MEMORANDUM FOR THE PRESIDENT

September 4, 1943

The letter of Governor Lehman to the President of August 30 raises certain questions which affect (a) the coordination of the activities of the United States civilian agencies abroad in accordance with the President's letter to the Secretary of State of June 3, 1943; and (b) the position of the Department of State generally in matters of foreign policy.

The Department is fully aware of the heavy responsibilities which have been placed upon the Office of Foreign Relief and Rehabilitation Operations and it is its earnest desire to facilitate in every appropriate way the work of Governor Lehman in his carrying out of these responsibilities. In accordance with the letter of June 3, the Secretary of State has established within the Department of State the Office of Foreign Economic Coordination. It has been the purpose of this Office, in carrying out the terms of your letter, to be as helpful as possible to OFRRO and not to infringe upon its prerogatives. The Department already has been of some assistance to Governor Lehman in helping him to carry on his work; for example, in arranging the correlation of his supply arrangements with those of the British military and civilian authorities and with the War Department in such a way as to make possible appropriate allocations by the Combined Boards. In any case, it is the intention of the Department of State to be as helpful as possible to OFRRO and it will continue to do so to the best of its ability.

There are, however, certain responsibilities in connection with economic and political operations in foreign countries which fall upon the Department of State, which it is not free to ignore. The work of OFRRO, important as it is, is by no means the only activity of this Government which will be carried on in the areas to be liberated; and relief and rehabilitation, even on the widest interpretation, is by no means
means the totality of the economic problem. For example, since November last, this Government has been compelled to consider the following problems arising out of the North African liberation:

(a) The exchange rate of the franc and its full bearing on the exchange relationship between the dollar and other major currencies.

(b) Price control policies and their relationship to the emerging problem of inflation.

(c) The utilization of funds in the United States of the French North African authorities as well as funds standing in the name of the Government of Metropolitan France and the Bank of France.

(d) Division of available supplies produced in North Africa as between ourselves and other United Nations.

(e) The forms and methods through which the trade of North Africa with the outside world should be conducted and controlled, involving such matters as the place of Government trading organizations like the USCC and UKCC, and the interests of private traders.

(f) The control of trade between North Africa and the Iberian Peninsula with a view towards advancing our economic warfare program in the Iberian Peninsula and securing materials of use to the Armed Forces.

(g) The gradual determination of enemy ownership of resources in the North African area with a view towards their elimination.

(h) The control over individuals or organizations on our Proclaimed List or the British Statutory List.

(i) The regulation of French North African commercial activities in Latin America which threaten to
to interfere with our war supply program, and operations of the reverse character.

(j) The question of the possible provision of North African supplies in part fulfillment of American and British protocols of supply with Russia.

It will be seen, therefore, that the interrelation of relief and rehabilitation with multiple other matters involves the whole economic policy of this Government abroad and requires the coordination of all such activities. The need for this coordination, which is recognized by the President's letter to the Secretary of State of June 3 is inescapable. The activities of our civilian agencies in liberated areas are closely allied to those of the military forces. They are carried out, for the most part, under military control. They must work smoothly and well if the military effort is not to be interfered with. To separate the operations of OFRRO from the rest of the many-sided economic operations of our Government abroad would be comparable to making one branch of the Armed Forces independent of the overall strategic direction.

The Department is also not free to ignore the fact that our economic activities abroad, and most particularly our efforts to assist countries to rehabilitate their economy, at every stage will vitally affect our relations both with liberated countries and with our Allies. The Department of State cannot effect the necessary arrangements with the British and our other Allies if there is not the necessary unified control within the American Government. It is not believed, therefore, that so important a function as that performed by OFRRO can be divorced from constant correlation with our foreign policy.

In carrying out these two responsibilities certain difficulties of a grave nature have arisen, on which attention is focussed by part of Governor Lehman's letter to the President of August 30. This memorandum will pass over the part of that letter which deals with
the future operations of the United Nations Relief and Rehabilitation Administration and with certain other long range matters such as the financing of OPFRQ, because presumably they will be determined only after the forthcoming United Nations Relief Conference at which relevant decisions will be made. This memorandum deals only with that part of the letter which suggests in substance that OPFRQ and other United States agencies should be free from effective coordination by the Department of State.

For the reasons stated above, it is clear that we cannot achieve a unified economic program abroad unless one department coordinates our manifold activities. Likewise, we cannot have a consistent policy in our foreign relationships if the Department of State is excluded from day to day contacts with operations in the economic field. After three months added experience, therefore, the Department of State remains convinced that the basic conception embodied in the President’s letter of June 3 to the Secretary of State is sound and should not be changed.

The experience of the Department under the letter of June 3 has indicated, however, that there is a need for clarification of the authority of the Department thereunder. The number of agencies operating in the field and the multitude and complexity of the questions involved have given rise to difficulties which are seriously impeding our ability to establish an effective and unified foreign policy for the areas to be freed from Axis domination.

First, to attempt to get unanimous agreement on all questions in which any agency may assert an interest is a most difficult task and one which leads to unnecessary delay and frustration of our efforts. For example, a difference of opinion has arisen between the Department of State and certain of the United States civilian agencies as to the manner in which the civilian economic team to go into Sicily should be set up. The Department has proposed that there shall be complete integration of the United States and British civilian representatives along the lines of the Allied Military Government now operating in Sicily. Some of the agencies have approved
this plan strongly; others, including OFRRO, have opposed it. The result is an impasse and the Department is faced with a condition where no progress can be made on this important matter with our British Allies until a decision can be reached by the slow process of gaining unanimous acceptance. Not only does a matter of this type go to the heart of our foreign relations, with which the Department of State is charged, under the President's direction, but the necessity of obtaining unanimous agreement of the affected agencies makes it difficult, if not impossible, to carry out the responsibilities with which the Department is charged under the President's letter of June 3. The Department has accordingly become convinced that it is necessary that in such a case the Department, as the coordinating agency, should have the power, after the fullest hearing of the views of the interested agencies, to resolve the difference of opinion by making a decision.

A second difficulty comes from the fact that the border line between a purely economic matter and one which involves an element of foreign policy is by no means always a clear one. The Department has accordingly come to the further conclusion that whenever it believes that some given economic proposal would affect the foreign relations of this Government, or its post war policies, the Department should have the power, after making the fullest and most cordial attempts to reach a unanimous agreement, to make a decision which is binding.

It is accordingly recommended, for the President's consideration, that he authorize the Department of State, in any instance where there shall be a conflict of view between two or more interested agencies, or where in the Department's opinion an element of foreign policy is involved, or where some procedure must be established in order to achieve unification of our foreign policy among our own agencies or with our Allies, to make the necessary decision and to cause it to be carried into effect.

It is probably unnecessary to add that if this suggestion is approved, the Department will continue its
its practice of not assuming responsibility for the operations of the other agencies and of attempting, with the utmost patience, to reach agreement before resorting to the power to decide.