

EXTENSION OF THE EUROPEAN RECOVERY PROGRAM

REPORT

OF THE

COMMITTEE ON FOREIGN RELATIONS

ON

S. 1209

A BILL TO AMEND THE ECONOMIC COOPERATION
ACT OF 1948



MARCH 8 (legislative day, FEBRUARY 21), 1949.—Ordered to be printed

UNITED STATES
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WASHINGTON : 1949

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REPORT
No. 100

SENATE

81st Congress
1st Session

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MARCH 8 (legislative day, FEBRUARY 21), 1949.—Ordered to be printed

Mr. CONNALLY, from the Committee on Foreign Relations, submitted
the following

REPORT

[To accompany S. 1209]

The Committee on Foreign Relations, having had under consideration a bill (S. 1209) to amend the Economic Cooperation Act of 1948, unanimously report the bill favorably to the Senate and recommend that it do pass.

I. BACKGROUND OF THE EUROPEAN RECOVERY PROGRAM

1. MAIN PURPOSE OF THE BILL

This bill makes possible the continuation of the European Recovery Program for an additional 15-month period. Although the European Recovery Program is envisaged as a 4-year program, the Congress specifically reserved the right to review the program every year. The bill is in the form of an amendment to the original Economic Cooperation Act (Public Law 472, 80th Cong.). It authorizes the appropriation of \$1,150,000,000 for the period April through June 1949, and \$4,280,000,000 for the fiscal year 1949-50—a total of \$5,430,000,000 for 15 months. It also authorizes \$150,000,000 in the form of forward contracting authority which will not require an appropriation this year. The amendments proposed grow out of the past year's experience in the administration of the act.

2. THE COMMITTEE HEARINGS

The committee held hearings from February 8 to 17 on the extension of the European Recovery Program. On February 8 the committee met in joint session with the House Committee on Foreign Affairs to hear Mr. Paul G. Hoffman, Administrator of Economic Cooperation Administration, and Secretary of State Dean G. Acheson on the prog-

ress of European recovery and the need for continuance of the program. Following this meeting, the joint session adjourned and each committee conducted its own hearings.

Mr. Hoffman returned the following day to be interrogated on his previous testimony and again on February 16 to report on the effect of recent price changes on the recovery program. He was followed by Mr. W. Averell Harriman, the United States special representative, who reported exhaustively on conditions in Europe, the effectiveness of American aid, and the future plans of the participating countries.

Beginning February 10 the committee heard the ECA mission chiefs to the United Kingdom, Norway, France, Italy, Western Germany, and the Netherlands, who each gave detailed testimony on the conditions, progress, and plans of the country in which he is stationed. Mr. Acheson returned on February 11 to elaborate on his previous statement. Also heard by the committee were Mr. Howard Bruce, Deputy Administrator, who discussed strategic materials and stock piling; Mr. Richard M. Bissell, Jr., Assistant Deputy Administrator, who outlined the programming procedure of ECA; and Dr. Dennis A. FitzGerald, Director of the Food and Agriculture Division of the Economic Cooperation Administration, who presented the agricultural aspects of the program.

After the conclusion of the ECA testimony, the committee heard Mr. John W. Snyder, Secretary of the Treasury, who testified on the role of the National Advisory Council on International Monetary and Financial Problems and the financial aspects of the program. The committee also heard Senator Reed and Senator Brewster, as well as a number of nongovernmental witnesses, representing a variety of national organizations. In addition, a number of written statements were submitted for the record. The committee was also able to consider very extensive documentation, including the full reports of the Joint Committee on Foreign Economic Cooperation.

On February 25 the committee decided to reopen the public hearings to examine Mr. Hoffman and Mr. Finletter on a statement made by Mr. Christopher Mayhew, the United Kingdom delegate to the Economic and Social Council of the United Nations, to the effect that British recovery is almost complete, which led many people to question whether American aid is any longer necessary. The committee felt this statement cast a doubt on the validity of the testimony given by ECA. Accordingly, Mr. Hoffman and Mr. Finletter appeared before the committee on February 28, 1949, and were reexamined on Great Britain's need for aid.

After the close of the public hearings, the committee held a series of executive meetings on February 16, 18, 24, 25, March 1, 2, 3, 4, and 7, during which it thoroughly examined proposed amendments and drafted a new bill. In the course of these meetings the committee heard Senator McCarran, chairman of the Joint Committee on Foreign Economic Cooperation; Mr. Charles S. Dewey, the agent general of that committee; and members of his staff. The committee also heard in executive session the testimony of Senators Reed, Cordon, Magnuson, Downey, and Gillette. On March 7, 1949, the committee voted unanimously to report the bill favorably to the Senate.

3. PROGRESS TO DATE—SELF-HELP

Western European recovery involves three aspects: physical recuperation from the effects of war, major structural changes in the economies of the participating countries, which are necessary if western Europe is to become self-supporting by 1952, and, finally, the development and expansion of these economies to permit a rise in the standard of living after American aid has ceased. The committee is pleased to note that the first of these processes is nearing completion and the European Recovery Program countries are moving into the second phase which necessarily involves difficult and complicated basic economic changes.

During the past year the countries of western Europe have made significant progress in industrial and agricultural production, in trade, and in financial stabilization. A few figures serve to illustrate this improvement. The output of factories and mines was 14 percent above that for 1947; the output of electric power was 65 percent higher than prewar and 10 percent above 1947; railway freight traffic was one-third greater than prewar. Partly because of much better weather conditions, crops in general and bread grains in particular increased over 1947, a crop failure year, but still remained below prewar levels.

These rises in industrial and agricultural production, in turn, have resulted in greatly increased exports which reached 20 percent above the 1947 levels. Western Europe's trade position has thereby been substantially improved. Advances also were made in financial and price stabilization, in more efficient employment of manpower, in a better balance between supply and demand, and in control of inflation, although achievements in these areas were spotty and much more remains to be done. Perhaps even more important has been the rebirth of faith in the vitality of the democratic system and its ability to deal with postwar problems—a rebirth which was in large measure brought about by the European Recovery Program.

The ECA, operating on the concept of recovery rather than relief, has furnished the dollar assistance which no amount of self-help or mutual aid on the part of the Europeans could provide. This assistance, although very small in proportion to the resources the Europeans themselves are devoting to their recovery, has been the margin between success and failure.

4. MUTUAL AID AND GREATER UNITY IN EUROPE

The above paragraphs have described Europe's progress in its self-help efforts. Equally impressive has been the record of mutual-aid measures, especially in the light of the long history of division and national rivalries in this area of the world. The principal instrument of mutual aid has been the Organization for European Economic Cooperation, better known as the OEEC, which, although established only 8 months ago, has made remarkable strides. The mere fact that 16 sovereign states revealed hitherto secret trade and production data, scrutinized and criticized each other's programs, and agreed on the best utilization of American aid is notable.

At the time of the hearings, the committee was interested to learn that the Council of the OEEC had agreed to form a nine-member

consultative group of ministers of cabinet rank to assist the Chairman in supervising the affairs of the Organization between Council meetings. This step should bring to a focus the necessity of "joint action" as outlined and encouraged by the OEEC during its first year. A few days later came the announcement that OEEC was being put on a permanent basis. There are major problems in and beyond the Marshall plan which indicate the need for economic unity broader in scope than the current organization or customs unions. Already the OEEC, in other words, the Europeans themselves, have stated the numerous and serious steps the participating countries must take, individually and cooperatively, if the recovery program is not to be put in jeopardy.

One of the major examples of practical economic cooperation achieved by the OEEC is the intra-European payments plan. This plan was set up to prevent stagnation of trade between the participating countries by providing a means for multilateral clearance of payments among them.

On the economic level, there is also the already existent economic union of Benelux, and discussions are proceeding looking toward a Franco-Italian customs union, and toward closer economic integration of the Scandinavian countries. A number of joint economic committees and mixed commissions also exist between different countries which are contributing to economic cooperation.

5. WHAT EUROPEAN RECOVERY PROGRAM COUNTRIES MUST DO

The committee attaches great importance to those steps which the OEEC's interim report lists as prerequisites for the success of the European Recovery Program. In his testimony, Mr. Hoffman summarized them as follows:

They must make renewed efforts to stabilize currencies and to check inflation. The year 1949 should be the year of financial and fiscal stabilization in Europe. This requires increased and more effective taxes, balanced budgets, balanced investment programs.

They must increase exports by increasing productivity per man-hour, by lowering prices, and by improving marketing techniques.

They must make much greater efforts to develop, at home, in their overseas territories, and in other countries, new sources of supply for those imports which Europe will not be able to afford to buy in dollars.

They must make a much greater effort to develop intra-European trade. This objective will require drastic changes from traditional patterns. It is going to require European governments to agree on plans to break down tariff barriers, to build customs unions, and to modify immigration barriers to permit the sensible deployment of labor.

They must exchange full information concerning their respective investment plans and needs, so that investors, whether private or governmental, may be able to make their investment decisions in the light of all the facts, and thus reduce to a minimum the misdirection of resources.

They also must further curtail imports that are not vitally needed. They must forestall the danger of drastic and sudden reduction of imports when the European Recovery Program ends.

6. GOALS FOR NEXT YEAR

As noted above, with the coming year the participating countries will be moving into the second phase of recovery which requires major structural changes in their economies, for which no simple formula exists. In the words of Mr. Hoffman, this is the time "for the Europeans to take the drastic and sometimes painful steps necessary for real recovery * * *"

The following table illustrates the industrial production goals for 1949-50.

Indexes of industrial activity

[1935-38=100]

	Prewar 1935-38	1947	1948-49	1949-50
Fuel and power:				
Coal consumption	100	90	95	100
Electricity output	100	148	166	180
Refined oil consumption	100	131	160	169
Industrial output:				
Crude steel output	100	69	102	115
Finished steel consumption, excluding Bizone	¹ 100	118	143	148
Finished steel consumption, including Bizone	¹ 100	72	100	110
Textile production	100	84	99	108
Machinery production	100	84	115	125

¹ 1938.

Similar increases are planned in the production of meat, fats, and oils but it is not expected that the yield of grains will equal the exceptionally good crop of last year. Investment programs will be stepped up considerably. Exports to the dollar areas are planned to rise one-sixth above 1948-49 levels, but dollar imports will remain at approximately the same level as last year. The national programs for 1949-50 will consequently result in an anticipated gold and dollar deficit in excess of \$4,350,000,000.

It should be pointed out that even if the goals in the above table are attained, the standard of living in the participating countries will still be under 1938 since such large proportions of the increased production will go into exports and capital investments rather than to consumption and since there has been a considerable increase in population.

7. EUROPEAN RECOVERY PROGRAM AND OTHER FOREIGN AID

In considering the extension of the European Recovery Program the committee has constantly kept in mind that the European recovery program is only one of the international activities of the United States and that it must be viewed in the over-all setting of foreign aid and in its relations to programs, present or proposed, in other areas of the world. For the information of the Senate the following table on proposed expenditures for international affairs and finance is presented.

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.

It will be noted that this table includes a \$600,000,000 net appropriation estimate for such programs as aid to China and Korea and military aid to Greece and Turkey. At the time the estimates were prepared, no allowances were made for possible military aid to other countries.

8. TERMINATION OF THE PROGRAM BY MID-1952

The strong resolve to terminate extraordinary American aid by mid-1952, an objective with which the committee is in complete agreement, has been stressed repeatedly in the conduct of ECA operations and before the committee by ECA personnel.

A question as to the attainability of this objective has been raised by the publication of an OEEC analysis of the separate participating country 4-year programs which indicated that, on the basis of present plans, these countries would have a dollar deficit of some \$3,000,000,000 at the end of the program. The Administrator pointed out that this analysis had been made for the purpose of diagnosing the problems facing western Europe. It is regarded by the OEEC as a warning that far-reaching changes in the present plans of the participating countries will have to be made if they are to become independent of outside aid by 1952. The necessary action to revise these plans has already been initiated.

The objective of western Europe reducing its dollar deficit to manageable proportions by the end of the program has been described

by ECA officials as a difficult goal but generally possible of attainment. There should be no relaxing in the drive to attain this objective. However, the attainment of this goal ought not to be considered the sole measure of the success or failure of the Marshall plan. While the committee is aware that economic recovery will not solve all of the problems of western Europe, the Marshall plan has made a notable contribution toward curbing the spread of disorder and communism and toward giving hope for eventually achieving an improved standard of life. Also, permanent progress toward European cooperation will result from the present program and will continue to be effective even after mid-1952.

II. AMENDMENTS APPROVED BY COMMITTEE

9. UNIFICATION OF EUROPE

Section 1

The committee examined carefully the progress made during the year among the European Recovery Program countries toward economic and political integration. The voluntary steps taken over the past year, such as the Brussels treaty, the work of the OEEC, and the Council of Europe, clearly indicate that the Economic Cooperation Act has created an unusual opportunity for advance in this direction. In order to express its approval of these developments, the committee adopted an amendment to the statement of policy in the preamble of the act by inserting the words "to encourage the unification of Europe." This objective of encouraging European unification is thus declared to be the desire of the people of the United States. Nevertheless, the committee feels strongly that the impetus toward unification must come from the European peoples themselves without interference or dictation from the outside.

10. SALARY CEILING

Section 2

The original act permits the Administrator to compensate 100 top personnel without regard to the provisions of the classification act. It further provides that 25 of them may be paid salaries up to \$15,000 per year, the other 75 being limited to \$10,000 per year, the ceiling prescribed by the classification act at that time. Since then Congress has raised the ceiling to \$10,330.

This amendment would conform the \$10,000 limit in the Economic Cooperation Act to the present ceiling set in the Federal Pay Act of last year, or to any further changes which may be authorized by Congress.

11. STATUS OF DEPUTY UNITED STATES REPRESENTATIVE IN EUROPE

Section 3

In the amendments proposed by the ECA, it was suggested that the deputy representative be given the compensation of a class 2 chief of mission (\$20,000 plus allowances). In view of the fact that the deputy representative is often called upon to represent the Administrator in Europe in the absence of the United States special representative, the committee recognized the desirability of giving

the deputy statutory status as an ambassador and increased compensation. The committee believed, however, that a class 3 status (\$17,500 plus allowances) would be more appropriate. At the same time, in view of the importance of the post, the committee proposes that the deputy be appointed by the President and confirmed by the Senate.

12. PAY AND ALLOWANCES OF CHIEFS OF SPECIAL MISSIONS

Section 4

An amendment suggested by ECA would have given the Administrator the discretion to raise the pay and allowances of the chiefs of special missions from the present maximum of \$13,500 (and allowances) to \$15,000–\$17,500 (and allowances). The committee recognized the merits of ECA's contentions in this matter and the great importance of the work done by the mission chiefs, but has decided to limit the increase to \$15,000 plus allowances.

13. OCEAN TRANSPORTATION

Sections 5 and 10 (a)

The original Economic Cooperation Act requires in section 111 (a) (2) that the Administrator, so far as practicable, shall see that at least 50 percent of the goods shipped from the United States under the program shall be transported on United States flag vessels to the extent that these are available at market rates. The proper interpretation of the words "at market rates" has been the subject of much dispute. The Administrator has taken the position that this meant "world market rates." Others have claimed that this meant "United States-flag vessel market rates." The difference in interpretation is important because, in the case of bulk-cargo vessels, the rates for United States-flag vessels are often substantially higher than those of flag vessels of other countries.

The Administrator has testified that he regards the provisions of this section as burdensome and has requested that this phrase be clarified. The committee, therefore, adopted an amendment to this section by changing the phrase "at market rates" to "at market rates for United States-flag vessels." This will require the Administrator, in carrying out the provisions of this section, to make use of United States-flag vessels if they are available, even though at higher rates.

In this connection the Administrator pointed out that, in addition to the extra dollar costs that would be involved in paying higher rates, there was another serious problem in that these higher rates were reflected in the delivered costs of commodities delivered in Europe. The Administrator, therefore, requested an additional amendment which would permit him to waive counterpart deposits to the extent that the cost of transportation on United States-flag vessels exceeded the cost of transportation on vessels of other flags. This amendment will permit the Administrator to absorb these higher freight costs and thus prevent them increasing the delivered costs of commodities in Europe. This is particularly important in the case of coal because the delivered cost of coal shipped from the United States has, in practice, determined the prices for imports from other countries, including imports from Poland. As a result, these other

countries have been able to obtain prices far above their domestic prices, which has resulted in much higher costs to the participating countries. Furthermore, higher prices for a basic commodity, such as coal, tend to raise the whole level of costs in the economy.

It was suggested that the committee should not act on this subject since there is legislation pending in the Congress relating to the 50-50 shipping arrangement. The committee, however, considered that this question has such an important bearing upon the ECA program that these two amendments should be adopted in order to resolve the controversy over this particular section of the act.

14. GUARANTY FOR INFORMATIONAL MEDIA

Section 6 (a)

The original Economic Cooperation Act authorized the making of guaranties up to \$15,000,000 during the first year of the program for informational media. These guaranties were to extend only to conversion of local currency receipts into dollars up to the amount of the investment. This amount was later reduced from \$15,000,000 to \$10,000,000 by the Congress in the appropriation act.

The committee believes that these funds have proven helpful in the wider dissemination of information by representative American informational media. Outstanding examples include the increased circulation in the participating countries of such publications as the Paris edition of the New York Herald Tribune, the Reader's Digest, and various scientific publications.

The committee considered at some length the desirability of increasing the amount authorized for informational media guaranties for the second year. It was decided, however, in the light of ECA experience during the current fiscal year, that the \$10,000,000 figure fixed by the Appropriations Committee last year seemed appropriate for the coming year.

15. GUARANTIES OF CONVERTIBILITY

Section 6 (b)

The committee considered several proposals, including those made by the American Bar Association, to alter the provisions of the basic act authorizing the Administrator to guarantee the convertibility into dollars of foreign currency secured from new American investments in participating countries.

Three questions were presented by these proposals:

- (1) Should the terms of the guaranties be broadened?
- (2) Should part of the ECA appropriation be earmarked for the sole purpose of making guaranties?
- (3) Should a separate fund, additional to the ECA appropriation, be provided for this purpose?

The committee felt that, insofar as the ECA countries were concerned, broadening the terms of the guaranties would not result in substantial amounts of increased investments unless the guaranty was made so broad that, in fact, this Government would assume most of the risks which private capital should be expected to carry.

The proposal to earmark a certain part of the ECA appropriation for the sole purpose of making guaranties would, in the opinion of

the committee, jeopardize the program. If private investors did not come forward promptly with projects of the right type at the right time, the effect would be that the segregated funds, which are urgently needed in the coming year, would be used ineffectively or would be immobilized and not be used at all.

As to the proposal to set up a separate fund additional to the ECA appropriation, the committee noted that there is currently under way a study of the desirability of developing a program of promoting American investments abroad on a world-wide basis. It is understood that recommendations will shortly be made to the Congress by the executive branch with respect to such a program.

The committee is disappointed that the guaranty program has not been more productive but hopes that, as recovery proceeds and stability develops further, American risk capital will increasingly seek investment opportunities in Europe.

At the present time guaranties can be made only from the \$1,000,000,000 public-debt funds provided for in the original act. Only about \$20,000,000 of these funds remain available. The amendment proposed in section 6 (b) of the present bill would authorize the continuation of the guaranty program with appropriated funds after this \$20,000,000 has been exhausted.

16. FLOUR-WHEAT RATIO

Section 7 (a)

Public Law 472 provided that 25 percent of all wheat shipped under the European Recovery Program should be in the form of flour. The Administrator recommended elimination of this provision on the ground that it had the effect of increasing the cost of the program and that milling byproducts are no longer urgently needed in the United States in view of the greatly improved supply of coarse grains. After extensive discussion, having in mind the nature of the requirements of the participating countries, and in consideration of the fact that a certain amount of flour would normally move to some of them in any event, the committee decided to reduce the stipulated percentage of flour from 25 to 15 percent.

17. PRICE LIMITATION FROM APPROPRIATION ACT

Section 7 (b)

The committee decided to add to the basic legislation the price provision in section 202 of last year's appropriation act. It provides generally that commodities should not be bought at prices higher than the market price prevailing in the United States. This provision continues the statutory basis under which the Administrator has been policing the prices paid for ECA commodities. Administrative procedures are now implementing successfully this provision.

18. AMOUNTS AUTHORIZED

Section 8

Total amount.—The present legislation carries the following authorizations:

For the period Apr. 3 to June 30, 1949-----	\$1, 150, 000, 000
For the fiscal year 1949-50-----	4, 280, 000, 000
For forward contracting-----	150, 000, 000
Total amount authorized-----	5, 580, 000, 000

George C. Marshall Foundation, Lexington, Virginia

Section 8 (a)

Authorization for April-June 1949.—The Foreign Aid Appropriation Act (Public Law 793, 80th Cong.) empowers the President, upon the recommendation of the Administrator, to obligate or expend the full amount appropriated for the purposes of the Economic Cooperation Act by April 2, 1949, if he deems it necessary for the purposes of that act. This was found to be necessary and substantially all of the funds will have been obligated by April 2. Accordingly the ECA requests an authorization of \$1,150,000,000 to carry the program through April 3 to June 30, 1949.

Authorization for the fiscal year 1949-50.—The following table illustrates the past and proposed illustrative division of American aid:

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

[In millions of dollars]

	1948-49			1949-50	
	Requested by national governments	Recommended by OEEC	ECA proposed allotments	Requested by national governments	ECA illustrative allotments
Austria.....	339.3	217.0	215.2	217.0	197.0
Belgium—Luxemburg and Belgium dependencies 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 overseas 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 expenditures 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.

The following table illustrates the presently estimated composition of the 1949-50 import program by commodity groups and major sources.

Estimated total imports 1949-50—participating countries¹

[Millions of dollars]

	United States	OWH	NPSA	OPC and DOT's	ONP	Total
1. FOOD AND AGRICULTURE IMPORTS						
Food.....	1,033.0	1,152.1	1,007.2	1,295.0	566.0	5,053.3
Bread grains.....	739.0	406.0	84.2	4.9	132.7	1,366.8
Fats and oils.....	120.2	149.8	328.8	283.6	100.9	983.3
Sugar.....		95.1	38.6	19.1	10.7	163.5
Meats.....	9.2	292.9	165.0	180.9	33.0	681.0
Dairy products.....	59.4	17.9	62.7	69.0		209.0
Other foods.....	105.2	190.4	327.9	737.5	288.7	1,649.7
Feed and fertilizer.....	311.1	298.0	31.5	191.5	150.5	982.6
Coarse grains.....	275.4	198.5	31.1	12.0	108.3	625.3
Protein feeds.....	29.7	82.5	0.4	19.8	4.1	136.5
Fertilizer.....	6.0	17.0		159.7	38.1	220.8
Natural fibers.....	615.8	250.4	1,245.4	276.3	280.8	2,668.7
Cotton.....	587.4	128.0	48.0	23.0	265.0	1,051.4
Wool.....	21.2	114.9	1,085.0	111.9		1,333.0
Other fibers.....	7.2	7.5	112.4	141.4	15.8	284.3
Tobacco.....	168.5	28.0	37.9	68.2	4.8	307.4
Other agricultural products.....	33.8	21.7	19.5	105.3	31.2	211.5
Total, food and agriculture imports.....	2,162.2	1,750.2	2,341.5	1,936.3	1,033.3	9,223.5
2. INDUSTRY IMPORTS						
Fuels.....	587.8	15.7	80.0	1,156.2	381.6	2,221.3
Coal.....	85.3			706.5	241.3	1,033.1
POL.....	502.5	15.7	80.0	449.7	140.3	1,188.2
Industrial raw materials.....	472.4	694.2	327.1	2,342.9	654.2	4,490.8
Iron and steel raw materials.....	9.2	21.1	14.8	290.8	23.7	359.6
Iron and steel: Crude, semi- and finished.....	99.4	7.8	2.7	466.9	20.9	597.7
Aluminum.....		49.8		15.8		65.6
Copper.....	37.8	95.8	9.5	87.4	11.8	242.3
Lead.....	.1	37.6	73.1	15.9	8.4	135.1
Zinc.....	8.9	26.6	15.2	40.7	2.7	94.1
Tin.....			1.8	49.1		50.9
Other nonferrous metals.....	38.7	133.7	55.0	177.9	35.3	440.6
Paper and pulp.....	24.0	40.5	.4	392.9	144.8	602.6
Lumber.....	37.1	86.4	11.7	279.1	315.3	729.6
Chemicals and carbon black.....	209.1	63.7	34.8	465.3	71.7	844.6
Hides and skins.....	8.1	131.2	108.1	61.1	19.6	328.1
Capital equipment.....	816.5	21.8	4.3	1,165.5	39.2	2,047.3
Agricultural machinery.....	69.8	8.1		81.3	6.8	166.0
Machinery and equipment.....	746.7	13.7	4.3	1,084.2	32.4	1,881.3
Other manufactures and raw materials.....	182.9	78.4	229.4	1,767.7	194.6	2,453.0
Total industry imports.....	2,059.6	810.1	640.8	6,432.3	1,269.6	11,212.4
Total imports.....	4,221.8	2,560.3	2,982.3	8,368.6	2,302.9	20,435.9

¹ Excludes Netherlands DOT Indonesia, Portugal, Switzerland, Trieste, and Turkey.

NOTE.—The abbreviated headings in the above table refer to the following areas: OWH—Other Western Hemisphere countries; NPSA—sterling area countries not participating in ERP; OPC and their DOTs—participating countries and their dependent overseas territories; and ONP—other countries not participating in ERP. Abbreviation POL in line 23 stands for Petroleum, Oil, Lubricants.

Carry-over of unobligated funds.—The amendment also contains the usual provision authorizing the carry-over of any unobligated funds into the next fiscal year.

Forward contracting authorization.—This amendment would authorize the Administrator to obligate the United States to make expenditures after 1950 to finance long-term contracts up to \$150,000,000. No appropriation is required during fiscal 1950 under this provision.

After careful examination, the committee concluded that it was important that equipment for certain long-term recovery projects, such as electric-power developments, could be initiated in the coming year with assurance to the American manufacturer of such equipment that dollar payments would be made in subsequent years as they fall due. It was not considered desirable that the full costs of such items for future years be a charge against the amounts available for the European Recovery Program in the coming year.

The forward contracting authority will be used only for some of the more important long-term capital equipment needs of the recovery program. This commitment is to be taken into account in the preparation of future ECA budgets.

Section 8 (b)

Textual amendment.—The original bill provided for one authorization. The present bill provides for several authorizations for differing periods. It, therefore, becomes necessary to change certain words from the singular to the plural form. This textual change does not affect the substance of the bill.

Committee reaction.—The committee carefully examined the authorization requested by ECA. In this connection, it considered the effect of possible price declines on the amounts requested. Recognizing the careful study which had been given to determine the requested amounts by an agency which has won great confidence, and recognizing the importance of insuring that the program has adequate funds to continue its successful progress, the committee approved the full amounts requested.

The committee recognized that the Appropriations Committee will have an opportunity to review these amounts at a later date and at that time the course of future prices may be more readily determined. It believes that the Appropriations Committee should carefully consider any changes in prices, both in imports to and exports from the participating countries, and the members of this committee are, of course, free to reconsider the authorized figures in voting on the appropriations. This statement should not be construed in any sense as detracting from the committee's endorsement in general of the full amount of funds requested, based on its own painstaking examination of the components of the budget presented.

19. ADVANCE FROM THE RFC

Section 9

In order to insure effective control over procurements, a substantial part of the funds for any quarter should be available for obligation at least 60 days in advance of the quarter. The ECA, therefore, has asked that the Reconstruction Finance Corporation be directed to advance up to \$750,000,000 pending the appropriation of funds for the period from April 3 to June 30, 1949. Any interruption in the continuous availability of funds will disrupt the stream of supplies moving to the participating countries and will have retarding effects on the progress of European recovery. The committee has accordingly endorsed the full amount requested by the ECA upon its earnest assurances that this is the minimum required to accomplish the purposes desired.

20. WAIVER OF COUNTERPART—TECHNICAL ASSISTANCE

Section 10 (a)

Technical assistance, involving relatively small outlays of funds, can be of the utmost importance in increasing productivity and technical progress. American experts in such fields as power, mining, transportation, and tax and budgetary management can make a very great contribution to recovery in proportion to the dollar costs involved. The experience of ECA has shown that in certain cases administrative and budgetary difficulties arose from the requirement that local currency be deposited to match the dollar aid for such services, and that these difficulties have interfered with the most effective use of such services.

Accordingly, the committee approved an amendment which would permit the Administrator in his discretion to waive the deposit of counterpart funds for the dollar costs of such technical assistance. It should be emphasized, however, that this amendment does not constitute a blanket waiver of all counterpart deposits for technical assistance. The committee has been assured by ECA that the Administrator will use his discretion to waive the deposit of counterpart only in those cases where he deems it highly desirable in the interests of the program. ECA's activity in this field is of a kind specially geared to the objectives of the European Recovery Program.

21. CLARIFICATION ON USE OF COUNTERPART FUNDS

Section 10 (b)

This clarifying amendment provides that, in addition to the use of local counterpart funds already enumerated in section 115 (b) (6) of the act, there should be no doubt that these uses are related also to the "declaration of policy contained in section 102." The use of such funds is subject to the joint approval of the country concerned and the Administrator, in consultation with the National Advisory Council.

22. LOCAL CURRENCY FOR USE OF UNITED STATES

Section 10 (c) (h)

Countries receiving commodities and services financed by ECA grants are required to deposit commensurate amounts of local currency in special accounts to be expended for recovery purposes under the joint approval of the United States and the participating countries. The foreign aid appropriations act of last year provided that not less than 5 percent of these local currency accounts should be allocated to the United States for strategic materials or for other local expenses of the United States. While the opportunity for using these funds has varied from country to country, some of them have been used by the ECA in each country.

The committee carefully considered whether it would be advisable to require that a higher minimum percentage of these funds should be allocated to the use of the United States. It was decided not to take such action since the effect in certain cases would be to reduce the amount of local currency available for the purpose of promoting

recovery in the participating countries. Of more importance is the fact that the use of larger amounts of local currency for materials and other United States expenses would correspondingly reduce the dollar earnings of the countries and thus increase their need for dollar aid.

Accordingly, the committee concluded that the amendment approved by the Appropriations Committee last year adequately meets the present situation. This leaves the Administrator free to make arrangements for a larger percentage in particular instances if he deems it desirable to do so.

23. STRATEGIC MATERIALS

Section 10 (c) (i)

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 act contemplated that surplus materials would be available in the participating countries out of present production 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.

However, the testimony indicated that no substantial amounts of materials can be purchased unless additional dollars are provided and authority granted to make long-term contracts in order to provide assured markets for the producers. Such assured markets will encourage the capital investment required for increased production.

The committee did not feel that additional funds should be given to ECA 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 ECA 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 contains three provisions:

Paragraph 1 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.

Paragraph 2 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.

Paragraph 3 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.

24. UNIFORM RATE OF OCEAN TRANSPORTATION FOR RELIEF PACKAGES

Section 11 (a)

The Foreign Aid Appropriation Act last year directed the Administrator to pay a uniform rate per pound for the ocean transportation of all relief packages except those sent from an individual to an individual. The purpose of this provision was to maintain the favorable competitive position which CARE, a nonprofit agency, had achieved due to 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 last year, by providing for the payment of the actual ocean-freight charges on relief packages, would otherwise have had the effect of removing this advantage which CARE enjoyed. The committee decided to approve the amendment voted by the appropriations committee last year. This means that the administrator will continue to pay for the ocean transportation of relief packages at a uniform rate per pound.

25. SHIPPING FACILITIES FOR ITALIAN EMIGRATION

Section 11 (b)

Italy's overpopulation and resulting unemployment is a serious factor retarding Italian recovery. The projected rate of the Italian Government's emigration program to parts of the world other than the United States cannot be attained unless additional vessels are furnished to Italy for this purpose. This amendment authorizes the United States Maritime Commission to make available without charge up to 10 vessels to assist in this program. Most of the expenses would be paid by the Italian Government in lire; any dollar expenses would come from the ECA allotment to Italy. It seems unlikely that these vessels, plying between Italy and South America and Australia, would offer any competition to the American merchant marine.

26. CLARIFYING AMENDMENT ON EXPORT CONTROL

Section 12

Sections 105 (c), 112 (g), and 117 (d) refer to section 6 of the act of July 2, 1940. Inasmuch as this act has now expired and has been succeeded by the Export Control Act of 1949, this amendment changes the reference accordingly, thereby continuing the relationships established by the Economic Cooperation Act between the Administrator and the agencies administering export controls regarding the granting of export licenses and other matters of interest to such agencies.

PART III. OTHER MATTERS CONSIDERED BY THE COMMITTEE

27. SURPLUS COMMODITIES AND AMERICAN BUSINESS

The committee spent many hours examining the problem of surplus commodities and their relationship to the ECA program. The committee took note of the fact, stated by the Administrator, that ECA had been approached by producers or distributors of 109 different commodities with requests that special action be taken by ECA

to arrange for the inclusion of a substantial amount of these commodities in the program. The question is complicated by the fact that many of these commodities have historically been supplied, in varying amounts, to the participating countries by American producers. A somewhat similar problem exists in the case of certain services which have been furnished to western Europe by American business.

It seemed clear to the committee that it would alter fundamentally the nature and purpose of the recovery program if the Administrator were required to depart from the principle that the primary objective is assisting the recovery of Europe, and that this objective, in the interest of American taxpayers, must be accomplished at the lowest possible cost. This principle would be violated if provisions are written into the bill requiring the Administrator to use large amounts of surplus commodities or to finance payment for United States services, which are not needed for European recovery, particularly if such action would add substantially to the cost of the program. The committee, with these considerations in mind, did not accept any of these proposals to alter the basic character of the Economic Cooperation Act.

In the Economy Cooperation Act last year, in section 112, the matter of surpluses was recognized, and the Administrator was required to take account of agricultural surpluses, under certain conditions and consistent with the objective of promoting European recovery. The committee noted with approval the efforts already made by the Administrator to have included in the program such items as frozen eggs, dried and citrus fruit, and tobacco. In this connection, ECA indicated that the use of the Department of Agriculture's surplus commodity (sec. 32) funds had been of considerable assistance.

It is recognized that because of the acute dollar shortage in the world, various patterns of export trade have experienced modifications of considerable concern to American business. Yet without the ECA, and without the prospect of general European recovery and consequent increased world trade, American export trade would face even greater loss of markets.

The committee wishes to go on record as having agreed unanimously that the Administrator should give sympathetic consideration and attention to United States surplus commodities, since this question affects the health of the American domestic economy which has to sustain this extraordinary foreign assistance. The committee feels that the Administrator should make use of such commodities where this can be done without detriment to the program, and should not discriminate against the use of American services.

28. LOANS AND GRANTS

Section 111 (c) (2) of the original Economic Cooperation Act provided, in effect, that out of the total assistance extended by ECA during the first year of the program, 1 billion dollars should be made available in the form of loans and guaranties rather than grants. The Administrator, in consultation with the National Advisory Council on International Monetary and Financial Problems, has made available 973.3 million dollars in loans as follows:

Loans made available

	<i>Millions of dollars</i>		<i>Millions of dollars</i>
Belgium-Luxemburg-----	59.5	Norway-----	35.0
Denmark-----	31.0	Sweden-----	22.0
France-----	172.0	Turkey-----	38.0
Iceland-----	2.3	United Kingdom-----	313.0
Ireland-----	89.0		
Italy-----	67.0	Total-----	973.3
Netherlands-----	144.5		

The committee heard testimony from the Administrator and the Secretary of the Treasury to the effect that it would be unwise in the coming year to stipulate a fixed amount for loans as had been done last year. It was pointed out that many of the participating countries are already heavily committed for the repayment of dollar loans and that such countries would need dollar-borrowing capacity to carry them after the end of the European Recovery Program. The witnesses recommended that the Administrator be given discretion in determining the amounts of loans to be made. He would, as required by the law, consult with the National Advisory Council on International Monetary and Financial Problems in making his decisions. Testimony indicated that the Administrator would plan to extend aid in the form of loans to certain countries which clearly would have the capacity to repay dollars without undermining their financial position after the end of the program. The committee was impressed with the validity of the consideration advanced and decided to require no fixed amount of the appropriation to be used in the form of loans. At the same time the committee clearly expressed its view that loans should continue to be an integral part of the program and should be used wherever they can be made on a sound basis.

29. GREAT BRITAIN'S NEED FOR ASSISTANCE

A statement made by Mr. Christopher Mayhew, Parliamentary Under Secretary for Foreign Affairs, before the United Nations Economic and Social Council, on February 23, 1949, to the effect that Britain's recovery was virtually complete, led to widespread questioning of the need for further American aid. As a result, the committee decided to reexamine in public hearings previous testimony given by Mr. Hoffman and Mr. Finletter, the ECA mission chief to the United Kingdom, on Britain's need for American aid.

Mr. Hoffman pointed out that the estimated British requirements for dollar aid in 1949-50 represented a 24-percent cut from 1948-49 aid as compared with a 15 percent reduction for the participating countries as a group. He also brought before the committee estimates of the probable results of a cut of \$200,000,000 in the \$940,000,000 estimated requirement. His figures indicated such a cut would have the most serious effects upon the progress of British recovery. He made the point that "a country can achieve a high degree of internal recovery and still urgently require American aid" to cover its essential dollar imports for which it cannot pay through its foreign exchange earnings. He stated to the committee that a reduction of the United Kingdom allotment would result in a \$4 loss in production for every \$1 cut because of curtailed imports from the Western Hemisphere.

In addition, Mr. Hoffman stated that the British estimate had been exhaustively screened by the ECA mission in London and by the headquarters organization in Washington. It has also been reviewed carefully by Mr. Harriman's office in Paris, and by the OEEC, the Departments of State, Treasury, Agriculture, and Commerce, the NAC, and the Bureau of the Budget. In view of the fact that any set-back in a country as important as the United Kingdom would have a disastrous effect on the whole European recovery effort, the committee recommends to the Senate the approval of the full authorization requested with a reminder that another thorough review will be afforded when the justifications for the appropriations are examined.

30. PROCUREMENT AND PRIVATE CHANNELS OF TRADE

In reporting the European Recovery Program to the Senate last year, the committee set forth the principle that should govern procurement under ECA; namely, that private procurement and private channels of trade should be used to the maximum extent possible. In his testimony before the committee, Mr. Hoffman stated emphatically:

The ECA does not act as a purchasing or procurement agency. The ECA's activities in the field of procurement are confined to the review and approval of programs and to the financing of transactions. This fact is still not fully understood.

The ECA was directed to encourage maximum use of private channels of trade and this we have tried to do. Our procedures for authorizing the procurement of commodities with ECA funds have aimed at two objectives: on the one hand, to give sufficient latitude for normal purchasing in commercial channels; on the other, to serve as a basis for an effective postaudit to eliminate transactions that should not be financed. The ECA issues procurement authorizations covering commodities and services to be purchased for each calendar quarter well in advance of that quarter, and permits foreign governments to issue subauthorizations to their own importers. Under these subauthorizations, private businessmen abroad can make purchases in the usual way from businessmen in the United States. The ECA procedures are thus designed to encourage trade to follow the normal pattern. As a result, as of December 31, 1948, less than one-sixth of the procurement authorized by ECA has been by United States Government agencies. The great bulk has been effected through private channels between importers abroad and American suppliers. At the same time, under our postaudit system, we have a guaranty from every participating government that it will pay back to us funds used in a way which we would not approve.

The committee has been gratified to note this procedure and recommends its continuance in the future. It suggests that ECA should continue to make every effort to see that the information concerning the items financed by ECA should be disseminated as widely as possible, and as far in advance as possible, so that all elements of American business shall have an opportunity to participate in the program.

31. REPARATIONS AND DISMANTLING

Last year, during the consideration of the European Recovery Program, concern was expressed regarding the effects of dismantling and removal of plants from Germany upon the program. Accordingly, a provision was inserted in the Economic Cooperation Act directing the Administrator to determine which plants scheduled for removal as reparations could most effectively promote European recovery if retained in Germany. Having made this determination, he was then

to request the Secretary of State to obtain the agreement to such retention of the countries concerned.

Pursuant to these instructions, the Administrator appointed an Industrial Advisory Committee headed by Mr. George M. Humphrey, president of the N. A. Hanna Co., which has, on the basis of various studies and personal inspections, recommended the retention of a number of plants. These recommendations have now been transmitted to the Secretary of State with a request to negotiate with the countries concerned for the retention of the plants. Further details on the ECA recommendations have not yet been released in view of the delicate nature of negotiations.

While the committee believes that no further provision on this subject is required in the ECA legislation, it stresses once more the desirability of not removing from Germany those plants which, if retained, will most effectively contribute to European recovery. At the same time, every precaution must be taken to prevent the rebuilding of the German economy in such a way that Germany will ever again become a threat to the peace of the world.

32. EAST-WEST TRADE

After World War II, East-West trade came to a virtual standstill with serious repercussions in western Europe which has traditionally relied heavily on eastern Europe for supplies of foodstuffs, coal, and timber—materials very important to their economies. Last year it was argued before the committee that the revival of East-West trade is essential to the success of the recovery program. Some progress can now be noted. In the 15 months from April 1948 to June 1949 western Europe will have imported from eastern Europe approximately \$500,000,000 in foodstuffs, \$230,000,000 in timber and timber products, and \$240,000,000 in coal. The total trade will amount to more than 1.2 billion dollars. Failure to maintain this trade, the ECA states:

would impose on the countries of western Europe the difficult task of finding alternative sources outside eastern Europe for about 1.5 billion dollars of commodities a year and would substantially increase the cost of the European Recovery Program to the United States.

The Administrator has encouraged East-West trade within the limits of national security as set by section 117 (d) of the Economic Cooperation Act. This section directs the Administrator—

to refuse delivery insofar as practicable to participating countries of commodities which go into the production of any commodity for delivery to any nonparticipating country which commodity would be refused export licenses to those countries by the United States in the interest of national security.

33. OTHER MATTERS CONSIDERED BY THE COMMITTEE

A. *Indonesia and United Nations sanctions.*—The committee rejected an amendment which would have required the Administrator to cut off aid to any country which fails to comply with the orders or requests of the Security Council of the United Nations. This amendment had been proposed with the thought of Indonesia in mind. The committee felt that it would be improper to use ECA, an agency of one member nation of the United Nations, to enforce decisions of the Council by means of sanctions, inasmuch as the imposition of sanctions is thor-

oughly covered in the Charter of the United Nations. In case it should become necessary for the Administrator to terminate assistance to any country, he has ample authority to do this under section 118 of the basic act.

B. *ECA Trust Fund*.—The committee did not agree to a proposal made, for reasons of accounting, by the Bureau of the Budget to eliminate section 114 (f) of the basic act providing for the \$3,000,000,000 ECA trust fund. Elimination of the trust fund would not affect the operations of ECA or alter the costs upon the United States, but would change the surplus-deficit figures for the years 1948 and 1949. This provision has no bearing on the 1950 program.

C. *Marine insurance*.—Having examined during its meetings ECA's decision not to pay marine-insurance premiums on European Recovery Program shipments, the committee noted that ECA has now changed this policy. Henceforth, ECA will reimburse participating countries for such costs on the same basis as it reimburses for all other items in the program. Specific legislation on this point at this time did not seem practicable.

D. *Other titles of Public Law 472*.—As with title III (Greek-Turkish Assistance Act of 1948) of the Foreign Assistance Act of 1948, the committee agreed to pass over the consideration of the International Children's Emergency Fund (title II) and the China program (title IV) in connection with its reporting of title I (Economic Cooperation Act of 1948).

PART IV. CONCLUSION

On March 7 the committee concluded its deliberations and unanimously voted to report the bill to the Senate for favorable action.

This is a generally favorable report. But it must be borne in mind that this vast program has been under way a relatively short time. Many foreseen as well as unexpected difficulties have been overcome. It would be unrealistic, however, to expect that such an enterprise would not face constant obstacles and be subject to errors that require vigilant public and congressional scrutiny.

Last year the Economic Cooperation Act was described both as a calculated risk and as an ideal. Due to the efforts of the peoples on both sides of the Atlantic, the risk has proved worth taking. The program is now successfully under way. With the momentum gained during the past 12 months, this second and critical year should bring the participating countries still closer to the achievement of those great ideals of common welfare and peace embodied in the recovery program.



George C. Marshall Foundation, Lexington, Virginia

[PUBLIC LAW 447--81st Congress]

[CHAPTER 15--2D Session]

[S. 3310]

AN ACT

To provide economic assistance to certain areas of the Far East

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act be cited as the "Far Eastern Economic Assistance Act of 1950".

SEC. 2. To enable the President until June 30, 1951, to obligate funds heretofore appropriated for assistance to the Republic of China, section 12 of Public Law 47, Eighty-first Congress, is amended by striking out "February 15, 1950" and inserting in lieu thereof "June 30, 1951".

SEC. 3. (a) The Administrator for Economic Cooperation is hereby authorized to furnish assistance to the Republic of Korea in conformity with--

(1) the provisions of the Economic Cooperation Act of 1948, as amended, wherever such provisions are applicable and are consistent with the intent and purposes of this section;

(2) the agreement on aid between the United States of America and the Republic of Korea signed December 10, 1948, or the supplementary or succeeding agreement which shall not substantially alter the basic obligations of either party;

(b) Notwithstanding the provisions of any other law, the Administrator shall immediately terminate and order the cessation of all information in the Republic of Korea of a confidential nature which includes one or more members of the Committee of Ministers of the party now in control of the government of northern Korea.

(c) Notwithstanding the provisions of any other law, the Administrator is authorized to make available to the Republic of Korea merchant vessels of tonnage not in excess of two thousand gross tons each, in a number not to exceed ten at any one time, with a stipulation that such vessels shall be operated only in Korean waters and must be returned forthwith upon demand of the Administrator and in any event not later than June 30, 1951. The Administrator of the United States Government owning or operating such vessels is authorized to make such vessel available to the Republic of Korea for the purposes of this section upon his application, notwithstanding the provisions of any other law and without reimbursement to the Administrator, and title to any such vessel so supplied shall remain in the United States Government.

(d) In order to carry out the provisions of this section, the Administrator is hereby authorized to be appropriated to the President for the fiscal year ending June 30, 1951, and for each fiscal year thereafter, not to exceed \$500,000.

(e) Notwithstanding the provisions of any other law, the Administrator is authorized to make available to the Republic of Korea, as an appropriation, such sums as may be necessary to carry out the provisions of this section.