

Latin America and the Far East—had encountered major difficulties largely due to the inexperience of American banks abroad. The depression of the period only served to hasten the decline.

The 1930's presented their own peculiar problems to U.S. banking overseas—the depression and the decline of world trade, the wide-scale devaluations and, later, the influx of foreign funds into the United States were all deterrents to expansion of overseas operations. Throughout the World War II years, banks maintained their existing offices, albeit restrictively, and often in an official capacity. By the end of the war, however, banks had developed sufficient expertise to cope with the projected rise in international financing of the postwar period.

Expansion into overseas operations was quick in developing in one form or another during the late forties and early fifties. This growth has been especially pronounced since the mid-fifties. Today, U.S. bank facilities are located in virtually every important world market, and banks are now in a position to conduct business in most overseas centers.

Significantly, the leaders in overseas bank operations today—or their predecessor banks—were among the earliest entrants into the field. The Guaranty Trust Co. opened its first foreign office in London in 1897. The National City Bank of New York, the first of the national banks to open an overseas office, established a branch in 1914. The First National Bank of Boston opened its Argentine office the following year. Other leaders such as Chase National Bank, Bank of America, and Bankers Trust Co., soon followed, either through direct branches or through branches of subsidiaries.

More recent interest by American banks in diversifying into international operations has been heightened by the expansion of world trade and by the growing investments abroad by U.S. firms, particularly since the mid-fifties. In many cases, the initiation of international activities has been prompted by the desire to expand services to accommodate important domestic bank customers in their activities abroad. International banking facilities, in turn, have promoted avenues for increased domestic business. Banks with facilities abroad are usually in a better position to service the needs of the U.S. firms operating in foreign markets. Active competition between local and U.S. banks is not unusual and has generally led to better banking services being offered, not only to U.S. firms operating overseas, but to national firms as well. To the general public the availability of worldwide banking services has now become almost synonymous with aggressive banking.

No recognition of the forces causing U.S. banks to expand abroad would be complete without recognizing the influence of U.S. Treasury needs for depository institutions for funds held abroad. Most of these funds currently arise from Public Law 480, whereby agricultural surpluses of the United States have been disposed of among needy nations in return for local currencies. Other sources of funds include assistance programs requiring counterpart funds and surplus property disposals. It is interesting that the greatest expansion of American banking facilities abroad occurred during the buildup of Public Law 480 foreign currency funds in the period from 1957 through 1965.

While these funds are often held in either the central banks or private banks of foreign countries, Federal law requires U.S. banking