THIS FILE IS CLOSED.

PLEASE CONSULT VOLUME 11
MEMORANDUM FOR MEMBERS OF THE STAFF LOAN COMMITTEE:

1. Attached for the information of the Committee is a memorandum from Mr. Frick giving the current status of the Bank's endeavors to secure from the Office of Defense Mobilization a promulgation of policy on foreign requirements and procurement.

2. Most of the members of the Committee have already seen separately drafts or copies of the papers annexed to Mr. Frick's report. They are here brought together to give a coherent presentation of the situation.

(SIGNED) MICHAEL L. LEJEUNE

Michael L. Lejeune
Secretary
STAFF LOAN COMMITTEE

LOAN DEPARTMENT MEMORANDUM

Policy on Foreign Requirements and Procurement

Attached for the information of the Staff Loan Committee is a memorandum from the office of the Special Advisor to the Loan Director relating to policy on foreign requirements and procurement, together with copies of the documents and correspondence mentioned therein.

I am advised that no difficulties directly related to any failure in the implementation of existing U.S. Government policy are currently being encountered in connection with priority and procurement assistance for the Bank's projects. Therefore, Mr. Wilson's letter to Mr. Black has been routinely acknowledged and it is not believed necessary to follow up the matter further at this time.

Willem Koster
Acting Assistant Loan Director

July 27, 1951
MEMORANDUM

July 27, 1951

To : Mr. W. Koster
From : Charles C. Frick
Subject : Office of Defense Mobilization - Policy on Foreign Requirements and Procurement

You may recall that on April 5, 1951, a rather long and detailed letter was addressed to Mr. William C. Foster, Chairman of the Committee on Foreign Requirements and Supplies, through Mr. Charles E. Wilson, Director of the Office of Defense Mobilization, outlining the Bank's activities and requesting a statement of policy which might be of assistance to the Bank and its borrowers in procuring materials and equipment in the United States, necessary for the completion of Bank-financed projects.

The Foreign Supplies and Requirements Committee of the Defense Mobilization has worked on a succession of drafts of policy in an effort to meet the needs of the Bank and for that matter, all other sponsoring agencies of foreign projects and programs, regardless of the methods of financing used to underwrite them.

On May 30, there was issued over the signature of Mr. Charles E. Wilson a statement of policy to be followed by the control agencies in developing criteria covering the allocation of supplies and materials and the issuance of priority assistance. This statement, being an unrestricted document, has been given very wide circulation and in general, we have found that both our claimant agencies and the control authorities have applied the general principles of the policies enunciated both sympathetically and liberally.

Under date of June 6, the Foreign Supplies and Requirements Committee formally issued Document No. 6 on a restricted basis to the federal agencies concerned. A copy of this document was made available to the Bank and was circulated within. I believe it is important to keep in mind that the document issued by Mr. Wilson under date of May 30 was a public statement of policy. The document issued by the Foreign Supplies and Requirements Committee under date of June 6 was merely issued as a guide to sponsoring and claimant agencies in the preparation and submission of projects and programs for consideration by the requirements committees of the control agencies.

The effectiveness of the document issued on June 6 is somewhat narrowed down by the letter of transmittal to Mr. Wilson by Mr. Foster dated June 27, by Mr. Wilson's reply to Mr. Foster dated July 16 and by Mr. Wilson's letter to Mr. Black dated July 16, transmitting copies
of the exchange of views just recited.

The consideration and issuance of these various documents and the exchange of letters concerning them completes the question of policy consideration for the time being. Inasmuch as representatives of the various departments acting as control agencies are members of the Foreign Supplies and Requirements Committee, they have been thoroughly grounded in the principles and essentiality of the needs of foreign countries, and have concurred in the issuance of Document No. 6 dated June 6.

Of more immediate interest to the Bank is the fact that the requirements committees within the control agencies referred to by both Mr. Wilson and Mr. Foster have now been set up and are functioning. Moreover, a Foreign Facilities Committee has been set up within the Foreign Division of NFA for the specific consideration and approval of foreign projects and programs. While the functioning of these committees is somewhat imperfect at the present time, the principles on which they have been established are sound and their procedures and speed of operation will doubtless improve with experience. The Foreign Facilities Committee of NFA is of especial interest to the Bank, since it provides a medium for unbiased, factual consideration, and final action for projects and programs on a case-by-case basis.
Office of the Director

July 16, 1951

Mr. Eugene R. Black
President
International Bank for Reconstruction and Development
1818 H Street, N.W.
Washington, D. C.

Dear President Black:

I have been waiting to answer your inquiry until the Foreign Supplies and Requirements Committee had considered the problem which you raised on foreign economic development projects and programs. I believe that the best answer that I can give you at this time is to enclose a copy of my letter to Mr. Foster of the ECA. You are familiar with the previous policy statement on foreign allocations, which was issued on May 29.

While the recommendations of the Foreign Supplies and Requirements Committee will be useful to all claimant agencies, I do not wish to have them regarded as a final statement of ODM policy, since I am convinced, as the letter to Mr. Foster will show, that beyond the statement of very general principles, the best method of developing these decisions is through the requirements committee procedure.

However, I am sure that the discussions in the Foreign Supplies and Requirements Committee, containing the representatives of all the agencies immediately concerned, will be of great help in facilitating adequate consideration through the requirements committee procedure of the necessary foreign economic developments and projects.

Sincerely,

(sgd) Charles E. Wilson

Enclosure
June 27, 1951

Mr. Charles L. Wilson
Director
Office of Defense Mobilization
Washington 25, D. C.

Dear Charlie:

The attached paper "Foreign Economic Development Projects and Programs" (Attachment I) was developed by the Foreign Supplies and Requirements Committee following, and complementary to, the statement on Basic Allocations Policy which was released publicly on May 29, 1951. It is transmitted for your information. It should be regarded as an agreed statement representing the consensus of the Committee's member agencies, rather than as a formal policy statement of the Office of Defense Mobilization.

You will recall that Mr. Black of the International Bank for Reconstruction and Development discussed with you the need for a further statement of basic policy on capital projects for which the Bank is providing financial assistance. The matter was referred to the Foreign Supplies and Requirements Committee. The attached statement may provide, in part, a reply to Mr. Black. Agencies represented on the Committee which may, on the one hand be sponsoring foreign projects, or, on the other hand be charged with subjecting such projects to a critical examination, will make use of this statement as a general basis for such examination.

Members of the Committee made clear in our discussion their strong feeling that the statement will be helpful to the IBRD and to sponsoring or examining agencies only if there exists an adequate forum for case-by-case examination of individual projects. Any such statement of principles is of minimal value, lacking an opportunity to thresh out their application. Except for agricultural projects which can be presented to the Interagency Food Committee and subcommittees, it was the feeling of the members that there has been up to the present no such forum. Since this conclusion, and the principles laid down in the paper itself, are clearly understood and concurred in by all thirteen agencies, represented on the Committee, it may not be necessary to transmit this paper formally to any operating agencies. It is my understanding that the National Production Authority is taking steps to formalize the examination of projects, both foreign and domestic.

Sincerely yours,

(sgd) William C. Foster
Chairman
Committee on Foreign Supplies and Requirements

Attachment: FSRC Doc. #6, 6/6/51
Office of the Director

July 16, 1951

Honoroble William C. Foster
Administrator
Economic Cooperation Administration
Washington, D. C.

My dear Mr. Foster:

Thank you for your two letters of June 27, 1951, and the enclosed documents from the Foreign Supplies and Requirements Committee, dealing (1) with "Foreign Economic Development Projects and Programs" and (2) with "Foreign Accumulation of Commodity Stocks".

My letter to you of June 18, 1951, indicated that the recommendations of your Committee should be transmitted to me in a form that would not indicate that they were in any sense ODM policy. It is, I understand, not your desire that your recent paper on "Foreign Economic Development Projects and Programs" should be issued as a statement of ODM policy. The second paper, however, is apparently an agreed policy statement for governing U.S. representatives in attitudes toward "Foreign Accumulation of Commodity Stocks" and is transmitted merely for my information. It will serve the purposes of the agencies concerned, but need not be considered as specifically binding on ODM agencies in any review of essentiality by the appropriate requirements committee procedure.

Stated merely as the conclusions of your Committee on basic problems affecting foreign development projects, the first paper offers a useful point of departure for subsequent development through requirements committee procedure. While most of the agencies of the Government directly concerned with foreign supplies and requirements had an opportunity to participate in the development of the policies recommended by your Committee, there has been no such confrontation by actual claimants as would develop the balanced policies and the detailed criteria suitable to settlement of individual cases.

I believe that the spade work that has been done by your Committee will prove of great value in this process, and will mark out a certain emphasis on the foreign side of procurement policy and the necessity for fulfilling foreign requirements that needs to be stressed. On the other hand, I do not feel that the policy statement you have submitted to me adds very much to the general principles already laid down as ODM policy in the "Foreign Allocations Policy" statement of May 29. In some cases, the language does not seem to me
altogether compatible with this statement. I agree, therefore, with your conclusion—which I understand from the last paragraph of your letter, was also stressed by members of the Committee—that "the statement will be helpful to the IBRD and to sponsoring or examining agencies only if there exists an adequate forum for case-by-case examination of individual projects". From the point of view of ODM policy, therefore, I would prefer to have this case-by-case development proceed in the light of the general principles laid down in the statement of May 29, utilizing the additional material which you have developed to assist the claimants for foreign requirements in presenting their case. It should not, in that light, be treated as an authoritative guide for Requirements Committee policy decisions. I will pass the recommendations of your Committee along to the Requirements Committee for their further development by the claimant agency method. This process will permit individual consideration and the working out of a more balanced set of criteria in the light of all the interests which the Requirements Committee will have to take into account.

I understand that there are other policy statements which are at present reaching their final stages as working papers. In their transmission to me I would prefer the formula which you have used in connection with the second paper on "Foreign Accumulation of Commodity Stocks", namely, "for my information", with the understanding that I will pass them on for further study and evaluation by the Requirements Committee procedure of DPA or for similar consideration by other relevant agencies. This will make clear that they are not intended to be taken as statements of ODM policy, but as recommendations of the Committee under your chairmanship which has an especial interest and a special focus on foreign supplies and requirements. The paper on "Foreign Accumulation of Commodity Stocks" will no doubt serve as a useful, though very general guide where more specific considerations are unavailable.

I shall be happy to transmit the first paper on "Foreign Economic Development Projects and Programs" to Mr. Black in answer to his inquiry, along with a copy of this letter. The other document is, I understand, only intended for confidential internal use by the agencies of the United States represented on your Committee.

Sincerely,

(sgd) Charles E. Wilson

cc: Mr. Black
April 5, 1951

SUMMARY OF ATTACHED LETTER

The International Bank has made loans of $1,089,875,000, of which $416,127,367 was undisbursed on March 1, 1951. The source of these loans consists of the 20% of the Bank's subscribed capital which has been paid in and released for lending by member states, plus the Bank borrowings on its own obligations in the amount of $310 million. The Bank's credit is now well established in the market, and it anticipates that it will be able to secure from the investment markets whatever additional funds it needs for lending beyond the release of paid-in capital by members. All of the Bank's loans are to, or guaranteed by member governments.

The Bank's first four loans aggregating $493 million (now fully disbursed) were made to four European countries prior to the establishment of ECA. Since March 1948, however, the Bank has largely financed specific carefully selected projects as a part of sound economic development plans of its members. These projects include power, railroads, communications, highways, shipping, ports, agriculture, irrigation, timber production, and capital equipment for private enterprise.

The Bank's present lending policy requires a careful selection of high priority projects consistent with a sound over-all development program designed to increase the internal and external strength and balance of the economy of its member nations. In addition, the Bank has provided a variety of non-financial assistance to its members in planning their development programs and analyzing specific economic problems. The Bank's loans are disbursed under close supervision with frequent follow-up visits and reports. Extensive engineering work is done both before and after lending.

The Bank's activities are closely in line with President Truman's policy statement and with the paper on "Foreign Allocations Policy". While the probable annual loans are not large in relation to import needs of the underdeveloped countries, they constitute a vital segment of permanent development efforts.

Procurement by the Bank's borrowers now faces difficulties because of tight supply conditions in both the United States and European markets. The Bank's borrowers may spend the proceeds of the loans anywhere. Therefore the Bank can, if requested to do so by NPA, advise its borrowers to attempt procurement in non-U.S. markets of certain items and to require a genuine showing of unavailability of the item from abroad before attempting procurement in the United States. However, if noncompletion of projects is to be avoided by this policy, the Bank should have the cooperation of DPA and NPA when U.S. procurement is essential. The Bank believes that this plan would result in a maximum of sound foreign economic development with a minimum of strain on critical U.S. supply markets.

The Bank thus requests the Committee on Foreign Requirements and Supply to issue a policy statement on this method of operation.

The Bank will cooperate in every way with the defense agencies in presenting the facts with respect to its projects.
April 5, 1951

Mr. C. E. Wilson, Director
Office of Defense Mobilization
Washington, D. C.

Attention: Mr. William C. Foster, Chairman
Committee on Foreign Requirements and Supplies

Dear Mr. Wilson:

I should like to raise for your consideration a number of questions with which the International Bank is confronted.

Historical Background

Since its inception the International Bank for Reconstruction and Development has made 45 loans totaling the equivalent of $1,089,875,000.* On March 1, 1951, the undisbursed balances (on 33 of these loans) amounted to $416,127,367.

The following table shows the authorization of loans by years since the Bank’s inception:

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<th>Year</th>
<th>Total Amounts of Loans Authorized</th>
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<tr>
<td></td>
<td>In All Currencies Expressed in U.S.$ Equivalent</td>
</tr>
<tr>
<td>1947</td>
<td>$493,044,212</td>
</tr>
<tr>
<td>1948</td>
<td>31,955,788</td>
</tr>
<tr>
<td>1949</td>
<td>219,145,000</td>
</tr>
<tr>
<td>1950</td>
<td>279,230,000</td>
</tr>
<tr>
<td>1951 (First Quarter)</td>
<td>66,500,000</td>
</tr>
<tr>
<td>Total</td>
<td>$1,089,875,000</td>
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A summary statement of the loans of the Bank is attached hereto as Annex A.

The $8,338,500,000 capital of the International Bank has been subscribed by its 49 member nations. The United States share is 38.08% of the total.

*In this letter I express amounts in United States dollars, although in most cases some other currencies are included, converted at established rates.
Except for $4,290,000 postponed under a war clause, twenty percent of the subscribed capital has been paid in, of which 2% consisted of gold or U.S. dollars, and 18% of the currency of the subscribing member. The Bank may use the 18% paid-in capital for the purpose of making loans only upon the consent of the subscriber. The United States, Ecuador, El Salvador and Honduras have given their permission to the Bank to utilize in full their 18% capital, and Belgium, Canada, Denmark, France, Guatemala, Italy, Mexico, Norway, Paraguay, and the United Kingdom have given their permission as to only part. A number of other members have agreed in principle, subject to consent in each case, to permit the Bank to lend all or part of their 18% capital.

To supplement its capital funds, the Bank has borrowed on its own obligations the following amounts:

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<th>Equivalent in U.S. Dollars</th>
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</thead>
<tbody>
<tr>
<td>U. S. Dollars</td>
<td>$ 300,000,000</td>
</tr>
<tr>
<td>Swiss Francs</td>
<td>10,587,551</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$ 310,587,551</strong></td>
</tr>
</tbody>
</table>

As the need arises and as markets are favorable we plan to expand our borrowings in non-dollar currencies as well as in dollars.

The credit of the Bank is now well established. In my opinion the Bank will be able, in the absence of unusual constructing circumstances in the money markets, to borrow on its own obligations whatever additional funds it may need for lending in the foreseeable future, beyond its 18% capital as released.

The Bank makes loans either to its member governments, or to private enterprises within the territories of its member governments with the guarantee of the member government in question.

In 1947, before ECA was established, the Bank made four loans to the Governments of France, Denmark, Luxembourg, and the Netherlands, aggregating $493,044,212 (now fully disbursed), for the purpose of reconstruction of war damaged facilities or for financing the importation of essential materials. This may be termed the "reconstruction phase" of the Bank's existence. Since March 1948, and the advent of ECA, however, practically all of the Bank's loans have been used to finance all or part of the foreign exchange costs of economically important development projects in member countries, mostly outside of the ERP area. These projects include power generation and distribution, railroad expansion and modernization, communication facilities, highway improvements and expansion, vessels and shipping facilities, port improvements, agricultural equipment and storage facilities, land reclamation, drainage and irrigation, facilities for the production of basic materials such as timber, and capital equipment for a wide variety of private enterprises. Attached hereto as Annex B is a brief description of most of the undisbursed loans and the justification of the project from the standpoint of sound economic development.
Policies

While I shall not outline fully the Bank's policies, I should like to state certain of them which have a bearing upon the questions raised in this letter.

In its Articles of Agreement ratified by all member governments, the first of the several purposes for which the Bank was founded is:

To assist in the reconstruction and development of territories of members by facilitating the investment of capital for productive purposes, including the restoration of economies destroyed or disrupted by war, the reconversion of productive facilities to peacetime needs and the encouragement of the development of productive facilities and resources in less developed countries. (Underlining mine)

To carry out this mandate the Bank has recruited and trained an international staff of bankers, economists, engineers and other technical experts qualified to deal with the wide variety of economic and financial problems with which it must be concerned in studying the economies of those of its member countries seeking loans for development purposes. Increasingly, as it has gained experience, the Bank has sought to select projects for financing, only within the framework of a realistic, sound and well-balanced economic development program in each borrowing country. We believe this is especially necessary in the underdeveloped areas of the world where credit-standings, local resources and managerial or technical competence are frequently the limiting factors in development.

This review of the genuine needs of our borrowing members has had the purpose of enabling the Bank to identify those projects whose high priority will contribute most effectively to a balanced economic development. As you can easily see from the attached material, most of the projects financed by the Bank have contributed to the fundamental needs of a developing economy such as power, transportation, communications and agricultural production. The ultimate benefits to our borrowers will, in most cases, not only be specifically reflected in foreign exchange savings and earnings, but also will be diffused throughout the whole fabric of the economic life of the community, strengthening its productive capacity, raising its standard of life and adding to its internal and external strength and balance.

In pursuing this policy, furthermore, the Bank has been called upon by its members to provide a variety of non-financial assistance such as help in national planning of development programs, specific analysis of agricultural policies and practices, transportation and mining development studies and the like.

After a loan is made the Bank's funds are disbursed under close supervision and with frequent engineering follow-up visits to make certain that the project is being efficiently built. We are thus kept closely informed as to construction and installation schedules.
I think I can fairly claim that the development projects financed by the Bank are as good a screened selection, on a sound priority basis, as it has been possible to make and that they are being executed with a large measure of professional competence.

**U.S. Government Economic Development Policies and Their Relation to the Bank.**

In his speech on the State of the Union delivered on January 8, 1951, President Truman said:

In other parts of the world, our economic assistance will need to be more broadly directed toward economic development. In the Near East, in Africa, in Asia, we must do what we can to help people who are striving to advance from misery, poverty, and hunger. We must also continue to help the economic growth of our good neighbors in this hemisphere. These actions will bring greater strength for the free world. They will give many people a real stake in the future and reason to defend their freedom. They will mean increased production of the goods they need and the materials we need.

The statement by the President indicates a continuity of postwar policy of the U.S. Government of providing necessary economic assistance to the rest of the free world as evidenced by the Economic Cooperation Act, support of the International Bank and the International Monetary Fund, the Point Four Program, and similar activities.

I notice too that in your "Paper on Foreign Allocations Policy" dated March 5, 1951, you state that the defense effort must not be allowed to cause a disproportionate disruption or cessation of fully justified economic development in countries allied with the defense effort of the western world. To quote that paper: "We must deliberately devote some of our resources to sustaining the strength of our allies, and we must not be prevented from so doing by every specifically internal supply difficulty if we are to obtain the greatest contribution to common ends from the resources of our allies."

The International Bank's share in the rendering of economic assistance, especially to the underdeveloped sections of the world, is not large compared to the aggregate. The proceeds of most of our loans are utilized to purchase capital equipment and similar items, of which the underdeveloped areas of the world imported in the year 1949, from the United States and other sources, an estimated $4.5 - $5 billion. Exports financed by International Bank loans to those areas will probably not, in the near future, amount to more than 7% or 8% of the total import needs of those areas as indicated by their pre-Korean imports. These total imports themselves, we estimate, are less than 5% of the total production of producers' capital goods in the industrial nations of the West.

The Bank is now confronted, as are all sponsors of economic development projects, with the problem of shortages of supplies of the capital goods needed to continue sound economic development. We are thoroughly aware of
the sharp impact of the growing defense effort in the United States and other western countries on supplies of producers' goods and scarce materials, and recognize the high importance and priority which must be accorded to the procurement flowing from the defense effort.

While the needs of the projects heretofore financed and to be financed by the Bank are not large relatively, we know that from time to time some of these requirements will impinge upon tight supply conditions, both in the United States and in the European markets. We are also aware that there will be relative differences in the tightness of the supply markets for certain types of equipment which can be obtained alternatively from several sources. The Bank desires in every way to cooperate with the defense agencies in the United States and with comparable authorities in industrial countries of Europe. We believe that its special position of being able to finance equipment from any market affords the Bank an unusual opportunity of lightening the impact on tight supply markets by advising our borrowers to seek their supplies where their orders will cause the least competition with other urgent demands.

The impact of the European defense effort may not be as severe on certain types of manufacturing facilities as will be the case in the United States.

If, therefore, the National Production Authority wishes to advise us that procurement of certain designated items outside of the United States (where such items are manufactured in alternative areas) is desirable in the interest of the defense program, we will advise our borrowers to this effect. If their efforts to satisfy their needs outside of the United States do not prove successful, we will request a specific showing (probably supplemented by evidence from our own technical personnel), that the United States is the only practicable source of supply.

Such a policy, however, could be far more effectively carried out if I had your assurance that DPA and NPA will, at the Bank's request, sympathetically consider specific assistance to our borrowers for procurement in the United States of essential items of equipment where a genuine showing is made of inability to procure in European markets. In this connection I wish to advise you that we will carefully screen critical requirements and constantly examine the construction schedules of our projects so that the scheduling of deliveries of equipment will be requested only when it is actually needed.

If this policy can be carried out successfully in cooperation with DPA and NPA, I believe that the future lending by the Bank will make possible a series of sound economic development projects of high priority with a minimum impact on supply sources likely to be overcrowded with defense orders and the needs of essential civilian requirements in the United States. The Bank's operations in its field will constitute, in other words, the "cheapest" segment of foreign economic development in the sense of reducing strain on the critical supply markets.
I should also like to mention the obvious fact that economic development financed by the International Bank imposes no direct financial impact upon the U.S. Government budget since all of the funds which the Bank will be likely to lend for the foreseeable future will be obtained from the investment markets, either in the United States or elsewhere.

As you know, the Bank must work through the two foreign claimant agencies, i.e., the ECA and the Office of International Trade, Department of Commerce, in presenting its programs or projects. You are also doubtless aware that before the U.S. Director of the International Bank acts on each individual loan presented to the Board of Executive Directors, he receives his instructions from the NAC, which thus has an opportunity of considering each project before a loan is authorized. When the appropriate procedures have been established for presenting our projects to DPA and NPA through our claimant agencies, we expect in each case to provide full and complete details so that our claimant agencies, DPA and NPA may understand the justification and supply impact of each project. Before our own decisions are made we conduct a careful economic and engineering investigation, the results of which will be made available in this way.

Specifically I would like to suggest that you, through the Committee on Foreign Requirements and Supply, consider the issuance of a policy statement to the effect that:

1. the policies and procedures of the International Bank for Reconstruction and Development are such that there is a presumption of high priority for the development projects upon which it is willing to lend; this does not, however, relieve the Bank from the duty of fully informing DPA and NPA of the facts in each case;

2. the Bank will, at the request of NPA, advise its borrowers to attempt to place in the European market their future orders for specified critical items in tight supply, and

3. NPA will give sympathetic consideration to providing specific assistance through directives or other means to those procurement orders where a clear showing can be made that European procurement is impractical or disruptive of orderly completion schedules.

An arrangement of this kind in rapidly changing circumstances cannot be expected to rest upon any narrow interpretation of the language of this letter or of a policy statement, but must, if it is to succeed, depend upon the spirit in which it is implemented. I assure you that we in the Bank will approach these specific problems which will increasingly arise, in the broadest sense of cooperation with the U.S. defense agencies.

Cordially yours,

Eugene R. Black

Enclosures
POLICY PAPER ON FOREIGN ALLOCATIONS ISSUED MAY 30, 1951
BY OFFICE OF DEFENSE MOBILIZATION
SIGNED BY MR. CHARLES E. WILSON

1. When there are competing requirements of similar high essentiality in terms of the overall objective, allocations policy should attempt to satisfy such requirements according to the degree to which they will contribute to the following results:

(a) military production of the free world, and direct support for the expansion or improvement thereof;

(b) promotion of increased supplies of all materials essential to strengthening the free world, and, in particular, the production and acquisition of those materials required for the current mobilization effort of the United States (including military reserves and immediately necessary additions to stockpiles) and for similar mobilization efforts of nations actively associated with the United States in the defense of the free world;

(c) maintenance and necessary expansion of essential services and production facilities and maintenance of minimum essential civilian consumption requirements, in the free nations and in areas which they control;

(d) direct progress toward reduced future dependence upon military and economic assistance from the United States;

(e) lessened dependence of the free nations upon supplies from areas or countries within the Soviet bloc;

(f) prevention of political deterioration in nations or areas essential to the combined strength of the free world.

2. Allocations by the United States form part of wider give-and-take among the free nations. Among the countries sharing in such allocations the principles of self-help, mutual aid, and similarly effective application of internal policies governing the allocation and use of scarce materials should prevail.

After requirements of high essentiality have been met, the inter-country allocation of remaining supplies by the United States (including allocation to American domestic consumers) should take into account the effects upon the respective civilian economies of the broad contribution of each area of country toward common defense, in direct military production or in increased political and economic strength, including the common aim of controlling inflation of world prices. Individual countries differ widely in their ability to make such contributions; the objective should be to bring about an equitable distribution of the resulting burdens and sacrifices. This objective clearly excludes any mechanical formula, or any mere leveling down to a uniform standard of lowered consumption.
The foregoing principle is admittedly difficult to apply, since standards of consumption in different areas of the world are determined by a complexity of factors, such as normal levels of real incomes, customs, cultures and climate. But its application is of high importance for the attainment of the overall objective of economic strength and morale in the free countries.

3. The establishment of adequate export quotas from the United States for materials and commodities under export control will not meet the criteria outlined above, if foreign purchasers cannot place orders or secure delivery because United States suppliers prefer to satisfy their domestic customers. Commercial channels of trade should normally be used, but exports should be assured by priorities or directives to producers whenever necessary. When such assistance to exports is thus given, care should be exercised that corresponding assistance for domestic orders of similar essentiality is extended, if necessary.

4. Corresponding allocation objectives and policies on the part of other free countries should be promoted by the United States by all practicable means; agreement on and implementation of such policies on the part of other countries is especially important to the development of adequate supplies of the materials, facilities or services of which they control substantial portions of the total available world supply.

5. Allocations of available supplies for abroad shall be administered in conformity with statutory and executive policy designed to prevent shipment or transshipment to the Soviet bloc of war-potential materials and products.
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**Withdrawn by:** Ann May  
**Date:** 02-Aug-16
DATE OF WIRE: JULY 26, 1951

TO: MR. SHULL, INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

FROM: BRUSSELS

TEXT: SEE PREVIOUS CABLE YOU SENT AUSTRALIAN MEMO PLEASE SEND THAILAND PARIS MARK HOLD.

ANDERSON
DATE: JULY 26, 1951

TO: S.W. ANDERSON
    ATLANTA HOTEL
    BRUSSELS

TEXT:

SUGGEST CONTACTING MR. ACHILLES HENRY EXPORT MANAGER CIA SIDERUR ONE A
    RUE DU BASTOGNE BRUSSELS PHONE ONE TWO THREE ONE SEVEN ZERO AND GUILL
    KONSBRUCK DEPUTY GENERAL MANAGER ARBED LUXEMBOURG PHONE THREE NINE SEVEN
    ONE FOR LATEST STEEL INFORMATION

INTBAFRAD

AUTHORIZED BY:

NAME: Willem Koster
DEPT.: Acting Assistant Loan Director

FILE COPY
Dear Mr. Black,

I am writing to acknowledge the receipt of your letter of 9 July addressed to Mr. Owen, on the subject of the procurement of capital goods in the present period of scarce supplies.

A copy of your letter has been forwarded to Mr. Owen, who is at present in England on his way to attend the thirteenth session of the Economic and Social Council in Geneva. You will doubtless hear from him in due course.

Yours sincerely,

Myles F. Minchin,
Special Assistant to the Assistant Secretary-General
Department of Economic Affairs

Mr. Eugene R. Black,
President,
International Bank for Reconstruction and Development,
Washington 25, D.C.
July 23, 1951

Dear Mr. Wilson:

Thank you for your letter of July 16, enclosing copy of the recommendations of the Foreign Supplies and Requirements Committee, as well as a copy of your letter to Mr. Foster of ECA concerning these recommendations.

We have found that the general principles laid down as ODM policy in the "Foreign Allocations Policy" statement of May 29 are being sympathetically adhered to in consideration of the Bank’s projects and programs thus far submitted by our claimant agencies. Therefore, the amplified recommendations of the Foreign Supplies and Requirements Committee, and your letter to Mr. Foster commenting thereon, should be, as you indicate, useful to these agencies.

Cordially yours,

Eugene R. Black

Mr. Charles B. Wilson  
Director  
Office of Defense Mobilization  
Executive Office of the President  
Washington 25, D. C.

CCPRICK: jd
DATE OF WIRE: JULY 19, 1951

TO: MR. SHULL, INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

FROM: PARIS

TEXT:

PLEASE WIRE ME IMMEDIATELY ADDRESS JA JONES CONSTRUCTION COMPANY FOR SUBMISSION CEMENT BIDS. ALSO SEND FOR USE HERE IN PARIS ON MY RETURN THREE COPIES THAILAND PROJECT MEMORANDUM REGARDS.

ANDERSON
July 16, 1951

Dear Sam:

Malcolm Slaght finally got his order approved without any major changes, a copy of which I'm enclosing. He has also taken on W. C. Brister as Acting Vice Chairman, with Reg Hersum as No. 3 man on the team. The Foreign Priorities and Directives activities have been taken out of Groce's division and consolidated with Malcolm's activities. John DuBois is also being included in the new staff and I have recommended that they try to hire Frank Shaffer, who is currently with OIT doing licensing work, and is one of the best commodity specialists in town. He also has broad previous experience with the Foreign Division of WFB. Brister is now working out tentative procedures with OIT and ECA in order to bring about some form of standardization of presentation, so as to speed up the entire operation. They are also going to handle the Thailand and several other projects next week as an operating experiment, and will then revise their projects application form in the light of developments these projects will reveal.

The Australian Power Program is safe for the time being with all of the plants on schedule. However, we are going to ask OIT to formally present the case to the Foreign Facilities Committee for approval, in order to obviate delay and expedite the issuance of spot DO priority assistance requests which will undoubtedly be forthcoming in the near future.

Since beginning this letter, I have just seen a copy of Frank's report to you of July 13, so I have duplicated some of the information.

I was in New York on Thursday and Friday and had several meetings and a luncheon with General Smart and Ronald Gray regarding the Australian tractor program. They have both promised to make a personal approach to their people in Australia with a view to developing more expeditiously the data we require in order to give some assistance, which I'm afraid they are going to need rather badly as regards Class I and II heavy crawler tractors. Both Chism and Marcusson state they have made several urgent requests to Australia for the information, and feel that they can do no more. Meanwhile, a substantial number of light crawler tractors are being currently shipped.

As Frank has indicated, things are running smoothly with the minimum of complications and the present hot weather may possibly keep the pressure down. Current truce negotiations in Korea are already beginning to have a rather strong psychological effect on the country and if they are concluded successfully, it's a sure bet that Congress will put some rather strong brakes on the military program. This, in turn, may
materially affect the entire supply situation although regardless of this, the next nine months will see a continuation of spot bottle-necks.

With all best wishes for a pleasant trip,

Sincerely yours,

Charles C. Frick

P.S. Neal Higgins has already left NPA and Mike Garver began his official duties today.

Mr. Samuel W. Anderson
International Bank for Reconstruction and Development
67 Rue de Lille
Paris 7°
France

CCFRICK: jd
July 13, 1951

Report No. 1 - Week ending July 13, 1951

Dear Sam:

The following is a very brief summary of several interesting developments since your departure.

1. CHESF

A bottleneck has developed on approximately 56 tons of plates for completion of the towers which were to be built during the third quarter from steel rolled in the second quarter. I am meeting Bill Moloney of Morrison-Knudsen in Pittsburgh on Monday to see if we can't get this matter straightened out with the officials of the American Bridge Company. DO-37 ratings have been granted to Morrison-Knudsen covering the 2-truck cranes and the one self-propelled crane which it requires for erection of the towers.

2. No doubt you have heard by this time of the death of Frank Truslow and needless to say all of us will feel his loss very deeply. Wheelock and Bengston are leaving Monday morning for Brazil, as originally planned. I found out yesterday that Merwin L. Bohan has been selected to fill Truslow's position on the Commission. Bohan has the rank of ambassador in the State Department and is now the representative of State on the Economic Council of Latin-America. He has not had any experience in Brazil but has served in such posts as B.A., Santiago, Lima and so forth. I have met Mr. Bohan and he is a very close friend of one of my old professors from NYU.

3. Chao Phya Project

I feel very hopeful that we will receive the necessary priority assistance from NPA next Thursday, when this project comes up for consideration by Malcolm Slatt's committee. The State Department has been confused with respect to writing a letter to ECA, as to whether it should be sent by the Political Division or the Economic Division. However, this situation has been straightened out after a few 'phone calls and I was advised yesterday that a strong letter would be written to ECA endorsing this project.

Yesterday we had a meeting at ECA and discussed the possibility of having Mr. Kambhu accept a portion of his requirements in used equipment. In view of the ability of International Harvester to deliver TD-24 tractors with only a slight delay with a DO, together with the extended deliveries into 1952, I don't believe that it is going to be necessary to take any used equipment. However, the situation may change after our meeting next Thursday.
4. Malcolm Slatt's Committee

This committee has now been approved by NPA and will begin to function on a regular basis, starting next Thursday. Malcolm has just added a man to his staff to cover the Far East area, by the name of Joe Freeman, who has had 22 years' experience with the Central Bank of China. I plan to have lunch with him the early part of next week and give him the Bank "plush carpet treatment".

5. Nicaragua Road Construction Project

I expect to have this ready for the printer on Wednesday, after having received some help from Mr. Ide of the Bureau of Public Roads. Personally, I don't believe we should push too hard to secure DO's on the tractors for this job, unless preliminary talks with NPA would indicate that we have a possibility of securing priority assistance. I feel that we will weaken our effectiveness by asking for priority assistance on everything. However, it will be a very simple matter to have lunch with one of the boys from NPA before the project comes up for committee discussion, and get a pretty good idea of the treatment we can expect.

6. Bill Selim informed me today that our good friend Neal Higgins is leaving NPA within the next few weeks and Mike Garver, formerly with the War Production Board, Construction Machinery Division, during the war, will take his place. Mike is an old friend of mine so even though I hate to see Higgins leave, his departure will not in any way change our very friendly position with this branch.

7. Larry is in New York today and is working with General Smart on the Australian picture. He has been doing some excellent liaison work with NPA and OIT in the past few days and everything seems to be in good shape.

Hope you and Lorraine enjoyed your trip over and will have lots of interesting stories to tell when you return. I'm attaching copies of letters which I've written today.

Sincerely yours

Frank T. Shull, Jr.

Mr. Samuel W. Anderson
International Bank for Reconstruction and Development
67 Rue de Lille
Paris 7e
France
July 9, 1951

Dear Mr. Owen:

I wish to acknowledge your letter of May 22 regarding the Resolution approved by the Economic & Social Council at its Twelfth Session in connection with the problem now facing most countries on the procurement of capital goods in the present period of scarce supplies.

As you state in your letter, the Bank has been concerned with this problem for some time and has established a small section in the Office of the Loan Director with this specific problem.

Up to the present time consideration of the problem has been limited to U.S. supply markets, and a study is being made of what should be done along parallel lines in markets in other areas of the world.

Our experience to date clearly indicates to us that these problems are and should be entirely matters of a bilateral relationship between a specific government concerned with supply problems and the U.S. and other government allocating authorities. We see no possibility of a constructive multilateral operation in this connection since the problems are necessarily concerned with specific details applicable in most instances to a definite project.

We are aware of the fact that many governments have established personnel, either in their embassies or otherwise, to deal with these questions bilaterally. We think this is the only feasible approach to the problem.

Accordingly, the Bank's unit has been dealing with the personnel assigned to this work in the embassies or special offices in connection with problems arising on Bank-financed projects, offering to them such assistance as it is possible for the Bank to render in their relationships in most cases with the U.S. Government.
For many reasons we do not believe that it would be practical for the Bank to enlarge the scope of its activities in this direction to cover non-borrowers. The Bank, however, is quite willing, based on its experiences so far, to give advice to representatives of the members of the United Nations, whether or not they are members of the Bank, in the procedures to be followed to carry out successfully the procurement of capital goods and other materials now in scarce supply. Needless to say, if you would like to discuss the matter further, our staff will be glad to do so.

Sincerely yours,

(Signed) Eugene R. Black
Eugene R. Black

Mr. A. D. K. Owen
Assistant Secretary-General
in charge of Economic Affairs
United Nations
Lake Success, New York.

cc: Mr. E. Lopez-Herrarte
    Mr. R. H. Demuth
INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

OUTGOING WIRE

DATE: July 7, 1951

TO: INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
PARIS

TEXT: [Vigmar]

105 FOR HILL-ANDERSON ARRIVING QUEEN ELIZABETH CHEBOURG JULY 12

AUTHORIZED BY: Paul F. Foster
NAME: Paul F. Foster
DEPT: Loan

FILE COPY
MEMORANDUM FOR MEMBERS OF THE STAFF LOAN COMMITTEE:

The attached memorandum from Mr. Rist to Mr. Bohr on The Availability of Capital Equipment Exports from Europe; Some Observations Based on Recent OECD Reports, dated June 1, 1951 is distributed for the information of the Committee.

Paul F. Foster
Acting Secretary
June 1, 1951

TO: Mr. Leonard B. Rist
FROM: Kenneth A. Bohr
SUBJECT: The Availability of Capital Equipment Exports from Europe: Some Observations Based on Recent OEEC Reports

During the past year and a half the OEEC has issued a series of reports on the availability of European machinery and equipment for export. The reports have been issued at approximately 6 month intervals and each one has covered a wide variety of specific items showing both the country in which the items may be obtained and the anticipated length of the delivery period. The term export as used in these reports refers to shipments from the producing country to any other country including other European countries. The volume of equipment available for export is not dealt with at all and the accuracy of the delivery period figures are subject to the limitations inherent in any compilation based upon separate individual estimates of future conditions.

A single one of these reports is not particularly enlightening unless one is concerned with some specific type of equipment. Although the list of equipment may appear quite extensive only a careful technical appraisal can determine the extent to which important items have been omitted and the quoted delivery periods are not of great significance without some basis for comparison. However, when two reports are compared it is possible to determine whether the situation has generally improved, deteriorated, or remained the same. This information in itself may be of value.

Such a comparison has been made between the report for June 15, 1950, just prior to the Korean war and the one for January 15, 1951, after almost six months of "rearmament." The following conclusions were reached:

1. There is a considerable range of capital equipment available for export from European countries at what appear to be reasonable delivery periods.

2. The supply situation appears to have generally improved between June 1950 and January 1951. The January report indicates more sources of supply and in many cases shorter delivery periods than does the June report. As of January 1951 the rearmament program has had little effect, if any, on reducing availability of European capital goods for export.

The following table indicates in a general way the situation in regard to certain items of particular interest:
Mr. Rist

Table I

Changes between June 15, 1950 and January 1951 in the Availability of Selected Classes of European Machinery and Equipment for Export

<table>
<thead>
<tr>
<th>Classification</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Agricultural Equipment and Tractors</td>
<td>Many items listed - most of them available immediately or with short delivery periods. Very little change between June and January</td>
</tr>
<tr>
<td>Tracklaying tractors</td>
<td></td>
</tr>
<tr>
<td>Wheeled tractors</td>
<td></td>
</tr>
<tr>
<td>Soil conditioning equipment</td>
<td></td>
</tr>
<tr>
<td>Planting, seeding and cultivating</td>
<td></td>
</tr>
<tr>
<td>machinery</td>
<td></td>
</tr>
<tr>
<td>Harvesting machinery</td>
<td></td>
</tr>
<tr>
<td>Dairy equipment</td>
<td></td>
</tr>
<tr>
<td>Miscellaneous equipment and spare parts</td>
<td></td>
</tr>
<tr>
<td>2. Construction Equipment</td>
<td>Many items available on short delivery periods. All OEEC countries but Norway list equipment available. General improvement in number of items available and in length of delivery periods.</td>
</tr>
<tr>
<td>4. Electric Power Transmission Equipment</td>
<td>Some Swiss delivery periods longer; otherwise, much the same with some improvement.</td>
</tr>
<tr>
<td>Vehicles and Parts</td>
<td></td>
</tr>
<tr>
<td>6. Rail Transport Equipment and Parts</td>
<td>Little change. German sources show longer delivery periods.</td>
</tr>
</tbody>
</table>
INCOMING WIRE

DATE OF WIRE: JULY 5 1951

TO: ANDERSON
INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

FROM: PARIS

TEXT:

88

PLEASE ADVISE DATE YOUR ARRIVAL PARIS.

HILL
June 29, 1951

The Chief Inspecting Engineer
Egyptian Government
41 Totthill Street
London, S.W.1, England

Dear Sir:

We would appreciate it if you would be good enough to give us, in confidence, the benefit of your experience with Civitas Trading Corporation Limited.

We are interested primarily in their effectiveness as procurement agents for equipment and material in the European markets.

Very truly yours,

Samuel W. Anderson
Special Advisor to the Loan Director
June 26, 1951

S. W. Anderson

Procurement and Priorities Problems

Before leaving for Europe I want to give you a report on the present situation with respect to the problems of procurement and priorities for Bank-financed projects requiring U. S. equipment and materials. This report is necessarily a reading of the situation at a given moment. You will appreciate that we are dealing with a fluid situation in which U.S. Government policies are evolving and in which supply conditions change from week to week.

Organization of the Defense Agencies

There is attached hereto the latest available chart of the National Production Authority. Above NPA is Defense Production Administration (DPA) and above that the Office of Defense Mobilization, which is Mr. Wilson's office. In addition to these basic agencies, certain specialized responsibilities and powers are assigned to the custody of regular departments such as Defense Minerals Administration (Department of Interior), Defense Electric Power Administration (Department of Interior), and a number of others of lesser interest. This rather illogical structure is the result of internal political compromises. Announcement has just been made of a certain degree of integration between NPA and DPA.

The basic point to understand is that DPA represents the programming and policy making function, primarily concerned with requirements and allocations decisions, whereas NPA is more the operating agency where decisions are carried out. This is a very fuzzy line at present and results in considerable confusion and crossing of wires.

Another important point to appreciate is the function of the claimant agencies, of which there are some 19. The two of interest to us are, of course, EGA, covering ECA countries, including parts of Southeast Asia, and OIT, covering the rest of the world. The claimant agencies are charged with the responsibilities for their respective countries of assembling requirements of all sorts, including controlled materials under OIT. To a considerable degree this task involves the preparation of so-called programs so that DPA and NPA can get an over-all view of the relative urgency of foreign needs, including a comparison with competitive domestic needs. This process of preparing programs by the claimant agencies is in the early stages of development, with EGA far in the lead as OIT has had comparatively little experience in this field.

Over-all U. S. Government Policy

The Committee on Foreign Requirements and Supplies, under the Chairmanship of William C. Foster, EGA's Administrator (who, in this case, functions as a Deputy of C. E. Wilson), has been set up in ODM to consider policy
problems having to do with foreign requirements. The Committee consists of representatives of most of the important claimant agencies as well as the Department of State, DPA and NPA. After extended debate, the Committee's paper on basic policies of allocation for foreign needs was issued by C. E. Wilson, but only after the judgment of the Committee on Foreign Requirements and Supplies was confirmed by the full Defense Mobilization Board. A copy of this paper is attached here to. It represents a helpful but very general statement of policy.

For some weeks the Committee on Foreign Requirements and Supplies has been debating a second paper initiated by the Bank's letter to Mr. Wilson on U. S. policy with respect to foreign economic development projects. This paper has been finalized as a draft and now is in the process of being set afloat, probably as an internal U. S. Government document with a restricted classification. Attached here to is a copy of the present draft. It will, in my opinion, be of greater service than the first document, although even so its usefulness is somewhat limited.

The problem of stating and implementing a fairly definite U. S. policy with respect to the type of projects the Bank will be financing is exceptionally difficult because of the many political cross currents set up by shortages in the domestic economy. Furthermore, it must be reported to all frankness that a great many of the officials of DPA and NPA are not well-informed about foreign economic development needs and have an inherent bias against requirements of the rest of the world. It must be borne in mind that most U. S. manufacturers traditionally have regarded the export market as something desirable when business is slack but a part of their businesses which could be slighted when markets are buoyant. This is in sharp contrast to the attitude of many European manufacturers.

ECA and OIT therefore have at best a somewhat up-hill flight to maintain a reasonable and balanced attitude on the part of allocating authorities with regard to requirements from abroad. This task is further complicated by the difficulties of assembling convincing justification of the needs from abroad as contrasted with the well understood requirements for domestic purposes.

Current Developments in ECA Procedures

The procedures by means of which NPA will review foreign economic development projects are only now being set up in the Foreign Division of NPA under the direction of Mr. Malcolm Slaght, an old and close friend of mine. Slaght is now proposing to create a committee to be called "The Foreign Projects Committee," under his Chairmanship. An order will be issued giving the Chairman of this Committee the right to approve or disapprove foreign development projects for appropriate priorities assistance. The members of the Committee will consist of representatives of selected claimant agencies. The Bank will be invited to sit with the Committee whenever its interests are involved. This represents a very valuable right, in my opinion. Appeal of Slaght's decisions can be carried by a claimant to higher authorities if disagreement arises.
distributed amongst our borrowers, and we are constantly working
to educate them to use it correctly. This emphasizes the neces-
sity of having adequate representation of the borrowers easily
available to us. A number of our borrowers have not as yet
thoroughly understood this but we think that progress will be
steady in this direction. As an example, Colonel Berenhausser,
following his trip here, has decided to utilize the services of
Morrison and Kruseen as his representation.

You will be interested to know that so far no specific request made by
us for priorities assistance has been turned down.

Specific Programming Problems

Power. Because of crises in the Paulo Afonso and the Australian power
projects, we have devoted considerably more time to power projects than to
others up until now.

Under the skillful direction of Walker Cisler, the ECA Power Program on
which he has been working for over three years with a considerable staff,
both here and abroad, has been developed into a well-rounded, integrated and
well presented program. This was made available to NPA in February and has
served as something of a model for claimant agency programming. Unfortunately,
OIT, which is responsible for power equipment elsewhere in the world, until
recently had not really organized itself to attempt to duplicate this per-
formance by ECA. Within the last fortnight, however, intensive work has been
devoted to this by OIT. Thus, it now finally is meeting the insistent demands
of NPA for an adequate program of power development. The presentation now
being made in which the Bank is substantially interested in a number of coun-
tries will be for a program of abuilding projects with an aggregate capacity
over 1,000,000 k.w. OIT is requesting favorable consideration for all of these
projects. The program as presented does not include the Rio Lempa project,
the UTE project, or any of those from the Southeast Asia area, because these
have not yet reached a stage where the impact upon U. S. economy can be
definitely identified. OIT contemplates amending its program from time to
time by the inclusion of such other justifiable projects as are brought before
it in the future. This underlines the necessity of proper presentation of
additional Bank-financed power projects as early as possible.

It is by no means certain that NPA will swallow the whole of the OIT
program as they have the ECA program. The basic problem in power equipment
for both domestic and foreign programs is the allocation of sufficient
material, principally steel, copper and aluminum, to U. S. manufacturers so
that they can place the required equipment in appropriate positions on their
schedule. Tied in with this of course is the OIT allocations for other
auxiliary installations such as transmission towers and conductors. Here
again, the problem is the materials. Backed up by our insistent urging, OIT
is now prepared to make a vigorous fight for its whole program in terms of
materials, with the same insistence that DEPA is fighting for materials
adequate to carry out the very large U. S. power program (amounting to the
addition of 27,000,000 k.w. by December, 1954).
Construction Programs and Projects

The next important series of projects in which the Bank is interested will be those requiring heavy construction equipment such as tractors, draglines, shovels, etc. The tightness in this market, especially for large-size tractors, is very severe. Practically all buyers prefer American equipment, and this has aggravated the situation. Unlike power projects, furthermore, military establishments are large procurers and their demands naturally have a certain priority. I anticipate that we will have some rather rough roads to travel on our projects requiring this equipment, such as the Colombian and Nicaraguan road programs, the Iraq project, the Thailand irrigation scheme, and others of a similar nature.

We have chosen the Thailand irrigation scheme as a test case to work out attitudes on the part of the defense agencies. Our claimant agency in this case is ECA. We have presented a well prepared documentation of the project, the essentiality of which is very easily established.

One of the difficulties that will arise in pushing ahead on projects of this character will be the extreme difficulty of programming the needs. In many ways it is like comparing cows with apples. Furthermore, a project requiring construction equipment, unlike a power project, is not placed in jeopardy if some equipment is denied or is delayed. The project simply suffers a handicap in time and in working efficiency. My hope is that if we can create in the appropriate quarters in ECA, and with the support of our claimant agencies, an accurate understanding of the justification of each of these projects, we may be able to work out, through the process of give and take, a reasonable schedule for delivery of scarce equipment, perhaps not as rapidly as we would like, but at any rate with a sufficient degree of definiteness so that we will not be repeatedly confronted with inconvenient surprises and unpredictable delays. It is as yet too early to know whether this hope can be realized, but the Thailand project will, I think, serve as a test case.

We may be handicapped also on projects of this kind by the fact that both of our claimant agencies are not sufficiently well informed of their over-all needs for heavy construction equipment. It is possible therefore that we may suffer through an attempt on their part to get a general round-up of their requirements with justifications in order that a program may be submitted instead of the specific needs of a given project. ECA has in fact already posed this problem in connection with our discussions of the Thailand project. If this proves to be a major issue it will become of great importance to the Bank to round up, quickly and effectively as well as we can, a total picture by types of equipment on these projects which as yet are not fully crystallized, such as the Colombian and Nicaraguan road programs.

Europe

My present impression is that certain types of equipment may be easier in Europe than in the United States. As you know, I am going to try to get a quick impression of this question shortly. If this proves to be the case
and continues for sometime, it probably will be desirable for the Bank to suggest to its new borrowers a preference for European supplies in certain cases. For example, at this time I would think that structural steel transmission towers and aluminum conductors would be easier from abroad and that we should discourage attempted procurement in the United States.

**Immediate Work**

We are proceeding now to prepare first drafts of the Colombian and the Nicaraguan road projects. These projects appear to be nearing the stage where we can work quickly toward their presentation. In both of these instances I believe the problem will be centered on comparatively few classes of heavy equipment.

My staff will also be informing themselves about the Pakistan projects during the course of negotiations.

There is a very large tractor procurement program for Australia which the Australians have undertaken to develop so that it can be adequately presented.

We also are of course awaiting developments in the Middle East area, in Peru and Chile and for further word from the Uruguayans.

enclosures: 3

S Ander son:J F
1. When there are competing requirements of similar high essentiality in terms of the overall objective, allocations policy should attempt to satisfy such requirements according to the degree to which they will contribute to the following results:

(a) military production of the free world, and direct support for the expansion or improvement thereof;

(b) promotion of increased supplies of all materials essential to strengthening the free world, and, in particular, the production and acquisition of those materials required for the current mobilization effort of the United States (including military reserves and immediately necessary additions to stockpiles) and for similar mobilization efforts of nations actively associated with the United States in the defense of the free world;

(c) maintenance and necessary expansion of essential services and production facilities and maintenance of minimum essential civilian consumption requirements, in the free nations and in areas which they control;

(d) direct progress toward reduced future dependence upon military and economic assistance from the United States;

(e) lessened dependence of the free nations upon supplies from areas or countries within the Soviet bloc;

(f) prevention of political deterioration in nations or areas essential to the combined strength of the free world.

2. Allocations by the United States form part of wider give-and-take among the free nations. Among the countries sharing in such allocations the principles of self-help, mutual aid, and similarly effective application of internal policies governing the allocation and use of scarce materials should prevail.

After requirements of high essentiality have been met, the inter-country allocation of remaining supplies by the United States (including allocation to American domestic consumers) should take into account the effects upon the respective civilian economies of the broad contribution of each area of country toward common defense, in direct military production or in increased political and economic strength, including the common aim of controlling inflation of world prices. Individual countries differ widely in their ability to make such contributions; the objective should be to bring about an equitable distribution of the resulting burdens and sacrifices. This objective clearly excludes any mechanical formula, or any mere leveling down to a uniform standard of lowered consumption.
The foregoing principle is admittedly difficult to apply, since standards of consumption in different areas of the world are determined by a complexity of factors, such as normal levels of real incomes, customs, cultures and climate. But its application is of high importance for the attainment of the overall objective of economic strength and morale in the free countries.

3. The establishment of adequate export quotas from the United States for materials and commodities under export control will not meet the criteria outlined above, if foreign purchasers cannot place orders or secure delivery because United States suppliers prefer to satisfy their domestic customers. Commercial channels of trade should normally be used, but exports should be assured by priorities or directives to producers whenever necessary. When such assistance to exports is thus given, care should be exercised that corresponding assistance for domestic orders of similar essentiality is extended, if necessary.

4. Corresponding allocation objectives and policies on the part of other free countries should be promoted by the United States by all practicable means; agreement on and implementation of such policies on the part of other countries is especially important to the development of adequate supplies of the materials, facilities or services of which they control substantial portions of the total available world supply.

5. Allocations of available supplies for abroad shall be administered in conformity with statutory and executive policy designed to prevent shipment or transshipment to the Soviet bloc of war-potential materials and products.
Any determination of which foreign development projects or programs contribute sufficiently to U.S. policy objectives to warrant support in the form of government priority or directive assistance, must necessarily be flexible as supply conditions change and as actual experience accumulates. Sound appraisal of each project's contribution is especially important so long as the U.S. mobilization plan utilizes only a single rather than multiple dividing lines to determine essentiality in terms of priority assistance.

The following discussion and statement of policy guides applies to foreign projects or programs regardless of whether they are financed abroad or in the U.S. by government loan or grant, by the IBRD, or by private enterprise.

Two general groups of considerations should be taken into account in the formation of policy, as follows:

(1) Considerations affecting decisions on the basic need of foreign projects for U.S. support and assistance:

(a) In line with general U.S. policy, the objective of maximum strength and security for the free world outweighs the individual interests of separate countries in forwarding particular development projects.

(b) Projects for increasing foreign production, whether entirely new or expansions of existing facilities, may frequently depend for their effectiveness (unlike the formal situation in the United States) upon simultaneous expansion of power, transport, communication and other supporting facilities, such as health, education and sanitation.

(c) Many nations have been dependent in recent past years on varying amounts of essential U.S. products, and chronically have suffered deficit balances of dollar payments. In many such cases, they have required U.S. economic assistance. Therefore, foreign development projects which can result in more exports and more self-support can make a permanent contribution to an
expanding world economy in the long run, as well as a present contribution of materials for the common mobilization effort.

(d) Projects in friendly foreign countries may be of direct value in reducing the dependence of themselves and other friendly countries upon supplies from Soviet-bloc sources.

(e) The natural tendency is for most American producers of equipment and supplies for projects, in periods of shortage, to favor their established customers.

(f) There is a real value to the United States, and to the free nations collectively, in maintaining the long-run political and psychological advantages of the Point IV Program, which would be jeopardized if long-term development programs abroad were to cease for want of materials and equipment. Individual projects may in addition make particular contributions to political stability, internal resistance to subversion, and to short-run economic improvement leading to higher living standards.

(2) Considerations affecting decision on the degree and extent of priority or directive assistance needed in individual cases:

(a) Some projects require assistance for only a minor portion of their total needs of short-supply items, either because the projects have already received substantial deliveries or because requirements have been or will be available from non-U.S. sources. Such requirements thus have a special degree of importance.

(b) Failure to complete foreign projects already under construction could be wasteful of materials and potential production. There may be cases in which a speeding up or redirection of projects would be wiser than a "start from scratch" elsewhere. Or, conversely, results in terms of actual production may be obtainable much more slowly from some proposed foreign undertakings than from a similar expenditure in the United States or in another country.

(c) Certain short supply items of equipment may be obtainable, for use in foreign projects, from foreign sources without interference with other equally essential demands. Such use may or may not be desirable, in the light of the guiding principle that all facilities within the free nations for producing critically needed types of equipment should, to the fullest extent feasible, be used first for the most essential purposes. The fact that there is financing or ownership by American agencies of a particular project should not affect the choice of sources of supply for needed equipment or materials.
(d) Although in general the contribution of a project to free world strength is the basic criterion, and not the particular sponsorship or ownership of a project, there may be cases where ownership, beneficiaries, or sources of financing may be of such nature as to be undesirable in terms of the best interests of the United States and/or of those nations actively associated with the United States in common defense planning. A careful preliminary check with the proper governmental agencies will avoid a frontal issue when a project is being given formal review.

(e) Other considerations which will apply in varying degree to particular projects include:

(i) the indirect contribution of a given project to defensive military strength;

(ii) the degree of political and transport risks involved in the location of the project;

(iii) the special importance of increased agricultural production in particular areas;

(iv) the efficiency of controls over the outflow of materials or products to Soviet-bloc countries in the particular nation or area where the project is to be located

Preliminary Determination of Scope of Assistance

A peculiar problem arises in cases where a decision to finance, or not to finance, a given project is to be reached by an American governmental agency, by American private financing agencies, or by American corporations. The decision itself may in some cases turn on the likelihood that needed priority or directive assistance will in fact be obtainable when a subsequent formal presentation is made. Therefore, a careful preliminary survey is of great importance in order to determine whether the project will qualify under the general standards indicated herein and to be explicitly applied by the operating agencies concerned.

There is a second danger to be avoided in the making of financing commitments before the scope of assistance is finally determined. Regrettably, foreign governments or other sponsors of development projects have in the past interpreted a decision by American agencies to extend financial assistance as an irrevocable decision to supply the needed materials and equipment from American sources. The preliminary survey indicated above should minimize the number of cases of embarrassment and ill-will resulting when assistance in obtaining equipment is, rightly, not forthcoming for an already-financed project.
Policy Guides

In setting forth the following general policy guides to be followed by all United States government agencies dealing with foreign economic development projects, no effort is made to formulate or to repeat similar standards of essentiality and other tests to be applied to domestic American projects. Nor is it the intention to specify assistance for foreign projects differing from that available for, or accorded to, domestic projects of equal essentiality, except where peculiar circumstances encountered in meeting foreign needs may make it necessary. Adequate procedures are available within the mobilization agencies to provide review in the same forum of foreign and domestic projects, and to provide for the maintenance and operating requirements of existing foreign enterprises which are essential in a sound economy.

The policy guides to be applied by the agencies concerned are as follows:

1. Foreign development projects shall be generally supported and facilitated in a manner conforming to the general policy laid down in the statement of Foreign Allocations Policy approved by this committee.

2. After a critical examination utilizing the considerations and standards indicated above, and parallel with the current examination of similarly essential domestic projects, priority and/or directive assistance equally effective with that currently available to highly essential domestic projects shall be provided for foreign development projects (either now, or expansions of existing facilities) if they will result in:

   a. direct military production of friendly nations, as required within the limits of military objectives to which the United States has agreed, including the time-phasing, the location of facilities, and the beneficiaries of the planned production;

   b. essential support for the military production described in (a);

   c. production, or required support for production, of highly essential materials or products which are, or are expected to be, in critically short world supply;

   d. production of clearly essential products or services for the civilian economy of friendly nations, but assistance shall be confined to those cases where it is needed only for procurement of a minor portion of the total quantity of short supply items.

3. Projects other than those described in paragraph (2) which will, (a) expand essential civilian services or facilities, particularly those
which form part of a long-term development program, (b) reduce future dependence upon military or economic assistance by the United States, (c) reduce future dependence upon Soviet-bloc sources of supply, or (d) help to prevent political deterioration in nations or areas essential to free world strength, shall be given needed priority or directive assistance providing that a critical examination and an investigation of domestic producers' schedules show that such action will not interfere with military production, defense-supporting production, or with projects for expanding output of critical materials. These projects shall be treated substantially on a parity with approved expansions of essential production or services for the domestic economy.

(4) In determining the form and extent of priority assistance required for foreign projects, account should be taken of the possible reluctance of domestic producers, during periods of shortage, to fill foreign orders at the expense of established domestic customers unless clearly directed to do so.

(5) The nature and objectives of a project, and not the source of financing nor the ultimate owners and beneficiaries within the free world will ordinarily be the tests by which to determine essentiality and the need for assistance; but the particular circumstances of ownership or sources of equity financing, and the likely beneficiaries of resulting production or service must be examined, and should be of such nature as to promote the current over-all diplomatic and military objectives of the United States or those of nations closely allied with the United States in common defense planning.

(6) The United States should promote by all practicable means the adoption of criteria similar to the foregoing by friendly foreign industrialized countries capable of supplying equipment and products for economic development projects and programs, and the exchange of information relating thereto with the United States through appropriate channels.

S.W. Anderson
Special Adviser to the Loan Director
June 25, 1951

Dear Dave:

I am enclosing a set of photographs showing construction on the Port Kembla Power Plant as of May 8. The photographs in the document of justification were, I believe, taken some time in March. We had only one set and I thought it might be useful to you if the question of construction should come up in connection with your negotiations with NPA.

Sincerely yours,

Charles C. Frick
Loan Department

Enclosure

Mr. F. D. Hockersmith
Department of Commerce
Office of International Trade
Operations
Washington 25, D. C.

CCFRICK: jd
June 25, 1951.

Mr. N.J. Paterson, Ass't Loan Officer
International Bank for Reconstruction and Development
Washington 25, D.C.

Dear Mr. Paterson,

Your letter of June 21st to Consul Lars Christensen has been opened by the writer in the absence of Mr. Lars Christensen.

For your information Mr. Christensen left for Europe early this month and arrived at Sandefjord on June 23rd. He will therefore have received your letter addressed to his office there, and for this reason I am not forwarding to him the communication received here.

I take pleasure writing you these lines in order to inform you as to Mr. Christensen's whereabouts and to let you know that your letter to Sandefjord probably now is in the hands of Mr. Christensen.

Sincerely yours,

Joachim Bang
Secretary

JB/ke
To Mr. S. W. Anderson

L. Butcher

Priorities and Allocations

June 25, 1951

Referring to our conversation this morning, I have arranged for Mr. Hugo Knight to come to our office at 11:00 a.m. tomorrow.

I have known Mr. Knight well for 13 years. He has been in business as a foreign trade consultant for most of that time. For about eight years he was with Klein and Saks.

cc: Mr. Prick
Mr. Shull

L. Butcher: ep
Mr. S. W. Anderson

W. A. B. Iliff

C. van Vliet

June 22, 1951

With reference to my letter to Mr. van Vliet of June 18, the following is his European address:

Grensaaan
BLARICUM, NORTH HOLLAND.

WABILiff/mo.
June 16, 1951

Your reference: RER

Dear Jim,

Thank you for your letter of June 8, enclosing ten copies of your Form No. 231 covering a listing of equipment specified in Schedule A of NPA Order No. M-44.

I know you will keep in touch with us regarding any other problems which may arise in connection with items included in this listing.

Very truly yours,

Charles C. Frick
Loan Department

Mr. James H. Clark
American Intercontinental Trade
and Service Company
50 Broadway
New York 4, N. Y.

CCFRICK: jd
June 18, 1951
Your reference: 30017

Dear Mr. Potter:

I thank you for your letter of June 6, enclosing a copy of the International General Electric Company's special shipping report and the Kuljian Corporation's procurement record, which are very helpful in keeping our records current.

Sincerely yours,

Charles G. Frick
Loan Department

Mr. H. T. Potter
India Supply Mission
635 F Street, N.W.
Washington 4, D. C.

CCFRICK: jd
June 18, 1951.

Dear Mr. van Vliet:

Since I saw you last week, I have discussed the subject with Mr. Anderson who, as I told you, is in charge of the special unit in the Loan Department of the Bank charged with assisting our borrowers in the procurement of equipment.

Mr. Anderson is visiting Europe during July and the early part of August. Until he has made a survey of European conditions he is not in a position to say whether or not, in principle, he will wish to recommend that the Bank should have a special representative in Europe to occupy himself with the procurement aspects of supplies from Western European countries.

If Mr. Anderson should come to the conclusion that a European representative is necessary, he would be glad to have an opportunity of meeting you while he is in Europe. Accordingly I should be grateful if you would be so good as to let me have an address in Europe where, if necessary, Mr. Anderson will be able to contact you.

Yours sincerely,

W. A. B. Iliff

W. A. B. Iliff
Assistant to the President.

Mr. C. van Vliet
c/o Netherlands Consulate-General
10 Rockefeller Plaza
NEW YORK 20, NEW YORK.

WABIliff/mo.
In connection with your European trip, and on the assumption that the supply situation here will get worse before it gets better, and on the further assumption that our borrowers will be encouraged to shop in the world's markets rather than confine their activities to the United States, would it not be a good idea to see what, if any, co-ordination and assistance can be worked out with OEEC.

While I know you intend to discuss the question of European purchases with the OSR, it occurs to me that it might be possible to get faster action as regards individual suppliers in the ECA countries if we deal directly with the members, or at least the Secretariat of the OEEC. Granted that the members of this organization are more or less on a ministerial level, through them borrowers might receive procurement assistance from the appropriate country ministry, such as Commerce, etc. My thinking in this direction is influenced also by the fact that European manufacturers may require supply assistance of one kind or another from their governments in order to complete contracts on time.

Perhaps my thinking is a little fuzzy on this point but I do not think we should depend entirely on OSR or the country ECA offices to the exclusion of all other possible channels of assistance, if for no other reason that the uncertainty as to the future of ECA may bring about the usual rapid personnel turnover with its customary dilution in quality and experience.
June 5, 1951

Dear Mr. Bedwell:

Thank you for your letter of the 30th of May which I am glad to have.

When Mr. Forster was here, I asked him during the course of our talk not only to give me some Bank references, but I also asked if he would be good enough to let me have the names of four or five of the larger customers of Civitas in whose behalf you have purchased and arranged for financing of equipment from Europe to other parts of the world. I think it might also be interesting to have the names of some of your European associates whom Mr. Forster mentioned in the course of our conversation.

Yours sincerely,

Samuel W. Anderson
Special Advisor to the Loan Director

A. K. Bedwell, Esq.
Managing Director
Civitas Trading Corporation Limited
Wigmore House
10 Duke Street
London, W.1, England
June 5, 1951

S. W. Anderson  
Givitas Trading Corporation Limited

I am attaching here to our previous exchange of memoranda on the subject of Givitas together with a letter from Mr. Bedwell written following my conversation with his American representative, Mr. Ralph Forster.

The story which Mr. Forster told me was not an impressive one, and I therefore would like to make a little further check on the outfit beyond that which you were able to get from the Bank of England in accordance with your note. Would it be appropriate for you or would you prefer to have me write to the three references that he has given us?

I am also asking Mr. Bedwell to give me the names of some of his customers as I think this kind of a check might be even better.

Enclosures (3)  
S/W/Anderson/ml
June 5, 1951

Memorandum to: Mr. A. S. G. Hoar
            Mr. W. A. B. Iliff
            Mr. Richard H. Demuth
            Mr. Leonard B. Rist
            Mr. Hugh E. Ripman
            Loan Officers
            Engineers

From:       S. W. Anderson

The following is a tentative list of the assignments of countries for work on priorities procurement problems given to my two new assistants: Mr. C. C. Frick and Mr. Frank T. Shull, Jr.:

<table>
<thead>
<tr>
<th>Country</th>
<th>Country</th>
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<tbody>
<tr>
<td>Mr. Frick</td>
<td>Mr. Shull</td>
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<tr>
<td>Australia</td>
<td>Brazil</td>
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<td>India</td>
<td>Thailand</td>
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<td>Chile</td>
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<td>Salvador</td>
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<td>Holland</td>
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<td>Herstelbank</td>
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<td>Turkey</td>
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<td>Iceland</td>
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<td>Yugoslavia</td>
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<td>Belgium</td>
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This may be a convenience to you in case you need to contact my office on problems of this sort.
OFFICE MEMORANDUM

TO: Mr. French  
FROM: S. W. Anderson

DATE: June 5, 1951

SUBJECT: Letter from Mr. A. D. K. Owen to Mr. Black

May 22, 1951

Dick Demuth suggested that I should try to reach Mr. Weintraub at the United Nations in response to this letter and tell him that we would be glad to discuss this matter with him. Dick believes that he prepared this letter for Mr. Black. I tried to reach Mr. Weintraub but without success.

In view of the fact that I am practically out of the Bank all day now for two weeks, I would appreciate it if you would try to reach him and explain that I have been borrowed by Charlie Wilson's office, but pass the word that I would be glad to discuss this matter with him in Washington some time after June 17 if he wishes to do so and that we all think that this is the best way rather than to try to write letters back and forth. If he must have discussions before that, I would suggest Messrs. Shull and Frick.

Enclosure

S. W. Anderson

SWAnderson.ml
June 4, 1951.

TO : Staff Loan Committee
    Loan Officers, Loan Department
    Staff Members, Economic Department
    Staff Members, Treasurer's Department
    Staff, Legal Department

FROM : S. W. Anderson

The attached paper, which has been in the process of drafting since February 5, was finally issued on May 30, and represents a broad statement of U.S. Government policy on exports. Its general nature limits its usefulness from the Bank's point of view, but it is valuable as a statement of underlying philosophy.

It will shortly be supplemented by a second paper dealing with foreign economic projects which has also been through numerous drafts. This paper will not be publicized but will be issued in a routine way as a paper of the Foreign Requirements and Supply Committee, of which Mr. William C. Foster is Chairman.
1. When there are competing requirements of similar high essentiality in terms of the overall objective, allocations policy should attempt to satisfy such requirements according to the degree to which they will contribute to the following results:

(a) military production of the free world, and direct support for the expansion or improvement thereof;

(b) promotion of increased supplies of all materials essential to strengthening the free world, and, in particular, the production and acquisition of those materials required for the current mobilization effort of the United States (including military reserves and immediately necessary additions to stockpiles) and for similar mobilization efforts of nations actively associated with the United States in the defense of the free world;

(c) maintenance and necessary expansion of essential services and production facilities and maintenance of minimum essential civilian consumption requirements, in the free nations and in areas which they control;

(d) direct progress toward reduced future dependence upon military and economic assistance from the United States;

(e) lessened dependence of the free nations upon supplies from areas or countries within the Soviet bloc;

(f) prevention of political deterioration in nations or areas essential to the combined strength of the free world.

2. Allocations by the United States form part of wider give-and-take among the free nations. Among the countries sharing in such allocations the principles of self-help, mutual aid, and similarly effective application of internal policies governing the allocation and use of scarce materials should prevail.

After requirements of high essentiality have been met, the inter-country allocation of remaining supplies by the United States (including allocation to American domestic consumers) should take into account the effects upon the respective civilian economies of the broad contribution of each area of country toward common defense, in direct military production or in increased political and economic strength, including the common aim of controlling inflation of world prices. Individual countries differ widely in their ability to make such contributions; the objective should be to bring about an equitable distribution of the resulting burdens and sacrifices. This objective clearly excludes any mechanical formula, or any mere leveling down to a uniform standard of lowered consumption.
The foregoing principle is admittedly difficult to apply, since standards of consumption in different areas of the world are determined by a complexity of factors, such as normal levels of real incomes, customs, cultures and climate. But its application is of high importance for the attainment of the overall objective of economic strength and morale in the free countries.

3. The establishment of adequate export quotas from the United States for materials and commodities under export control will not meet the criteria outlined above, if foreign purchasers cannot place orders or secure delivery because United States suppliers prefer to satisfy their domestic customers. Commercial channels of trade should normally be used, but exports should be assured by priorities or directives to producers whenever necessary. When such assistance to exports is thus given, care should be exercised that corresponding assistance for domestic orders of similar essentiality is extended, if necessary.

4. Corresponding allocation objectives and policies on the part of other free countries should be promoted by the United States by all practicable means; agreement on and implementation of such policies on the part of other countries is especially important to the development of adequate supplies of the materials, facilities or services of which they control substantial portions of the total available world supply.

5. Allocations of available supplies for abroad shall be administered in conformity with statutory and executive policy designed to prevent shipment or transshipment to the Soviet bloc of war-potential materials and products.
To All Borrowers from IBRD:

Please refer to my Procurement and Priorities Memorandum No. 3, dated May 16, 1951.

In a day or two, the Office of International Trade (OIT), United States Department of Commerce, will issue a press release (to be confirmed by subsequent publication in the Comprehensive Export Schedule, probably before May 31) requesting all applicants who have filed or who propose to file Form IT-375 or who hold licenses issued pursuant to an application filed on Form IT-375, to state specifically whether the applicant will require "supply assistance" (by which is meant a DO priority in addition to a firm allotment under CMP) with respect to any controlled materials as defined in Schedule 1 of CMP Regulation No. 1, delivery of which is required in the quarters specified on IT-375. When such request for supply assistance is made, OIT requests that the applicant state the reason why the assistance is necessary; for example: "that suppliers will not promise a satisfactorily firm delivery date within the quarter required without a DO priority," or any other relevant reason.

OIT will further ask that any Form IT-375 covering controlled materials to which no request for supply assistance is made shall be filed on a separate Form IT-375 from that on which application for controlled materials is made as to which supply assistance is requested. The reason for this is that the assignment of the DO priority will probably be issued through the use of a stamp which will apply to all items on the applicable IT-375.

I assume that pursuant to my Procurement and Priorities Memorandum No. 3 or the Comprehensive Export Schedule referred to therein, you may have already sent to OIT Form IT-375, stating your requirements for controlled materials for the third quarter of 1951. With the consent of OIT, we therefore propose the use of a rubber stamp to endorse upon any such Form IT-375's which OIT may have received from you a statement reading as follows:

The applicant requests the assignment of a DO priority with respect to materials listed herein because no satisfactorily firm delivery date within the required quarter can be promised by the supplier without the assignment of a DO rating.

In submitting any future IT-375's, however, we suggest that you be guided by this memorandum as the use of the stamp is only designed to avoid unnecessary delays at this critical point prior to the making of CMP allotments for the third quarter.
Priorities Memorandum No. 4

2.

If you hold valid export licenses issued pursuant to an IT-375 heretofore filed by you, you should re-present it to OIT with a statement along the lines suggested in this memorandum, together with such other evidence as you can supply supporting the statement that priorities assistance is needed.

Samuel W. Anderson
Special Advisor to the Loan Director
TO: Staff Loan Committee  
Loan Officers, Loan Department  
Staff Members, Economic Department  
Staff Members, Treasurer's Department  
Staff, Legal Department  

FROM: S. W. Anderson

The attached paper, which has been in the process of drafting since February 5, was finally issued on May 30, and represents a broad statement of U.S. Government policy on exports. Its general nature limits its usefulness from the Bank's point of view, but it is valuable as a statement of underlying philosophy.

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(a) military production of the free world, and direct support for the expansion or improvement thereof;

(b) promotion of increased supplies of all materials essential to strengthening the free world, and, in particular, the production and acquisition of those materials required for the current mobilization effort of the United States (including military reserves and immediately necessary additions to stockpiles) and for similar mobilization efforts of nations actively associated with the United States in the defense of the free world;

(c) maintenance and necessary expansion of essential services and production facilities and maintenance of minimum essential civilian consumption requirements, in the free nations and in areas which they control;

(d) direct progress toward reduced future dependence upon military and economic assistance from the United States;

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(f) prevention of political deterioration in nations or areas essential to the combined strength of the free world.

2. Allocations by the United States form part of wider give-and-take among the free nations. Among the countries sharing in such allocations the principles of self-help, mutual aid, and similarly effective application of internal policies governing the allocation and use of scarce materials should prevail.

After requirements of high essentiality have been met, the inter-country allocation of remaining supplies by the United States (including allocation to American domestic consumers) should take into account the effects upon the respective civilian economies of the broad contribution of each area of country toward common defense, in direct military production or in increased political and economic strength, including the common aim of controlling inflation of world prices. Individual countries differ widely in their ability to make such contributions; the objective should be to bring about an equitable distribution of the resulting burdens and sacrifices. This objective clearly excludes any mechanical formula, or any mere leveling down to a uniform standard of lowered consumption.
2. The foregoing principle is admittedly difficult to apply, since standards of consumption in different areas of the world are determined by a complexity of factors, such as normal levels of real incomes, customs, cultures and climate. But its application is of high importance for the attainment of the overall objective of economic strength and morale in the free countries.

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4. Corresponding allocation objectives and policies on the part of other free countries should be promoted by the United States by all practicable means; agreement on and implementation of such policies on the part of other countries is especially important to the development of adequate supplies of the materials, facilities or services of which they control substantial portions of the total available world supply.

5. Allocations of available supplies for abroad shall be administered in conformity with statutory and executive policy designed to prevent shipment or transshipment to the Soviet bloc of war-potential materials and products.
## ROUTING SLIP

**Date:** 6/12/51

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<th>Room No.</th>
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<td>1201</td>
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<td>2</td>
<td>Mr. Riley</td>
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<td>3</td>
<td>Mr. Aldsworth</td>
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<td>Signature</td>
</tr>
</tbody>
</table>

**REMARKS**

“I believe the attached memorandum contains information which will be of interest to you.”

**FROM-** Mr. Rosen
June 1, 1951

TO:         Mr. Leonard B. Rist  
FROM:       Kenneth A. Bohr  
SUBJECT:    The Availability of Capital Equipment Exports from Europe:  
            Some Observations Based on Recent OEEC Reports  

During the past year and a half the OEEC has issued a series of reports  
on the availability of European machinery and equipment for export. The reports  
have been issued at approximately 6 month intervals and each one has covered a  
wide variety of specific items showing both the country in which the items may  
be obtained and the anticipated length of the delivery period. The term export  
as used in these reports refers to shipments from the producing country to any  
other country including other European countries. The volume of equipment  
available for export is not dealt with at all and the accuracy of the delivery  
period figures are subject to the limitations inherent in any compilation based  
upon separate individual estimates of future conditions.

A single one of these reports is not particularly enlightening unless  
one is concerned with some specific type of equipment. Although the list of  
equipment may appear quite extensive only a careful technical appraisal can  
determine the extent to which important items have been omitted and the quoted  
delivery periods are not of great significance without some basis for compari-  
on. However, when two reports are compared it is possible to determine whether  
the situation has generally improved, deteriorated, or remained the same. This  
information in itself may be of value.

Such a comparison has been made between the report for June 15, 1950,  
just prior to the Korean war and the one for January 15, 1951, after almost  
six months of "rearmament." The following conclusions were reached:

1. There is a considerable range of capital equipment available  
   for export from European countries at what appear to be reasonable  
   delivery periods.

2. The supply situation appears to have generally improved  
   between June 1950 and January 1951. The January report indicates  
   more sources of supply and in many cases shorter delivery periods  
   than does the June report. As of January 1951 the rearmament pro-  
   gram has had little effect, if any, on reducing availability of  
   European capital goods for export.

The following table indicates in a general way the situation in regard  
to certain items of particular interest:
Table I

Changes between June 15, 1950 and January 1951 in the Availability of Selected Classes of European Machinery and Equipment for Export

<table>
<thead>
<tr>
<th>Classification</th>
<th>Comments</th>
</tr>
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<tbody>
<tr>
<td>1. Agricultural Equipment and Tractors</td>
<td>Many items listed - most of them available immediately or with short delivery periods. Very little change between June and January</td>
</tr>
<tr>
<td>Tracklaying tractors</td>
<td></td>
</tr>
<tr>
<td>Wheeled tractors</td>
<td></td>
</tr>
<tr>
<td>Soil conditioning equipment</td>
<td></td>
</tr>
<tr>
<td>Planting, seeding and cultivating equipment</td>
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<td>Harvesting machinery</td>
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<td>Dairy equipment</td>
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<td>Miscellaneous equipment and spare parts</td>
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<tr>
<td>2. Construction Equipment</td>
<td>Many items available on short delivery periods. All OEEC countries but Norway list equipment available. General improvement in number of items available and in length of delivery periods.</td>
</tr>
<tr>
<td>4. Electric Power Transmission Equipment</td>
<td>Some Swiss delivery periods longer; otherwise, much the same with some improvement.</td>
</tr>
<tr>
<td>6. Rail Transport Equipment and Parts</td>
<td>Little change. German sources show longer delivery periods.</td>
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</table>
POLICY PAPER ON FOREIGN ALLOCATIONS ISSUED MAY 30, 1951
BY OFFICE OF DEFENSE MOBILIZATION
SIGNED BY MR. CHARLES E. WILSON

1. When there are competing requirements of similar high essentiality in terms of the overall objective, allocations policy should attempt to satisfy such requirements according to the degree to which they will contribute to the following results:

(a) military production of the free world, and direct support for the expansion or improvement thereof;

(b) promotion of increased supplies of all materials essential to strengthening the free world, and, in particular, the production and acquisition of those materials required for the current mobilization effort of the United States (including military reserves and immediately necessary additions to stockpiles) and for similar mobilization efforts of nations actively associated with the United States in the defense of the free world;

(c) maintenance and necessary expansion of essential services and production facilities and maintenance of minimum essential civilian consumption requirements, in the free nations and in areas which they control;

(d) direct progress toward reduced future dependence upon military and economic assistance from the United States;

(e) lessened dependence of the free nations upon supplies from areas or countries within the Soviet bloc;

(f) prevention of political deterioration in nations or areas essential to the combined strength of the free world.

2. Allocations by the United States form part of wider give-and-take among the free nations. Among the countries sharing in such allocations the principles of self-help, mutual aid, and similarly effective application of internal policies governing the allocation and use of scarce materials should prevail.

After requirements of high essentiality have been met, the inter-country allocation of remaining supplies by the United States (including allocation to American domestic consumers) should take into account the effects upon the respective civilian economies of the broad contribution of each area of country toward common defense, in direct military production or in increased political and economic strength, including the common aim of controlling inflation of world prices. Individual countries differ widely in their ability to make such contributions; the objective should be to bring about an equitable distribution of the resulting burdens and sacrifices. This objective clearly excludes any mechanical formula, or any mere leveling down to a uniform standard of lowered consumption.
The foregoing principle is admittedly difficult to apply, since standards of consumption in different areas of the world are determined by a complexity of factors, such as normal levels of real incomes, customs, cultures and climate. But its application is of high importance for the attainment of the overall objective of economic strength and morale in the free countries.

3. The establishment of adequate export quotas from the United States for materials and commodities under export control will not meet the criteria outlined above, if foreign purchasers cannot place orders or secure delivery because United States suppliers prefer to satisfy their domestic customers. Commercial channels of trade should normally be used, but exports should be assured by priorities or directives to producers whenever necessary. When such assistance to exports is thus given, care should be exercised that corresponding assistance for domestic orders of similar essentiality is extended, if necessary.

4. Corresponding allocation objectives and policies on the part of other free countries should be promoted by the United States by all practicable means; agreement on and implementation of such policies on the part of other countries is especially important to the development of adequate supplies of the materials, facilities or services of which they control substantial portions of the total available world supply.

5. Allocations of available supplies for abroad shall be administered in conformity with statutory and executive policy designed to prevent shipment or transshipment to the Soviet bloc of war-potential materials and products.
DATE: MAY 25, 1951
FULL RATE

TO: MR. CARL DREHER
WESTINGHOUSE ELECTRIC INTERNATIONAL COMPANY
40 WALL STREET
NEW YORK, NEW YORK

TEXT:

(WVI WU)
WILL ARRIVE EAST PITTSBURGH CAPITAL AIRLINES FLIGHT 481 AT 8:57 DLT.

FRANK T. SHULL, JR.

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

AUTHORIZED BY:
NAME Frank T. Shull, Jr.
DEPT. Loan
Yesterday Mr. Newton Foster showed to Mr. Frick and me a copy of the submission by OIT to NPA of its known power program. This submission was divided into three categories, as follows:

1. Those projects which are important to rearmament, mining, or petroleum programs of friendly countries or where the economic condition of the country depends upon the completion of the project.

2. Those projects where a slight delay in the delivery of equipment would not cause a serious delay in the project or would not create a serious economic condition.

3. Those projects which could be postponed indefinitely or until such time as materials could be made available.

In studying the list of projects included under the three categories above described, it develops that the following projects in which the Bank is interested are included in category #1.

1. Brazilian Traction.

2. Paulo Afonso.

3. Comision Federal de Electricidad: two 15,000 kw, one 25,000 kw (these need more accurate identification).

4. Australia: the first 90,000 kw capacity which is the equivalent of eighteen 5,000 units.

5. The Damodar Valley Corporation: the first two of three units (one of which is already delivered, I believe).

6. Mexlight: three 15,000 hydro machines (this is Patla); two 30,000 steam thermal machines (this is Lecheria).

7. Chile - Los Cipreses: two 31,000 kva machines.
8. South Africa: Rosherville boiler.


Under category #2 are included the DVC third machine and the second 70,000 kw capacity of the Australian Package Power Plant Project.

None of the Bank's identifiable projects are shown in the third category.

Mr. Foster stated that he thought this probably an incomplete picture as it was made up very hurriedly at the request of NPA.

cc: Mr. Frick  
    Mr. Shull  
    Mr. Marshall  
    Mr. Spottswood
MAY 25, 1951

GENERAL R. A. WHEELER
C/O Cecil Hotel
Delhi, India

It has now for first time formally presented to HPA its Power Program. Projects are grouped in three categories viz one projects which should not be delayed two projects where some delay could be accepted without serious consequences three projects which could be indefinitely delayed if necessary. All our projects are in category one except third unit DVC and second half Australian package Power Plants which are in category two. Conferences with your staff resulted in conclusion we probably should not fight vigorously in behalf of no delay DVC third unit hereof ors scheduled for shipment January 1952. Thought you should be alerted so that if you differ you might bring us back effective discussion. Regards.

Anderson

Pacific

S. W. Anderson

cc: Mr. Spotswood
Mr. Marshall
Mr. Yuska
Mr. Hoar
May 23, 1951

Mr. Walter Hill
Special Representative
International Bank for Reconstruction and Development
67 Rue de Lille
Paris (7e), France

Dear Walter:

I am tentatively planning to come over to Europe on July 3, on the Liberte, spending perhaps three weeks getting educated on European supply conditions, and then I think my wife and I will take a short holiday in Scandinavia.

I am sure you will have many ideas as to the kind of contacts which will be useful to me. I have written to my close friend, Langdon Simonds, who handles steel for CSR, as I know that he will be useful to me. I have also written to Bill Batt in London.

Needless to say, I do not propose to make an exhaustive independent investigation but plan to proceed by talking with people who know the most about conditions in Europe. I think then I will be able to determine what steps, if any, the Bank should take in the interests of its borrowers, in connection with European procurement if something seems feasible.

I am assuming that you will be in Paris in July, but if this is not the case I would like very much to be advised.

Sincerely yours,

Samuel W. Anderson
Special Advisor to the Loan Director
May 23, 1951

Mr. William L. Batt, Chief
Economic Cooperation Administration
Mission to the U. K.
A/o American Embassy
London, England

Dear Bill:

As you know, I have for a couple of months now been concerned with the question of shortages which may affect Bank-financed projects. Having gotten fairly well organized here, I am planning to come to Europe this summer to get a little better idea of the supply conditions in Europe.

Needless to say, I would like to have a chance of seeing you in London, and I hope that you will put me in touch with the sort of people who can give me the views I need. Our concern is equipment of quite a wide variety as distinguished from basic materials. On the theory that you probably do not know too much about the details of IBRD loans, I am attaching hereto a brief thumbnail on most of the loans we have made.

I do not know just when I will be in London, but will probably be there in the middle half of July for a few days. I hope that you will be there then, and I would love to be informed of your plans.

Looking forward with pleasure to seeing you,

Sincerely yours,

Samuel W. Anderson
Special Advisor to the Loan Director

enclosure

SNAnderson:jf
May 23, 1951

Mr. Langdon Simonds
Office of the Special Representative
Economic Cooperation Administration
2 Rue St. Florintin
Paris I, France

Dear Lang,

Since about the first of March I have been occupying the rather hot seat of doing what may be possible to guard against undue delays or frustrations in connection with Bank-financed projects by virtue of the shortages of supplies of equipment and materials. This has involved getting rather deeply into the old priorities and allocations system here in the United States. I have taken on a couple of staff members and I hope to have matters running along with sufficient smoothness by the first of July to come to Europe for a "look-see" in order to be more au courant with supply conditions in Europe.

Needless to say, you and your associates in OSR will, I think prove to be a particular good source of information for me. Thus, I wanted to write you to find out whether you plan to be in Paris in July, and also to get your ideas as to the identity of those people, both in OSR and elsewhere, who might prove to be most useful to me.

I assume that you are not too familiar with what we are doing and, accordingly, as a brief thumbnail sketch, I am enclosing herewith a paper which will give you a quick picture of the sort of projects we are financing. From this you will easily see that I am most interested in power equipment, construction machinery, industrial equipment of various varieties, together with such items as fabricated steel towers for transmission lines and other items of this sort. In most instances the actual amount of "A" product steel, copper and aluminum in which we are interested is quite small.

Naturally I do not propose to make a vast independent investigation if I can have the opportunity of talking in various places with people who have accumulated knowledge about the supply conditions based on very considerable experience. I thought I would plan to spend at least a few days in London, Brussels and Frankfort, as well as Paris. I plan to sail on the Liberte with my wife on July 3.

Hoping that you plan to be in Paris, and looking forward to seeing you,

Sincerely yours,

enclosure

Samuel W. Anderson
Special Advisor to the Loan Director
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REMARKS

Hereewith the letter I warned you was coming. Mr. Black has asked me to discuss with you how we should handle it. I'll call you when you've read it.
22 May 1951

My dear Black,

As you no doubt know the Economic and Social Council in resolution 341 (XII) adopted on 28 March 1951 recommended, inter alia, that "all Members of the United Nations during the period of general shortage of goods take special measures to bring about adequate production and equitable international distribution of capital goods ..." and requested all Members of the United Nations to report to the thirteenth session of the Council on such action as they have taken under this resolution.

The Secretary-General communicated this resolution to Member Governments on 3 May 1951 drawing attention to the Council's recommendations and requested governments to report, according to the terms of the resolution, not later than 15 June 1951.

I understand that the International Bank has established machinery designed to assist governments receiving financial aid from the Bank to obtain the capital goods financed by the Bank which they require. Such arrangements would, I believe, be of substantial interest to the Economic and Social Council as an indication of the way in which an international organization may assist the government of an under-developed country during a period of general shortage, especially shortage of capital goods. I should therefore like to suggest to you that a report by the International Bank upon this assistance to governments might be made available to the Council.
The general problem to which Council resolution 341 (XII) is addressed was also raised at the last session of the Economic Commission for Asia and the Far East, and I enclose a copy of the resolution adopted by that Commission which also expressed the hope that supplying governments would make every effort to ensure that supply difficulties should not interfere with the development plans of the countries in the region. It is, I think, not unlikely that the Economic Commission for Latin America at its forthcoming session may deal in a similar way with this problem; the Economic Commission for Europe is also likely to concern itself with this aspect of the world economic situation though in this case the interests of the supplying countries will no doubt also be emphasized.

The Council may therefore find itself confronted with the problem of developing measures designed to assist all governments in this situation irrespective of whether they have received loans from the Bank or even of their membership of the Bank. To be effective such measures would, no doubt, require the establishment of new machinery. This would, of course, be a very major policy issue and I am sure the Council would require the fullest information and would proceed slowly.

I should be grateful if I could have your advice on this question since the Bank has already been confronted by this problem and devised arrangements to assist governments in overcoming their difficulties. I am sure that your experience both with respect to the formulation of the requirements of the under-developed countries and with respect to the most effective approach to supplying governments
would be most helpful.

Yours sincerely,

[Signature]

A.D.K. Owen
Assistant Secretary-General
in charge of Economic Affairs

Encl:

Mr. Eugene R. Black,
President,
International Bank for Reconstruction and Development,
1818 H Street,
Washington 6, DC.
THE SUPPLY OF CAPITAL GOODS

Resolution of 7 March 1951
(E/CN.11/305)

THE ECONOMIC COMMISSION FOR ASIA AND THE FAR EAST

CONSIDERING that the overriding claims of defence are likely to increase the difficulties of meeting all needs for machinery and equipment which the under-developed countries require for their economic development;

BEARING IN MIND the commitment of the United Nations to promote the development of under-developed countries in accordance with Article 55 of the Charter of the United Nations;

CONSCIOUS of the great need of countries which are producers of raw materials used by manufacturing countries for an assured supply of development goods of all types;

RECOGNIZING that although certain countries have channels of group consultation with some supplying countries and opportunities to concert action with them in respect of their economic development, for other countries there are fewer and less effective channels;

(1) RESOLVES TO RECOMMEND to supplying Governments that they continue to make every effort to ensure that supply difficulties do not interfere with the development plans of countries of the region; and

(2) RECOMMENDS that, where existing channels are likely to prove inadequate for securing their requirements, countries which find themselves unduly hampered by shortage of manufactured goods should seek, in consultation with supplying Governments, to establish machinery for the purpose;
(3) RECOMMENDS also that the Secretariat, in studying the possibility of expanding trade between the countries of the region and Europe, should give prior attention to this aspect of the matter and should endeavour to use its good offices in facilitating the establishment of consultative arrangements of the kind contemplated.
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REMARKS

FROM-  A.H. Anderson
To All Borrowers from IBRD:

In connection with the initiation of the Controlled Materials Plan, the Office of International Trade (OIT), Department of Commerce, has issued certain instructions in the Current Export Bulletin which you should know about. These have to do with the time within which it is necessary for you to file any requirements you may have for steel, copper, and aluminum (controlled materials), for delivery from U. S. suppliers in the third and fourth calendar quarters of 1951. These requirements are exclusively for A products as defined under the CNP Regulation 1 and not for B products.

You should (unless you have already done so):

1. File on IT Form 375 on or before June 1, 1951, with the Office of International Trade, Department of Commerce, a statement of your requirements from U. S. suppliers for controlled materials as defined in Schedule 1 of CNP Regulation 1, delivery of which is required in the third calendar quarter of 1951.

2. File on IT Form 375 on or before July 15, 1951, a statement of your requirements from U. S. suppliers for controlled materials as defined in Schedule 1 of CNP Regulation 1, delivery of which is needed in the fourth calendar quarter of 1951.

All this is in accordance with instructions contained in Current Export Bulletin No. 618, of May 3, 1951, Supplement 1, Part 373.

For your information and use we are enclosing:
- Form IT 375
- CNP Reg. 1
- Subscription blank for Comprehensive Export Schedule (of which the Current Export Bulletin is a part).

If you are not a subscriber to the Comprehensive Export Schedule of the Office of International Trade, Department of Commerce, we recommend that you subscribe to it.

Samuel W. Anderson
Special Advisor to the Loan Director

Enclosures: 6
To All Borrowers from IBRD:

Please refer to my Procurement and Priorities Memorandum No. 3, dated May 16, 1951.

In a day or two, the Office of International Trade (OIT), United States Department of Commerce, will issue a press release (to be confirmed by subsequent publication in the Comprehensive Export Schedule, probably before May 31) requesting all applicants who have filed or who propose to file Form IT-375 or who hold licenses issued pursuant to an application filed on Form IT-375, to state specifically whether the applicant will require "supply assistance" (by which is meant a DO priority in addition to a firm allotment under CMP) with respect to any controlled materials as defined in Schedule 1 of CMP Regulation No. 1, delivery of which is required in the quarters specified on IT-375. When such request for supply assistance is made, OIT requests that the applicant state the reason why the assistance is necessary; for example: "that suppliers will not promise a satisfactorily firm delivery date within the quarter required without a DO priority," or any other relevant reason. OIT will further ask that any Form IT-375 covering controlled materials as to which no request for supply assistance is made shall be filed on a separate Form IT-375 from that on which application for controlled materials is made as to which supply assistance is requested. The reason for this is that the assignment of the DO priority will probably be issued through the use of a stamp which will apply to all items on the applicable IT-375.

I assume that pursuant to my Procurement and Priorities Memorandum No. 3 or the Comprehensive Export Schedule referred to therein, you may have already sent to OIT Form IT-375, stating your requirements for controlled materials for the third quarter of 1951. With the consent of OIT, we therefore propose the use of a rubber stamp to endorse upon any such Form IT-375's which OIT may have received from you a statement reading as follows:

The applicant requests the assignment of a DO priority with respect to materials listed herein because no satisfactorily firm delivery date within the required quarter can be promised by the supplier without the assignment of a DO rating.

In submitting any future IT-375's, however, we suggest that you be guided by this memorandum as the use of the stamp is only designed to avoid unnecessary delays at this critical point prior to the making of CMP allotments for the third quarter.
Priorities Memorandum No. 4

2.

If you hold valid export licenses issued pursuant to an IT-375 heretofore filed by you, you should re-present it to OIT with a statement along the lines suggested in this memorandum, together with such other evidence as you can supply supporting the statement that priorities assistance is needed.

Samuel W. Anderson
Special Advisor to the Loan Director
May 14, 1951

Dear Art:

Would you be good enough to give me what details you can about the second-hand frequency changers you mentioned at lunch on Friday?

I think that we should look this situation over.

Sincerely yours,

Samuel W. Anderson
Special Advisor to the
Loan Director

Mr. A. B. Leonard, Chief
Industry Operations Bureau
Power Equipment Division
National Production Authority
2538 Tempo T Building
Washington 25, D. C.

SWAnderson:jf
May 9, 1951

Dear Cec,

I am enclosing herewith on a loan basis the Twenty-Seventh Annual Report of the Electricity Supply Commission for the year ended December 31, 1959.

I trust that this will help in filling in the background in connection with the boiler for the Rosherville project. When it has served its purpose will you please be good enough to return it to me.

Sincerely yours,

Samuel W. Anderson
Special Advisor to the Loan Director

Mr. Cecil Truluck
Program Section
Finished Products Division
National Production Authority
Room 2516, Tempo T Building
Washington 25, D. C.

enclosure

S.W. Anderson:jf
MEMORANDUM FOR MEMBERS OF THE STAFF LOAN COMMITTEE

At the request of Mr. Anderson, the attached are being sent to you for your information.

(SIGNED) MICHAEL L. LEJEUNE

Michael L. Lejeune
Secretary
To All Borrowers from IBRD:

SUBJECT: Electrical Equipment from United States Suppliers

The only equipment "scheduling" order so far issued by the National Production Authority of the United States Government is NPA Order No. M-44. A copy of this order is enclosed for your information. The following explanation of how this order is administered will prove helpful to you in understanding the steps which you may have to take to protect as nearly as possible the status of any orders which you have placed or may be placing on United States suppliers for the type of equipment covered by M-44.

M-44 deals only with the equipment which is described on Schedule A of the Order. This, however, covers a wide field and applies not only where this equipment is used in an electricity generating project but also where it is used as a part of the distribution facilities in a plant, e.g., switchgear, boilers, diesel engines, etc., which may not be directly associated with power generation. Thus this Order may be of interest to you even though your project may not be directly concerned with power generation. On the other hand, certain of the Bank's borrowers obviously will not be directly interested in the subject of this memorandum because they have placed no orders in the United States for the type of equipment covered by Order No. M-44.

As stated in Section 3 of the Order, each manufacturer in the United States of this type of equipment must file on the 15th of each month with the National Production Authority a statement known as an "order board" of his proposed production and shipping schedules of the orders he has on his books. The National Production Authority may within ten days thereafter return this order board to the manufacturer with such modifications as are required by defense policy decisions of NPA.

The Power Equipment Division of NPA administers the Order through ten sections dealing with separate categories of equipment. These sections at present are: the condenser section, the boiler section, the marine section, the transformer section, the electrical section, the steam turbine section, the switchgear section, the hydraulic turbine section, the diesel and gas engine section, and the transmission and distribution section. Each of the section chiefs examines the order boards of each manufacturer under his jurisdiction and under policy guidance from his superiors and after proper coordination among the various sections through
a coordinating section, identifies each order with a particular project and either approves, reschedules, or eliminates it.

From this brief description you will understand that it is of great importance that each of the section chiefs shall have available to him adequate information concerning each order under examination by him. It is also important that the section chief and his superiors shall have available to them full information concerning the project into which equipment covered by an individual order will be incorporated, including the economic justification for it, its sponsorship, and any decisions of high policy of United States authorities as to the relative support which the project should command. This is particularly important with respect to all projects in the foreign field as there is, in many instances, a natural predilection on the part of administrators to emphasize the needs of projects inside the continental United States as compared to projects abroad.

Through the Office of International Trade of the Department of Commerce, the Bank has made representations and provided summary information concerning all projects financed by the International Bank. As the administration of III-44 proceeds, however, the Bank or its borrowers may be requested to provide fuller information than has been made available so far in order that the urgency and importance of foreign projects may be more readily understood by policy-making officials of NFA. The procedures under which information will be requested and used are not yet fully developed within the defense agencies. The most effective present method, however, is the procedure of presenting to the Projects Division, Office of International Trade, an application for a project license covering an over-all dollar amount to be authorized within which applications for the issuance of individual export licenses will be considered. A number of the Bank's borrowers have already prepared and submitted to the Projects Division of the Office of International Trade such applications. These documents, which fully describe the project and its justification, are serving a useful purpose in spreading in the proper quarters an understanding of the urgency and importance of the individual projects, not only in connection with the administration of III-44 but in many other respects.

I recommend strongly that if you have not prepared and presented an application for a project license as above described, you correspond with me promptly, advising me of your present intentions in this respect; and I will be very glad to suggest, if you wish, appropriate procedures for accomplishing this result.

At the request of the Office of International Trade and the Power Equipment Division of the National Production Authority, the Bank has prepared a new form (Form 231) which is designed to provide at this time basic information concerning all orders which you have placed in the United States for equipment specified in Schedule A of Order III-44. A limited supply of these forms is enclosed herewith.
We have been requested to invite you to prepare this form in ten copies on a one-time basis so that we may see to it that the section chiefs of the Power Equipment Division of NPA as well as the Office of International Trade are fully aware of the orders presently placed which will need attention from the officials examining the manufacturers' order boards. We also request you to keep our information on orders of this type up to date by furnishing us, say, once a month, also using Form 231, information concerning any additional orders which you may place and any cancellations or other changes in information which you have previously furnished on a one-time basis. We will see to it that this information is placed in the proper hands in the appropriate agencies.

There is, of course, no legal compulsion to furnish this information. We urge you, however, to do so because we believe that it will prove of assistance in preventing delays in fulfilling orders already placed and will assist us in making representations to the appropriate authorities when any difficulties evolve.

It is very important, in our opinion, in preparing Form 231, for you to state the required delivery date as provided in the form on a realistic basis, that is to say, not stating required shipping dates earlier by any appreciable length of time than is necessary to conform to your present realistic construction and erection schedules. If required delivery dates are stated substantially earlier than needed and this comes out in the course of any investigation, it will have a tendency to raise questions about future statements of required delivery dates and thus cause considerable difficulties and embarrassment.

It is worth reporting that through the Defense Electric Power Administration, all the requirements for equipment covered by Schedule A of M-44 for the United States domestic power expansion program are being submitted on a very comprehensive basis to the National Production Authority on a form similar to Form 231. Accordingly, unless equally reliable information concerning the requirements of foreign projects are submitted, it appears likely that they may be neglected to a certain extent.

It is quite possible that other categories of equipment may shortly be made subject to scheduling in a manner similar to that used under M-44. During the last War, this type of order came increasingly into use as equipment shortages became more acute. Thus we may find it desirable and necessary to write you later on other problems of this character.

An appropriate method for sending in your monthly report of additions and changes is suggested in the attached letter.

Supplies of Form 231 are available to you from the Bank or, if you wish, you may reproduce them yourself.

Samuel W. Anderson
Special Advisor to the Loan Director

Enclosures
## Instructions

Prepare 10 copies, list all orders for equipment specified in Schedule A of National Production Authority Order No. M-44 and send to S. W. Anderson, International Bank for Reconstruction and Development, 1818 H Street, N.W., Washington 25, D.C., U.S.A. Each month thereafter if there are any changes or additions, submit a new Form No. 231.

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### Export License

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<th>Purchaser's Order Number</th>
<th>Required Shipping Date</th>
<th>Shipping Date Presently Promised</th>
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**Date of this Report**

**Pages**

**Page No.** of **pages**
Mr. Schmidt

S. W. Anderson

Letters to Borrowers

Attached are copies of letters addressed by Mr. Alderson to a number of borrowers in connection with the mailing of Procurement and Priorities Memorandum No. 2, which is also attached for your information.

Attachments:
Letters to borrowers (9)
Procurement and Priorities Memorandum No. 2

S/Anderson:rd
OFFICE MEMORANDUM

TO: Mr. Rucinski
FROM: S. W. Anderson

DATE: May 3, 1951

SUBJECT: Letters to Borrowers

Attached are copies of letters addressed by Mr. Aldewereld to a number of borrowers in connection with the mailing of Procurement and Priorities Memorandum No. 2, which is also attached for your information.

Inform Mr. Anderson that he should not address letters to Mr. Velde Hetder ni drag but letters to the Ministry of Finance to the Development Board (until further notice).

Attachments:
Letters to borrowers (7)
Procurement and Priorities Memorandum No. 2

SWAnderson:ml
Mr. Cope

S. W. Anderson

Letters to Borrowers

Attached are copies of letters addressed by Mr. Aldenreid to a number of borrowers in connection with the mailing of Procurement and Priorities Memorandum No. 2, which is also attached for your information.

Attachments:
Letters to borrowers (9)
Procurement and Priorities Memorandum No. 9

S. W. Anderson

May 3, 1951
May 1, 1951

Dear George:

I thought you might be interested in seeing copies of the first two Procurement and Priorities memoranda which I have sent, together with the relevant forms, to all borrowers from the Bank.

Sincerely yours,

Samuel W. Anderson
Special Advisor to the Loan Director

Enclosures (2)

Mr. George H. Knutson
Economic Cooperation Administration
806 Connecticut Avenue, N.W.
Washington, D. C.

SAnderson:nl
COMMUNICATION: Letter and Memo

DATED: April 30, 1951

TO: Mr. Frank Isaiah
    President's Material Policy Commission

FROM: Mr. Rist

SUMMARY: Letter sending memo's re Gray Report and other studies on investment.

Memo states that Prof. Mikesell and Mr. Frank called to say that they are working for the President's Materials Policy Commission and wish to know the Bank's policy re production of materials; position re non-guaranteed loans, etc.

FILED UNDER: Development

CROSS REFERENCE: Materials Policy Commission

Investment

Procurement
To All Borrowers from IBRD:

SUBJECT: Electrical Equipment from United States Suppliers

The only equipment "scheduling" order so far issued by the National Production Authority of the United States Government is NPA Order No. M-44. A copy of this order is enclosed for your information. The following explanation of how this order is administered will prove helpful to you in understanding the steps which you may have to take to protect as nearly as possible the status of any orders which you have placed or may be placing on United States suppliers for the type of equipment covered by M-44.

M-44 deals only with the equipment which is described on Schedule A of the Order. This, however, covers a wide field and applies not only where this equipment is used in an electricity generating project but also where it is used as a part of the distribution facilities in a plant, e.g., switchgear, boilers, diesel engines, etc., which may not be directly associated with power generation. Thus this Order may be of interest to you even though your project may not be directly concerned with power generation. On the other hand, certain of the Bank's borrowers obviously will not be directly interested in the subject of this memorandum because they have placed no orders in the United States for the type of equipment covered by Order No. M-44.

As stated in Section 3 of the Order, each manufacturer in the United States of this type of equipment must file on the 15th of each month with the National Production Authority a statement known as an "order board" of his proposed production and shipping schedules of the orders he has on his books. The National Production Authority may within ten days thereafter return this order board to the manufacturer with such modifications as are required by defense policy decisions of NPA.

The Power Equipment Division of NPA administers the Order through ten sections dealing with separate categories of equipment. These sections at present are: the condenser section, the boiler section, the marine section, the transformer section, the electrical section, the steam turbine section, the switchgear section, the hydraulic turbine section, the diesel and gas engine section, and the transmission and distribution section. Each of the section chiefs examines the order boards of each manufacturer under his jurisdiction and under policy guidance from his superiors and after proper coordination among the various sections through
a coordinating section, identifies each order with a particular project and either approves, reschedules, or eliminates it.

From this brief description you will understand that it is of great importance that each of the section chiefs shall have available to him adequate information concerning each order under examination by him. It is also important that the section chief and his superiors shall have available to them full information concerning the project into which equipment covered by an individual order will be incorporated, including the economic justification for it, its sponsorship, and any decisions of high policy of United States authorities as to the relative support which the project should command. This is particularly important with respect to all projects in the foreign field as there is, in many instances, a natural predilection on the part of administrators to emphasize the needs of projects inside the continental United States as compared to projects abroad.

Through the Office of International Trade of the Department of Commerce, the Bank has made representations and provided summary information concerning all projects financed by the International Bank. As the administration of 1-44 proceeds, however, the Bank or its borrowers may be requested to provide fuller information than has been made available so far in order that the urgency and importance of foreign projects may be more readily understood by policy-making officials of MFA. The procedures under which information will be requested and used are not yet fully developed within the defense agencies. The most effective present method, however, is the procedure of presenting to the Projects Division, Office of International Trade, an application for a project license covering an over-all dollar amount to be authorized within which applications for the issuance of individual export licenses will be considered. A number of the Bank's borrowers have already prepared and submitted to the Projects Division of the Office of International Trade such applications. These documents, which fully describe the project and its justification, are serving a useful purpose in spreading in the proper quarters an understanding of the urgency and importance of the individual projects, not only in connection with the administration of 1-44 but in many other respects.

I recommend strongly that if you have not prepared and presented an application for a project license as above described, you correspond with me promptly, advising me of your present intentions in this respect; and I will be very glad to suggest, if you wish, appropriate procedures for accomplishing this result.

At the request of the Office of International Trade and the Power Equipment Division of the National Production Authority, the Bank has prepared a new form (Form 231) which is designed to provide at this time basic information concerning all orders which you have placed in the United States for equipment specified in Schedule A of Order 1-44. A limited supply of these forms is enclosed herewith.
We have been requested to invite you to prepare this form in ten copies on a one-time basis so that we may see to it that the section chiefs of the Power Equipment Division of NPA as well as the Office of International Trade are fully aware of the orders presently placed which will need attention from the officials examining the manufacturers' order books. We also request you to keep our information on orders of this type up to date by furnishing us, say, once a month, also using Form 231, information concerning any additional orders which you may place and any cancellations or other changes in information which you have previously furnished on a one-time basis. We will see to it that this information is placed in the proper hands in the appropriate agencies.

There is, of course, no legal compulsion to furnish this information. We urge you, however, to do so because we believe that it will prove of assistance in preventing delays in fulfilling orders already placed and will assist us in making representations to the appropriate authorities when any difficulties evolve.

It is very important, in our opinion, in preparing Form 231, for you to state the required delivery date as provided in the form on a realistic basis, that is to say, not stating required shipping dates earlier by any appreciable length of time than is necessary to conform to your present realistic construction and erection schedules. If required delivery dates are stated substantially earlier than needed and this comes out in the course of any investigation, it will have a tendency to raise questions about future statements of required delivery dates and thus cause considerable difficulties and embarrassment.

It is worth reporting that through the Defense Electric Power Administration, all the requirements for equipment covered by Schedule A of M-44 for the United States domestic power expansion program are being submitted on a very comprehensive basis to the National Production Authority on a form similar to Form 231. Accordingly, unless equally reliable information concerning the requirements of foreign projects are submitted, it appears likely that they may be neglected to a certain extent.

It is quite possible that other categories of equipment may shortly be made subject to scheduling in a manner similar to that used under M-44. During the last War, this type of order came increasingly into use as equipment shortages became more acute. Thus we may find it desirable and necessary to write you later on other problems of this character.

An appropriate method for sending in your monthly report of additions and changes is suggested in the attached letter.

Supplies of Form 231 are available to you from the Bank or, if you wish, you may reproduce them yourself.

Samuel W. Anderson
Special Advisor to the Loan Director

Enclosures
Instructions: Prepare 10 copies, list all orders for equipment specified in Schedule A of National Production Authority Order No. M-44 and send to S. W. Anderson, International Bank for Reconstruction and Development, 1818 H Street, N.W., Washington 25, D.C., U.S.A. Each month thereafter if there are any changes or additions, submit a new Form No. 231.

<table>
<thead>
<tr>
<th>Name of Project</th>
<th>Country</th>
<th>Name of Consignee</th>
<th>Name of Purchaser</th>
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<tbody>
<tr>
<td>Export License Number if Granted</td>
<td>Item of Equipment</td>
<td>Capacity</td>
<td>Name of U.S. Supplier</td>
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**Record Removal Notice**

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<td>Procurement - General - Volume 1</td>
<td>1071074</td>
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<th><strong>Document Type</strong></th>
<th><strong>Correspondents / Participants</strong></th>
<th><strong>Subject / Title</strong></th>
<th><strong>Exception(s)</strong></th>
<th><strong>Additional Comments</strong></th>
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<td>Report</td>
<td>US Government</td>
<td>Foreign Economic Development Projects</td>
<td>Information Provided by Member Countries or Third Parties in Confidence</td>
<td>The item(s) identified above has/have been removed in accordance with The World Bank Policy on Access to Information. This Policy can be found on the World Bank Access to Information website.</td>
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**Withdrawn by**

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<td>02-Aug-16</td>
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STAFF LOAN COMMITTEE

Date: April 24, 1951

TO: Mr. Iliff

A meeting of the Staff Loan Committee will be held at 10:30 a.m.
on Wednesday, April 25, 1951, in Room No. 1005

(SIGNED) MICHAEL L. LEJEUNE

Michael L. Lejeune
Secretary, Staff Loan Committee

AGENDA

The Committee will consider the attached Report and Recommendations
of the Working Party on "Availability of Non-Dollar Currencies for Lending,"
SLC/0/321, dated April 24, 1951.
STAFF LOAN COMMITTEE

MEMORANDUM FOR MEMBERS OF THE STAFF LOAN COMMITTEE

At the request of Mr. S. W. Anderson, Special Assistant to the Loan Director, the attached sample form, No. 228, is enclosed for your information.

(SIGNED) MICHAEL L. LEJEUNE

Michael L. Lejeune
Secretary
TO: Staff Loan Committee
Loan Officers, Loan Department
Staff Members, Economic Department
Staff Members, Treasurer's Department
Staff, Legal Department

FROM: S. W. Anderson

April 18, 1951

For your information I am attaching hereto a new form, a modest supply of which is being sent to all the Bank's borrowers whose loans have not been disbursed.
BORROWER’S REQUEST FOR PROCUREMENT ASSISTANCE
(Submit in Duplicate in English)

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<td>1. Name of Borrower</td>
<td>2. Project No.</td>
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<td>5. Material or Equipment Needed (Give precise description including item number, if any, in list of goods on file with IBRD)</td>
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<td>8. Name and Address of Person To Whom Reports On This Request Should Be Made</td>
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<td>16. Name and Address of (Proposed) Supplier</td>
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<td>11. Purchase Order (If Placed)</td>
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<td>Yes ☐ No ☐</td>
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25. Brief Description and Justification of Project

26. Remarks (Include any additional information which might be helpful in considering this request)

27. Title

28. Signature


30. THIS SPACE TO BE USED BY IBRD

Record of Action

INSTRUCTIONS

A. This request must be submitted in duplicate in English. Since the information requested may be furnished in the first instance by someone not familiar with English, however, we are providing on the attached supplement, for convenience only, translations of each question in French and Spanish.

B. If the item or material needed is on order from a subcontractor, this request should be prepared and submitted by or in behalf of the prime contractor or supplier.

C. A separate request should be prepared for each purchase order or item needed.

D. Requests should be numbered serially to facilitate reference in future correspondence.

E. If the space on the form is insufficient, please furnish supplements and number the additional material to correspond with the questions on the form.

F. If available, four copies of the purchase order should accompany this form.
April 23, 1951

Mr. Lawrence Ottinger, President
U. S. Plywood Corporation
55 West 44th Street
New York, New York

Dear Larry:

Amongst some new duties I have at the Bank is the whole problem of the impact of equipment and material shortages on the past and proposed loans which the Bank expects to make. In one case, therefore, I turn to you as a fountain of information from your past experience, to ask this question.

How tight and what kind of a delivery schedule could one reasonably expect to get for complete equipment for a plywood plant with a capacity of 60,000 square feet per day? Do you think some of your people could give me an indication of probable deliveries and advice as to whether suppliers' promises, even on a somewhat extended basis, are reasonably solid under today's conditions?

I presume you must be furiously busy and that business must be very active with you.

Kindest regards,

Sincerely yours,

Samuel W. Anderson
Special Advisor to the Loan Director

S.W. Anderson: jf
Mr. Hamilton

S. W. Anderson

Request for a Copy of the Technical Report on Each Loan

April 20, 1951

I would like to secure, with respect to each loan which the Bank has so far made, one copy of the technical report as submitted to the Staff Loan Committee (not as submitted to the Executive Directors). I realise that in certain instances, there is no separate technical report as such, but that technical information and data are included in the Operational Report or the Loan Department's report. In this latter instance, the report containing the technical details is what I wish. I do not wish copies of the reports of the Economic Department or reports on economic situation apart from technical questions relating to the projects themselves.

I need these reports for constant reference in connection with the necessity of supplying justification information to NPA, OIT, and other U. S. Government agencies. I have cleared with Messrs. Garner and Nixor the essentiality of this request, and, in fact, Mr. Garner has stated that he is willing in necessary cases to provide restricted versions of our documents to OIT and NPA where I consider it to be essential to do so.

Sincerely,

S. W. Anderson

cc: Mr. Garner
    Gen. Wheeler
April 19, 1951

Mr. W. R. Nolan
Industry Division
Economic Cooperation Administration
806 Connecticut Avenue, N. W.
Washington 25, D. C.

Dear Barney:

What is your opinion about the following items of road building equipment at present:

- Patrolo
- Rollers
- Flat Bed Trucks
- Concrete Pipe Plants
- Tornapulls

When we talked the other day I got a general idea of the agricultural tractor situation. I am now confronted, however, with the necessity of giving advice on the relative degree of tightness of certain tractors by sizes. Since I am not enough of an expert to identify the model numbers against which I made notes when you were here the other day, would you be good enough to give me your judgment on the following sizes:

3. Large "4-5 plow" 31-40 h.p. Crawler type
4. A very large "land clearing" 60-80 h.p. Crawler type

Sincerely yours,

Samuel W. Anderson
Special Advisor to the Loan Director
To post you on the results of the letter to Charlie Wilson, I was asked by Shaw Livermore (Committee on Foreign Requirements and Supplies' Secretariat), and Dick Johnson (Harriman's Office), to make a first draft of a U. S. position paper on foreign economic development projects. I did this, clearing it with Messrs. Garner, Sommers and Rist.

A second draft has been made by Mr. Livermore and a third draft will be ready on Friday, the 20th. I think that the third draft will be a reasonably good paper and I will send you a copy after it has reached an appropriate stage of finality. The paper, when ready, will be presented to the Committee for debate, probably within about ten days.

cc: General Wheeler
    Mr. Garner
    Mr. Sommers
    Mr. Rist
### Borrower's Request for Procurement Assistance

Submit in Duplicate in English

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21. Amount Of Order (Approximate figure in currency of invoice)  

22. Invoice To Be Financed As Part of IBRD Loan  

23. Amount Paid To Date (if any)  

24. Export License No.  

Yes ☐ No ☐  

25. Brief Description and Justification of Project  

26. Remarks (Include any additional information which might be helpful in considering this request)  

27. Title  

28. Signature  


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Record of Action  

INSTRUCTIONS  

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D. Requests should be numbered serially to facilitate reference in future correspondence.  

E. If the space on the form is insufficient, please furnish supplements and number the additional material to correspond with the questions on the form.  

F. If available, four copies of the purchase order should accompany this form.
TO: Staff Loan Committee  
Loan Officers, Loan Department  
Staff Members, Economic Department  
Staff Members, Treasurer's Department  
Staff, Legal Department  

FROM: S. W. Anderson  

April 16, 1951

For your information I am attaching hereto a new form, a modest supply of which is being sent to all the Bank's borrowers whose loans have not been disbursed.
Mr. Eugene R. Black

S. W. Anderson

C. E. Wilson Letter - Procurement

April 18, 1951

To post you on the results of the letter to Charlie Wilson, I was asked by Shaw Livermore (Committee on Foreign Requirements and Supplies’ Secretariat), and Dick Johnson (Harriman’s Office), to make a first draft of a U. S. position paper on foreign economic development projects. I did this, clearing it with Messrs. Garner, Sommers and Rist.

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cc: General Wheeler
    Mr. Garner
    Mr. Sommers
    Mr. Rist
Dear Mr. Wade:

Your letter of April 10 addressed to the Bank, your reference IB53337/GP. Exp., with which you enclosed some literature concerning the equipment being manufactured by you in England, is interesting.

As you probably know, the Bank itself does not procure equipment for its borrowers nor, in fact, does it give specific advice except under exceptional circumstances. Nonetheless, the present situation of growing tightness in the equipment market, particularly in the United States, has caused us to think much more about the relative degree of availability of heavy construction equipment, earth-moving equipment, agricultural machinery, power equipment, and the like. As a matter of general interest, therefore, I would be very grateful if you could write me in some detail a realistic assessment of the delivery promises which could be obtained from you today for overseas shipment of typical important items manufactured by you.

It is my responsibility in the Bank to provide such assistance as we can to our borrowers in attempting to avoid damaging delays in the delivery of the equipment which they need. Thus I am always interested in up-to-date information concerning the relative degree of tightness and delivery possibilities from the United States as well as Europe. I am sure your advice on these matters, based as it is on your present active business, would be very useful to me.

Very truly yours,

Samuel W. Anderson
Special Advisor to the Loan Director

A. W. Wade, Esq.
Export Manager
Blaw Knox Limited
Clifton House
Euston Road
London, N.W.1, England

cc: Gen. Wheeler
Mr. R. E. Johnson, Director
Program Requirements Staff
Defense Production Administration
218 Old GAO Building
Washington 25, D. C.

Dear Bob:

I thought that you might be interested in seeing the attached copy of a letter which Mr. Black delivered to Mr. C. E. Wilson personally a week ago.

I think this letter will be discussed at a meeting of the Committee on Foreign Requirements and Supplies shortly.

Sincerely yours,

Samuel W. Anderson
Special Advisor to the Loan Director

S.W. Anderson: JF

attachments: 2
April 17, 1951

Mr. C. E. Wampler, Director
Office of Program Requirements
Defense Production Administration
Old GAO Building
Washington 25, D. C.

Dear Chuck:

Although you may see it as it is distributed to members of the Committee on Foreign Requirements and Supplies, I thought I would nonetheless send you a copy of a letter which Mr. Black has given to Mr. C. E. Wilson, together with the Annexes.

I understand that the Committee will discuss this letter at an early meeting.

Sincerely yours,

Samuel W. Anderson
Special Advisor to the Loan Director

S.W. Anderson:jf

attachments
April 17, 1951

Mr. Everett Eslick
Industry Division
Economic Cooperation Administration
806 Connecticut Avenue, N. W.
Washington 25, D. C.

Dear Everett:

I thought you might like to pass along one of the attached copies of our "Memorandum Concerning U. S. and European Capacity of Manufacture Electrical Equipment" to Doug Kimball. If you do, please tell him that I would be very interested in his observations about my comments.

Sincerely yours,

Samuel W. Anderson
Special Advisor to the Loan Director

S.W. Anderson:jf

attachments: (2)
MEMORANDUM FOR MEMBERS OF THE STAFF LOAN COMMITTEE:

Attached for your information is a copy of a memorandum prepared by Mr. S.W. Anderson on the subject of "U.S. and European Capacity to Manufacture Electrical Equipment."

(SIGNED) MICHAEL L. LEJEUNE

Michael L. Lejeune
Secretary
MEMORANDUM CONCERNING U. S. AND EUROPEAN CAPACITY TO MANUFACTURE ELECTRICAL EQUIPMENT

Because of their general interest, I have had prepared the attached charts for circulation in the Bank and, to some extent, outside of the Bank.

The general tightness in the equipment markets makes it interesting to examine whatever data is available, leading to a comparison between the position of the European suppliers and the American suppliers.

One of the most interesting problems is the position of the electrical equipment manufacturers. The Edison Electric Institute has evolved a technique of securing, promptly and periodically, accurate data on the volume of orders and open capacity of a large segment of the manufacturing industry in the United States. These data are generally brought up to date every quarter and the results are privately circulated after the end of each quarter. At the request of ECA the same techniques have been applied to the accumulation of comparable data from the European manufacturers, through the Electricity Committee of the OEEC. Unfortunately, however, the time necessary for the statistical accumulation in Europe is much longer than in the United States. The data with which we have to work, therefore, is not comparable as to dates, and the attached charts are therefore of more academic than practical value at this moment inasmuch as the European data is as of April 1, 1950, whereas the American data is as of January 1, 1951. This lack of comparability of course does not apply to the years 1948, 1949, and 1950, where the data represents shipments. Fortunately a new study is under way in Europe as of April 1, 1951, but it is not anticipated that this material will be available until August at the very earliest. At that time, however, it should be possible to get a comparable picture as of April 1, 1951.

The attached charts, however, do bring out a number of interesting facts:

1. They show the very large increase in the American capacity to produce large steam turbo generator units, small steam turbo generator units, and high pressure boilers. In the case of these items, the American capacity far outstrips that of Europe. On the other hand, the European capacity to produce hydraulic generators and, to a lesser degree power transformers, has been built up substantially, and in the case of hydraulic generators greatly exceeds that of the United States.

2. The impact of the rush of orders on U. S. suppliers placed during the last quarter of 1950 is strikingly shown by the distance between the dotted line on the bars and the top of the dotted-in space. For example, orders replaced on the American supply of large turbo generators (over 10,000 k.w.) during the last quarter of 1950 filled up practically all of the remaining open space in the shop schedules for 1952 and about one half of the open space available for deliveries in 1953. This is in striking contrast with the 1952-1953 demand for small turbo generator units of less than 10,000 k.w. capacity.
2.

The urgent demand for high pressure boilers generated in the last quarter of 1950 is also significantly shown by the chart, although apparently there is still a large open capacity to produce for 1952 deliveries, assuming availability of steel. The transformer picture on the U. S. industry still looks not too tight in 1952.

3. If it can be reasonably assumed that the acceleration of industrial mobilization in Europe has not yet attained the rate of that in the United States, the charts would seem to imply that the European capacity, especially for hydraulic generators, may be less heavily committed at this time than the corresponding capacity in the United States. On the other hand, the least tight picture seems to be that for small steam turbo generators up to 10,000 k.w., both in the United States and in Europe.

The boiler picture in the United States is very heavily influenced at present by the shortage of steel plate and especially tubing. Steps are now being taken by NPA to divert sheet billets to the manufacture of tube rounds in order to make use of presently idle tube capacity.

Samuel W. Anderson
Special Advisor to the Loan Director

April 13, 1951

attachments: 6
STATUS OF PRODUCTION OF HEAVY ELECTRIC POWER EQUIPMENT IN U.S. AND OEEC COUNTRIES

HYDRAULIC TURBINES (5,000 horsepower and larger)

CAPACITY - 000's HORSEPOWER

<table>
<thead>
<tr>
<th>Year</th>
<th>Shipped</th>
<th>Scheduled</th>
</tr>
</thead>
<tbody>
<tr>
<td>1948</td>
<td>2,000</td>
<td>1,000</td>
</tr>
<tr>
<td>1949</td>
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<tr>
<td>1950</td>
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<tr>
<td>1954</td>
<td>8,000</td>
<td>7,000</td>
</tr>
</tbody>
</table>

*Actual shipments in 1st quarter of 1950, and orders scheduled in last 3 quarters.
**In U.S., as of January 1, 1951. In O.E.E.C. countries, as of April 1, 1950


Edison Electric Institute, February 15, 1951
STATUS OF PRODUCTION OF HEAVY ELECTRIC POWER EQUIPMENT IN U. S. AND OEEC COUNTRIES

HYDRAULIC GENERATORS (4,000 KW and larger)

CAPACITY - 000's KW

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<td>5,000</td>
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<tr>
<td>TOTAL MANUFACTURING CAPACITY</td>
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<td>6,000</td>
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</tbody>
</table>

SHIPPED

*ACTUAL SHIPMENTS IN 1ST QUARTER OF 1950, AND ORDERS SCHEDULED IN LAST 3 QUARTERS.

SOURCE: O.E.E.C. PARIS, DECEMBER 1950
EDISON ELECTRIC INSTITUTE, FEBRUARY 15, 1951
STATUS OF PRODUCTION OF HEAVY ELECTRIC POWER EQUIPMENT IN U. S. AND OEEC COUNTRIES

LARGE STEAM TURBINE - GENERATORS (10,000 KW and larger)

CAPACITY - 000's KW

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<th>USA</th>
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<tr>
<td>1954</td>
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<td>6,000</td>
</tr>
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</table>

TOTAL MANUFACTURING CAPACITY

OPEN MANUFACTURING CAPACITY

FOR OEEC MEMBER COUNTRIES

FOR NON-MEMBER COUNTRIES

U.S. OEEC MEMBER COUNTRIES

*ACTUAL SHIPMENTS IN 1ST QUARTER OF 1950, AND ORDERS SCHEDULED IN LAST 3 QUARTERS.

**IN U.S., AS OF JANUARY 1, 1951, IN O.E.E.C. COUNTRIES, AS OF APRIL 1, 1950

SOURCE: O.E.E.C. PARIS, DECEMBER 1950

EDISON ELECTRIC INSTITUTE, FEBRUARY 15, 1951
STATUS OF PRODUCTION OF HEAVY ELECTRIC POWER EQUIPMENT IN U.S. AND OEEC COUNTRIES

SMALL STEAM TURBINE - GENERATORS (4,000 - 9,999 KW)

CAPACITY - 000's KW

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<tr>
<th>Year</th>
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<th>Total Capacity Oct. 1, 1950</th>
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*Actual shipments in 1st quarter of 1950, and orders scheduled in last 3 quarters.
**In U.S., as of January 1, 1951; in O.E.E.C. countries, as of April 1, 1950.

Edison Electric Institute, February 15, 1951
STATUS OF PRODUCTION OF HEAVY ELECTRICAL POWER EQUIPMENT IN U. S. AND OEEC COUNTRIES

STEAM GENERATORS-BOILERS (U.S.-450 PSI pressure and over; OEEC Countries-50,000 lb/hr and over)

CAPACITY - 1,000 POUND PER HOUR

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*ACTUAL SHIPPED IN 1ST QUARTER OF 1950, AND ORDERS SCHEDULED IN LAST 3 QUARTERS.

SOURCE: O.E.E.C. PARIS, DECEMBER 1950
EDISON ELECTRIC INSTITUTE, FEBRUARY 15, 1951
STATUS OF PRODUCTION OF HEAVY ELECTRIC POWER EQUIPMENT IN U. S. AND OEEC COUNTRIES

POWER TRANSFORMERS (U.S. - 501 KVA and larger; OEEC Countries - 650 KVA and larger)

CAPACITY - 000's KVA

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<th>Year</th>
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<th>Scheduled</th>
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<tbody>
<tr>
<td>1948</td>
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<td>1954</td>
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</tbody>
</table>

*ACTUAL SHIPMENTS IN 1ST QUARTER OF 1950, AND ORDERS SCHEDULED IN LAST 3 QUARTERS.

SOURCE: O.E.E.C. PARIS, DECEMBER 1950
EDISON ELECTRIC INSTITUTE, FEBRUARY 15, 1951
OFFICE MEMORANDUM

TO: Mr. R. L. Garner
FROM: S. W. Anderson
DATE: April 16, 1951
SUBJECT: Civitas Trading Corporation Limited

The attached from Mr. Hoar does not give too much specific information, but I suppose it is intended to suggest that perhaps the company does not have too great a standing. Nonetheless, I think I will keep the matter in my European file for possible future reference.

attachment
April 16, 1951

Mr. Charles Kells, Director
Power Equipment Division
National Production Authority
1007 Tempo T Building
Washington 25, D. C.

Dear Charlie:

I thought you would like to see the attached copy of a letter which Mr. Black, President of the Bank, has written to Mr. Charles E. Wilson.

This letter will be considered by the Committee on Foreign Requirements and Supplies at an early meeting. It sets forth the general viewpoint of the Bank and describes how it operates.

In view of the fact that so many of our projects have to do with power I thought the contents of this letter might be useful to you.

Sincerely yours,

Samuel W. Anderson
Special Advisor to the Loan Director

attachment

S.W. Anderson: JF
April 16, 1951

Mr. A. B. Leonard  
Industry Operations Bureau  
Power Equipment Division  
National Production Authority  
2538 Tempco T Building  
Washington 25, D. C.

Dear Art:

I thought you would like to see the attached copy of a letter which Mr. Black, President of the Bank, has written to Mr. Charles E. Wilson.

This letter will be considered by the Committee on Foreign Requirements and Supplies at an early meeting. It sets forth the general viewpoint of the Bank and describes how it operates.

In view of the fact that so many of our projects have to do with power, I thought the contents of this letter might be useful to you.

Sincerely yours,

Samuel W. Anderson  
Special Advisor to the Loan Director

attachment

S. W. Anderson: jf
April 16, 1951

Mr. J. E. Moore
Defense Electric Power Administration
Department of Interior
Washington 25, D. C.

Dear J. E.:

I am enclosing herewith copy of a letter which Mr. Black, President of the Bank, has sent to Mr. C. E. Wilson.

This letter will be considered by the Committee on Foreign Requirements and Supplies at an early meeting. I thought you might be interested in our point of view, and might find the letter and annexes helpful.

Sincerely yours,

Samuel W. Anderson
Special Advisor to the Loan Director

S.W. Anderson:jf

attachment
April 16, 1951

Mr. James Boyd
Administrator
Defense Minerals Administration
Department of Interior
Washington 25, D. C.

Dear Jim:

I am enclosing herewith copy of a letter which Mr. Black, President of the Bank, has written to Mr. C. E. Wilson, which I thought might prove of interest to you in explaining the point of view of the Bank, and in giving you a brief picture of our activities.

Sincerely yours,

Samuel W. Anderson
Special Advisor to the Loan Director

S.W. Anderson: ff

attachment
TO: Mr. S. W. Anderson
FROM: A. S. G. Hoar
SUBJECT: Civitas Trading Corporation Limited

DATE: April 13, 1951

1. I have had a reply to the letter I wrote to the Bank of England on March 28, about Civitas Trading Corporation Limited.

2. The Bank of England have not given me their assessment of the Corporation in the way I had hoped.

3. I wrote informally and, in such matters as giving information and an opinion about a corporation's reputation, activities and standing, they prefer to act only on a distinctly formal and official basis.

4. However, what my correspondent does say, in an unofficial letter, is that he does not believe that it would be worth the Bank's while to go into any trouble to get a detailed check on the Civitas Trading Corporation Limited since he does not believe that that firm could give the Bank the help it requires.

5. I think a wink is as good as a nod.

ASGHoar:dh
4/13/51
April 13, 1951

Dear Bill:

I am enclosing herewith a copy of a letter which Mr. Garner has addressed to William H. Harrison on the subject of MRO for foreign projects.

We feel quite strongly about this matter, and I imagine you, yourself, have been concerned with it. It could be the source of a lot of difficulties.

Sincerely yours,

Samuel W. Anderson
Special Advisor to the Loan Director

Enclosure

Mr. William C. Foster
Economic Cooperation Administration
806 Connecticut Avenue, N.W.
Washington, D. C.

SWAnderson:1
To All Borrowers From IBRD:

In connection with the desire of the Bank to be of assistance to its borrowers on procurement and priorities problems, I propose to address all borrowers from the Bank from time to time in the form of memoranda in a numbered series of which this is No. 1.

If you desire to receive more than one copy of these memoranda in the future, will you please address a note to Mrs. Josephine Faulkner, Room 416, International Bank for Reconstruction and Development, Washington 25, D. C., stating your needs and to whom they should be sent.

Forms for Requesting Special Assistance

Enclosed herewith is a modest supply of IBRD Form 228, "Borrowers' Request for Procurement Assistance", which has been devised to provide us with the information necessary to enable the Bank to request specific assistance from the National Production Authority (NPA) when necessary in justifiable cases. A great deal of time can be saved in the processing of requests for assistance if you or your agents will consistently make use of this form in asking our help on particular orders, (1) delivery of which has been seriously delayed, or (2) which have been removed from production schedules of suppliers, or (3) which you have been unable to place as an order on any supplier. Wherever the space on the form is inadequate for full explanation, please add statements, letters or documents which might serve to elaborate the facts in each case. In all cases where it is practical to do so, please accompany the form with four copies of the purchase order either typewritten or photostated. Copies of letters from the suppliers are also helpful as supporting documents. Wherever practical four copies of such letters should be provided.

Will you please advise me of the quantities of form blanks and instruction sheets which you desire at this time to have on hand for future use. Additional quantities can be supplied at later dates after some experience has been gained with the use of the form.

Referring to my letter of March 13, 1951, it will frequently be time-saving if I may deal directly with an agent of yours in the United States, rather than correspond directly with your office abroad, although I am quite willing to operate on either basis.
2.

If you believe you will need the assistance of the Bank from time to time in connection with procurement and priorities problems, it will avoid confusion and duplication if you will see to it that any other sources of assistance which you are utilizing, such as Commercial Attaches at Embassies, or individual agents retained by you are put in touch with me so I may have the benefit of knowledge of their activities and so that we may coordinate our joint efforts.

I should like to emphasize again that the Bank is not in a position to carry out all of the primary work in behalf of all of its borrowers. Therefore, knowledge of the various plans and procedures which you may be using or propose to use is important to me.

I shall be pleased to try to answer any questions you may have in mind or to make suggestions to you on the problems involved in these matters.

Samuel W. Anderson
Special Advisor to the Loan Director

attachments: 20 Form 228
5 instructions supplements
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<table>
<thead>
<tr>
<th></th>
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</thead>
<tbody>
<tr>
<td>1. Name of Borrower</td>
<td>2. Project No.</td>
<td>3. Request No.</td>
<td>4. Date of Request</td>
</tr>
<tr>
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<tr>
<td>5. Material or Equipment Needed (Give precise description including item number, if any, in list of goods on file with IBRD)</td>
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<tr>
<td>6. Intended Use (Describe how item will be used in project)</td>
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<tr>
<td>7. Location (State where item will be used)</td>
<td>9. Substitute (Give name of less critical material or item which could be used and name of acceptable supplier; if none, explain reasons)</td>
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<tr>
<td>8. Name and Address of Person To Whom Reports On This Request Should Be Made</td>
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<tr>
<td>10. Name and Address of Purchaser</td>
<td>16. Name and Address of (Proposed) Supplier</td>
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<tr>
<td>11. Purchase Order (If Placed)</td>
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<td></td>
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</tr>
<tr>
<td>12. P. O. No.</td>
<td>13. Date</td>
<td>17. Supplier's Order or Shop No. (if order placed)</td>
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<tr>
<td>14. Name and Location of Person Handling Order</td>
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<td></td>
</tr>
<tr>
<td>15. Latest Realistic Shipping Schedule Required (To conform to present construction or use schedule)</td>
<td>19. Shipment Dates Now Promised By Supplier</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>20. Summary of Procurement Difficulty (Give supplier's reasons for inability to accept order or ship by required date, together with his statement as to what action he believes necessary in order for him to meet required delivery date; state action you have already taken)</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
21. Amount Of Order (Approximate figure in currency of invoice)
22. Invoice To Be Financed As Part of IBRD Loan
   Yes ☐ No ☐
23. Amount Paid To Date (if any)
24. Export License No.
25. Brief Description and Justification of Project

26. Remarks (Include any additional information which might be helpful in considering this request)

27. Title
28. Signature


INSTRUCTIONS

A. This request must be submitted in duplicate in English. Since the information requested may be furnished in the first instance by someone not familiar with English, however, we are providing on the attached supplement, for convenience only, translations of each question in French and Spanish.

B. If the item or material needed is on order from a subcontractor, this request should be prepared and submitted by or in behalf of the prime contractor or supplier.

C. A separate request should be prepared for each purchase order or item needed.

D. Requests should be numbered serially to facilitate reference in future correspondence.

E. If the space on the form is insufficient, please furnish supplements and number the additional material to correspond with the questions on the form.

F. If available, four copies of the purchase order should accompany this form.
<table>
<thead>
<tr>
<th>Número</th>
<th>Descripción</th>
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<tbody>
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<td>1.</td>
<td>Nombre del prestatario</td>
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<tr>
<td>2.</td>
<td>Número del proyecto</td>
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<tr>
<td>3.</td>
<td>Número de la solicitud</td>
</tr>
<tr>
<td>4.</td>
<td>Fecha de la solicitud</td>
</tr>
<tr>
<td>5.</td>
<td>Material o equipo requerido (Describalo con exactitud incluyendo, si existe, el número correspondiente en la lista de mercancías en los archivos del Banco)</td>
</tr>
<tr>
<td>6.</td>
<td>Destino (Explique cómo va a usarse el artículo en el proyecto)</td>
</tr>
<tr>
<td>7.</td>
<td>Localidad (Indique dónde va a usarse el artículo)</td>
</tr>
<tr>
<td>8.</td>
<td>Nombre y dirección de la persona a quien se le debe enviar información sobre esta solicitud</td>
</tr>
<tr>
<td>9.</td>
<td>Substituto (Indíquese el nombre de un material o artículo menos crítico que pueda usarse y el nombre de un proveedor aceptable; si no existe explíquense las razones)</td>
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<td>10.</td>
<td>Nombre y dirección del comprador</td>
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<td>13.</td>
<td>Fecha</td>
</tr>
<tr>
<td>14.</td>
<td>Nombre y dirección de la persona encargada de tramitar la orden</td>
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<tr>
<td>15.</td>
<td>Última fecha de embarque aceptable (de acuerdo con el presente plan de construcción o uso)</td>
</tr>
<tr>
<td>16.</td>
<td>Nombre y dirección del proveedor (propuesto)</td>
</tr>
<tr>
<td>17.</td>
<td>Orden del proveedor o número de producción (si la orden ha sido colocada)</td>
</tr>
<tr>
<td>18.</td>
<td>Nombre, número del teléfono, y dirección de la persona encargada de tramitar la orden</td>
</tr>
<tr>
<td>19.</td>
<td>Fechas de embarque prometidas por el proveedor</td>
</tr>
<tr>
<td>20.</td>
<td>Resumen de las dificultades para la obtención (Indíquense las razones dadas por el proveedor para no aceptar la orden o para no embarcar en la fecha requerida, y explíquense las diligencias que él considera necesarias para poder verificar la entrega en la fecha requerida; explique qué diligencias han hecho ustedes)</td>
</tr>
<tr>
<td>21.</td>
<td>Cantidad de la orden (Cantidad aproximada en la moneda de la factura)</td>
</tr>
<tr>
<td>22.</td>
<td>¿Ha de financiarse la factura con el préstamo del Banco? Si No</td>
</tr>
<tr>
<td>23.</td>
<td>Cantidad pagada hasta la fecha</td>
</tr>
<tr>
<td>24.</td>
<td>Licencia de exportación número</td>
</tr>
<tr>
<td>25.</td>
<td>De una descripción breve y justificación del proyecto</td>
</tr>
<tr>
<td>26.</td>
<td>Comentarios (Inclúyase cualquier información adicional útil para la consideración de esta solicitud)</td>
</tr>
<tr>
<td>27.</td>
<td>Posición</td>
</tr>
<tr>
<td>28.</td>
<td>Firma</td>
</tr>
</tbody>
</table>

Preparado este formulario envíe a Mr. S. W. Anderson, International Bank for Reconstruction and Development, 1818 H Street, N. W., Washington 25, D. C., U. S. A.

Espacio destinado al Banco
Demande d'aide par l'emprunteur en vue de faciliter ses approvisionnements
(A présenter en anglais en double expédition)

1. Nom de l'emprunteur  
2. No. du projet
3. No. de la demande  
4. Date de la demande
5. Matériel ou équipement nécessaire (Indiquer la désignation précise y compris le numéro de l'article dans la liste des marchandises déposée avec la Banque)
6. Emploi présumé (Décrire comment le matériel sera employé dans le projet)
7. Lieu (Mentionner où le matériel sera employé)
8. Nom et adresse de la personne à laquelle les informations relatives à cette demande doivent être transmises
9. Substitution (Indiquer le matériel moins difficile à obtenir qui pourrait être employé et le nom d'un fournisseur acceptable; sinon indiquer les raisons)
10. Nom et adresse de l'acheteur
11. Bon de commande (Si émis)  
12. No.  
13. Date
14. Nom et adresse de la personne en charge de la demande
15. Extrême programme d'expédition réalisable requis (En relation avec le plan actuel de construction ou d'emploi)
16. Nom et adresse du fournisseur (proposé)
17. No. d'inscription ou de fabrication du fournisseur (Si bon de commande est émis)
18. Nom, adresse et numéro de téléphone de la personne en charge
19. Dates d'expédition actuellement promises par le fournisseur
20. Sommaire des difficultés dans les approvisionnements (Indiquer les raisons du fournisseur pour ne pas pouvoir accepter la commande ou expédier à la date requise, et expliquer ce qu'il croit être nécessaire pour qu'il puisse expédier à la date requise; indiquer ce que vous avez déjà fait à ce sujet)
21. Montant de la commande (Valeur approximative évaluée en divises stipulées sur la facture)
22. Facture à financer par le prêt de la Banque? Oui Non
23. Montant payé à ce jour  
24. Licence d'exportation No.
25. Donner une brève description et justification du projet
26. Observations (Ajouter toutes informations de nature à aider la consideration de cette demande)
27. Position  
28. Signature
30. L'emplacement ci-dessous est réservé à la Banque.
April 13, 1951

Dear Jim:

I am enclosing herewith a copy of a letter which Mr. Garner has written to Mr. William H. Harrison on the subject of MRO for foreign projects.

I have no doubt you feel the same way, and I hope that your influence will be brought to bear to correct what I think is a manifest mistake.

Sincerely yours,

Samuel W. Anderson
Special Advisor to the
Loan Director

Enclosure

Mr. James Foster
Assistant Director for
Foreign Requirements and Claimancy
Office of International Trade
Room 3594
Department of Commerce Building
Washington, D.C.

SWAnderson:md
April 13, 1951

Mr. James H. Clark  
American Intercontinental Trade & Service Company, Inc.  
50 Broadway  
New York, New York

Dear Mr. Clark:

I just noticed today an extensive revision of NFA Reg. 3 on Canadian priorities. It is paragraph 20h(3), new, in the Commerce Clearing House data.

Very truly yours,

Samuel W. Anderson  
Special Advisor to the Loan Director
Mr. William H. Harrison  
Administrator, Defense Production Administration  
Washington, D. C.

Dear Mr. Harrison:

The International Bank is concerned by the fact that NPA Regulation No. 4 does not permit the assignment of rating 80-97 for maintenance, repair, and operating supplies for foreign concerns. While we recognize that certain specialized problems arise in connection with NPA materials, parts, replacements, etc., to be shipped abroad, it nevertheless seems to us that the continuation in good operating condition of foreign manufacturing, utility, transportation, and the like in countries friendly to the United States is a matter of grave concern.

Our interest, of course, lies in the operating problems of projects financed by the International Bank and which constitute, in addition to the government's guarantee, the basic justification for the loans which we have made. It is true, of course, that many of the more common materials for maintenance, repair, and operating supplies needed by the management of projects which this Bank has financed will not be obtained from the United States but will be available locally or in many instances from Europe. Nevertheless, in those cases where American equipment is being used, the only possible source of supply will be the United States. Failure to be able to obtain such necessary items may easily prove to be a serious hardship to these projects.

We know, of course, that application for individual assistance may be made where specific difficulties arise, but we are fearful that if the foreign projects in which we are interested are long deprived of the routine ability to order necessary NPA materials from the United States, the difficulties will multiply to the point where individual applications may become impractical.

I am sure you are giving this matter serious attention, and I hope that a way will be found to give to the NPA requirements of foreign projects equal status with corresponding needs of industry in the United States. Ability to keep a plant going is certainly rightly regarded as a first claim upon priorities generally.

Very truly yours,

R. L. Carter

cc: Mr. Edwin T. Gibson, Deputy Administrator, Defense Production Administration  
Mr. Hanly Fleischmann, Administrator, National Production Authority  
Mr. James Foster, Office of International Trade  
Mr. Newton Foster, Office of International Trade  
Mr. William C. Foster, Economic Cooperation Administration
April 12, 1951

Dear Dick:

Here is a first draft. I am ready on short notice and at most any time, except before 10:45 a.m. Friday, to come over to discuss this.

I am also enclosing two extra copies if you think this is the moment to pass one to Linc.

Sincerely yours,

Samuel W. Anderson
Special Advisor to the Loan Director

Enclosures (3)

Mr. Richard Johnson
Room 237
Executive Office Building
Washington, D. C.

SWAnderson:ml
April 12, 1951

Dear Shaw:

Here is a first draft. I am ready on short notice and at most any time, except before 10:45 a.m. Friday, to come over to discuss this.

Sincerely yours,

Samuel W. Anderson  
Special Advisor to the  Loan Director

Enclosure

Mr. Shaw Livermore  
Economic Cooperation Administration  
806 Connecticut Avenue, N.W.  
Washington, D. C.

SWAnderson:ml
April 12, 1951

Mr. Michael V. DiSalle
Director
Office of Price Stabilization
Washington 25, D. C.

Dear Mr. DiSalle:

The enclosed letter arrived in the mail today. Obviously there has been a mistake in your mailing room.

Very truly yours,

Samuel W. Anderson
Special Advisor to the Loan Director

enclosure
OFFICE MEMORANDUM

TO: Files

FROM: S. W. Anderson

DATE: April 11, 1951

SUBJECT: U. S. Freight Car Program

I talked to Mr. Berkeley Robins of the Defense Transportation Authority yesterday. He told me that the approved U.S. freight car program, which is just getting under way, contemplates the output of about 10,000 freight cars a month, beginning about now and going through the middle of 1953. This will absorb about 75-80% of the capacity of the U. S. industry, assuming no shortages of steel plate.

Steel plate is now the bottleneck which is chiefly caused by competition between the plate mills and the sheet mills for billets. This might improve if and when the end-use products using sheet, such as automobiles, are cut back.

The Canadian industry, while able to make cars, is also dependent upon the same source of plate as the Canadian capacity for plate is limited. Wheels and axles are tight also, but plate is the real problem.

Mr. Robins feels that the American industry could handle orders for us if the plate supply improves.

cc: General Wheeler
    Mr. Gray Marshall

S.W. Anderson:jf
April 11, 1951

Mr. A. B. Leonard
Industry Operations Bureau
Power Equipment Division
National Production Authority
2538 Tempo T Building
Washington 25, D. C.

Dear Art:

You will remember in our conversation the other day I told you that the Brazilian Light and Traction Company had prepared a special presentation report for its Rio project. This may not be precisely consistent with the new DEPA form we discussed; nevertheless, you will see that the material is very complete, including comprehensive schedules of procurement of all the necessary materials and equipment for this project in the United States, Canada and abroad.

This project has received SP License No. 3388 by O.I.T. I think it represents an excellent example of submission of valuable information. If there are others in the Power Equipment Division to whom this document might be useful in considering order boards under M-4, I shall be glad to furnish additional copies to them.

The five valves which we discussed and which are in trouble on the order boards of Allis-Chalmers are shown as item 59 on page 4 of the schedules and application has been made for special assistance in respect of these valves by the company through O.I.T. and will doubtless come to your attention in due course.

Very truly yours,

S.W. Anderson
Special Advisor to the Loan Director

cc: Mr. Newton Poster
Mr. Charles Kells

cc: Mr. Gray Marshall
Mr. Warren
April 11, 1951

Mr. Charles Ketcham, Jr.
1010 Vermont Avenue, N. W.
Washington, D. C.

Dear Charlie:

I am undoubtedly going to have to recommend to a number of our borrowers the names of firms or individuals here who are skilled at representing purchasers in connection with procurement problems; priorities and similar matters that you know so well.

Wont you put your thinking cap on and try to suggest to me a number of people who might be suitable. I would be very grateful.

Sincerely yours,

Samuel W. Anderson
Special Advisor to the Loan Director

S.W.Anderson:jf
April 11, 1951

Mr. J. H. Moseley, Vice President
Ebasco International Corporation
Two Rector Street
New York 6, New York

Dear Mr. Moseley:

Since about two months ago I have been devoting all of my time to problems of equipment shortages. I am therefore turning your letter to Mr. Orvis Schmidt for attention.

Very truly yours,

Samuel W. Anderson
Special Advisor to the Loan Director

S.W. Anderson: jf

cc: Mr. Schmidt
My dear Hoar,

After receiving your letter of the 28th March about the Civitas Trading Corporation Limited, I heard that there was some possibility of your coming to London on another matter when Johns would have welcomed the opportunity of having a talk with you. But the prospect of your coming here now seems more doubtful so I think I had better write, although I am afraid it is a little difficult to be helpful on an unofficial basis.

The Discount Office are, not unnaturally, not willing to give information and opinions except when formally requested to do so by the Bank's customers, and then under the usual reserves. You can see the sort of difficulty they might land themselves into if they were to stray from this narrow path even to help old friends. I am afraid, therefore, that they would have to have a formal request from the I.B.R.D. before they could answer your enquiry. All I can say now is that we do not believe it would be worth your while to go to that amount of trouble in the present case since we do not believe that the firm in question could give you the help you require.

May I offer you my heartiest congratulations on your new appointment announced the other day?

Yours sincerely,

A.S.G. Hoar, Esq.
TO: (Listed below)  
FROM: S. W. Anderson  
SUBJECT: Procurement Assistance for Borrowers  

DATE: April 10, 1951

It is becoming increasingly clear that a number of our borrowers have not yet equipped themselves properly to do the primary expediting and to carry the primary burden of processing and developing facts where individual assistance may be required from NPA on a procurement contract that has gotten into trouble. It was never contemplated that the International Bank would set itself up with a sufficient staff to do this work on behalf of all our borrowers. To do so would require adding probably ten or fifteen more people eventually, and even then, it would not work as well as if the responsibility for the primary work lies on the shoulders of the borrower himself.

Our more progressive and sophisticated borrowers such as Brazilian Traction, Mexlight, Fomento, and the Australians are well equipped with personnel and experience to do this work themselves and only to come to the Bank when the Bank's influence is necessary. You will recall that I asked the question of all borrowers in a recent circular letter as to what their plans are for carrying out this work in their own behalf. There has not yet been time to receive comprehensive answers, but it seems obvious that in a good many cases such as UTE, Bokaro, Colombia, etc., no adequate or professional plans have been made.

The purpose of this memorandum is to ask you to suggest to me any firms or individuals who are experienced in this field who might be considered as candidates by our borrowers for Washington representation and work. I have accumulated a few names, but I would be very grateful if you could out of your past experience give me any additional ones who might seem appropriate to you. Several law firms in Washington are quite good at this work although it is perhaps more common to engage either for part time or full time the services of an individual who has had experience in the work.

cc: Gen. Wheeler  
Mr. Rembert  
Mr. Lund  
Mr. Kephart  
Mr. Spottwood  
Mr. Grauman  
Mr. Saitzoff  
Mr. Flasher  

Mr. Marshall  
Mr. Ripman  
Mr. Sommers (for distribution among the Legal Staff as is appropriate)  
Mr. Schmidt  
Mr. Burland
April 10, 1951

Mr. Malcolm Slaght
Industry Division
Economic Cooperation Administration
806 Connecticut Avenue, N. W.
Washington, D. C.

Dear Malcolm:

Here is the letter that I told you about. It has been delivered to Mr. Wilson and will be considered by the Committee on Foreign Requirements and Supplies probably next week.

Sincerely yours,

Samuel W. Anderson
Special Advisor to the
Loan Director

attachment

S.W. Anderson: jf
April 10, 1951

Mr. Manly Fleischmann, Administrator
National Production Authority
Commerce Building
Washington, D. C.

Dear Manly:

I thought you would be interested in seeing a copy of the letter written by Mr. Black, President of the Bank, to Mr. C. E. Wilson.

This letter will be considered by the Committee for Foreign Requirements and Supplies at an early meeting. I thought the contents might give you a picture of how the Bank operates and what our point of view is on the subject of availabilities.

Sincerely yours,

Samuel W. Anderson
Special Advisor to the Loan Director

attachment

S.W. Anderson: ff
April 10, 1951

Mr. Walker L. Cisler
Industry Division
Economic Cooperation Administration
806 Connecticut Avenue, N. W.
Washington, D. C.

Dear Walker:

I know that you will be interested in seeing a copy of a letter which Mr. Black, President of the Bank, has sent to Mr. Wilson.

This letter will be considered by the Committee on Foreign Requirements and Supplies at an early meeting.

Sincerely yours,

Samuel W. Anderson
Special Advisor to the Loan Director

Attachment

S.W.Anderson:jf
April 10, 1951

Mr. Cecil Trulock
Program Section
Finished Products Division
U. S. Department of Commerce
Tempo T Building, Room 2516
Washington, D. C.

Dear Cec:

I am attaching hereto copy of a letter which has been written by Mr. Eugene R. Black, President of the Bank, to Mr. C. E. Wilson.

I thought this information and background might be interesting to you in connection with the Bank's power projects.

Sincerely yours,

Samuel W. Anderson
Special Adviser to the Loan Director

attachment

S.W. Anderson: jf
April 10, 1951

Mr. Edward G. Miller  
Assistant Secretary of State  
Room 4029 New State Office Building  
Washington 25, D. C.

Dear Eddie:

Messrs. Willard Thorp and Winthrop Brown have copies of the attached letter which they discussed with Mr. Garner and me last week. This letter will be considered by the Committee on Foreign Requirements and Supplies at an early meeting.

In view of the fact that so many of our loans are Latin American, I thought you and Ivan White might be interested in seeing it too.

Sincerely yours,

Samuel W. Anderson  
Special Advisor to the  
Loan Director

 attachment

S.W.Anderson:jf
April 10, 1951

Mr. Walter Groce, Acting Director
Priorities and Directives Division
National Production Authority
2311; Tempo T Building
Washington, D. C.

Dear Walt:

I thought you and John Duboise would be interested in seeing a copy of a letter which Mr. Black, President of the Bank, has sent to Mr. Wilson.

This letter will be considered by the Committee on Foreign Requirements and Supplies at an early meeting.

Sincerely yours,

Samuel W. Anderson
Special Advisor to the Loan Director

attachment

S.W.Anderson:jf
April 10, 1951

Mr. Newton Foster, Chief
Projects Section
Office of International Trade
Commerce Building
Washington, D. C.

Dear Mr. Foster:

I am attaching hereto a copy of a letter which Mr. Eugene R. Black, President of the Bank, sent to Mr. Charles Wilson.

I thought you might be interested in seeing this. It will be considered by the Committee on Foreign Requirements and Supplies at a meeting shortly.

Very truly yours,

Samuel W. Anderson
Special Advisor to the Loan Director

attachment

S.W. Anderson: jf
April 10, 1951

Mr. James Foster, Assistant Director
for Foreign Requirements and Claimancy
Office of International Trade
Commerce Building - Room 3894
Washington 25, D. C.

Dear Jim:

I am attaching hereto a copy of a letter which Mr. Eugene R. Black, President of the Bank, sent to Mr. Charles Wilson.

I thought you might be interested in seeing this. It will be considered by the Committee on Foreign Requirements and Supplies at a meeting shortly.

Sincerely yours,

Samuel W. Anderson
Special Advisor to the Loan Director

attachment

S.W. Anderson: jf
April 6, 1951

Mr. C. E. Wilson, Director
Office of Defense Mobilization
Washington, D. C.

Dear Charlie:

I am enclosing herewith two copies of a letter to you from Mr. Black, which he and I would like to discuss with you for a few minutes on Monday when we call upon you for that purpose. I thought you might like to have it over the weekend.

Sincerely yours,

Samuel W. Anderson
Special Advisor to the Loan Director

Enclosures (2)

SWAnderson:ml
April 5, 1951

Mr. Willard L. Thorp
Assistant Secretary for Economic Affairs
Room 4133
Department of State
21st and Virginia Avenues, N.W.
Washington, D. C.

Dear Mr. Thorp:

I am enclosing hereewith two copies of a letter which Mr. Black proposes to give to Mr. Wilson next Monday. It is this letter which Mr. Garner and I would like an opportunity to discuss with you at luncheon on Friday the 6th.

In view of the fact that Mr. Harold Linder frequently attends the CRFS in your behalf, we would be delighted to have him join us at lunch on Friday if he wishes to do so.

Yours sincerely,

Samuel W. Anderson
Special Advisor to the Loan Director

Enclosures (2)

SWAnderson:ml
SUMMARY OF ATTACHED LETTER

The International Bank has made loans of $1,089,875,000, of which $416,127,367 was undisbursed on March 1, 1951. The source of these loans consists of the 20% of the Bank's subscribed capital which has been paid in and released for lending by member states, plus the Bank borrowings on its own obligations in the amount of $310 million. The Bank's credit is now well established in the market, and it anticipates that it will be able to secure from the investment markets whatever additional funds it needs for lending beyond the release of paid-in capital by members. All of the Bank's loans are to, or guaranteed by member governments.

The Bank's first four loans aggregating $493 million (now fully disbursed) were made to four European countries prior to the establishment of ECA. Since March 1948, however, the Bank has largely financed specific carefully selected projects as a part of sound economic development plans of its members. These projects include power, railroads, communications, highways, shipping, ports, agriculture, irrigation, timber production, and capital equipment for private enterprise.

The Bank's present lending policy requires a careful selection of high priority projects consistent with a sound over-all development program designed to increase the internal and external strength and balance of the economy of its member nations. In addition, the Bank has provided a variety of non-financial assistance to its members in planning their development programs and analyzing specific economic problems. The Bank's loans are disbursed under close supervision with frequent follow-up visits and reports. Extensive engineering work is done both before and after lending.

The Bank's activities are closely in line with President Truman's policy statement and with the paper on "Foreign Allocations Policy". While the probable annual loans are not large in relation to import needs of the underdeveloped countries, they constitute a vital segment of permanent development efforts.

Procurement by the Bank's borrowers now faces difficulties because of tight supply conditions in both the United States and European markets. The Bank's borrowers may spend the proceeds of the loans anywhere. Therefore the Bank can, if requested to do so by NPA, advise its borrowers to attempt procurement in non-U.S. markets of certain items and to require a genuine showing of unavailability of the item from abroad before attempting procurement in the United States. However, if noncompletion of projects is to be avoided by this policy, the Bank should have the cooperation of DPA and NPA when U.S. procurement is essential. The Bank believes that this plan would result in a maximum of sound foreign economic development with a minimum of strain on critical U.S. supply markets.

The Bank thus requests the Committee on Foreign Requirements and Supply to issue a policy statement on this method of operation.

The Bank will cooperate in every way with the defense agencies in presenting the facts with respect to its projects.
April 5, 1951

Mr. C. E. Wilson, Director
Office of Defense Mobilization
Washington, D. C.

Attention: Mr. William C. Foster, Chairman
Committee on Foreign Requirements and Supplies

Dear Mr. Wilson:

I should like to raise for your consideration a number of questions with which the International Bank is confronted.

Historical Background

Since its inception the International Bank for Reconstruction and Development has made 45 loans totaling the equivalent of $1,089,875,000.* On March 1, 1951, the undisbursed balances (on 33 of these loans) amounted to $416,127,367.

The following table shows the authorization of loans by years since the Bank’s inception:

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Amounts of Loans Authorized</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>In All Currencies Expressed in</td>
</tr>
<tr>
<td></td>
<td>U.S.$ Equivalent</td>
</tr>
<tr>
<td>1947</td>
<td>$ 493,044,212</td>
</tr>
<tr>
<td>1948</td>
<td>31,955,788</td>
</tr>
<tr>
<td>1949</td>
<td>219,145,000</td>
</tr>
<tr>
<td>1950</td>
<td>279,230,000</td>
</tr>
<tr>
<td>1951 (First Quarter)</td>
<td>66,500,000</td>
</tr>
<tr>
<td>Total</td>
<td>$1,089,875,000</td>
</tr>
</tbody>
</table>

A summary statement of the loans of the Bank is attached hereto as Annex A.

The $8,338,500,000 capital of the International Bank has been subscribed by its 49 member nations. The United States share is 38.08% of the total.

*In this letter I express amounts in United States dollars, although in most cases some other currencies are included, converted at established rates.
Except for $4,290,000 postponed under a war clause, twenty percent of the subscribed capital has been paid in, of which 2% consisted of gold or U.S. dollars, and 18% of the currency of the subscribing member. The Bank may use the 18% paid-in capital for the purpose of making loans only upon the consent of the subscriber. The United States, Ecuador, El Salvador and Honduras have given their permission to the Bank to utilize in full their 18% capital, and Belgium, Canada, Denmark, France, Guatemala, Italy, Mexico, Norway, Paraguay, and the United Kingdom have given their permission as to only part. A number of other members have agreed in principle, subject to consent in each case, to permit the Bank to lend all or part of their 18% capital.

To supplement its capital funds, the Bank has borrowed on its own obligations the following amounts:

<table>
<thead>
<tr>
<th></th>
<th>Equivalent in U.S. Dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>U. S. Dollars</td>
<td>$ 300,000,000</td>
</tr>
<tr>
<td>Swiss Francs</td>
<td>10,587,551</td>
</tr>
<tr>
<td>Total</td>
<td>$ 310,587,551</td>
</tr>
</tbody>
</table>

As the need arises and as markets are favorable we plan to expand our borrowings in non-dollar currencies as well as in dollars.

The credit of the Bank is now well established. In my opinion the Bank will be able, in the absence of unusual constructing circumstances in the money markets, to borrow on its own obligations whatever additional funds it may need for lending in the foreseeable future, beyond its 18% capital as released.

The Bank makes loans either to its member governments, or to private enterprises within the territories of its member governments with the guarantee of the member government in question.

In 1947, before ECA was established, the Bank made four loans to the Governments of France, Denmark, Luxembourg, and the Netherlands, aggregating $493,044,212 (now fully disbursed), for the purpose of reconstruction of war damaged facilities or for financing the importation of essential materials. This may be termed the "reconstruction phase" of the Bank's existence. Since March 1948, and the advent of ECA, however, practically all of the Bank's loans have been used to finance all or part of the foreign exchange costs of economically important development projects in member countries, mostly outside of the ERP area. These projects include power generation and distribution, railroad expansion and modernization, communication facilities, highway improvements and expansion, vessels and shipping facilities, port improvements, agricultural equipment and storage facilities, land reclamation, drainage and irrigation, facilities for the production of basic materials such as timber, and capital equipment for a wide variety of private enterprises. Attached hereto as Annex B is a brief description of most of the undisbursed loans and the justification of the project from the standpoint of sound economic development.
Policies

While I shall not outline fully the Bank’s policies, I should like to state certain of them which have a bearing upon the questions raised in this letter.

In its Articles of Agreement ratified by all member governments, the first of the several purposes for which the Bank was founded is:

To assist in the reconstruction and development of territories of members by facilitating the investment of capital for productive purposes, including the restoration of economies destroyed or disrupted by war, the reconversion of productive facilities to peacetime needs and the encouragement of the development of productive facilities and resources in less developed countries. (Underlining mine)

To carry out this mandate the Bank has recruited and trained an international staff of bankers, economists, engineers and other technical experts qualified to deal with the wide variety of economic and financial problems with which it must be concerned in studying the economies of those of its member countries seeking loans for development purposes. Increasingly, as it has gained experience, the Bank has sought to select projects for financing, only within the framework of a realistic, sound and well-balanced economic development program in each borrowing country. We believe this is especially necessary in the underdeveloped areas of the world where credit-standings, local resources and managerial or technical competence are frequently the limiting factors in development.

This review of the genuine needs of our borrowing members has had the purpose of enabling the Bank to identify those projects whose high priority will contribute most effectively to a balanced economic development. As you can easily see from the attached material, most of the projects financed by the Bank have contributed to the fundamental needs of a developing economy such as power, transportation, communications and agricultural production. The ultimate benefits to our borrowers will, in most cases, not only be specifically reflected in foreign exchange savings and earnings, but also will be diffused throughout the whole fabric of the economic life of the community, strengthening its productive capacity, raising its standard of life and adding to its internal and external strength and balance.

In pursuing this policy, furthermore, the Bank has been called upon by its members to provide a variety of non-financial assistance such as help in national planning of development programs, specific analysis of agricultural policies and practices, transportation and mining development studies and the like.

After a loan is made the Bank’s funds are disbursed under close supervision and with frequent engineering follow-up visits to make certain that the project is being efficiently built. We are thus kept closely informed as to construction and installation schedules.
I think I can fairly claim that the development projects financed by the Bank are as good a screened selection, on a sound priority basis, as it has been possible to make and that they are being executed with a large measure of professional competence.


In his speech on the State of the Union delivered on January 8, 1951, President Truman said:

In other parts of the world, our economic assistance will need to be more broadly directed toward economic development. In the Near East, in Africa, in Asia, we must do what we can to help people who are striving to advance from misery, poverty, and hunger. We must also continue to help the economic growth of our good neighbors in this hemisphere. These actions will bring greater strength for the free world. They will give many people a real stake in the future and reason to defend their freedom. They will mean increased production of the goods they need and the materials we need.

The statement by the President indicates a continuity of postwar policy of the U.S. Government of providing necessary economic assistance to the rest of the free world as evidenced by the Economic Cooperation Act, support of the International Bank and the International Monetary Fund, the Point Four Program, and similar activities.

I notice too that in your "Paper on Foreign Allocations Policy" dated March 5, 1951, you state that the defense effort must not be allowed to cause a disproportionate disruption or cessation of fully justified economic development in countries allied with the defense effort of the western world. To quote that paper: "We must deliberately devote some of our resources to sustaining the strength of our allies, and we must not be prevented from so doing by every specifically internal supply difficulty if we are to obtain the greatest contribution to common ends from the resources of our allies."

The International Bank's share in the rendering of economic assistance, especially to the underdeveloped sections of the world, is not large compared to the aggregate. The proceeds of most of our loans are utilized to purchase capital equipment and similar items, of which the underdeveloped areas of the world imported in the year 1949, from the United States and other sources, an estimated $4.5 - $5 billion. Exports financed by International Bank loans to those areas will probably not, in the near future, amount to more than 7% or 8% of the total import needs of those areas as indicated by their pre-Korean imports. These total imports themselves, we estimate, are less than 5% of the total production of producers' capital goods in the industrial nations of the West.

The Bank is now confronted, as are all sponsors of economic development projects, with the problem of shortages of supplies of the capital goods needed to continue sound economic development. We are thoroughly aware of
the sharp impact of the growing defense effort in the United States and other western countries on supplies of producers' goods and scarce materials, and recognize the high importance and priority which must be accorded to the procurement flowing from the defense effort.

While the needs of the projects heretofore financed and to be financed by the Bank are not large relatively, we know that from time to time some of these requirements will impinge upon tight supply conditions, both in the United States and in the European markets. We are also aware that there will be relative differences in the tightness of the supply markets for certain types of equipment which can be obtained alternatively from several sources. The Bank desires in every way to cooperate with the defense agencies in the United States and with comparable authorities in industrial countries of Europe. We believe that its special position of being able to finance equipment from any market affords the Bank an unusual opportunity of lightening the impact on tight supply markets by advising our borrowers to seek their supplies where their orders will cause the least competition with other urgent demands.

The impact of the European defense effort may not be as severe on certain types of manufacturing facilities as will be the case in the United States.

If, therefore, the National Production Authority wishes to advise us that procurement of certain designated items outside of the United States (where such items are manufactured in alternative areas) is desirable in the interest of the defense program, we will advise our borrowers to this effect. If their efforts to satisfy their needs outside of the United States do not prove successful, we will request a specific showing (probably supplemented by evidence from our own technical personnel), that the United States is the only practicable source of supply.

Such a policy, however, could be far more effectively carried out if I had your assurance that DPA and NPA will, at the Bank's request, sympathetically consider specific assistance to our borrowers for procurement in the United States of essential items of equipment where a genuine showing is made of inability to procure in European markets. In this connection I wish to advise you that we will carefully screen critical requirements and constantly examine the construction schedules of our projects so that the scheduling of deliveries of equipment will be requested only when it is actually needed.

If this policy can be carried out successfully in cooperation with DPA and NPA, I believe that the future lending by the Bank will make possible a series of sound economic development projects of high priority with a minimum impact on supply sources likely to be overcrowded with defense orders and the needs of essential civilian requirements in the United States. The Bank's operations in its field will constitute, in other words, the "cheapest" segment of foreign economic development in the sense of reducing strain on the critical supply markets.
I should also like to mention the obvious fact that economic development financed by the International Bank imposes no direct financial impact upon the U.S. Government budget since all of the funds which the Bank will be likely to lend for the foreseeable future will be obtained from the investment markets, either in the United States or elsewhere.

As you know, the Bank must work through the two foreign claimant agencies, i.e., the ECA and the Office of International Trade, Department of Commerce, in presenting its programs or projects. You are also doubtless aware that before the U.S. Director of the International Bank acts on each individual loan presented to the Board of Executive Directors, he receives his instructions from the NAC, which thus has an opportunity of considering each project before a loan is authorized. When the appropriate procedures have been established for presenting our projects to DPA and NPA through our claimant agencies, we expect in each case to provide full and complete details so that our claimant agencies, DPA and NPA may understand the justification and supply impact of each project. Before our own decisions are made we conduct a careful economic and engineering investigation, the results of which will be made available in this way.

Specifically I would like to suggest that you, through the Committee on Foreign Requirements and Supply, consider the issuance of a policy statement to the effect that:

1. the policies and procedures of the International Bank for Reconstruction and Development are such that there is a presumption of high priority for the development projects upon which it is willing to lend; this does not, however, relieve the Bank from the duty of fully informing DPA and NPA of the facts in each case;

2. the Bank will, at the request of NPA, advise its borrowers to attempt to place in the European market their future orders for specified critical items in tight supply, and

3. NPA will give sympathetic consideration to providing specific assistance through directives or other means to those procurement orders where a clear showing can be made that European procurement is impractical or disruptive of orderly completion schedules.

An arrangement of this kind in rapidly changing circumstances cannot be expected to rest upon any narrow interpretation of the language of this letter or of a policy statement, but must, if it is to succeed, depend upon the spirit in which it is implemented. I assure you that we in the Bank will approach these specific problems which will increasingly arise, in the broadest sense of cooperation with the U.S. defense agencies.

Cordially yours,

Eugene R. Black

Enclosures
April 5, 1951

Mr. Arthur Leonard
Power Equipment Division
National Production Authority
2533 Tempo T
Washington, D.C.

SUBJECT: International Bank Financed Power Projects

Dear Mr. Leonard:

In accordance with your request on Tuesday, April 3, I am giving you herewith a brief summary of the power projects financed by the International Bank, with an indication of the size and scheduled starting dates of the units themselves. This, I think, will help you in identifying orders on the Order Boards for the machines and various other accessories. It does not, of course, purport to be the complete picture on each project of the needs of equipment covered by L.44. This will be given to you later as we develop it as soon as we can get a supply of the new Form 9's.

Yours sincerely,

Samuel W. Anderson
Special Advisor to the Loan Director

Enclosure

cc: Mr. Cecil Truelock, Office of International Trade
    Mr. Charles Kells, Director of the Power Equipment Division, National Production Authority
    Mr. J. H. Moore, Defense Power Administration, Department of Interior

Mr. Marshall

SWAnderson:1
TO: All Loan Officers

SUBJECT: Pre-Negotiation Examination of Projects

April 4, 1951

Based upon Mr. Anderson's investigations up to this time, no decisions can yet be taken as to the way in which the projects to be financed by the International Bank can be examined by official U.S. Government agencies from the standpoint of availability of equipment and materials. There is still a considerable amount of confusion in the U.S. Government as to both policies and procedures with respect to foreign requirements. This confusion will gradually be resolved in the next few months during which time it will be possible to judge the best way for the Bank and its borrowers to handle their future project requirements.

Pending these determinations, however, it seems essential that the Bank should change to some extent its customary procedures leading up to the beginning of a loan negotiation. Up to now there has been no necessity for examining the question of availability of equipment and materials prior to a decision to proceed with a loan negotiation. Under existing circumstances, however, it seems clear that at a very early stage some judgment must be brought to bear here in the Bank as to availabilities before the project approaches the negotiation stage. Accordingly, all Loan Officers will be guided by the following policy until modified in the light of subsequent events.

When a project for possible financing by the Bank has been sufficiently identified to permit even the most general statement of the equipment and materials which are likely to be needed for its completion, the Loan Officer in charge shall, with the assistance of the Engineering Staff, attempt to put down in an informal memorandum whatever can be said about the physical requirements of the project together with whatever information, however tentative, can be accumulated on timing or construction schedules. When this has been done, a conference should be held with Mr. Anderson in order to judge the difficulties which may arise and what conclusions may be justified under the circumstances.

It is recognized that in many instances, nothing approaching a final list of goods will be possible. The engineering experience of the staff, however, is such that even a generalized list of requirements should be possible to assemble.

This policy will also mean that all members of Bank missions working in member countries on possible projects for Bank financing must especially attempt to accumulate in the field information which will make it possible on their return to Washington to prepare the memorandum requested.

This policy obviously will be inapplicable to many of the loan agreements already executed by the Bank but will be applicable to all future loans, even those which have reached an advanced stage of discussion.

A. S. G. Hoar
Loan Director
Memorandum to: Mr. Garner
Mr. Iliff
Mr. Hear
Mr. Burland
Mr. Riley
Mr. Rist
Mr. Sommers
Mr. Demuth

April 2, 1951

Subject: Attached letter to Mr. C. E. Wilson, Director
Office of Defense Mobilization

The attached letter (which should be considered confidential
until sometime next week) will be presented to Mr. C. E. Wilson by
Mr. Black and myself; we hope on April 9. Prior to this date it
will be discussed with Messrs. Lincoln Gordon of Harriman's office,
Dick Bissell of BGA, and Willard Thorp of State at luncheons with
Mr. Garner.

The annexes to this letter will be available later.

Samuel W. Anderson

attachment
March 30, 1951

Mr. Cecil Trulock, Chief
Power Division
Office of International Trade
U. S. Department of Commerce
Washington, D. C.

Dear Mr. Trulock:

The signed originals of the attached letters have been delivered to Mr. James Foster, but I am enclosing five copies of each herewith for your use. I will supplement this letter from time to time with additional information as it comes to hand.

As you see, I have given copies to Mr. E. J. Hand and to Messrs. Craig and Slaght of ECA, and Mr. John W. Evans of the Department of State.

Very truly yours,

Samuel W. Anderson
Special Advisor to the Loan Director

c: Mr. James Foster

enclosures: 10

S.W. Anderson: jf
March 30, 1951

Mr. James Foster
Assistant Director for Foreign Requirements and Claimancy
Office of International Trade
Department of Commerce
Washington, D. C.

Dear Mr. Foster:

The attached letter has been prepared at the request of Mr. Trulock, after he placed in our hands about 10 days ago certain schedules of the manufacturers of electrical equipment and boilers. Since this letter has been prepared we have obtained certain additional information which modifies some of the statements made in this letter as follows:

1. Page 7 - Government of Finland loan. We now understand that the United Paper Company boiler was scheduled on the Combustion Engineering Company order board for shipment in January, 1952, rather than January, 1951, as we had mistakenly understood. Today we have been advised by Combustion Engineering that the order board which has been returned to them by NPA fails to permit them the right to use DO-45 for materials for both the United Paper Company boiler and the Kymmena boiler which was scheduled for shipment in November, 1951. We therefore request you to ask NPA to give consideration to the use of the DO-45 for materials for these two orders for the reasons stated in our attached letter.

2. Page 2 - Mexican Light and Power Company. We have made the point that the two turbo-generators are scheduled for a delivery which is late in relation to the construction schedule. We are seeking further information on this. It may be that if the condensers and other accessories are to be delivered prior to July and August, respectively, so as to permit installation before the turbines arrive, the proposed shipping dates of July and August may not be embarrassingly late. We will advise you further when we have more details from the manufacturer.

I am delivering five copies of this letter and my letter of March 26 to Mr. Trulock.

Very truly yours,

Samuel W. Anderson
Special Advisor to the Loan Director

cc: Mr. E. J. Hard
Mr. Malcolm Slaght
Mr. John W. Evans
Mr. Trulock (5 copies)

S.W. Anderson: jf
Mr. James Foster
Assistant Director for Foreign Requirements and Claimancy
Office of International Trade
Department of Commerce
Washington, D. C.

Dear Mr. Foster:

We have been in consultation with Mr. Cecil Trulock, chief of your Power Division, in connection with the order boards of the electrical equipment manufacturers now being scheduled under the terms of M-43. Mr. Trulock has made available to us the order boards on the following equipment:

1. Steam turbine generator units of 10,000 kw and larger
2. Steam turbine generator units of 10,000 kw and under
3. Water wheel driven generators, synchronous condensers
4. Boilers, 450 Psig pressure and higher

We have not yet had an opportunity to examine the balance of the order boards which are being scheduled under M-43, but we shall do so when you can make them available to us.

In accordance with Mr. Trulock's request, we wish to outline to you the significant facts with respect to the equipment scheduled on the above listed order boards which will be used in projects financed by the International Bank for Reconstruction and Development.

In this connection I should like to draw your attention to the fact that the Engineering Staff of the Bank keeps in close touch with the projects financed by the Bank, receives periodic progress reports, visits them periodically, and is in a position to provide you, as one of our claimants, or NPA with whatever facts may be required.

Although it may prove superfluous, I am taking the liberty of outlining briefly the position of the Bank in the field of economic development.

The capital of the International Bank has been subscribed by its 49 member states. The United States has provided 38.088% of the total paid-in capital. In addition to its paid-in capital of the equivalent of $1,663,410,000, in the form of various currencies, the Bank has borrowed on its own obligations the equivalent of approximately $310 million in the United States and Switzerland. Since
its inception, the Bank has made loans aggregating $1,089,875,000, the undisbursed balance of which on March 1, 1951, amounted to $416,127,367. The Bank's loans have been made in all appropriate cases only after careful economic, financial and engineering studies to make sure of the high importance of the individual projects from a development standpoint. The funds have been used under the Bank's close supervision for projects for power generation and distribution, railroad expansion and modernization, communications facilities, highway improvements and expansion, vessels and shipping facilities, port improvements, agricultural equipment and storage facilities, land reclamation, drainage and irrigation facilities for the production of basic materials such as timber, and capital equipment for a wide variety of private enterprises. The contribution of these projects to the stability of the economies of its member states is substantial and serves to add appreciably to the strength of the nations constituting the Western World.

The Bank's loans are almost exclusively utilized to cover all or part of the foreign exchange costs of the projects it finances, the local costs being borne by the governments or private enterprises in question. All loans of the Bank are made either directly to a member government or, if to a private enterprise, are guaranteed by the government of the member country in which the project is located.

In the following paragraphs, we submit a brief summary of significant information and our comments with respect to the projects into which various items of electrical equipment disclosed on the above-listed order boards will be incorporated.

**Steam Turbine Generator Units of 10,000 kw and Larger**

**Name of the Borrower:** Mexican Light and Power Company

**Location:** Lecheria Power Plant, Mexico City

**Estimated Total Cost (U.S. $Equivalent):** $10,046,300

**IBRD Loan:** $26,000,000 (of which about $5,666,300 applies to this plant)

**Brief Description of the Project:** This project has just been inspected by one of the Bank's engineers who reports that construction is proceeding on schedule. The construction schedule discloses that the installation of boilers started on about March 1, 1951, for completion at the end of November, 1951. The installation of the first turbo-generator and condenser is scheduled to start on July 1, 1951, and the second on October 1, 1951. The estimated completion of the project is April 1, 1952. In view of the fact that it takes about two months to transport the equipment to the site, it appears to us that scheduled General Electric shipping dates of July and August are too late for the present schedule. Therefore, anything that can be done to expedite the shipment of these two turbines will serve to avoid costly and damaging delays for the project. This is especially important in this case as the necessity for steam generation is greatest toward the end of the dry season (November to June). If the starting date of April 1, 1952, cannot be held, a serious condition will develop.
Importance of the Project to the Mexican Economy: The development of the economy of Mexico since the War has been pronounced, especially in the production of goods heretofore imported and in the enlargement of its mining and agricultural output. Extensive textile, metal working, food processing, and other manufacturing industries have been developed. The Government of Mexico has placed a high priority on the enlargement of power facilities without which the growth of the country could not continue.

The Mexican Light and Power Company distributes all the electric energy in Mexico City and environs, partly generated by itself and partly purchased from the Government-owned Electricity Commission. The area of Mexico City has developed rapidly during the last decade with the establishment of a number of new industries. Electricity has always been short in the city, and even with the expansion now under way, the demand will run ahead of the supply.

Name of the Borrower: Republic of India (To be built by Damodar Valley Corporation)

Location: Bokaro, Beher

Estimated Total Cost (U.S. $Equivalent): $19,211,000

IBRD Loan: $18,500,000 (of which $12,445,000 applies to this plant)

Brief Description of the Project: The Bokaro steam plant consisting of three 50,000 kw steam turbines and corresponding boilers is to be built in the Damodar Valley, approximately 300 miles northwest of Calcutta. This plant was designed to utilize the coal from the Bermo coal seam in the immediate area and to supply power to the mines and heavy industry including steel mills in the Damodar Valley. Most of the load presently exists but is now being supplied with power from obsolete and old equipment which may break down at any time, thus causing a shut down of major industries, including steel. The plant construction schedule calls for completion by the end of 1952.

Equipment Scheduled: The three 50,000 kw turbo-generators being built by General Electric are shown on the schedule submitted to the Bank as being available for delivery at the factory in September, October, and November of this year, respectively. These schedules seem realistic in view of the fact that the transportation of the equipment to the site cannot be figured at less than three months. The installation starting dates for the three units are December, 1951, and January and March, 1952. Plant completion is scheduled for December, 1952.

The boiler installation schedule calls for completion in June, 1952. According to the manufacturer's schedule, the boilers are due for shipment in February, 1951. One of our engineers visited the site of the plant in January, 1951. He found that the first two of the six boilers were being erected and that the rest of the plant was proceeding according to the original construction schedule. He was informed by the construction contractors that, of the remaining four boilers, parts for the next two were
in transit and the final two were yet to be manufactured. We have also now been informed by Combustion Engineering, the manufacturer, that the drum plates for the last two boilers are ready for shipment but that some of the auxiliary equipment will not be shipped until May. This situation appears entirely satisfactory and will permit the completion of the boiler erection schedule by June, 1952, as contemplated.

Water Wheel Driven Generators

Name of the Borrower: Brazilian Traction, Light and Power Company

Location: Forcacava

Estimated Total Cost (U.S. $ Equivalent): $24,764,000

IBRD Loan: $90,000,000,000 (of which $9,813,000 goes into the project)

Brief Description of the Project: Through its subsidiary, Canadian Shipping Agency, Inc., and in behalf of the Rio de Janeiro Tramway Light and Power Company, the Brazilian Traction, Light and Power Company has presented to the Office of International Trade a comprehensive description of the project under date of March 6, 1951. This project has been given a case number, PB-4092, by the Office of International Trade. Copies of this comprehensive document have been filed with the Projects Division of OIT, and information copies have been supplied to Mr. E. J. Hand of the Power Equipment Division of NPA, to Mr. George Wythe, Director of the American Republics Division, Department of Commerce, and to the International Bank for Reconstruction and Development. The project document lists all the requirements from the United States and Canada for the completion of the project in Brazil together with a justification of the entire project. Under these circumstances, we deem it superfluous to repeat or to summarize the information already in your hands.

We wish to say, however, that the shipping dates shown on the Westinghouse schedules for the two 35,000 kw water wheel driven generators of April and July, 1951, are approximately in line with the dates shown in the project document referred to above. We also assume that these machines are so far along in the shop schedule that any change in their status would be disruptive.

The Pedriera #3, W-16705 pump is scheduled for shipment in July, 1951. This date is also satisfactory. It should be noted that this pump will be used in the São Paulo system and is not therefore covered in the project document.

Shipping time from the manufacturer to the site in Brazil is approximately three months.

Name of the Borrower: Companhia Hidro Eletrica do Sao Francisco (CHESF— a Government-owned corporation)

Location: Paulo Afonso Falls on the San Francisco River

Estimated Total Cost (U.S. $ Equivalent): $56,274,000

IBRD Loan: $15,000,000
Brief Description of the Project: The San Francisco River, one of the largest in Brazil, possesses very large hydro-electric potential, especially at this natural falls. The present hydro-electric installation will consist of two 61,225 kva generators and will supply power to the cities of Recife and Salvador, the most important seaports in this part of Brazil. The two cities are presently being inadequately supplied with power from thermal plants which must operate on imported fuel oil. The substitution of Paulo Afonso hydro power for the present thermal power will eventually save annually more than $3,000,000 in foreign exchange expenditures at today's prices for oil. In addition, the availability of power not only from this installation but from subsequent additions in later years will make possible the development of the San Francisco valley agriculturally and industrially, including the possibility of synthetic fertilizer production greatly needed in Brazil.

In 1950 the Brazilian Government placed this project at the top of its development priority list. The northeast bulge of Brazil has been heretofore a relatively undeveloped area economically, but representing as it does the point of nearest contact with Africa, it is of unusual strategic importance. The installation of these two units is scheduled for January and May of 1952, respectively, and it must be taken into consideration that there will be a lapse of about three months between the time that the equipment is completely manufactured and the time that it arrives at the site. Accordingly, the present scheduled shipping dates of August and October, 1951, are satisfactory.

Name of the Borrower: Empresa Nacional de Electricidad (Endesa—a Chilean Government-owned corporation)

Location: Los Cipreses, in the south-central part of Chile

Estimated Total Cost (U.S. $Equivalent): $26,200,000

IBRD Loan: $13,500,000 (of which $6,192,000 applies to this plant)

Brief Description of the Project: This is the largest of four power projects being financed by the IBRD in Chile. This hydro-electric installation is located on the Cipreses River which rises in the snow fields of the Andes. The powerhouse will be designed to accommodate three 31,000 kva generators, two of which are being installed at this time. The water wheels are being purchased in Germany and are being shipped in September and December of 1951. The power will be supplied to the rich agricultural areas in the central part of Chile and to the industries along the Pacific Coast and will be tied into the north-south power grid. Initially, this installation will be used to supply the deficiency in power in the Santiago area where there is considerable concentration of both domestic and industrial users and where power has for a number of years been in short supply.

Chile's industrial development has proceeded at a rapid pace during the last decade and has included the installation of an integrated steel mill, large and important non-ferrous metal mining enterprises, especially copper, as well as a wide variety of other industrial enterprises. Chile
is the largest single source of imported copper for the United States and as such represents an essential partner in the defense effort. The installation of these generators is scheduled to commence in January of 1952, but the present indications are that the project is slightly behind schedule, and the delivery dates as shown on the manufacturing schedule presented to us as January and February of 1952 do not seem unreasonable. The shipping time from manufacturer to the site is estimated at sixty days. One of our engineers is to visit this project in May.

**Boilers, 450 Psig Pressure and Higher**

**Name of the Borrower:** Australian Government

**Location:** New South Wales

**Estimated Total Cost (U.S. $Equivalent):** Unknown

**IBRD Loan:** $100,000,000

**Brief Description of the Project:** The proceeds of the $100 million loan to Australia are being utilized to cover the dollar costs of a wide variety of capital equipment for use by private enterprises in Australia and to some extent by publicly-owned projects. The Loan Agreement does not identify the specific projects in advance of order placement except as to general categories such as railroad equipment, textile machinery, power equipment, etc. As a consequence of this arrangement the Bank is not able always to identify whether or not individual orders for capital equipment such as boilers, placed for the Australian account, will be financed by the Bank. With respect to the Foster Wheeler boilers shown on the schedule presented to us, aggregating 560,000 pounds of steam and scheduled for shipment from July 9 to July 11, 1951, we have been able to determine by consultation with the Australian authorities that these include twelve boilers for twelve 5,000 kw package power plants for installation in New South Wales to supply power principally to the City of Sydney, where power has been chronically short for some time. Westinghouse advises us that the delivery schedule required from Foster Wheeler on these boilers is as follows:

- One - May 1951
- One - July 1951
- Two - August 1951
- Two - September 1951
- Two - October 1951
- Two - November 1951
- Two - December 1951

The Australians have also ordered four package power plants from the International General Electric Company, and we believe that the boilers for these four units (which have been combined into two 10,000 kw units) have also been placed with Foster Wheeler recently.

The Australian loan of $100 million is designed to assist the Australian authorities in speeding up the economic development of the country and the
projected increase in its industrial and agricultural capacity. Australia's economy is growing rapidly, and the government is encouraging immigration. It is rapidly becoming one of the principal sources of economic strength in the Asiatic area. Australia represents the strongest and potentially most powerful modern nation in this area of the world, and as such is entitled to a high degree of cooperative support from the nations of the western world.

Name of the Borrower: Mexican Light and Power Company

The schedule for shipment of these two boilers in April, 1951, obviously needs no further comment from us as they are about ready to be shipped at present, according to the schedule presented. They tie in with the previously cited facts on the two 30,000 kw generators for the Lecheria station.

Name of the Borrower: Electricity Supply Commission of South Africa

Location: Union of South Africa

Estimated Total Cost (U.S. $ Equivalent): At present, this is not finally established.

IBRD Loan: $30,000,000

Brief Description of the Project: This loan was only recently authorized by the International Bank. It constitutes in this instance only a portion of the foreign exchange costs of the expansion program of the Electricity Supply Commission of South Africa (ESCOM). At present an officer of the Bank is in South Africa obtaining further details with respect to the list of equipment which the IBRD will finance. It is thus not possible for the Bank at this time to supply full details, but the Bank does contemplate financing not only some future orders for electrical equipment for ESCOM but also certain previously placed orders. The two 75,000 # boilers from Babcock and Wilcox for South Africa may be included. When further information is available, we will supply it to you.

Name of the Borrower: Government of Finland

IBRD Loan: $12,500,000

The Rauma-Raahe Oy Finland and the United Paper Company Finland boilers shown on the Combustion Engineering schedule presumably have been or are about to be delivered, so no comment is necessary. The Kymmeno Aktiebolaget Finland boiler scheduled for shipment in August, 1951, is for a hydro-electric installation. According to our information, this boiler is scheduled for delivery between August and November, 1951, and not in August, 1951, as shown on the schedules presented.

The importance of hydro power to Finland can hardly be exaggerated. In the area lost to the U.S.S.R., constituting about 13% of the country, were substantial hydro facilities which had to be replaced. Most of the equipment for these new installations was obtained from Europe with the exception of
certain equipment required from the United States which the International
Bank is in part financing. The market for hydro power is to be found
largely in the woodworking industries of the country, which are its most
important economic activity. Finland's woodworking industries have been
modernized and integrated substantially since the War, a necessary move
in order to improve the competitive position of these export products. The
Kymmeno Aktiebolag plant serves exclusively the woodworking and timber
industries of the country.

We urgently request you and NPA to advise us if and when any changes
are proposed to be made in the scheduled shipping dates of this equipment.
We stand ready to supply you with whatever additional information you or
NPA may require.

Very truly yours,

Samuel W. Anderson
Special Advisor to the
Loan Director

Information copies to:

Mr. E. J. Hand, Power Equipment Division, NPA
and Mr. Arthur Leonard, Power Equipment Division, NPA
Mr. Glenn Craig, Economic Cooperation Administration
and Mr. Malcolm Slaght, Economic Cooperation Administration
Mr. John W. Evans, Department of State
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REMARKS

Agree we should discuss this

# 132
OFFICE MEMORANDUM

TO: Mr. Hear
FROM: S. W. Anderson

DATE: March 28, 1951
SUBJECT: Pre-Negotiation Examination of Projects

No definite procedure has yet been developed in the negotiations between ECA, CII, and NPA for the presentation and examination of "projects" with a view to taking any variety of decision as to essentiality or access to priority assistance for specific items, if necessary. Discussions, however, are taking place, and it is probable that an agreed-upon procedure between the foreign claimant agencies and DPA and NPA will be reached at some presently unpredictable date. At this time, it is not possible to pass judgment on the extent of benefits to be derived by the Bank in presenting its future projects in the hope of any type of pre-commitment for priorities assistance. This judgment will have to await the perfection of the procedure and the establishment of general policies by DPA and NPA. So far, the only policy established is to the effect that if a foreign project would be entitled to receive priority assistance were it located in the United States, on the grounds of defense supporting quality, it will be accorded equal treatment with United States projects.

In spite of the present uncertainties, it seems likely that the Bank will wish in the not-too-distant future to examine each new proposed loan from the standpoint of our present knowledge of availability in order to assess, however tentatively, the risks of proceeding with loan negotiations. To cite an example: If we were proposing to finance an integrated steel mill today, I would think that our judgment would necessarily be that the risk of non-completion would be too serious (this might not be so if European equipment is to be used).

The purpose of this memorandum is to start the Loan Department thinking about practical ways to assemble a sufficiently clear body of data with regard to any new proposed loan prior to negotiations so that some judgment may be brought to bear upon it, both for use here in the Bank and later, if desirable, for presentation through channels to NPA or DPA.

I would like to discuss this at a tri-weekly meeting at an early stage.

SWAnderson

cc: Mr. Iliff
Mr. Burland
Mr. Cope
Mr. Rucinski
Mr. Schmidt
Gen. Wheeler
March 28, 1951

L. K. O'Brien, Esq.
Bank of England
London, E.C.2, England

My dear O'B:

We have recently had a visit from Mr. A. K. Bedwell who is the head of Civitas Trading Corporation Limited, of Wigmore House, 10 Duke Street, London, W.1. He was introduced to us by the American representative of this concern, Mr. Ralph Forster, who was with the International Bank a year or two ago.

Civitas Trading Corporation appear to be engaged in a rather wide variety of trading activities, which includes scouting for second-hand plants and equipment and, I believe, also materials in short supply. Their activities seem to be mostly in Europe, but are now beginning to extend into the United States.

As you will very readily understand, we are becoming increasingly concerned with problems of supply and have, indeed, set up a small unit within the Bank to give our borrowers what assistance we can in obtaining the equipment required for Bank-financed projects. It is pretty evident that one effect of rearmament pressures on American industry will be to make us more interested than ever in possible sources of procurement in Europe. We might, therefore, find it advantageous to make use of Civitas Trading Corporation at some stage.

I wonder if you could ask the Discount Office to make some discreet inquiries and let me know, unofficially and confidentially, something about the Corporation's reputation, activities and standing.

Kindest regards.

Yours sincerely,

A. S. G. Hoar
Assistant Loan Director

ASGHoarilk
In a talk with Mr. C. Truluck of the Office of International Trade, he informed me that the letter he sent to N.P.A. in regard to scheduling of heavy duty power equipment had been received by Mr. Fleishman (Administrator). This is the letter he mentioned to you asking for additional time in which to submit justification for scheduling equipment for foreign projects which are sponsored by O.I.T. A letter has been written for Mr. Fleishman by Charlie Kells, Director of the Power Division, stating that N.P.A. will hold the present foreign orders in the production schedules for all equipment that will be completed before January 1st. However, Truluck said he still wants justification and delivery requirement notes, from us as soon as possible in case of a change in the present feeling on all equipment for projects to be delivered after August and before January 1, 1952.

All equipment for projects to be delivered after the first of the year must be completely justified but there is no particular hurry.

Truluck also said he has a new boiler schedule in his hands with quite a few changes, a photostat of which will be mailed to us today.
Mr. Garner handed me the attached letter from Mr. A. K. Bedwell of the Civitas Trading Corporation Limited. He explained that the American representative of this concern, Mr. Ralph Foster, whom Mr. Garner had known, called on him the other day, I gather in company with Mr. Bedwell.

The Civitas Trading Corporation Limited is apparently engaged in a rather wide variety of trading activities, including scouting of secondhand plants, mills and, I guess, perhaps even materials in short supply. Their activities seem to be mostly in Europe, but are now beginning to extend into the United States.

Mr. Garner did not know anything about the reputation of the Civitas Trading Corporation, but he suggested that possibly the activities of such a concern might prove of some value as we get deeper into the problem of insisting upon European procurement where possible. Could you, by discreet inquiry in London, find out something about their reputation, activities and standing?
The attached draft has had the benefit of Messrs. Iliff's and Hoar's suggestions. Mr. Sommers has made a few additional suggestions which I will take into account in any final letter.

On Friday I gave a copy to Mr. Black, expressing the hope that I could get his reactions on Monday, at which time I hope I may have the benefit of your views also. When an acceptable draft is ready, I propose that it be discussed by me alone, or by you or Mr. Black if you prefer, with, say, Mr. Thorp, and perhaps others in the State Department, and with Mr. Bissell of ECA, to see whether these two agencies will in principle back us up. I also think that a discussion with Linc Gordon and Dick Johnson would be helpful.

Assuming no worse than a passive attitude on the part of State, ECA and Harriman's office, I would then think that either Mr. Black or you and I should call personally on Charlie Wilson with the letter.

Informal working level reaction of ECA to it is not unfavorable.

cc: Mr. Black
Mr. Iliff
Mr. Hoar
Mr. Sommers

attachment
Mr. C. E. Wilson, Director
Office of Defense Mobilization
Washington, D. C.

Attention: Mr. William C. Foster, Chairman
Committee on Foreign Requirements and Supplies

Dear Mr. Wilson:

I should like to raise for your consideration a number of questions with which the International Bank is confronted.

Historical Background

Since its inception the International Bank for Reconstruction and Development has made 65 loans totaling the equivalent of $1,089,875,000. On March 1, 1950, the undisbursed balances (on 33 of these loans) amounted to $416,127,367.

The following table shows the authorization of loans by years since the Bank's inception:

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Amounts of Loans Authorized in All Currencies Expressed in U.S.$ Equivalent</th>
</tr>
</thead>
<tbody>
<tr>
<td>1947</td>
<td>$4,993,046,212</td>
</tr>
<tr>
<td>1948</td>
<td>319,955,788</td>
</tr>
<tr>
<td>1949</td>
<td>219,455,000</td>
</tr>
<tr>
<td>1950</td>
<td>279,230,000</td>
</tr>
<tr>
<td>1951 (First Quarter)</td>
<td>66,500,000</td>
</tr>
<tr>
<td>Total</td>
<td>$1,089,875,000</td>
</tr>
</tbody>
</table>

A summary statement of the loans of the Bank is attached hereto as Annex A.

The $8,338,500,000 capital of the International Bank has been subscribed by its 49 member nations. The United States share is 38.08% of the total.

[1] In this letter I express amounts in United States dollars, although in most cases some other currencies are included, converted at established rates.
Twenty percent of the subscribed capital has been paid in, of which (except for $1,290,000 postponed under a war clause) 2% consisted of gold or U. S. dollars, and 18% of the currency of the subscribing member. The Bank may use the 18% paid-in capital for the purpose of making loans only upon the consent of the subscriber. The United States, Ecuador, El Salvador and Honduras have given their permission to the Bank to utilize in full their 18% capital, and Belgium, Canada, Denmark, France, Guatemala, Italy, Mexico, Norway, Paraguay, and the United Kingdom have given their permission as to only part. A number of other members have agreed in principle, subject to consent in each case, to permit the Bank to lend all or part of their 18% capital.

To supplement its capital funds, the Bank has borrowed on its own obligations the following amounts:

<table>
<thead>
<tr>
<th></th>
<th>Equivalent in U.S. Dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>U. S. Dollars</td>
<td>$300,000,000</td>
</tr>
<tr>
<td>Swiss Francs</td>
<td>10,587,551</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$310,587,551</strong></td>
</tr>
</tbody>
</table>

As the need arises and as markets are favorable we plan to expand our borrowings in non-dollar currencies as well as in dollars.

The credit of the Bank is now well established. In my opinion the Bank will be able, in the absence of unusual constricting circumstances in the money markets, to borrow on its own obligations whatever additional funds it may need for lending in the foreseeable future.

The Bank makes loans either to its member governments, or to private enterprises within the territories of its member governments with the guarantee of the member government in question.
In 1947, before ECA was established, the Bank made four loans to the Governments of France, Denmark, Luxemburg, and the Netherlands, aggregating $493,041,212 (now fully disbursed), for the purpose of reconstruction of war damaged facilities or for financing the importation of essential materials. This may be termed the "reconstruction phase" of the Bank's existence. Since March 1948, and the advent of ECA, however, practically all of the Bank's loans have been used to finance all or part of the foreign exchange costs of economically important development projects in member countries, mostly outside of the ERP area. These projects include power generation and distribution, railroad expansion and modernization, communication facilities, highway improvements and expansion, vessels and shipping facilities, port improvements, agricultural equipment and storage facilities, land reclamation, drainage and irrigation, facilities for the production of basic materials such as timber, and capital equipment for a wide variety of private enterprises. Attached hereto as Annex B is a brief description of each of the undisbursed loans and the justification of the project from the standpoint of sound economic development.

Policies

While I shall not outline fully the Bank's policies, I should like to state certain of them which have a bearing upon the questions raised in this letter.

In its Articles of Agreement ratified by all member governments, the first of the several purposes for which the Bank was founded is:

To assist in the reconstruction and development of territories of members by facilitating the investment of capital for productive purposes, including the restoration of economies destroyed or disrupted by war, the reconversion of productive facilities to peacetime needs and the encouragement of the development of productive facilities and resources in less developed countries. (Underlining mine.)
To carry out this mandate the Bank has recruited and trained an international staff of bankers, economists, engineers and other technical experts qualified to deal with the wide variety of economic and financial problems with which it must be concerned in studying the economies of those of its member countries seeking loans for development purposes. Increasingly, as it has gained experience, the Bank has sought to select projects for financing, only within the framework of a realistic, sound and well-balanced economic development program in each borrowing country. We believe this is especially necessary in the underdeveloped areas of the world where credit standings, local resources and managerial or technical competence are frequently the limiting factors in development.

This review of the genuine needs of our borrowing members has had the purpose of enabling the Bank to identify those projects whose high priority will contribute most effectively to a balanced economic development. As you can easily see from the attached material, most of the projects financed by the Bank have contributed to the fundamental needs of a developing economy such as power, transportation, communications and agricultural production. The ultimate benefits to our borrowers will, in most cases, not only be specifically reflected in foreign exchange savings and earnings, but also will be diffused throughout the whole fabric of the economic life of the community, strengthening its productive capacity, raising its standard of life and adding to its internal and external strength and balance.

In pursuing this policy, furthermore, the Bank has been called upon by its members to provide a variety of non-financial assistance such as help in national planning of development programs, specific analysis of agricultural policies and practices, transportation and mining development studies and the like.
After a loan is made the Bank's funds are disbursed under close supervision and with frequent engineering follow-up visits to make certain that the project is being efficiently built. We are thus kept closely informed as to construction and installation schedules.

I think I can fairly claim that the development projects financed by the Bank are as good a screened selection, on a sound priority basis, as it has been possible to make and that they are being executed with a large measure of professional competence.


In his speech on the State of the Union delivered on January 6, 1951, President Truman said:

In other parts of the world, our economic assistance will need to be more broadly directed toward economic development. In the Near East, in Africa, in Asia, we must do what we can to help people who are striving to advance from misery, poverty, and hunger. We must also continue to help the economic growth of our good neighbors in this hemisphere. These actions will bring greater strength for the free world. They will give many people a real stake in the future and reason to defend their freedom. They will mean increased production of the goods they need and the materials we need.

The statement by the President indicates a continuity of postwar policy of the U.S. Government of providing necessary economic assistance to the rest of the free world as evidenced by the Economic Cooperation Act, support of the International Bank and the International Monetary Fund, the Point Four Program, and similar activities.

I notice too that in your "Paper on Foreign Allocations Policy" dated March 5, 1951, you state that the defense effort must not be allowed to cause a disproportionate disruption or cessation of fully justified economic development in countries allied with the defense effort of the western world. To quote that paper: "We must deliberately devote some of our resources to
sustaining the strength of our allies, and we must not be prevented from so doing by every specifically internal supply difficulty if we are to obtain the greatest contribution to common ends from the resources of our allies."

The International Bank's share in the rendering of economic assistance, especially to the underdeveloped sections of the world, is not large compared to the aggregate. The proceeds of most of our loans are utilized to purchase capital equipment and similar items, of which the underdeveloped areas of the world imported in the year 1949, from the United States and other sources, an estimated $4.5 - $5 billion. The Bank's annual lending to these areas, therefore, which might be forecast at between $300 and $400 million, would constitute about 7% to 8% of the total needs of this area as indicated by their pre-Korean imports. These total imports themselves, we estimate, are less than 5% of the total production of producers' capital goods in the industrial nations of the West.

The Bank is now confronted, as are all sponsors of economic development projects, with the problem of shortages of supplies of the capital goods needed to continue sound economic development. We are thoroughly aware of the sharp impact of the growing defense effort in the United States and other western countries on supplies of producers' goods and scarce materials, and recognize the high importance and priority which must be accorded to the procurement flowing from the defense effort.

While the needs of the projects heretofore financed and to be financed by the Bank are not large relatively, we know that from time to time some of these requirements will impinge upon tight supply conditions, both in the United States and in the European markets. We are also aware that there will be relative differences in the tightness of the supply markets for certain
types of equipment which can be obtained alternatively from several sources. The Bank desires in every way to cooperate with the defense agencies in the United States and with comparable authorities in industrial countries of Europe. We believe that its unique position of being able to finance equipment from any market affords the Bank an unusual opportunity of lightening the impact on tight supply markets by advising our borrowers to seek their supplies where their orders will cause the least competition with other urgent demands.

The impact of the European defense effort may not be as severe on certain types of manufacturing facilities as will be the case in the United States.

If, therefore, the National Production Authority wishes to advise us that procurement of certain designated items outside of the United States (where such items are manufactured in alternative areas) is desirable in the interest of the defense program, we will advise our borrowers to this effect. If their efforts to satisfy their needs outside of the United States do not prove successful, we will request a specific showing (probably supplemented by evidence from our own technical personnel), that the United States is the only possible source of supply.

In undertaking to carry out such a policy, however, I will need your assurance that DPA and NPA will, at the Bank’s request, sympathetically consider specific assistance to our borrowers for procurement in the United States of essential items of equipment where a genuine showing is made of inability to procure in European markets. In this connection I wish to advise you that we will carefully screen critical requirements and constantly examine
the construction schedules of our projects so that the scheduling of deliveries of equipment will be requested only when it is actually needed.

If this policy can be carried out successfully in cooperation with DPA and NFA, I believe that the future lending by the Bank will make possible a series of sound economic development projects of high priority with a minimum impact on supply sources likely to be overcrowded with defense orders and the needs of essential civilian requirements in the United States. The Bank's operations in its field will constitute, in other words, the "cheapest" segment of foreign economic development in the sense of reducing strain on the critical supply markets.

I should also like to mention the obvious fact that economic development financed by the International Bank imposes no direct financial impact upon the U. S. Government budget since all of the funds which the Bank will be likely to lend for the foreseeable future will be obtained from the investment markets, either in the United States or elsewhere.

As you know, the Bank must work through the two foreign claimant agencies, i.e., the ECA and the Office of International Trade, Department of Commerce, in presenting its programs or projects. You are also doubtless aware that before the U. S. Director of the International Bank acts on each individual loan presented to the Board of Executive Directors, he receives his instructions from the NAC, which thus has an opportunity of considering each project before a loan is authorized. When the appropriate procedures have been established for presenting our projects to DPA and NFA through our claimant agencies, we expect in each case to provide full and complete details so that our claimant agencies, DPA and NFA may understand the justification
and supply impact of each project. Before our own decisions are made we conduct a careful economic and engineering investigation, the results of which will be made available in this way.

Specifically I would like to suggest that you, through the Committee on Foreign Requirements and Supply, consider the issuance of a policy statement to the effect that:

1. the policies and procedures of the International Bank for Reconstruction and Development are such that there is a presumption of high priority for the development projects upon which it is willing to lend; this does not, however, relieve the Bank from the duty of fully informing DPA and NPA of the facts in each case;

2. the Bank will, at the request of NPA, advise its borrowers to attempt to place in the European market their future orders for specified critical items in tight supply, and

3. NPA will give sympathetic consideration to providing specific assistance through directives or other means to those procurement orders where a clear showing can be made that European procurement is impractical or disruptive of orderly completion schedules.

An arrangement of this kind in rapidly changing circumstances can not be expected to rest upon any narrow interpretation of the language of this letter or of a policy statement, but must, if it is to succeed, depend upon the spirit in which it is implemented. I assure you that we in the Bank will approach these specific problems which will increasingly arise, in the broadest sense of cooperation with the U. S. defense agencies.

Cordially yours,

Eugene R. Black
New York, N.Y.,
March 25, 1951

Robert L. Garner, Esq.,
Vice President
International Bank of Reconstruction & Development
1818 H Street, N.W.,
Washington, D. C.

Dear Mr. Garner:

Thank you for your courtesy in granting me an interview this week.

I am certain that the task which you have undertaken is worthy of the strongest support. With the progress of time many more nations of the world must learn to appreciate the long-term importance of the job your Bank is doing.

I hope to see you again on the next occasion that I visit your country. If you are in London at any time I shall be pleased to see you if you have an opportunity of contacting me.

Kind regards.

Yours sincerely,

A. K. Bedwell
TO: Mr. Samuel W. Anderson
FROM: L. Gray Marshall
DATE: March 22, 1951

SUBJECT: Notes on the manufacturing schedules submitted by Office of International Trade

Steam Turbine Generator Units 10,000 KW and Larger

Mexican Light & Power #1 G.E. - 30,000 - Scheduled 7-51
#2 " " " 8-51

It is our opinion that these units, if anything, are not being delivered in time to meet the construction schedule. This is one of the cases that should be checked with the Borrower.

India - D.V.C. #1 G.E. - 50,000 - Scheduled 9-51
#2 " " " 10-51
#3 " " " 11-51

It is our opinion that if the existing construction schedules are to be maintained the above deliveries are not unreasonable. No action deemed necessary.

Water Wheel Driven Generators

Brazil (Rio de Janeiro L & P) Forcacava #11 - W35,000 - Scheduled 4-51
#12 " " " 7-51

It is our opinion that the delivery dates are not unrealistic in regards to deliveries. Another thing that it is not thought that a change in schedule would help the order board as the units are too well advanced.

Brazil (Sao Paulo Tram.) Pedriera #3 - W-16705 - Scheduled 7-51

This unit was to have been installed last year, however, the turbine is not scheduled to be delivered until 12/51. However, it would seem that the manufacture is so well advanced that it would not assist anybody if it were deferred. If the question is raised it would be well to check with the Borrower.

Brazil (Elec. Do San Francisco) #1 - W-61,225 - Scheduled 8-51
#2 " " " 10-51

It is our opinion that there might be some leeway in this scheduling. This is a case where we should inquire of the borrower and then form our opinion. If we are not able to keep the transmission towers on schedule there is no particular reason to insist on the generators.

Chile - Empresa Nacional de Elec. Cipreses #1 W - Scheduled 1-52
#2 " " " 2-52

It is our opinion that these dates are not unrealistic in regards to the construction dates.
Mr. Samuel W. Anderson

Boilers, 450 PSI gauge Pressure and Higher

Yugoslavia FW - 30,000 - Scheduled 7-51

This unit is not included in the List of Goods and a check with the purchasing commission indicates it is not in the program.

Australia FW - 140,000 - Scheduled 7-9-51
FW - 420,000 “ 7-11-51

It is felt that the above capacities represent more than one unit in each item. Under these conditions it could be units for South Wales and for Sydney that are covered by import license records already supplied to the Bank. We should check to determine orders and if within our List of Goods, inquire further with the Australian Representative in New York.

Mexican Light & Power B&W - 325,000 #1 - Scheduled 4-51
" #2 - " 4-51

These delivery dates seem realistic and coincide with the turbine construction schedules. No action necessary.

South Africa B&W #1 - 75,000 Scheduled 8-51
#2 " 9-51

We do not have sufficient information at this time to determine whether they will be financed by I.B.R.D. however, we do know that we will finance a large utility expansion program. The List of Goods is being requested by Mr. Crena de Iongh on his present visit. The recommendation on this should be held in abeyance.

Mexico B&W #1 - 45,000 Scheduled 12-51
#2 " 1-52

No indication of information in the Bank that they will be financed by I.B.R.D.

Brazil B&W #1 - 17,000 Scheduled 6-51
#2 " 6-51

No information available on these, not believed to be I.B.R.D. financed.

Damodar Valley Corp. - CE-S - #1 - 300,000 Scheduled 2-51
#2 " 2-51
#3 " 2-51

The above schedule does not seem realistic and is not in accordance with schedule given me verbally by the manufacturer two weeks ago. A more accurate schedule should be obtained before taking any action. It should also be established that each unit includes two boilers making a total of six boilers instead of the three.
Rauma - Raahve Oy Finland II-8-iii CE-S - 93,250 - Scheduled 2-51

This is a boiler being financed by I.B.R.D. for the Timber Industry. We do not have a construction schedule on this project. Should have been delivered by this time.

Kymmeno Aktiebolag Finland CE-S - 160,000 - Scheduled 8-51

This is a boiler financed with I.B.R.D. Funds for a hydro-electric installation known as Kymin Osakeyhtio and scheduled according to invoices for delivery between August and October 1951. We do not have a construction schedule on this project.

United Paper Co. Finland CE-S - 66,000 Scheduled 1-52

This is a boiler being financed by I.B.R.D. and known as Walkiekoski. It is a soda ash recovery unit. We do not have a construction schedule on this project. It is for the Timber Industry.

General

1. We should obtain information as to what the dates mean. Is it final shipment of parts of turbines and boilers or initial delivery of parts?

2. This schedule does not show E.C.A. country equipment which we as end-use supervisors need as well as goods sponsored by O.I.T.

3. We do not find any orders on Allis Chalmers or Elliott on the lists supplied. These are all manufacturers of the same type of equipment.
I believe the following points should be raised at the meeting called to discuss the two Loan Department memoranda.

1. The Rockefeller Report proposes that the Overseas Economic Administration be made a claimant agency for all exports. Assuming that the Report will be implemented in some form, it would appear reasonable to come to an understanding with CEA regarding export allocations and procurement priorities rather than with OIM directly.

2. Regarding the "negative tying" of loans (i.e., loan agreements with the stipulation that procurement cannot be made in the United States), I believe that Mr. Anderson's goes too far. I don't think we can incorporate exclusion provisions of this sort in our loan agreements if the price of European equipment is higher than that of comparable equipment of American origin. Furthermore, assuming that a reasonable degree of international cooperation in the allocation of scarce equipment is achieved, the policy would in effect "rob Peter to pay Paul." The policy is feasible and useful only as long as it is certain that defense and other priorities will effect the availability of scarce items in Europe, or in certain countries in Europe (e.g., Germany) less than in the U.S. Once European capacity is as fully mobilized as in the U.S., it would in effect be a circumvention of the policy objectives of the U.S. and allied governments.

3. Perhaps we should make an effort to drive home to our borrowing countries they would be in a better bargaining position with respect to procurement and allocations if they themselves would take steps to curtail imports of unessential scarce commodities (passenger cars, home refrigerators, etc.). There is no question in my mind that a curtailment of non-essential U.S. exports would set free a sufficient volume of scarce materials to permit a full flow of essential exports to underdeveloped countries. In 1949, for instance, we exported to underdeveloped countries 38,500 electric washing machines, 86,300 passenger cars, and 149,000 household refrigerators.

4. The preceding point may also serve as an important argument vis-a-vis the position which Harrison took in his letter to Mr. Garner.

5. I believe that the point in Wilson's statement to which Mr. Hoar calls specific attention is really, for the time being, the crucial issue: export licenses alone would not be sufficient to secure supplies for our borrowers. Mr. Anderson is presumably correct when he points out it is unlikely that procurement of our borrowers
will get a DO rating. We should be able, however, to get help through the "spot assistance" procedure mentioned in Mr. Anderson's memo; perhaps we could go one step further and provide such "spot assistance" ourselves, particularly with those U.S. producers which in the past have done a substantial volume of business financed by our loans.

6. In general, I don't think the time has come for the adoption of a definite policy. Rather, our policy should remain flexible until we see which U.S. agency will become the claimants for exports and then work out an understanding with that agency.
PROCUREMENT POLICY

Anderson opened by saying that Glendinning of the National Advisory Council had asked that the NAC receive early notification of any loans which are about to be put to the Board for approval. Glendinning had told Anderson that in the future the NAC would be much more careful when reviewing proposed loans to see whether the goods and equipment required would be available from United States sources.

Gerner asked whether the Colombian highway project was likely to run into procurement difficulties.

Anderson said he had talked with the Raymond Concrete Pile Company and that they had expressed the hope of obtaining equipment from the manufacturers or from the secondhand market. Since the Raymond Concrete Pile Company is an old and good customer, it was thought that there would be little difficulty in obtaining the necessary equipment.

Anderson then continued with a description of the U.S. Government's arrangements for granting allocations of materials and export licenses. He said that there were two claimant agencies from which the Bank would have to have approval. These were ECA (Economic Cooperation Administration) and OIT (Office of International Trade). He said the situation was still confused and OIT was even less assured of its responsibilities than ECA. Approval, as programs, for the projects might have to be obtained in the future before it would be possible to get assistance in obtaining specific kinds and amounts of equipment. This meant that each project would have to be justified. However, approval, once it is obtained, might be expected to carry with it the implicit undertaking to help expedite the actual procurement of the equipment required.

He went on to say that his paper had been based on two assumptions: (a) that pronouncements of policy from high government officials did not necessarily mean that the middle level officials with whom one must deal were going to be sympathetic or helpful; (b) that the Bank require a written statement which could be approved and agreed to by the Foster Committee and thus become, in effect, the Bank's passport by means of which it could seek facilitation of procurement for its borrowers.

Sommers then inquired as to whether the Bank was to take on the main burden of procurement or was merely to stand by in order to give help if efforts by the borrowers themselves proved unsuccessful.

Anderson replied that the Bank's role was to be that of a standby but, at the same time, the Bank should make it clear to the borrowers that they must organize themselves for a difficult campaign.

There was then some discussion of the danger of the Bank's becoming something
more than a mere advisor as to the sources of equipment to be procured.

Garner said that the Bank's role should be purely advisory and that it
could not undertake to force borrowers to make purchases in particular
areas.

Anderson took a slightly modified view saying that in order to get help
from the highest authorities in the U.S. Government, it was necessary to
indicate to them what the Bank could do in exchange for their assistance.
Anderson felt that the only thing the Bank would offer in exchange was
the assurance that the Bank would encourage borrowers not to compete in
the U.S. market for equipment which was in critically short supply, but to
satisfy their requirements by purchases from Europe instead.

Sommers asked: We aren't going to prevent borrowers from using their own
channels in obtaining the equipment they require, are we?

Garner agreed that we should not prevent borrowers from using their own
facilities for obtaining equipment they wanted, but if the Bank knew that
certain equipment was unobtainable in the U.S. then it might refuse to fi-
nance the purchase of this equipment with dollars.

Garner went on to say that he agreed with Anderson's proposal that a memo-
randum should be drawn up for consideration by top U.S. officials.

Anderson suggested that the memorandum should take the form of a letter
from Black to Charles Wilson, addressed to the attention of Foster. This
letter should "sell" the Bank's position.

Wheeler endorsed Anderson's proposal and added he thought a letter from
the White House was essential. He said that in the absence of such a letter,
the Bank would find it difficult to compete with, for example, the Secre-
tary of Agriculture, who is trying hard to get the same equipment needed
by the Bank's borrowers. He felt dubious that it would be possible to get
for Iraq the 95, D-5 tractors which will be required. He thought that the
contractors might have more success than the Bank in obtaining this equipment.

Anderson suggested that the Bank might encourage an arrangement under which
the contractors bought the equipment and, once the job was finished, sold
it to the Government for a fixed price.
Minutes of Meeting of Staff Loan Committee held 2:30 p.m., Friday, March 16, 1951

1. There were present:

Mr. R. L. Garner
Mr. A. S. G. Hoar
Mr. H. W. Riley
Mr. M. M. Rosen
Mr. M. L. Lejeune, Secretary

In attendance:

Mr. R. H. Demuth
Mr. E. G. Burland
Mr. S. W. Anderson
Mr. J. H. Adler

2. Procurement Policy

The Committee considered SLC/0/309, Loan Department Memorandum on U. S. Foreign Allocation Policy, and SLC/0/308, Loan Department Memorandum on Procurement Policy, and

AGREED in Principle:

with the recommendations presented in SLC/0/308, and specifically agreed that a document expressing the Bank's point of view (see paragraph 3 of the recommendations) should be drafted.

3. The meeting adjourned at 4:30 p.m.

Distribution

1. Mr. Eugene Black
2. Mr. R. L. Garner
3. Mr. W. A. B. Iliff
4. Mr. D. Sommers
5. Mr. D. Crena de Iongh
6. Mr. L. B. Rist
7. Mr. L. B. Rist
8. Mr. R. H. Demuth
9. Mr. A. S. G. Hoar
10. Mr. O. A. Schmidt
12. Mr. E. G. Burland
13. Mr. M. L. Lejeune
14. Files
15. Mr. S. W. Anderson
16. Mr. S. R. Cope
17. Mr. J. Rucinski
18. Mr. M. M. Rosen
TO: Mr. Garner

A meeting of the Staff Loan Committee will be held at 2:30 p.m. on Friday, March 16, 1951, in Room No. 1005.

(Signed) Michael L. LeJeune
Secretary, Staff Loan Committee

AGENDA

Procurement Policy

The Committee will consider the attached SLG/0/309, Loan Department Memorandum on U. S. Foreign Allocation Policy, dated March 14, 1951 in connection with SLG/0/303, Loan Department Memorandum on Procurement Policy, distributed March 13, 1951.

Distribution
1. Mr. Eugene Black
2. Mr. R. L. Garner
3. Mr. W.A.B. Iliff
4. Mr. D. McNair
5. Mr. D. Crena de Lough
6. Mr. L. B. Rist
7. Mr. L. B. Rist
8. Mr. R. H. Demuth
9. Mr. A.S.G. Hoar
10. Mr. O. A. Schmidt
12. Mr. E. G. Burland
13. Mr. H. Folk
14. Files
15. Mr. S.W. Anderson
16. Mr. S.R. Cope
17. Mr. J. Rucinski
The attached restricted document is a policy statement adopted by the Inter-Agency Export Policy Committee, of which Mr. William C. Foster, representing Mr. C. E. Wilson, is Chairman. Mr. Wilson has approved this paper and it therefore represents official U.S. policy. Its content is therefore relevant to Mr. Anderson's Procurement Policy paper, scheduled for discussion for Friday, March 16. I draw your attention particularly to section (2)(c).

We do not know whether this paper will be published or not.

For your additional information as throwing light on this problem there is attached hereto copy of Mr. Anderson's memorandum to Mr. Garner of March 14 and copy of Mr. Harrison's letter dated March 13.

A. S. G. Hoar
Assistant Loan Director

March 14, 1951.

Attachments
OFFICE MEMORANDUM

To: Mr. R. L. Garner  
From: S. W. Anderson  
Subject: COLOMBIA: Paz de Rio

Date: March 14, 1951

The attached reply from Mr. Harrison to our letter to him about Paz de Rio gives you a good idea of what we are up against. I refer specifically to the sentence: "It is our firm opinion that for the next two years such scarce equipment and scarce materials should be entirely devoted to our own expansion program." (Underlining is mine.) This attitude is in direct contradiction to the official policy paper which has been approved by Wilson in general terms and which has been circulated to you.

Luckily we are not involved in this particular case. For the sake of the Colombians I hope that the procurement orders in Europe will stick and that they won't have to return to the U. S. market for substitutions.

The attitude expressed in the letter, however, is one which we will meet again in cases where we are involved. It is typical of a considerable segment of the U.S. Government. The job of education and internal propaganda on the part of those who see beyond the immediate week-by-week problems is a large one.

attachment
Mr. R. L. Garner  
Vice President  
International Bank for  
Reconstruction and Development  
Washington 25, D. C.

Dear Mr. Garner:

We have received your letter of March 1, 1951, outlining alternative plans for installing certain steel-making facilities in the State of Boyaca, Colombia, and requesting a statement of policy from this Administration in the matter of assistance in the procurement of necessary materials and equipment.

The steel mill equipment manufacturers of the United States will be unable to fully meet the demands of the steel expansion program of this country during the next two years. The determination to expedite and hasten the completion of this steel expansion program has been established without question. The items of equipment required for the proposed mill could only be supplied in this country at the expense of our own expansion program. It is our firm opinion that for the next two years such scarce equipment and scarce materials should be entirely devoted to our own expansion program.

The Colombian proposal might be considered more favorably when our defense production program reaches its target. At that time, possibly two years hence, we should be in a position to offer an assurance that the material and equipment for the proposed mill could be made available.

We are sympathetic with the desire of the Republic of Colombia in this proposal, and we hope that we will be able to afford definite assistance at a time when our steel production facilities are not so seriously occupied with defense requirements.

Sincerely,

W. H. Harrison  
Administrator
**Record Removal Notice**

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<tr>
<th>Document Date</th>
<th>Document Type</th>
<th>Correspondents / Participants</th>
<th>Subject / Title</th>
</tr>
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</table>

**Exception(s)**
- Information Provided by Member Countries or Third Parties in Confidence

**Additional Comments**

The item(s) identified above has/have been removed in accordance with The World Bank Policy on Access to Information. This Policy can be found on the World Bank Access to Information website.

**Withdrawn by**
- Ann May

**Date**
- 02-Aug-16
TO: Mr. A. S. O. Hoar  
FROM: S. W. Anderson  
SUBJECT: NAC

DATE: March 14, 1951

With Mr. Garner's permission, I called on Mr. Wm. McC. Martin this afternoon. Present also was Mr. Dillon Glendinning, Secretary of the NAC. I told Mr. Martin that I was particularly interested to find out what NAC proposed to do at this time, if anything, in the way of examining our projects from an equipment availability point of view. I reported that I was working on a procedure to have DPA and NPA look at them from that standpoint and examine our justifications. I had spent an hour and a half this morning with Mr. James Foster, Head of the Projects Division of O.I.T. on this very problem. Mr. Glendinning then launched into quite a long discussion, the burden of which was that the NAC Staff is now checking with Commerce generally on availabilities before presenting projects to NAC. I pointed out that we expected to have this screening done at DPA and NPA where it should be done and that I saw no point in duplicating this work. Glendinning then shifted his ground and said that he wanted to be kept currently informed about the Bank's plans and the details of our projects as we presented them to O.I.T. I was noncommittal as I visualized some dangers in this arrangement.

Mr. Martin then discussed generally the fact that all governments were pretty thoroughly overcommitted from the standpoint of their resources and quoted Secretary Snyder as being opposed to long-term development at this stage. He mentioned the $4.5 prospective annual gold drain against the U. S., the imminence of serious strikes, the unawareness of the public of the necessity for retrenchment and other stock arguments in favor of a point of view of caution and the necessity of the U. S. pulling in its horns from the standpoint of capital drain. Encouraged by these observations Mr. Glendinning then outlined a rather broad ambition for the NAC to examine on a global basis all commitments of the U. S. from a qualitative as well as a quantitative view. He lumped the International Bank neatly in this basket.

Mr. Martin finally pointed out that, in his opinion, everyone in the U. S. Government is at present simply feeling his way through current problems and that there is no chance now of nailing down any irrevocable policy which has an important bearing upon the over-all fiscal and economic position of the United States.

I sensed from these discussions a rather strong desire on the part of the NAC staff to enlarge its function considerably and I think we may well be warned about some of the pitfalls this might create for us. Also, from what Mr. Martin said it did not seem to me that he was in sympathy with the position taken by Mr. C. E. Wilson and the Committee on Foreign Requirements and Supplies (of which Wm. Foster is Chairman), not to mention the President's State of the Union address or the Rockefeller report.
Tactically I think we will have to nurse Glendinning along. It may well be that, as we devise some satisfactory channels through which our projects can be looked at by NFA, the NAC staff may have to be kept informed at an earlier date than heretofore.

cc: Mr. Black
    Mr. Garner
OFFICE MEMORANDUM

TO: Messrs. Rucinski, Cope, Schmidt
FROM: S. W. Anderson
DATE: March 13, 1951
SUBJECT: Procurement Policy

Attached hereto is what I hope will be an adequate supply of the form letter addressed to borrowers.

Will you please route through me, for mailing, the individual letters to the borrowers so I can be informed before they leave as to their content. I would appreciate it if these could be dispatched today, Tuesday.

Additional copies of this letter are available if you need them.
MEMORANDUM FOR MEMBERS OF THE STAFF LOAN COMMITTEE:

The attached SLC/0/308, Loan Department Memorandum on Procurement Policy, dated March 13, 1951, will be considered by the Committee at any early meeting.

Michael L. Lejeune
Secretary
Procurement Policy

In his speech on the State of the Union delivered on January 8, 1951, President Truman said:

"In other parts of the world, our economic assistance will need to be more broadly directed toward economic development. In the Near East, in Africa, in Asia, we must do what we can to help people who are striving to advance from misery, poverty, and hunger. We must also continue to help the economic growth of our good neighbors in this hemisphere. These actions will bring greater strength for the free world. They will give many people a real stake in the future and reason to defend their freedom. They will mean increased production of the goods they need and the materials we need."

This policy statement by the President presumably promises the support of the U. S. for our policy of lending to finance development projects in our member countries.

Needs Not Large

The needs of the underdeveloped areas for materials and equipment are not large in relation to the productive capacity of the United States, as the following table shows:

1/ While the policy matters discussed in this memorandum are intended to apply to all of our loans, the figures in this section refer to the so-called underdeveloped areas of Latin America, Far and Middle East and Africa.
## U.S. Production Compared with Exports to Underdeveloped Countries, 1949

*In millions of dollars*

<table>
<thead>
<tr>
<th>Durable Producer's Goods</th>
<th>Value of Production</th>
<th>To Underdeveloped Countries</th>
<th>As % of Production</th>
</tr>
</thead>
<tbody>
<tr>
<td>Iron and steel products</td>
<td>20,194</td>
<td>513.9</td>
<td>2.5</td>
</tr>
<tr>
<td>Non-ferrous metal products</td>
<td>5,010</td>
<td>67.8</td>
<td>1.4</td>
</tr>
<tr>
<td>Electrical machinery and equipment</td>
<td>8,523</td>
<td>298.1</td>
<td>3.5</td>
</tr>
<tr>
<td>Machinery, except electrical</td>
<td>14,027</td>
<td>911.1</td>
<td>6.5</td>
</tr>
<tr>
<td>Transportation equipment</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>and aircraft</td>
<td>1,952</td>
<td>31.2/</td>
<td>1.6</td>
</tr>
<tr>
<td>Aircraft</td>
<td>1,839</td>
<td>49.8</td>
<td>2.7</td>
</tr>
<tr>
<td>Lumber and basic lumber products</td>
<td>4,917</td>
<td>27.7</td>
<td>0.6</td>
</tr>
<tr>
<td>Stone, clay and glass products</td>
<td>4,534</td>
<td>98.7</td>
<td>2.2</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>60,996</strong></td>
<td><strong>1,998.3</strong></td>
<td><strong>3.3</strong></td>
</tr>
</tbody>
</table>

1/ The value of production of individual manufacturing industries and the three industry groups is the value of manufacturers' sales, as reported by the U.S. Department of Commerce. Value of crude agricultural products are cash receipts from crops and livestock and products, and value of home consumption as reported by the U.S. Department of Agriculture. Value of crude mineral products is the value of crude or prepared minerals, f.o.b. mine, well, or plant, estimated by the U.S. Bureau of Mines.

2/ Exports exclude sales of merchant vessels.


While we do not have comparable figures of exports, the best estimate we have of similar items from European sources is $2.9 million. As compared to these figures it is possible that the International Bank may be prepared to lend, say, $300 million a year for good development projects in the areas under discussion. The equipment and materials for which these loans would be spent might thus be estimated as roughly 6% of the total capital goods imported by the underdeveloped areas in 1949. Accordingly, we can say with some confidence that the drain of possible International Bank lending would average less than 1% of the 1949 world production of the goods in question.
Justification of Projects

The whole history of the International Bank's lending operations has clearly demonstrated that the projects which it finances are carefully screened for essentiality and relative priority, as nearly as can be determined, within the framework of development programs. Thus there is a strong presumption that any project which the Bank finances is a worth-while economic development and would readily fall within the definition in the mind of President Truman.

We cannot, however, afford to rely upon such a presumption in general terms. We should move now to establish it as nearly as possible as an agreed policy with specific implications.

Judging by experience in the last war much of the continuous attack on those who insisted on the necessity of exporting scarce items stemmed from the weak justification which the Foreign Economic Administration or the State Department were able to prevent through lack of detailed knowledge and inadequate staff work. We should, therefore, attempt now to establish, at high levels in the U. S. Government, that the Bank's willingness to make a loan is presumptive evidence of high priority and essentiality for foreign economic development. Our elaborate studies and documentation on each loan should be of great help in persuading the U. S. authorities that we know all the facts before we make our decisions.

Even if we succeed in obtaining such a policy decision from Mr. O. E. Wilson, we will still have to make a presentation of the facts in each case to various agencies and committees (e.g., Projects Division, O.I.T., NAC, etc.), but it will be in the nature of information rather than a raising of the essentiality question for debate. This will be a tremendous advantage. In fact, a brief blanket presentation of essentiality covering our present 29 undischarged loans will be a necessary and effective tool in requesting the policy decision suggested above.

The priority position we should seek to obtain for Bank projects is that directly below foreign projects designed to increase output of critical materials (e.g., chrome, manganese, tungsten, etc.), but definitely above the general run of exports. In practice this may pose some knotty problems such as the Australian loan where the uses to which our money will be put will cover a wide and varied field with great differences in essentiality.

Specific Implementation of This Policy

It is all very well to have, if we succeed in getting it, a policy determination such as I have suggested above, but its value will largely depend on what commitments for specific assistance can be secured to implement it.
As matters stand now, it is unlikely that the Bank can obtain for its needs the only existing priority rating of D.O. which is designed to give military and defense items and expansions the right of way. The most influential groups in NPA and DPA are reluctant to expand the use of the single band D.O Priority, and, furthermore, are resisting pressures to add a second band of ratings. NPA is, however, set up to provide "spot assistance" in the form of specific directives to manufacturers covering individual orders. These directives can be made, by their terms, superior or inferior to D.O orders. They can be, therefore, a second band priority in effect. The present framework will be strengthened with the advent of a form of Controlled Materials Plan now scheduled for initiation in the third quarter of 1951.

So long as the present basic framework holds together, the maximum we can probably expect to get as a commitment to implement the policy I am suggesting is an agreement to provide "spot assistance" by directive where it is essential to prevent disastrous consequences for one of our projects. Needless to say, NPA will be subjected to increasing pressures to provide spot assistance by directive to a rapidly enlarging sector of the American economy which finds itself in difficulty due to shortages. NPA is all braced to resist these pressures when essentiality or unusual hardship cannot be demonstrated. Unless NPA resists such pressures on a wide front there will be a rapid depreciation in the value of a directive as happened in the early stages of the last war.

This all leads to the conclusion that if the Bank is to succeed in its efforts to get a commitment to provide directives or comparable assistance where required, we must be in a position to offer something attractive and unique to the U. S. authorities as a consideration for their promises. Fortunately the nature of our operations provides us with a very valuable and unique trading point. Our loans can be spent outside of the U. S. either in 18% capital or in other currencies purchased for dollars.

I, therefore, propose that if Messrs. Wilson, Harrison, Fleischman, etc., demand it of us as a price of a commitment for spot assistance whenever needed, we should agree that, in the fields of greatest tightness as named by NPA (e.g., turbines, generators, boilers, switch gear, heavy machinery, machine tools, certain chemicals, etc.), we would require our borrowers to procure in Europe and would only sanction orders on U. S. suppliers, usually with directive assistance, upon a specific showing of inability to procure outside of the United States. Mr. Luxford thinks that, cast in the mold of a demand by the United States, this policy would not violate the anti-tied loan provisions of our Articles.

The practicality of this policy depends upon whether or not the assumption is correct that there will be relatively less tightness in the European market for export orders than in the United States. This assumption must be further tested by investigation but there are certain basic reasons why it may well prove to be valid.
This scheme would require certain modifications in our procedures and, in some instances, would restrict the scope of international competitive bidding. It might, but probably as an average would not, increase the cost of some of our projects. It would certainly enlarge the work load of the Bank in screening the appeals for U. S. procurement upon an alleged showing of unavailability in Europe. It might also mean stationing skilled personnel in Europe to assist borrowers in their search for suppliers there.

Is Such a Deal Necessary?

In facing their procurement problems in the United States the plight of our borrowers is not a happy one. With certain obvious exceptions, our borrowers are "one time customers," not likely to be the source of repeat business over the years. The average American manufacturer is notoriously disloyal to his foreign customers when he is under pressure from his domestic customers. Again with notable exceptions, the American suppliers give the short end of the stick to the foreigner when they have to. Furthermore, this attitude is abetted by a considerable sector of the U. S. Government.

There is not the slightest doubt that the American equipment and materials markets are going to get, and in many directions already are, exceedingly tight and very dangerous to the customer near the end of the line. We know by experience that the non-priority American customer will use every trick of the trade to keep himself from being shut out. He will play to the limit on friendship, past business, cajolery, threats, influence, black markets, bribery and worse. The foreign customer, even if he is well supported by American expediters and agents, cannot duplicate the bag of tricks possessed by his American counterpart. He will inevitably suffer badly, unless we can see to it that he gets put into some sort of special position where a really effective tool is available when needed to help him.

The continuity of directive assistance to the Bank's borrowers, however, will depend a good deal upon the skill with which we handle our privileges. We must be reasonable in our demands and we must be sure in each case that we read what we ask for in the way of deliveries and spot assistance. Nothing would destroy confidence in us more quickly than an abuse or two of a privileged position.

Specific Recommendations

I suggest:

1. That, as soon as Mr. Black returns from South America, we debate this matter as a matter of principle and policy.
2. If it is decided to proceed along these or some modified lines, we should carefully prepare to make specific proposals to the U. S. authorities. While this presumably will flow through the channel of the American Director of the Bank, I consider it essential that a full dress presentation be made by Mr. Black directly to Messrs. C. E. Wilson, W. A. Harriman, W. C. Foster (as Chairman of Wilson's inter-agency Export Policy Committee), and William Harrison (DPA), with the help if possible of Messrs. Willard Thorp, William McC. Martin, and possibly Nelson Rockefeller.

3. The presentation should be preceded by the circulation of a brief but pungent document outlining the proposals and supported by an appendix showing the justification from a development standpoint of our 29 undischarged loans.

4. Support of our Directors should be obtained in advance.

5. Support of the U. S. State Department should be assured in advance.

6. We should have a closer knowledge of European supply conditions in advance, but this may not be possible in time.

S. W. Anderson

March 13, 1951
March 13, 1951

To All Borrowers from the International Bank for Reconstruction and Development (whose loans have not yet been completely disbursed)

As you are doubtless aware, the rapidly evolving defense program of the United States, the British Commonwealth and countries of Western Europe is creating a progressively more stringent supply situation. While the impact of this program will be particularly troublesome in the field of material and equipment directly used for military and semi-military end products, it will nevertheless be felt on a very wide front, especially in the field of the equipment necessary for the planned expansion of productive facilities in various key industries such as steel, aluminum, power and machinery.

The use of controls and regulations by the several Defense Agencies in the United States and their counterparts abroad will undoubtedly increase for the foreseeable future. Under present and probably future conditions, the placing of orders in the United States, the British Commonwealth, and in Western Europe, for purposes of projects not directly connected with the defense effort will become increasingly difficult and production under orders when placed will be increasingly subject to interruptions and delays.

The Bank has become progressively concerned with this situation and its effect upon the orderly completion of projects for which it has made loans. Accordingly, a special unit has been set up in the office of the Loan Director under my direction to deal with the procurement problems in the United States and elsewhere. It is not yet clear to what extent the efforts of the Bank may be effective in avoiding damaging interruptions and delays in Bank financed projects. The policy of the U.S. Defense Agencies is only now being developed and thus the procedures which may be appropriate for remedial action are not yet established. The same may be said of other countries.

The purpose of this preliminary letter is to let you know that we are aware of the seriousness of the problem which faces our borrowers in their procurement efforts and to ask you to advise us promptly and fully what plans and procedures, if any, you have devised or are planning to set up to deal with the existing situation on your own behalf. In due course we will have certain suggestions to make designed to help you deal with these difficulties. In addition, we shall write you more fully on matters of general policy when appropriate observations can be made.

In the meantime it will be helpful to me if you can designate a man in your organization whom you have charged with the responsibility of following matters of this character.

Samuel W. Anderson
Special Advisor to the Loan Director
Messrs. Cope, Rucinski, Schmidt

S. W. Anderson

Procurement

March 8, 1951

I am attaching hereto one carbon copy of a letter which has been addressed by me to borrowers under your jurisdiction, in accordance with the list of names furnished by you. I have kept copies of these letters in my files.

It is my understanding that you will yourself, or will cause a Loan Officer in your Division, to write a covering letter over his or your own signature to the borrower which should embody the following points:

1. Inform him that the same letter is being sent to all borrowers from the Bank.

2. Inform him that I am now charged with the responsibility of dealing with all matters of procurement difficulties and that the reply to this letter, as well as other correspondence dealing with problems of procurement should be addressed to me.

3. You can, if you desire, request the borrower to send to the Loan Officer involved informational copies of any communication addressed to me.

4. Make such other observations as are appropriate to fit the special circumstances in each case, e.g., Brazilian Traction. Comment on the fact that we are quite aware that follow-up machinery on orders is already established in Toronto, New York and London, but nonetheless request a description of the procedures in answer to my letter.

These letters should be prepared and ready for me before Friday, March 9. After you have prepared and signed them, wont you please route them to my office so I can read them before they are sent out? Each letter should be attached to my letter.

attachment
March 7, 1951

As you are doubtless aware, the rapidly evolving defense program of the United States and its European Allies is creating a progressively more stringent supply situation. The impact of this program will be felt on a very wide front, but will, in our opinion, be particularly troublesome in the field of material and equipment directly used for military and semi-military end products such as communication equipment, tanks, etc., and in the field of equipment necessary for the planned expansion of productive facilities in various key industries such as steel, aluminum, power, and heavy machinery.

The U.S. Government has set up several "Defense Agencies" which are issuing and administering a rapidly growing series of control orders and regulations. These limit the use of critical materials for non-essential purposes; provide priority assistance for the production of defense end products, for the purchase of materials incorporated therein and for the acquisition of production equipment necessary for defense production; schedule order boards of manufacturers of critical equipment and components such as boilers, generators, switch gear, machine tools, etc.; and cover a wide range of other activities. The extent of control of the U.S. economy, including prices and manpower will, in our judgment, rapidly increase for the foreseeable future. Almost full allocation of steel, copper and aluminum will be set up by the third quarter of 1951 under a revival of the Controlled Materials Plan of World War II. Under present and probably future conditions, the placing of orders in the United States, and perhaps to a lesser extent in Europe, for purposes of projects not directly connected with the defense effort will become increasingly difficult and production under orders when placed will be increasingly subject to interruptions and delays.

The Bank has become progressively concerned with this situation and its effect upon the orderly completion of projects for which it has made loans. Accordingly, a special unit has been set up in the office of the Loan Director under my direction to deal with the problems evolving from the defense effort in the United States and elsewhere. It is not yet clear to what extent the efforts of the Bank may be effective in avoiding damaging interruptions and delays in Bank financed projects. The policy of the U.S. Defense Agencies is only now being developed and thus the procedures which may be appropriate for remedial action are not yet established. The same may be said of Europe.

The purpose of this preliminary letter is to let you know that we are aware of the seriousness of the problem which faces our borrowers in their procurement efforts and to ask you to advise us promptly and fully what plans and procedures, if any, you have devised or are planning to set up to deal with the existing situation on your own behalf. In due
course we will have certain suggestions to make designed to help you deal with these difficulties. In addition, we shall write you more fully on matters of general policy when appropriate observations can be made.

In the meantime it will be helpful to me if you can designate a man in your organization whom you have charged with the responsibility of following matters of this character.

Very truly yours,

Samuel W. Anderson
Special Adviser to the Loan Director
March 8, 1951

Messrs. Garner, Hoar, Rist, Crena de Iongh
Mendels, General Wheeler
S. W. Anderson
Procurement

Attached hereto is a copy of a letter which has gone out in identical form to our 26 borrowers who have not completed their disbursements. (There are three omissions where disbursement is almost complete.) Each letter has been accompanied by a special letter from the Loan Officer involved, calling attention to any special circumstances surrounding a particular loan, and requesting that replies to the letter and further correspondence on these matters be directed to me with a copy to the Loan Officer involved.

In addition, at Mr. Hoar's direction, I have furnished Mr. Mendels copies of my letter for distribution to the Executive Directors.

cc: Mr. Cope
    Mr. Rucinski
    Mr. Schmidt
Dear Mr. Kamat:

As you are doubtless aware, the rapidly evolving defense program of the United States and its European Allies is creating a progressively more stringent supply situation. The impact of this program will be felt on a very wide front, but will, in our opinion, be particularly troublesome in the field of material and equipment directly used for military and semi-military end products such as communication equipment, tanks, etc., and in the field of equipment necessary for the planned expansion of productive facilities in various key industries such as steel, aluminum, power, and heavy machinery.

The U. S. Government has set up several "Defense Agencies" which are issuing and administering a rapidly growing series of control orders and regulations. These limit the use of critical materials for non-essential purposes; provide priority assistance for the production of defense end products, for the purchase of materials incorporated therein and for the acquisition of production equipment necessary for defense production; schedule order boards of manufacturers of critical equipment and components such as boilers, generators, switch gear, machine tools, etc.; and cover a wide range of other activities. The extent of control of the U. S. economy, including prices and manpower will, in our judgment, rapidly increase for the foreseeable future. Almost full allocation of steel, copper and aluminum will be set up by the third quarter of 1951 under a revival of the Controlled Materials Plan of World War II. Under present and probably future conditions, the placing of orders in the United States, and perhaps to a lesser extent in Europe, for purposes of projects not directly connected with the defense effort will become increasingly difficult and production under orders when placed will be increasingly subject to interruptions and delays.

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The purpose of this preliminary letter is to let you know that we are aware of the seriousness of the problem which faces our borrowers in their procurement efforts and to ask you to advise us promptly and fully what plans and procedures, if any, you have devised or are planning to set up to deal with the existing situation on your own behalf. In due
course we will have certain suggestions to make designed to help you deal with these difficulties. In addition, we shall write you more fully on matters of general policy when appropriate observations can be made.

In the meantime it will be helpful to me if you can designate a man in your organization whom you have charged with the responsibility of following matters of this character.

Very truly yours,

Samuel W. Anderson
Special Adviser to the Loan Director

Mr. G. R. Kamat
Joint Secretary
Ministry of Finance
New Delhi, India
In his speech on the State of the Union delivered on January 8, 1951, President Truman said:

"In other parts of the world, our economic assistance will need to be more broadly directed toward economic development. In the Near East, in Africa, in Asia, we must do what we can to help people who are striving to advance from misery, poverty, and hunger. We must also continue to help the economic growth of our good neighbors in this hemisphere. These actions will bring greater strength for the free world. They will give many people a real stake in the future and reason to defend their freedom. They will mean increased production of the goods they need and the materials we need."

This policy statement by the President presumably promises the support of the U. S. for our policy of lending to finance development projects in our member countries.

Needs not large

The needs of the underdeveloped areas for materials and equipment are not large in relation to the productive capacity of the United States, as the following table shows: 2/

---

1/ While the policy matters discussed in this memorandum are intended to apply to all of our loans, the figures in this section refer to the so-called underdeveloped areas of Latin America, Far and Middle East and Africa.

U. S. Production Compared with Exports to Underdeveloped Countries, 1949

(In millions of dollars)

<table>
<thead>
<tr>
<th>Durable Producers' Goods</th>
<th>Value of Production</th>
<th>To underdeveloped countries</th>
<th>As % of Production</th>
</tr>
</thead>
<tbody>
<tr>
<td>Iron and steel products</td>
<td>20,194</td>
<td>513.9</td>
<td>2.5</td>
</tr>
<tr>
<td>Non-ferrous metal products</td>
<td>5,010</td>
<td>67.8</td>
<td>1.4</td>
</tr>
<tr>
<td>Electrical machinery &amp; equipment</td>
<td>8,523</td>
<td>298.1</td>
<td>3.5</td>
</tr>
<tr>
<td>Machinery, except electrical</td>
<td>14,027</td>
<td>911.1</td>
<td>6.5</td>
</tr>
<tr>
<td>Transportation equipment except motor vehicles and aircraft</td>
<td>1,952</td>
<td>31.2 2/</td>
<td>1.6</td>
</tr>
<tr>
<td>Aircraft</td>
<td>1,839</td>
<td>49.8</td>
<td>2.7</td>
</tr>
<tr>
<td>Lumber and basic lumber products</td>
<td>4,917</td>
<td>27.7</td>
<td>0.6</td>
</tr>
<tr>
<td>Stone, clay and glass products</td>
<td>4,534</td>
<td>98.7</td>
<td>2.2</td>
</tr>
<tr>
<td>Total</td>
<td>60,996</td>
<td>1,998.3</td>
<td>3.3</td>
</tr>
</tbody>
</table>

1/ The value of production of individual manufacturing industries and the three industry groups is the value of manufacturers' sales, as reported by the U.S. Department of Commerce. Value of crude agricultural products are cash receipts from crops and livestock and products, and value of home consumption as reported by the U.S. Department of Agriculture. Value of crude mineral products is the value of crude or prepared minerals, f.o.b. mine, well, or plant, estimated by the U.S. Bureau of Mines.

2/ Exports exclude sales of merchant vessels.

Even the exports of non-electrical machinery at 6.5% is not a crippling figure. While we do not have comparable figures of exports, the best estimate we have of similar items from European sources is $2.9 million. As compared to these figures it is possible that the International Bank may be prepared to lend, say, $300 million a year for good development projects in the areas under discussion. The equipment and materials for which these loans would be spent might thus be estimated as roughly 6% of the total capital goods imported by the underdeveloped areas in 1949. Accordingly, we can say with some confidence that the drain of possible International Bank lending would average less than 1% of the 1949 world production of the goods in question.
Justification of Projects

The whole history of the International Bank's lending operations has clearly demonstrated that the projects which it finances are carefully screened for essentiality and relative priority, as nearly as can be determined, within the framework of development programs. Thus there is a strong presumption that any project which the Bank finances is a worthwhile economic development and would readily fall within the definition in the mind of President Truman.

We cannot, however, afford to rely upon such a presumption in general terms. We should move now to establish it as nearly as possible as an agreed policy with specific implications.

Judging by experience in the last war much of the continuous attack on those who insisted on the necessity of exporting scarce items stemmed from the weak justification which the Foreign Economic Administration or the State Department were able to prevent through lack of detailed knowledge and inadequate staff work. We should, therefore, attempt now to establish, at high levels in the U.S. Government, that the Bank's willingness to make a loan is presumptive evidence of high priority and essentiality for foreign economic development. Our elaborate studies and documentation on each loan should be of great help in persuading the U.S. authorities that we know all the facts before we make our decisions.

Even if we succeed in obtaining such a policy decision from Mr. C. E. Wilson, we will still have to make a presentation of the facts in each case to various agencies and committees (e.g. Projects Division, O.I.T., NAC, etc.), but it will be in the nature of information rather than a raising of the essentiality question for debate. This will be a
tremendous advantage. In fact a brief blanket presentation of essentiality covering our present 29 undisbursed loans will be a necessary and effective tool in requesting the policy decision suggested above.

The priority position we should seek to obtain for Bank projects is that directly below foreign projects designed to increase output of critical materials (e.g., chrome, manganese, tungsten, etc.), but definitely above the general run of exports. In practice this may pose some knotty problems such as the Australian loan where the uses to which our money will be put will cover a wide and varied field with great differences in essentiality.

**Specific Implementation of This Policy**

It is all very well to have, if we succeed in getting it, a policy determination such as I have suggested above, but its value will largely depend on what commitments for specific assistance can be secured to implement it.

As matters stand now, it is unlikely that the Bank can obtain for its needs the only existing priority rating of D.O. which is designed to give military and defense items and expansions the right of way. The most influential groups in NPA and DPA are reluctant to expand the use of the single band DO Priority, and, furthermore, are resisting pressures to add a second band of ratings. NPA is, however, set up to provide "spot assistance" in the form of specific directives to manufacturers covering individual orders. These directives can be made, by their terms, superior or inferior to DO orders. They can be, therefore, a second band priority in effect. The present framework will be strengthened with the advant of
a form of Controlled Materials Plan now scheduled for initiation in the third quarter of 1951.

So long as the present basic framework holds together, the maximum we can probably expect to get as a commitment to implement the policy I am suggesting is an agreement to provide "spot assistance" by directive where it is essential to prevent disastrous consequences for one of our projects. Needless to say, NPA will be subjected to increasing pressures to provide spot assistance by directive to a rapidly enlarging sector of the American economy which finds itself in difficulty due to shortages. NPA is all braced to resist these pressures when essentiality or unusual hardship cannot be demonstrated. Unless NPA resists such pressures on a wide front there will be a rapid depreciation in the value of a directive as happened in the early stages of the last war.

This all leads to the conclusion that if the Bank is to succeed in its efforts to get a commitment to provide directives or comparable assistance where required, we must be in a position to offer something attractive and unique to the U. S. authorities as a consideration for their promises. Fortunately the nature of our operations provides us with a very valuable and unique trading point. Our loans can be spent outside of the U. S. either in 16% capital or in other currencies purchased for dollars.

I, therefore, propose that if Messrs. Wilson, Harrison, Fleischman, etc. demand it of us as a price of a commitment for spot assistance whenever needed, we should agree that, in the fields of greatest tightness as named by NPA (e.g., turbines, generators, boilers, switch gear, heavy machinery, machine tools, certain chemicals, etc.), we would require our borrowers to procure in Europe and would only sanction orders on U. S.
suppliers, usually with directive assistance, upon a specific showing of inability to procure outside of the United States. Mr. Luxford thinks that, cast in the mold of a demand by the United States, this policy would not violate the anti-tied loan provisions of our Articles.

The practicality of this policy depends upon whether or not the assumption is correct that there will be relatively less tightness in the European market for export orders than in the United States. This assumption must be further tested by investigation but there are certain basic reasons why it may well prove to be valid.

This scheme would require certain modifications in our procedures and, in some instances, would restrict the scope of international competitive bidding. It might, but probably as an average would not, increase the cost of some of our projects. It would certainly enlarge the work load of the Bank in screening the appeals for U.S. procurement upon an alleged showing of unavailability in Europe. It might also mean stationing skilled personnel in Europe to assist borrowers in their search for suppliers there.

Is such a deal necessary?

In facing his procurement problems in the United States the plight of our borrowers is not a happy one. With certain obvious exceptions he is a "one time customer" not likely to be the source of repeat business over the years. The average American manufacturer is notoriously disloyal to his foreign customers when he is under pressure from his domestic customers. Again with notable exceptions, the American suppliers give the short end of the stick to the foreigner when they have to. Furthermore, this attitude is abetted by a considerable sector of the U.S. Government.
There is not the slightest doubt that the American equipment and materials markets are going to get, and in many directions already are, exceedingly tight and very dangerous to the customer near the end of the line. We know by experience that the non-priority American customer will use every trick of the trade to keep himself from being shut out. He will play to the limit on friendship, past business, cajolery, threats, influence, black markets, bribery and worse. The foreign customer, even if he is well supported by American expediters and agents, cannot duplicate the bag of tricks possessed by his American counterpart. He will inevitably suffer badly, unless we can see to it that he gets put into some sort of special position where a really effective tool is available when needed to help him.

The continuity of directive assistance to the Bank's borrowers, however, will depend a good deal upon the skill with which we handle our privileges. We must be reasonable in our demands and we must be sure in each case that we need what we ask for in the way of deliveries and spot assistance. Nothing would destroy confidence in us more quickly than an abuse or two of a privileged position.

Specific Recommendations

I suggest:

1. That, as soon as Mr. Black returns from South America, we debate this matter as a matter of principle and policy.

2. If it is decided to proceed along these or some modified lines, we should carefully prepare to make specific proposals to the U. S. authorities. While this presumably will flow through the channel of the American Director of the Bank, I consider it essential that a full dress
presentation be made by Mr. Black directly to Messrs. C. E. Wilson, W. A. Harriman, W. C. Foster (as Chairman of Wilson's inter-agency Export Policy Committee), and William Harrison (DPA), with the help if possible of Messrs. Willard Thorp, William McC. Martin, and possibly Nelson Rockefeller.

3. The presentation should be preceded by the circulation of a brief but pungent document outlining the proposals and supported by an appendix showing the justification from a development standpoint of our 29 undisbursed loans.

4. Support of our Directors should be obtained in advance.

5. Support of the U. S. State Department should be assured in advance.

6. We should have a closer knowledge of European supply conditions in advance, but this may not be possible in time.
Mr. Leonard B. Rist  
John H. Adler  

Export Availabilities

1. As you know, about two weeks ago, an Advisory Committee on Foreign Supplies and Requirements has been established in the Office of Defense Mobilization. Chairman of the Committee is E.R. Administrator, Foster. The purpose of the Committee is to develop a policy regarding the allocation of scarce materials and finished products for export. Since so far no over-all priority system has been established, the Defense Production Administration (under Harrissom) has not taken any action in the export field except with regard to certain specific projects of strategic importance which have been given D.O. (Defense Order) priorities of the same rating as domestic defense requirements.

2. All other exports are treated as non-priority; it is up to the purchaser to obtain the articles in the "free" market. Purchases of foreign governments are essentially handled in the same way. In isolated instances, however, the Office of International Trade (OIT) of the Department of Commerce has intervened informally with potential U.S. suppliers in favor of foreign governments. This form of intervention may ultimately lead to the reestablishment of "procurement assistance" which the Foreign Economic Administration (FEA) handled during the last war.

3. It is understood that within the next three or four months over-all priority schemes will be established for the use of copper, aluminum and steel. Allocation for foreign as well as domestic uses will be made on the basis of end-use. The development of the allocation schemes is the responsibility of the newly established Critical Materials Committee in the Defense Production Administration which has been assigned the coordinating functions which formerly were the responsibility of the National Resources Security Board.

4. At present foreign purchasers are encountering increasing difficulties in placing orders. Particularly foreign governments which lack experience and established contact with American manufacturers are unable to place orders, or to get satisfactory assurances regarding delivery terms. These difficulties appear to have slowed down disbursements of certain Export-Import Bank loans.

CC: Mr. Rosen, Dr. Rosenstein-Rodan,  
Mr. Orvis Schmidt (Loan Dept.)
MEMORANDUM FOR MEMBERS OF THE STAFF LOAN COMMITTEE:

The attached E 132, U.S. Production and Exports to Underdeveloped Countries in 1949, dated January 9, 1951, is circulated for the information of the Committee.

Michael L. Lejeune
Secretary
<table>
<thead>
<tr>
<th>TO-</th>
<th>Name</th>
<th>Room No.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Mr. A.S.A. Hoar</td>
<td>15</td>
</tr>
<tr>
<td>2</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>FOR-</th>
<th>Action</th>
<th>Initializing</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Approval</td>
<td>Preparing Reply</td>
</tr>
<tr>
<td></td>
<td>Comment</td>
<td>Previous Papers</td>
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<td></td>
<td>Filing</td>
<td>Noting and Returning</td>
</tr>
<tr>
<td></td>
<td>Full Report</td>
<td>Recommendation</td>
</tr>
<tr>
<td></td>
<td>Information</td>
<td>Signature</td>
</tr>
</tbody>
</table>

**REMARKS**

1. You and Mr. Iliff may be interested in the attached notes on my conversation with Fleischman.

2. I hope to have a short paper ready soon as a basis for discussion within the Loan Dept. of the general problem.

**FROM-**

O.A. Schmidt
The points of chief interest emerging from my discussion with Fleischman (and a Mr. Holland who was also present) were as follows:

(a) Fleischman stressed the limited extent of US controls at present. He indicated that for some time to come he thought that no difficulty would arise from controls but rather from the inability of borrowers to get orders accepted.

(b) He alluded to the fact that ECA had requested power to have priorities for procurement of equipment and materials needed for projects in ECA programs but ECA had lost that battle and, to date, priorities can be issued only by National Defense and Atomic Energy, except insofar as they are issued on an ad hoc basis by NPA.

(c) The extent and type of controls to be imposed in the near future is currently under consideration and should be decided soon. Even if the US decided to embark upon a "controlled materials program", such as was in effect during the last war, it could not possibly be put into effect until July, 1951. Fleischman pointed out that during the war the WPB alone had 23,000 employees just administering that program, whereas the whole NPA today has only 500 people, most of whom are at a clerical level.

(d) Should a controlled materials program be put into effect, an attempt would be made to get international agreement and international allocation of critical materials. It was Fleischman's view that once all-out controls had been put into effect, all countries would have to be in close and active touch with the authority administering the controls, and that, as a general rule, the Bank could be of little assistance to a country attempting to obtain larger quotas of critical materials. In the interim stage, however, the Bank might profitably set up a working relationship with the respective "claimant agencies" and get them lined up on new projects which the Bank expected to finance. In the long pull, however, the relationship would have to be that of the Bank financing projects for which the country had obtained the allocation of equipment and materials, rather than the other way around.
Fleischman indicated that NFA would be pleased to render any assistance it could to the Bank and to borrowers who had difficulty in placing orders. He intimated that NFA might even, as a last resort, issue directives to facilitate the placing of orders for high priority projects being financed by the Bank.
OFFICE MEMORANDUM

TO: 
Mr. Orvis A. Schmidt

FROM: 
Harold Folk

DATE: November 17, 1950

SUBJECT: 
Purchases in the U.S. from Undisbursed Balances of certain IBRD Loans in the Middle and Far East.

At Mr. Rucinski's request, I am setting forth below the estimated amounts of purchases, by type of equipment, expected to be made in the U.S. from the undisbursed balances of the three IBRD loans to India and the grain storage loan to Turkey. These estimates are approximations based on disbursements through 31 October 1950 and on such information as we have in the Bank, but they do generally indicate the extent and categories of purchases yet to be made under these loans. If you wish, I will get the undisbursed balances as of a more current date and check with the India Supply Mission for more firm estimates of their expected purchases in the U.S. under the IBRD loans.

I. India—$32.8 million Railway Loan

Disbursements through 31 Oct 1950 and the Undisbursed Balance by Categories according to the list of goods

<table>
<thead>
<tr>
<th>Category</th>
<th>Original Loan Commitment</th>
<th>Disbursements thru Oct. 31, 1950</th>
<th>Undisbursed Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Locomotives and Boilers</td>
<td>$26,700,000</td>
<td>$25,400,550</td>
<td>$1,299,450</td>
</tr>
<tr>
<td>Spare parts</td>
<td>7,300,000</td>
<td>4,932,927</td>
<td>2,367,073</td>
</tr>
<tr>
<td>Total</td>
<td>34,000,000</td>
<td>30,333,477</td>
<td>3,666,523</td>
</tr>
<tr>
<td>Less Amount Cancelled</td>
<td>1,200,000</td>
<td></td>
<td>1,200,000</td>
</tr>
<tr>
<td>Current remainder</td>
<td>$32,800,000</td>
<td>$30,333,477</td>
<td>$2,466,523</td>
</tr>
</tbody>
</table>

The Indian Government has indicated to the Bank that they expect to spend approximately $1,343,000 (U.S. dollar equivalent at the $1.10 exchange rate) in Canada. They have not indicated, however, the portion of the $1,124,000 U.S. purchases that will be spent for locomotives and boilers and the portion that will be spent for spare parts.

II. India—$10 million Agricultural Machinery Loan

Disbursements through 31 October 1950 and Undisbursed Balance by Categories according to the list of goods

<table>
<thead>
<tr>
<th>Category</th>
<th>Original Loan Commitment</th>
<th>Disbursements thru Oct. 31, 1950</th>
<th>Undisbursed Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tractors, equipment &amp; spare parts for Kans Grass eradication</td>
<td>$8,750,000</td>
<td>$3,214,835</td>
<td>$5,335,165</td>
</tr>
<tr>
<td>Tractors, equipment &amp; spare parts for jungle clearance</td>
<td>1,250,000</td>
<td>813,162</td>
<td>436,838</td>
</tr>
<tr>
<td>Total</td>
<td>$10,000,000</td>
<td>$4,027,997</td>
<td>$5,772,003</td>
</tr>
</tbody>
</table>
Purchases under the Loan and Estimated Undisbursed Balances by Specific Types of Equipment (the latter is based on an informal list of goods received from the Indian Government)

<table>
<thead>
<tr>
<th>Type of Equipment</th>
<th>Purchases</th>
<th>Est. Undisbursed Balances</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Kans Grass Eradication:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>A. 90 Cletrac Tractors, parts &amp; equip.</td>
<td>$1,429,000</td>
<td>$200,000</td>
</tr>
<tr>
<td>B. 60 Allis-Chalmers Tractors, parts and equipment</td>
<td>$1,120,000</td>
<td>$80,000</td>
</tr>
<tr>
<td>C. 195 Type TD 24 Tractors, parts and equipment</td>
<td>$700,000 (1)</td>
<td>$3,100,000 (2)</td>
</tr>
<tr>
<td>D. Spare parts for last 3 years' operations</td>
<td>(3)</td>
<td>$1,250,000</td>
</tr>
<tr>
<td>E. Tools and Equipment</td>
<td></td>
<td>$750,000</td>
</tr>
<tr>
<td>Total</td>
<td>$3,249,000</td>
<td>$5,380,000</td>
</tr>
<tr>
<td>2. Jungle Clearance:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>A. 30 Allis-Chalmers Tractors and parts</td>
<td>$557,000</td>
<td>$36,000</td>
</tr>
<tr>
<td>B. Blades</td>
<td>60,000</td>
<td>$25,000</td>
</tr>
<tr>
<td>C. Flows</td>
<td>50,000</td>
<td>$46,000</td>
</tr>
<tr>
<td>D. Prime Movers</td>
<td>26,000</td>
<td>$100,000</td>
</tr>
<tr>
<td>E. Power units</td>
<td>47,000</td>
<td>$18,000</td>
</tr>
<tr>
<td>F. Winches</td>
<td>40,000</td>
<td>$80,000</td>
</tr>
<tr>
<td>G. Saws</td>
<td></td>
<td></td>
</tr>
<tr>
<td>H. Other (mostly spares for last 3 years' operations)</td>
<td>13,000</td>
<td>$118,000</td>
</tr>
<tr>
<td>Total</td>
<td>$793,000</td>
<td>$438,000</td>
</tr>
</tbody>
</table>

(1) 60 tractors and parts
(2) This amount may not be withdrawn until the Bank is satisfied with the progress in carrying out the project.
(3) Some tool and equipment purchases were included in items 1-A, 1-B, and 1-C.

The purchases under the Agricultural Machinery Loan have been made in the U.S. and it is expected that the remaining purchases under the loan will also be made in the U.S.
III. India-$18.5 million Bokaro-Konar Loan

This loan has not become effective and no disbursements have been made but the Bank has agreed to reimburse the Indian Government for purchases within the list of goods that were made since 31 December 1950 and the Bank's engineers estimate purchases amounting to possibly as much as 40% of the loan have already been made. The total purchases under the loan that have been made or are expected to be made in the U.S. are

Bokaro Thermal Plant:
- IGE equipment and services: $7,062,000
- Structural steel: 918,000
- Piping and valves: 1,000,000
- Wiring and conduits: 1,000,000
- Parts & miscellaneous equip.: 937,000

Konar Dam construction equipment: 656,000
Transmission line equipment: 1,198,000
Substation equipment: 1,166,000

Total: $13,987,000

The remaining $4,513,000 of the $18,500,000 loan was for engineering services, contingencies, escalation charges, ocean freight and Canadian purchases.

IV. Turkey $3.9 million Grain Storage Loan

The Bank has not yet received a list of goods but on the basis of some of the plans and specifications received, the Bank’s engineers estimate that the loan will likely be used for purchases in the following amounts:

Category I - Port Silos
- Heavy equipment: $1,000,000
- Structural steel: 500,000
- Fees and Misc. items: 800,000
- Total: $2,300,000

Category II - Inland Concrete Silos
- Heavy equipment: 600,000
- Structural steel: 100,000
- Miscellaneous: 800,000

Category III - Steel Sheds
- Structural Steel: 450,000

Category IV - Tarpaulins
- Total: 350,000

Total: $3,900,000

The country of purchase will not be known until after the Turkish Government has received international bids, but the Bank's engineers estimate that about one-half of the $1,600,000 expenditures for heavy equipment will be in the United States since they are the primary producers of these items of equipment. Most probably, the remaining items of equipment will be ordered from European countries because of (1) lower transportation costs and (2) the present price advantage which they currently enjoy over the United States in many steel and fabricated items.

cc: Mr. Rucinski
TO: Files
FROM: O.A. Schmidt
SUBJECT: Discussion with Messrs. Winant and Rock of NSRB - US Controls over Materials

DATE: November 6, 1950

1. This afternoon I met with Winant and Rock of the National Security Resources Board for an informal discussion. I explained the problem with which the Bank might be confronted and they expressed an interest in keeping in touch with us as the US Government's program for controls and priorities develops. Both Rock and Winant said that the status of controls was still indeterminate and it was difficult to tell what the future developments would be.

2. During the course of our discussion Rock pointed out that even though the Interior Department is not a claimant agency for any foreign country, it would be well to discuss any foreign minerals program with Interior. He stated that for equipment and materials needed to develop mineral resources, the claimant agencies will be pretty much guided by the Interior Department so it would be well if we raised our problem with Interior directly instead of going through a claimant agency. He suggested Al Woolf of the Bureau of Mines as the person to contact initially. He also felt it would be advisable to discuss agricultural problems with the Department of Agriculture and suggested D. Taylor (Head of the Materials and Facilities Division and the Productive and Marketing Administration) or his Deputy, Allsteader.

3. At the end of our conversation Rock took me down and introduced me to Mr. Kreager who serves as Secretary of the Inter-Agency Coordinating Committee (IOCC) who reiterated the advice mentioned in the preceding paragraph. Mr. Kreager, on an informal basis, gave me a copy of a list (prepared for the use of IOCC) of all formal actions taken up to October 25, 1950 to implement the Defence Production Act. The copy is attached to the original of this memorandum.

cc: Messrs. Hoar
    Rucinski
    Anderson
    Wheeler
    Burland
    Cope
EXECUTIVE OFFICE OF THE PRESIDENT
NATIONAL SECURITY RESOURCES BOARD

CALENDAR of
Formal Actions Taken by Federal Departments to Implement
Defense Production Act of 1950 and Executive Order 10161

<table>
<thead>
<tr>
<th>Date</th>
<th>Department/Agency</th>
<th>Action</th>
</tr>
</thead>
<tbody>
<tr>
<td>9/8/50</td>
<td>Congress - President</td>
<td>President approved Defense Production Act of 1950.</td>
</tr>
<tr>
<td>9/9/50</td>
<td>President</td>
<td>President signed Executive Order 10161 delegating functions under DPA to</td>
</tr>
<tr>
<td></td>
<td></td>
<td>existing Departments, and establishing an Economic Stabilization Agency.</td>
</tr>
<tr>
<td>9/9/50</td>
<td>President</td>
<td>President signed Executive Order 10160 requiring businesses to preserve</td>
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<td></td>
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<td>records of prices, labor, material, acquisition, and other costs for</td>
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<tr>
<td></td>
<td></td>
<td>period May 24, 1950 to June 24, 1950, inclusive.</td>
</tr>
<tr>
<td>9/9/50</td>
<td>President</td>
<td>President announced he had approved substantial increases in strength</td>
</tr>
<tr>
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<td>of U.S. forces in Western Europe, with expectation friends and allies</td>
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<tr>
<td></td>
<td></td>
<td>will do likewise.</td>
</tr>
<tr>
<td>9/11/50</td>
<td>Commerce</td>
<td>Secretary of Commerce announced establishment of National Production</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Authority.</td>
</tr>
<tr>
<td>9/15/50</td>
<td>Agriculture</td>
<td>Secretary of Agriculture delegated to Production and Marketing Adminis-</td>
</tr>
<tr>
<td></td>
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<td>tration responsibilities assigned to Agriculture under DPA.</td>
</tr>
<tr>
<td>Date</td>
<td>Department/Agency</td>
<td>Action</td>
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<tr>
<td>9/18/50</td>
<td>Commerce - NPA</td>
<td>NPA issued NPA Regulation 1 - inventory control.</td>
</tr>
<tr>
<td>9/18/50</td>
<td>Federal Reserve</td>
<td>Federal Reserve issued Regulation W imposing restrictions on consumer credit.</td>
</tr>
<tr>
<td>9/20/50</td>
<td>Agriculture - P&amp;MA</td>
<td>Administrator of P&amp;MA assigned responsibilities within P&amp;MA under defense production program.</td>
</tr>
<tr>
<td>9/20/50</td>
<td>Secretary of State</td>
<td>In his address to General Assembly of UN, Secretary of State proposed four-point program to strengthen ability of UN to maintain the peace.</td>
</tr>
<tr>
<td>9/27/50</td>
<td>Federal Reserve</td>
<td>Federal Reserve revised Regulation V, inaugurating program of guaranteed loans.</td>
</tr>
<tr>
<td>9/27/50</td>
<td>Interior</td>
<td>Secretary of Interior announced establishment of Minerals and Energy Administration.</td>
</tr>
<tr>
<td>9/29/50</td>
<td>President</td>
<td>President sent memorandum to Federal Departments affected by the DPA, requesting that they consult the Attorney General and the Chairman of the Federal Trade Commission to determine and to eliminate any factors tending to injure small business, in performing their functions under the DPA.</td>
</tr>
<tr>
<td>Date</td>
<td>Department/Agency</td>
<td>Action</td>
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<tr>
<td>10/3/50</td>
<td>Interior</td>
<td>Secretary of Interior announced establishment of Petroleum Administration for Defense.</td>
</tr>
<tr>
<td>10/3/50</td>
<td>Commerce - NPA</td>
<td>NPA announced establishment of broad priorities system (NPA Regulation 2).</td>
</tr>
<tr>
<td>10/4/50</td>
<td>Commerce - NPA</td>
<td>NPA announced delegations of authority to Department of Defense and Atomic Energy Commission to assign ratings under NPA Regulation 2.</td>
</tr>
<tr>
<td>10/6/50</td>
<td>Commerce &amp; Interior</td>
<td>Departments of Commerce and Interior jointly released memorandum of agreement covering allocation and priorities powers over minerals and metals.</td>
</tr>
<tr>
<td>10/12/50</td>
<td>Federal Reserve</td>
<td>Federal Reserve announced Regulation X restricting residential real estate construction credit.</td>
</tr>
<tr>
<td>10/12/50</td>
<td>Commerce - NPA</td>
<td>NPA issued Order M-1 covering handling of priority-rated defense orders for steel.</td>
</tr>
<tr>
<td>10/13/50</td>
<td>President - re NSRB</td>
<td>President signed Executive Order 10169 establishing National Advisory Committee on Mobilization Policy to consult with and advise the Resources Board on national mobilization policy.</td>
</tr>
<tr>
<td>10/13/50</td>
<td>President - re NSRB</td>
<td>President signed Executive Order 10172 designating the Chairman of the Resources Board as the &quot;certifying authority&quot; for manufacturers and other producers seeking to take advantage of Federal tax benefits through accelerated amortization.</td>
</tr>
<tr>
<td>Date</td>
<td>Department/Agency</td>
<td>Action</td>
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<tr>
<td>10/13/50</td>
<td>Agriculture &amp; Interior</td>
<td>Secretary of Agriculture issued order delegating to Secretary of Interior certain authority under DPA relating to production of fishery commodities and products.</td>
</tr>
<tr>
<td>10/14/50</td>
<td>Federal Reserve (effective 10/16/50)</td>
<td>Federal Reserve announced Amendment No. 1 to Regulation W, effective October 16, 1950, placing further, more drastic, restrictions on consumer credit.</td>
</tr>
<tr>
<td>10/17/50</td>
<td>Interior</td>
<td>Secretary of Interior announced formation of 30-member Electric Utility Defense Advisory Council.</td>
</tr>
<tr>
<td>10/20/50</td>
<td>Commerce - NPA (effective 11/1/50)</td>
<td>NPA announced NPA Order M-2, revised rubber order, limiting use of natural rubber during November and December 1950.</td>
</tr>
<tr>
<td>10/20/50</td>
<td>Commerce - NPA</td>
<td>NPA announced NPA Order M-3, reserving entire production of columbium bearing stainless steel for defense needs.</td>
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<tr>
<td>Date</td>
<td>Designation</td>
<td>Issuing Agency</td>
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<tr>
<td>9/18/50</td>
<td>Reg. 1</td>
<td>NPA</td>
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<tr>
<td>9/18/50</td>
<td>Reg. W</td>
<td>Federal Reserve</td>
</tr>
<tr>
<td>10/3/50</td>
<td>Reg. 2</td>
<td>NPA</td>
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<td>10/3/50</td>
<td>Del. 1</td>
<td>NPA</td>
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<tr>
<td>10/3/50</td>
<td>Del. 2</td>
<td>NPA</td>
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<tr>
<td>10/12/50</td>
<td>Reg. X</td>
<td>Federal Reserve</td>
</tr>
<tr>
<td>10/12/50</td>
<td>Order M-1</td>
<td>NPA</td>
</tr>
<tr>
<td>10/14/50</td>
<td>Amend. 1 to Reg. W</td>
<td>Federal Reserve</td>
</tr>
<tr>
<td>10/20/50</td>
<td>Order M-2</td>
<td>NPA</td>
</tr>
<tr>
<td>10/20/50</td>
<td>Order M-3</td>
<td>NPA</td>
</tr>
<tr>
<td>10/20/50</td>
<td>Int. 1 to Reg. 2</td>
<td>NPA</td>
</tr>
<tr>
<td>10/26/50</td>
<td>Order M-1 as Amended</td>
<td>NPA</td>
</tr>
<tr>
<td>10/26/50</td>
<td>Supp. 1 to Order M-1</td>
<td>NPA</td>
</tr>
<tr>
<td>10/27/50</td>
<td>Order M-4</td>
<td>NPA</td>
</tr>
<tr>
<td>10/27/50</td>
<td>Regulation</td>
<td>NSRB</td>
</tr>
<tr>
<td>10/27/50</td>
<td>Order M-5</td>
<td>NPA</td>
</tr>
</tbody>
</table>
To: Files  
From: Orvis A. Schmitz  
Subject: Conversation with Jeffers, Chief, Industry Division, ECA  

DATE: November 2, 1950

This morning I met with Mr. Jeffers for an informal discussion concerning problems that might concern our Borrowers in procuring equipment and of possible methods of dealing with them. The significant points made by Jeffers are indicated below.

1. In discussing the present situation Jeffers emphasized that as a general rule the only priorities now issued are those issued by National Defence or Atomic Energy and they relate only to raw materials, (for example they have no authority to issue a D.O. on machine tools which are now becoming tight). Exceptional cases can be raised with NPA and a special order obtained but so far these have been very limited. ECA is not, at present, able to obtain any priority for materials needed abroad - even for industries dealing directly with European rearmament (such, for example as for production of guns and tanks in Europe). Jeffers confirmed Leddy's statement that no one would issue a priority for a non-American project that was not highly strategic in character. As an example, he stated that one might obtain a priority for material going into the production of jet engines in the UK but for anything short of that no priority would be obtained. In pointing out that the Government is moving in the direction of increasing its controls, he referred to orders recently issued requiring 25% of aluminum production to be set aside for defence orders, curtailing the use to which natural rubber can be put, and making mandatory the use of at least certain percentages of synthetic rubber for many purposes. He also mentioned that a decision on a program basis had been made concerning the production of railroad freight cars.

2. In discussing the probable course which would be followed in establishing controls, Jeffers emphasized the complexity of the operation and the necessity of a high level of international coordination. He pointed out that the United States would certainly not under its controls allocate scarce materials to foreign countries who did not themselves have in effect a system of controls to ensure that such materials were used only for high priority projects. He also pointed out that the United States system of allocation would be effective only if there was either coordination or allocation on an international level. Copper, for example, can be obtained from Chile or Belgium and the United States clearly would not allocate domestically produced copper to countries which were also buying copper from Chile or Belgium without taking that fact into account. The most sensible approach would be to have an international allocation of all output of such materials by cooperating countries. If this can be achieved, a rational allocation could most easily be worked out and the
various claimants would not be bidding against each other to push prices way up. If this could not be worked out, the United States, in the administration of its allocations, would have to take into account the amount of materials that claimant countries would be obtaining from non-US sources.

4. Jeffers was of the opinion that in view of the complexity of the problem, the Bank could do little more than:

(a) check with appropriate divisions of the controlling agencies at the time a project was under consideration to ascertain whether the needed materials could be obtained; or

(b) work out, with such agencies, an arrangement for ensuring that applications for priorities and licences were handled by some special division that would be aware of any prior clearance obtained by the Bank.

He indicated that ECA has a Special Projects Division (headed by George Knudsen), that OIT will have the same, and that, as he saw the picture, the Bank could check with the Projects Division, area divisions and materials divisions of the offices at the time the projects are being considered and make its decision on financing in the light of the information so obtained. It was his opinion that, since, to obtain satisfactory quotas and allocations of US materials, the various countries would have to have their own controls and participate in international arrangements, most countries would be pretty well involved in the entire operation and no one on the side lines could render them much effective assistance.

5. On the whole Jeffers was not too pessimistic about the future. He pointed out that American production would increase substantially in the course of time and the main difficulties would be encountered in the next six to eighteen months while controls were being re-established, and while adjustments in production were being worked out. He was inclined to believe that orders placed sometime ago for equipment for such projects as hydro-electric plants, should not encounter difficulties. He indicated that he would like very much to see the List of Goods of the Australian and Thai loans – particularly the latter since ECA is to be claimant for Thailand – and I agreed to send copies to him. I also indicated that I would drop in for a discussion with George Knudsen in the near future.

cc: Messrs. Hoar
    Wheeler
    Burland
    Rucinski
    Anderson
    Cope
TO: Files
FROM: Orvis A. Schmidt
SUBJECT: Conversation with Department of State re Bank financed projects in U.S. Controls

DATE: October 27, 1950

1. On October 25, 1950, I met with Mr. John Leddy, Deputy Director of the Office of International Trade, and John Evans, Chief, Economic Resources Division, (both in the Department of State) for an informal discussion concerning problems possibly arising under U.S. controls over the procurement or export of goods. The highlights of the information obtained are as follows.

2. Both Leddy and Evans pointed out that the primary obstacle in the next few months will not be U.S. controls but the inability of foreign purchasers to have an order accepted by U.S. manufacturers. The present situation they felt is artificially tight since the military has taken very little of American output. The following two factors were mentioned as possibly contributing to the difficulties which would-be buyers may have in placing orders:

(a) Some mills are afraid to accept an order (particularly one that requires extensive preparation to fulfill) for fear that they may subsequently receive a rated order which will force them to drop the non-rated order and hence lose whatever they had spent in preparing to fulfill the non-rated order; and

(b) Mills may be using the existence of military priorities as an excuse for handling their old customers and refusing to take on new business.

3. In the opinion of both Leddy and Evans the U.S. would not get around to a system of allocation until some time in 1951 and they regard an allocation system as the only system under which any help could be given to the procurement of equipment for foreign projects of a non-strategic character. They pointed out that it would be politically difficult to issue a priority for a foreign project which was not of military significance since that would be viewed as giving the project of some other country a priority over essential non-military needs of the United States. At present the only priorities being issued in the United States are for military production and for atomic energy.

4. Should a system of allocations be installed they felt that the primary decisions must be made by the various countries which must
decide which of their requirements are most important. Data on various country's requirements which will be used for the establishment of quotas will be handled in the State Department through the regular regional divisions. Leddy and Evans also pointed out, as had been stated at Commerce, that ECA would be claimant for all ECA countries while Commerce and Agriculture would be claimant for all other countries - Agriculture handling materials relating to agricultural production and Commerce all the rest.

6. I asked whether Leddy and Evans might like to see copies of the List of Goods for the Australian and Thailand loans. When they indicated that it might be helpful to them I agreed to send them copies on an informal basis.

c:c: Messrs. Hoar
Wheeler
Rembert
Anderson
Rucinski
Cope
TO: Mr. R. L. Garner
FROM: A. S. G. Hoar

DATE: October 20, 1950

SUBJECT: Problems arising from U.S. controls on the procurement or export of goods

1. You may be interested to see from Mr. Schmidt's memorandum of October 13th, attached, that we have already made touch with the Office of International Trade in the Department of Commerce. It will be of value, I think, to have an informal working relationship with that office on the problems likely to arise from controls which may affect deliveries of goods for projects to which existing or proposed Bank loans may apply. Mr. Schmidt, who is our liaison man, will also maintain touch with ECA.

Attachment: 1

Copy to Schmidt.
TO: Files  

FROM: Orvis A. Schwab  

SUBJECT: Conversation with Office of International Trade re Bank Financed Projects and U.S. Controls.

DATE: Oct. 13, 1950

1. I today talked to Mr. Ray Miller, Director of the Office of International Trade, Department of Commerce, and Mr. Macy, Deputy Director, concerning the establishment of a working relationship between the IBRD and the U.S. Government to deal with problems possibly arising under U.S. controls on the procurement or export of goods. I pointed out that the problem arose at two stages:

   (a) At the time a project is being considered, there is a problem of ascertaining whether the country is likely to be able to obtain materials or equipment which it expects to purchase in the U.S. and without which the project cannot go forward;

   (b) After a loan has been granted, the problem is one of arranging that the applications for licenses or priorities are viewed with reference to the particular project.

It was agreed that the second problem could probably be handled with comparative ease via the project's division and the technique used in the Timber Loan.

2. With respect to the first of the two problems, it was agreed that the desirable objective would be a close informal relationship between the Bank and probably the Office of International Trade during the time at which projects are being considered by the Bank. Both Miller and Macy suggested that I keep in touch with them during the next week or two and indicated that they would keep the problem in mind.

3. Miller told me substantially what Blaisdell had told Anderson (see his Memorandum of September 21, 1950, re Export Controls) about the various claimant agencies. He also said that cotton, certain iron and steel products (structural steel rods, etc.), and some nonferrous metals (primarily copper but also zinc and lead) had been put under quota, and it was hard to know now just how fast the situation would develop.

4. Inasmuch as ECA will be claimant for ECA countries, he suggested that we also remain in touch with ECA.
I had lunch today with my very good friend, Mr. Thomas Blaisdell, Assistant Secretary of Commerce, primarily to discuss developments in the field of export controls.

The administration of export controls will remain under the supervision of Mr. Blaisdell as it was in the past, in spite of the fact that the other control apparatus recently authorized by Congress with respect to domestic operations has been transferred within the Department of Commerce to the responsibility of General William Harrison. As in the past, the ultimate decisions will be the responsibility of the Secretary of Commerce, but will be taken only after consideration by inter-agency committees on which most of the important agencies of the U.S. Government will sit as claimant agencies. At this moment Blaisdell says a number of agencies may appear as claimants for various segments of exports of commodities and materials because of the fact that the claimant in question also is the claimant for domestic needs. For example, the Department of Interior will claim for steel and other materials needed for the development of foreign oil resources and foreign mining resources, as well as the needs of the domestic industry. Similarly, the Department of Agriculture will claim for foreign needs for agricultural equipment; the Army will claim for foreign needs for its overseas operations; the State Department will not claim, but will voice views with respect to foreign claims arising generally; the Office of International Trade of the Department of Commerce will claim for foreign requirements not otherwise covered by specific agencies; ECA will claim for all requirements of the countries in the ECA program, including non-ECA financed exports.

Mr. Blaisdell tells me that it will be his purpose to support the concept of a project which can be considered as a whole, and if approval is forthcoming, the needs of the project would more or less automatically receive favorable action.

He also thinks that it may be necessary to issue priorities for exports because of the tendency on the part of American suppliers to prefer their domestic consumers in the presence of a shortage.

Mr. Blaisdell advises us to discuss our need to be heard with Mr. Ray Miller and Mr. Lorling Macy of O.I.T., and probably also with the State Department.

My recommendation is that the responsibility for liaison with this allotment apparatus be centered in the Office of the Loan Director, and that all divisions of the Bank be apprised of this fact so that confusion will be avoided.

Because of my past personal experience with this work I will be very happy to assist in any way in the future.

cc Messrs. Hoar, Schmidt, General Wheeler for Mr. Rembert, Messrs. Kucinski and Cope.
OFFICE MEMORANDUM

TO: Mr. Joseph F. Gould
FROM: Mr. E. Wayne Rembert
DATE: April 24, 1947.
SUBJECT: Determination of Availabilities and Prices on Equipment and Materials involved in Loan Applications.

1. General

Availabilities and delivery dates on equipment and materials involved in loan applications are of primary importance in determining the schedule on which the funds, if granted, can be spent. The determination of these points, along with current prices, is necessary to provide a rational basis for the analysis of loan applications.

It is not considered practical that an organization be established within the Bank for directly determining availabilities and prices. Such an organization would be relatively large and prior inquiries by the Bank might work to the detriment of the borrower when actual procurement is started. Similarly, the use of private firms does not seem desirable, although a plan may be developed utilizing one or more outside firms for this purpose. However, the most practical method seems to be the use of government agencies and possibilities along this line are discussed below.

2. U.S. Procurement.

Availabilities of equipment and materials change rapidly in the current market and there is no single agency which has a complete running record of availabilities of all materials and equipment. This is particularly true of heavy equipment and scarce raw materials which are not controlled.

The largest and most diversified procurement agency in the United States is the Bureau of Federal Supply of the Treasury Department. This agency purchases all materials and equipment for the U.S. Government, with the exception of supplies for the armed forces. It has handled all U.S. procurement for U.N.R.R.A. except foodstuffs and petroleum products. Similarly it has purchased a large portion of relief and rehabilitation supplies involved in other programs. This bureau, therefore, is the best single source of information concerning availabilities and prices in the United States at the present time. It has the personnel and facilities for directing inquiries to manufacturers and trade organizations, and can make rapid surveys in any desired field. This specific type of work is handled by the Contract Branch of the Bureau.
The Bureau of Supply does not maintain running records of availabilities and prices. Its standard method of operation involves issuing requests for bids on specific items where definite procurement is involved. Similarly, it may issue requests for information on availabilities and prices for estimating purposes. The personnel of the bureau have a broad general knowledge of market conditions and are cooperative in their dealings with other agencies.

It is believed that a satisfactory arrangement can be developed with the Bureau of Supply for obtaining necessary information on availabilities and prices of the various items involved in loan applications. This arrangement would require that the bank submit a list of the items on which information was required and the Bureau of Supply in turn would make the necessary inquiries, unless specific information were at hand. Reports covering the various items involved would then be transmitted to the Bank.

In general, a large amount of information would be at hand concerning items normally purchased by the U.S. Government. However, a method of directing inquiries to manufacturers would be required on heavy equipment items such as mining machinery, which is not normally procured by the Government. The availability of such items can only be established in this manner.

It is believed that the establishment of a working arrangement can be made directly with the Director of the Bureau of Supply. However, some assistance can be obtained through the State Department in developing an arrangement of this type.

The Procurement Divisions of the Army and Navy buy for the armed forces and the only items of interest to the Bank which are involved by these Divisions are crude oil and petroleum products. A suitable working arrangement could easily be established with these groups for determining availabilities and prices either directly or through the Army-Navy Petroleum Board.

The Department of Commerce maintains statistics on production throughout the United States and such statistics may be of some value in estimating availabilities within certain commodity categories. Actual domestic and export sales are also published, but unfortunately the data does not include information on back orders which are of fundamental importance in determining availabilities. It is believed that the information of the Department of Commerce can best be used as a supplement to that obtained from the Bureau of Federal Supply and Army and Navy Procurement.
3. **Foreign Procurement.**

In general, a borrower will be in an unfavorable position with respect to availabilities and prices in the U.S. market. He will be considered as a "spot" buyer and therefore will be subject to slow deliveries and high prices, since U.S. manufacturers will give preference to customers offering opportunities for repeat business. On the other hand, the borrower with free dollars to spend is in a very favorable position in the European markets and will be given preference over customers offering domestic or other currencies in payment. It is to be expected, therefore, that an increasing number of purchases will be made in the European markets and even now orders for most types of heavy equipment can be more readily placed in Europe than in the United States if dollars are offered in payment.

Two methods are available for determining availabilities and prices in European markets. The first involves direct inquiries to the governments of the various countries capable of producing the various items involved. In general, the Ministries of Supply, Foreign Trade or Industry are in a position to supply necessary information on availabilities and prices and it can be assumed that a working arrangement can be established wherein such information can be readily obtained. In fact such an arrangement might well involve direct contact between the various purchasing missions in the United States and interested parties in the Bank as a possible channel for obtaining the information desired.

The second method, and possibly the most desirable, is that of first requiring the loan applicant to furnish availability data and prices on the various items involved in each proposed project for which a loan is requested. The applicant will generally be familiar with world markets and will have determined availabilities at the time when estimates were made for the application. Such data presented by the applicant could be checked through the Government agencies of the supplying countries.

4. **Information from Source.**

In order to determine availabilities and prices with a reasonable degree of accuracy, it is necessary that the items to be checked must be clearly specified. For example, it is not adequate to state that pumps are required for mine drainage, since certain sizes may be readily available, while those required for the specific project may be in very short supply and heavily back ordered. The solution to this problem and others relating to the rational analysis of loan applications lies in the method required for presentation of data by the applicant. Presentation by projects is required in a form which will include all necessary data in a coordinated manner.