

U. S. Government Foreign Aid in Fiscal Year 1951

GROSS foreign aid furnished by the United States Government in fiscal year 1951 declined to approximately \$4.9 billion, the least in any year since the end of World War II, as the continued reduction in economic aid more than offset a rise in military assistance. The decline in economic aid followed schedules established in part as a result of the notable advances in economic recovery through 1950 in the European-recovery program areas. Military assistance increased rapidly in both relative and absolute terms during the year and comprised 33 percent of gross foreign aid in the last quarter. On the whole, gross aid had tended to decrease since the peak established during the first year of the European-recovery program.

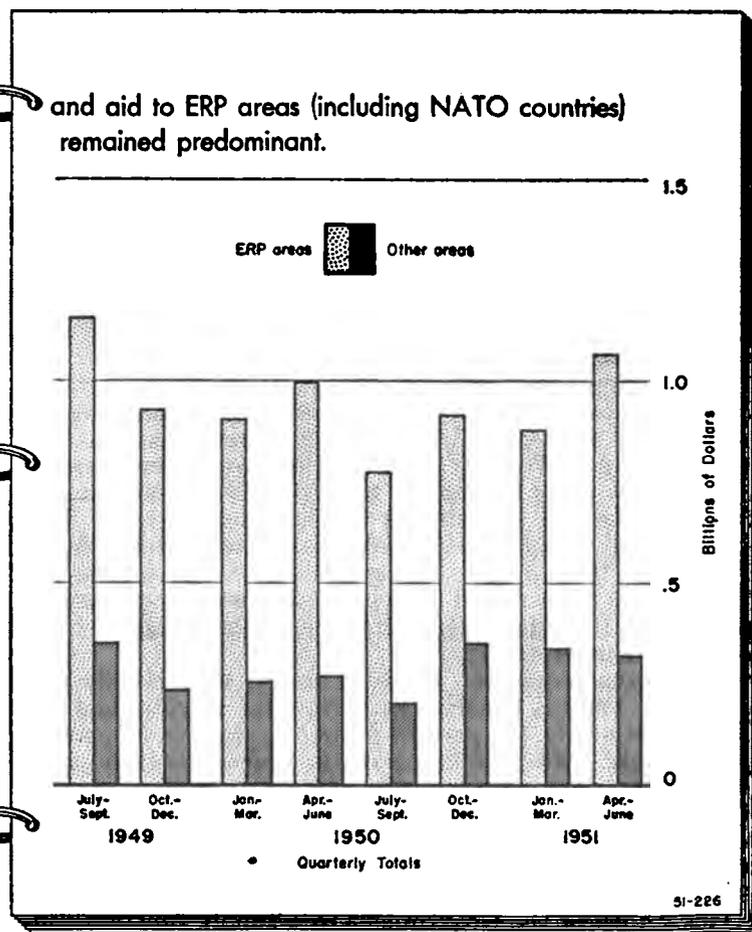
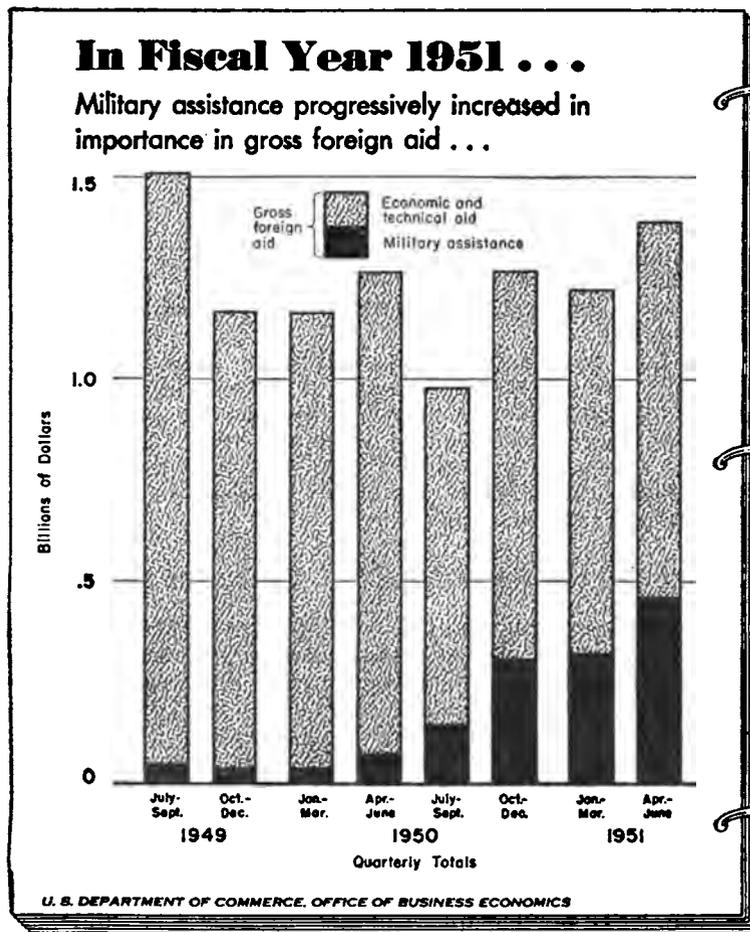
The low point in aid actually occurred at the beginning of fiscal year 1951. During the year, the trend reversed as gross grants and credits increased from a low of less than \$1 billion in the July-September 1950 period to \$1.4 billion in the 3 months ended June 30, 1951. During this last quarter aid was provided at the highest annual rate (\$5.6 billion) since early in fiscal year 1950. Thus, the total decline in fiscal year 1951 was only 5 percent from the preceding year.

Net foreign aid, which takes into account the receipt by the United States Government of reverse grants and returns of grants and of principal repayments on credits, was \$4.5 billion in fiscal year 1951, slightly less than in the previous year. Because returns experienced a relatively greater decline—32 percent, in contrast to the 5 percent for gross aid—net aid displayed less change in the 2 years.

Postwar aid approaching wartime total

By June 30, 1951, gross foreign aid rendered by the United States Government in the six postwar years stood at \$33.2 billion, with its composition as shown in table 1. From the beginning of wartime activity in July 1940, 11 years of foreign aid had brought the aggregate value of goods, services, and funds furnished on a grant or credit basis to the immense amount of \$82.4 billion (\$71.6 billion net). This is exclusive of the Government's investment of \$3.4 billion in the International Bank for Reconstruction and Development and the International Monetary Fund.

The Communist invasion of South Korea, coming at the beginning of fiscal year 1951, spurred congressional authori-



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zation of additional military assistance to the free nations of the world. Although actual aid was at a nadir, \$9 billion was added during fiscal year 1951 to the beginning carry-over of \$5 billion available for foreign aid. As a result of the relatively slow use of these resources during the year, as of June 30, 1951, almost \$10 billion was still to be furnished as aid under existing legislation. Appropriations and credit authorizations exceeding \$8 billion were added through October 1951. If these available funds are fully utilized, cumulative postwar gross foreign aid will then exceed \$50 billion—more than the gross foreign aid by the United States Government during the entire World War II period.

Grants dominate foreign-aid picture

Since the beginning of the European-recovery program, the United States Government has recognized that current foreign aid was required predominantly on a grant basis. However, aid in the form of credits continued in relatively small amounts. Such aid equaled \$419 million in fiscal year 1951, almost identical to the amount in the preceding year. Principal repayments on credits displayed only slightly more of a change. Net credits thus continued at 3 percent of total net aid—in contrast to 50 percent in the immediate postwar period.

Congressional requirements had established a floor under European-recovery credit (as opposed to grants); subsequent credits only slightly exceeded this minimum. In the attempt to increase the proportion of credit to grant aid, the Congress in the Mutual Security Act of 1951 stipulated that no less than 10 percent of the economic aid to Europe should be on credit terms.

Since grant assistance constituted the bulk of gross foreign aid in recent years, it was in this form of aid that the significant fiscal year 1951 shifts occurred. Military-aid grants under the mutual-defense assistance program gathered momentum, and increased steadily in the year and a half following their inception to total nearly \$0.5 billion in the 3 months ended June 30, 1951. Although such aid amounted to over \$1.2 billion for the fiscal year as a whole, it was still exceeded by economic assistance furnished through European-recovery grants and credits which totaled \$2.5 billion in fiscal year 1951. However, the latter had declined by \$0.9 billion from the previous year.

Government agencies return as exporters

Another important indication of the changing character of foreign aid was the increase in the portion furnished directly as goods and services by United States Government agencies. After the end of World War II, the Government preferred to finance most of its foreign aid through private trade and to withdraw Federal agencies as the actual exporters. This Government policy was intended to foster private international trade. In fact, during this postwar period foreign governments were urged to withdraw purchasing missions from the United States as a stimulant to the return of trade to private channels.

Hence, the proportion of gross foreign aid actually furnished by Federal agencies as goods and services had declined from nearly 100 percent during the war, to 90 percent in fiscal year 1946—the first postwar year—and then as far as 28 percent in fiscal year 1950. After reaching a low point of 21 percent of total gross aid in the last quarter of that year, goods and services assumed more significant proportions and almost equaled cash aid in the last quarter of fiscal year 1951.

This return of the Government to a supply function confirmed the greater influence of military assistance in aid, since military items are provided directly by the Government, not through financing of private-trade channels.

British improvement leads to economic-aid decline

The European countries which were members of the Organization for European Economic Cooperation (OEEC) received three-fourths of the United States Government foreign aid in fiscal year 1951, almost as large a proportion as in the preceding year. The European recovery program itself, however, represented only 69 percent of the \$3.6 billion in aid furnished this area in the 12 months ended June 30, 1951, compared to 87 percent in fiscal year 1950.

Over half of the \$934-million decline in European recovery grants and credits in the fiscal year was in aid to the United Kingdom, which received only 43 percent of the amount it had received in fiscal year 1950. This decline was most evident in the 6 months following December 31, 1950, after which date aid allocations to the United Kingdom were almost completely curtailed under this program. The European-recovery aid which did continue to flow to the British was in fulfillment of earlier allocations. Curtailment of United Kingdom aid was in recognition of the considerable improvement then evidenced in the British dollar position.

During fiscal year 1951 the United Kingdom made large repayments of principal on outstanding credits—\$56 million, of which \$53 million was on the Reconstruction Finance Corporation (RFC) collateral loan. Moreover, the June 30, 1951, balance of \$22 million on this \$390-million loan was paid off entirely by September 28. This loan had been made in 1941 to enable the United Kingdom to keep its investments in the United States. The earnings from the pledged collateral had been received by RFC and applied to reduction of principal and payment of interest. The earnings received had been larger than anticipated at the time the loan was made, enabling repayment almost 5 years ahead of maturity date.

Further, the United Kingdom reserves of gold and dollars rose from \$2.4 billion as of June 30, 1950, to \$3.9 billion 1 year later. United Kingdom purchases of \$1,420 million comprised more than one-half of the net gold outflow from the United States Government in this year. In its total purchase of \$1,500 million in gold following the currency devaluations in September 1949, the United Kingdom was able to recover all but \$87 million of the gold sold to the United States in the postwar period preceding the pound devaluation.

Declines in aid to Germany, France, Netherlands, and Belgium were also significant. Portugal was the only OEEC country with a reported increase in economic aid in fiscal year 1951 over the preceding year. The over-all decline was in keeping with the original plan for the European-recovery program whereby a gradual decline to the middle of 1952 was envisaged.

European aid includes EPU capital contribution

Economic conditions in Europe were generally improving over this period. In particular, intra-European trade was expanded by OEEC members through the creation of the European Payments Union (EPU) for multilateral compensation. Total grants by ECA through EPU totaled over \$51 million in fiscal year 1951. These payments were made from \$350 million pledged by the United States Government as a capital contribution to enable EPU to make settlements with countries entitled to receive gold and dollars under the intra-European clearance scheme.

The monthly bilateral imbalances in intra-European trade of the EPU participants summed to over \$3.2 billion in fiscal year 1951. However, because the direction of imbalances between countries frequently changed from one month to the next, the bilateral imbalances on a net cumu-

Table 1.—Summary of Foreign Aid (Grants and Credits), by Program: July 1, 1945, Through June 30, 1951

[Millions of dollars]

Program	Total postwar period	Before European recovery program period	During European recovery program period											
			Total	Apr. 1948–June 1949	Fiscal year 1950				Fiscal year 1951					
					Total	July–Sept. 1949	Oct.–Dec. 1949	Jan.–Mar. 1950	Apr.–June 1950	Total	July–Sept. 1950	Oct.–Dec. 1950	Jan.–Mar. 1951	Apr.–June 1951
Gross Foreign Aid¹	33,206	15,527	17,679	7,704	5,109	1,509	1,167	1,164	1,269	4,866	980	1,271	1,222	1,392
Grants utilized.....	23,600	8,091	15,509	6,371	4,691	1,429	1,079	1,030	1,154	4,447	889	1,161	1,100	1,296
Less: Credit-agreement offsets to grants.....	1,256	1,253	3	1	2	80	88	135	117	2	419	91	111	122
Credits utilized.....	10,862	8,689	2,174	1,334	420	80	88	135	117	419	91	111	122	96
Less: Returns	2,583	1,022	1,561	587	579	206	111	101	161	395	103	107	97	89
Reverse grants and returns on grants.....	1,016	499	517	85	299	151	58	41	49	133	36	27	37	33
Principal collected on credits.....	1,568	523	1,045	502	280	55	53	60	113	263	67	79	60	56
Equals: Net Foreign Aid	30,623	14,505	16,118	7,117	4,530	1,303	1,056	1,063	1,108	4,471	877	1,165	1,125	1,304
Net grants.....	21,328	6,339	14,989	6,285	4,390	1,277	1,021	989	1,103	4,314	854	1,134	1,063	1,263
Net credits.....	9,295	8,165	1,129	832	140	26	35	74	5	157	23	31	62	40
Grants Utilized	23,600	8,091	15,509	6,371	4,691	1,429	1,079	1,030	1,154	4,447	889	1,161	1,100	1,296
European recovery.....	9,128	2,412	9,128	3,421	3,323	939	765	769	849	2,384	547	592	594	651
Civilian supplies.....	5,321	2,412	2,908	1,658	801	344	196	122	138	450	113	134	79	124
UNRRA, post-UNRRA, and interim aid.....	3,443	3,172	271	271	1 Cr 1	(*)	(*)	(*)	(*)	108	34	66	4	4
Philippine rehabilitation.....	627	130	497	216	173	59	47	39	27	108	34	66	4	4
Korean and Far Eastern (General area of China) aid.....	310	310	179	61	61	5	4	28	24	69	8	16	26	20
Lend-lease.....	1,945	1,945	(*)	(*)	71	5	5	2	6	1,222	140	304	322	455
Mutual-defense assistance.....	1,292	1,292	492	353	119	41	33	32	12	20	8	7	3	3
Greek-Turkish aid.....	657	165	492	353	119	41	33	32	12	20	8	7	3	3
Chinese stabilization and military aid.....	243	120	123	102	16	8	5	2	(*)	5	1	2	(*)	2
Technical assistance and inter-American aid.....	153	66	87	28	29	8	8	8	6	30	9	6	5	11
Other.....	481	80	401	142	100	24	20	24	32	159	30	37	67	26
Reverse Grants and Returns on Grants	1,016	499	517	85	299	151	58	41	49	133	36	27	37	33
Counterpart funds.....	450	450	450	49	283	151	50	41	40	123	36	27	27	33
Reverse lend-lease.....	133	133	1	1	1	1	1	1	1	1	1	1	1	1
Return of lend-lease ships.....	307	279	58	32	16	(*)	7	7	9	10	10	10	10	10
War-account cash settlements.....	120	117	3	3	3	3	3	3	3	3	3	3	3	3
Credits utilized	10,862	8,689	2,174	1,334	420	80	88	135	117	419	91	111	122	96
Special British loan.....	3,750	3,750	3,750	3,750	3,750	3,750	3,750	3,750	3,750	3,750	3,750	3,750	3,750	3,750
Export-Import Bank.....	2,878	2,087	791	368	196	35	41	60	59	227	37	44	79	65
Direct loans.....	2,746	1,942	804	376	180	35	36	50	58	248	40	44	83	81
Loans through agent banks.....	132	145	Cr 14	Cr 8	16	1	5	10	1	4 Cr 22	4 Cr 3	(*)	4 Cr 4	4 Cr 15
European recovery.....	1,132	1,132	855	136	136	18	32	56	30	141	49	28	39	25
Surplus property (including merchant ships).....	1,337	1,236	101	89	11	5	3	2	(*)	1	(*)	(*)	(*)	1
Credit-agreement offsets to grants.....	1,256	1,253	3	1	2	80	88	135	117	419	91	111	122	96
Lend-lease (excluding settlement credits).....	69	63	6	3	3	2	(*)	1	(*)	(*)	(*)	(*)	(*)	4
Other.....	440	299	141	19	73	20	11	17	26	50	4	38	4	4
Principal Collected on Credits	1,568	523	1,045	502	280	55	53	60	113	263	67	79	60	56
Export-Import Bank.....	770	196	574	301	135	40	22	40	32	138	39	49	31	19
Direct loans.....	604	149	456	252	82	26	11	30	15	122	27	47	30	18
Loans through agent banks.....	166	48	118	49	53	14	11	10	17	17	12	2	1	2
Surplus property (including merchant ships).....	180	29	151	54	41	7	12	10	12	56	11	9	17	19
Credit-agreement offsets to grants.....	24	10	14	7	4	(*)	1	1	3	3	1	(*)	1	1
Lend-lease (excluding settlement credits).....	28	9	19	11	1	(*)	7	(*)	1	7	5	(*)	1	(*)
Other.....	565	279	286	128	100	7	18	10	65	58	11	21	10	16

¹ Foreign aid is defined to comprise two categories—grants and credits. Grants are largely outright gifts for which no payment is expected, or which at most involve an obligation on the part of the receiver to extend aid to the United States or other countries to achieve a common objective. Credits are loans or other agreements which give rise to specific obligations to repay, usually over a period of years, with interest. In some instances assistance has been given with the understanding that a decision as to repayment will be made at a later date; such assistance is included in grants. At such time as an agreement is reached for repayment over a period of years, a credit is established. Because such credits cannot, as a rule, be deducted from specific grants recorded in previous periods, they are included in both grants (at the earlier period) and credits (at the time of the agreement), and the amount of such credit-agreement offsets to grants must therefore be deducted from the total of grants and credits arriving at gross foreign aid. All known returns to the United States Government stemming from grants and credits are also taken into account. Gross foreign aid less the returns is net foreign aid, which is shown as net grants and net credits.

Foreign aid is measured, for the different methods of procurement in use, as follows: (1) at the time of shipment or extension of a service, for procurement made by U. S. Government agency; (2) at the time of disbursement to a foreign government, for procurement made by that government or its agents; or (3) at the time of disbursement to a United States sup-

plier or to a United States bank (for payments to suppliers) on behalf of a foreign government, for procurement made on a letter of credit authorized by a Government agency.

The Government's capital investments in the International Bank (\$335 million) and International Monetary Fund (\$2,750 million) are not included in gross foreign aid although they constitute an additional measure taken by this Government to promote foreign economic recovery. Payments to these international financial institutions do not result in immediate equivalent aid to foreign countries. Use of available dollar funds is largely determined by the management of the two institutions, subject to certain restraints which can be exercised by the U. S. Government.

Ending receipt of revised data from the Army Department, civilian-supply grants include, for the first time, estimated data for certain cash grants furnished by the Army.

² Negative entry results from refunds of cash aid.

³ Less than \$500,000.

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.

lative basis shrank to \$2.1 billion. Further, the effect of multilateral compensation decreased the imbalances to the \$1.1 billion which was settled through EPU during the year.

Through conditional aid extended as grants, ECA aided the financing of \$185 million of the net imbalances. In exchange for the grants provided by ECA, the United King-

dom, Sweden, and Belgium provided initial credit positions to the multilateral clearances in fiscal year 1951.

EPU is intended to provide the financial basis for the reduction of trade and payments barriers among Western European countries and the sterling area and for bringing their payments more nearly in balance with each other and the rest of the world thereby requiring less United States

Table 2.—Summary of Foreign Aid (Grants and Credits), by Major Country: July 1, 1945, Through June 30, 1951
(Millions of dollars)

Major country	Total postwar period	Before European recovery program period	During European recovery program period											
			Total	Apr. 1948-June 1949	Fiscal year 1950					Fiscal year 1951				
					Total	July-Sept. 1949	Oct.-Dec. 1949	Jan.-Mar. 1950	Apr.-June 1950	Total	July-Sept. 1950	Oct.-Dec. 1950	Jan.-Mar. 1951	Apr.-June 1951
Gross Foreign Aid (grants and credits) 1.	33,206	15,827	17,679	7,704	5,109	1,509	1,167	1,164	1,269	4,866	960	1,271	1,222	1,332
Less: Returns	2,583	1,022	1,561	897	579	206	111	101	161	395	183	167	97	89
Equals: Net foreign aid	30,623	14,805	16,118	7,117	4,530	1,303	1,056	1,063	1,108	4,471	777	1,104	1,125	1,304
Net grants	21,328	6,339	14,969	6,285	4,390	1,277	1,021	969	1,103	4,314	854	1,134	1,063	1,283
Net credits	9,295	8,465	1,129	832	140	26	35	74	5	157	23	31	62	46
ERP countries and participating dependent areas:														
Gross foreign aid	23,652	10,063	13,569	5,934	3,996	1,157	932	907	999	3,640	776	918	881	1,066
Less: Returns	1,485	557	928	222	398	175	75	79	69	309	70	92	80	66
Equals: Net foreign aid	22,168	9,506	12,641	5,712	3,598	983	856	828	931	3,331	705	826	801	1,000
Net grants	14,171	2,444	11,727	4,821	3,540	981	841	807	911	3,366	690	862	806	1,006
Net credits	7,997	7,062	914	891	58	1	16	21	20	-35	15	-37	-4	-9
Austria:														
Gross foreign aid	836	299	537	260	164	41	45	42	36	114	17	19	26	53
Less: Returns	39		39	1	24	14	3	4	3	14	4	2	3	5
Equals: Net foreign aid	797	299	499	258	140	27	42	38	33	100	13	17	23	48
Net grants	777	290	487	244	140	26	42	38	33	103	13	18	24	48
Net credits	20	9	11	14	(?)	1	(?)	(?)	(?)	-3	(?)	-1	-1	-1
Belgium-Luxembourg:														
Gross foreign aid	761	223	538	200	210	52	57	62	49	127	53	36	27	11
Less: Returns	44	5	40	16	14	3	1	3	7	10	3	2	3	1
Equals: Net foreign aid	717	218	498	184	197	49	56	49	43	117	50	34	24	10
Net grants	545	61	484	149	210	52	57	52	49	125	53	35	27	10
Net credits	172	158	14	35	-14	-3	-1	-3	-6	-8	-3	-1	-3	(?)
British Commonwealth: United Kingdom:														
Gross foreign aid	6,961	4,179	2,682	1,314	952	272	238	214	228	416	135	133	94	54
Less: Returns	734	456	278	100	106	29	37	20	20	72	19	23	14	16
Equals: Net foreign aid	6,127	3,723	2,404	1,214	846	243	202	193	208	343	116	111	80	37
Net grants	1,659	-558	2,217	954	884	250	220	193	221	379	114	130	89	47
Net credits	4,468	4,281	187	260	-37	-7	-19	1	-12	-36	2	-19	-9	-10
France:														
Gross foreign aid	4,349	2,119	2,230	1,141	618	173	152	153	140	471	94	127	110	139
Less: Returns	232	36	196	30	101	66	9	18	7	66	15	9	26	16
Equals: Net foreign aid	4,118	2,084	2,034	1,112	518	107	143	135	133	405	79	118	84	123
Net grants	2,089	203	1,885	926	539	118	145	143	133	421	85	120	84	131
Net credits	2,029	1,881	148	185	-21	-11	-2	-9	(?)	-16	-6	-2	(?)	-8
Germany:														
Gross foreign aid	3,539	1,026	2,513	1,309	726	266	188	139	134	478	100	112	127	139
Less: Returns	98	16	82	26	40	23	4	4	8	16	2	4	5	6
Equals: Net foreign aid	3,441	1,010	2,431	1,283	686	242	184	134	126	462	98	108	123	133
Net grants	3,372	918	2,456	1,309	667	242	184	134	126	459	98	108	122	132
Net credits	69	92	-23	-25	(?)				(?)	2			1	2
Greece:														
Gross foreign aid	1,324	583	741	391	200	62	48	52	39	150	30	34	37	49
Less: Returns	48	5	43	7	20	9	5	3	3	17	4	4	4	4
Equals: Net foreign aid	1,276	578	698	384	181	53	43	49	37	132	26	29	32	45
Net grants	1,178	473	705	388	182	53	44	50	36	135	27	29	33	45
Net credits	98	105	-7	-3	-2	(?)	(?)	-1	(?)	-2	(?)	(?)	-1	(?)
Italy:														
Gross foreign aid	2,820	1,099	1,221	605	319	82	60	77	100	297	75	38	83	101
Less: Returns	111	17	94	28	30	6	3	14	6	36	10	5	15	6
Equals: Net foreign aid	2,209	1,082	1,128	577	290	76	57	64	93	260	65	33	69	96
Net grants	1,806	860	1,006	463	268	67	50	69	82	275	65	34	80	97
Net credits	343	221	121	114	22	8	8	-5	-14	-14	(?)	-1	-11	-2
Netherlands:														
Gross foreign aid	1,115	298	817	291	335	118	40	68	110	192	57	41	50	43
Less: Returns	101	14	87	5	30	13	8	3	7	51	7	35	3	6
Equals: Net foreign aid	1,015	284	730	285	305	105	33	65	103	140	49	6	48	37
Net grants	637	19	618	138	308	106	33	65	105	173	50	34	48	40
Net credits	377	265	112	147	-3	-2	(?)	(?)	-2	-32	(?)	-28	-1	-3
Turkey:														
Gross foreign aid	288	29	259	113	98	23	29	29	17	48	16	10	11	11
Less: Returns	24	6	18	4	8	1	1	2	3	7	2	1	2	1
Equals: Net foreign aid	264	23	241	109	90	22	27	26	15	41	14	9	8	10
Net grants	168	9	159	94	53	18	10	13	12	12	5	3	2	2
Net credits	96	13	82	16	37	4	17	14	3	29	8	7	6	8
Other ERP countries:														
Gross foreign aid	2,258	228	2,030	309	372	69	74	82	146	1,349	198	369	315	467
Less: Returns	53	1	52	5	26	10	4	7	5	20	3	7	5	5
Equals: Net foreign aid	2,205	227	1,978	304	345	59	70	75	141	1,329	195	361	310	463
Net grants	1,879	169	1,710	156	270	48	58	50	114	1,284	180	352	295	456
Net credits	327	58	268	148	75	11	12	25	27	45	15	9	15	6
Other Europe:														
Gross foreign aid	1,663	1,547	136	29	22	4	2	7	10	84	9	16	32	27
Less: Returns	88	26	63	28	27	1	13	2	11	8	3	1	2	2
Equals: Net foreign aid	1,575	1,521	73	2	-5	2	-11	5	-2	76	6	14	31	25
Net grants	1,136	1,106	30	-2	-16		-7		-9	48			25	23
Net credits	459	416	43	4		2	-8	5	7	28	6	14	6	3
American Republics:														
Gross foreign aid	664	300	365	112	103	28	23	32	20	149	24	18	69	49
Less: Returns	227	72	155	58	42	7	11	9	14	55	25	9	10	11
Equals: Net foreign aid	437	227	210	54	62	21	12	23	6	94	-1	9	48	38
Net grants	139	72	67	28	25	7	7	7	3	15	4	3	3	4
Net credits	298	155	142	26	37	13	4	16	3	79	-5	5	45	34
China-Taiwan (Formosa):														
Gross foreign aid	1,903	1,444	389	302	20	11	5	9	4	37	4	7	14	12
Less: Returns	121	56	64	51	6	2	2	(?)	1	8	3	1	2	2
Equals: Net foreign aid	1,682	1,387	295	251	14	9	-7	9	2	30	1	7	12	10
Net grants	1,568	1,230	338	285	18	11	-6	9	4	37	4	7	14	12
Net credits	114	157	-43	-34	-4	-1	-1	(?)	-1	-7	-3	-1	-2	-2
Japan and Ryukyu Islands:														
Gross foreign aid	2,470	1,027	1,443	660	483	185	110	76	111	299	59	62	69	109
Less: Returns	289	136	153	59	91	16	6	5	64	3	1	(?)	2	(?)
Equals: Net foreign aid	2,180	891	1,290	601	393	169	105	72	47	296	58	62	67	

Table 2.—Summary of Foreign Aid (Grants and Credits), by Major Country: July 1, 1945, Through June 30, 1951—Continued

Major Country	Total postwar period	Before European recovery program period	During European recovery program period											
			Total	Apr. 1948-June 1949	Fiscal year 1950				Fiscal year 1951					
					Total	July-Sept. 1949	Oct.-Dec. 1949	Jan.-Mar. 1950	Apr.-June 1950	Total	July-Sept. 1950	Oct.-Dec. 1950	Jan.-Mar. 1951	Apr.-June 1951
Philippines:														
Gross foreign aid.....	778	243	536	218	173	59	47	40	27	143	34	101	4	4
Less: Returns.....	18	13	5	1	(?)	(?)	(?)	(?)	(?)	4	(?)	(?)	(?)	4
Equals: Net foreign aid.....	760	231	530	217	172	59	47	39	27	140	34	101	4	1
Net grants.....	664	187	497	218	173	59	47	40	27	109	34	66	4	4
Net credits.....	97	64	33	1	(?)	(?)	(?)	(?)	(?)	31	(?)	35	(?)	-4
All other countries:^{1,2}														
Gross foreign aid.....	1,668	727	942	298	231	49	30	65	78	413	65	95	147	106
Less: Returns.....	342	187	176	161	8	3	2	1	2	7	1	3	(?)	3
Equals: Net foreign aid.....	1,326	540	766	137	223	46	28	64	76	406	64	92	147	103
Net grants.....	1,026	355	671	176	151	33	22	39	57	343	54	78	127	84
Net credits.....	301	206	96	-39	72	13	15	25	19	63	10	14	20	19

¹ See footnote 1 to table 1.² Net (-) of less than \$500,000.³ Net (+) of less than \$500,000.

⁴ Gross foreign aid, net foreign aid, and net credits for Netherlands include \$17.2 million ERP credits to Netherlands on behalf of Indonesia (\$15.0 million in April 1948-June 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."

⁵ Includes data not allocable to specific areas and EPU capital contribution.⁶ Negative entry results from excess of refunds on Chinese account for aid diverted (principally to Korea).⁷ Less than \$500,000.⁸ Includes data for international organizations and data not allocable to specific areas.

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

Government financial assistance. However, chronic maladjustments in European trade were not easily eradicated. Therefore, during the June 1951 quarter ECA provided grants to Austria and Iceland specifically to assist those countries in clearing their deficits with EPU.

Military assistance sustains European aid total

Despite the large declines in European-recovery aid in fiscal year 1951, noted above, total gross and net aid to the participating countries declined by only 9 and 7 percent, respectively, as compared to fiscal year 1950. The relatively smaller decline was due to the \$950-million increase in mutual-defense assistance provided to the Western European countries.

During the 3 months ended June 30, 1951, mutual-defense assistance to Europe reached the annual rate of \$1½ billion, an increase of about 50 percent from the previous quarter. Assistance furnished from excess United States Government stocks declined, so that the flow of current production into military aid increased more rapidly than total mutual-defense assistance.

In addition to providing military equipment, the mutual-defense assistance program provides materials and machinery for increased European military production and some raw materials usable for both military and civilian purposes. Such aid is furnished through ECA, acting for the State Department which administers the whole program. For the entire fiscal year, a total of \$17 million was provided in this type of assistance which is closely integrated with the European-recovery program in the expansion of productive facilities in the participating countries.

Information on the mutual-defense assistance grants provided through ECA is available by country and is so included in table 2. Data on military-item aid are not shown by country, but the amount provided against the authorization for the North Atlantic area and for Greece, Turkey, and Iran is included in the ERP area total.

Other European aid limited to Yugoslavia

Yugoslavia also received mutual-defense assistance under the provision whereby a limited amount of the assistance authorized by Congress can be provided to any "European nation whose strategic location makes it of direct importance to the defense of the North Atlantic area and whose immediately increased ability to defend itself * * * contributes to the preservation of the peace and security of the

North Atlantic area * * *." Under this special authority approximately \$15 million was provided to Yugoslavia as stop-gap assistance to relieve the critical food shortage in that country early in 1951.

Immediately following the establishment of this stop-gap aid program for Yugoslavia (which is included in mutual-defense grants), the Congress in December 1950 authorized a special Yugoslav-aid program, administered by the State Department. Under the latter authorization foodstuffs worth \$30 million were shipped to Yugoslavia in the first 6 months of 1951 from a planned \$38-million total. Meanwhile, the Export-Import Bank (EIB) disbursed \$6 million for foodstuffs under a \$15-million credit authorized to Yugoslavia early in fiscal year 1951. In addition Yugoslavia drew on other EIB credits. Finally, as a part of the mutual-defense program operated through ECA, Yugoslavia was furnished \$2 million more in assistance in the June 1951 quarter. Total aid to Yugoslavia in the fiscal year approached \$84 million, of which 60 percent was in the last 6 months.

Battle area aid rises in Korea

Economic-grant aid to Korea, the focus of world interest during fiscal year 1951, increased in that year, totaling \$99 million compared with \$82 million the previous year. The invasion and the subsequent contraction of the area controlled by the United Nations forces caused a sharp decline in the aid in the July-September 1950 period. In the last 3 months of calendar year 1950, the Army provided considerable common-use items, such as railroad equipment, to Korea and in the subsequent two quarters of the fiscal year furnished relief from Army funds and from an appropriation of \$50 million approved for that purpose in January 1951. By the June 1951 quarter, total grants to Korea returned to the average preinvasion level, about \$20 million, with three-fourths being provided by the Army as civilian relief and the remainder financed by ECA under Army responsibility.

Mutual-defense assistance to Korea, the Philippines, and the general area of China was at an annual rate of \$260 million in the April-June 1951 quarter, almost the same as in the previous 3-month period. For the entire fiscal year this military assistance exceeded \$191 million, after starting in the final quarter of fiscal year 1950 with \$5 million in grants. Data on military-assistance grants are included in "All other countries" in table 2; information for specific countries is not available.

Indian famine spurs United States aid

Economic assistance to Taiwan (Formosa) in the fiscal year 1951 was considerably above the previous year, aggregating \$32 million. Economic assistance included aid to Chinese students in the United States. The United States Government program for expanded economic assistance to southeast Asia, other than Formosa, began in fiscal year 1951 and totaled \$11 million. India received \$4 million of these fiscal-year grants as a partial subsidy on grain for famine relief.

Although actual aid to India was not large, considerable attention was devoted in 1951 to the famine emergency in that country. A major increase in aid for India was authorized on credit terms by Congress in June 1951, for the purchase of food grains (mostly wheat) in the United States for shipment to India. The loan agreement with India, executed by EIB, provides for repayment in dollars but contains a provision that, at the request of ECA or EIB, India will enter into negotiations to modify the agreement to provide for payment of principal and interest by the delivery of deficiency material at prices, times, and on terms mutually agreed upon.

Philippine rehabilitation concluded during year

Whereas the situation in India was of an emergency famine character, the Philippines were suffering from more chronic economic maladjustments. These were the subject of the report of the Economic Survey Mission to the Philippines. Aid to the Philippines was undertaken as part of the ECA southeast Asia program in keeping with one of the recommendations of the mission.

The Philippines received only nominal assistance under the ECA program, but continued to receive services under the Philippine rehabilitation program throughout fiscal year 1951 in diminishing amounts. Claims payments for war damage paid under the latter program were curtailed before April 1951; these had comprised the bulk of the Philippine aid prior to December 1950.

The United States provided further aid to the domestic economy in the Philippines through an agreement signed in November 1950 permitting the Philippine Government to utilize peso funds held for the United States, amounting to approximately \$35 million, to meet domestic obligations. This agreement provided for repayment in dollars in 10 equal annual installments with interest.

Korean conflict improves Japanese earnings

Evidences of continuing postwar recovery in Japan and the Ryukyu Islands in fiscal year 1950 led to a diminution of aid programmed by the United States Government for fiscal year 1951. Thus, in the latter year net aid declined to \$296 million from \$393 million the preceding year. Most of this aid to Japan and the Ryukyu Islands was provided by the United States Government through the Army as civilian supplies to occupied areas. Civilian-supply grants included, in addition to basic civilian foodstuffs, raw materials for economic recovery. In fiscal year 1951, cotton alone comprised \$143 million, or almost one-half of the net aid to Japan and the Ryukyus.

As a result of the military activity in Korea, the United States Government is spending large amounts to purchase supplies and services in Japan, which serves as a close base for United Nations operations on the mainland. The extended purchases in Japan increased the Japanese dollar-earning capacity and correspondingly decreased the necessity for grant aid from the United States Government. Accordingly no grants are contemplated for Japan by the United States Government beyond June 1951 except for liquidation of unshipped amounts from the earlier programs.

American Republics dominate technical-assistance grants

United States Government aid to the American Republics moved counter to the general trend, increasing by 45 percent from fiscal year 1950 to the succeeding year. Credit disbursements by EIB to Argentina were the major factor in this increase. These disbursements—from the \$125-million credit authorized late in May 1950—totaled \$86 million in the first 6 months of calendar year 1951. As a result, the American Republics accounted for half of the net foreign-credit activity of Government agencies in fiscal year 1951.

The American Republics are the principal recipients of the bilateral aid provided under the Point 4 program, which includes the technical assistance provided by the Institute of Inter-American Affairs. Technical-assistance grants of \$15 million to the American Republics were approximately half of those made in fiscal year 1950. This decline was primarily the result of decreased aid under the joint cooperative program to assist Mexico in the eradication of the foot-and-mouth disease epidemic among cattle in that country.

Upsurge in grants and credits expected

Indications persisted that for several years the United States Government would have to continue assistance to the

Table 3.—Foreign Aid Authorizations Available in Fiscal Year 1952
[Billions of dollars]

Source of availability	Total	Economic and technical assistance			Military assistance (grants)
		Total	Grants	Credits	
Estimated total available for foreign aid in fiscal year 1952, and for pipeline carry-over into fiscal year 1953.....	18.5	6.4	3.6	2.8	12.1
Estimated aid still to be furnished as of June 30, 1951, from existing authorizations.....	9.8	3.9	2.2	1.7	5.9
Additions provided by Congress through October 1951.....	8.7	2.5	1.4	1.1	6.2
Mutual security:					
Authorized excess-property transfers.....	.3				.3
Appropriations.....	7.3	1.4	1.3	.1	5.9
Extension and expansion of EIB lending powers.....	1.0	1.0		1.0	
Other appropriations.....	.1	.1	.1		

¹ Includes \$100 million appropriated for aid to Spain, not determinate as to grant or credit, economic or military.

Source: Department of Commerce, Office of Business Economics.

free nations of the world. The estimated total available for aid for fiscal year 1952 and pipeline carry-over into fiscal year 1953 exceeds \$18 billion. As shown in table 3, nearly two-thirds of these available funds is for military assistance. In the most recent authorization the Congress provided new funds for a consolidation of most Government aid into the mutual-security program, with a larger proportion of the aid allocated for military assistance. Further, economic and technical assistance authorized on a grant basis was slightly above \$1.3 billion, in comparison to a rate two to four times greater during the last 2 years.

The new amounts also include \$1 billion added to the EIB lending power. In the last year EIB began extending credits to finance the development in foreign countries of strategic and critical materials needed by the United States in its rearmament program. Such credit agreements were usually tied into procurement arrangements between the General Services Administration and the borrower whereby most or all production from the financed projects would be sold to the United States Government over the period of the credit. The enlarged loan authority will help expand this program.

This enormous backlog of unused aid authority will force both grant and credit assistance into higher levels than existed in fiscal year 1951.