

Foreign Aid by the U. S. Government In Calendar Year 1950

AID provided foreign countries by the United States Government in calendar year 1950 declined with the marked improvement in economic conditions in Europe and other areas, reviewed in the preceding article on the United States balance of payments. The United States Government program of postwar aid, extended primarily for the purpose of assisting foreign areas, particularly Western Europe, to recover from the economic and political instability brought about by World War II, had by the year-end achieved substantial results through supplementing the broad and effective economic recovery programs of aided countries. The emphasis in Europe—as in the United States—has been shifted by 1950 events from the now notably advanced economic recovery to security against aggression, and this shift has resulted in important changes in the aid programs.

Thus, foreign aid in 1950 was notable both for the transition in the planning of the scope and form of assistance, and for the drop in the gross amounts furnished from \$6.0 billion in 1949 to \$4.5 billion last year (see table 1). During the latter part of 1950 the Mutual Defense Assistance Program (MDAP) became increasingly important as a means of supplying essential defense materials and equipment to the North Atlantic Treaty nations and certain other areas, and for the development of increased supplies of, and new sources of, strategic raw materials.

Net foreign aid closely followed gross aid, the difference being largely returns in the form of 5-percent counterpart funds under Economic Cooperation Administration (ECA) programs and principal repayments on loans and other credits. Net foreign aid for 1950 was thus \$4 billion, almost three-tenths less than the 1949 amount, with indications of an increasing trend in the second half (see chart 1). Net foreign aid to areas participating in the European Recovery Program experienced most of the annual decline; aid to other areas remained comparatively stable (see chart 2).

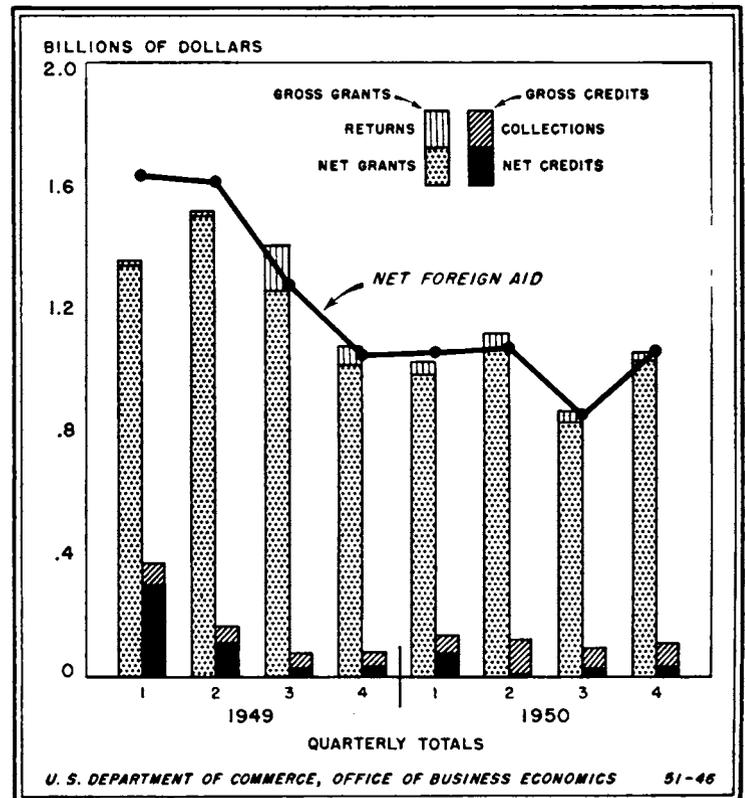
Aid improves foreign positions

By the end of the year, Western European industrial output was in most countries considerably above the volume prevailing at the outbreak of World War II. Thus, the domestic progress of these countries made during the first 2½ years of the European Recovery Program was of great importance in enlarging the economic base for the increased defense preparations necessary for the protection of the European members of the North Atlantic Treaty organization, and for the security of Greece and Turkey which are closely associated with the mutual-defense effort.

The international financial positions of certain ERP and other countries also showed striking improvement, as evidenced in the net purchase of over \$1.7 billion of United States gold in calendar year 1950. By far the greater part of this outflow of gold from the United States occurred during the last 6 months of the year when the United Kingdom alone purchased \$0.9 billion. The heavy outflow of gold was accompanied by curtailment of ERP aid, as the

economic expansion of the free world and sharply higher raw material prices improved the balance-of-payments position of foreign countries.

Chart 1.—U. S. Government Foreign Grants, Credits, and Net Foreign Aid



Source of data: U. S. Department of Commerce, Office of Business Economics.

As a direct result of the rapidity of economic recovery in the United Kingdom, the Economic Cooperation Administration was able to announce the suspension of virtually all ERP aid allotments to that country beginning January 1, 1951. As shown in table 2, the United Kingdom has been the major recipient of United States Government foreign grants and credits during the postwar period.

Aid to increase

Although ERP grants and credits declined in the last 6 months of 1950, the United States Government furnished \$1.2 billion of foreign aid through this medium, or almost three-fifths of the gross foreign aid extended in the period. Grants furnished under the rising Mutual Defense Assistance Program were responsible for only one-fifth—\$0.4 billion—of the 6-month total, although in the final quarter of the year they comprised over one-fourth of the aid furnished. The rise will continue since the fourth quarter rate is still below goals set for military aid in appropriations by Congress, which

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had been greatly increased following the invasion of South Korea by Communist forces. Between June 30 and September 30, 1950, nearly \$6 billion was added to the \$1.2 billion available for military aid as of June 30.

The Budget for fiscal year 1952 submitted by the President in January 1951 states that he will request additional large appropriations for "mutual-security programs." The message of the President states that "In general, our assistance programs will continue to take two forms—provision of military equipment and provision of economic assistance. But the balance between these two forms of aid will shift very sharply, and will differ according to the strategic, political, and economic situation in each free world area requiring assistance."

An additional \$1 billion has been recommended in the form of an increase in the lending authority of the Export-Import Bank (EIB). Credits furnished abroad by EIB, ECA, and other Government agencies have played an important part in the provision of postwar foreign aid, although in calendar year 1950 they represented only 10 percent of the gross foreign-assistance total.

Foreign economic policies reviewed

The Report on Foreign Economic Policies submitted to the President in November by Mr. Gordon Gray made numerous recommendations, largely in nonquantitative terms, relating to the future scope and administration of foreign programs of the United States Government. The need for economic development and progress in underdeveloped areas was actively considered. The report recommended that the combined efforts of the Export-Import Bank and the International Bank for Reconstruction and Development should aim at a net outflow of funds of \$600 million to \$800 million a year with half or more to be supplied by the International Bank. It was further recommended that, under stated conditions, United States grants for development and technical assistance be provided of up to \$500 million a year for several years.

The technical-assistance program for underdeveloped areas, popularly known as the Point Four program, was approved on June 5, 1950. The aid furnished under this program and related activities of the United States Government is discussed further in following sections which also cover the emergency measures taken in the latter part of the year for civilian relief in Korea and Yugoslavia, recent developments under the southeast Asia program, and proposals for further aid to the Philippines.

Major part of foreign aid is on grant basis

The major part of foreign aid furnished by the United States Government in the last 2 years has been on a grant basis, that is, without obligation to repay the United States. Total gross grants in the July–September quarter were at an annual rate of \$3.4 billion and, despite a rise in the last quarter of 1950 to a rate of \$4.2 billion, gross grants for the year totaled \$4.1 billion, compared with \$5.4 billion in 1949.

During 1949 and 1950, the reverse grants to the United States Government were almost entirely derived as 5-percent counterpart funds received under ECA programs. Most of these reverse grants were received as returns on the European program. Returns fell in the second half of 1950 to an annual rate of \$126 million, from a rate of \$180 million in the first half and a total of \$243 million in the previous year.

Net grant aid in the July–December 1950 period was thus at an annual rate of \$3.7 billion, a decrease from the annual rate of \$4.1 billion in the first half and a large decline from the 1949 total of over \$5.1 billion.

European Recovery Program grants decline

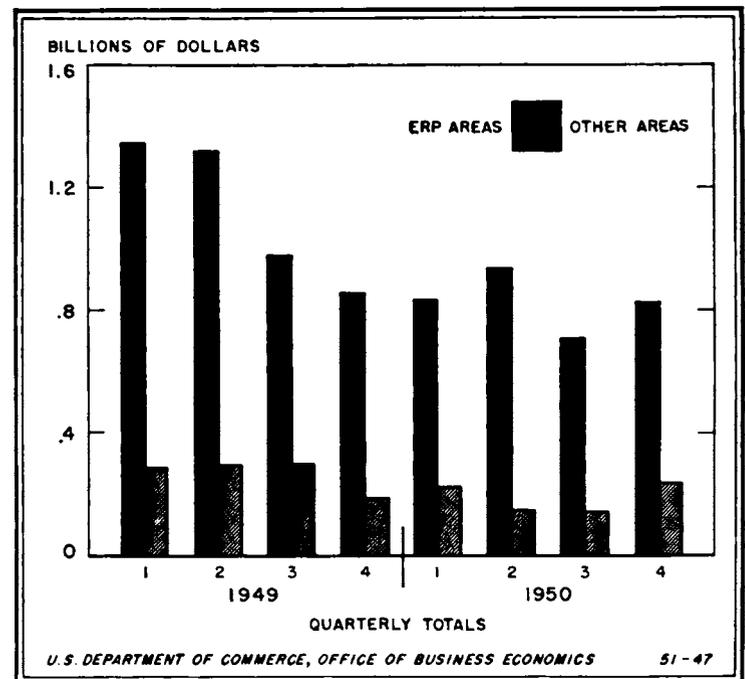
The decline in net grants over the 2 years was largely a reflection of the decline in grants under the European Recovery Program, the major program of United States Government economic assistance abroad. ERP grants comprised about two-thirds of the gross grants abroad of the United States Government in both 1949 and 1950, declining from a high of over \$1 billion in the second quarter of 1949 to slightly over half a billion in each of the last two quarters of 1950 (see table 1). Reduction of gross ERP aid in 1950 was in keeping with the original plan for this, the third year of the outlined 4-year program.

From October 1948 through June 1950, a portion of ERP grant aid was allotted on a conditional basis to certain participants in the program on the basis of their contribution to other participants under the intra-European payments agreement. This agreement stimulated mutual aid among the participants on a bilateral basis, with ECA providing conditional grants to the intra-European donor. Approximately one-fifth of the ERP grants provided by ECA throughout 1949 and the first half of 1950 was as conditional aid. In the last half of 1950, this ratio continued under the European Payments Union agreement.

United States contributes to European Payments Union

The intra-European payments agreement was found wanting in a number of respects, including the fact that the bilateral payment arrangements under the agreement were completely financed by conditional grants from ECA. Thus a new system was developed to provide for multilateral settlements for trade within Europe with progressively

Chart 2.—U. S. Government Net Foreign Aid, by ERP and Other Areas



Source of data: U. S. Department of Commerce, Office of Business Economics.

steeper terms of payment in dollars and gold, designed to encourage each country to approach a sustainable balance in its total intra-European transactions. On September 19, 1950, the European Payments Union (EPU) was constituted by the Organization for European Economic Cooperation (OEEC).

Under EPU, each member country has a quota equivalent to 15 percent of its total intra-European transactions on current account in 1949. These quotas are for a 2-year period beginning July 1, 1950. Several countries also have been allotted initial credit balances to be used before their quotas. United Kingdom, Belgium, and Sweden are to provide initial debit balances before applying their quotas; to the extent that initial debit balances are used the United States Government will provide conditional aid to these countries.

Countries which earn a cumulative surplus provide the first fifth of their quota as a credit to EPU, and are then entitled to receive payment from EPU of 50 percent on the further surplus earned, up to the limit of the quota. Countries with cumulative deficits are allowed credit for 100 percent of the first fifth of their quota; for the second fifth of their quota they must pay 20 percent in gold and dollars. As the quota is used the portion payable in gold or dollars increases; for the last fifth of the quota used the country is obligated to pay 80 percent in gold or dollars. Thus, if the whole quota is used, 40 percent must be paid in gold or dollars. Settlements of all amounts over quota are to be made in gold and dollars. Amounts of quotas not settled in gold or dollars constitute credits extended by surplus-earning countries to EPU, or by EPU to the deficit-incurring countries. Interest at the rate of 2 percent per annum is paid by the debtors and to the creditors of EPU on these unsettled balances.

The increasing requirement on deficit countries for payments in gold and dollars is expected to serve as an incentive to each country to approach a sustainable balance in its intra-European transactions. Further, the fact that only a partial payment is received by countries enjoying a surplus is expected to serve as an incentive to these countries to reduce the balance of trade in their favor, for example by increasing their imports.

The United States Government has agreed to make up to \$350 million available to EPU. These funds will be used for EPU to pay any countries earning surpluses, in the event that receipts from deficit countries are not sufficient.

EPU shows results in 6 months

Bilateral imbalances among European countries ran from the equivalent of \$1.2 billion in the first half of 1950 to almost \$1.6 billion in the last half. In the earlier period about one-third of these imbalances were settled by use of intra-European payments agreement drawing rights, and the countries extending the drawing rights received conditional aid from the United States.

The first clearing of intra-European accounts under EPU covered the period July, August, and September. Further clearings were made monthly thereafter. In the last half of 1950, over half of the imbalances resulting from a larger volume of trade were settled by the automatic clearing of balances; and the remainder through EPU operations. One-tenth of the total intra-European imbalances in this 6-month period represented use of the initial debit balance extended by surplus-earning countries which received conditional aid from the United States Government. In addition, in October the Government paid \$43 million to enable EPU to make settlements with countries entitled to receive gold or dollars. This aid by the United States constituted less than 3 percent of the total intra-European imbalances in the period.

EPU is intended to provide the financial basis for the reduction of trade and payments barriers among Western European countries and for bringing their payments more nearly into balance with each other and the rest of the world, thereby requiring less United States Government financial assistance. The first 6 months of EPU operations do not

provide a broad base gage, but it was obvious that trade within Europe was expanding in this new framework.

Military-assistance grants increase

The actual decrease in the volume of ERP grant assistance in the second half of 1950 was accompanied by a decline in the ratio of ERP to total grants under all programs. Military-assistance grants expanded in the final quarter of 1950 to comprise 30 percent of the gross grant aid and thus offset the decline in the recovery program. MDAP assistance includes, first, the provision of finished military equipment and, second, assistance for increased European military production which is being integrated with the European Recovery Program.

MDAP assistance was authorized by the Congress late in 1949, at a rate approximating \$1 billion for the first year. Through the first half of 1950 some \$71 million in aid was provided under this program. Grants in the third quarter were double those of the first half; the final quarter, at an annual rate of \$1.2 billion, was over double the third quarter.

Title III of the Mutual Defense Assistance Act authorized grant assistance to Korea, the Philippines, and the general area of China at a rate of approximately \$100 million for the first year. From \$5 million in aid prior to July, these grants rose to \$19 million in the third quarter and to \$41 million in the fourth.

Economic aid to Far East continued

Aid to Far Eastern countries was not confined to military assistance. Shortly before the invasion of South Korea by Communist forces, Congress had provided for the extension of the economic aid originally intended for China to the "general area of China." Under this legislation, United States Government grants are being provided to Burma, India, and Thailand. Indonesia and the Indochinese states, which had previously received ERP aid as Netherlands and French dependent areas respectively, are also receiving aid under this new southeast Asia program. Grants to these countries and Taiwan (Formosa) in the second half of 1950 amounted to \$9 million. Since aid to China was confined to Taiwan, grants in 1950 were appreciably less than in 1949, when United States Government assistance was still extended to the mainland.

Korean aid in the first 6 months of 1950 (\$42 million) was considerably above the total for the entire year 1949 (\$28 million). For the last half of 1950 this aid amounted to \$15 million, but in addition approximately \$50 million of supplies and materials was transferred from United States Army stocks in Japan and Korea to assist the civilian economy of the invaded country in the wake of battle.¹ Congressional appropriations were made in the last half of the year and early in 1951 to finance increased aid to this strife-torn area.

Grants to Japan are provided by the United States Government through the Army, as civilian supplies to occupied areas. With the continuing postwar recovery of Japan, grants to that country declined in 1950 to about \$0.2 billion, approximately half of the 1949 figure (\$0.5 billion).² Grants to Japan include, in addition to basic civilian foodstuffs, raw materials for economic recovery.

Philippine rehabilitation program concludes

The Philippines, in addition to participating in the Far East military-assistance program, receives grant aid under the Philippine Rehabilitation Act of 1946. This act established a 4-year program for rehabilitation, approaching

¹ Definitive information on these transfers is not available and data are thus not included in tables 1 and 2.

² Data included in tables 1 and 2 for civilian-supply grants to Japan are known not to include certain cash grants furnished to Japan by the United States Army. In some quarters of 1950 this understatement in reports is known to be as much as \$25 million.

\$650 million. The peak of United States Government grants to the Philippines occurred in the middle of 1949; aid for that year exceeded \$200 million. Grants in 1950 were considerably reduced, though the payment in the fourth quarter of almost \$65 million in settlement of war-damage claims brought the actual aid for the year up to \$166 million. The Philippine War Damage Commission is to cease operations before April 30, 1951, after fulfilling the grant program which provided for the payment of \$400 million for war damage to private property and \$57 million for damage to public property in the Philippines. Less than \$5 million of the programmed funds remained available for payment of claims in 1951.

Other rehabilitation grant aid to the Philippines—comprised mostly of technical assistance to the Philippine Government in the restoration and improvement of public services—continued throughout 1949 and 1950 at a nominal rate.

Point Four aid begins in 1950

As is noted in a preceding section, the Point Four program represents an important phase of the United States foreign-economic policy. Technical assistance has been cooperatively provided to the American Republics for many years by the Institute of Inter-American Affairs and to several other countries since 1948 under the information and educational exchange program of the State Department. These previous technical-assistance programs are now integrated into the Point Four program.

The special programs to cooperate with Mexico in the eradication of foot-and-mouth disease in that country and to assist Chinese students receiving an education in the United States are also among the technical-assistance programs included in the data in table 1.

The most significant of the technical-assistance grants provided by the United States Government in 1950 was the payment of \$4 million to the United Nations in September as part of the United States share in the program for technical assistance in which this international organization is engaging.

Net credit aid continued relatively small

The outstanding principal indebtedness of foreign countries to the United States Government increased by only \$52 million during the last 6 months of 1950 to reach \$10,006 million on December 31, 1950. This increase in outstandings, representing net foreign aid on a credit basis, is the excess of loan disbursements and other credit utilizations over repayments of principal.³

The indebtedness to this Government was distributed as follows:

	<i>Millions of dollars</i>
ERP countries and participating dependents.....	8,424
Other Europe.....	478
American Republics.....	420
India.....	172
China.....	165
Philippines.....	100
Israel.....	48
United Nations.....	44
All other.....	155

In the ERP area the larger debtors were the United Kingdom which owed \$4,798 million, France \$2,031 million, Netherlands-Indonesia \$480 million, Italy \$356 million, and Belgium-Luxembourg \$174 million. In the other European area the larger debtors were the U. S. S. R. with \$223 million and Finland with \$119 million.

³ This is exclusive of accrued interest and also exclusive of indebtedness arising from World War I. World-War I indebtedness amounted to \$16,276 million on December 31, 1950, of which \$4,842 million represented interest which was due and unpaid.

Gross credit aid declined

Loan disbursements and other credit utilizations of \$201 million in the last 6 months of 1950 were \$49 million less than in the first 6 months of the year but approximately \$44 million more than in the last half of the previous year. This, however, was a considerable decline from the \$532 million disbursed in the January-June 1949 period.

The utilization in the last half of 1950 represented primarily \$81 million of EIB credits, \$77 million of ECA credits, \$7 million to the United Nations, and the \$35-million funding of the Philippine debt. Of the ECA credit utilizations, \$69 million was on credits through EIB and \$8 million on deficiency-material projects which are handled directly by ECA.

On September 6, 1950, Congress authorized ECA to make a \$62½-million loan to Spain; in February 1951 it was announced that four separate credits totaling \$12.2 million had been established. Aside from the loan to Spain, as of December 31, 1950, only \$6 million of ECA credit authority from public-debt funds remained to be committed. Of the credits committed by ECA through EIB, only \$61 million remained to be utilized.

Advances of \$8 million in the 6 months ended December 31, 1950, on ECA deficiency-material projects were double the advances in the previous half year. These advances, from appropriated dollar funds and from United States Government-owned counterpart funds, are to be repaid in deficiency materials. As of December 31, 1950, there remained approximately \$27 million to be advanced by ECA on deficiency-material loan agreements already signed. Additional agreements were signed in January and February 1951.

Export-Import Bank credits predominate

In 1950, Export-Import Bank disbursements were larger than any other type of credit utilizations and were larger than EIB disbursements in 1949. Of the \$81 million disbursed by EIB in the 6 months ended December 31, 1950, \$34 million was to the American Republics, \$24 million to Yugoslavia, and \$16 million to Israel.

Several new credit authorizations were made by EIB in the last half of 1950. In August the Bank committed \$150 million of its funds for the establishment of credits to Mexico. As of the end of the year \$31 million of this commitment had been authorized for credits to assist in financing the Mexican irrigation program. In November a credit agreement was executed which established a line of credit of \$125 million to facilitate liquidation by Argentina of commercial dollar obligations due and unpaid as of May 15, 1950.

The Bank authorized an additional credit to Israel in December of \$35 million for agricultural development. This brings to a total of \$135 million the credits authorized by EIB for Israel, of which \$70 million have been allocated for agricultural development and production. By the end of 1950 the Export-Import Bank had authorized credits of slightly over \$52 million under the commitment made in February 1950 of \$100 million in credits for Indonesia. As of December 31, 1950, no disbursements had been made under these four new credits.

On December 31, 1950, total undisbursed credit commitments of EIB were close to \$750 million. The uncommitted lending authority of the Bank is close to \$500 million. The Budget Message of the President in January 1951 recommended an increase in lending authority of \$1.0 billion from the present limit of \$3.5 billion, following a similar recommendation in the Gray report.

(Text continued on p. 18; summary tables appear on pp. 16-17.)

Table 1.—Summary of Foreign Aid (Grants and Credits), by Program: July 1, 1945, Through December 31, 1950

[Millions of dollars]

Program	Total postwar period	Before European Recovery Program period	During European Recovery Program period											
			Total	1948 Apr.-Dec.	1949				1950					
					Total	Jan.-Mar.	Apr.-June	July-Sept.	Oct.-Dec.	Total	Jan.-Mar.	Apr.-June	July-Sept.	Oct.-Dec.
Gross Foreign Aid¹	30,194	15,495	14,699	4,138	6,052	1,724	1,687	1,485	1,157	4,509	1,156	1,234	952	1,166
Grants utilized.....	20,802	8,061	12,740	3,320	5,360	1,355	1,524	1,409	1,073	4,060	1,023	1,119	862	1,056
Less: Credit-agreement offsets to grants.....	1,256	1,253	3	1	(?)		(?)			2		2		
Credits utilized.....	10,648	8,687	1,962	819	692	369	163	75	84	451	133	117	91	110
Less: Returns	2,400	1,022	1,378	420	483	92	74	206	111	475	101	161	106	106
Reverse grants and returns on grants.....	946	499	447	51	243	17	16	151	58	153	41	49	36	27
Principal collected on credits.....	1,454	523	931	369	240	75	58	55	53	322	60	113	70	79
Equals: Net Foreign Aid	+27,793	+14,473	+13,321	+3,718	+5,569	+1,631	+1,612	+1,279	+1,046	+4,034	+1,055	+1,073	+847	+1,060
Net grants.....	+18,600	+6,309	+12,290	+3,268	+5,118	+1,338	+1,507	+1,258	+1,015	+3,905	+982	+1,068	+826	+1,029
Net credits.....	+9,194	+8,163	+1,030	+450	+451	+294	+105	+21	+32	+129	+73	+4	+21	+31
Grants Utilized	20,802	8,061	12,740	3,320	5,360	1,355	1,524	1,409	1,073	4,060	1,023	1,119	862	1,056
European recovery.....	7,884	2,360	7,884	1,397	3,729	906	1,118	940	766	2,758	770	850	548	589
Civilian supplies.....	4,710	3,172	2,351	1,012	985	260	213	324	188	353	113	103	85	52
UNRRA, post-UNRRA, and interim aid.....	3,443	130	271	270	1	2	(?)	(?)	(?)	(?)	(?)	(?)		
Philippine rehabilitation.....	619		485	119	203	53	44	59	47	166	39	27	34	66
Korea and Far East (general area of China) aid.....	264		264	96	92	39	44	6	4	75	28	24	8	16
Lend-lease.....	1,968	1,968	(?)	(?)										
Mutual-defense assistance.....	516		516							516	5	66	140	305
Greek-Turkish aid.....	656	165	491	258	172	52	43	41	35	61	34	12	8	7
Chinese stabilization and military aid.....	240	120	120	72	44	13	18	8	5	5	2	(?)	1	2
Technical assistance and inter-American aid.....	137	66	71	14	30	7	8	8	8	27	8	6	9	5
Other.....	365	80	285	83	104	24	36	24	20	99	24	31	30	14
Reverse Grants and Returns on Grants	946	499	447	51	243	17	16	151	58	153	41	49	36	27
Counterpart funds.....	396		396	22	230	12	16	151	50	144	41	40	36	27
Reverse lend-lease.....	133	133	1	1										
Return of lend-lease ships.....	297	250	48	26	13	6	(?)	(?)	7	9		9		
War-account cash settlements.....	120	117	3	3										
Credits Utilized	10,648	8,687	1,962	819	692	369	163	75	84	451	133	117	91	110
Special British loan.....	3,750	3,750												
Export-Import Bank.....	2,733	2,087	645	261	185	61	46	36	41	200	60	50	37	44
Direct loans.....	2,582	1,942	640	284	163	50	42	35	36	193	50	58	40	44
Loans through agent banks.....	150	145	5	Cr. 23	21	11	4	1	5	7	10	1	Cr. 3	(?)
European recovery.....	1,068		1,068	476	428	281	98	18	32	163	56	30	49	28
Surplus property (including merchant ships).....	1,339	1,234	106	77	28	20	8	(?)	(?)	(?)			(?)	
Credit-agreement offsets to grants.....	1,256	1,253	3	1	(?)		(?)			2		2		
Lend-lease (excluding settlement credits).....	69	63	6	1	4	1	(?)	2	(?)	1	1	(?)	(?)	
Other.....	433	299	134	3	47	5	11	20	11	84	17	26	4	38
Principal Collected on Credits	1,454	523	931	369	240	75	58	55	53	322	60	113	70	79
Export-Import Bank.....	720	196	523	220	144	55	26	40	22	160	40	32	39	49
Direct loans.....	556	149	408	189	100	43	21	26	11	118	30	15	27	47
Loans through agent banks.....	163	48	116	31	43	12	5	14	11	41	10	17	12	2
Surplus property (including merchant ships).....	144	29	115	29	44	9	15	7	12	42	10	12	11	9
Credit-agreement offsets to grants.....	25	10	15	6	2	1	(?)	(?)	1	7	1	3	3	(?)
Lend-lease (excluding settlement credits).....	26	9	17	5	6	(?)	6	(?)		6	(?)	1	5	(?)
Other.....	540	279	261	108	46	10	11	7	18	107	10	65	11	21

¹ Assistance in cash or in goods and services provided to foreign countries, directly or through international organizations, without an immediate equivalent return, comprises foreign aid as the term is used in this article. On the one hand, the assistance may be rendered with a contractual or other agreement that there will be repayment over an extended period of time; this type of assistance is classified as a credit. On the other hand, the assistance may take the form of an outright gift for which no payment is expected, or which at most involves an obligation on the part of the receiver to extend reciprocal aid to the United States or other countries to achieve a common objective; in all such cases the aid is considered a grant. If the obligation to repay is subject to being established in a future settlement, the aid is also considered a grant. In the latter instance, when an agreement has been reached as to repay-

ment over a period of time a credit is established, but no aid is considered as having been given at that time. Because such credits cannot, as a rule, be deducted from specific grants they are included in both categories. The amounts of such credit-agreement offsets to grants are therefore deducted from the total of grants and credits in arriving at gross foreign aid.

² Less than \$500,000.

³ Negative entry of less than \$500,000 results from refunds of cash aid.

⁴ Negative entry results from excess of EIB repurchases from agent banks over agent bank disbursements.

Source: U. S. Department of Commerce, Office of Business Economics.

Table 2.—Summary of Foreign Aid (Grants and Credits), by Major Country: July 1, 1945, Through December 31, 1950

[Millions of dollars]

Major country	Total postwar period	Before European Recovery Program period	During European Recovery Program period											
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Gross Foreign Aid (grants and credits)¹	30,194	15,495	14,699	4,138	6,052	1,724	1,687	1,485	1,157	4,509	1,156	1,234	952	1,166
Less: Returns	2,400	1,022	1,378	420	483	92	74	206	111	475	101	161	106	106
Equals: Net Foreign Aid	+27,793	+14,473	+13,321	+3,718	+5,569	+1,631	+1,612	+1,279	+1,046	+4,034	+1,055	+1,073	+847	+1,060
Net grants.....	+18,600	+6,309	+12,290	+3,268	+5,118	+1,338	+1,507	+1,258	+1,015	+3,905	+982	+1,068	+826	+1,029
Net credits.....	+9,194	+8,163	+1,030	+450	+451	+294	+105	+21	+32	+129	+73	+4	+21	+31
ERP countries and participating dependent areas:														
Gross foreign aid.....	21,619	10,048	11,571	3,138	4,828	1,390	1,351	1,155	932	3,605	911	1,000	777	917
Less: Returns.....	1,338	533	785	144	331	47	34	175	75	310	79	69	70	92
Equals: Net foreign aid	+20,281	+9,495	+10,786	+2,994	+4,497	+1,343	+1,317	+980	+857	+3,295	+832	+931	+707	+825
Net grants.....	+12,272	+2,413	+9,859	+2,477	+4,107	+1,064	+1,222	+979	+842	+3,275	+811	+911	+691	+862
Net credits.....	+8,008	+7,081	+927	+517	+390	+279	+95	+2	+15	+20	+21	+20	+15	-37

See footnotes at end of table.

Table 2.—Summary of Foreign Aid (Grants and Credits), by Major Country: July 1, 1945, Through December 31, 1950—Continued
(Millions of dollars)

Major country	Total postwar period	Before European Recovery Program period	During European Recovery Program period											
			Total	1948 Apr.-Dec.	1949					1950				
					Total	Jan.-Mar.	Apr.-June	July-Sept.	Oct.-Dec.	Total	Jan.-Mar.	Apr.-June	July-Sept.	Oct.-Dec.
ERP countries and participating dependent areas—continued														
Belgium—Luxembourg:														
Gross foreign aid.....	722	222	500	56	253	51	93	52	57	191	52	49	54	35
Less: Returns.....	39	5	35	7	13	4	5	3	1	15	3	7	3	2
Equals: Net foreign aid.....	+683	+217	+465	+49	+240	+48	+88	+49	+56	+176	+49	+43	+50	+34
Net grants.....	+509	+61	+448	+56	+202	+51	+42	+52	+57	+190	+52	+49	+53	+35
Net credits.....	+174	+157	+17	-7	+38	-4	+46	-3	-1	-14	-3	-6	-3	-1
British Commonwealth: United Kingdom:														
Gross foreign aid.....	6,713	4,179	2,534	717	1,107	290	307	272	238	710	214	229	135	132
Less: Returns.....	703	453	250	70	98	18	14	29	37	82	20	20	19	23
Equals: Net foreign aid.....	+6,010	+3,726	+2,284	+647	+1,009	+271	+293	+243	+202	+628	+194	+209	+116	+109
Net grants.....	+1,523	+555	+2,078	+446	+976	+201	+304	+250	+220	+656	+193	+221	+114	+128
Net credits.....	+4,487	+4,281	+206	+201	+33	+70	-11	-7	-19	-28	+1	-12	+2	-19
France:														
Gross foreign aid.....	4,099	2,119	1,980	608	858	267	266	173	152	514	153	140	94	126
Less: Returns.....	190	36	154	14	91	14	2	66	9	50	18	7	15	9
Equals: Net foreign aid.....	+3,910	+2,084	+1,826	+594	+767	+253	+264	+107	+143	+464	+135	+133	+79	+118
Net grants.....	+1,873	+203	+1,670	+451	+738	+213	+263	+118	+145	+481	+143	+133	+85	+119
Net credits.....	+2,037	+1,881	+156	+144	+29	+40	+2	-11	-2	-17	-9	(¹)	-6	-2
Germany:														
Gross foreign aid.....	3,181	992	2,190	752	952	272	231	263	186	485	140	134	100	111
Less: Returns.....	88	16	72	25	28	(²)	(²)	23	4	18	4	8	2	4
Equals: Net foreign aid.....	+3,093	+975	+2,117	+727	+924	+272	+230	+240	+182	+466	+136	+126	+98	+107
Net grants.....	+3,026	+883	+2,143	+752	+924	+272	+230	+240	+182	+467	+136	+126	+96	+107
Net credits.....	+67	+92	-25	-25	(¹)	-4	-3	-1	(¹)					
Greece:														
Gross foreign aid.....	1,238	583	655	258	245	75	59	62	50	152	52	39	29	33
Less: Returns.....	40	5	35	3	18	3	2	9	5	14	3	3	4	4
Equals: Net foreign aid.....	+1,198	+578	+620	+255	+227	+72	+57	+53	+45	+138	+49	+36	+25	+29
Net grants.....	+1,100	+474	+626	+255	+231	+75	+58	+53	+45	+140	+49	+36	+25	+29
Net credits.....	+99	+105	-6	(¹)	-4	-3	-1	(¹)	-1	-2	-1	(¹)	(¹)	(¹)
Italy:														
Gross foreign aid.....	2,136	1,099	1,037	290	457	169	146	82	60	290	77	100	75	38
Less: Returns.....	90	17	73	17	20	4	7	6	3	36	14	6	10	5
Equals: Net foreign aid.....	+2,046	+1,081	+964	+274	+437	+165	+139	+76	+57	+254	+64	+94	+65	+33
Net grants.....	+1,689	+860	+829	+205	+375	+127	+131	+67	+50	+249	+69	+82	+65	+34
Net credits.....	+356	+221	+135	+68	+62	+38	+8	+8	+8	+5	-5	+11	(¹)	-1
Netherlands:														
Gross foreign aid.....	1,022	298	724	128	320	92	70	118	40	276	68	110	57	41
Less: Returns.....	92	14	78	2	24	2	1	13	8	52	3	7	8	35
Equals: Net foreign aid.....	+930	+284	+646	+126	+297	+90	+69	+105	+33	+224	+65	+103	+49	+7
Net grants.....	+549	+19	+530	+73	+203	+10	+54	+106	+33	+253	+65	+105	+50	+35
Net credits.....	+381	+265	+116	+53	+93	+80	+15	-2	(¹)	-29	(¹)	-2	(¹)	-28
Turkey:														
Gross foreign aid.....	268	29	240	71	94	15	27	23	29	75	30	17	16	10
Less: Returns.....	21	6	15	2	4	1	1	1	1	8	2	3	2	1
Equals: Net foreign aid.....	+248	+23	+225	+68	+90	+15	+27	+22	+27	+66	+28	+15	+14	+9
Net grants.....	+166	+9	+157	+60	+62	+11	+23	+18	+10	+34	+15	+12	+5	+3
Net credits.....	+82	+13	+68	+9	+28	+3	+4	+4	+17	+32	+14	+3	+8	+7
Other ERP countries:														
Gross foreign aid.....	2,238	527	1,711	257	542	160	152	110	120	912	124	182	216	390
Less: Returns.....	74	1	72	2	35	2	2	24	8	35	11	7	7	10
Equals: Net foreign aid.....	+2,164	+526	+1,638	+254	+507	+158	+150	+86	+112	+877	+113	+174	+210	+380
Net grants.....	+1,837	+459	+1,378	+179	+396	+103	+118	+74	+100	+804	+89	+147	+195	+372
Net credits.....	+327	+67	+260	+75	+111	+54	+32	+12	+12	+73	+24	+27	+15	+8
Other Europe:														
Gross foreign aid.....	1,623	1,547	76	22	13	4	3	4	2	41	7	10	9	16
Less: Returns.....	84	25	59	10	32	13	5	1	12	18	2	11	3	1
Equals: Net foreign aid.....	+1,539	+1,522	+17	+12	-19	-9	-2	+2	-11	+23	+5	-2	+6	+14
Net grants.....	+1,088	+1,068	-19	-2	-8	(¹)	(¹)	(¹)	-7	-9	-9	-9	-9	-9
Net credits.....	+450	+416	+35	+14	-11	-8	-2	+2	-3	+32	+5	+7	+6	+14
American Republics:														
Gross foreign aid.....	560	301	259	57	107	26	30	28	23	94	32	20	24	18
Less: Returns.....	206	72	133	32	44	8	17	7	11	57	9	14	25	9
Equals: Net foreign aid.....	+354	+229	+125	+25	+63	+18	+13	+21	+12	+37	+23	+6	-1	+1
Net grants.....	+135	+74	+62	+14	+30	+7	+8	+7	+7	+18	+7	+3	+4	+3
Net credits.....	+219	+155	+63	+11	+34	+11	+5	+13	+4	+19	+16	+3	-5	+5
China-Taiwan (Formosa):														
Gross foreign aid.....	1,799	1,466	333	198	111	50	54	11	7	25	9	4	4	7
Less: Returns.....	117	56	60	21	34	21	9	2	2	6	(¹)	2	3	1
Equals: Net foreign aid.....	+1,683	+1,410	+273	+177	+77	+29	+45	+9	-7	+19	+9	+3	+1	+7
Net grants.....	+1,567	+1,253	+314	+184	+107	+49	+52	+11	-6	+24	+9	+4	+4	+7
Net credits.....	+116	+157	-41	-7	-30	-20	-7	-1	-1	-5	(¹)	-1	-3	-1
Japan:														
Gross foreign aid.....	2,007	982	1,024	318	505	124	114	165	102	201	69	74	34	24
Less: Returns.....	287	136	151	56	25		3	16	5	69	5	64	1	(¹)
Equals: Net foreign aid.....	+1,720	+846	+874	+262	+479	+124	+111	+149	+96	+132	+64	+10	+33	+24
Net grants.....	+1,706	+779	+927	+307	+457	+110	+104	+152	+91	+164	+53	+52	+34	+24
Net credits.....	+14	+67	-54	-44	+22	+14	+7	-3	+5	-32	+11	-43	(¹)	(¹)
Korea:														
Gross foreign aid.....	366	154	212	73	81	27	23	14	17	59	24	20	5	10
Less: Returns.....	12		12	7	7	1	3	1	2	5	5	5		
Equals: Net foreign aid.....	+354	+154	+200	+73	+73	+26	+20	+12	+15	+53	+19	+20	+5	+10
Net grants.....	+333	+136	+197	+66	+73	+26	+20	+12	+15	+57	+23	+20	+5	+10
Net credits.....	+21	+18	+4	+7						-4	-4			
Philippines:														
Gross foreign aid.....	769	243	526	121	203	53	44	59	47	202	40	27	34	101
Less: Returns.....	14	13	1	1	(¹)									
Equals: Net foreign aid.....	+755	+231	+525	+121	+203	+53	+44	+59	+47	+201	+39	+27	+34	+101
Net grants.....	+655	+166	+488	+119	+203	+53	+44	+59	+47	+196	+40	+27	+34	+101
Net credits.....	+100	+64	+36	+2	(¹)	+35	(¹)	(¹)	(¹)	+35				
All other countries:														
Gross foreign aid.....	1,458	755	703	211	204	49	67	49	40	287	68	80	66	73
Less: Returns.....	341	167	174	157	7	2	1	3	2	10	1	2	4	3
Equals: Net foreign aid.....	+1,116	+588	+528	+55	+196	+47	+64	+46	+38	+277	+67	+78	+63	+70
Net grants.....	+851	+384	+467	+104	+149	+29	+57	+38	+26	+213	+44	+59	+55	+55
Net credits.....	+265	+205	+61	-49	+46	+19	+7	+8	+12	+64	+23	+19	+8	+14

1 See footnote 1 to table 1.
 2 Net (-) of less than \$500,000.
 3 Less than \$500,000.
 4 Net (-) of less than \$500,000.
 5 Gross foreign aid, net foreign aid, and net credits for Netherlands include \$17.2 million ERP credits to Netherlands on behalf of Indonesia (5.8 million in April-December 1948; \$9.2 million in January-March 1949; \$1.2 million in October-December 1949; and \$1.0 million

in January-March 1950). All other aid to Indonesia, including grants under the European Recovery Program, is included in "All other countries."
 6 Includes data not allocable to specific areas.
 7 Negative entry results from excess of refunds on Chinese account for aid diverted (principally to Korea).
 8 Includes data for international organizations and data not allocable to specific areas.
 Source: U. S. Department of Commerce, Office of Business Economics.

EIB provides emergency aid to Yugoslavia

In the last quarter of the year the Bank disbursed \$2 million for capital equipment, machinery, and similar items and \$3.8 million for foodstuffs under the \$15-million credit authorized to Yugoslavia in August 1950. The latter action was taken as a result of the urgency of extending immediate relief aid to Yugoslavia pending congressional action on the Yugoslav request for assistance to avert the effects of a disastrous crop failure.

Other steps taken to provide relief aid to Yugoslavia included advances of flour from Germany and Italy. The appropriation of \$50 million for grant aid to Yugoslavia, approved December 29, 1950, includes amounts for further ERP grant allotments to Germany and Italy in replacement of these advances of flour. The United States Government also authorized the inclusion of Yugoslavia into the Mutual Defense Assistance Program as the recipient of foodstuffs for its armed services.

Bell mission recommends Philippine debt funding

On November 6, 1950, the Treasury Department signed an agreement with the Philippines, arranging for the funding of the obligation to return to the United States Government certain funds advanced in 1948 to pay claims which had arisen as a result of the operations of the Army of the Philippines and guerrilla forces in World War II. The unexpended balance of these advances was by agreement to revert to the United States Treasury no later than the end of 1949.

The result of the funding agreement is to substitute an obligation repayable in approximately 10 equal annual installments beginning May 31, 1951 (including interest at 2½ percent), for the idle peso deposits held by the Philippine Government against its present dollar obligation to the United States Government. The peso funds were released to meet domestic obligations of the Philippine Government. This follows the recommendations in the report of the Economic Survey Mission to the Philippines, which was headed by Daniel W. Bell.

Another recommendation in the Bell report was to fund the Reconstruction Finance Corporation (RFC) loan of \$60 million, now due in 1952 and 1953, over a period of 10 years. The economic mission also recommended that the United States Government provide financial assistance of \$250 million through loans and grants, to help carry out a 5-year program of economic development and technical assistance. The mission recommended that this aid be strictly conditioned on steps being taken by the Philippine Government to carry out other recommendations outlined for economic improvements in the Philippines.

Collections on credits are increasing

Principal repaid to the United States Government in the second 6 months of 1950 amounted to \$149 million, \$23 million less than in the first 6 months, but considerably more than in either half of 1949. The larger amount in the first half of 1950 was due entirely to the repayment in full of the \$54 million in credits extended during the 15 months ended June 30, 1950, by the Army Department to Japan for the purchase of raw cotton in the United States.

Interest received in the last 6 months of 1950 was approximately \$61 million. This was \$12 million more than was received in the first 6 months of the year, as is to be expected because of the large number of interest-due dates falling on July 1. Although interest collections in 1949 were smaller, they followed the same pattern.

Thus, combined principal and interest collections in 1950 amounted to \$431 million, \$94 million more than in 1949. Scheduled collections in 1951 are approximately \$485 million, rising to \$530 million in 1952 and then falling to \$490 million in 1953 and \$460 million in 1954. This is based upon credit agreements on outstanding indebtedness as of the end of 1950.

China and U. S. S. R. in arrears

During the September 1950 quarter the Maritime Administration declared the Nationalist Government of China to be in default under the terms of the mortgage agreements covering the sale of 33 ships. During the last 6 months of 1950 four vessels were seized in continental United States as a result of foreclosure action and one was taken by the United States Army in Japan for smuggling. The notes on these five vessels with an unpaid balance of \$3.5 million plus accrued interest of \$0.2 million were canceled. Two vessels have been lost and four have fallen into the hands of Communist China. Claims on these six vessels have been filed against the insurance companies. On November 15, 1950, the Maritime Administration gave Nationalist China until February 15, 1951, to bring current all payments of principal and interest. This Nationalist China did as of February 13, 1951, by selling four vessels in which their equity was larger than the unpaid balance of the mortgage. There remain 18 vessels in active operation by Nationalist China and it is now believed the payments on these can be met as they become due.

The United States Government has asked the Soviet Union to pay \$800 million for the reimbursable portion of wartime lend-lease. No payment has been asked for any military supplies furnished the Soviet Union during World War II. The \$223 million now carried as the lend-lease indebtedness of the U. S. S. R. represents total billings for materials, services, and other lend-lease aid furnished prior to March 31, 1947, under the lend-lease pipe-line agreement of October 15, 1945. The Soviet Union is in arrears \$6 million in interest on this indebtedness (principal payments are scheduled to begin in 1954).

Payments in default or in arrears 90 days or more on all United States Government credits totaled \$26 million in principal and \$10 million in interest on December 31, 1950.

New expenditures authorized for foreign aid

The General Appropriation Act, 1951 and the Supplemental Appropriation Act, 1951 in September 1950 authorized new expenditures for foreign aid in excess of \$8 billion. Further, several provisions were enacted in 1950 allowing the transfer as foreign aid of supplies and materials which cost the Government additional hundreds of millions of dollars.

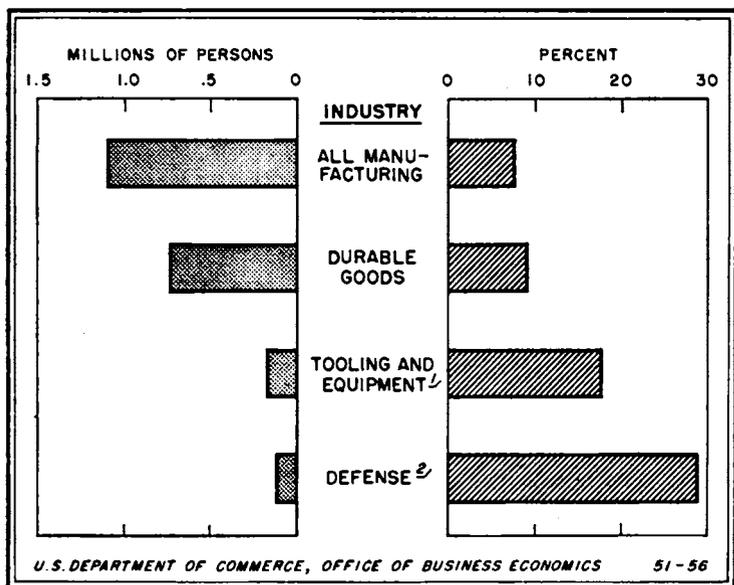
At the end of 1950 there was available under existing legislative authority about \$10 billion for financing foreign aid in the form of grants and over \$1½ billion for financing foreign credits. In the Budget for the fiscal year ending June 30, 1952, the President recommended new obligational authority of \$10.7 billion. Expenditures for fiscal year 1952 were there estimated at \$7 billion.

NOTE.—This article was prepared in the Clearing Office for Foreign Transactions, Office of Business Economics, and is a summarization of data compiled and published in detail each quarter by that office. These data constitute the basis for Government-aid transactions in the compilations of the Balance of Payments Division, Office of Business Economics, which are included in the preceding article. The major components of both series are identical except for variations due (1) to the inclusion in the balance of payments for the last quarters of preliminary estimates of transactions not yet included in the official reports which are the basis of this article (see footnotes 1 and 2 to this article) and (2) the more current revision of earlier-period data in this article which are not yet included in the balance of payments. Moreover, slight variations in treatment of data occur. For example, this article includes in Government transactions the loan disbursements of agent banks guaranteed by Export-Import Bank, while these are considered as private transactions in the balance of payments, and this article includes the funding in November 1950 of loans to the Philippines, which appeared in short-term asset payments in the balance of payments in July 1948.

Production and Employment Trends

(Continued from p. 5)

Chart 4.—Employees in All Manufacturing, Defense, and Related Industries: Absolute and Percent Increase, June-December 1950



¹ Includes metalworking machinery, general industrial machinery, miscellaneous machinery parts, iron and steel foundries, nonferrous foundries, and professional and scientific instruments.
² Includes ordnance and accessories, aircraft and parts, ship and boat building and repairs, and U. S. navy yards.

Source of basic data: U. S. Department of Labor, Bureau of Labor Statistics.

direct defense employment at the present time; many other industries are also engaged in part in defense production or in defense-supporting activities.

As indicated above, the machinery industries have experienced rapid and continuous employment gains since last June. As a group, these industries added 175 thousand workers between June and December, an increase of almost 18 percent, about twice the rate of growth of the durable group as a whole. While much of the expansion in employment of these industries after June is attributable to the rising demands of the private economy, more recently an increasing proportion of their employment has been devoted to the production of goods for the military program.

Table 2.—Number and Percent Change in Production Workers in Manufacturing, (Seasonally Adjusted)

Industry	Production workers December 1950	Absolute change		Percent change	
		January-June 1950	June-December 1950	January-June 1950	June-December 1950
In thousands					
Manufacturing	12,934	617	868	5.4	7.2
Durable goods	7,180	596	584	9.9	8.9
Ordnance and accessories.....	24	2	5	11.8	26.3
Instruments and related products.....	210	8	30	4.7	16.7
Electrical machinery.....	709	54	94	9.6	15.3
Miscellaneous manufacturing industries.....	416	22	49	6.4	13.4
Machinery (except electrical).....	1,157	96	124	10.2	12.0
Fabricated metal products (except ordnance, machinery, and transportation equipment).....	838	76	69	11.0	9.0
Primary metal industries.....	1,131	87	81	9.0	7.7
Transportation equipment.....	1,151	100	73	10.2	6.8
Stone, clay, and glass products.....	468	38	27	9.4	6.1
Furniture and fixtures.....	319	14	16	4.8	5.3
Lumber and wood products (except furniture).....	757	99	16	15.4	2.2
Nondurable goods	5,754	21	284	.4	5.2
Rubber products.....	218	12	19	6.4	9.5
Apparel and other finished textile products.....	1,051	-56	75	-5.4	7.7
Tobacco manufactures.....	80	-10	5	-11.8	6.7
Chemical and allied products.....	513	2	31	.4	6.4
Paper and allied products.....	424	14	25	3.6	6.3
Products of petroleum and coal.....	192	-3	11	-1.6	6.1
Textile mill products.....	1,239	-3	65	-.3	5.5
Leather and leather products.....	350	-5	17	-1.4	5.0
Food and kindred products.....	1,167	63	26	5.8	2.3
Printing, publishing, and allied industries.....	516	7	10	1.4	2.0

Source: Board of Governors of the Federal Reserve System.

Further evidence of the relatively rapid recent growth of direct munitions and tooling and equipment industries is furnished by chart 3 which contrasts the rate of growth of selected metalworking industries during the first and last halves of 1950. Employment in the aircraft and parts industry increased by almost 34 percent in the last half of 1950, in contrast to a negligible rise during the preceding 6 months. Similarly, the rate of growth of the machinery group was much greater in the second half of the year. Employment in the household and service appliances and automobile industries, however, remained virtually unchanged after advancing rapidly to new peaks during the first 6 months.

Balance of International Payments—Fourth Quarter of 1950

(Continued from p. 11)

The outflow of funds to the United Kingdom which started during the third quarter amounted to \$65 million during October. During November and December, however, about \$39 million of these funds were again withdrawn, possibly for the payment of commodities imported from the sterling area. On the other hand, our short-term assets in Canada were reduced during October and November but replenished in December. Likewise, there was a rising outflow of short-term funds to Latin America during the quarter. A part of the latter represented regular trade credits, which were extended as former credits, were repaid and as exports to this area increased. It appears, however, that there were also speculative capital shifts, particularly to Mexico as a result of rumors of an impending revaluation of the Mexican peso.

Thus, although the outflow of short-term capital to all countries did not decline, it can, nevertheless, be assumed that speculative movements lost importance during the fourth quarter. The pressure on our gold supply and con-

versely the inflationary forces abroad resulting from gold or dollar imports were correspondingly diminished.

Interarea transfers indicate that the ERP countries as a whole, for the first time in the postwar period, had net dollar receipts from the rest of the world. This, however, was almost entirely due to dollar transfers by the sterling area to the United Kingdom. The continental European countries continued to have a dollar deficit with third countries (other than the United States), which was met through United States Government aid.

Both Canada and Latin America remained net recipients of dollar funds from other areas, while the nonsterling countries in Asia appear to have paid dollars to other countries, presumably Europe.

The net dollar payments by the latter countries to third areas represents a new link in the triangular movement of funds which under normal conditions would be an important step in the direction of a new equilibrium.