12 months.

On April 9, 1947, 6 days after the President signed the Foreign Assistance Act of 1948, Paul G. Hoffman took the oath as Administrator for Economic Cooperation. The following week the temporary organization of the European countries, the Committee of European Economic Cooperation, was disbanded and representatives of 16 nations and the occupation zones of western Germany signed in Paris on April 16, 1948, a convention for European economic cooperation. This convention contains the multilateral pledges of the participating countries and the charter of the Organization for European Economic Cooperation (OEEC). The Organization was immediately created as a permanent body, with headquarters at Paris, to develop and carry through with the assistance of the United States the joint program for the economic rehabilitation of Europe.

Thus, at the same time that the Government of the United States established the Economic Cooperation Administration to carry out this country's part of the European recovery program, the participating countries themselves set up a specific international organization to guide and integrate their own cooperative efforts in attacking their common economic problems.

With the establishment of the Organization for European Economic Cooperation the European recovery program ceased to be merely an objective of United States policy. It became the primary responsibility of the European nations themselves acting in concert.

The work of the OEEC has thus been primarily focused on the formulation of joint economic programs, which the OEEC develops out of the individual national programs submitted by the participating countries. The aim is to achieve the most effective use of all resources available to the participating countries and thus reduce to a minimum the requirement for extraordinary outside assistance. It is within the functions of the OEEC to study and recommend action on a variety of large-scale economic problems, such as trade and payments among the participating countries, the coordination of national investment plans, joint developmental projects within Europe, customs and economic unions, and trade and fiscal policies.

The OEEC has devoted much effort in the past year to the immediate problem of recommending to the ECA a division of American assistance for 1948-49. But the analysis of Europe's economic problems and the formulation and undertaking of agreed measures of self-help and mutual aid to solve these problems are far more significant activities for Europe's economic prospects and future organization.

The structure and functions of the OEEC were established by the convention for European economic cooperation. The Organization is now composed of representatives of 16 nations and of the bizonal and French zone of Germany and the United States and United Kingdom zone of Trieste.¹ Each nation is represented on the Council, which is the governing body of the Organization and the body vested with power of decision. The Council acts on the principle of unanimity, although a member may refrain from voting and may approve a decision with stated reservations. The Council has met more than 50 times since April 1948.

The Executive Committee directs the day-to-day activities of the OEEC. This Committee is composed of seven members chosen by the Council. It considers all matters to be referred to the Council and submits them with its recommendations, prepares the agenda for the Council meetings, and has been entrusted with an increasingly wide area of direct responsibility. It has, for example, directed the work on the long-term program covering the first year after the end of the European recovery program, including the approval of instructions for the preparation of national submissions, and the review of the program.

In addition to the Executive Committee, there are a number of technical committees. In the first place, there is a series of committees dealing with general problems: the Programs, Trade, Intra-European Payments, and Manpower Committees and the Overseas Territories Working Group. Secondly, there are committees dealing with commodity or industry problems, in the fields of food and agriculture, iron and steel, coal, raw materials, textiles, machinery, and others. Each member is entitled to representation on these technical committees or to send a representative when a committee is considering a problem of interest to it.

The committee structure is flexible and adaptable to changing needs since no hard and fast procedures have been laid down. As presently organized, the working-level activity of the OEEC centers in this committee structure. These committees also work on the principle of una-

¹ The full list of members is: Austria, Belgium, Denmark, France, the United States and United Kingdom zone of the Free Territory of Trieste, Greece, Iceland, Ireland, Italy, Luxemburg, The Netherlands, Norway, Portugal, Sweden, Switzerland, Turkey, the United Kingdom, and the occupied zones of western Germany.

nimity but have authority to make only recommendations and not final decisions.

The other major segment of the Organization—apart from the Council and the Executive Committee and the technical committees—is the internationally staffed Secretariat. The Secretary General assists the Council, the Executive Committee, and the various technical committees in their tasks. The Secretariat analyzes the various economic problems that come before it and submits proposals for their handling or for their solution. In addition, the Secretariat provides the necessary technical and housekeeping services for the efficient administration of the business of the organization.

The relation between the Secretariat and the national delegations is flexible. Sometimes the work is done by one or more national delegates, sometimes by a committee, sometimes by the Secretariat. The object is always to entrust the work to be done to those who can best do it.

The functions of the OEEC are summarized in the resolution of the Committee of European Economic Cooperation, dated April 16, 1948, which states that the organization is—

(1) to prepare as often as necessary, on the basis of and after examination of national estimates or programs, such general production, import and export programs as appear necessary to further the objects of the Convention;

(2) to consider, in the light of national estimates or programs of development submitted by the Contracting Parties, the best use of productive capacity and manpower to further the objects of the Convention within both their metropolitan and overseas territories, and the measures necessary to achieve these ends;

(3) to promote consultation between the countries concerned, to consider the measures and create the machinery necessary for European economic cooperation especially in matters of trade, international payments and movement of labor;

(4) to investigate, wherever necessary, methods of coordinating the purchasing policies of Members;

(5) to assist Members, at their request, to surmount difficulties incurred in the execution of the European Recovery Program;

(6) to make recommendations, as may be appropriate, to the United States Government and, as need be, to other Governments or International Organizations, on the allocation of commodities among the Members, having due regard to the allocating functions of other International Organizations;

(7) to ensure the most efficient use of external aid and to contribute towards ensuring the most efficient use of indigenous resources;

(8) to prepare as often as necessary reports on the execution of the European Recovery Program and the use of external aid;

(9) to collect all such information as may facilitate the accomplishment of the tasks of the Organization * * *

The OEEC's terms of reference are wide enough to embrace any and all economic problems of European recovery. The organization has not, as yet, been able to give its full attention to many of the problems suggested in the above list of functions, though it has had to concern itself to some degree with most of them in its preparation of the first annual program. The analysis, review, and formulation of recommendations on long-term recovery problems will, however, compel it to consider very carefully a wide range of internal and external aspects of the economies of the participating countries.

Hitherto the preparation of one quarterly supply program and two annual programs has taken up most of the time of the OEEC. The preparation of these programs was requested of the OEEC by the ECA, and the OEEC had to develop its own techniques for this diffi-

cult and complicated task. But now that those techniques have been learned—even though there will have to be continual modification of them—it is probable that the preparation of further programs will take much less time. More time will thus be available to deal with the vital problems of European recovery.

In general OEEC programing is a cooperative effort to guide national policies so that the participating countries, as a coordinated group, will most effectively use their resources to achieve independence from extraordinary outside assistance. More specifically, the programing activity of the OEEC has consisted of obtaining forecasts of the maximum amount of industrial and agricultural production which might be expected in any period, the amount of labor, raw material, and capital equipment which would be needed to reach these output goals, and an estimate of the extent to which the necessary resources can be obtained from indigenous production or must be obtained from outside sources, together with recommendations for necessary action.

The development of a program has three main aspects: First, the OEEC defines the objectives which the particular program is to meet and the form and content of the forecasts which are to be made by the participating countries and submitted to the OEEC; the second is the preparation of such forecasts by the national governments; and the third is the analysis, reconciliation, and consolidation of these forecasts by the OEEC into an integrated joint recovery program. A vital part of this last stage, a part which the participating countries have not yet completed for the 1949–50 and long-term programs, involves the modification of national programs to minimize incompatibility and to provide for the most effective contribution by each nation to the common recovery objective.

Three types of programs have been undertaken during the past year: quarterly procurement programs, annual programs for the fiscal years 1948–49 and 1949–50, and a long-term or 4-year program which will project the goals to be reached by mid-1952 in order to achieve freedom from extraordinary external support.

Because of the pressure of time and the need for maintaining an uninterrupted flow of essential commodities into Europe during the first months of the recovery programs, quarterly supply programs for the second and third calendar quarters of 1948 were prepared without the benefit of a completed annual program for 1948–49.

As its first programing assignment, the OEEC undertook the preparation of the supply program for the third calendar quarter of 1948. It was soon recognized, however, by both the OEEC and the ECA that the former could not continue to prepare quarterly programs and also devote the necessary time and personnel to the drafting of annual and long-term programs and the solution of western Europe's basic economic problems. Consequently, it was decided that the ECA, working directly with the governments of the participating nations, would prepare the quarterly procurement programs within the framework of agreed annual programs.

Immediately after the completion of the July–September program, the OEEC took up the task of preparing an annual program for the year 1948–49. It was impossible to delay this work until a definitive long-term program, setting forth the goals to be attained before the middle of 1952, could be completed. Although both the OEEC and

the ECA agreed that, logically, the long-term goals should be established as the basis from which the first annual program could be developed, pressure of time forced the adoption of the reverse order. For a number of reasons, including preoccupation with urgent commodity requirements and the attempt to forecast in detail for a year in advance supply and demand for individual commodities, the initial emphasis was placed on detailed commodity projections. Later, emphasis was shifted to the measures which might be taken by each country and by the group to promote financial stability, to develop domestic production and improve labor productivity, to coordinate investment plans and other measures of self-help and mutual aid, and to consideration of the basic economic problems which affect the trade and financial relations of the European countries with each other and the rest of the world. Only through action of this kind can Europe achieve the most effective use of its own resources and a steady and rapid reduction of its requirements for outside assistance.

After receiving the national submissions for 1948-49, the OEEC examined and analyzed each program separately, trying to determine the requirements of each country for imports considered essential according to common criteria of recovery needs. In order to carry out this operation, a committee of four members was set up and empowered to review the programs and to make a provisional allotment of aid among the participating countries. These men were members of the national delegations of France, the United Kingdom, the Netherlands, and Italy, and were the chairmen or vice chairmen of the most important technical committees. They were, however, appointed in their individual, not in their representative, capacities, and were charged with proposing through the Programs Committee to the Council a recommended division of American aid.

As guidance for the work of the Committee of Four, the Council laid down the following principles:

(a) maintenance of food consumption at approximately the 1947 level, except where a higher level could be justified by exceptional difficulties or increased production and employment;

(b) maintenance of imports of raw material at a level sufficient to prevent production and employment from being reduced, especially in connection with industries whose activity may directly or indirectly result in dollar saving or earning; widest possible recourse by participating countries to sources of supply outside the dollar area;

(c) due attention to the volume of expected world market availabilities; and

(d) adjustment of the import prices of basic products in accordance with the most up-to-date information.

Regarding capital equipment goods, the Council recommended that—

the needs should be assessed according to the effect that such imports might have on production likely to result in dollar earnings or savings.

Special attention was also to be given to relations between equipment requirements for 1948-49 and the over-all targets which might be set in the long-term program.

The OEEC suggested reductions in dollar requirements by recommending both the cutting of certain dollar imports and the shifting of other imports from the dollar area to European or other nondollar sources. The problem of meeting the nondollar deficit was solved in large part by the adoption of the convention on intra-European trade and payments. After initial forecasts of intra-European trade and

payments were reconciled, it was possible to determine each country's net requirements for assistance. Certain countries were in a position to provide assistance to other countries. The final recommendations on the division of aid, therefore, involved the determination of the amount of direct dollar aid which each country would receive from the United States and the assistance it would receive from, or extend to, other participants. As a result of this process, some modifications were made in both the earlier recommendations on dollar assistance and the forecasts of intra-European trade and payments. Final agreement in the Council was reached on October 16, 1948, and the entire program for 1948-49, including the recommended division of American aid, was transmitted to the ECA.

Since August 1948, when the original instructions were sent out by the OEEC to the participating nations, and in particular since early November, when the replies to the questionnaires were received, the long-term program covering the year 1952-53 has been the focus of OEEC activities. Again, advances have been made in the techniques of programing. The Council has delegated to the Executive Committee the direction of the preparatory work on the long-term program and the Executive Committee has interpreted this directive broadly. Functioning mainly as a working group, that is, relatively divested of national responsibility, it has undertaken the examination of the national program submissions, the preparation of reports on and analyses of these submissions, the discussion of the basic economic issues which have arisen in the course of the study, and the issuing of instructions to the technical committees engaged in commodity screening. The Secretariat has taken an increasingly active part in this process; and a central unit, consisting of the Chairman and Vice Chairman of the Executive Committee and the Secretary General, has been set up to operate as a steering committee.

Simultaneously, work on the second annual program for 1949-50 has been in process. The Programs Committee was put in immediate charge of this program, but the work on it has been conducted, throughout the OEEC, as an integral part of the long-range plan.

This approach to the long-term program is significant as an indication of the importance attached to it by the OEEC. It has resulted in a more centralized control over programing within the Organization. The development of programing technique has in turn strengthened the OEEC. Not only is it more aware of the fundamental decisions which its member governments must take to achieve European recovery, but its increased prestige should facilitate action on the basic measures now required.

The procedure used in preparing the long-term program is to present an economic picture of the participating countries individually and as a group in the first year after the end of the European recovery program, showing how the countries, individually and as a group, expect to attain satisfactory levels of production and living conditions, independent of extraordinary outside assistance. The preparation of such a program is by no means an easy task. The individual national program submissions of the governments to the OEEC are in many cases inconsistent with each other. This is to be expected at this stage of preliminary work. The inconsistencies and duplications appear in the anticipated types and quantities of exports and imports and consequently in the industrial and agricultural production, consumption,

and investment targets on which these trade estimates are based. Equally important, the position of the participating countries as a group which is forecast in the 19 individual programs requires a reexamination of the anticipated levels and terms of trade between western Europe and other important regions of the world.

To date, the OEEC's work on the long-term programs has consisted largely in analyzing the prospects of western Europe in 1952-53 as it might be expected to emerge from the uncoordinated submissions of the participating governments, and in clarifying the issues which must be settled before a coordinated and realistic western European program can be formulated. During the next several months the OEEC will endeavor to find solutions to these problems and will probably not complete its work on the long-term programs until sometime in the spring of 1949.

The second annual program, that is, the one for the fiscal year 1949-50, will also not be completed until the spring. The OEEC has obtained program submissions for 1949-50 from each of the participating countries but it does not plan to undertake the detailed revision and coordination of these programs until after the Congress has indicated what the maximum extent of American aid may be and until the work can be done with a clearer view of the needs of the long-term program for western Europe.

The preparation of an integrated and consolidated long-term program is of greatest importance. If it is to be developed, basic decisions must be taken by member governments and basic questions must be faced with regard to the present structure of the European economy. The first stage in inducing governments to adopt the necessary policy decisions was reached when the OEEC requested its members to prepare detailed long-term programs for national recovery as the basis for discussions in Paris. As a result of preparing such programs, most of which were completed during November 1948, national governments have become more aware of the nature of their own individual problems and, as a consequence, it is not unreasonable to expect that far-reaching decisions will be made affecting national economic policies.

In the postwar period in Europe it has been difficult to remove all controls and restrictions on the flow of international trade and on the process of investments. As a result, the normal economic forces which determine prices, directions of trade, and rate of capital investment have not been fully operative. In their absence, economic decisions must be made through the process of cooperative action. Through the mechanism by which OEEC studies in detail the program submissions of each country, the members of the Organization obtain accurate knowledge of the general lines of development envisaged by their neighbors. They also have an opportunity to see the points at which their own plans are in conflict with those of other countries. The magnitude and nature of the problems facing the European nations are, for the first time, being defined. Specific problem areas are being isolated for further study. This process of exchanging information in itself results in basic policy decisions by the Governments. The next step, which is yet to be taken, would involve the deliberate and conscious negotiation among the participants looking toward common agreement upon the further policies which must be adopted by each to insure compatible and complementary plans.

During the work of the OEEC in the last year there has been a strong tendency to try to define in statistical terms the bilateral relations of each member with the other participants. This has been particularly true in the negotiations leading to the intra-European payments plan, and there is a risk that the final reconciliation of the long-term programs may attempt to define too closely the bilateral trade patterns for each major commodity in intra-European trade. The OEEC recognizes the importance of avoiding undue crystallization of the individual trade patterns. If the plan were to attempt to define the amount of each country's production and the destination of each ton of its exports, there would be considerable danger that such rigid patterning would result in losing the advantages of competition as an incentive to efficiency in production and distribution.

It is clear that the expenditure of ECA funds must be controlled and directed by the ECA. But it is equally clear that ECA funds must be spent in a manner which will make the maximum contribution to European recovery and protect the economy of the United States. Consequently, both the ECA program for American aid and the OEEC programs to make more effective use of Europe's own resources must be consistent with each other and the two organizations must be free to make recommendations and suggestions to each other.

The ECA studies the annual programs prepared by the OEEC and discusses possible modifications with the latter in the production, consumption, investment, and trade targets for Europe projected in these programs. The OEEC recommendations on the amount and division of American aid are carefully considered by the ECA and the advice of the OEEC is sought before important changes in the recommended figures are made by the ECA.

The OEEC annual programs are used as general guides by the ECA in the preparation of quarterly procurement programs for the expenditure of ECA funds. Where changes in supply conditions or other factors necessitate substantial deviations from the agreed annual programs, the OEEC is notified by ECA so that it may discuss the revisions required in its programs as a consequence.

To date, the ECA and the OEEC have worked in complete harmony and their programs have effectively complemented each other. There is every reason to expect that cooperation will be equally close in the future.

One of the most significant results of cooperative action in the OEEC has been the development and operation of the agreement for intra-European payments and compensation. This plan was designed to prevent a stagnation of intra-European trade caused by payment difficulties. It constitutes the first step toward mutual aid among the participating countries and multilateral balancing of payments among themselves.

In the prewar years, trade between the participating countries constituted between 40 and 50 percent of their total trade. Prewar imports of participating countries from each other were almost four times as large as their purchases from the United States. With the striking increase in importance of the United States as a European supplier since the end of the war, American imports by the participating countries almost equaled their imports from European sources in 1947, but in the first half of 1948 imports by the participating coun-

tries from each other exceeded their imports from the United States by 50 percent.

In qualitative terms also, trade among the European countries is of considerable importance. This trade traditionally includes the flow to other participating countries of coal from the Ruhr and the United Kingdom, of steel from Belgium, of potash and iron ore from France, of wood pulp and iron ore from Sweden, of fruits and vegetables from Italy, as well as an active interchange of textiles, machinery, vehicles, and a wide range of specialized manufactures. If the overseas dependencies of European countries are included, the range of key commodities traded in the area is widened considerably and includes phosphates from French North Africa, copper from the Belgian Congo and Rhodesia, and the rich food and raw material resources of Malaya, French Indochina, and Indonesia.

The task of reviving mutual trade which confronted the European countries after the war was a difficult one. The conditions and mechanisms which gave rise to the prewar trading patterns in Europe had been destroyed. Germany was largely eliminated as customer and source of supply. Price systems were distorted by subsidies, controls of varying efficiency, requisitioning by military authorities, and black markets. Currencies for the purposes of commercial dealings in volume were inconvertible; exchange rates were often artificial and at best untested. Reserves in gold and hard currency had to be husbanded carefully for the huge requirements of importers from the dollar area. Many countries were slow in returning foreign trade to private channels. Under these conditions it was only natural that European countries should have resorted to trade and payments agreements.

These agreements normally provided for exchanging certain specified categories of goods; for offsetting at an agreed rate of exchange the sums representing goods shipped in one direction against the value of those shipped in the other; and finally, to cover the inevitable lack of balance in this trade, for lines of credit to be granted by the central bank in each country to the other. As a practical matter trade and payments agreements of this character had to be negotiated and drawn up bilaterally. Such reciprocal credits eliminated the necessity for day-to-day balancing of accounts, and permitted the building up of substantial creditor and debtor positions over a period of time based upon ultimate settlement in gold or by other means.

In spite of the distortion of normal multilateral trade patterns, trade under these bilateral agreements did revive to a degree in 1946, but in the early part of 1947 definite strains in the bilateral payments arrangements became visible. Practically no progress in the expansion of intra-European trade was made in the course of 1947 beyond the level reached during the last quarter of 1946. This leveling off was due in part to the increased payments difficulties that were encountered throughout 1947. In many crucial payments relationships bilateral balance was not achieved and lines of credit became exhausted. At the same time, practically all European countries were more and more hard pressed for the financing of their purchases from the Western Hemisphere. The intra-European debtors were therefore increasingly unwilling to transfer gold or dollar balances in settlement of their debts. At the same time, the creditors became equally unwilling to extend new credits to the debtors because of the poor prospects of eventual repay-

ment and because of their concern over their domestic inflationary pressures. What had once seemed so desirable to most countries as to be termed a "favorable" balance of trade was now renamed "unrequited exports" and was considered as the worst of economic blunders.

To the extent that intra-European buying and selling was impeded by lack of the means of payment, European recovery was being retarded. It was important, therefore, that the financial obstacles standing in the way of a more efficient utilization of European productive facilities be removed or diminished. For a period of time the ECA financed a portion of intra-European trade by allowing the participants to purchase with ECA dollars needed supplies from other participants. This method was regarded by the ECA as a temporary device to meet a pressing problem, since it was felt that it should not be necessary to finance intra-European trade with dollars.

Meanwhile in Paris the OEEC countries were devoting their attention to the creation of a plan which would not only maintain the volume of trade but would provide a first step toward establishing convertibility of currencies. This plan was embodied in the agreement on intra-European payments and compensations, signed by the participating countries on October 16, 1948. Under the plan, the participating countries estimate the surpluses and deficits of payments they expect to have with each other during a specified period, if their recovery plans are to go forward with maximum utilization of European resources. Once these estimates are agreed upon, the creditor country in each case commits itself to establish accounts in its own currency in favor of its debtor to the amount of the estimated deficit in payments. These accounts are called drawing rights and are made available as grants rather than lines of credit. For example, Belgium is able to export to France the equivalent of \$40,000,000 worth of goods and services in excess of the value of the goods and services which France is in a position to export to Belgium. France, not holding Belgian credits and not having adequate gold or dollar reserves, could not buy these needed additional goods and services from Belgium. Under the payments plan, however, Belgium agrees to grant to France drawing rights in Belgian francs up to the equivalent of \$40,000,000.

The relating of these drawing rights to ECA dollar aid is the next step. Belgium, although it is a creditor of France, has a dollar deficit in its trade with the Western Hemisphere. How does Belgium acquire the necessary dollars to meet this deficit? The payments plan proposes the following solution: \$40,000,000 of the aid which Belgium is allotted by the ECA for the period in question is conditional upon Belgium's granting the drawing rights to France agreed upon. In other words, Belgium is required in effect to earn the \$40,000,000 by passing on an equivalent amount of aid to France in the form of goods and services paid for in Belgian francs. Belgium thus has \$40,000,000 available to finance necessary purchases from dollar areas and these dollars thereby perform a dual function without additional cost to the United States. Goods supplied by Belgium or any other participating country under this arrangement contribute to European recovery program objectives directly and effectively.

The above process is repeated 78 times—between each creditor and debtor. Countries which might have expected to receive the dollars

from the ECA without undertaking certain obligations toward their European neighbors agree under the OEEC plan that a certain portion of these dollars must be earned by the granting of locally financed aid to certain other participants. The benefits of ECA dollar aid can no longer be entirely husbanded by its direct recipients but must be passed on in part to the other European countries, thus materially augmenting the total transfer of commodities, goods, and services under the European recovery program.

In conjunction with the adoption of this basic principle, the OEEC went one step further. It proposed that a mechanism be established through which a limited transferability of European currencies might be achieved. This device is called multilateral clearing and its operation is entrusted to the Bank for International Settlements, operating in this respect under a precise directive from the OEEC.

For example, in a given period of time it might be found that Italy is a debtor to the United Kingdom on its current payments with the United Kingdom to the extent of \$5,000,000, while Italy is a creditor of \$5,000,000 in its account with Belgium. The United Kingdom on the other hand, is a debtor with Belgium to the extent of \$10,000,000. By the process of multilateral clearing, Italy's credit with Belgium would be used in payment of Italy's debt to the United Kingdom, while the United Kingdom would use the credit thus received against Belgium to offset \$5,000,000 of its debt to Belgium. This type of multilateral clearing may be conducted by the Bank for International Settlements without prior approval of each transaction by the countries involved. The beneficial results of such clearing can be readily perceived. An all-around reduction of debts has thus been accomplished, facilitating the extension of credits to finance further trade.

After the process just described has been carried as far as possible, there remains to be settled by the Bank for International Settlements as compensation agent a large volume of indebtedness outstanding between participating nations as a result of their trade with each other. The agent then proceeds to make use of the drawing rights to the extent needed for this purpose. Under the present agreement only the Bank for International Settlements is authorized to utilize drawing rights to settle debts due from one ERP country to another. By means of these two mechanisms, multilateral clearing and utilization of drawing rights, obligations were discharged amounting in October to \$82,000,000, in November to \$67,000,000, and in December to \$80,000,000, which would otherwise have remained outstanding. If such indebtedness were allowed to accumulate it would again threaten to reduce European trade to a strictly bilateral basis.

This automatic type of multilateral clearing has not yet attained great significance because of the disequilibrium in trade and payments among the participants. Nevertheless, it is a significant first step toward convertibility of currencies in Europe. More complete convertibility of currencies of the participants must await the correction of excessive disequilibria in trade with other participants. This in turn requires the suppression of inflation and a price structure which will facilitate trade. In the meantime the payments plan is designed to make possible the maximum possible volume of intra-European trade despite the serious disequilibria still existing in Europe. In addition, the OEEC has adopted a series of commercial policy principles which it has recommended to the participating nations. The

principles, if followed, are designed to assist the countries to achieve the necessary trade balance.

It is hoped to move progressively toward the objectives of convertibility of currencies and maximum practicable freedom of trade. The extent to which such progress will be possible depends upon the economic and financial measures taken by the participating countries. The payments plan in its present form leaves much to be desired as an instrument in bringing about trade equilibrium in Western Europe and a greater convertibility of currencies. The OEEC is continuing its studies concerning the relationship of the present plan to these objectives. However, the present plan represents a step toward these goals. It serves the immediate needs of preventing a reversion to the type of bilateralism in trade and payments among the participants which existed immediately after the war and encourages a greater utilization of European resources in the interest of recovery.

In the past year the OEEC has concentrated upon production and distribution programs and on problems of intra-European payments. It has been unable, because of the pressure of work, to devote sufficient attention to problems of furthering the adoption of sound monetary and budgetary policies by the participating countries. Control of inflation should be a major subject for consideration by the organization during its next year of operation. Work also needs to be done looking toward the establishment of currency convertibility within the participating-country area at the earliest possible date.

Work is already well under way in studying what has been termed the very root of the problem of commercial disequilibrium, the principles of commercial policy which must be adopted in order to permit the establishment of a system of stable trade relations and to facilitate the purchase of those commodities most necessary for recovery. The elimination of obstacles to the free flow of trade will occupy the attention of the OEEC to an increasing extent, especially as problems of production are solved and the physical availability of commodities increases.

As the OEEC shifts its attention from the problem of urgent commodity needs to the more fundamental aspects of recovery, it becomes increasingly evident that effective action must be based upon a more complete knowledge of the dynamic structures of the several European economies. With the active support of the ECA, the OEEC has been turning its attention to an exploration of possible methods of evaluating the current status and declared goals of participating countries in terms of the sources and application of national revenue and savings. This orientation toward national-accounts studies has been particularly evident in the emphasis upon the relationship between investment plans and the levels of national income in examining the long-term programs.

Although faced with many serious deficiencies in the national statistics available, the OEEC will endeavor to make the fullest possible use of the national accounts studies which are currently in progress in certain of the participating countries and will encourage further work along similar lines by other participants, both as an aid to the planning of national policies and as the basis for judging national programs. It is recognized, however, that adequate and comparable information is not likely to be available for some time to come to provide any meaningful comparisons between one country and another.

As the long-term programs for the recovery of the various countries move from the planning and discussion stage into actual operation, the OEEC will devote increasing attention to the development of a suitable mechanism for comparing the results achieved with the standards of recovery progress implicit in the goals defined by the programs. While in the early stages the major emphasis has been upon the preparation and revision of plans for future action, the coming years will call for increasing emphasis upon reporting of action taken and measurement of accomplishment, both as the basis for future actions and in order to insure that programs are actually being carried out in accordance with the announced intentions of the participating countries to the best of their abilities.

Another field, which has thus far received inadequate attention, is the development by each country of a competent group of technicians to work on product design, production techniques, and marketing surveys. Some of this work might be coordinated by the OEEC. Europe must live by its export of manufactures. It can only do this if these manufactures can meet competition in world markets in prices, quality, and design, and in packaging and sales technique. Above all, costs must be reduced through efficient organization of production.

The effectiveness of any free system depends to a great extent upon the confidence and support which people living under the system accord to its institutions and to the national government. Here the OEEC can make an effective contribution in the future in helping each government to encourage the participation of its citizens in the formulation of national recovery policies and to acquaint them with the nature of the problems involved in working toward European recovery. The common objectives of both the United States and the participating countries will be served through encouraging a fuller and clearer understanding of the part which the United States is playing in European recovery and its motives for so doing.

APPENDIX II

SUMMARY OF HEARINGS

Hearings on the extension of the European recovery program were opened on February 8, 1949, when the Committee on Foreign Affairs met in joint session with the Committee on Foreign Relations of the Senate and heard Hon. Paul Hoffman, Administrator for Economic Cooperation, who reviewed the accomplishments, problems, and outlook of the program as a whole, and Hon. Dean Acheson, Secretary of State, who covered the relation of the program to the broad aspects of United States policy. Mr. Hoffman appeared before the committee again during the hearings on February 16 and 17.

Also on February 8, Hon. W. Averill Harriman, United States special representative in Europe of the Economic Cooperation Administration, presented to the committee a comprehensive picture of the development of the program in Europe. Mr. Harriman further explained the situation in Europe to the committee in executive session on February 9.

On February 10 and 11 a detailed presentation was made of the results of the program to date and of the prospective developments in

six of the principal participating countries by the following mission chiefs representing the Economic Cooperation Administration in Europe:

Mr. Thomas K. Finletter, Chief, Economic Cooperation Administration Mission to the United Kingdom.

Mr. David K. Bruce, Chief, Economic Cooperation Administration Mission to France.

Mr. J. D. Zellerbach, Chief, Economic Cooperation Administration Mission to Italy, accompanied by Mr. Vincent Barnett, Chief of Program Division, Economic Cooperation Administration Mission to Italy.

Mr. N. H. Collison, Deputy Chief, Economic Cooperation Administration Mission to United States-United Kingdom occupied areas of western Germany and representative of the Economic Cooperation Administration to the French zone of occupation of Germany.

Mr. E. A. Staley, Jr., Chief, Economic Cooperation Administration Mission to Norway.

Dr. Alan Valentine, Chief, Economic Cooperation Administration Mission to the Netherlands.

In executive session on February 15, the committee heard Hon. Dean Acheson, Secretary of State, Mr. Paul H. Nitze, Deputy to the Assistant Secretary for Economic Affairs, and Mr. Charles Bohlen, counselor, Department of State, who discussed the confidential phases of United States foreign policy.

Mr. Alfred Friendly, Director, Information Division, Office of the Special Representative in Europe of the Economic Cooperation Administration, reviewed for the committee on the same day the operations and results of the information program of the Economic Cooperation Administration in the participating countries. He was followed by Mr. Richard Bissell, Jr., Assistant Deputy Administrator, Economic Cooperation Administration, who went into the methods by which the aid programs are determined and carried out by the Economic Cooperation Administration in Washington. Also on February 15 Dr. D. A. FitzGerald, Director, Food and Agriculture Division of the Economic Cooperation Administration, presented to the committee the food and agricultural aspects of the program from the standpoint of the requirements of the participating countries. Dr. FitzGerald appeared again before the committee on February 17.

The financial aspects of the program, both in the United States and in the various participating countries, were explored on February 17 by Hon. John W. Snyder, Secretary of the Treasury. Hon. Charles F. Brannan, Secretary of Agriculture, also appeared on February 17 and reviewed the agricultural position of the United States and the impact of the program on the American agricultural economy.

Mr. Richard M. Bissell, Jr., Deputy Administrator of the Economic Cooperation Administration, again appeared before the committee on February 18 and discussed further the estimated dollar requirements of the participating countries. He was followed by Mr. Samuel W. Anderson, Chief, Industry Division, Economic Cooperation Administration, who gave a detailed picture of the progress of industrial recovery and production in Europe and the plans of the participating countries for expansion in this field. Also on February 18 Mr. Boris Shishkin, Director of the European Labor Division, Economic Cooperation Administration, analyzed for the committee the labor situation and its attendant problems in the various participating countries.

In executive session on March 3 the committee heard Hon. Ernest A. Gross and Hon. Willard L. Thorp, Assistant Secretaries of State, who related the commitments under the European recovery program to the undertakings of the United States in other sectors of our economic foreign policy.

Also in executive session on March 11 various financial aspects of the program were explored by Mr. Herbert E. Gaston, Chairman of the Board of Directors, Export-Import Bank, and Mr. J. Burke Knapp, Office of Financial and Development Policy, Department of State.

In addition to those named above, the committee also heard the following leaders in American civic groups, and industry and commerce, who discussed the objectives of the program and its relation to particular problems of United States foreign policy:

Mrs. Kathryn H. Stone, first vice president, League of Women Voters of the United States.

Mrs. Laura Puffer Morgan, chairman, governmental information, Women's Action Committee for Lasting Peace.

Mr. John C. Lynn, representing the American Farm Bureau Federation.

Mr. W. R. Ogg, director of international affairs, American Farm Bureau Federation.

Mr. Merwin K. Hart, president, National Economic Council, Inc.

Mr. John M. Costello, Washington representative, American League for an Undivided Ireland.

Mr. Charles T. Rice, national vice president, American League for an Undivided Ireland.

Mr. Thomas H. Buckley, commissioner of administration and chairman of the commission of administration and finance, State of Massachusetts.

Mr. Seamus MacDermott, editor, the Gaelic American.

Mr. Patrick J. McNelis, president, Pennsylvania Federation of American Societies for Irish Independence.

Mr. Robert V. Clarke, director of public relations, Pennsylvania Chapter, American League for an Undivided Ireland.

Hon. Henry A. Wallace, former Vice President of the United States.

Mr. Frederick J. Libby, executive secretary of the National Council for Prevention of War.

Mr. Gilbert A. Harrison, national chairman, American Veterans Committee.

Mr. Norman M. Littell, member of the District of Columbia Bar.

Mr. Roy W. Gifford, chairman of the board, Borg-Warner International Corp.

Mr. Robert E. Rodes, of Casablanca, Morocco.

Also appearing before the committee were the following representatives of special-interest groups who reviewed the impact of the program on particular sectors of the domestic economy:

Mr. D. T. Buckley, representative of the Coal Exporters Association of the United States, Inc.

Mr. L. Dan Jones, attorney, Independent Petroleum Association of America.

Mr. E. W. Reed, president, Shellabargers, Inc., of Salina, Kans.

Mr. Paul H. Lacques, Bigham, Englar, Jones & Houston, attorneys at law, New York, N. Y.

APPENDIX III

SYNOPSIS OF THE BILL

Section 1: This section makes two changes in section 102 (a) of the act. The first change brings section 102 (a) up to date by recognizing that the "joint organization" for economic cooperation referred to now exists. The second change is a statement that it is the policy of the people of the United States to encourage the unification and federation of Europe.

Section 2: Section 104 (e) of the act permits the Administrator to employ 100 persons without regard to the provisions of the Classification Act of 1923, of whom 25 may be paid up to \$15,000 per year and the others may be paid up to \$10,000 per year, the highest rate allowed by the Classification Act at the time the Economic Cooperation Act was enacted. Since that time the maximum rate under the Classification Act has been increased to \$10,330. The amendment substitutes for the prior ceiling of \$10,000 the highest rate authorized by the Classification Act, as amended. The change conforms the ceiling to last year's amendment of the Classification Act and to any further amendments which Congress may adopt from time to time.

Section 3: This amendment to section 105 (c) of the act is a technical change which substitutes for the reference to section 6 of the act of July 2, 1940 (54 Stat. 714), as amended, which act has now expired, a reference to the recently enacted Export Control Act of 1949.

Section 4: This amendment expressly provides for a Deputy United States Special Representative in Europe, who shall be appointed by the President, by and with the advice and consent of the Senate, with the same compensation and allowances as a chief of mission, class 3, and who shall perform such functions as the United States Special Representative shall designate and shall be Acting United States Special Representative during the absence or disability of or during a vacancy in the office of United States Special Representative.

Section 5: Section 109 of the act is amended to permit the Administrator in his discretion to raise the compensation and allowances of chiefs of ECA missions above the present ceiling, which is the maximum rate provided for the Foreign Service Reserve and Staff by the Foreign Service Act of 1946, to the same compensation and allowances as a chief of mission, class 3 or class 4.

Section 6 (a): This amendment requires that at least 50 percent of the goods procured in the United States under the program shall be transported in United States flag vessels to the extent that they are available at market rates "for United States flag vessels, not to exceed a reasonable differential above current world market rates." The change clarifies the language "market rates" appearing in section 111 (a) (2) of the act by specifying that the market rates referred to are the market rates for United States flag vessels, so long as the amounts by which such rates exceed current world market rates are reasonable.

Section 6 (b): This section amends section 111 (b) (3) of the act, concerning guaranties, in several respects.

Paragraph (1) clarifies the meaning of the word "projects" by specifying that guaranties can be made for the "expansion, modernization, or development of existing enterprises."

Paragraph (2) refers to guaranties of informational media "consistent with the national interests of the United States."

Paragraph (3) amends the informational media proviso in the act, which places a \$15,000,000 limitation on such guaranties in the first year of the program, so that the same limitation will apply on the amount of informational media guaranties made in any fiscal year.

Paragraph (4) provides, as does the original section, that the guaranty shall not exceed the amount of dollars invested in the project and it adds thereto "plus actual earnings or profits on said project to the extent provided by such guaranty."

Paragraph (5) defines the term "investment" to include the furnishing of capital goods items and related services, for use in connection with projects approved by the Administrator, pursuant to a contract providing for payment in whole or in part after June 30, 1950.

Paragraph (5) also expands the scope of a guaranty so that it not only includes convertibility from local currencies to dollars but also provides for compensation in dollars for loss of all or part of the investment by reason of seizure, confiscation, or expropriation; destruction by riot, revolution, or war; or when in the opinion of the Administrator any law or other governmental action, other than measures affecting conversion of currency, prevents the further transaction of business covered by the guaranty.

Paragraph (6) adds to the provision in the act that the total amount of guaranties shall not exceed \$300,000,000 a proviso that any funds allocated to a guaranty and remaining after all liability of the United States assumed in connection with said guaranty has been released, discharged, or otherwise terminated, shall be available for allocation to other guaranties.

Section 6 (c): This section amends section 111 (c) (2) of the act in the following respects.

It authorizes the Administrator to issue notes from time to time, for the purpose of carrying out the guaranty provisions of the act, for purchase by the Secretary of the Treasury in an amount not exceeding in the aggregate \$300,000,000 less any amount allocated prior to April 3, 1949, for the purpose of making guaranties.

A clarifying amendment inserts the words "for assistance on credit terms" after the word "Washington" in the sixth sentence of section 111 (c) (2). This makes explicit that the sentence refers only to the allocation of funds to the Export-Import Bank for extending loan assistance and not to any such allocation in connection with the making of guaranties.

Section 7 (a): The present section 112 (c), which provides that not less than 25 percent of all wheat shipments to participating countries financed by ECA grants shall be in the form of flour, is deleted.

Section 7 (b): This amendment to section 112 (g) of the act is a technical change which substitutes for the references to section 6 of the act of July 2, 1940 (54 Stat. 714), as amended, which act has now expired, references to the recently enacted Export Control Act of 1949.

Section 7 (c): This amendment to the present section 112 (h) provides that, to the extent consistent with the purposes of the act and insofar as is practicable, reasonable information concerning ECA-financed purchases shall be made available to suppliers in the United States as far in advance as possible.

Section 7 (d): This amendment adds to section 112 as a new subsection, the provision contained in section 202 of the Foreign Aid Appropriation Act, 1949 (Public Law 793, 80th Cong.), that ECA funds shall not be used for the purchase in bulk of any commodities at prices higher than the market price prevailing in the United States at the time of the purchase adjusted for differences in the cost of transportation to destination, quality, and terms of payment.

Section 8 (a): Paragraph (1) adds to section 114 (c) of the act authorizations of \$1,100,000,000 for the period April 3, 1949, through June 30, 1949, and of \$4,280,000,000 for the fiscal year 1950. The

paragraph further provides that any appropriated funds for periods prior to June 30, 1949, which may be unobligated on June 30, 1949, or subsequently released from obligation, shall be available for obligation during the fiscal year 1950.

Paragraph (2), amending the last sentence of section 114 (c), states that the authorizations made are limited to the period ending June 30, 1950, in order that the Congress may pass on any subsequent authorizations.

Section 8 (b): Section 114 is amended by adding a new subsection directing the Reconstruction Finance Corporation to advance up to \$1,000,000,000 pending the enactment of a new appropriation to carry out the provisions of the act.

Section (9) (a): This provision amends section 115 (b) (6) of the act, which provides that a participating country make local currency deposits in a counterpart fund commensurate with dollar assistance received on a grant basis, to give the Administrator the authority to waive, in his discretion, such counterpart deposits with respect to (1) technical assistance furnished under section 111 (a) (3) of the act and (2) ocean transportation furnished on United States flag vessels under section 111 of the act to the extent that the charges for such transportation exceed the cost of ocean freight at world market rates.

Section 9 (b): Section 115 of the act is amended by adding two new subsections (h) and (i). Subsection (h) provides that not less than 5 percent of each local currency account shall be made available to the Government of the United States for expenditures for materials in which the United States faces a deficiency or potential deficiency and for other local currency requirements of the United States Government. This is substantially the provision that appears in title I of the Foreign Aid Appropriation Act, 1949 (Public Law 793, 80th Cong.).

Subsection (i) amplifies the functions of the Administrator with respect to initiating and assisting appropriate agencies of the United States Government in procuring and stimulating increased production in participating countries of materials which are required by the United States as a result of deficiencies or potential deficiencies in its own resources. This subsection also provides that the Administrator in addition to his other duties shall procure strategic and critical materials in the participating countries within the limits of the appropriations and contract authorizations of the Bureau of Federal Supply, with the approval of the Director of the Bureau, for periods up to 20 years. Contracts negotiated under this section may provide for payments in advance of deliveries.

Section 10 (a): This addition to section 117 (c) incorporates into the act the provision now contained in the Foreign Aid Appropriation Act of 1949 (Public Law 793, 80th Cong.) that the Administrator shall fix and pay a uniform rate per pound for the ocean transportation of relief packages shipped to any participating country, except for shipments by individuals to individuals.

Section 10 (b): This amendment to section 117 (d) of the act is a technical change which substitutes for the reference to section 6 of the act of July 2, 1940 (54 Stat. 714), as amended, which act has now expired, a reference to the recently enacted Export Control Act of 1949.

Section 10 (c): This amendment adds a new subsection to section 117 of the act. It authorizes the Administrator to request that vessels be made available to Italy by the United States Maritime Commission for the purpose of transporting emigrants from Italy to destinations other than the United States, and requires the United States Maritime Commission, upon the Administrator's request, to make such vessels available, notwithstanding any other provisions of law.

The provision states that not more than 10 vessels are to be made available at any one time; that title to the ships is to remain in the United States Government; and that the ships must be returned to the United States not later than June 30, 1952, and are subject to recall at an earlier date by the President.

APPENDIX IV

COMPLIANCE OF REPORT WITH THE RAMSEYER RULE

The bill to amend the Economic Cooperation Act of 1948 amends title I of Public Law 472, Eightieth Congress. In accordance with clause 2a of rule XIII of the rules of the House of Representatives, there is included in this report the text of the said title I, the repealed wording being shown by inclusion within heavy brackets and the new language shown in italics, as follows:

SEC. 101. This title may be cited as the "Economic Cooperation Act of 1948"

FINDINGS AND DECLARATION OF POLICY

SEC. 102. (a) Recognizing the intimate economic and other relationships between the United States and the nations of Europe, and recognizing that disruption following in the wake of war is not contained by national frontiers, the Congress finds that the existing situation in Europe endangers the establishment of a lasting peace, the general welfare and national interest of the United States, and the attainment of the objectives of the United Nations. The restoration or maintenance in European countries of principles of individual liberty, free institutions, and genuine independence rests largely upon the establishment of sound economic conditions, stable international economic relationships, and the achievement by the countries of Europe of a healthy economy independent of extraordinary outside assistance. The accomplishment of these objectives calls for a plan of European recovery, open to all such nations which cooperate in such plan based upon a strong production effort, the expansion of foreign trade, the creation and maintenance of internal financial stability, and the development of economic cooperation, including all possible steps to establish and maintain equitable rates of exchange and to bring about the progressive elimination of trade barriers. Mindful of the advantages which the United States has enjoyed through the existence of a large domestic market with no internal trade barriers, and believing that similar advantages can accrue to the countries of Europe, it is declared to be the policy of the people of the United States to encourage these countries through [a] *their* joint organization to exert sustained common efforts [as set forth in the report of the Committee of European Economic Cooperation signed at Paris on September 22, 1947, which will speedily] *to achieve speedily* that economic cooperation in Europe which is essential for lasting peace and prosperity. It is further declared to be the policy of the people of the United States *to encourage the unification and federation of Europe*, and to sustain and strengthen principles of individual liberty, free institutions, and genuine independence in Europe through assistance to those countries of Europe which participate in a joint recovery program based upon self-help and mutual cooperation: *Provided*, That no assistance to the participating countries herein contemplated shall seriously impair the economic stability of the United States. It is further declared to be the policy

of the United States that continuity of assistance provided by the United States should, at all times, be dependent upon continuity of cooperation among countries participating in the program.

PURPOSES OF TITLE

(b) It is the purpose of this title to effectuate the policy set forth in subsection (a) of this section by furnishing material and financial assistance to the participating countries in such a manner as to aid them, through their own individual and concerted efforts, to become independent of extraordinary outside economic assistance within the period of operations under this title, by—

(1) promoting industrial and agricultural production in the participating countries;

(2) furthering the restoration or maintenance of the soundness of European currencies, budgets, and finances; and

(3) facilitating and stimulating the growth of international trade of participating countries with one another and with other countries by appropriate measures including reduction of barriers which may hamper such trade.

PARTICIPATING COUNTRIES

SEC. 103. (a) As used in this title, the term "participating country" means—

(1) any country, together with dependent areas under its administration, which signed the report of the Committee of European Economic Cooperation at Paris on September 22, 1947; and

(2) any other country (including any of the zones of occupation of Germany, any areas under international administration or control, and the Free Territory of Trieste or either of its zones) wholly or partly in Europe, together with dependent areas under its administration;

provided such country adheres to, and for so long as it remains an adherent to, a joint program for European recovery designed to accomplish the purposes of this title.

(b) Until such time as the Free Territory of Trieste or either of its zones becomes eligible for assistance under this title as a participating country, assistance to the Free Territory of Trieste, or either of its zones, is hereby authorized under the Foreign Aid Act of 1947 until June 30, 1949, and the said Foreign Aid Act of 1947 is hereby amended accordingly, and not to exceed \$20,000,000 out of funds authorized to be advanced by the Reconstruction Finance Corporation under subsection (a) of section 114 of this title, or under subsection (d) of section 11 of the Foreign Aid Act of 1947 notwithstanding any appropriation heretofore made under such Act, may be utilized for the purposes of this subsection: *Provided*, That section 11 (b) of the Foreign Aid Act of 1947 shall not apply in respect of the Free Territory of Trieste or either of its zones: *And provided further*, That the provisions of section 115 (b) (6) of this title shall apply to local currency deposited pursuant to section 5 (b) of that Act.

ESTABLISHMENT OF ECONOMIC COOPERATION ADMINISTRATION

SEC. 104. (a) There is hereby established, with its principal office in the District of Columbia, an agency of the Government which shall be known as the Economic Cooperation Administration, hereinafter referred to as the Administration. The Administration shall be headed by an Administrator for Economic Cooperation, hereinafter referred to as the Administrator, who shall be appointed by the President, by and with the advice and consent of the Senate, and who shall receive compensation at the rate of \$20,000 per annum. The Administrator shall be responsible to the President and shall have a status in the executive branch of the Government comparable to that of the head of an executive department. Except as otherwise provided in this title, the administration of the provisions of this title is hereby vested in the Administrator and his functions shall be performed under the control of the President.

(b) There shall be in the Administration a Deputy Administrator for Economic Cooperation who shall be appointed by the President, by and with the advice and consent of the Senate, and shall receive compensation at the rate of \$17,500 per annum. The Deputy Administrator for Economic Cooperation shall perform such functions as the Administrator shall designate, and shall be Acting Administrator for Economic Cooperation during the absence or disability of the Administrator or in the event of a vacancy in the office of Administrator.

(c) The President is authorized, pending the appointment and qualification of the first Administrator or Deputy Administrator for Economic Cooperation appointed hereunder, to provide, for a period of not to exceed thirty days after the date of enactment of this Act, for the performance of the functions of the Administrator under this title through such departments, agencies, or establishments of the United States Government as he may direct. In the event the President nominates an Administrator or Deputy Administrator prior to the expiration of such thirty-day period, the authority conferred upon the President by this subsection shall be extended beyond such thirty-day period but only until an Administrator or Deputy Administrator qualifies and takes office.

(d) (1) The Administrator, with the approval of the President, is hereby authorized and empowered to create a corporation with such powers as the Administrator may deem necessary or appropriate for the accomplishment of the purposes of this title.

(2) If a corporation is created under this section—

(i) it shall have the power to sue and be sued, to acquire, hold, and dispose of property, to use its revenues, to determine the character of any necessity for its obligations and expenditures and the manner in which they shall be incurred, allowed and paid, and to exercise such other powers as may be necessary or appropriate to carry out the purposes of the corporation;

(ii) its powers shall be set out in a charter which shall be valid only when certified copies thereof are filed with the Secretary of the Senate and the Clerk of the House of Representatives and published in the Federal Register, and all amendments to such charter shall be valid only when similarly filed and published;

(iii) it shall not have succession beyond June 30, 1952, except for purposes of liquidation, unless its life is extended beyond such date pursuant to Act of Congress; and

(iv) it shall be subject to the Government Corporation Control Act to the same extent as wholly owned Government corporations listed in section 101 of such Act.

(3) All capital stock of the corporation shall be of one class, be issued for cash only, and be subscribed for by the Administrator. Payment for such capital stock shall be made from funds available for the purposes of this title.

(e) Any department, agency, or establishment of the Government (including, whenever used in this title, any corporation which is an instrumentality of the United States) performing functions under this title is authorized to employ, for duty within the continental limits of the United States, such personnel as may be necessary to carry out the provisions and purposes of this title, and funds available pursuant to section 114 of this title shall be available for personal services in the District of Columbia and elsewhere without regard to section 14 (a) of the Federal Employees Pay Act of 1946 (60 Stat. 219). Of such personnel employed by the Administration, not to exceed one hundred may be compensated without regard to the provisions of the Classification Act of 1923, as amended, of whom not more than twenty-five may be compensated at a rate in excess of **[\$10,000 per annum]** *the highest rate authorized by such Act*, but not in excess of \$15,000 per annum. Experts and consultants or organizations thereof, as authorized by section 15 of the Act of August 2, 1946 (U. S. C., title 5, sec. 55a), may be employed by the Administration, and individuals so employed may be compensated at rates not in excess of \$50 per diem and while away from their homes or regular places of business, they may be paid actual travel expenses and not to exceed \$10 per diem in lieu of subsistence and other expenses while so employed.

(f) The Administrator may, from time to time, promulgate such rules and regulations as may be necessary and proper to carry out his functions under this title, and he may delegate authority to perform any of such functions to his subordinates, acting under his direction and under rules and regulations promulgated by him.

GENERAL FUNCTIONS OF ADMINISTRATOR

SEC. 105. (a) The Administrator, under the control of the President, shall in addition to all other functions vested in him by this title—

(1) review and appraise the requirements of participating countries for assistance under the terms of this title;

(2) formulate programs of United States assistance under this title, including approval of specific projects which have been submitted to him by the participating countries;

(3) provide for the efficient execution of any such programs as may be placed in operation; and

(4) terminate provision of assistance or take other remedial action as provided in section 118 of this title.

(b) In order to strengthen and make more effective the conduct of the foreign relations of the United States—

(1) the Administrator and the Secretary of State shall keep each other fully and currently informed on matters, including prospective action, arising within the scope of their respective duties which are pertinent to the duties of the other;

(2) whenever the Secretary of State believes that any action, proposed action, or failure to act on the part of the Administrator is inconsistent with the foreign-policy objectives of the United States, he shall consult with the Administrator and, if differences of view are not adjusted by consultation, the matter shall be referred to the President for final decision;

(3) whenever the Administrator believes that any action, proposed action, or failure to act on the part of the Secretary of State in performing functions under this title is inconsistent with the purposes and provisions of this title, he shall consult with the Secretary of State and, if differences of view are not adjusted by consultation, the matter shall be referred to the President for final decision.

(c) The Administrator and the department, agency, or officer in the executive branch of the Government exercising the authority granted to the President by [section 6 of the Act of July 2, 1940 (54 Stat. 714), as amended,] *the Export Control Act of 1949* shall keep each other fully and currently informed on matters, including prospective action, arising within the scope of their respective duties which are pertinent to the duties of the other. Whenever the Administrator believes that any action, proposed action, or failure to act on the part of such department, agency, or officer in performing functions under this title is inconsistent with the purposes and provisions of this title, he shall consult with such department, agency, or officer and, if differences of view are not adjusted by consultation, the matter shall be referred to the President for final decision.

NATIONAL ADVISORY COUNCIL

SEC. 106. Section 4 (a) of the Bretton Woods Agreements Act (59 Stat. 512, 513) is hereby amended to read as follows:

"SEC. 4. (a) In order to coordinate the policies and operations of the representatives of the United States on the Fund and the Bank and of all agencies of the Government which make or participate in making foreign loans or which engage in foreign financial, exchange or monetary transactions, there is hereby established the National Advisory Council on International Monetary and Financial Problems (hereinafter referred to as the 'Council'), consisting of the Secretary of the Treasury, as Chairman, the Secretary of State, the Secretary of Commerce, the Chairman of the Board of Governors of the Federal Reserve System, the Chairman of the Board of Directors of the Export-Import Bank of Washington, and during such period as the Economic Cooperation Administration shall continue to exist, the Administrator for Economic Cooperation."

PUBLIC ADVISORY BOARD

SEC. 107. (a) There is hereby created a Public Advisory Board, hereinafter referred to as the Board, which shall advise and consult with the Administrator with respect to general or basic policy matters arising in connection with the Administrator's discharge of his responsibilities. The Board shall consist of the Administrator, who shall be Chairman, and not to exceed twelve additional members to be appointed by the President, by and with the advice and consent of the Senate, and who shall be selected from among citizens of the United States of broad and varied experience in matters affecting the public interest, other than officers and employees of the United States (including any agency or instrumentality of the United States) who, as such, regularly receive compensation for current services. The Board shall meet at least once a month and at other times upon the call of the Administrator or when three or more members of the Board request the Administrator to call a meeting. Not more than a majority of two of the members shall be appointed to the Board from the same political party. Members of the Board, other than the Administrator, shall receive, out of funds made available for the purposes of this title, a per diem allowance of \$50 for each

day spent away from their homes or regular places of business, for the purpose of attendance at meetings of the Board, or at conferences held upon the call of the Administrator, and in necessary travel, and while so engaged, they may be paid actual travel expenses and not to exceed \$10 per diem in lieu of subsistence and other expenses.

(b) The Administrator may appoint such other advisory committees as he may determine to be necessary or desirable to effectuate the purposes of this title.

UNITED STATES SPECIAL REPRESENTATIVE ABROAD

SEC. 108. There shall be a United States Special Representative in Europe who shall (a) be appointed by the President, by and with the advice and consent of the Senate, (b) be entitled to receive the same compensation and allowances as a chief of mission, class 1, within the meaning of the Act of August 13, 1946 (60 Stat. 999), and (c) have the rank of ambassador extraordinary and plenipotentiary. He shall be the representative of the Administrator, and shall also be the chief representative of the United States Government to any organization of participating countries which may be established by such countries to further a joint program for European recovery, and shall discharge in Europe such additional responsibilities as may be assigned to him with the approval of the President in furtherance of the purposes of this title. He may also be designated as the United States representative on the Economic Commission for Europe. He shall receive his instructions from the Administrator and such instructions shall be prepared and transmitted to him in accordance with procedures agreed to between the Administrator and the Secretary of State in order to assure appropriate coordination as provided by subsection (b) of section 105 of this title. He shall coordinate the activities of the chiefs of special missions provided for in section 109 of this title. He shall keep the Administrator, the Secretary of State, the chiefs of the United States diplomatic missions, and the chiefs of the special missions provided for in section 109 of this title currently informed concerning his activities. He shall consult with the chiefs of all such missions, who shall give him such cooperation as he may require for the performance of his duties under this title. *There shall be a Deputy United States Special Representative in Europe who shall (a) be appointed by the President, by and with the advice and consent of the Senate, (b) be entitled to receive the same compensation and allowances as a chief of mission, class 3, within the meaning of the Act of August 13, 1946 (60 Stat. 999), and (c) have the rank of ambassador extraordinary and plenipotentiary. The Deputy United States Special Representative shall perform such functions as the United States Special Representative shall designate, and shall be Acting United States Special Representative during the absence or disability of the United States Special Representative or in the event of a vacancy in the office of United States Special Representative.*

SPECIAL ECA MISSIONS ABROAD

SEC. 109. (a) There shall be established for each participating country, except as provided in subsection (d) of this section, a special mission for economic cooperation under the direction of a chief who shall be responsible for assuring the performance within such country of operations under this title. The chief shall be appointed by the Administrator, shall receive his instructions from the Administrator, and shall report to the Administrator on the performance of the duties assigned to him. The chief of the special mission shall take rank immediately after the chief of the United States diplomatic mission in such country; *and the chief of the special mission shall be entitled to receive the same compensation and allowances as a chief of mission, class 3, on a chief of mission, class 4, within the meaning of the Act of August 13, 1946 (60 Stat. 999), or compensation and allowances in accordance with section 110 (a) of this title, as the Administrator shall determine to be necessary or appropriate.*

(b) The chief of the special mission shall keep the chief of the United States diplomatic mission fully and currently informed on matters, including prospective action, arising within the scope of the operations of the special mission and the chief of the diplomatic mission shall keep the chief of the special mission fully and currently informed on matters relative to the conduct of the duties of the chief of the special mission. The chief of the United States diplomatic mission will be responsible for assuring that the operations of the special mission are consistent with the foreign-policy objectives of the United States in such country and to that end whenever the chief of the United States diplomatic mission believes that any action, proposed action, or failure to act on the part of the special mission is inconsistent with such foreign-policy objectives, he shall so advise the chief of the

special mission and the United States Special Representative in Europe. If differences of view are not adjusted by consultation, the matter shall be referred to the Secretary of State and the Administrator for decision.

(c) The Secretary of State shall provide such office space, facilities, and other administrative services for the United States Special Representative in Europe and his staff, and for the special mission in each participating country, as may be agreed between the Secretary of State and the Administrator.

(d) With respect to any of the zones of occupation of Germany and of the Free Territory of Trieste, during the period of occupation, the President shall make appropriate administrative arrangements for the conduct of operations under this title, in order to enable the Administrator to carry out his responsibility to assure the accomplishment of the purposes of this title.

PERSONNEL OUTSIDE UNITED STATES

SEC. 110. (a) For the purpose of performing functions under this title outside the continental limits of the United States the Administrator may—

(1) employ persons who shall receive compensation at any of the rates provided for the Foreign Service Reserve and Staff by the Foreign Service Act of 1946 (60 Stat. 999), together with allowances and benefits established thereunder; and

(2) recommend the appointment or assignment of persons, and the Secretary of State may appoint or assign such persons, to any class in the Foreign Service Reserve or Staff for the duration of operations under this title, and the Secretary of State may assign, transfer, or promote such persons upon the recommendation of the Administrator. Persons so appointed to the Foreign Service Staff shall be entitled to the benefits of section 528 of the Foreign Service Act of 1946.

(b) For the purpose of performing functions under this title outside the continental limits of the United States, the Secretary of State may, at the request of the Administrator, appoint, for the duration of operations under this title, alien clerks and employees in accordance with applicable provisions of the Foreign Service Act of 1946 (60 Stat. 999).

(c) No citizen or resident of the United States may be employed, or if already employed, may be assigned to duties by the Secretary of State or the Administrator under this title for a period to exceed three months unless such individual has been investigated as to loyalty and security by the Federal Bureau of Investigation and a report thereon has been made to the Secretary of State and the Administrator, and until the Secretary of State or the Administrator has certified in writing (and filed copies thereof with the Senate Committee on Foreign Relations and the House Committee on Foreign Affairs) that, after full consideration of such report, he believes such individual is loyal to the United States, its Constitution, and form of government, and is not now and has never been a member of any organization advocating contrary views. This subsection shall not apply in the case of any officer appointed by the President by and with the advice and consent of the Senate.

NATURE AND METHOD OF ASSISTANCE

SEC. 111. (a) The Administrator may, from time to time, furnish assistance to any participating country by providing for the performance of any of the functions set forth in paragraphs (1) through (5) of this subsection when he deems it to be in furtherance of the purposes of this title, and upon the terms and conditions set forth in this title and such additional terms and conditions consistent with the provisions of this title as he may determine to be necessary and proper.

(1) Procurement from any source, including Government stocks on the same basis as procurement by Government agencies under Public Law 375 (Seventy-ninth Congress) for their own use, of any commodity which he determines to be required for the furtherance of the purposes of this title. As used in this title, the term "commodity" means any commodity, material, article, supply, or goods necessary for the purposes of this title.

(2) Processing, storing, transporting, and repairing any commodities, or performing any other services with respect to a participating country which he determines to be required for accomplishing the purposes of this title. The Administrator shall, in providing for the procurement of commodities under authority of this title, take such steps as may be necessary to assure, so far as is practicable, that at least 50 per centum of the gross tonnage of

commodities, procured within the United States out of funds made available under this title and transported abroad on ocean vessels, is so transported on United States flag vessels to the extent such vessels are available at market rates *for United States flag vessels, not to exceed a reasonable differential above current world market rates.*

(3) Procurement of and furnishing technical information and assistance.

(4) Transfer of any commodity or service, which transfer shall be signified by delivery of the custody and right of possession and use of such commodity, or otherwise making available any such commodity, or by rendering a service to a participating country or to any agency or organization representing a participating country.

(5) The allocation of commodities or services to specific projects designed to carry out the purposes of this title, which have been submitted to the Administrator by participating countries and have been approved by him.

(b) In order to facilitate and maximize the use of private channels of trade, subject to adequate safeguards to assure that all expenditures in connection with such procurement are within approved programs in accordance with terms and conditions established by the Administrator, he may provide for the performance of any of the functions described in subsection (a) of this section—

(1) by establishing accounts against which, under regulations prescribed by the Administrator—

(i) letters of commitment may be issued in connection with supply programs approved by the Administrator (and such letters of commitment, when issued, shall constitute obligations of the United States and monies due or to become due thereunder shall be assignable under the Assignment of Claims Act of 1940 and shall constitute obligations of applicable appropriations); and

(ii) withdrawals may be made by participating countries, or agencies or organizations representing participating countries or by other persons or organizations, upon presentation of contracts, invoices, or other documentation specified by the Administrator under arrangements prescribed by the Administrator to assure the use of such withdrawals for purposes approved by the Administrator.

Such accounts may be established on the books of the Administration, or any other department, agency, or establishment of the Government specified by the Administrator, or, on terms and conditions approved by the Secretary of the Treasury, in banking institutions in the United States. Expenditures of funds which have been made available through accounts so established shall be accounted for on standard documentation required for expenditures of Government funds: *Provided, That* such expenditures for commodities or services procured outside the continental limits of the United States under authority of this section may be accounted for exclusively on such certification as the Administrator may prescribe in regulations promulgated by him with the approval of the Comptroller General of the United States to assure expenditure in furtherance of the purposes of this title.

(2) by utilizing the services and facilities of any department, agency, or establishment of the Government as the President shall direct, or with the consent of the head of such department, agency, or establishment, or, in the President's discretion, by acting in cooperation with the United Nations or with other international organizations or with agencies of the participating countries, and funds allocated pursuant to this section to any department, agency, or establishment of the Government shall be established in separate appropriation accounts on the books of the Treasury.

(3) by making, under rules and regulations to be prescribed by the Administrator, guaranties to any person of investments in connection with projects, *including expansion, modernization, or development of existing enterprises*, approved by the Administrator and the participating country concerned as furthering the purposes of this title (including guaranties of investments in enterprises producing or distributing informational media *consistent with the national interests of the United States: Provided, That* the amount of such guaranties made in [the first] any fiscal year [after the date of enactment of this Act] does not exceed \$15,000,000) which guaranties shall terminate not later than fourteen years from the date of enactment of this Act: *Provided, That—*

(i) the guaranty to any person shall not exceed the amount of dollars invested in the project by such person with the approval of the Administrator [and shall be limited to the transfer into United States dollars of

other currencies, or credits in such currencies, received by such person as income from the approved investment, as repayment or return thereof, in whole or in part, or as compensation for the sale or disposition of all or any part thereof: *Provided, That, when any payment is made to any person under authority of this paragraph, such currencies, or credits in such currencies, shall become the property of the United States Government; plus actual earnings or profits on said project to the extent provided by such guaranty;*

(ii) the Administrator may charge a fee in an amount determined by him not exceeding 1 per centum per annum of the amount of each guaranty, and all fees collected hereunder shall be available for expenditure in discharge of liabilities under guaranties made under this paragraph until such time as all such liabilities have been discharged or have expired, or until all such fees have been expended in accordance with the provisions of this paragraph; and

(iii) as used in this paragraph, the term "person" means a citizen of the United States or any corporation, partnership, or other association created under the law of the United States or of any State or Territory and substantially beneficially owned by citizens of the United States.

(iv) As used in this paragraph, the term "investment" includes the furnishing of capital goods items and related services, for use in connection with projects approved by the Administrator, pursuant to a contract providing for payment in whole or in part after June 30, 1950; and

(v) the guaranty to any person shall be limited to assuring the following:

(1) the transfer into United States dollars of other currencies, or credits in such currencies received by such person as earnings or profits from the approved investment, as repayment or return thereof, in whole or in part, or as compensation for the sale or disposition of all or any part thereof; and (2) compensation in United States dollars for loss of all or any part of the approved investment, which shall be found by the Administrator to have been lost to such person by reason of one or more of the following causes: (a) seizure, confiscation, or expropriation, (b) destruction by riot, revolution, or war, (c) any law, ordinance, regulation, decree, or administrative action (other than measures affecting the conversion of currency), which in the opinion of the Administrator prevents the further transaction of the business for which the guaranty was issued. When any payment is made to any person pursuant to a guaranty as hereinbefore described, the currency, credits or assets on account of which such payment is made shall become the property of the United States Government, and the United States Government shall be subrogated to any right, title, claim, or cause of action existing in connection therewith.

The total amount of the guaranties made under this paragraph (3) shall not exceed \$300,000,000, and as such guaranties are made the authority to realize funds from the sale of notes for the purpose of allocating funds to the Export-Import Bank of Washington under paragraph (2) of subsection (c) of this section shall be accordingly reduced. *Provided, That any funds allocated to a guaranty and remaining after all liability of the United States assumed in connection therewith has been released, discharged, or otherwise terminated, shall be available for allocation to other guaranties, the foregoing limitation notwithstanding.* Any payments made to discharge liabilities under guaranties issued under paragraph (3) of this subsection shall be paid out of fees collected under subparagraph (ii) of paragraph (3) of this subsection as long as such fees are available, and thereafter shall be paid out of funds realized from the sale of notes which shall be issued under authority of paragraph (2) of subsection (c) of this section when necessary to discharge liabilities under any such guaranty.

(c) (1) The Administrator may provide assistance for any participating country, in the form and under the procedures authorized in subsections (a) and (b), respectively, of this section, through grants or upon payment in cash, or on credit terms, or on such other terms of payment as he may find appropriate, including payment by the transfer to the United States (under such terms and in such quantities as may be agreed to between the Administrator and the participating country) of materials which are required by the United States as a result of deficiencies or potential deficiencies in its own resources. In determining whether such assistance shall be through grants or upon terms of payment, and in determining the terms of payment, he shall act in consultation with the National Advisory Council on International Monetary and Financial Problems, and the

determination whether or not a participating country should be required to make payment for any assistance furnished to such country in furtherance of the purposes of this title, and the terms of such payment, if required, shall depend upon the character and purpose of the assistance and upon whether there is reasonable assurance of repayment considering the capacity of such country to make such payments without jeopardizing the accomplishment of the purposes of this title.

(2) When it is determined that assistance should be extended under the provisions of this title on credit terms, the Administrator shall allocate funds for the purpose to the Export-Import Bank of Washington, which shall, notwithstanding the provisions of the Export-Import Bank Act of 1945 (59 Stat. 526), as amended, make and administer the credit on terms specified by the Administrator in consultation with the National Advisory Council on International Monetary and Financial Problems. The Administrator is authorized to issue notes from time to time for purchase by the Secretary of the Treasury in an amount not exceeding in the aggregate \$1,000,000,000 (i) for the purpose of allocating funds to the Export-Import Bank of Washington under this paragraph during the period of one year following the date of enactment of this Act and (ii) for the purpose of carrying out the provisions of paragraph (3) of subsection (b) of this section until all liabilities arising under guaranties made pursuant to such paragraph (3) have expired or have been discharged. *In addition to the amount of notes above authorized, the Administrator is authorized, for the purpose of carrying out the provisions of paragraph (3) of subsection (b) of this section, to issue notes from time to time for purchase by the Secretary of the Treasury in an amount not exceeding in the aggregate \$300,000,000 less any amount allocated prior to April 3, 1949, for such purpose, until all liabilities arising under guaranties made pursuant to this authorization have expired or have been discharged.* [Such] The notes hereinabove authorized shall be redeemable at the option of the Administrator before maturity in such manner as may be stipulated in such notes and shall have such maturity as may be determined by the Administrator with the approval of the Secretary of the Treasury. Each such note shall bear interest at a rate determined by the Secretary of the Treasury, taking into consideration the current average rate on outstanding marketable obligations of the United States as of the last day of the month preceding the issuance of the note. Payment under this paragraph of the purchase price of such notes and repayments thereof by the Administrator shall be treated as public-debt transactions of the United States. In allocating funds to the Export-Import Bank of Washington *for assistance on credit terms* under this paragraph, the Administrator shall first utilize such funds realized from the sale of notes authorized by this paragraph as he determines to be available for this purpose, and when such funds are exhausted, or after the end of one year from the date of enactment of this Act, whichever is earlier, he shall utilize any funds appropriated under this title. The Administrator shall make advances to, or reimburse, the Export-Import Bank of Washington for necessary administrative expenses in connection with such credits. Credits made by the Export-Import Bank of Washington with funds so allocated to it by the Administrator shall not be considered in determining whether the Bank has outstanding at any one time loans and guaranties to the extent of the limitation imposed by section 7 of the Export-Import Bank Act of 1945 (59 Stat. 529), as amended. Amounts received in repayment of principal and interest on any credits made under this paragraph shall be deposited into miscellaneous receipts of the Treasury: *Provided, That, to the extent required for such purpose, amounts received in repayment of principal and interest on any credits made out of funds realized from the sale of notes authorized under this paragraph shall be deposited into the Treasury for the purpose of the retirement of such notes.*

PROTECTION OF DOMESTIC ECONOMY

SEC. 112. (a) The Administrator shall provide for the procurement in the United States of commodities under this title in such a way as to (1) minimize the drain upon the resources of the United States and the impact of such procurement upon the domestic economy and (2) avoid impairing the fulfillment of vital needs of the people of the United States.

(b) The procurement of petroleum and petroleum products under this title shall, to the maximum extent practicable, be made from petroleum sources outside the United States; and, in furnishing commodities under the provisions of this title, the Administrator shall take fully into account the present and anticipated world shortage of petroleum and its products and the consequent undesirability of expansion in petroleum-consuming equipment where the use of alternate fuels or other sources of power is practicable.

[(c) In order to assure the conservation of domestic grain supplies and the retention in the United States of byproduct feeds necessary to the maintenance of the agricultural economy of the United States, the amounts of wheat and wheat flour produced in the United States to be transferred by grant to the participating countries shall be so determined that the total quantity of United States wheat used to produce the wheat flour procured in the United States for transfer by grant to such countries under this title shall not be less than 25 per centum of the aggregate of the unprocessed wheat and wheat in the form of flour procured in the United States for transfer by grant to such countries under this title.]

(d) The term "surplus agricultural commodity" as used in this section is defined as any agricultural commodity, or product thereof, produced in the United States which is determined by the Secretary of Agriculture to be in excess of domestic requirements. In providing for the procurement of any such surplus agricultural commodity for transfer by grant to any participating country in accordance with the requirements of such country, the Administrator shall, insofar as practicable and where in furtherance of the purposes of this title, give effect to the following:

(1) The Administrator shall authorize the procurement of any such surplus agricultural commodity only within the United States: *Provided*, That this restriction shall not be applicable (i) to any agricultural commodity, or product thereof, located in one participating country, and intended for transfer to another participating country, if the Administrator, in consultation with the Secretary of Agriculture, determines that such procurement and transfer is in furtherance of the purposes of this title, and would not create a burdensome surplus in the United States or seriously prejudice the position of domestic producers of such surplus agricultural commodities, or (ii) if, and to the extent that any such surplus agricultural commodity is not available in the United States in sufficient quantities to supply the requirements of the participating countries under this title.

(2) In providing for the procurement of any such surplus agricultural commodity, the Administrator shall, insofar as practicable and applicable, and after giving due consideration to the excess of any such commodity over domestic requirements, and to the historic reliance of United States producers of any such surplus agricultural commodity upon markets in the participating countries, provide for the procurement of each class or type of any such surplus agricultural commodity in the approximate proportion that the Secretary of Agriculture determines such classes or types bear to the total amount of excess of such surplus agricultural commodity over domestic requirements.

(e) Whenever the Secretary of Agriculture determines that any quantity of any surplus agricultural commodity, heretofore or hereafter acquired by Commodity Credit Corporation in the administration of its price-support programs, is available for use in furnishing assistance to foreign countries, he shall so advise all departments, agencies, and establishments of the Government administering laws providing for the furnishing of assistance or relief to foreign countries (including occupied or liberated countries or areas of such countries). Thereafter the department, agency, or establishment administering any such law shall, to the maximum extent practicable, consistent with the provisions and in furtherance of the purposes of such law, and where for transfer by grant and in accordance with the requirements of such foreign country, procure or provide for the procurement of such quantity of such surplus agricultural commodity. The sales price paid as reimbursement to Commodity Credit Corporation for any such surplus agricultural commodity shall be in such amount as Commodity Credit Corporation determines will fully reimburse it for the cost to it of such surplus agricultural commodity at the time and place such surplus agricultural commodity is delivered by it, but in no event shall the sales price be higher than the domestic market price at such time and place of delivery as determined by the Secretary of Agriculture, and the Secretary of Agriculture may pay not to exceed 50 per centum of such sales price as authorized by subsection (f) of this section.

(f) Subject to the provisions of this section, but notwithstanding any other provision of law, in order to encourage utilization of surplus agricultural commodities pursuant to this or any other Act providing for assistance or relief to foreign countries, the Secretary of Agriculture, in carrying out the purposes of clause (1), section 32, Public Law 320, Seventy-fourth Congress, as amended, may make payments, including payments to any government agency procuring or selling such surplus agricultural commodities, in an amount not to exceed 50 per centum of the sales price (basis free along ship or free on board vessel, United States ports), as determined by the Secretary of Agriculture, of such surplus

agricultural commodities. The rescission of the remainder of section 32 funds by the Act of July 30, 1947 (Public Law 266, Eightieth Congress), is hereby canceled and such funds are hereby made available for the purposes of section 32 for the fiscal year ending June 30, 1948.

(g) No export shall be authorized pursuant to authority conferred by [section 6 of the Act of July 2, 1940 (54 Stat. 714), including any amendment thereto,] *the Export Control Act of 1949* of any commodity from the United States to any country wholly or partly in Europe which is not a participating country, if the department, agency, or officer in the executive branch of the Government exercising the authority granted to the President by [section 6 of the Act of July 2, 1940, as amended,] *the Export Control Act of 1949* determines that the supply of such commodity is insufficient (or would be insufficient if such export were permitted) to fulfill the requirements of participating countries under this title as determined by the Administrator: *Provided, however, That such export may be authorized if such department, agency, or officer determines that such export is otherwise in the national interest of the United States.*

(h) In providing for the performance of any of the functions described in subsection (a) of section 111, the Administrator shall, to the maximum extent consistent with the accomplishment of the purposes of this title, utilize private channels of trade, and, *insofar as practicable, make available or cause to be made available to suppliers in the United States reasonable information, as far in advance as possible, of purchases proposed to be financed with funds authorized under this title.*

(i) *No funds authorized for the purposes of this title shall be used for the purchase in bulk of any commodities (other than commodities procured by or in the possession of the Commodity Credit Corporation pursuant to price support programs required by law) at prices higher than the market price prevailing in the United States at the time of the purchase adjusted for differences in the cost of transportation to destination, quality, and terms of payment.*

REIMBURSEMENT TO GOVERNMENT AGENCIES

SEC. 113. (a) The Administrator shall make reimbursement or payment, out of funds available for the purposes of this title, for any commodity, service, or facility procured under section 111 of this title from any department, agency, or establishment of the Government. Such reimbursement or payment shall be made to the owning or disposal agency, as the case may be, at replacement cost, or, if required by law, at actual cost, or at any other price authorized by law and agreed to between the Administrator and such agency. The amount of any reimbursement or payment to an owning agency for commodities, services, or facilities so procured shall be credited to current applicable appropriations, funds, or accounts from which there may be procured replacements of similar commodities or such services or facilities: *Provided, That such commodities, services, or facilities may be procured from an owning agency only with the consent of such agency: And provided further, That where such appropriations, funds, or accounts are not reimbursable except by reason of this subsection, and when the owning agency determines that replacement of any commodity procured under authority of this section is not necessary, any funds received in payment therefor shall be covered into the Treasury as miscellaneous receipts.*

(b) The Administrator, whenever in his judgment the interests of the United States will best be served thereby, may dispose of any commodity procured out of funds made available for the purposes of this title, in lieu of transferring such commodity to a participating country, (1) by transfer of such commodity, upon reimbursement, to any department, agency, or establishment of the Government for use or disposal by such department, agency, or establishment as authorized by law, or (2) without regard to provisions of law relating to the disposal of Government-owned property, when necessary to prevent spoilage or wastage of such commodity or to conserve the usefulness thereof. Funds realized from such disposal or transfer shall revert to the respective appropriation or appropriations out of which funds were expended for the procurement of such commodity.

AUTHORIZATION OF APPROPRIATIONS

SEC. 114. (a) Notwithstanding the provisions of any other law, the Reconstruction Finance Corporation is authorized and directed, until such time as an appropriation shall be made pursuant to subsection (c) of this section, to make advances not to exceed in the aggregate \$1,000,000,000 to carry out the provisions

of this title, in such manner, at such time, and in such amounts as the President shall determine, and no interest shall be charged on advances made by the Treasury to the Reconstruction Finance Corporation for this purpose. The Reconstruction Finance Corporation shall be repaid without interest for advances made by it hereunder, from funds made available for the purposes of this title.

(b) Such part as the President may determine of the unobligated and unexpended balances of appropriations or other funds available for the purposes of the Foreign Aid Act of 1947 shall be available for the purpose of carrying out the purposes of this title.

(c) In order to carry out the provisions of this title with respect to those participating countries which adhere to the purposes of this title, and remain eligible to receive assistance hereunder, such funds shall be available as are hereafter authorized and appropriated to the President from time to time through June 30, 1952, to carry out the provisions and accomplish the purposes of this title: *Provided, however, That for carrying out the provisions and accomplishing the purposes of this title for the period of one year following the date of enactment of this Act, there are hereby authorized to be so appropriated not to exceed \$4,300,000,000* [.] : *Provided further, That in addition to the amount above authorized to be appropriated there are hereby authorized to be appropriated for carrying out the provisions and accomplishing the purposes of this title not to exceed \$1,100,000,000 for the period April 3, 1949, through June 30, 1949, and not to exceed \$4,280,000,000 for the fiscal year ending June 30, 1950: Provided further, That in addition to the foregoing any balance, unobligated as of June 30, 1949, or subsequently released from obligation, of funds appropriated for carrying out and accomplishing the purposes of this title for any period ending on or prior to that date is hereby authorized to be made available for obligation through the fiscal year ending June 30, 1950, and to be transferred to and consolidated with any appropriations for carrying out and accomplishing the purposes of this title for said fiscal year.* Nothing in this title is intended nor shall it be construed as an express or implied commitment to provide any specific assistance, whether of funds, commodities, or services, to any country or countries. The [authorization] *authorizations* in this title [is] *are* limited to the period [of twelve months] *ending June 30, 1950, in order that [subsequent Congresses] the Congress may pass on any subsequent authorizations.*

(d) Funds made available for the purposes of this title shall be available for incurring and defraying all necessary expenses incident to carrying out the provisions of this title, including administrative expenses and expenses for compensation, allowances, and travel of personnel, including Foreign Service personnel whose services are utilized primarily for the purposes of this title, and, without regard to the provisions of any other law, for printing and binding, and for expenditures outside the continental limits of the United States for the procurement of supplies and services and for other administrative purposes (other than compensation of personnel) without regard to such laws and regulations governing the obligation and expenditure of government funds, as the Administrator shall specify in the interest of the accomplishment of the purposes of this title.

(e) The unencumbered portions of any deposits which may have been made by any participating country pursuant to section 6 of the joint resolution providing for relief assistance to the people of countries devastated by war (Public Law 84, Eightieth Congress) and section 5 (b) of the Foreign Aid Act of 1947 (Public Law 389, Eightieth Congress) may be merged with the deposits to be made by such participating country in accordance with section 115 (b) (6) of this title, and shall be held or used under the same terms and conditions as are provided in section 115 (b) (6) of this title.

(f) In order to reserve some part of the surplus of the fiscal year 1948 for payments thereafter to be made under this title, there is hereby created on the books of the Treasury of the United States a trust fund to be known as the Foreign Economic Cooperation Trust Fund. Notwithstanding any other provision of law, an amount of \$3,000,000,000 out of sums appropriated pursuant to the authorization contained in this title shall, when appropriated, be transferred immediately to the trust fund, and shall thereupon be considered as expended during the fiscal year 1948, for the purpose of reporting governmental expenditures. The Secretary of the Treasury shall be the sole trustee of the trust fund and is authorized and directed to pay out of the fund such amounts as the Administrator shall duly requisition. The first expenditures made out of the appropriations authorized under this title in the fiscal year 1949 shall be made with funds requisitioned by the Administrator out of the trust fund until the fund is exhausted, at which time such fund shall cease to exist. The provisions of this subsection shall not be construed as affecting the application of any provision of law which would

otherwise govern the obligation of funds so appropriated or the auditing or submission of accounts of transactions with respect to such funds.

(g) *Notwithstanding the provisions of any other law, until such time as an appropriation additional to that made by Title I of the Foreign Aid Appropriation Act, 1949 (Public Law 793, 80th Congress), shall be made pursuant to subsection (c) of this section, the Reconstruction Finance Corporation is authorized and directed to make advances not to exceed in the aggregate \$1,000,000,000 to carry out the provisions of this title, in such manner, at such times, and in such amounts as the Administrator shall request, and no interest shall be charged on advances made by the Treasury to the Reconstruction Finance Corporation for this purpose. The Reconstruction Finance Corporation shall be repaid without interest for advances made by it hereunder, from funds made available for the purposes of this title.*

BILATERAL AND MULTILATERAL UNDERTAKINGS

SEC. 115. (a) The Secretary of State, after consultation with the Administrator, is authorized to conclude, with individual participating countries or any number of such countries or with an organization representing any such countries, agreements in furtherance of the purposes of this title. The Secretary of State, before an Administrator or Deputy Administrator shall have qualified and taken office, is authorized to negotiate and conclude such temporary agreements in implementation of subsection (b) of this section as he may deem necessary in furtherance of the purposes of this title: *Provided, That when an Administrator or Deputy Administrator shall have qualified and taken office, the Secretary of State shall conclude the basic agreements required by subsection (b) of this section only after consultation with the Administrator or Deputy Administrator, as the case may be.*

(b) The provision of assistance under this title results from the multilateral pledges of the participating countries to use all their efforts to accomplish a joint recovery program based upon self-help and mutual cooperation as embodied in the report of the Committee of European Economic Cooperation signed at Paris on September 22, 1947, and is contingent upon continuous effort of the participating countries to accomplish a joint recovery program through multilateral undertakings and the establishment of a continuing organization for this purpose. In addition to continued mutual cooperation of the participating countries in such a program, each such country shall conclude an agreement with the United States in order for such country to be eligible to receive assistance under this title. Such agreement shall provide for the adherence of such country to the purposes of this title and shall, where applicable, make appropriate provision among others, for—

(1) promoting industrial and agricultural production in order to enable the participating country to become independent of extraordinary outside economic assistance; and submitting for the approval of the Administrator, upon his request and whenever he deems it in furtherance of the purposes of this title, specific projects proposed by such country to be undertaken in substantial part with assistance furnished under this title, which projects, whenever practicable, shall include projects for increased production of coal, steel, transportation facilities, and food;

(2) taking financial and monetary measures necessary to stabilize its currency, establish or maintain a valid rate of exchange, to balance its governmental budget as soon as practicable, and generally to restore or maintain confidence in its monetary system;

(3) cooperating with other participating countries in facilitating and stimulating an increasing interchange of goods and services among the participating countries and with other countries and cooperating to reduce barriers to trade among themselves and with other countries;

(4) making efficient and practical use, within the framework of a joint program for European recovery, of the resources of such participating country, including any commodities, facilities, or services furnished under this title, which use shall include, to the extent practicable, taking measures to locate and identify and put into appropriate use, in furtherance of such program, assets, and earnings therefrom, which belong to the citizens of such country and which are situated within the United States, its Territories and possessions;

(5) facilitating the transfer to the United States by sale, exchange, barter, or otherwise for stock piling or other purposes, for such period of time as may be agreed to and upon reasonable terms and in reasonable quantities, of

materials which are required by the United States as a result of deficiencies or potential deficiencies in its own resources, and which may be available in such participating country after due regard for reasonable requirements for domestic use and commercial export of such country;

(6) placing in a special account a deposit in the currency of such country, in commensurate amounts and under such terms and conditions as may be agreed to between such country and the Government of the United States, when any commodity or service is made available through any means authorized under this title, and is furnished to the participating country on a grant basis[.]: *Provided, That the obligation to make such deposits may be waived, in the discretion of the Administrator, with respect to technical information or assistance furnished under section 111 (a) (3) of this title and with respect to ocean transportation furnished on United States flag vessels under section 111 of this title in an amount not exceeding the amount, as determined by the Administrator, by which the charges for such transportation exceed the cost of such transportation at world market rates.* Such special account, together with the unencumbered portions of any deposits which may have been made by such country pursuant to section 6 of the joint resolution providing for relief assistance to the people of countries devastated by war (Public Law 84, Eightieth Congress) and section 5 (b) of the Foreign Aid Act of 1947 (Public Law 389, Eightieth Congress), shall be held or used within such country for such purposes as may be agreed to between such country and the Administrator in consultation with the National Advisory Council on International Monetary and Financial Problems, and the Public Advisory Board provided for in section 107 (a) for purposes of internal monetary and financial stabilization, for the stimulation of productive activity and the exploration for and development of new sources of wealth, or for such other expenditures as may be consistent with the purposes of this title, including local currency administrative expenditures of the United States incident to operations under this title, and under agreement that any unencumbered balance remaining in such account on June 30, 1952, shall be disposed of within such country for such purposes as may, subject to approval by Act or joint resolution of the Congress, be agreed to between such country and the Government of the United States;

(7) publishing in such country and transmitting to the United States, not less frequently than every calendar quarter after the date of the agreement, full statements of operations under the agreement, including a report of the use of funds, commodities, and services received under this title;

(8) furnishing promptly, upon request of the United States, any relevant information which would be of assistance to the United States in determining the nature and scope of operations and the use of assistance provided under this title;

(9) recognizing the principle of equity in respect to the drain upon the natural resources of the United States and of the recipient countries, by agreeing to negotiate (a) a future schedule of minimum availabilities to the United States for future purchase and delivery of a fair share of materials which are required by the United States as a result of deficiencies or potential deficiencies in its own resources at world market prices so as to protect the access of United States industry to an equitable share of such materials either in percentages of production or in absolute quantities from the participating countries, and (b) suitable protection for the right of access for any person as defined in paragraph (iii) of subparagraph (3) of section 111 (b) in the development of such materials on terms of treatment equivalent to those afforded to the nationals of the country concerned, and (c) an agreed schedule of increased production of such materials where practicable in such participating countries and for delivery of an agreed percentage of such increased production to be transferred to the United States on a long-term basis in consideration of assistance furnished by the Administrator to such countries under this title; and

(10) submitting for the decision of the International Court of Justice or of any arbitral tribunal mutually agreed upon any case espoused by the United States Government involving compensation of a national of the United States for governmental measures affecting his property rights, including contracts with or concessions from such country.

(c) Notwithstanding the provisions of subsection (b) of this section, the Administrator, during the three months after the date of enactment of this Act, may perform with respect to any participating country any of the functions authorized under this title which he may determine to be essential in furtherance of the purposes of this title, if (1) such country has signified its adherence to the purposes of this title and its intention to conclude an agreement pursuant to subsection (b) of this section, and (2) he finds that such country is complying with the applicable provisions of subsection (b) of this section: *Provided, That,* notwithstanding the provisions of this subsection, the Administrator may, through June 30, 1948, provide for the transfer of food, medical supplies, fibers, fuel, petroleum and petroleum products, fertilizer, pesticides, and seed to any country of Europe which participated in the Committee of European Economic Cooperation and which undertook pledges to the other participants therein, when the Administrator determines that the transfer of any such supplies to any such country is essential in order to make it possible to carry out the purposes of this title by alleviating conditions of hunger and cold and by preventing serious economic retrogression.

(d) The Administrator shall encourage the joint organization of the participating countries referred to in subsection (b) of this section to ensure that each participating country makes efficient use of the resources of such country, including any commodities, facilities, or services furnished under this title, by observing and reviewing such use through an effective follow-up system approved by the joint organization.

(e) The Administrator shall encourage arrangements among the participating countries in conjunction with the International Refugee Organization looking toward the largest practicable utilization of manpower available in any of the participating countries in furtherance of the accomplishment of the purposes of this title.

(f) The Administrator will request the Secretary of State to obtain the agreement of those countries concerned that such capital equipment as is scheduled for removal as reparations from the three western zones of Germany be retained in Germany if such retention will most effectively serve the purposes of the European recovery program.

(g) It is the understanding of the Congress that, in accordance with agreements now in effect, prisoners of war remaining in participating countries shall, if they so freely elect, be repatriated prior to January 1, 1949.

(h) *Not less than 5 per centum of each special local currency account established pursuant to paragraph (6) of subsection (b) of this section shall be allocated to the use of the United States Government for expenditure for materials which are required by the United States as a result of deficiencies or potential deficiencies in its own resources or for other local currency requirements of the United States.*

(i) (1) *The Administrator shall, to the greatest extent practicable, initiate projects for and assist the appropriate agencies of the United States Government in procuring and stimulating increased production in participating countries of materials which are required by the United States as a result of deficiencies or potential deficiencies in its own resources; and in furtherance of those objectives the Administrator shall, in addition to the local currency allocated pursuant to subsection (h), use such other means available to him under this title as he may deem appropriate.*

(2) *In furtherance of such objectives and within the limits of the appropriations and contract authorizations of the Bureau of Federal Supply to procure strategic and critical materials, the Administrator, with the approval of the Director of such Bureau, shall enter into contracts in the name of the United States for the account of such Bureau for the purchase of strategic and critical materials in any participating country. Such contracts may provide for deliveries over definite periods, but not to exceed twenty years in any contract, and may provide for payments in advance of deliveries.*

(3) *Nothing in this subsection shall be deemed to restrict or limit in any manner the authority now held by any agency of the United States Government in procuring or stimulating increased production of the materials referred to in paragraphs (1) and (2) in countries other than participating countries.*

WESTERN HEMISPHERE COUNTRIES

SEC. 116. The President shall take appropriate steps to encourage all countries in the Western Hemisphere to make available to participating countries such assistance as they may be able to furnish.

OTHER DUTIES OF THE ADMINISTRATOR

SEC. 117. (a) The Administrator, in furtherance of the purposes of section 115 (b) (5), and in agreement with a participating country, shall, whenever practicable, promote, by means of funds made available for the purposes of this title, an increase in the production in such participating country of materials which are required by the United States as a result of deficiencies or potential deficiencies in the resources within the United States.

(b) The Administrator, in cooperation with the Secretary of Commerce, shall facilitate and encourage, through private and public travel, transport, and other agencies, the promotion and development of travel by citizens of the United States to and within participating countries.

(c) In order to further the efficient use of United States voluntary contributions for relief in participating countries receiving assistance under this title in the form of grants or any of the zones of occupation of Germany for which assistance is provided under this title and the Free Territory of Trieste or either of its zones, funds made available for the purposes of this title shall be used insofar as practicable by the Administrator, under rules and regulations prescribed by him to pay ocean freight charges from a United States port to a designated foreign port of entry (1) of supplies donated to, or purchased by, United States voluntary non-profit relief agencies registered with and recommended by the Advisory Committee on Voluntary Foreign Aid for operations in Europe, or (2) of relief packages conforming to such specified size, weight, and contents, as the Administrator may prescribe originating in the United States and consigned to an individual residing in a participating country receiving assistance under this title in the form of grants or any of the zones of occupation of Germany for which assistance is provided under this title and the Free Territory of Trieste or either of its zones [.] *Provided, That the Administrator shall fix and pay a uniform rate per pound for the ocean transportation of all relief packages of food or other general classification of commodities shipped to any participating foreign country, regardless of methods of shipment and higher rates charged by particular agencies of transportation, but this proviso shall not apply to shipments made by individuals to individuals through the mails.* Where practicable the Administrator is directed to make an agreement with such country for the use of a portion of the deposit of local currency placed in a special account pursuant to paragraph 6 of subsection (b) of section 115 of this title, for the purpose of defraying the transportation cost of such supplies and relief packages from the port of entry of such country to the designated shipping point of consignee. The Secretary of State, after consultation with the Administrator, shall make agreements where practicable with the participating countries for the free entry of such supplies and relief packages.

(d) The Administrator is directed to refuse delivery insofar as practicable to participating countries of commodities which go into the production of any commodity for delivery to any nonparticipating European country which commodity would be refused export licenses to those countries by the United States in the interest of national security. Whenever the Administrator believes that the issuance of a license for the export of any commodity to any country wholly or partly in Europe which is not a participating country is inconsistent with the purposes and provisions of this title, he shall so advise the department, agency or officer in the executive branch of the Government exercising the authority with respect to such commodity granted to the President by [section 6 of the Act of July 2, 1940 (54 Stat. 714), as amended,] *the Export Control Act of 1949* and, if differences of view are not adjusted by consultation, the matter shall be referred to the President for final decision.

(e) *Whenever the Administrator shall determine that shipping capacity available to Italy is inadequate for such emigration from Italy as may be desirable to further the purposes of this title, the Administrator shall request the United States Maritime Commission to make available to Italy vessels capable of engaging in such service for the purpose of transporting emigrants from Italy to destinations other than the United States, and shall specify the terms and conditions under which such vessels shall thus be made available, and the United States Maritime Commission thereupon shall, notwithstanding any other provisions of law and without reimbursement by the Administrator, make such vessels available to Italy in accordance with such terms and conditions: Provided, That the total number of such vessels made available for such purpose shall not at any one time exceed ten: Provided further, That title to each such vessel owned by the United States Government shall remain in the United States: And*

provided further, That the terms and conditions under which such vessels are made available to Italy shall obligate Italy to return the vessels forthwith upon demand of the President, and in any event not later than June 30, 1952.

TERMINATION OF ASSISTANCE

SEC. 118. The Administrator, in determining the form and measure of assistance provided under this title to any participating country, shall take into account the extent to which such country is complying with its undertakings embodied in its pledges to other participating countries and in its agreement concluded with the United States under section 115. The Administrator shall terminate the provision of assistance under this title to any participating country whenever he determines that (1) such country is not adhering to its agreement concluded under section 115, or is diverting from the purposes of this title assistance provided hereunder, and that in the circumstances remedial action other than termination will not more effectively promote the purposes of this title or (2) because of changed conditions, assistance is no longer consistent with the national interest of the United States. Termination of assistance to any country under this section shall include the termination of deliveries of all supplies scheduled under the aid program for such country and not yet delivered.

EXEMPTION FROM CONTRACT AND ACCOUNTING LAWS

SEC. 119. When the President determines it to be in furtherance of the purposes of this title, the functions authorized under this title may be performed without regard to such provisions of law regulating the making, performance, amendment, or modification of contracts and the expenditure of Government funds as the President may specify.

EXEMPTION FROM CERTAIN FEDERAL LAWS RELATING TO EMPLOYMENT

SEC. 120. Service of an individual as a member of the Public Advisory Board (other than the Administrator) created by section 107 (a), as a member of an advisory committee appointed pursuant to section 107 (b), as an expert or consultant under section 104 (e), or as an expert, consultant, or technician under section 124 (d), shall not be considered as service or employment bringing such individual within the provisions of section 109 or 113 of the Criminal Code (U. S. C., title 18, secs. 198 and 203), of section 190 of the Revised Statutes (U. S. C., title 5, sec. 99), or of section 19 (e) of the Contract Settlement Act of 1944, or of any other Federal law imposing restrictions, requirements, or penalties in relation to the employment of persons, the performance of services, or the payment or receipt of compensation in connection with any claim, proceeding, or matter involving the United States.

UNITED NATIONS

SEC. 121. (a) The President is authorized to request the cooperation of or the use of the services and facilities of the United Nations, its organs and specialized agencies, or other international organizations, in carrying out the purposes of this title, and may make payments, by advancements or reimbursements, for such purposes, out of funds made available for the purposes of this title, as may be necessary therefor, to the extent that special compensation is usually required for such services and facilities. Nothing in this title shall be construed to authorize the Administrator to delegate to or otherwise confer upon any international or foreign organization or agency any of his authority to decide the method of furnishing assistance under this title to any participating country or the amount thereof.

(b) The President shall cause to be transmitted to the Secretary General of the United Nations copies of reports to Congress on the operations conducted under this title.

(c) Any agreements concluded between the United States and participating countries, or groups of such countries, in implementation of the purposes of this title, shall be registered with the United Nations if such registration is required by the Charter of the United Nations.

TERMINATION OF PROGRAM

SEC. 122. (a) After June 30, 1952, or after the date of the passage of a concurrent resolution by the two Houses of Congress before such date, which declares that the powers conferred on the Administrator by or pursuant to subsection (a) of section 111 of this title are no longer necessary for the accomplishment of the purposes of this title, whichever shall first occur, none of the functions authorized under such provisions may be exercised; except that during the twelve months following such date commodities and services with respect to which the Administrator had, prior to such date, authorized procurement for, shipment to, or delivery in a participating country, may be transferred to such country, and funds appropriated under authority of this title may be obligated during such twelve-month period for the necessary expenses of procurement, shipment, delivery, and other activities essential to such transfer, and shall remain available during such period for the necessary expenses of liquidating operations under this title.

(b) At such time as the President shall find appropriate after such date, and prior to the expiration of the twelve months following such date, the powers, duties, and authority of the Administrator under this title may be transferred to such other departments, agencies, or establishments of the Government as the President shall specify, and the relevant funds, records, and personnel of the Administration may be transferred to the departments, agencies, or establishments to which the related functions are transferred.

REPORTS TO CONGRESS

SEC. 123. The President from time to time, but not less frequently than once every calendar quarter through June 30, 1952, and once every year thereafter until all operations under this title have been completed, shall transmit to the Congress a report of operations under this title, including the text of bilateral and multilateral agreements entered into in carrying out the provisions of this title. Reports provided for under this section shall be transmitted to the Secretary of the Senate or the Clerk of the House of Representatives, as the case may be, if the Senate or the House of Representatives, as the case may be, is not in session.

JOINT CONGRESSIONAL COMMITTEE

SEC. 124. (a) There is hereby established a joint congressional committee to be known as the Joint Committee on Foreign Economic Cooperation (hereinafter referred to as the committee), to be composed of ten members as follows:

(1) Three members who are members of the Committee on Foreign Relations of the Senate, two from the majority and one from the minority party, to be appointed by the chairman of the committee; two members who are members of the Committee on Appropriations of the Senate, one from the majority and one from the minority party, to be appointed by the chairman of the committee; and

(2) Three members who are members of the Committee on Foreign Affairs of the House, two from the majority and one from the minority party, to be appointed by the chairman of the committee; and two members who are members of the Committee on Appropriations of the House, one from the majority and one from the minority party, to be appointed by the chairman of the committee.

A vacancy in the membership of the committee shall be filled in the same manner as the original selection. The committee shall elect a chairman from among its members.

(b) It shall be the function of the committee to make a continuous study of the programs of United States economic assistance to foreign countries, and to review the progress achieved in the execution and administration of such programs. Upon request, the committee shall aid the several standing committees of the Congress having legislative jurisdiction over any part of the programs of United States economic assistance to foreign countries; and it shall make a report to the Senate and the House of Representatives, from time to time, concerning the results of its studies, together with such recommendations as it may deem desirable. The Administrator, at the request of the committee, shall consult with the committee from time to time with respect to his activities under this Act.

(c) The committee, or any duly authorized subcommittee thereof, is authorized to hold such hearings, to sit and act at such times and places, to require by subpoena or otherwise the attendance of such witnesses and the production of such

books, papers, and documents, to administer such oaths, to take such testimony, to procure such printing and binding, and to make such expenditures as it deems advisable. The cost of stenographic services to report such hearings shall not be in excess of 25 cents per hundred words. The provisions of sections 102 to 104, inclusive, of the Revised Statutes shall apply in case of any failure of any witness to comply with any subpoena or to testify when summoned under authority of this subsection.

(d) The committee is authorized to appoint and, without regard to the Classification Act of 1923, as amended, fix the compensation of such experts, consultants, technicians, and organizations thereof, and clerical and stenographic assistants as it deems necessary and advisable.

(e) There are hereby authorized to be appropriated such sums as may be necessary to carry out the provisions of this section, to be disbursed by the Secretary of the Senate on vouchers signed by the chairman.

SEPARABILITY CLAUSE

SEC. 125. If any provision of this Act or the application of such provision to any circumstances or persons shall be held invalid, the validity of the remainder of the Act and the applicability of such provision to other circumstances or persons shall not be affected thereby.



