

The result could be an international credit war, in which the exporting countries offer increasingly attractive terms as an inducement to additional commercial purchases by foreign countries. We do not intend to be the instigators of such a credit war.

I have already suggested our reason for stressing short- and medium-term transactions. It is tied directly to the fundamental purpose of the program. The sooner the dollars come in, the more help they will be in resolving our immediate balance-of-payments crisis. But I do not mean, of course, to rule out authorization of project-type loans where that would clearly serve the commercial and balance-of-payments interests of this Nation and therefore be in accord with the purpose of this legislation.

Mr. Chairman, when I testified before the Senate Banking and Currency Committee on S. 3218, the companion bill to H.R. 16162, I stated unequivocally that this new facility will not be used to finance sales of defense articles and services, either to developed or less developed countries. I wish to repeat that assurance to this committee this morning. As I have already indicated, this program is designed to further commercial exports. The administration has no desire to cloud the issue involved in this bill by using the program to finance sales of military equipment.

I would point out in this regard that when Eximbank has financed arms sales to governments other than those of certain of the developed countries we have insisted on a guarantee of the Department of Defense. As you know, under present law the authority of the Defense Department to guarantee credit sales of military equipment expires on June 30 of this year. The administration has proposed legislation, entitled the Foreign Military Sales Act, which is now pending before the Foreign Affairs Committee. That bill would continue the Department of Defense guarantee authority beyond June 30, 1968, but would prohibit the issuance of such guarantees to other Government agencies such as Eximbank. Another provision in that bill specifically prohibits Eximbank from financing sales of defense articles and services to any economically less developed country after June 30, 1968. There could scarcely be a clearer expression than this of the administration's intention not to use the facility proposed in the bill before you—or any of Eximbank's facilities, for that matter—to finance arms sales to developing countries after June 30. As for financing arms sales to developed countries, there would, of course, be no need to use this new facility since the Bank has authorized such credits, and expects to continue to do so, without a guarantee under our regular programs.

Mr. Chairman, I believe that the urgency of our international monetary problems warrants your early and favorable consideration of this bill. Over the past few years somewhat similar proposals have been made—by Senator Magnuson and Congressman Adams, and by the National Export Expansion Council—and it is no secret that Eximbank's management has not previously supported these proposals. But changing circumstances have caused us to alter our position—changes in the international competitive situation, in Eximbank's portfolio, in the absorptive capacity of many foreign countries, and, most importantly, exigencies of our payments situation.

We now have no doubts as to the benefit to our national interest that would result from the passage of the bill. U.S. manufacturers