

● PSF: Post War - Subject File

Box 175

Subject File
Box 175

THE WHITE HOUSE
WASHINGTON

June 16, 1942.

MEMORANDUM FOR MAC:

Will you thank him very much
and say you will bring it to my attention?
Return the file to Dorothy to put in
"Post-war file".

F.D.R.

THE PRESIDENT TO SEE
MHM

PSF Post-war File
175 4-42

June 16, 1942

My dear Dr. Jones:

Your letter of June tenth and your suggestions about the Pacific Charter have been received and I shall bring them to the President's attention at the first possible moment.

I know he will want me to thank you very much for letting him have your suggestions.

With all good wishes,

Sincerely yours,

M. H. McINTYRE
Secretary to the President

Duke University
DURHAM
NORTH CAROLINA

Permanent address
150 Fifth Avenue
New York City

Trinity College
Office of the Secretary

June 10, 1942.

To President Roosevelt
The White House
Washington, D. C.

Dear Mr. President:

You kindly informed me through your secretary, Mr. McIntyre, that I might present to you a draft of what I would consider a Pacific Charter.

After consultation with various friends I have drawn up a proposed Charter, which I am enclosing.

I feel the time is ripe for the announcement of some such Charter. If we are to win the peoples of the East to psychological and material support we must make clear our aims. These aims are not now clear. For many of the peoples of the East think that we are fighting to maintain the status quo in the Pacific. If so, then we are simply bolstering up decaying imperialism. This of course, as you would readily agree, is no proper role for Democracy.

If some such Charter as I propose could be put out, and put out quickly, it would send a thrill of expectancy and hope to the peoples of the East. But it would do more, it would give hope to our own people and to the peoples of Europe that a new door had been thrown open that would get us out of these recurring wars.

I am persuaded, Mr. President, that you are the key man in the situation and that if you will act boldly and decisively at this present moment America could provide the moral leadership so desperately needed in this confused world.

Page 2.

6-10-42

Many of us are praying for you that you may be the instrument under God to show us the way out. I am personally persuaded that the way out is along the lines of the enclosed memorandum.

Assuring you of our deepest gratitude for your leadership in this matter,

Yours very sincerely,


E. Stanley Jones.

A Proposed Charter for the Pacific Area.

By a Pacific Charter we mean, for the purposes of this memorandum, all the areas not specifically covered by the Atlantic Charter. In other words, this Charter supplements the Atlantic Charter and gives our position for the world as a whole.

I. We reaffirm and proclaim that we believe in democracy. We would define democracy as equality of opportunity.

II. This affirmation of our belief in equality of opportunity would apply to all areas of life: (a) Political (b) Social (c) Economic (d) Religious.

We would not cancel out its effectiveness by compartmentalizing it.

III. This equality of opportunity applies to people of all classes, all creeds, all sexes, all races.

We would not cancel out its effectiveness by limiting it to certain groups.

IV. In view of the above principles we stand for the liquidation of imperialism. We will take steps towards its earliest possible abolition in all areas of life - political, social, economic, religious.

V. As we repudiate any desire on the part of others to dominate the world, so we affirm that we ourselves have no desire to dominate it.

VI. We stand for a new world order based on the above principles. We will work with all nations of good will, whatever their particular type of government, for the establishment

2.
of this new world order. We define "good will" as non-aggression, which in turn would mean no desire to dominate others politically, socially, economically, religiously.

VII. This new world order should provide for:-

1. Equality of access to the raw materials of the world. This would carry with it as a corollary an equitable access to the markets of the world.
2. Equality of opportunity for immigration. Where a quota basis is provided for, the percentage should be applied equally to all.
3. A more equitable distribution of opportunity for settlement of surplus populations in the less occupied portions of the world.
4. The free, unhampered opportunity for all peoples to decide their own destiny.
5. Where there are undeveloped peoples, not yet in a position to decide their own destiny, the period of preparation would be a world responsibility; carried out through some form of world organization or government.
6. Equality of opportunity for the greatest possible development of all peoples in all areas of life.

The application of the principle of equality of opportunity would not be negative or merely neutral, but affirmative, in helping all people to their greatest possible development.

In short, we stand for a world order based on mutual aid - a welfare economy instead of a power economy.

PSF
Post-War
file
4-42

DEPARTMENT OF STATE
WASHINGTON

October 30
1942

MEMORANDUM

Mr. President:

Mr. McDougall is the representative of Stanley Bruce, Australian High Commissioner in London. He has been here for some weeks. Part of his purpose was to convince United States officials that sometime during this winter, an economic plan for giving reality to the Atlantic Charter must be elaborated by you. Attached is a memorandum of his views.

The job of giving reality to the United Nations through an Economic Council might be done by tying up the various war councils and war committees in some formal United Nations organization.

acw
A.A.B., Jr.

Attachment -
Memorandum as stated.

Hansen-
McDougal } Draft

THE UNITED NATIONS
and
ECONOMIC POLICIES FOR RECONSTRUCTION

If the United Nations are to fulfil the pledges given in the Atlantic Charter, the Mutual Aid Agreement and in the declarations of the President, the Prime Minister of the United Kingdom, and other leading Government representatives, we must during the war, make agreements regarding economic policies and set up the economic and financial mechanisms required to put these policies into effect.

No one can forecast how long the war will last, but it is possible that the collapse of the enemy powers may occur by (say) the Spring of 1944.

Actually the war may last for another 3, 4 or 5 years but, if there is one chance in three that the end might come in (say) 18 months, there is an urgent need to make rapid progress in the formulation of reconstruction policies. Such policies must not only be agreed between Governments but also explained to and accepted by our peoples. Eighteen months is a very short period to accomplish both these tasks.

It is also necessary to inform the peoples of Europe and Asia about the intentions of the United Nations. Such information is the ammunition of political warfare and its effective use would shorten the war.

Although a considerable amount of work has been done by Government Departments and Inter-departmental Committees in Washington, London, and doubtless in other capitals, little progress has yet

been made in the joint consideration of reconstruction. There would

The following proposal is therefore put forward as a suggested method for United Nations action:

An Economic Council of the United Nations should be set up. On this each of the nations would have one Government representative. The full Council would, however, be unwieldy and would, after an initial meeting, meet only to adopt proposals already approved by the Policy Committee.

The Policy Committee should consist of a Chairman and seven members. The members would be Government representatives of the U.S.A., the U.K., U.S.S.R. and China, together with one member selected by the Dominions, one selected by Latin-America, and one by the refugee European Governments.

The Chairman of the Policy Committee should be appointed by the Committee, but not necessarily from among its own members. He should be able to devote either whole or the greater part of his time to the work. He should be responsible for maintaining touch with the organizations set up to coordinate all the Governments of the United Nations. He should also be in close touch with war efforts of the United Nations in the economic field with a view to seeing that their potentialities are given proper weight in plans for reconstruction. He should be assisted by a small whole-time Secretariat.

Technical Commissions. The Chairman should, with the advice of the Policy Committee, appoint technical expert commissions to prepare plans for action by the United Nations on any aspect of

economic reconstruction approved by the Policy Committee. There would appear to be immediate need to establish Technical Commissions on Financial and Monetary Measures, Food and Agriculture, International Development Projects, and Commodity Controls. It might also be found desirable to set up further Commissions to deal with such subjects as Transport and an International Health Service.

The members of these Commissions should be selected for their expert knowledge and experience. They would include members of the Government Departments which are already engaged in the study of reconstruction problems. The members should not however act as representatives of their Governments, and, although in order to secure sufficiently wide experience some weight should be given to geography, the determining factor for selection should be personal qualifications.

The Chairman's Secretariat should provide the Secretaries for each Commission, and, through the Secretariat, each Commission should be kept in touch with the work of other Commissions. The Commissions would presumably sit in Washington and would need to rely upon the State Department, the Treasury, the Department of Agriculture and other Government agencies for much technical assistance.

A graphic presentation of this proposal is attached.

THE ECONOMIC COUNCIL OF THE UNITED NATIONS

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THE POLICY COMMITTEE

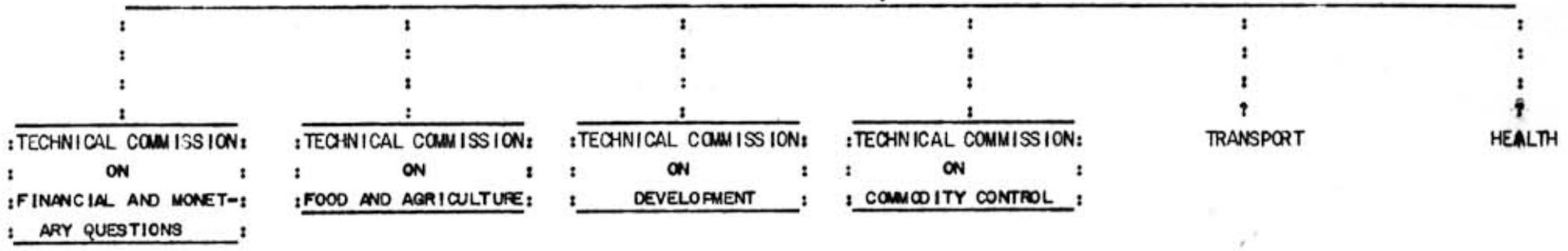
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THE CHAIRMAN

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PSF: Post War

DEPARTMENT OF STATE
WASHINGTON

May 22, 1943

Dear Mr. Claunch -

Here are memoranda and maps requested by the President. They are for his conference with Mr. Churchill on Sunday evening. Needless to say it is important that they reach the President either this evening or Sunday morning.

They are for his personal use & should be delivered to him personally.

Yours

Isaac Bouman

MYE
DEBYBLN

DEPARTMENT OF STATE
WASHINGTON

May 22, 1943

Dear Mr. President:

Herewith is the memorandum on Libya which you did me the honor to request on Tuesday last. The substance of the memorandum is reduced to two overlying pages of categorical statements. You will no doubt wish to have a look at the maps.

I hope that the following comment may be useful to you. It is not now solely a question as to how many refugees can be placed in Libya. The whole proposition is an extremely doubtful one. There will be very serious repercussions. The political reactions throughout the Arab world will be violently adverse. The Arabs have not forgotten ^{that} they were pushed aside ruthlessly to make room for Italians after a bloody pacification in 1932. If prior agreement to a settlement of refugees can not be reached with Arab leaders, because of urgency of need, then the United States

The President,
The White House.

States and Great Britain should announce limits to the number of refugees to be accomodated in Libya. That will imply, though it will not say, that there are limits to further immigration in Palestine.

The Arabs are a group of peoples that may become united by a common distrust and hate of us. No internal uniting force is so powerful. Therefore, my advice is to keep the Palestine question or Libyan settlement in abeyance, so far as possible, until the end of the war. If we must make promises, promise both Arabs and Jews that there will be deliberate consultation on the questions involved after the war.

In my opinion it would be most unwise to announce a Libyan settlement plan without saying that no other settlement project in the Arab world will be considered. Scattering the refugees here and there in the Arab world would have disastrous effects. It would confirm the propaganda, persistently broadcast by the Nazis, that the Allies have a deep-laid plan for giving the Jews dominance over the Arabs generally.

Two copies of our report and summary are enclosed in case you find that you would like to give one to Mr. Churchill.

My

SETTLEMENT OF REFUGEES IN LIBYA

SUMMARY

1. The Italian land settlers in Libya live largely off the government. The colony has an enormous operating deficit. Imports in 1938 were eight times the exports. Capital investments were made without expectation of full economic return. The objects of settlement were political and military. The total cost of peasant settlement was about \$16,000 for a family of eight.
2. Italians are especially well adapted to the Libyan climate and to the types of production that are possible. Yet there are only 100,000 to 120,000 now in all Libya (Tripoli on west; Cyrenaica on east).
3. Mussolini in his most optimistic speeches of 1938 promised to put only 20,000 more on the land by 1940, and this at a cost of \$22,500,000 or \$1200 per person in addition to huge expenses already incurred. There are no mineral deposits as in Algeria, no sentimental attachments as in Palestine, no bases for industrial production to swell city populations. Land and water -- and limited amounts of each -- are practically the only resources. It will take time to develop these and corresponding city services that absorb manpower. Dumping refugees into the wilderness would be intolerable. In 1937-38 it took 32,000 (thirty-two thousand) laborers seven months to prepare the land and construct buildings for 1800 Italian families installed on the land in 1938. Where are money and manpower to be found to do that job now for any given number of refugees?
4. Italian technical procedure has been extremely good and well adapted to the country. It is unlikely that others will be able to do as well without considerable experience with the country. Italian settlers in Libya were picked for physical health and strength, for long experience as farmers, for size of families, and for known loyalty to the Fascist movement which furnished the enthusiasm as well as the means for the scheme. This scheme is official colonization in the strictest sense.
5. Now that the years of preliminary experimentation, and also the period of initial application to the best lands are over, margins of greater difficulty

are to

are to be expected. With similar enthusiasm, the Italians have done in a much poorer country roughly what the Jews have done to date in Palestine. Similarly, the real proofs as to viability and as to returns on the immense outpouring of money and energy have yet to be made.

6. The Tripolitanian oasis belt is approaching saturation, so the main settlement opportunity, if any, is recognized to be in Cyrenaica. Here Italians already occupy more than half the arable land, and practically the whole of the high-rainfall belt (16" and over) which can be cultivated profitably.
7. The settlement of refugees in Libya would undoubtedly meet with the opposition of the Arab world. To secure acquiescence from the Arabs would involve negotiations with Libyan Arabs, particularly the Senussi whose incipient nationalism is increasing. In such negotiations the solution of the Palestine question, the limitation of the number of settlers to be introduced into Libya, the guarantee for Arab landholders and provision for capital expenditure on behalf of the Arabs may arise as conditions for assenting to the Libyan settlement.

~~Secret~~

May 22, 1943

LIMITS OF LAND SETTLEMENT IN LIBYA

I. THE LAND

In Libya, as in Egypt, the Sahara meets the Mediterranean. Except for a few scattered oases the habitable parts of the land are two narrow strips in Tripolitania and Cyrenaica near the coast, covering 17,231 square miles or about 2.5 percent of the total superficial area of 679,358 square miles. According to the rainfall map (see plate: LIBYA: Rainfall and settlement) the areas receiving more than 8 inches of rain per year -- considered to be roughly the minimum for dryfarming -- contain about 9,000 square miles.

The economy of Libya is pastoral and agricultural. There are few known mineral resources other than salt and soda. The country is unsuited to industry, and lies off frequented trade routes. It produces dates, citrus fruits, grapes, olives, tobacco and cereals. Sheep and other livestock raising is once again increasing. Sponge and tuna fishing are of importance.

A. Areas for European Settlement

Any immediate possibilities for European settlement can exist only within the 9,000 square miles mentioned above or roughly 6,000,000 acres. Rainfall maps give an exaggerated idea of the cultivable surface, which is really in restricted patches and groups of acreages. For this reason and because of the deficiency of soil and water, it is doubtful if more than a third of the 8-inch-rainfall area is really arable. A much smaller portion is probably suitable for settlement. The Italian government, in preparing for colonization, set aside about 875,000 acres, presumably the most desirable land.

- (1) Tripolitania:--The habitable coast of Tripolitania lies in the rain-shade east of the Tunisian mountains, which precipitate most of the moisture. Only two spots, immediately around Tripoli and Garian, receive over 16 inches of rain annually. The characteristic soils of the Tripolitanian

coast

coast are sandy and poor, with very little humus. They are easily picked up by the high winds but are capable of absorbing the maximum of rainfall and of atmospheric humidity. A fifth or more of the area is shifting dunes.

Land for settlement in the low coastal area is strictly limited by the fact that the oases are already over-populated: the land being the sole livelihood of the Arab cultivators. The Italians, in promoting colonization, found that the purchase of Arab land was too costly and that its confiscation would have created tense political ill-will at a time when Italians were seeking support of the Arab and Moslem worlds.

On the Tripolitanian plateau or Jebel, good fertile soil is ample although it is broken by wadis and out-croppings of rock. There are also clays, hardpans, gravelly surfaces and badly eroded areas. Its use is also restricted by lack of subterranean water and by inadequate rainfall.

- (2) Cyrenaica:--While Cyrenaica from Bengasi to Derna has more rainfall than Tripolitania, the coastal plain has less fertile soil, the limestone rock being laid bare in many places. Rainfall averages about 12 inches. Some subterranean water exists but large settlements are restricted by the lack of soil and by the fact that the plain is subjected to hot winds from the desert. Neither on this plain nor in the highlands behind Derna were agricultural settlements considered possible by the Italians. A considerable portion of the plain was in fact set aside as grazing land for the Arabs.

On the plateau of Jebel Akhdar are found dark-red heavy soils, characteristic of partly decomposed Karst plateaus. The strata of the plateau tend to tilt slightly toward the desert. The higher surfaces tend to be rocky, so the pockets and larger patches of soil have tended to accumulate on the lower slopes of the Jebel. The cultivatable area is considerably reduced by ravines and out-croppings of limestone.

While the plateau has much more rain than Tripolitania, the typical soils are less

absorptive

absorptive. Subterranean water exists but lies too far under solid rock to be available. There are some large springs, generally far below the level of the lands which need the water.

Nowhere in Libya is there any considerable from May to November, except in freak years. Precipitation is heavily concentrated into the months of December and January. Lack of rain to December is not so serious, but March and April are the critical months, in which droughts often occur. How variable Libyan rainfall is from year to year may be illustrated by Azizia in Tripolitania, which received 5.03 inches in 31 days during 1927 and 12.3 inches in 82 days during 1929. The most important variation is that in distribution, a spring drought being a real disaster.

II. ITALIAN IMPROVEMENTS

Libya was fully populated, given the techniques known to its people, when the Italians landed at Tripoli and Benghazi in 1911. The Italians were able to stop some destruction by fixing dunes and the like, but the great problem has been insufficient water. Early efforts to store rainfall by damming wadis were completely discouraging. Reservoirs proved to be impractical because of scanty rainfall, leakage, silting, salting and the high rate of evaporation. Hence the main problems simmer down to dry-farming techniques and to subterranean water for irrigation.

A. Dry-Farming.

As the maps show, any great extension of dry-farming (in the broad sense, including all moisture-conserving methods) is excluded. Even with the most favorable distribution through the year, 8 inches of rain are none too much. There is not a great deal of such area in Libya and it is all occupied. The superiority of modern American-European over ancient Mediterranean dry-farming is decisive only where there are considerable surfaces not already farmed or otherwise populated, and exploited close to their marginal usefulness. A shift is possible, even in a fully peopled region, but it is likely to turn the indigenous population into proletarians or crowd it out upon even poorer lands. Scientific agriculture is

advanced in Italy, and it may be assumed that the main European contribution to methods has been made.

What the Italians have done in Libya is standard and sound procedure for extremely dry margins, namely the inter-weaving, even on the same farms, of different moisture-conserving crops such as olives and grain, and of dry-farming with some irrigation. Thus olive groves will be found on rocky slopes, with dry-farmed cereals and irrigated meadows, vegetable gardens and orchards on the bottom lands. Where there is a good deal of salt in the irrigation water, it is often necessary to alternate irrigation with one or two years of dry-farming in order to reduce the salt by leaching. These are high-grade scientific procedures, and it is unlikely that newcomers will be able to improve upon them.

B. Subterranean Water

In Tripolitania, subterranean water is found at three general levels. The highest, around Tripoli, lies between 45 and 80 feet. This was exploited to the limit, and found inadequate, before the Italians came. They were able to add only 800 wells to the existing 30,000. Thus each farm of the Oliveti, Giordana and Bianchi settlements had a well, but the flow was sufficient only for 12 to 13 acres per farm. The second level, not far below the first, is salty.

The third water level was discovered in 1926 at 1,000 to 1,300 feet. By 1940, about 3,000 wells were supplying some 300 million gallons per water per day from this level. One German authority, Schmieder, asserts that this is drinking water. Others agree, however, that such low-level water as found at Misurate is warm, sulphurous and so salty as to be unfit for drinking or for citrus fruit. The 16 wells of the Misurata group delivered 10,500 cubic feet per hour, and irrigated some 11,300 acres of the two villages of Crispi and Gioda, with 3500 to 4000 people.

In order to provide for farms which had no water save rainfall, the Italian Government projected the ambitious Jebel Akhdar aqueduct, nearly 100 miles long and estimated to cost about \$3,500,000. This aqueduct, scheduled for completion at the end of 1939, was designed to pump water from a large spring (Ain Maria) up to the level of the plateau and deliver it at the rate of 96,000 cubic meters per day through a system of canals and storage reservoirs. On a basis of 25 gallons per day for all uses, irrigation included, it was calculated to

enable 40,000 colonists to settle on the Green Mountain plateau. Meanwhile, even drinking water had to be hauled by truck, in some instances 90 miles from Benghazi or Derna. A 50-mile aqueduct projected for Tripolitania was to have supplied 38,000 cubic feet daily to settlements through 400 miles of canals.

It is too early to say how the water table will be affected by such tapping. So far, no appreciable drop has been noted. Every person familiar at all with this question knows how serious it is in planning development on any considerable scale. There is categorical disagreement, and quite insufficient scientific evidence, as to the water available for the Green Mountain (Jebel Akhdar) region. This is of first-rate importance, for it is generally agreed that the future of European settlement, if any, lies in Cyrenaica rather than in Tripolitania.

III. POPULATION

The population of Libya in 1939 (Table I) was 878,000, consisting of 108,400 Italians and foreigners, 739,800 Moslems and 30,400 Jews. These figures exclude Nomads of whom no census has been taken. The density decreases from west to east, the thickly settled districts and the towns being confined to the narrow area along the coast, with a wide gap around Sidra Bay.

Nearly one-third of all the population in 1939 and more than two-thirds of the European population (95 percent Italian) lived in the five largest towns. Only 34,901 Italians and foreigners lived outside these cities.

A. Number of Italian Colonists

It has been estimated that of the 34,901 Italians and foreigners outside the large cities, about 30,000 were settled on the land. These figures, which indicate the total agricultural settlement made by the Italians during the 26 years of their possession of Libya, include 1,733 families settled by 1937, 1,800 families settled in 1938 and 300 families presumably settled from Libyan cities, a total of about 3,800 families. The remainder of the rural population, it may be assumed, was composed of local storekeepers, mechanics and other persons in public and private services.

IV. ITALIAN COLONIZATION

No sound economic reasons seem to have been behind the Italian decision to settle small peasant landholders in Libya. The few thousand immigrant families were not sufficient to bring relief from population pressure in Italy itself. The cost of settling colonists, estimated at about \$16,000 per family of eight (\$1,250 per person plus various subventions and services), while eventually to be repaid, was made under such conditions as to remain a liability on the Italian treasury. It seems rather that the decision to facilitate colonization in Libya was taken in order:

- (1) To create an Italian peasantry in Libya rooted to the soil, reenforcing Italian

military

military strength in Libya;

- (2) To create an interest in Italy concerning Libya and thereby overcoming Italian objections to deficit spending there;
- (3) To increase the supply of wheat and olive oil for Italy. It has now been conceded by the Italians that expectations of large grain exports from Libya were unfounded;
- (4) To establish Fascist Italy as a colonial and imperial power and to correct the impression created abroad by the cruelties of the Italian conquest of Libya.

A. Size of Colonists'
Holdings

The size of the individual holdings in the Italian settlements varied according to the water conditions, the soil, type of crops, etc., essential to make each farm self-supporting and provide a small surplus. Thus colonists at Breviglieri, situated on broken ground and receiving scanty rainfall supplemented by limited well-water, received 50 hectares or 124 acres. At the tobacco raising colony of Tigrinni, situated not far from Breviglieri, the average settlement was 12.5 to 20 acres.

The average size per farm was between 50 to 87 acres or approximately six to eight acres per person. As will be seen from Table II which gives details concerning the 1938 settlements, olive trees occupied the greater part of most farms.

B. Land Tenure

Under the Ottoman regime in Libya, all land until 1909 belonged theoretically to the Sultan, and after that date to the Ottoman government. Such land could be alienated only by specific acts under conditions established by the Qanun Aradhi (1858). Acts of alienation by registration or Saad included land set aside for pious purposes, land granted in full ownership

by purchase or gift, etc. Most of the land in Libya, as elsewhere through the Ottoman Empire, had never been so alienated but had been in use for years by Arabs for grazing and cultivation subject to payment tithe or animal tax but without title except that of prescription.

The Italian Government succeeded to possession of these state lands. In 1922 it decreed that all uncultivated land should be incorporated in the state domain in order to facilitate colonization. Objections raised by Arab occupiers were brushed aside with references to the obscure Moslem law that land not in cultivation reverted to the state. When Arabs who claimed such land or opposed Italian conquest for other reasons rose in rebellion their cultivated lands were also confiscated.

It should be noted, however, that in 1938 when grazing and cultivated land was expropriated from the Arabs for Italian colonization the 1922 decree was not rigidly applied. Compensation, drawn from a special fund of 3 million dollars, was paid to the Arabs, the titles by prescription being thereby recognized. It is estimated that of 875,000 acres incorporated in the State domain, 625,000 acres were expropriated from the Arabs.

Titles to state domain have been retained throughout the colonization period by the Italian Government. Under the concession method of settlement fostered in the early 20's by which large parcels of land were allocated to private owners, titles remained with the state until the full purchase price was paid or until conditions of settlement were completed. It is recorded that only one large concessionaire fulfilled the stipulated conditions.

Under the Land Law of June 7, 1928, by which peasant or "demographic" colonization was to be encouraged, the titles to the small holdings, which were placed among the large concessions or on small farms, continued to be held by the state. Under the Colonization Act of 1932 which initiated the policy of settling peasants directly on the land through special agencies such as the Ente per la Colonizzazione della Libia, Istituto Nazionale Fascista della Previdenza Sociale and Azienda

Tabacchi

Tabacchi Italiani, the government granted lands to these agencies, which in turn held the titles until the peasant settlers could fulfill prescribed conditions set up. These conditions involved repayment of all sums advanced to the settler by the state and its agencies including 70 percent value of the land, and full cost of housing, tools, animals, etc., as well as all sums advanced for the colonist's maintenance until he became self-supporting.

C. Factors in the Italian Colonization

In view of the deficiencies in land and water for colonization in Libya it would seem that only two factors enabled even the small number of emigrants from Italy to establish themselves in Libya.

- (1) Governmental organization and financial support.

At every stage the government through its agencies facilitated settlement. Extensive scientific study of every aspect of agricultural colonization was conducted by the government prior to settlement. Thereafter it directed expropriation of the land; compensation to the Arabs where believed necessary; clearance of land; construction of necessary buildings; supply of tools, animals and seed; transportation from Italy; exploration for water; drilling of wells; the granting of extended financial assistance to the settlers, etc. The government also supplied protection for the settlers from disgruntled Arab settlers and cultivators who considered their rights had been invaded.

- (2) Even this assistance, great as it was, would have been ineffective had it not been for the special characteristics of the Italian settlers in Libya.

Italian colonists were carefully selected. They were farmers reared on the soil and familiar with the grinding labor of winning

a livelihood from scanty resources. No townsmen, clerks or intellectuals were selected as colonists. Settlers were also chosen for high physical qualifications. Each family had to consist of at least eight members in order to provide sufficient labor.

Each settler had to be in good standing with the Fascist party and was thereby conscious that he was not an outcast, forced to go to Libya to seek a precarious livelihood, but rather that he and his family were representatives of Italy, fulfilling important political and cultural tasks for their country.

Italian colonists were also confident that they possessed the wholehearted continuous support of the government. Fears for personal and economic security were thereby removed.

Italian colonists in Libya faced climatic conditions not greatly different from those in Italy. The change for north Italian colonists may have been greater than for Sicilians or Calabrians but actually both moved from one Mediterranean area to another. Nor did they have new problems of language or assimilation. Libya formed a part of metropolitan Italy. Italian was spoken as the official language. Italian civilization was dominant.

VI. POSSIBILITIES OF
FUTURE LAND SETTLEMENT

Limits to future land settlement may be set by the technical aspects--the amounts of arable land available, the supply of water and the degree to which the land is already settled. The possibilities of settlement are also subject to political considerations.

Although no precise figures exist on the quantity of land available, an insight into the situation may be gained from Italian experience. In 1922 the Italian Government began to acquire land for settlement by dispossessing the Arab occupiers and by 1938 had acquired 875,000 acres of land. In view of the official objective, the Government probably selected the land best suited for agricultural settlement. Yet this amount was not entirely available for cultivation, including as it did, large areas of rocky land, sand dunes, ravines and eroded soil in addition to areas fit only for grazing, as in the coastal plains of Cyrenaica. It is not surprising, therefore, that of the 875,000 acres acquired by the Italian Government, only 200,000 acres had been developed by 1937 and an additional 160,000 acres by 1938, a total of 360,000 acres. On this area, including the large concessions, were settled from 1921 to 1938 only 30,000 Italian agriculturists. Settlement of an additional 20,000 persons was proposed by the Italian Government in 1939-40 for which the sum of 450,000,000 lire, or \$22,500,000, was budgeted. None of these persons were settled in Libya.

It has been suggested, on the basis of the Italian figures, that the best land has already been used for settlement. All the Italian settlers were placed in areas having 10 or more inches of rain. It seems certain that additional numbers of settlers, whether from Italy or from Central Europe, would find the land increasingly marginal for profitable exploitation.

It may be suggested also that, considering the population pressure in Italy, the nationalistic fervor of Fascism and the prestige factors involved, more

Italians

Italians would have settled in Libya had land and water been available in sufficient quantities and quality. Italians did migrate to Libya but they found their places in the cities and not on the land.

In Libya, however, it is not so much a question of land, poor and scanty as it is, but rather a question of available water. It is also this factor which has limited Italian settlement and which must continue to limit large scale settlement.

From the evidence available it would seem that a large increase of cultivable area and of the agricultural population by use of surface water is impossible. Further increase by use of high-level wells must also be ruled out as these are already inadequate for present demands. Further drilling may endanger the present flow. This is a problem to be scientifically explored on the spot.

Increase of land through irrigation by artesian wells cannot be pronounced feasible on the basis of present information. The water table is not the only problem. There is also a question of the salinity of water, already necessitating the irrigation of crops only once every three years in areas where artesian wells are being used.

Some increase of agricultural land can be expected by the use of water pumped and brought in by aqueducts. The Italian authorities estimated that a total of 40,000 settlers or about 30,000 additional persons could be settled on Akhdar, with a provision of about 25 gallons of water per day per person, when the aqueduct is completed. An additional 1,500 or 2,000 persons were also expected to be settled on Jebel Nefusa in Tripolitania when the aqueduct and the canals on this mountain were completed. Some additional agricultural settlement may be made by the use of dry farming but it seems apparent that the Italians have pushed beyond the profitable limits, given the current yields and the competition of other areas as measured by market prices.

Additional

Additional land for settlement is also restricted by the fact that land both agricultural and pastoral, other than state domain, is becoming increasingly overpopulated in Libya. Approximately 625,000 of the 875,000 acres incorporated by the Italians into state domain was taken from the Arabs whose early resentment was manifested in rebellion. In the expropriation of 1937-38 clashes were reported between the Italian government and pastoral Arabs, who have remained sullen and restive at the loss of their lands. This attitude has continued notwithstanding the digging of new wells and the creation of new Arab agricultural settlements on marginal land.

Should additional land be acquired for agricultural settlements, particularly for settlers to whom the Arabs are hostile, the present competition between pastoral Arabs for grazing land for increasing herds and flocks and agriculturists for cultivable land, is likely to break into open conflict. The basic struggle between the economy of the Arabs and of European Jews now existing in Palestine would thus be carried into Libya.

Under these conditions it may be suggested that between 32,000 and 35,000 additional settlers or a total of about 60,000 to 65,000 could be settled on land

in Libya. To settle even this number, consideration of other conditions seem essential. Among these are:

- (1) The placing of the entire holdings of the Italian settlers at the disposal of new settlers by expropriation or purchase.
- (2) The repairing and reconstruction of the buildings and public utilities on the present settlements, where they have been damaged by war and by pillaging Arabs;
- (3) Completion of aqueducts and canals;
- (4) The clearance of land and construction of new buildings for the new settlers. It may be noted that it required 32,000 laborers seven months to prepare the land and buildings for settlement of 1,800 families in 1938;
- (5) Provision of essential funds for these operations and for the maintenance of the settlers until they are self-supporting. In the case of Italian settlers, the Italian government expected to subsidize them for at least five years after settlement and in the case of settlers growing olives-- which was the majority--to subsidize such settlers for 15 years;
- (6) Settlement of political difficulties with the local Arab and Moslem population and with the Arab and Moslem world, not only in relation to the new settlers but also in relation to the place and prestige of the powers and International Organization among the Arabs and Moslems.

VII. ARAB AND MOSLEM
OPPOSITION

The settlement of Libya by Jewish refugees would undoubtedly meet hostile opposition from local Arabs and from the Arab and Moslem world in general.

A. Opposition of Libyan Arabs

The Libyan Arabs would reject any settlement which would threaten their grazing land and facilitate the infiltration of European Jews into the cities. For political reasons also the settlement and the International Organization responsible for it, would be met with hostility, particularly by the Senussi.

The Senussi, who form the most powerful of the north African Arab brotherhoods, are already evincing increasing strength. The London Times has already written of their incipient nationalism, to which their recent employment as auxiliary troops by the British may have contributed. Mr. Eden, speaking in the House of Commons on January 8, 1943, stated the determination of the British Government that the Senussi should not fall again under Italian domination. It would seem probable that settlement of refugees could be made without use of force only if the acquiescence of the local Arabs is obtained through some form of negotiation.

B. Opposition of Other Arab and Moslem Countries

The settlement of Jews in Libya would undoubtedly lead to protests throughout the Arab and Moslem world. Part of the Arab hostility to Jewish immigration into Palestine has been occasioned by fear that Jews desired to acquire domination of other Arab countries. The establishment of Jews in Libya with the aid of the United Nations would presumably be regarded by Arabs as an indication that those ambitions had received the support of the responsible United Nations, which already are believed by most Arabs to desire the creation of the feared Jewish State in Palestine.

Egypt as a neighboring Arab state which has officially voiced its desire to further Arab interests and in which unofficial interest has been manifested in the extension of its frontier into Libya, would assumably not view with sympathy Jewish settlement in Libya. It has already opposed further Jewish immigration in Palestine.

Iraq, which officially and unofficially has shown its interest in Pan-Arabism and its opposition to Zionism might also be expected to oppose Jewish immigration into Libya unless the number of settlers were set at a definite limit and unless the settlement as a whole were related to a solution of the Palestine question in accordance with moderate Arab wishes.

The securing of acquiescence of Arabs and Moslems would undoubtedly involve negotiations with Arab leaders in Libya, notably in the Senussi, and in countries from Iraq to Morocco. In such negotiation, the solution of the Palestine question, the limitation of the number of settlers to be introduced into Libya, guarantees for Arab land holders, and provisions for capital expenditure on behalf of the Arabs would expectedly be put forward among the conditions which the Arabs might raise if their settlement in Libya is to be won.

Table I. Population of Libya (1939)

District	Italians & Foreigners	Moslems- Jews	Total
Tripoli			
Urban	45,346	65,758	111,104
Rural	14,789	293,451	308,240
Total	<u>60,135</u>	<u>359,209</u>	<u>419,344</u>
Misurata			
Urban	1,801	44,720	46,221
Rural	7,341	163,926	172,267
Total	<u>9,842</u>	<u>208,646</u>	<u>218,488</u>
Bengasi			
Urban	22,493	43,516	66,009
Rural	6,192	57,882	64,074
Total	<u>28,685</u>	<u>101,398</u>	<u>130,083</u>
Derna			
Urban	4,104	20,374	24,478
Rural	5,439	30,316	35,755
Total	<u>9,543</u>	<u>50,690</u>	<u>60,233</u>
Sahara			
Urban	106	7,544	7,704
Rural	94	42,758	42,798
Total	<u>200</u>	<u>50,302</u>	<u>50,502</u>
Total Urban	73,604	181,912	255,516
Total Rural	34,901	588,333	623,134
Total	108,405	770,245	878,680

Source: Annuario dell'Africa Italiana, 1940, p. 216 ff.

TABLE II. (continued)

<u>COLONY</u>	<u>WATER</u>	<u>SOIL</u>	<u>ACREAGE</u>	<u>SPECIAL CONDITIONS</u>	<u>COST</u>
Coastal Plain West of Tripoli					
Giordana 115 farms Pop. 920 Tot. acreage 8,050	Rainfall 10-12 High level wells sufficient to irrigate 12-13 acres	Loose sandy soil, without body or humus. Absorbs water.	Each farm 62-74 acres Irrigated 12-13 1-2 Garden 5-6 Grain 5-6 Tobacco, citrus, fodder crops. Non-irrigated 50-60 40-50 olives 10-15 almonds Vines among trees.	Soil is as loose as to require planting in plots 6 ft. square.	\$7,750- \$8,000 per farm.
Oliveti 127 farms Pop. 1,016 Tot. acreage 8,890	"	"	"	"	"
Branchi 152 farms Pop. Tot. acreage	"	"	"	"	"

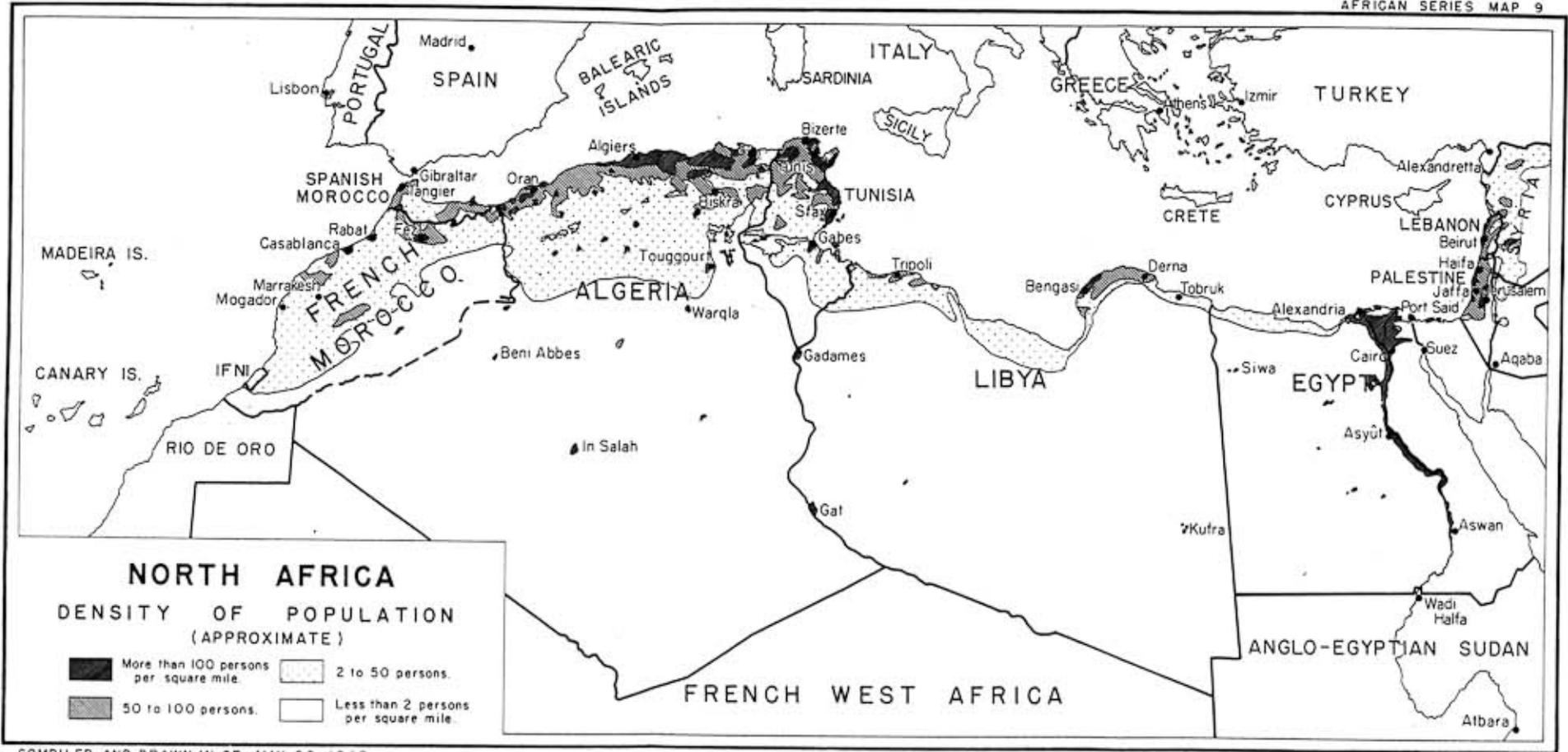
TABLE II (continued)

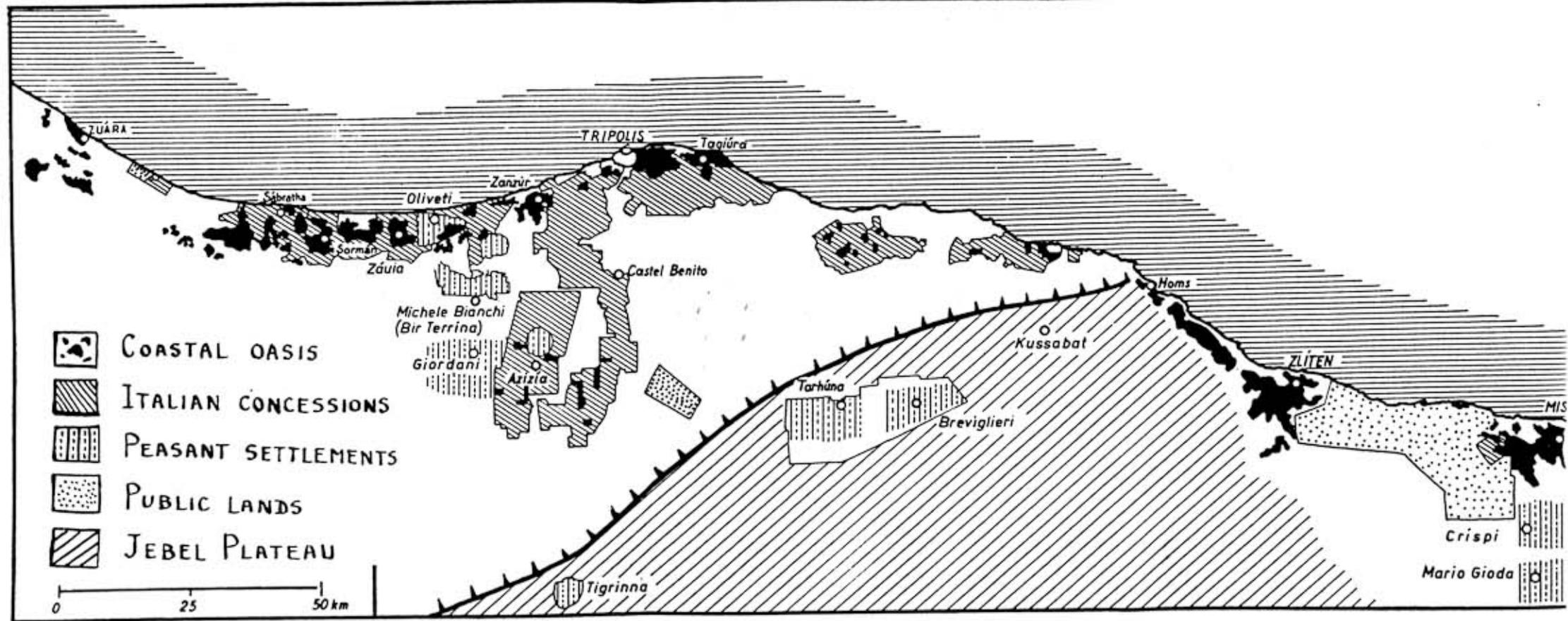
<u>COLONY</u>	<u>WATER</u>	<u>SOIL</u>	<u>ACREAGE</u>	<u>SPECIAL CONDITIONS</u>	<u>COST</u>
Coastal Plain South of Misurata					
Crispi 333 farms Pop. 2,664 Tot. acreage 12,321	Rainfall 9 to 11 Artesian wells. 1,300 ft. in depth. 16 wells also irrigating Giorda furnish 11,500 cu. per hr. sufficient to irrigate 10,300 acres.	Loose sandy soil with little body or humus.	Farms-37 acres each. Irrigated-25- 30 acres. 1-2 Garden 10-12 cereals 10-12 legumes fodder, etc. Dry farming 10-12 olives, vines, etc.	Salt water (0.33% tot. solids) permits irrigation every 3rd yr. only. Hence rotation is essential.	\$6,900- 7,000 per farm.
Giorda					
98 farms Pop. 784 Tot. 3,626					
Jebel Nefusa (Tripoli- tania)					
Breviglieri 232 farms Pop. 1,856 Acreage 38,748	Rainfall 9 to 11 inches. No irrigation un- til aqueduct brings water. Local well supply water for stock & for garden & fodder.	Good soil, heavier & darker than soil of coastal plain.	Farms average 124 acres Olives- 60-62 olives 12 almonds Small area, semi-irrigated to garden & fodder.	Soil broken by ravines & rock.	\$6,750- 7,000 per farm.

TABLE II (continued)

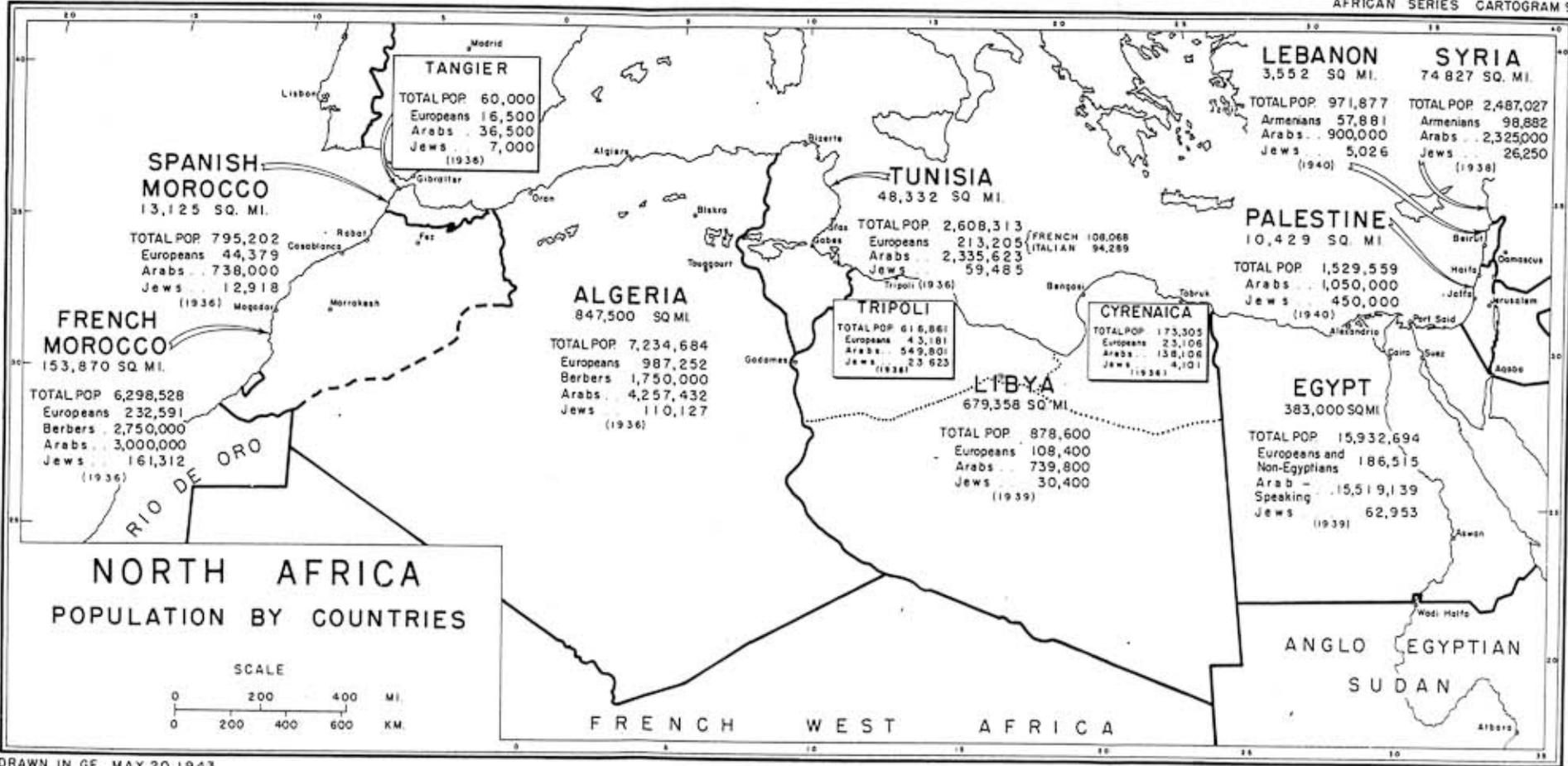
<u>COLONY</u>	<u>WATER</u>	<u>SOIL</u>	<u>ACREAGE</u>	<u>SPECIAL CONDITIONS</u>	<u>COST</u>
Jebel Akhdar (Cyrenaica)					
Baracca 216 farms Pop.	Rainfall 12-16 in. Dry farming until aqueduct is comple- ted. Then water for 10-12 acres.	Red fertile soil with tendency to clay.	Farms-74 acres each. Dry farming. 1-2 gardens 18-20 olives 4-5 almonds 2-3 vines 40-50 wheat		\$9,250 per farm.
Oberdan 207 farms Pop.	"	"	"		"
D'Annunsio 54 farms Pop.	"	"	"		"
Battisti 151 farms Pop.	"	"	"		"

PSF: Post War

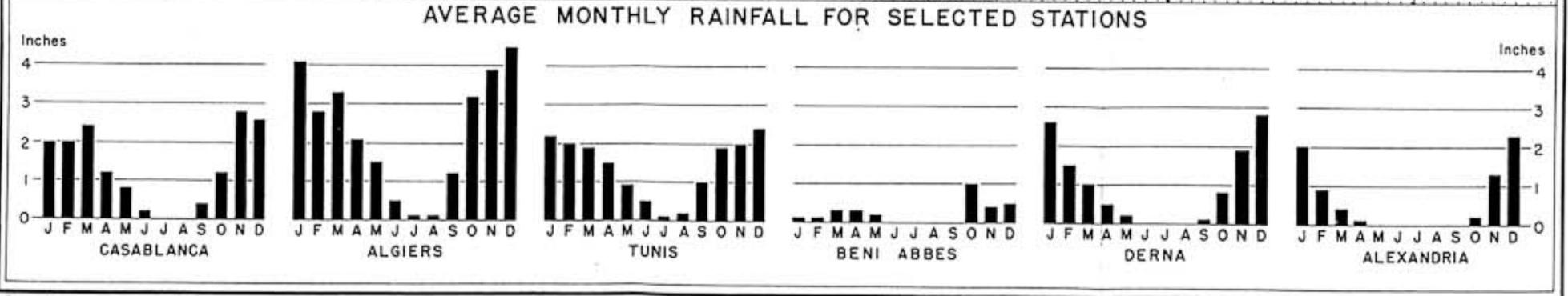
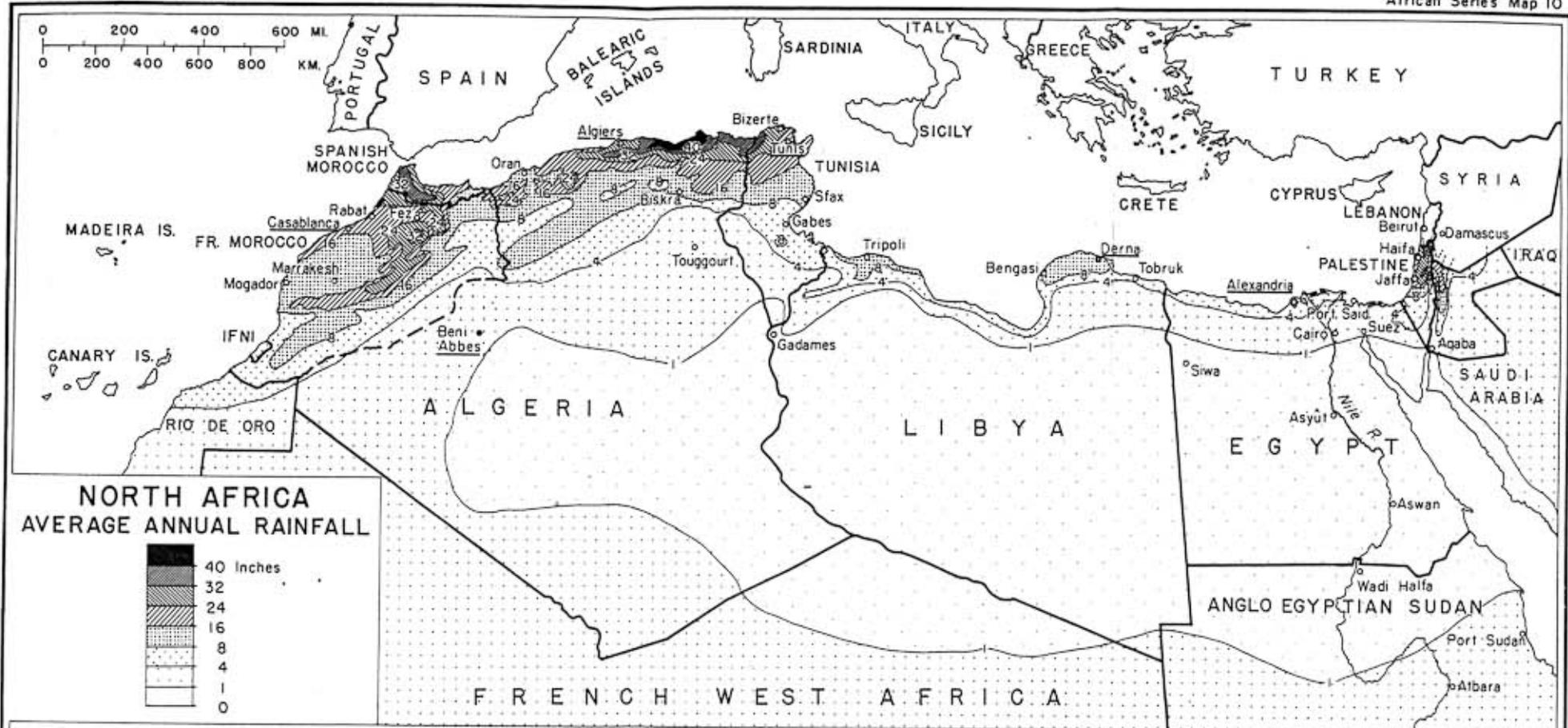




PSF: Post War



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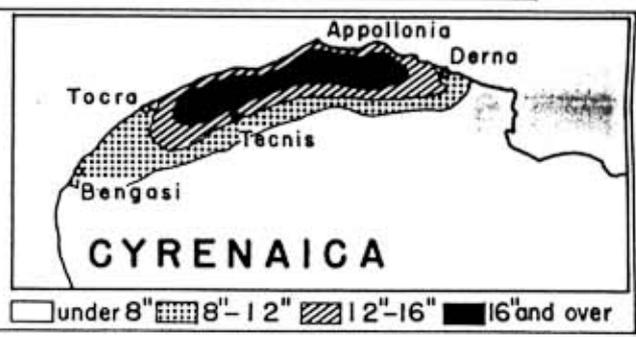
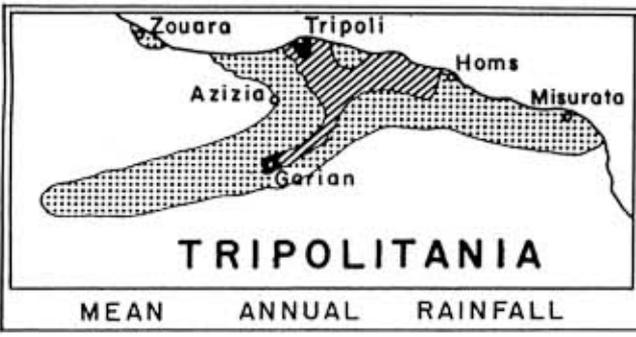
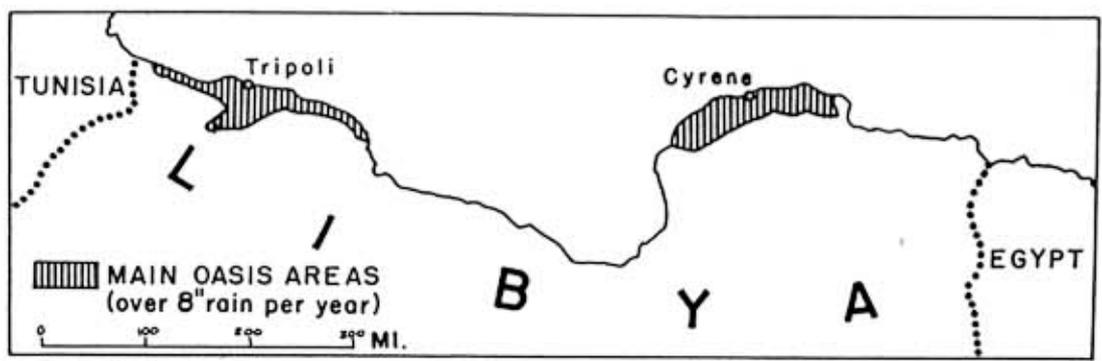


Compiled and Drawn in Ge., May 20, 1943

LIBYA

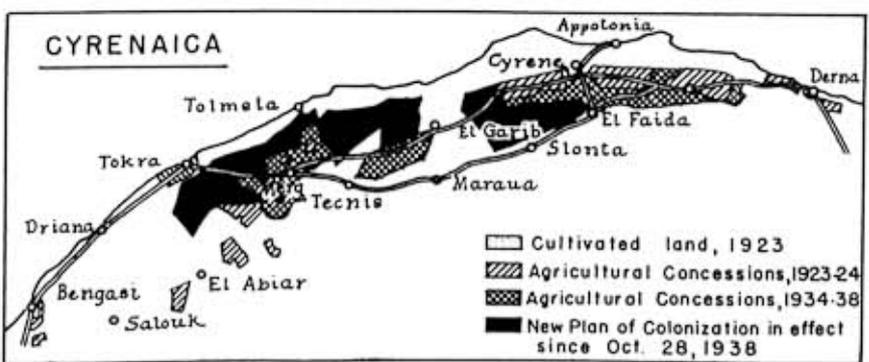
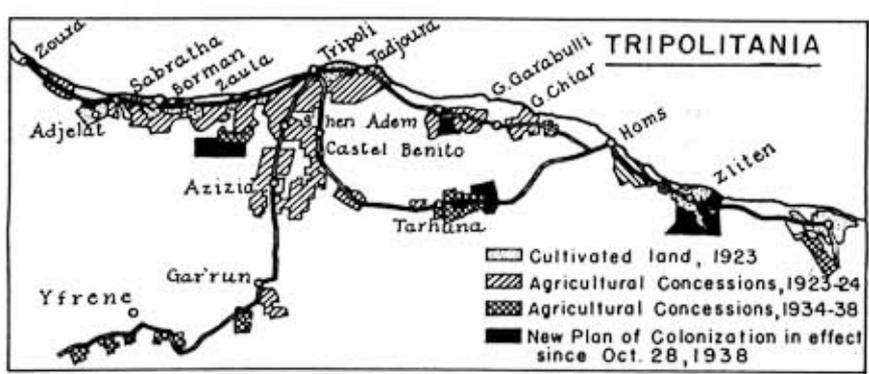
RAINFALL AND SETTLEMENT

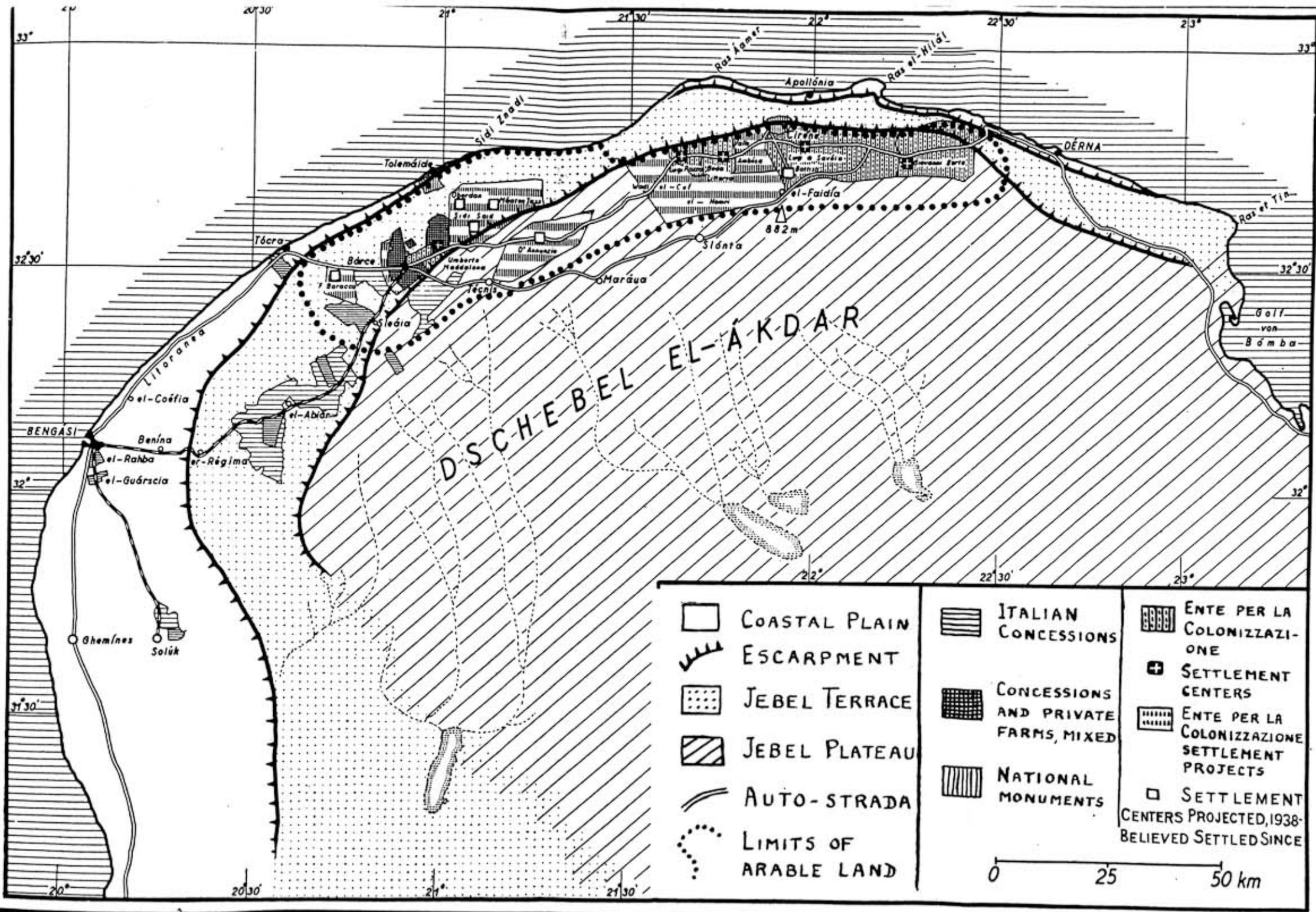
RAINFALL



under 8"
 8"-12"
 12"-16"
 16" and over

SETTLEMENT





	COASTAL PLAIN		ITALIAN CONCESSIONS		ENTE PER LA COLONIZZAZIONE
	ESCARPMENT		JEBEL TERRACE		SETTLEMENT CENTERS
	JEBEL PLATEAU		CONCESSIONS AND PRIVATE FARMS, MIXED		ENTE PER LA COLONIZZAZIONE SETTLEMENT PROJECTS
	JEBEL PLATEAU		NATIONAL MONUMENTS		SETTLEMENT CENTERS PROJECTED, 1938- BELIEVED SETTLED SINCE
	AUTO-STRADA				
	LIMITS OF ARABLE LAND				

0 25 50 km

**FIELDS OF WORK OF THE
COMMITTEE ON POST-WAR PROGRAMS**

The work will be organized in such a way that for each problem involved in the topics indicated below, and in such other topics as may be added from time to time, there will be presented to the Committee in due course for its consideration and action the following documents:

1. A statement of alternative policy objectives and of alternative procedures for the attainment of these objectives; recommendations as to the most desirable alternative; and, where and as necessary.
2. Drafts of appropriate agreements, conventions, legislation, or other necessary documents.

The following list of topics does not suggest any order of priority. Each topic is being broken down into its component problems, and a more comprehensive list of the work done to date will be presented soon, together with a survey.

- I. Treatment of enemy countries, including terms of surrender, reparation, and controls.
- II. Treatment of liberated countries.
- III. Treatment of countries having special status, e.g. Italy, Austria, Thailand.
- IV. Dependent areas and trusteeship.
- V. Problems growing out of special war-time relations among the United Nations, including lend-lease liquidation.
- VI. Problems growing out of special war-time relations with neutral countries.
- VII. Federations and other groupings.
- VIII. Post-hostilities security arrangements pending the establishment of permanent arrangements.
- IX. Permanent international organizations and arrangements, general and regional, for the maintenance of peace and security.

- X. International arrangements for coordinating activities in economic, social, and related fields.
- XI. International agencies for education and cultural cooperation.
- XII. Rehabilitation and reconstruction financial arrangements.
- XIII. Pre-War debts.
- XIV. Monetary stabilization.
- XV. Long-range investment and development.
- XVI. Relaxation of trade barriers.
- XVII. Commodity problems.
- XVIII. Cartels and private international industrial agreements.
- XIX. Food and nutrition.
- XX. Labor and social problems.
- XXI. Migration, resettlement, and transfer of populations.
- XXII. Aviation.
- XXIII. Shipping.
- XXIV. Inland Transport.
- XXV. Telecommunications.
- XXVI. Power.

PST- Post war folder 4-44

Memorandum of February 29th and draft of proposed
letter sent to Justice Byrnes on March 6th.

PSF

THE UNDER SECRETARY OF STATE
WASHINGTON

COPY

February 29, 1944

MEMORANDUM FOR THE PRESIDENT

Subject: Long-range plans for post-war rehabilitation.

I have received your memorandum of February 26 stating that you wish to see the proposed list of members of the committee to be established on the reconstruction of Europe.

No list has been formulated as yet. As stated in the papers which I submitted to you, however, the committee could be under the chairmanship of the State Department and would include representatives of Treasury, Commerce, Agriculture, FEA, and OSS.

As soon as a list of nominations has been prepared, I shall be delighted to forward it to you.

I enclose a suggested letter from you to me which will authorize the creation of this committee.

(Signed) E.R. Stettinius, Jr.

THE WHITE HOUSE
WASHINGTON

My dear Mr. Secretary:

I am convinced that one of the most pressing problems in the field of foreign economic policy and operations is the handling and financing of reconstruction of war-torn areas and the correlation of such operations with a long-run economic development program. I am aware that many officials and agencies of the Government have given extensive thought to these problems and that many individual proposals and plans are being put forward or are being prepared. It is obviously desirable that there be the most complete cooperation of the agencies of this Government for effective work in this field.

Consequently I have decided to create a special policy committee to make recommendations regarding general and specific programs in the field of postwar reconstruction and to coordinate the activities of the several agencies of this Government in handling and financing such operations. This committee will be under the chairmanship of the Department of State and will include representatives of the Department of the Treasury, the Department of Commerce, the Foreign Economic Administration, the Board of Governors of the Federal Reserve System, the Export-Import Bank, and the Surplus War Property Administration.

I request that the Committee constitute itself immediately and present to me as soon as practicable complete and definitive programs in this important field.

Very sincerely yours,

The Honorable
Cordell Hull,
Secretary of State.

(26.3)

ams

THE WHITE HOUSE
WASHINGTON

March 6, 1944.

MEMORANDUM FOR

HON. JAMES F. BYRNES:

Does this proposed letter to
Mr. Stettinius step on anybody's toes?

F.D.R.

Memorandum for the President from Hon.
E. R. Stettinius, Jr., 2/29/44, in re Long-range
plans for post-war rehabilitation, letter from
the President's signature to Mr. Stettinius,
memorandum for the President from Mr. Stettinius,
2/23/44, in re Handling and Financing of European
Reconstruction Operations, memorandum for the
President from Mr. Stettinius, 2/21/44, with
accompanying memorandum outlining the Department
of State's view on the method of handling and
financing reconstruction operations in Europe.

February 29, 1944

MEMORANDUM FOR THE PRESIDENT

Subject: Long-range plans for post-war rehabilitation.

I have received your memorandum of February 26 stating that you wish to see the proposed list of members of the committee to be established on the reconstruction of Europe.

No list has been formulated as yet. As stated in the papers which I submitted to you, however, the committee would be under the chairmanship of the State Department and would include representatives of Treasury, Commerce, Agriculture, FEA, and OSS.

As soon as a list of nominations has been prepared, I shall be delighted to forward it to you.

I enclose a suggested letter from you to me which will authorize the creation of this committee.

Edward R. Stettinius, Jr.

(2591)

lino

THE WHITE HOUSE
WASHINGTON

February 26, 1944.

MEMORANDUM FOR

THE ACTING SECRETARY OF STATE

x20

I do want to see the personnel
of this Committee.

F. D. R.

Memorandum for the President from Hon. E. R. Stettinius, Jr., 2/23/44, with accompanying memorandum for the President from Mr. Stettinius, 2/21/44, in re Handling and Financing of European Reconstruction Operations, with accompanying papers regarding the matter. The correspondence refers to the establishment of a special committee to make recommendations regarding general and specific programs in the field of postwar reconstruction and development and to coordinate the activities of the several agencies operating in the field of finance.

x285

x4351

x706

x229

February 23, 1944

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Handling and Financing of European
Reconstruction Operations

You will recall that at our meeting yesterday we went over the attached memorandum and you approved the State Department starting the committee mentioned therein and proceeding with the development of recommendations in this field. It occurred to me that you might like to have the material which was attached to the memorandum of the twenty-first for reference or for study at your convenience.

E. E. STETTINIUS, JR.

Enc.

Mr. President

To take up with
Secretary Hull & Under
Secretary Stettinius
at lunch today

THE WHITE HOUSE
WASHINGTON

March 15, 1944.

MEMORANDUM FOR THE PRESIDENT:

You said you wanted to hold this until Mr. Stettinius gets back from London. However, as he is not leaving here until the 29th of March, perhaps you would want to talk with him about it before he leaves.

G.

ERS. asking for
memo or letter on
long range Committee
for Post War Rehabilitation
in Europe -

OFFICE OF WAR MOBILIZATION
WASHINGTON, D. C.



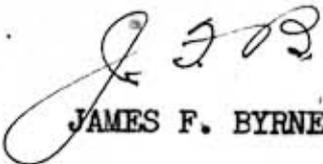
JAMES F. BYRNES
DIRECTOR

March 10, 1944.

MEMORANDUM FOR THE PRESIDENT:

I do not think Leo Crowley would like the proposed letter which Mr. Stettinius suggests you write to him setting up a special interdepartmental policy committee in the field of foreign economic policy and operations.

There are already several interdepartmental committees in this field. Before the proposed letter is signed, more careful consideration should be given to the question as to which agencies should be represented on the committee. The representation suggested in Mr. Stettinius' memorandum to you does not correspond with the representation suggested in the proposed letter. If the committee were to be constituted, Mr. Crowley is of the opinion that the representation for the time being should be confined to State, Treasury and F.E.A. But he feels, and I concur, that the matter can best be held in abeyance until Mr. Stettinius returns from London.


JAMES F. BYRNES

THE WHITE HOUSE
WASHINGTON

March 6, 1944.

MEMORANDUM FOR

HON. JAMES F. BYRNES:

Does this proposed letter to
Mr. Stettinius step on anybody's toes?

F.D.R.

THE UNDER SECRETARY OF STATE
WASHINGTON

February 29, 1944

MEMORANDUM FOR THE PRESIDENT

Subject: Long-range plans for post-war rehabilitation.

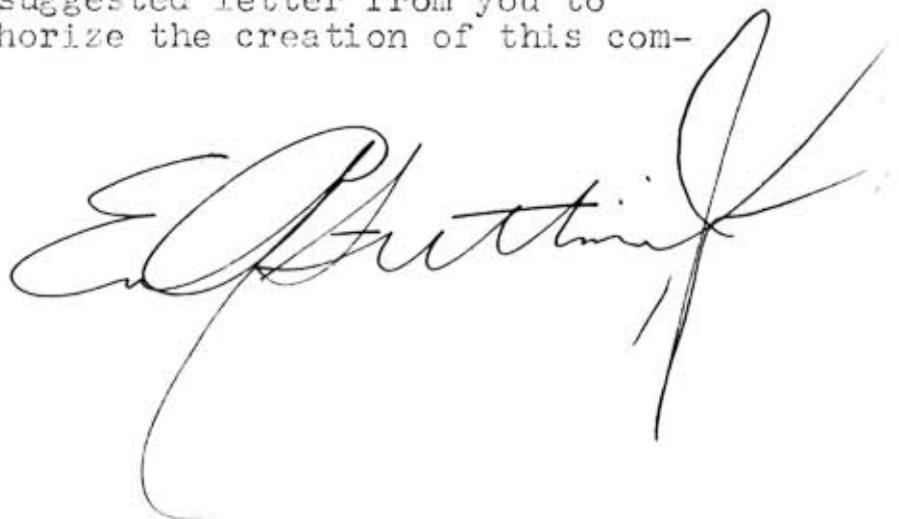
I have received your memorandum of February 26 stating that you wish to see the proposed list of members of the committee to be established on the reconstruction of Europe.

No list has been formulated as yet. As stated in the papers which I submitted to you, however, the committee would be under the chairmanship of the State Department and would include representatives of Treasury, Commerce, Agriculture, FEA, and OSS.

As soon as a list of nominations has been prepared, I shall be delighted to forward it to you.

I enclose a suggested letter from you to me which will authorize the creation of this committee.

Enc.

A large, stylized handwritten signature in black ink, likely belonging to E. A. Tamm, the Under Secretary of State at the time. The signature is written in a cursive, flowing style with a prominent initial 'E' and a long, sweeping tail.

THE WHITE HOUSE
WASHINGTON

My dear Mr. Stettinius:

I am convinced that one of the most pressing problems in the field of foreign economic policy and operations is the handling and financing of reconstruction of war-torn areas and the correlation of such operations with a long-run economic development program. I am aware that many officials and agencies of the Government have given extensive thought to these problems and that many individual proposals and plans are being put forward or are being prepared. It is obviously desirable that there be the most complete cooperation of the agencies of this Government for effective work in this field.

Consequently I have decided to create a special policy committee to make recommendations regarding general and specific programs in the field of postwar reconstruction and to coordinate the activities of the several agencies of this Government in handling and financing such operations. This committee will be under the chairmanship of the Department of State and will include representatives of the Department of the Treasury, the Department of Commerce, the Foreign Economic Administration, the Board of Governors of the Federal Reserve System, the Export-Import Bank, and the Surplus War Property Administration.

I request that the Committee constitute itself immediately and present to me as soon as practicable complete and definitive programs in this important field.

Very sincerely yours,

The Honorable
Edward R. Stettinius, Jr.,
Acting Secretary of State.

DEPARTMENT OF STATE
WASHINGTON

February 23, 1944

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Handling and Financing of European
Reconstruction Operations

You will recall that at our meeting yesterday we went over the attached memorandum and you approved the State Department starting the committee mentioned therein and proceeding with the development of recommendations in this field. It occurred to me that you might like to have the material which was attached to the memorandum of the twenty-first for reference or for study at your convenience.

Enc.

A handwritten signature in cursive script, appearing to read "E. A. Tamm", is written in dark ink. The signature is fluid and somewhat stylized, with a long, sweeping tail that loops back towards the left.

THE UNDER SECRETARY OF STATE
WASHINGTON

February 21, 1944

MEMORANDUM FOR THE PRESIDENT

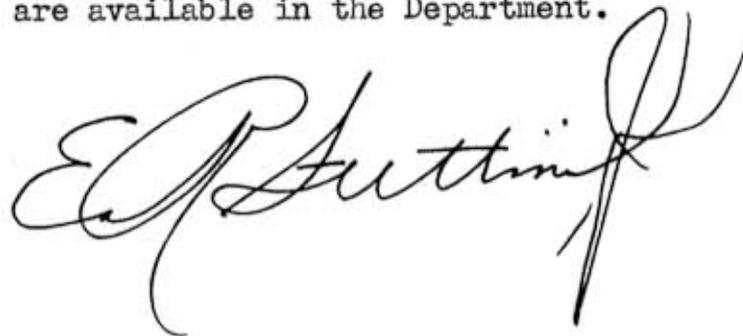
SUBJECT: Handling and Financing of European
Reconstruction Operations

There is attached in accordance with your request a memorandum outlining the Department's views on the method of handling and financing reconstruction operations in Europe. The memorandum suggests the broad terms of reconstruction financing, sets forth the necessary legislation to permit the United States to carry forward an adequate program of reconstruction financing, and recommends the establishment of appropriate inter-agency and inter-governmental machinery for the purpose.

The Department believes that at this time there should be established a special committee to make recommendations regarding general and specific programs in the field of postwar reconstruction and development and to coordinate the activities of the several agencies operating in the field of finance. It is anticipated that the special committee on finance would in due course be brought within the framework of the general inter-departmental economic policy committee which the Department has recommended for your consideration.

Although the problem of handling and financing reconstruction operations has been discussed informally by various officers of the Department with officers of other agencies, the present memorandum has not been cleared with any other agency and represents, therefore, only tentative and preliminary views. The formulation of complete and definitive programs would be the task of the policy committee recommended above.

Detailed memoranda relating to the specific points presented in the attached memoranda are available in the Department.



February 21, 1944

RECONSTRUCTION FINANCING AND ITS RELATION TO OTHER
FINANCIAL AND INVESTMENT POLICIES AND INSTITUTIONS

Scope of the Problem

1. Financial machinery is required for the following purposes:
 - a. Stabilization of currencies.
 - b. Reconstruction of war-torn areas.
 - c. Facilitating the export of capital goods from the United States.
 - d. Economic development and industrialization of the less developed areas of the world.
2. No adequate machinery exists for these purposes. The Export-Import Bank is at present subject to severe limitations on its overall operations and is prohibited from extending credits to countries in default to the Government of the United States. Lend-lease mechanism is at best partially available for the purpose and is not a suitable mechanism. The Treasury has proposed an International Monetary Fund and a United Nations Bank. These institutions even if established do not completely fill the needs.
3. The needs of reconstruction of war-torn areas are pressing, and it is essential that this Government adopt adequate policies and establish adequate machinery for the purpose.

Recommended Terms of Reconstruction Financing

(See attachment FI-6a)

1. Require full utilization of financial resources of areas in question:
 - a. For local currency expenditures.
 - b. By utilizing balances frozen abroad.

2. Use

2. Use regular lend-lease where justified on military grounds for deliveries of capital goods and materials up to cessation of hostilities. Enter agreements now that deliveries of such materials not completed at end of hostilities be subject to specific terms of repayment - interest and amortization.

3. Extend all other reconstruction financing on the basis of loans with terms of interest and amortization rather than as grants. If essential such terms can subsequently be modified. (Note - UNRRA will take care of immediate necessities for relief and rehabilitation necessary to relief and should be confined to this field.)

4. In the absence of the United Nations Bank for Reconstruction and Development, use the Export-Import Bank for United States share of such reconstruction financing (including take-out of Lend-Lease on portion of materials not delivered at cessation of hostilities).

Recommended Action

With Congress, etc.

1. International Monetary Fund - Press discussions with Russians, call early international conference, and urge speedy Congressional action of the Treasury's proposal.

2. Export-Import Bank - both for reconstruction and development - Request immediate Congressional action to extend the powers of the Export-Import Bank (see attachment FI-6a):

- a. Increase lending power by one billion dollars, at this time.
- b. Eliminate default (similar to Johnson Act) and neutrality limitations.

3. The Johnson Act - Urge its repeal, preferably in connection with the extension of the powers of the Export-Import Bank, in order to permit private participation in the extension of credits to certain European countries.

4. Lend-Lease - Press for extension of Lend-Lease Act and clear use of Section 3(c) for purposes mentioned above in item 2 under Terms of Reconstruction Financing.

5. United

5. United Nations Bank for Reconstruction and Development - If British and Russian interest develops in time, indicate to Congress that this institution will be proposed later in the year if international agreement can be reached, and demonstrate the relationship to the Monetary Fund and to United States operations through the Export-Import Bank. The needs of reconstruction financing cannot await the slow progress of this proposal.

6. Inter-American Bank - A convention for the establishment of this institution was signed in 1940 and still awaits ratification by the Senate. It should not be pressed at this time but further attention should be given to working out appropriate relationships with the proposed United Nations Bank. If the latter proposal does not prosper, renewed consideration should be given to pressing the Inter-American Bank on its own merits.

7. World War I Debts - At an early date Congress should be requested to authorize the President to enter into agreements to settle these debts for token payments related to international cultural programs of benefit to debtor and creditor.

8. Regulation of Private Foreign Investment - A program for such regulation has already been submitted to the Department of State and a further study and recommendation is in preparation.

International Collaboration in Reconstruction and Development

1. The risks of reconstruction and development financing should be shared as widely as possible. In the absence of a United Nations Bank, this may be achieved by international consortia in which United States, United Kingdom, Canadian, and possibly other governmental institutions as well possibly as private investors participate.

Inter-Agency

Inter-Agency Machinery

1. A general working committee should be established on the reconstruction and reorientation of the structure of industry and agriculture in the enemy and enemy-occupied countries of Europe. This committee should be headed up in State and include at least representatives of Treasury, Commerce, Agriculture, FEA, and OSS.
2. The President has approved the establishment of a special committee on reconstruction and other economic problems of the U.S.S.R., under the chairmanship of the Department of State and including representatives of the Treasury, Commerce, FEA and the Tariff Commission. Although the U.S.S.R. presents special problems, this committee should be considered as a special subcommittee of the general committee above recommended.
3. Credits may be recommended by the committees mentioned in 1 and 2, but the lending agencies must retain the right of final decision and of execution of specific programs.
4. A central foreign financing policy executive committee - to coordinate financial aspects of UNRRA, stabilization, extension of credits by United States agencies, and participation in international agencies or consortia - should be established. Such a committee should be under the chairmanship of the Department of State and include representatives of the Treasury, Commerce, Federal Reserve Board, and FEA.

THE FINANCING OF RECONSTRUCTION

Adequate provision does not now exist for financing the reconstruction of war-torn areas, the export of capital goods, and the general economic development and industrialization of the less developed areas of the world. The need for such facilities is apparent; it was discussed at some length in the memorandum submitted by the Secretary in response to the President's letter of April 9, 1943.

Financing by Grant or Loan

The countries in which reconstruction activities will have to be undertaken on a large scale will generally be able to provide directly a portion of the necessary funds. All of them will be able to supply at least a part of the local currencies necessary for local expenditures and some have available considerable amounts of foreign assets blocked for their account in England, Canada or the United States. Nevertheless all these countries in some degree and certain countries in very large measure will require financial assistance from abroad to finance acquisition of materials, equipment and technical services and perhaps in some measure to finance local expenditures.

Should such foreign financial assistance take the form of loans with expectation of full repayment or of grant or partial grants? In the case of most of the countries it is clear that loans with eventual repayment will be sufficient to do the job and are the appropriate way to handle the problem. In most countries whose pre-war economic condition was difficult at best and where devastation has been extensive, the re-establishment of an economy capable of amortizing any considerable volume of loans will be a long drawn out task. Nevertheless it is deemed advisable that reconstruction financing even in such cases be made on a loan basis with rates of interest and amortization tempered to the circumstances. Provision has already been made through UNRRA to finance on a grant basis if necessary the immediate needs of such nations for relief and rehabilitation necessary to relief.

Moreover, the Lend-Lease mechanism is being used, and should continue to be used during the period of hostilities, to supply certain types of capital equipment, such as railway equipment, for purposes directly related to military efforts.

It would

It would unusually complicate our policy and the administrative problems were an attempt to be made now to differentiate between the economic outlook for each particular area in settling terms for financing. In addition the granting of full or partial reconstruction financing to some countries while others were forced to enter into loan contracts would create unfavorable political discriminations. Finally, it would not be feasible to postpone a settlement of these matters for the twenty or thirty years necessary in order that we might see what type of economic progress actually had taken place in these several countries. For all of these reasons it is deemed preferable to make reconstruction financing available on a loan basis with the realization that loan terms can subsequently be modified if the circumstances so require.

Alternative Methods of Financing Reconstruction

1. The prompt release of frozen funds. As reconstruction expenditures become practicable, this measure will only assist those countries which have important balances.
2. The organization of private loans facilities. While private financing may be expected to play an important role in the longer-run development program, and American and other foreign corporations may be expected, if permitted, to finance in part at least the reconstruction of their own branch plants and facilities, the major immediate job of financing must, of course, be handled on a governmental basis. The extension of broad private loans to certain European countries would require the repeal of the Johnson Act and/or a settlement of the debts of World War I.
3. Extension of the powers of UNRRA. This would appear to be contrary to the strong line of policy developed both in UNRRA and in the Administration and Congress. It would also tend to create confusion of responsibility, as the financing of reconstruction, of capital exports, and of longer-run development programs must inevitably merge, and UNRRA would hardly be the appropriate institution for the general economic development program.

4. Export

4. Export-Import Bank credits - this will require an expansion in the lending authority of the Bank.
5. Use of the Reconstruction Finance Corporation. The RFC has certain powers independent of the Export-Import Bank which might be used for financing American companies making exports abroad, or certain types of well-collateraled loans. It would be possible to modify the powers of the RFC to permit it to enter extensively into the type of business in which the Export-Import Bank have been active.
6. Utilization of the Lend-Lease mechanism. For reasons which will be discussed below, this is regarded as definitely less desirable than the extension of Export-Import Bank credits, except in certain transitional cases, although it is a method which might be resorted to if we are unable to obtain an adequate extension of the powers of the Bank.
7. Direct loans by the U. S. Treasury. This would require special legislation.
8. The United Nations Bank for Reconstruction and Development. This institution proposed by Mr. Harry White of the Treasury, is only in the earliest discussion stages, cannot possibly be ready for presentation to Congress before the summer, and is most unlikely to be established during this year, even if the proposal meets with general approval. The problem of meeting early reconstruction financial needs is already upon us and may be expected to grow during the coming months.
9. An international consortium in which the United States might cooperate through the Export-Import Bank with appropriate British and Canadian and possibly other governmental financial institutions. Such a consortium might make it possible to enlist at least moderate proportions of private capital as well.

Legislative

Legislative and Policy Questions

It is apparent that all of the principal methods of providing for United States Government financial participation in the reconstruction of war-torn areas, - the use of Export-Import Bank, the use of Lend-Lease mechanism, and the establishment of the United Nations Bank, - would require Congressional approval. The Export-Import Bank statute, although perhaps not in the most appropriate form, would permit all of the types of operation which we must contemplate for the future -- financing of reconstruction, financing of exports of capital goods, and financing of development programs -- with only three possible amendments. These are a) an increase in the lending authority of the Bank now limited to 700 million dollars and virtually all committed. b) Elimination of language in the Act parallel to the Johnson Act and neutrality provisions. c) Extension of the life of the Bank now limited to 1947. Mr. Jesse Jones and others responsible in the past for approaching Congress with respect to the Export-Import Bank have always found it desirable to request additional capital in fixed and relatively reasonable amounts rather than in unlimited amounts. They suggest the desirability of requesting an increase in the lending funds of the Bank of one billion dollars, always indicating to Congress that this amount will not be sufficient to carry out all of the projects which may be anticipated over the next several years, and reserving the right to return to Congress for additional funds. Similarly, although it is obviously desirable to extend the life of the Bank beyond 1947, Mr. Jones will probably decide that it is desirable not to press this point at the present moment but to take that up subsequently, say, in 1945 or in 1946. The repeal of the default and neutrality provisions must be undertaken at once, if any effective approach is to be made to the problem of financing reconstruction in and exports of capital goods to the USSR and many of the countries on the Continent.

It is apparent that we must obtain additional funds for the Export-Import Bank even though alternative methods of financing reconstruction are feasible, as this country will wish to utilize the Bank for the intermediate and long-term financing of exports of capital goods, for development projects in parts of the world not directly affected by war damages, and for numerous other purposes. The requirements of our program of development of Latin American countries alone require this additional lending power for the Bank.

Some

Some indication of the size of early programs of reconstruction and development financing is afforded by the following items:

1. The Chinese request for a billion dollar loan.
2. The discussions of Ambassador Harriman with the Russians regarding a 500 million dollar credit for exports of capital goods to Russia.
3. The long-standing Dutch request for a credit of 300 million dollars for the reconstruction of the Netherlands East Indies.

It has been suggested that there be utilized for the financing of reconstruction section 3(c) of the Lend-Lease Act which contemplates the making of specific contracts or agreements concerning the receipt of Lend-Lease goods, such contracts permitting transfers for three years beyond the termination date of the power to make other transfers under the Act. Such contracts would not be general credits under the Lend-Lease master agreement but specific contracts involving full repayment and laying down rates of interest and amortization.

Such an evolution of Lend-Lease policy would have difficulties and would require careful explanation in connection with the forthcoming hearings on the continuation of the Lend-Lease Act. It would constitute a marked deviation from past policy which has been to regard Lend-Lease as a matter purely related to the defense of the United States and the prosecution of war. It is believed that this proposal consequently is at least as difficult of adoption as the proposed extension of the powers of the Export-Import Bank, which we have seen is a matter which must also be presented at once to Congress for other purposes beyond the question of financing the reconstruction of war-torn areas. The use of Lend-Lease with specific interest and repayment provisions would be on all fours with the extension of Export-Import Bank credits. In practice the results would be very similar. In principle, it appears much more logical that lending operations of this nature which will merge into the regular financing of exports of capital goods and of development programs should be handled by a banking agency establishment for that purpose, namely, the Export-Import Bank, and it is believed preferable that the administration should present at once a bill to Congress, calling for such an extension of the powers of the Bank. If this

attempt

attempt is not successful, we may then fall back upon such an extension and evolution of Lend-Lease policy as a second recourse.

In this connection, it should be noted that there is an appropriate transitional use for the Lend-Lease mechanism even if the Export-Import Bank is authorized to make reconstruction loans. While hostilities continue, this Government will continue to accept requisitions for transfer under the master Lend-Lease agreement of considerable amounts of capital goods - such as railway equipment - needed for the rehabilitation, reconstruction, or mere improvement of transportation and other facilities for direct or indirect military purposes. Some of this material will undoubtedly not have been delivered at the conclusion of hostilities, and the military outlook is not sufficiently assured to warrant holding back on items which will be needed if the war in Europe continues beyond this need.

It is proposed to recognize this problem in current discussions with the USSR by accepting requisitions up to the full amount of the current protocol, but requesting the Soviets to agree that any equipment not delivered at the time of conclusion of hostilities in Europe be regarded as material for which the USSR will eventually pay in full, on terms of interest and amortization to be laid down. In the first instance, the powers of section 3(c) above mentioned may be used to permit such a contract. It would be desirable for the Export-Import Bank eventually to enter into arrangements with Lend-Lease and the Soviets so that the Bank could take over this part of the operation, thus leaving Lend-Lease with only the military aspects of the case.

As indicated above, the United Nations Bank for reconstruction and development could function in the field of financing reconstruction and, indeed, is partially designed for the purpose. At the present time it has been the subject of one informal discussion with the British. We have been waiting for months for a British reply regarding the proposal, and we are contemplating discussing the matter in general terms during the course of the next month with the Russian expert group now in Washington. The plan has not been discussed with any other Governments; although a preliminary text has been made available to them it appears most unlikely that discussions with the other Governments, agreement on principle, and preparation of the definitive text

can

can be accomplished for presentation of the matter to our own Congress prior to June of this year. It seems unlikely that Congressional action could be speedily obtained and the institution set up during the course of this year.

It should be noted that any of the three methods of financing reconstruction mentioned above would permit the establishment of formal and informal consortia, including institutions of other nations and, perhaps, private investment institutions.

Mention should also be made of H. J. Res. 207, presented by Congressman Dewey, which would establish a Central Reconstruction Fund apparently designed to enter into stabilization and short-term financing operations, long-term development and reconstruction operations, and the handling of United States participation in UNRRA. The last operation would be financed out of the UNRRA proportion; the former two by the establishment initially of a revolving funds of 500 million dollars transferred from the stabilization fund. No real indication is given of the scope of operations contemplated and a lot of attention is given to the establishment of a very cumbersome Board of Governors including representatives of the Department of State, Treasury, RFC, the Senate, the House of Representatives and the Board of Governors of the Federal Reserve System. It seems clear that the bill involves a confusion of thinking on the various types of foreign operations, the financing of which must be undertaken on a grant or loan basis by this Government. The amounts set aside for stabilization and for investment are hopelessly inadequate and the proposed Government Board would undoubtedly degenerate into a debating society incapable of formulating and executing policy.

In one respect, however, the bill contains a useful thought - it may be desirable to concentrate in a small group the broadest policy and program formulation in these several related foreign economic activities. In the convention for the establishment of an Inter-American Bank, still pending in the Senate, it was suggested that there be created an Inter-American Bank Committee consisting of the Secretaries of State and of the Treasury, the Chairman of the Board of Governors of the Federal Reserve System, and the Foreign Loan Administrator (now the Secretary of Commerce). Consideration should be given to the desirability of creating some sort of group to correlate foreign economic activity

involving

involving finance abroad, which might include stabilization and exchange operations, investment policy and operations, including loans by United States Government agencies, encouragement of collaboration with private investors and participation in international investment agencies, and possibly even the financial aspects of UNRRA.

The Recommendation

There is recommended an immediate approach to Congress for an extension of the powers of the Export-Import Bank involving the elimination of default and neutrality provisions and an increase in the lending power by at least one billion dollars, it being made clear to the Congress that this amount will only take care of part of the transitional and post-war reconstruction and development needs and that further lending power will undoubtedly have to be requested subsequently.

February 17, 1944

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A PREAMBLE TO POST WAR SHIPPING

Excerpt from an address by Basil Harris President of the
United States Lines Company before the faculty of
Rutgers University, New Brunswick, N. J., December 13, 1944.

A witty English essayist set forth a profound truth in terms of jest and I venture to paraphrase it by saying, that history does not repeat itself; historians repeat each other.

In the same spirit I beg leave to assert that while one may discern the outlines of a repetition of historical pattern in the development of nations, there is never the exact duplication in terms of the same conditions. So when I say to you tonight that the United States has entered into a new phase of its history, and perhaps make allusions to the development of other nations, I hope you will bear in mind that it is the essence of the situation rather than the aptness of the historical reference which constitutes the inherent dynamic of what I would like to stress to you concerning the role of the United States at home and throughout the world.

HEWING A CONTINENT

If there is one important thing to say about the United States in the Nineteenth Century and the early part of the Twentieth Century, it is this:

From the time of the founding of this country as a republic it was our task to conquer a continent and bend it to the will of a growing, daring and progressive people in order to make America the great and productive country we know today. In due course, and unfortunately with many sacrifices yet to be made in the cause of international peace and equity, the United States will be on the threshold of a new world. Some day soon this war will end and then this nation will be faced with the job of re-assessing its historic position. I feel confident that the true appraisal will demonstrate throughout this country that the position

of the United States must be not a repetition of our past but a vibrant projection of that past into a future.

Just as our pioneers and those who followed them, hewed a continent and the highest living standard in the world for the American people out of a vast wilderness, so in the second half of this century it will be the part of the American nation to take the leadership in the world in spreading the doctrine of peace, of international trade on an equable basis, of improved standards for people everywhere, and of that kind of orderly living together among nations which has been a long sought goal for all.

NO APOSTLE OF IMPERIALISM

I want to make this very clear. I am not an apostle of any streamlined American imperialism but I hope I am not a voice crying in the wilderness when I seek to impress upon you the necessity for fundamental recognition of the real significance of the United States in the post-war world. This country has its obligations as well as its opportunities. One of these obligations — and a vital one — is the welfare of its own people.

There is widespread agreement that a peacetime America must have reasonably full employment in order that our own people may live and prosper. That means we must employ in the neighborhood of sixty million persons when peace is restored. There is equally widespread agreement that it will be impossible to employ sixty million persons in peacetime jobs without the aid of a foreign trade which at a minimum will be required to give at least ten percent of our people the employment they must have. Those

six million of the sixty million jobs essential for a stable peacetime American economy will be dependent upon foreign trade and American shipping.

The other vital factor is to be found in the relationship of that fact of American economic and political equability to the other nations of the world. This country can and will exercise its leadership in the new vista of international affairs not by conquering, not by subjugation of colonial peoples, but by participating fully in the peaceful trade of the world, by spreading the benefits of our marvels of production and our spirit of cooperation so that in other parts of the globe there will be concrete and living manifestations of what can be achieved by the human mind and spirit under God's guidance.

Now, it might seem to some that to speak in terms of American leadership in a vast global project like this, airy dreams are being dreamed. I would just like to cite to you a few examples right out of our own American history to show that what were once considered roseate wishful dreams are now regarded as quite obvious truths.

OPENING UP THE WEST

In 1803 when Thomas Jefferson engineered the purchase of the Louisiana Territory there were some in this country who derided this acquisition. America would never be able to absorb the land, they said! America was embarking on a dangerous expansionist program! America was projecting itself on a menacing course far beyond its possibilities! Democracy could never survive with such a predatory program! We know now how short-sighted those critics were. Fourteen states have been created wholly or in part out of the Louisiana Territory. The population was 50,000 in 1804; now it is over thirty million.

And those states are living proof that a nation can expand and spread democracy; for Cheyenne, Wyoming, and Pierre, South Dakota, are just as much the home of American democracy as are Boston, Philadelphia or New York. And these states comprising the Louisiana Territory give to this nation so many of the things that make America great as well as having received from this country the benefits of a political system which is at the heart of the greatness of America.

SEWARD'S ALASKA VISION

As another example, let me cite the action of William H. Seward in 1867 when as Secretary of State he negotiated the purchase of Alaska from Russia. "Seward's Folly", they called it! This country had no need for such expansion so they said! I need not recite to you the political, economic and the military value which was gained for this country by the foresight of Secretary Seward.

Right now the importance of our positions in the Aleutians and throughout Alaska is vitally apparent

to us all, not to speak of the many direct and indirect economic benefits which have been obtained over the years. And again I want to point out that democracy came to Alaska through the program foreseen by Secretary Seward and Alaska, instead of being subjugated, gained greatly from the expansion of the American way of life into its vast acres.

I bring these examples forward in order to underline once again that in previewing a great new role for the United States in the world when the war is ended, one need not be fearful that a rule of thumb economic and political domination by the United States over the world is the object in mind. Quite the contrary. The place of the United States in the world of tomorrow can be and will be one of leadership toward a higher standard of living and extension of democracy on a global basis accompanied by enlightenment of all peoples which can alone curb aggression and bring peace, good living and freedom in all the hemispheres.

What is at the heart of this new role which the people of this country are setting for themselves? It is amity among nations based upon free exchange of goods and ideas. At the heart of this lies foreign trade and shipping, for it is shipping which must carry this foreign trade.

The startling achievements of the American Merchant Marine in helping to win the war against Germany and Japan offer ample testimony of a bright future for United States shipping when victory comes.

U.S. ON THE SEAS TO STAY

The United States is on the oceans of the world to stay. That is our national policy firmly set forth by congressional action and supported by the people of this country.

When the war ends it is estimated that the American people will have an investment of \$20,000,000,000 in a 50,000,000 ton merchant fleet. Our citizens are not going to see that \$20,000,000,000 investment liquidated.

Instead, they will want to keep American Merchant ships on the seas for two very sound reasons. One reason is that we will have the greatest Navy in the world and since a Merchant Marine is as vital to a Navy as a Navy is to a Merchant Marine, future maritime security will demand an adequate American Merchant fleet. The second reason is to be found in the anticipated expanded foreign trade upon which the stability of peacetime American economy is dependent and which will require that American ships be available to carry our cargoes. American shippers can not be expected to remain at the mercy of the whims of foreign owned shipping if a restored and broadened trade is to be effected. The United States intends to carry 50 percent of this foreign trade in American bottoms after the war.

It would be idle to contend that this post-war goal of a full scale American Merchant fleet may be reached without surmounting obstacles. For there are obstacles but they must be confronted in a realistic manner. The obstacles are found deeply imbedded in complicated international political and economic situations. Yet by meeting them boldly the American shipping industry can overcome them.

When peace comes, this country is not going to be able to use the full complement of 50,000,000 tons of shipping which will be available. The United States probably will need only about half that amount for its own use. And that 25,000,000 tons of shipping retained by this country will probably include a good size reserve laid up for use in time of possible military emergency.

WHAT PRICE SURPLUS SHIPS?

What is going to happen to the other 25,000,000 tons of merchant shipping built in American yards during the war? How are the surplus ships to be disposed of? Under what conditions? At what price?

It may well be that a formula can be devised out of our plenitude of ships which will maintain the United States on the seas with a modern and full scale fleet while other maritime nations get a fair share as we help them to get back on their feet.

Surplus ships and a proper program of ship disposal at fair prices — ship disposal to foreign countries and to American operators under conditions which will have a long range soundness — remain as a vital problem which must be solved.

Another barrier which existed before the war, and which must be swept aside for the operation of an effective merchant fleet in a post-war period, is the lack of close cooperation between American ship companies and American business, industry and labor. After the war it should be a major objective of the shipping companies, business, industry and labor to work together in close harmony so that an expanded foreign trade will be mutually beneficial.

OBSTACLES MUST BE FACED

An additional prospective obstacle will be encountered in the antiquated facilities of American ports. After the war ocean going ships will be traveling very fast. The outdated port installations will constitute a real bottleneck threat to swift ocean transport. I have already suggested a program to eliminate this bottle neck. That program calls for an expenditure of \$10,000,000,000 for modernization of American port facilities so that they can keep pace with streamlined merchant fleets of the peacetime years.

A port modernization program like that is a "must" for any American post-war public works plan. It will be self liquidating, will provide thousands and thousands of post-war jobs in itself and will insure

that the American shipping industry can keep in line with the modern, rebuilt shipping facilities of other nations. These prospective difficulties are set forth to stress the point that the American shipping future is bright. The objective of an adequate peacetime merchant fleet can be reached only by recognition of the obstacles that lie ahead.

The announced policy of the United States to maintain an adequate merchant fleet after the war does not constitute any threat to other non-aggressor maritime nations.

That policy should in no wise give alarm to any British shipping men. I feel confident that the soundest thinkers among British shipping and foreign trade people are aware that in the peacetime world there is going to be greatly augmented exchange of goods around the globe.

The United States is going to be on the seven seas with its merchant fleet carrying its foreign trade. And so are the British and all the other maritime nations of the United Nations. Those who fear that one country must seize the other country's shipping routes and trade are making the mistake of setting their post-war sights too low.

NO THREAT IN U.S. SHIPS

There will be plenty of room on the sea lanes for both British and American ships and trade, yes and that of the other nations as well, during the time of increased shipping and trading that will be restored when peace is established by victory over our common enemies.

It seems to me it is a good thing to bear that all important fact in mind lest either Americans or British go off the deep end with Cassandra prophesies of woe and strife.

The shipping and trade after the war are not going to be confined to skimpy proportions. They are going to be widened much beyond the lower horizons of the past. And the United States, Great Britain and other shipping and trading nations can all fit into the picture!

It might be a good thing for those who are fearful that there will be only a small pie of world shipping to divide up after the war to remember that Germany had a merchant fleet of 4,000,000 tons before the conflict. Japan had a merchant fleet of 5,000,000 tons. Disarming Germany and Japan after victory must certainly mean that they will not in the future be enabled to retain merchant tonnage which might in later years become weapons of aggression.

A BIG PIE OF SHIPPING

Even beyond this Axis shipping which will be replaced by United Nations shipping after the war will be the major factor of the big increase in world

commerce generally which will mean inevitably that there will be plenty of demand for ships of all the maritime nations.

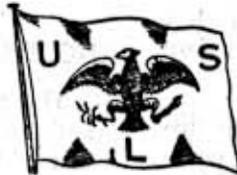
Of one thing I am more than ever convinced. Man to man talking among the shipping people themselves will go a long way toward ironing out problems that may arise.

Governmental parleys on national policies serve a useful purpose and a necessary one. But over and above these governmental conferences there remains a real need for the shipping people of the United States and Great Britain — and the other maritime nations — to get together at the conference table and settle their mutual problems for their mutual benefit.

Two courses lie open for the United States. One is the path of muscle bulging imperialism based upon American plenitude of ships and production. The other is the way of negotiation and understanding of the problems of other nations as well as those of our own.

It is that second way, the way of man to man negotiation and understanding, which is the soundly backed American policy.

Monopoly on the seas is not the aim of American shipping. We want our fair share, not more. But with a greatly increased foreign trade after the war, the British need have no fear that since the United States gets its fair share, Britain's slice will be smaller. There will be ample for all.



NUMBER ONE.

PSF: Post War
File

TENTATIVE DRAFT OF SIMPLEST FORM OF TREATY
TO OUTLAW WAR.

The Government of the United States of America, acting through the President, by and with the advice and consent of the Senate of the United States; The Union of Soviet Socialist Republics, acting through Premier Joseph Stalin and the Presidium of the Supreme Soviet of the U.S.S.R.; The British Commonwealth of Nations, acting through His Majesty the King of Great Britain, Northern Ireland, the British Dominions beyond the seas; and Emperor of India; and The Republic of China, acting through its Chief of State, Chiang Kai-Shek; for the purpose of protecting the peace and promoting the general welfare of the world community of nations, do agree as follows:

Article one.

That war or aggression to impose the will of any state upon any state, which is a member of the community of United Nations, shall be outlawed and shall constitute a breach of the peace and an assault upon the general welfare of the world community.

Article two.

That if with cessation of the present conflicts any state or group of states shall willfully either so breach the peace or threaten to so do, the signatories hereto will employ jointly such means against such aggression as may be necessary to protect the peace, restore and maintain peace as may be necessary; and will take joint action to visit suitable punishment upon any such outlaw or outlaws.

Article three.

That war or the use of force to aggressively impose the will of any state or states upon any other state or states shall constitute a crime against the peace and general welfare of the world community of peoples and nations.