

CREDIT FOR THE GOVERNMENT OF LIBERIA.

APRIL 20 (calendar day, MAY 31), 1922.—Ordered to be printed.

Mr. McCUMBER, from the Committee on Finance, submitted the following

REPORT.

[To accompany H. J. Res. 270.]

The Committee on Finance, to whom was referred the resolution (H. J. Res. 270) authorizing the Secretary of the Treasury to establish a credit with the United States for the Government of Liberia, having considered the same, report favorably thereon with the recommendation that the resolution do pass without amendment.

The report of the Committee on Ways and Means of the House of Representatives fully explains the necessity for the prompt passage of this resolution and is hereto attached and made a part of this report.

The legislation herein recommended proposes to carry out a moral obligation of the United States to the Government of Liberia in the form of a credit for \$5,000,000 granted under authority of the second Liberty loan act, on which credit \$26,000 was advanced pending negotiations for safeguarding the loan. The declaration of peace with Germany abrogated the legal obligation to grant further loans. The legal basis was gone but the moral obligation remained, and the purpose of this resolution is to enable the executive branch of the Government legally to fulfill its promise to the Government of Liberia.

The Government of Liberia declared war against Germany on August 4, 1917. Concurrently with this declaration the Liberian Government, at the instance of Great Britain, France, and the United States, closed all German business houses in the Republic, liquidated the property, and deported all German subjects. Since approximately 85 per cent of the trade and commerce of Liberia was under the control of Germans, their deportation as a war measure very adversely affected the economic situation of the country. Germany meanwhile declared the territorial waters of Liberia to be prohibited areas to all merchant vessels, including the vessels of neutral nations, and served notice that any merchant vessels frequenting these waters were liable to be torpedoed.

In an attempt to make this declaration effective German submarines attacked, and in several cases sank, merchant vessels en route to and from Liberian ports. On April 10, 1918, the wireless station at Monrovia, the capital of Liberia, was attacked and partially destroyed and other damage done by German submarine gunfire. Under these circumstances neutral vessels refused to call at Liberian ports and the calls of vessels of the allied nations became infrequent and uncertain. A severe trade depression inevitably ensued. This in turn reacted very unfavorably upon the reve-

nues of the Republic, which decreased to such an extent that funds available for the current expenses of the Government were so inadequate that a large floating debt as well as arrears of interest on its external loan accumulated. With all its revenues pledged for existing obligations the Government of Liberia was compelled to seek outside financial assistance. In this extremity an appeal was addressed to the Government of the United States, which during periods of stress in the past had never failed to give sympathetic consideration to the needs of the struggling little Republic. President Wilson was so impressed by the merits of this appeal that he expressed himself as entirely in sympathy with representations which the Department of State made to the Secretary of the Treasury on the subject of granting financial aid to Liberia. He stated further: "This is a case in which we ought in common friendship and justice to act, it seems to me, in the most helpful manner possible." President Wilson approved, in August, 1918, the establishment of a credit by the Secretary of the Treasury in favor of the Liberian Government in the amount of \$5,000,000. On September 12, 1918, the American Legation at Monrovia, Liberia, was authorized to inform Liberia that this credit had been established by the United States.

So that this credit could be applied to the best advantage of Liberia, and in keeping with her desires, negotiations were opened with the British and French Governments to obtain their withdrawal from participation in the administration of the Republic's finances to which they were entitled under an international agreement concluded in 1912. During their course the representations were repeatedly based on the condition of an American program of financial and economic rehabilitation of Liberia. These negotiations proceeded for more than one year, and it was finally decided to create an American administration of Liberian finances which would undertake the application of the loan credit and the supervision of the Republic's revenues during the life of the loan. It was also contemplated that this American administration would replace the existing international arrangement which had not achieved the benefits to Liberia expected at the time of its organization.

For the purpose of giving practical effect to these proposals a financial plan was executed on October 28, 1921, with the Liberian Plenary Commission, which came to Washington for that purpose. The President of Liberia was the head of this commission. This plan was concluded subject to the passage and approval of this joint resolution of Congress authorizing the Secretary of the Treasury to reestablish the credit of \$5,000,000 originally granted Liberia in September, 1918, but not now considered available.

Your committee believes that these events, in conjunction with the commitments of the executive branch of the Government, acting under authority granted by Congress, definitely established the moral obligation of the United States to grant this credit. This moral obligation has now unquestionably acquired such a character in the eyes of the world that your committee believes its fulfillment to be a matter of national honor. To ignore or neglect it will lead to gravely embarrassing consequences for the welfare of Liberia and may seriously impair the good name and reputation of the United States for fair dealing in its international relations.

The Republic of Liberia was founded by free negroes of the United States, sent by the American Colonization Society in 1822, and in 1847 it was declared an independent State. Its growth and development have always been objects of benevolent concern and good offices of the United States. All encouragement and assistance have been given by us to the Liberians in their endeavor to establish a free government based upon democratic principles. The form of its government is patterned from our own. Its principal cities bear American names and its capital is named from President Monroe. There are 2,000,000 citizens in the little Republic, of whom 60,000 are highly civilized. It is a land filled with natural resources which, under proper development, will place the nation on a sound financial basis.

The efforts of the Liberians to prevent unfavorable exploitation at the hands of foreign commercial interests have always been recognized and encouraged by the United States.

In a letter to Congress, dated January 19, 1909, advocating legislation proposed to aid Liberia, President Roosevelt said:

"The relations of the United States to Liberia are such as to make it an imperative duty for us to do all in our power to help the little Republic which is struggling against such adverse conditions."

President Taft, in his message to Congress of March 25, 1910, on the matter of assisting Liberia, expressed the hope that—

"the policy of the United States toward Liberia will be so shaped as to fulfill our national duty to the Liberian people, who, by the efforts of this Government and through the material enterprise of American citizens, were established on the African coast and set on the pathway to sovereign statehood."

These expressions of interest and sympathy materialized into a concrete effort to aid Liberia, which was in operation at the outbreak of the European war. The war, however, caused the Liberian Republic such financial distress that an urgent appeal for help was addressed the United States, and the \$5,000,000 credit was established. The availability of this credit depended merely upon the conclusion of negotiations to safeguard the repayment of the loan and the centralizing of the Republic's finances.

After more than a year's delay, diplomatic negotiations with France and England having terminated, and a definite program having been announced, Secretary of State Lansing, in a letter to the Secretary of the Treasury Glass, said:

"Not to carry through this program would be simply disastrous for our position in Liberia and would cast a blemish on our good name in international relations. I can not too strongly emphasize the embarrassment which would result to this Government from such a course, an embarrassment which would not be limited to our intercourse with Liberia but would be reflected in our larger relations with France and Great Britain.

"I have given this matter the most serious consideration, and I very strongly feel that to avoid being gravely compromised this Government is in honor bound to live up to the agreement made in this instance and to carry through the program of economic rehabilitation. I hope very earnestly that you will accept my point of view."

In his letter of July 29, 1921, addressed to the Senate and transmitting a letter from Secretary Hughes, recommending the reestablishment of the loan credit, President Harding declared:

"It is impossible to escape the conviction that we have an obligation which the executive branch of the Government can not discharge without the properly expressed approval of Congress."

A financial plan was drafted by the State Department and signed by the Secretary of State and the representatives of the Liberian Government in Washington on October 28, 1921. This plan was approved, without change, by the Legislature of Liberia on January 26, 1922. All of the papers relating thereto were sent to the Foreign Affairs Committee of the House by Secretary Hughes and in turn referred to the Committee on Ways and Means.

Representatives of the State Department appeared before the committee on March 22 and 24 and April 19, 1922.

In his statement before the committee Secretary Hughes said:

"I can not bring myself to believe that under the circumstances of this particular and important situation Congress would not realize how deeply the honor and good faith of the United States are involved."

In a letter to the Ways and Means Committee, dated April 1, 1922, President Harding said:

"The simple truth about this loan situation is that our Government is unable to deal with the Republic of Liberia in that good faith which is becoming a great Republic like ours. This loan was pledged to the Republic of Liberia by the previous administration and the funds would long since have been furnished that Government except for the delay incident to the making of arrangements to guarantee its wise expenditure and certain repayment. Pending these arrangements our Government has stood in the way of the grant of the loan by any other nation and we find ourselves in the position of denying financial assistance from others and unable to keep faith in the pledges made for ourselves. I do not believe your committee or the Congress wishes to put the Government in this position."

Your committee believes that the proposed loan is a sound financial venture under the plan proposed and that the resources and revenues of the Republic of Liberia under normal conditions and proper administration are adequate to meet the administrative expenses of the Government of Liberia as well as carry the interest and repay the principal of the loan.