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FOREIGN NEEDS FOR UNITED STATES ECONOMIC ASSISTANCE DURING THE NEXT THREE TO FIVE YEARS

Report of the Economic Working Group on Economic Aid

to the Special Ad Hoc Committee of the

State-War-Navy Coordinating Committee

Reference: SWN-5280

July 1, 1947

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Summary and Conclusions

Conclusions

Foreign needs for economic assistance have been re-examined by the Working Group on Economic Aid. While in some particulars the outlook now differs from that given in the previous Interim Report of 2 May 1947, the major conclusions of that study have been re-affirmed. Two of the conclusions were:

a. that under present programs and policies the world will not be able to continue buying U. S. exports at the 1946-47 rate and

b. that the current volume of U. S. foreign financing is not adequate to secure either world economic stability and a desirable world trading system or our political objectives in critical countries.

Requirements of the world for economic assistance based upon the rising levels of consumption and capital formation necessary to the realization of U. S. political objectives are far in excess of the amounts the U. S. is prepared to supply under present policies, authorizations, and programs. Requirements unsatisfied in 1947-1949 are estimated to total $9.1 billion; of the sixteen countries participating in the Paris Conference on European Recovery the eight considered to confront unsatisfied requirements account for $6.6 billion, and four of the eight--the U.K., France, Italy, and Bi-zonal Germany--account for $5.6 billion.

In the

In the measure that the cooperative program of recovery being formulated in Paris by Western European countries provides for meeting their requirements and is supported by the U. S., a large part of the total problem will be met. In addition to carrying forward with the 'Marshall Plan' members of the working group consider that the following financial measures are required to secure U. S. foreign policy objectives in other areas than Western Europe.

1. Present U. S. government policies and programs of rendering financial assistance to other countries than those participating in the Marshall Plan should be continued and carried forward in the measure anticipated in this Report, including

   a. realization of $1.1 billion of International Bank lending in the three years 1947-1949 to non-Marshall Plan Countries,

   b. the appropriation in Fiscal Year 1949 of funds for continued civilian relief in Japan, and

   c. appropriation of a grant-in-aid for Korea.

2. The U. S. Government should scrutinize the projects of non-Marshall Plan countries noted as unfinanced in this report to determine which of them might, under a more liberal loan policy than is now employed, be appropriately financed by the International Bank.

3. To the extent not required to aid in implementing the Marshall Plan the uncommitted lending power of the Export-Import Bank, amounting on July 31 to $800 million, should be employed to finance the most productive of the requirements of non-Marshall Plan countries remaining unsatisfied under present policies, authorizations, and programs.

4. The ship sales act should be amended and renewed and the disposition of ships should be pursued with vigor to the end of putting into service under foreign flags U. S. government owned merchant vessels that are

that are now, and in view of present policies will likely continue, idle.

The Working Group also reaffirms the view expressed in its Interim Report as to the necessity for giving authority to the Maritime Commission to operate government owned vessels and to apply revenues from operation of ships for government account to meet expenses of operation.

The cost of realizing our political objectives cannot wholly be measured in money. Reaching the objectives will require overcoming world-wide shortages of commodities--particularly grains, fats and oils, coal, and steel. Solution of the problem posed by such commodity shortages depends on the continuation or imposition and the strengthening of controls in the U.S. over exports and domestic consumption. Such controls should be used to divert supplies, subject to considerations of international equity, to their most important uses as measured by their effect in relaxing political tensions in the non-Soviet world and promoting positive political attitudes toward the U.S.

In its Interim Report the Working Group noted certain specific measures required to deal with commodity shortages then anticipated. It was held necessary:

a. to commit ourselves firmly to the export goal of 15 million tons of grain, to direct this amount of grain into export channels by taking measures for control outlined in the Report, and to continue collaborating with IEFC in programming the allocation of exports,

b. to continue U.S. coal exports to Europe at a maximum during 1947 and for a considerable period thereafter, to give highest priority to a coordinated program for increasing European coal production, and to continue supporting the principle of international allocation in accordance with need in the distribution of available coal,

c. to direct, by governmental action, nitrogenous fertilizer, steel, and certain capital equipment items into export channels, and

d. to extend governmental powers expiring June 30, 1947 (i) to allocate and assign priorities to export of a limited list of critical

commodities

commodities, (ii) to control exports, and (iii) to assign priorities to transport of exports.

The Working Group in this report has examined the outlook for grains, fats and oils, coal, and steel. The world grain situation has deteriorated markedly since the Interim Report was prepared. It is no longer in prospect that the U. S. could make available for export in 1947-48 approximately 15 million metric t tons of grain without curtailing domestic consumption; 12 million tons only are now in sight for export, and foreign import requirements have increased because of crop failures abroad. The deficit in prospect has increased from 9 million tons to 16 million tons. To achieve U. S. political objectives it will be essential to take maximum efforts to step-up U. S. grain exports. Maximum efforts include

1. restoring 1946 controls, particularly provisions for higher flour extraction rates,

2. shipping a larger proportion of U. S. wheat as wheat rather than as flour to take advantage of higher extraction rates abroad and provide foreign countries a larger supply of by-products for feed, and

3. the efforts noted above in (a) which the Working Group re-affirms.

It also re-affirms the necessity of measures noted above in (b) and (c) for dealing with the prospective shortages of coal and steel. In this connection the Working Group wishes to stress the importance to easing the critical world steel situation of renewing the Ships Sales Act and pressing the disposition of ships with vigor. Approximately 12 million d.w.t. of U.S. Government-owned shipping, currently inactive, could be put into service under foreign flags to minimize the need for constructing new vessels abroad. The working group also believes continuation of world allocation of fats and oils necessary to prevent bidding up of world prices and to insure as equitable distribution as is possible. The powers to direct and regulate the export of critical materials and to allocate transportation equipment, noted above in (d), have been renewed until March 1, 1948*.

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*Estimates in this report were prepared early in the summer and, in varying degrees, have been superseded. However, it is believed that if appropriate revisions were made, they would serve to strengthen the conclusions of the report since they would raise European unsatisfied dollar requirements and requirements for critical commodities, particularly grains, fats and oils, and coal, while lowering prospective export supplies. Even though the estimates are not, in detail, the best that could now be made, it is felt that the over-all analysis and conclusions are substantially correct and a useful purpose will be served by presenting the report at this time. (9/18/47)

Summary

Objectives of U. S. Economic Assistance

Economic assistance to foreign countries by the United States follows logically from a major tenet of United States foreign policy: that U. S. security will be served by support from the peoples and governments of Western Europe, the Near East, the Far East, and Latin America and the strengthening of economic-military potential of friendly areas not likely to be over-run by hostile powers in the event of war. To this end, and equally to the end of peace, U. S. policy seeks the elimination of political tension and violence within and among countries in the non-Soviet world (a) as a means of avoiding the occasion for competitive intervention by the U. S. and USSR, (b) to establish conditions for the peaceful political evolution and cooperative unification of the non-Soviet world, with the United States in a leading role, and (c) to demonstrate to the Soviet world the necessity of revising a foreign policy grounded in the prognosis of the inevitability of economic rivalry and political strife among capitalistic countries culminating in war.

Political tension within and among countries of the non-Soviet world arises from disappointed hopes for economic betterment cherished by a country or by classes in a country. In the case of the more advanced war devastated European countries, hopes of urban lower-income groups for a quick

return to

return to living standards enjoyed before the war have been disappointed despite marked improvement in their condition. Disappointment and loss of hope for rapid realization of economic aspirations have given birth to, and in the next few years will nourish, hostility and aggression toward the more favored classes in their own country, toward national authorities, and toward the U. S., the principal country able to provide means for improvement. In the case of underdeveloped countries not suffering devastation, internal class tensions and xenophobia arise with the emergence of new social and economic classes conscious of the favored position and wealth of native ruling groups, colonials, and foreign concessionaires. Hostility toward rich countries and toward the metropolitan powers, civil war and colonial rebellion are the potential or actual results in many areas.

U. S. economic assistance in adequate amounts to war devastated and underdeveloped areas is indispensible to eradicating these causes of political conflict within and among countries of the non-Soviet world and to promoting their peaceful political evolution and cooperative unification. It will, by making possible a more rapid increase in urban living standards and by terminating the seemingly endless procession of economic crises, restore hope and morale and strengthen moderate, democratic governments in the more advanced war devastated European countries; in underdeveloped countries it will accelerate the process of capital formation necessary

necessary to an increase in mass living standards and the relaxation of dangerous political tensions but only if stripped by all appearance of foreign exploitation and if accompanied by radical social and political reforms.

Such assistance will help dispell hostility toward the U. S. engendered by envy and desperation and will promote more positive attitudes. International cooperation and planning will also be promoted by such aid, and U. S. political leadership will be increased because it will be identified with the common objective of raising living standards throughout the world.

Measurement of Financial Requirements

Measurement of the economic assistance needed by any particular country of the world to maintain or create the political, economic, and social conditions of high morale, peaceful development, and support of U. S. political leadership is necessarily a difficult question of judgment which must take account of existing political circumstances and recent economic experience. The needs of the world for the Years 1947-1949 for "capital imports"* the extent to which they will probably be met out of existing resources or from financial assistance advanced under existing policies and programs of the U. S. Government, other governments, and the World Bank

* The phrase "capital import requirements" is used in this report to denote the difference between (i) a country's total needs for imports of goods and services and for repaying obligations and (ii) the sum of (a) its current account resources (its exports of goods and services, its sale of new gold and its net receipt of private remittances) and (b) prospective loans by other countries than the U. S.

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TABLE I

WORLD CAPITAL IMPORT REQUIREMENTS 1947-1949: SUMMARY BY AREA*
(billions of dollars at prices prevailing in the last half of 1946)

	Total "Required" Net Dollar Capital Imports				Allowance for probable financing**				Net Unsatisfied Capital Import Requirements			
	1947	1948	1949	Total	1947	1948	1949	Total	1947	1948	1949	Total
All Areas	11.3	8.9	6.9	27.1	10.0	5.1	3.2	18.3	1.3	3.8	3.7	8.8
Europe	6.9	6.3	4.6	17.8	6.1	3.0	1.4	10.3	.8	3.2	3.2	7.2
Western Europe	5.8	5.1	4.0	14.8	5.5	2.6	1.2	9.1	.4	2.4	2.7	5.6
Eastern Europe	1.1	1.2	.6	2.9	.6	.4	.2	1.2	.5	.8	.4	1.7
Near East & Africa	.6	.7	.4	1.7	.5	.5	.3	1.3	.1	.2	.1	.4
Far East & Oceania	1.8	1.2	1.2	4.2	1.5	.9	1.0	3.5	.3	.3	.2	.8
Western Hemisphere	1.9	.6	.5	3.1	1.8	.5	.4	2.8	.1	.1	.1	.3
Unallocable	/	.1	.2	.3	/	.1	.2	.3				

* Discrepancies in the last decimal of totals are due to rounding.

** Out of United States Government credits and aid, International Bank credits, private investment, and the liquidation of gold holdings and dollar assets.

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World Bank, and the extent to which they are likely to remain unsatisfied are given in Table I. A summary by areas of this table is given on page viii.

Capital import requirements of non-Soviet war devastated countries provide (a) for a sufficiently rapid improvement in levels of consumption to make probable the survival of moderate democracy and (b) for the restoration of war damage and a moderate improvement in capital plant to ensure (i) rapid achievement of self-support and (ii) in some cases capacity to carry a share of responsibility for maintaining world peace and security. Capital import requirements for Soviet satellites have been based on less favorable consumption and capital improvement standards. They have been included for the sake of giving a complete picture and not necessarily because their satisfaction in full is essential to attainment of U. S. objectives. Estimated requirements of Europe tend to be understated for a number of reasons.

Capital import requirements of underdeveloped areas of the world permit a moderate rate of agricultural and industrial capital formation and include some allowance for financing internal costs (by currency stabilization credits) where deemed necessary. It is believed that the postulated rates of development for such areas in general are up to the limits established by rates of domestic saving and rates at which necessary new institutions can be established and new workers trained. A larger program would tend to be dissipated in inflation and wasted

wasted in graft. In general, requirements estimates do not include the foreign exchange cost of military assistance.

The net capital import requirements of all areas are expected to decline from 11.3 billion in 1947 to 7.1 billion in 1949 as the tempo of world recovery and expansion accelerates and the flow of exports from the devastated areas increases. Requirements of Near East and Africa are expected to increase in 1948 and be larger in 1949 than 1947; requirements in Western Europe are expected to fall by about 1/3 in the course of the two years; those of the Far East and Oceania are likewise expected to fall about 1/3; but requirements in the Western Hemisphere are expected to fall precipitously to slightly more than 1/4 of the 1947 level by 1949. The precipitous decline in Western Hemisphere capital import requirements reflects a lack of provision for the continuation of the present high rate of U. S. exports to that area. The present rate is made possible by the liquidation of dollar assets and the transfer of funds from Europe to Western Hemisphere countries in satisfaction of current trade balances and blocked sterling accounts. It is expected that in some measure the high level of Western Hemisphere demand exhibited in 1947 is temporary and reflects a war-time accumulation of deferred demands. To a considerable extent, however, these demands can be expected to continue, and the hope is that, as the dollar holdings of the Western Hemisphere decline and the ability of European countries to pay in dollars dimishes,

Europe's

Europe's ability to supply Latin American and Canadian needs will increase so that the net dollar capital import requirements of Western Hemisphere countries will, properly, decline.

Financing Now Available or in Sight

A substantial part of all net capital import requirements of the world 1947-49 will be satisfied if present financial policies and programs (including $2.4 billions of International Bank loans) are realized, if certain foreign countries carry out present programs for liquidating dollar gold assets in excess of the bare minimum, and if favorably situated countries succeed in securing private financing. A relatively small proportion of the total financial requirements estimated for the Near East and Africa, Far East and Oceania, and the Western Hemisphere will remain unsatisfied. However, for a handful of countries financing now available or in sight will fall far short of requirements; the unsatisfied needs will be particularly serious in four western European countries: the United Kingdom, France, Italy, and Bizonal Germany.

The United States balance of payments has been projected on the assumption that present financial policies, authorizations, and programs are not changed and on certain assumptions regarding the future course of prices and national income in the United States. It indicates that United States exports and the United States trade balance may be expected to decline sharply in 1948 and further in 1949 from the 1947 level as shown in the following summary table:

Prospective

Prospective United States Exports of Goods and Services and Trade Balance, 1947-1949, Under Present Financial Policies, Programs and Authorizations

(billions of dollars at then current prices)

	1947	1948	1949	Total
Exports of Goods and Services	19.02	13.67	12.37	45.06
Trade Balance on Goods and Services Account	10.68	6.01	3.96	20.65

It is believed that the decline in United States exports will contribute to a minor business recession in the United States, reaching its deepest point toward the end of 1948, and to a fall in United States prices continuing into 1949. On this prognosis, slack will appear in the American economy, slack which could be employed in part at least in meeting the unsatisfied capital import requirements of the rest of the world.

The decline in the exports and trade balance of the United States has been projected in Table II for major areas of the world. Under present aid policies and programs, the most marked declines in prospective capital imports from the United States will be experienced by Western European and Western Hemisphere countries. Eastern European countries will experience a relatively large decline in total and net imports from the United States. United States trade with the Near East, Africa, the Far East and Oceania will by comparison remain relatively steady.

A striking feature of the balance of payments projection is the allowance that has been necessary for the inter-area transfer of funds (gold and dollars) from Europe to other areas, particularly the Western Hemisphere. An explanation of this

of this phenomenon is to be found in the changed character of world trade induced by the war--more specifically, by the inability of European countries to increase exports, by their liquidation of foreign investments in underdeveloped areas, and by the change in terms of trade between the processing countries of Europe and their sources of raw materials.

Unsatisfied Financial Needs

It may be seen from Table I (See the Summary by Areas, above, page viii) that net unsatisfied capital import requirements for the years 1947-49 may be expected on the basis of present financing policies, authorizations, and programs to total $8.8 billions at fixed prices (i.e., prices prevailing in the last half of 1946). This residual figure is not, however, an entirely satisfactory measure of the dollars that would be required to fulfill the objectives of the United States as reflected in the real capital import requirements of the world because, since the last half of 1946, prices have increased markedly. A price increase affects not only the value of goods represented by the $8.8 billion deficit; it affects also the whole volume of goods required by a country. It is possible to compute the sums which at assumed prices in 1947, 1948 and 1949 would be required to satisfy the real requirements measured in the first column of Table I*. The following table gives the results of that computation:

Dollars

*The assumption has been made that prices will take the following course: Last half 1946 equals 100%, 1947 equals 110%, 1948 equals 99%, and 1949 equals 97%.

Dollars Required to Finance the Unsatisfied Capital Import Requirements at Current Prices: By Area
(billions of dollars at then current prices)

	1947	1948	1949	Total
All Areas	2.3	3.4	3.4	9.1
Europe	1.3	2.9	3.0	7.2
Western Europe	.8	2.2	2.6	5.6
Eastern Europe	.5	.7	.4	1.6
Near East and Africa	.2	.1	.1	.4
Far East	.5	.3	.2	1.0
Western Hemisphere	.3	.1	.1	.5

If the assumed decline in prices during 1947-49 does not in fact materialize or if it is less than assumed, substantially larger amounts will be needed to meet the unsatisfied real requirements. On a somewhat different assumption - viz., that prices remain at the level assumed for 1947 (real national income of the United States conforming to the pattern assumed in the balance of payments projection) - it is estimated that unsatisfied world capital import requirements would be increased by $2.1 billions in the two years 1948 and 1949 to a total of $11.2 billions for the three years.

These estimates of the unsatisfied net capital import requirements of the areas of the world are useful as a benchmark and as a guide to analysis. They must not be employed dogmatically since they are based on a number of very uncertain factors.

Beyond 1949 the prospects are more obscure. It is to be hoped that a well coordinated three-year assistance program of this magnitude would bring Western Europe at least within sight of becoming self-supporting. Some further assistance will undoubtedly be required after 1949.

Unless their unsatisfied capital import requirements are met, U. S. political objectives in respect of strengthening the more important Western European countries -- UK, France, Italy

Italy and Bizonal Germany -- and of holding out a beckoning hand to the Russian satellites, will not be achieved. As noted above, unless further aid is forthcoming to Italy and France, it may reasonably be expected that their existing moderate governments will give way to governments partially or wholly controlled by the communists. The prospect for the UK, while less dramatic, is nevertheless serious; the immediate result of relying wholly on present programs and policies of financial aid will be to force a reduction in British gold holdings and dollar balances below the minimum considered by the U. K. Government necessary to meet the uncertainties of the next few years, to force a sharp reduction in living standards, and greatly to retard economic development. The UK has already found it necessary to request freedom from the commitments under the British Loan Agreement, and it would probably have recourse to more stringent bilateral trading arrangements, more exclusive preferences, and more comprehensive state trading. The U. K.'s war potential would suffer; it would be probably forced to relinquish most of the load it has been carrying in occupied areas; and its ability to perform as a full-fledged partner in a worldwide program of collective security would disappear.

Some part of the unsatisfied dollar requirements may conceivably be met out of lending by the International Monetary Fund but such loans should be considered short term since they must be otherwise refinanced within a short time. Export-Import Bank financing out of its remaining lending power may be possible for a number of development projects in underdeveloped areas, and it is possible that a few projects in

Europe

Europe could be so financed once other unsatisfied European requirements had been met. The allowance made for lending by the International Bank is excessively modest in comparison with the Bank's authority under its charter. A less conservative policy than has been assumed for the Bank might provide the means of financing some of the reconstruction and development projects remaining unsatisfied.

While total gold and foreign owned dollar assets in the world are large, they are not held by the most needy countries in amounts greatly exceeding minimum reserve requirements.

World Commodity Problems

Even though funds were made available to meet the unsatisfied capital import requirements of the world, the prospective world supply of some commodities would be inadequate to cover demands thereby made effective. World demand for certain critical commodities and services is so great, even under present financial policies, authorizations, and programs, that within the context of the U. S. balance of payments projection referred to above, deficits may be expected and difficulty will be encountered in covering the most urgent world needs without resort to export controls in the U. S. and curtailment of domestic U. S. consumption.

Bread and Feed Grains: Deficits aggregating 14 million tons in 1947/48 and 10 million tons in 1948/49 are in prospect for the net grain importing countries of the world, which are mostly in Europe. Requirements are expected to be balanced by the increased supplies anticipated in 1949/50. The grain requirements of the importing countries of the world have been calculated on the basis of calorie levels somewhat higher than those attained in 1946/47.

Local

Local production in deficit countries and world export availabilities are expected to increase over the next three years. U. S. objectives require that the politically most critical countries (in Western Europe) enjoy a continual improvement in urban food supply. To accomplish this, it will be necessary (1) to increase grain exports from the U. S. by restricting U. S. consumption and by increasing U. S. extraction ratios and (2) to favor these countries in the allocation of available supplies to the maximum extent consistent with considerations of international equity.

Fats and Oils: World export availabilities of fats and oils are expected to be 54% of the pre-war level during 1947 rising to 77% in 1949. If import requirements of European countries except Germany are calculated as those needed to meet pre-war consumption standards and of non-European countries (including the U. S.) as pre-war imports, the annual world deficit in 1947 is expected to be as much as 1,600 thousand tons, oil equivalent. With the U. S., a net importer of fats and oils, maintaining its per capita consumption at pre-war levels, competition on the buying side has been, and will continue to be keen and prices very high. The dollar-poor importing countries of Europe have suffered a disproportionate reduction in consumption levels, in part because international allocation has not been very equitable.

The relation between achievement of U. S. objectives and the level of consumption of fats and oils in critical countries is not as close as in the case of grains. With world export availabilities in 1949 of no more than 77% of pre-war and with the U. S. maintaining its pre-war consumption, it is clear that there is no hope of European importing countries reaching pre-war consumption levels during this

period

period. At most it might be hoped that Europe would participate somewhat more than proportionately in increased supplies in 1948 and 1949. This would permit a very considerable improvement of consumption in Europe during this period. To realize this improvement it will be essential to continue and improve world allocations of fats and oils to prevent the still unsatisfied U. S. demand from absorbing all the increases.

Coal: Europe is the critical coal deficiency area although the Far East also has unsatisfied requirements and Latin America is a net importer on a small scale. Europe is unlikely to attain self-sufficiency in coal until 1951. Including the deficiency in Germany and the U. K., production in Europe during 1947 will fall short of requirements by 115 to 130 million tons. Excluding Germany and the U. K., the 1947 deficit of European net importing countries is between 70 and 80 million tons. A part (36 million tons) of the deficit can be met from the U. S. and another part (estimated at 20 million tons) will be met from Poland and Germany in 1947. The net unsatisfied deficit of coal importing countries of Europe is therefore set at 15 to 25 million tons in 1947. U. S. coal exports to Europe could probably be increased above the 36 million ton level.

Poland and Germany are expected to export 35 million tons in 1948, and 50 million tons in 1949. U. S. exports can thus make up approximately the full requirements of the normal importing countries in these years.

An adequate supply of coal for Western European countries is essential to restoring their production and exports and to raising living standards. The problem of coal, like that of

grain

grain, lies at the heart of the problem of achieving U. S. objectives. It can be solved within the time horizon of this report, but at a cost that becomes manifest in a need for dollar assistance. It is almost certain that under present financial policies and programs the world shortage of dollars would make it impossible for European countries to continue importing coal from the U. S. at the rates projected above.

Dry-Cargo Ocean Shipping: The world supply of ocean-going dry-cargo shipping is sufficient in real terms to move the goods implied by the capital import requirements estimated in Table I above. However, the ownership distribution of the tonnage available imposes a financial burden upon European countries accustomed before the War to earn a good part of their living by rendering shipping services. The efforts of European countries to build new fleets imposes an additional burden on their limited resources. Both this physical burden and the financial burden of the present dollar cost of shipping services would be eased to the extent U. S. vessels were made available on reasonable terms to foreign countries. U. S. Government owned dry-cargo tonnage now idle totals about 12 million tons deadweight.

Steel: World steel production is expected to increase by more than 18 million ingot tons between 1947 and 1949. Nevertheless, production will be short of requirements by 28.7 million tons in 1947, by 21.9 million tons in 1948, and by 13.3 million tons in 1949. The combined deficits of the

USSR,

USSR, Germany, and Japan account for 12.5 million tons of the total in 1949. Outside these countries, therefore, it may be expected that approximate balance can be reached in 1949 (subject to an important qualification regarding the extent to which unsatisfied deficits in previous years will carry over).

With U. S. steel exports for this period estimated at only 7 million tons annually, their careful allocation among countries in the light of our objectives will obviously be necessary.

July 1, 1947

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FOREIGN NEEDS FOR UNITED STATES ECONOMIC ASSISTANCE DURING THE NEXT THREE TO FIVE YEARS

Report of the Working Group on Economic Aid to the Special Ad Hoc Committee of the State-War-Navy Coordinating Committee

Reference: SWN-5280

I. Introduction: Objectives of U.S. Economic Assistance Policy

United States economic assistance policy derives from three tenets of United States foreign policy:

1. The support or friendly neutrality of the peoples of Western Europe, the Near East, the Far East and Latin America would be of incalculable value in maintaining and furthering the security of the United States. The Economico-military potential of areas of the globe not likely to be overrun by hostile powers in the event of war is of military concern to the United States.

2. The political stability, peaceful political evolution and cooperative unification of the countries and peoples of the non-Soviet world will strongly influence our own political morale and economic well being, and with them the favorable or unfavorable evolution of our domestic political institutions. Furthermore, and of equal or greater importance, high morale and peaceful and prosperous development of the non-Soviet world will strongly influence the attitudes and confidence of Soviet and satellite-Communist leadership because it will directly contradict the Communist prognosis for the future of the non-Soviet world. A sharp contradiction of Soviet theory by world facts (including loss of ground by Communist parties abroad) may not unreasonably be expected, in time, to bring about important modifications in Soviet foreign policy, which is squarely based upon this prognosis. On such a modification the world's hope for peace depends.

3. Political instability, the strengthening of extreme political parties and the outbreak of violence within or among the countries of the non-Soviet world will increase U.S.-U.S.S.R. tension and the likelihood of conflict, because they will invite competitive political and military intervention by the United States

United States and the U.S.S.R. The validity of this proposition may be judged from the deterioration in U.S.-U.S.S.R. relations growing directly and indirectly out of the Greek civil war. The cases of Iran and China are also pertinent.

It follows from these tenets that the day-to-day operations of United States foreign policy are or should be based upon a politico-economic strategy whose objective is to weaken and if possible eradicate the causes of political conflict within the non-Soviet world and thus to promote its peaceful political evolution, and to find common purposes for and to build the cooperative unity, both intra- and internationally, of the non-Soviet world, with the United States in a leading role.

In the realization of this objective, United States economic assistance has a major part to play. The importance of this role arises out of the close causal nexus, the reciprocal relations between political stability and economic welfare and, similarly, between economic stagnation or retrogression and political conflict. This is, of course, a gross oversimplification; the relationship between economic change and political conflict is a very complex one. A more precise general statement of this relationship might run somewhat as follows: (1) serious frustration of the aspirations of classes or countries for improvement (real or apparent) in their living standard is apt to turn into hostility and aggression toward other classes, or the "powers that be", or toward other countries; (2) such frustration arises out of a wide and continuing discrepancy between, on the one hand, people's economic aspirations and, on the other, their current economic situation and/or their short-run expectations; (3) people's economic aspirations result from what they have known in the recent past, from what they are conscious that others enjoy, and from their collective judgment of their own capabilities for raising their economic level if given the opportunity.

With reference to the situation of the war-devastated countries and of some of the underdeveloped areas of the world, economic assistance can make the following

the following contributions to the realization of the above objective:

1. In the non-Soviet war-devastated areas, particularly France and Italy, class conflict is now exacerbated by the low level and maldistribution of real income, and is accompanied by growing hostility toward the United States. The urban lower-income groups, because their living standard is far below pre-war, because they see other classes and other countries enjoying a living standard as high or higher than pre-war and because they feel that "given a chance" (i.e., different price and wage policies by their government, more foreign aid, etc.) they could do much better, have aspired since liberation to a rapid recovery of living standards. There is a wide gap between their present economic condition and their aspiration; and, much more serious, their short-run expectation of rapid improvement is dwindling as they lose hope. Their consequent frustration is expressed in hostility, more or less intense, against more favorably situated classes, the national authorities, and against the United States (as the convenient symbol for countries which are better off and should be helping them more). This hostility further expresses itself in a tendency to support the more extreme political parties. The resulting polarization of politics and intensification of political struggle further impairs the effectiveness of the government in dealing with the economic difficulties which are at the root of the whole process.

This over-simplified statement helps explain the apparent paradox that economic conditions in France and Italy (including the living standards of the urban lower income groups) have improved markedly since liberation, and yet so has the membership and voting strength of the Italian and French Communist parties. The reason, of course, lies in part in the fact that the French and Italian urban lower income groups had, at liberation, high hopes of rapid recovery. Two years later their actual condition has improved, but much more slowly than they had hoped; as a result, their hope and morale have seriously deteriorated, and their sense of frustrated aspirations has been correspondingly intensified.

In this

In this kind of situation, United States economic assistance in adequate amounts can obviously make an important contribution by permitting urban living standards to rise more rapidly and by dissipating the atmosphere of government by crisis and improvisation, thus restoring hope and morale and at the same time tending, both directly and indirectly, to call forth more positive attitudes toward the United States.

2. In many of the underdeveloped areas of the non-Soviet world, internal (class) tensions are rising and hostility toward the metropolitan powers and toward the "rich" countries generally is growing. In a number of cases since the war, it has already resulted in civil war and/or colonial rebellion - for example in China, Indonesia, Indochina, Burma, Madagascar, Palestine, Syria and French North Africa. In others, for example in several Latin American countries, in India and in other Arab states, large-scale political violence apparently lurks just below the troubled surface.

The general statement above of the relationship between economic change and political conflict can also be helpful in these cases: Gradual economic development and urbanization of these areas have given birth to new social and economic classes which have become increasingly aware both of the enormous gap between their living standards and that of the numerically small, wealthy native ruling groups, of the occidental colonists, and of other countries and of their own capacity to rise in the economic scale if given a chance. Their advance is, however, frustrated by the entrenched position and normally unenlightened attitudes of the native ruling groups, by static and anachronistic economic institutions (e.g., feudalistic land tenure) by the interests and power of colonists, the colonial authorities, foreign business interests, and so on. Under these circumstances, acute political tensions are bound to accumulate and to find expression in intense Xenophobia, in a conviction that the advanced countries are indifferent or hostile to development of the area except for purposes of exploitation, and in civil war,

colonial

colonial rebellion and the like. Communist organizations find such conditions favorable for their operations.

United States economic assistance to such underdeveloped areas will be indispensible to the prevention or relaxation of such dangerous political tensions because it is a necessary condition of their economic advance. However, United States economic assistance will have to be stripped of the appearance of exploitation and be accompanied by radical social, political, colonial administration reform if it is to have the desired effect. For, in the absence of such reform, an increase in the rate of economic development is likely merely to step up the rate at which social and political tensions accumulate.

3. As evidenced by the reaction to Secretary Marshall's Harvard speech (June 5, 1947), United States economic assistance can be a powerful lever for promoting the unity of non-Soviet Europe; United States economic assistance can and should also be used to promote cooperative international planning and action over wider areas.

4. United States economic assistance can be used to maintain and increase United States political leadership in the non-Soviet world. This is not only, or even primarily, due to the direct influence and bargaining power which may accrue to the United States as a result of economic aid. It is much more because, as the source of economic assistance, we may promote and identify ourselves with the common objective of rising living standards. The idea of rising living standards and of economic justice, expressed concretely in a cooperative international policy of rapid reconstruction and economic development, is a common purpose around which the non-Soviet world can rally and under whose symbols the United States can effectively assume the desired role of political leadership. United States political leadership cannot be obtained by asking for it as the price of economic assistance; it will come only as the by-product of an intensification of cooperative relations based upon economic assistance.

The following

The following sections are devoted to an over-all view of the most immediate major world economic problems and to the extent to which the United States can contribute to their solution and thus to the attainment of the objectives indicated above. Section II deals with world financial needs. Section III deals with world needs for and supplies of certain commodities now in world short supply. Section IV deals with the relation between regional and world approaches to economic assistance policy.

II. World Financial Needs

A. Financial Implications of United States Objectives

1. The Measurement of Requirements

Measurement of the needs of the world for capital imports* in the light of the foregoing objective requires the establishment of specific consumption, reconstruction, and economic development goals. These must be designed to maintain or create in foreign countries the political, economic, and social conditions of high morale, peaceful development, and support of United States political leadership. The formulation of such goals, country by country, is necessarily a difficult question of analysis and judgment which must take into account the existing political circumstances and recent economic experience of each country.

In estimating world capital import requirements, it is necessary to differentiate between (a) war devastated countries whose production, consumption, and exports are substantially below pre-war levels and (b) backward or under-developed areas of the world. In the former category a further subdivision between countries of the non-Soviet world and Soviet satellites is required.

Capital import requirements of the non-Soviet war devastated countries may be roughly defined by the need for (1) an improvement in levels of consumption sufficiently rapid to make probable the survival of moderate democracy

* The phrase "capital import requirements" is used in this report to denote the difference between (i) a country's total needs for imports of goods and services and for repaying obligations and (ii) the sum of (a) its current account resources--exports of goods and services, sale of new gold, and net private remittances--and (b) prospective loans by other hard currency countries than the United States.

democracy and (2) the restoration of war damage and a moderate improvement in capital plant to ensure rapid achievement of self-support and in some cases of capacity to carry an appropriate share of responsibility for maintaining world peace and security.

United States economic aid policy toward Soviet satellites has not, as of this date, been fully clarified. Capital import requirements for these countries, based on somewhat arbitrary standards explained below, have, however, been calculated for the sake of giving a complete picture. Their inclusion is not meant to imply that satisfaction of these requirements in full is necessary to the attainment of the general objectives delineated in Part I.

The estimated capital import requirements of the underdeveloped areas of the world likely to be net importers of capital permit a moderate rate of agricultural and industrial capital formation. They include some allowance for financing the internal costs of such development by currency stabilization credits, where such were deemed necessary. The estimates provide also for a rate of development of backward areas which can be defended as consistent with "economic justice" (although it may not in all instances meet the ambitions of the people of some areas). Such a rate must be primarily determined by the rate of domestic saving and the rate at which sturdy institutions (e.g., new firms, new markets, educational facilities, and effective and honest government) can be established and new workers trained. Considerable time and major political and social changes will be required for such growth, and the rate of capital import must accordingly be adjusted thereto. Requirements estimates used in this report for backward areas are within limits set by these concepts.

In view of these serious obstacles to a more rapid development of such areas, it is doubtful whether the often grandiose economic aspirations of their peoples could be realized even if considerably larger capital imports than shown herein were forthcoming from the United States. A larger program would tend to be dissipated in inflation and wasted in graft. The quantitative definiteness of this

of this conclusion must, however, be tempered by the extremely rough and tentative nature of the estimates themselves.

In general, requirements as estimated in this report do not include the foreign exchange cost of any military assistance; to the extent that United States policy may require such assistance during the next three years, some adjustment of the estimates herein would be required.

2. World Capital Import Requirements

The requirements given in Table I, column 1, express the informed judgment of experts close to the conditions in each country as to the net capital imports required to accomplish the objectives indicated above. Necessarily, different criteria have been employed in different countries. The economic goals for and capital requirements of each country are described in detail in Appendix A.*

Measured against the objectives they are to achieve, the dollar requirements given in Table I for the war-devastated areas of Europe tend to be understated for several reasons:

(a) It is

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* Estimates of unsatisfied requirements given in Table I do not entirely agree with similar estimates carried in the country studies submitted to the Ad Hoc Committee of EWNCC. The differences arise from the necessity of introducing into Table I estimates made early in the summer when most of the country studies were still in preparation. In the case of several of the critical countries for which special studies were made, notably Afghanistan, Spain, Portugal, North Africa, Korea, Indonesia, NEI, India, the Philippines, and Siam no unfinanced requirements (after allowing for requirements to be met under present policies and programs) were then known to exist. On the basis of Appendix A, the estimates employed in Table I may be compared with those carried in the country studies; while discrepancies will be seen to exist, they tend to cancel, and in aggregate, it is believed the principal findings of this report would not be greatly affected by revision, on the basis of the estimates submitted to the Ad Hoc Committee, of Table I and tables depending on Table I.

(a) It is assumed that each country's total exportable surplus can (with certain obvious exceptions) be sold for currencies convertible into those needed to buy essential imports;

(b) It is assumed that existing barriers to inter-European trade would be removed; and

(c) It is assumed that production and trade in Eastern Europe would revive pari passu production in Western Europe so that all countries in Europe would benefit from mutually advantageous exchanges; however, to the extent that revival in Eastern Europe is retarded by political circumstances or that trade remains confined to the present narrow bilateral channels, net capital import requirements to be financed from the outside will be larger;

(d) Financial requirements are likely to be the larger to the extent that shortages of essential commodities develop, which are not already allowed for in the estimates; however, even though shortages will prevent or render impossible import of these items, immediate savings in foreign exchange are likely to be more than offset as a result of the longer time taken to reach the postulated consumption, reconstruction, and development goals.

(e) It has been further assumed that a high level of income will be maintained in the United States. From this it is inferred that United States imports will continue increasing. However, any major United States recession would reduce imports and would seriously impair the foreign exchange position of many foreign countries.

(f) The capital import needs of each European country have been estimated independently, except for the assumption noted above that all would improve; however, somewhat different estimates might result if the Western European countries effect a more efficient intra-European allocation of scarce resources. Such allocation would tend somewhat to reduce the capital imports required to reach the postulated goals.

(g) The requirements of Table I, column 1, are computed at prices prevailing in the last half of 1946. A substantial price increase has occurred since

since that time, and country requirements in current dollars are, therefore, larger than the figures shown in Table I, column 1. An adjustment for such price changes as they affect total area requirements is given on page #18 below.

3. Critical Countries

As shown in Table I, four important Western European countries confront large unsatisfied net capital import requirements. Those countries are the United Kingdom, France, Italy and Germany. They constitute the "problem" of Western Europe. It is particularly essential, therefore, to understand how requirements were estimated for those countries. The estimates for China also call for special comment.

(a) United Kingdom

It is estimated that the United Kingdom requires net dollar capital imports in the amount of $6,550 million from 1947-1949. This figure provides (a) for maintaining the current austere British standard of living, (b) a substantial increase in the rate of investment (even assuming that the pre-war rate of domestic saving is realized), (c) the liquidation of $400 million annually of the blocked sterling balances, and (d) interest payments at 0.5 percent p.a. on the remaining sterling balances. Account has been taken in the estimate of existing credits by other countries than the United States and of a moderate retrenchment in the foreign commitments of the United Kingdom.

It is expected that Great Britain will achieve equilibrium balance of payments at adequate levels by 1950 if these capital import requirements are met. Such a goal is essential to restoring the United Kingdom to a satisfactory role in world economic affairs. Unless equilibrium in the British balance of payments can be achieved, at a high level, the Anglo-American economic, political and military partnership must necessarily remain essentially one sided.

(b) France

Net dollar capital import requirements totalling $3,800 million are estimated for France for the period 1947-1949. The figure is based on the goals of the Monnet Plan, but allowance has been made for reaching these goals over a longer period than the Monnet Plan envisages. It provides (a) an average level of consumption rising from 75-80 percent of 1938 level in 1947 to the 1938 level in 1949, (b) for capital formation in 1947 equaling 15 percent of the total of goods and services available during 1947, and rising during 1948 and 1949, and (c) a 40 percent increase in industrial production by 1949 over the low 1938 level expected for 1947. Account has been taken of credits available to France from Canada, Brazil and the Argentine.

Failure to

Failure to meet this program for France would aggravate popular dissatisfactions, strengthen the factions on the right and left advocating extreme solutions, and render impossible continued moderate left-center government.

(c) Italy

The estimate of total net capital import requirements of $1.3 billions for Italy in 1947-1949 allows (a) approximately the pre-war average per capita caloric intake, (b) consumption of other consumer non-durable goods rising from 85 percent of pre-war in 1947 to 115 percent in 1949 and (c) a considerable expansion of capital formation rendering unemployed Italian labor productive and providing the economic base for a permanent rise in the Italian standard of living above pre-war levels.

The political situation in Italy is the most critical in Western Europe. It can be expected that Italy, in the absence of such capital imports, will be torn by political and economic dissension from which could emerge a totalitarian regime securely entrenched in power. Such a regime, probably opposed to United States European policy in all aspects, would menance United States security interests in the Mediterranean and would seriously affect the political orientation of the rest of Western Europe.

(d) Germany

The $1 1/2 billion net capital imports required for Germany would provide (a) for raising the level of industrial capacity in the bi-zonal area to about 70 percent of the 1938 level by 1949; this contrasts with the original "level of industry plan", which contemplated achieving a 50-55 percent level by 1949. (b) Complementary with this increase in industrial capacity it provides for retention of increased amounts of industrial goods as incentives for German workers and for increasing urban food consumption from the present theoritical level of 2,000 calories in 1947 and 2,300 in 1948 to 2,500 in both 1948 and 1949. Such a program would require a total net capital import of about $2 billion of which $1 1/2 billion would be contributed

contributed by the United States, the remainder by the United Kingdom. If the United States should take over the United Kingdom's obligation, this would reduce pro tanto the United Kingdom's own capital import needs.

An increase in German production and trade with Europe will tend to reduce Europe's dollar needs, though in the short run this will be offset by smaller German coal exports and, therefore, larger European imports of expensive United States coal: German exports will be substituted for United States exports, and increased imports from Germany can in a measure be paid for out of increased exports to Germany; the terms of trade of European countries will improve by at least the amount of the large difference in transportation costs; and some economies may result from a more even distribution of world demand for manufactured goods, since steeply increasing costs resulting from uneconomically high rates of operation will be avoided. Germany previously provided the outlet for some exports of European countries not now marketable (e.g., fruits and vegetables from Italy, tobacco from Greece, transit services through the low countries, iron ore from France and Scandinavia, non-ferrous metals from the Balkans).

Failure to provide for recovery in Germany will consequently have the effect of increasing net capital import requirements needed to achieve objectives in other European countries.

(e) China

A range of estimates from $150 million to $1,600 million for the three-year period 1947-1949 of the net capital import requirements for China has been prepared. The smallest figure allowing $50 million per year would provide for only small-scale relief during the indefinite continuation of hostilities. The somewhat larger figure of $400 million given in Table I would provide, in addition to relief, capital imports that can be effectively utilized under conditions of civil war, but it would exclude the financing of domestic costs and the importation of goods for inflationary control. It is

It is envisaged that such aid would be predicated upon military retrenchment and fiscal and political reform and would be timed according to political progress. A larger figure totaling $1,300 million would cover full scale peacetime reconstruction including internal financing and the importation of goods to control inflation. A still larger figure of $1,400 million would supply military support sufficient only to promote an armed stalemate. Finally, $1,600 million in three years would be the cost of full military support to the nationalist government in full scale hostilities against the Communists. The selection for Table I of figures based upon the aid that can be effectively utilized under conditions of civil war reflects the arbitrary judgment, in the absence of a firm United States position, that it is the course most likely to be adopted.

The general standards used for Eastern European countries (except for Greece) are less favorable than for the rest of Europe./ They would provide some aid above post-UNRRA relief standards. In general, allowance is made for a rise in industrial production and domestic consumption from about pre-war levels in 1947 to somewhat above pre-war levels in 1948 and 1949.

The standards employed for backward areas have been dismissed above.

B. Present Financial Assistance Policies, Programs and Authorizations

Table III presents an estimate, program by program, including the International Bank, of the dollars now likely to be made available to each foreign country from United States Government financial assistance. These estimates have been entered in Table I, column 2. As indicated in columns 2, 3 and 5 of Table I, it is expected that a substantial part of all net import capital requirements will be satisfied if present financial policies and programs (including $2.4 billions of International Bank loans) are realized, if certain foreign countries carry out present programs for liquidating gold reserves and dollar assets in excess of the bare minimum, and if favorably situated countries succeed in securing private financing. The present program will go far toward meeting the objectives of the United States in most areas, but it will fall short in a handful of countries and the failure will be particularly serious in the four Western European countries mentioned above.

In Table II the United States balance of payments under present financial policies, authorizations and programs is projected. Together, Tables I and II indicate that United States' exports and the United States trade balance may be expected to decline sharply in 1948 and further in 1949 from the 1947 level, as shown in the following summary table.

Prospective United States Exports of Goods and Services and Trade Balance, 1947-1949, under present financial policies, programs and authorizations.

(billions of dollars at then current prices)

	1947	1948	1949	Total
Exports of Goods & Services	19.02	13.67	12.37	45.06
Trade Balance on Goods & Services Account	10.68	6.01	3.96	20.65

It is believed that the decline in United States exports will contribute to a minor business recession in the United States, reaching its deepest point toward the end of 1948, and to a fall in United States prices continuing into 1949. On this calculation, slack will appear in the American economy, slack which could be employed in part at least in meeting the unsatisfied capital import requirements of the rest of the world.

The decline in the exports and trade balance of the United States has been projected in Table II for major areas of the world. The most marked declines in prospective capital imports from the United States, it is expected, will be experienced by Western European and Western Hemisphere countries. Eastern European countries will experience a relatively large decline in total and net imports from United States. United States trade with the Near East, Africa, the Far East and Oceania will remain relatively steady by comparison.

The geographical analysis of the prospective balance of payments of the United States is based largely upon the pattern observed in the first quarter of 1947 when it appeared that exports of goods and services were going out in substantially greater measure to non-European countries and in

substantially lesser measure to European countries than could be expected from dollar resources immediately available. It appeared that this flow of goods and services could only be explained by a sizeable inter-area transfer of dollars from European countries (notably the United Kingdom) to other areas in payment for net imports of goods and services received by Europe from those areas. An allowance for such interarea transfers of funds has accordingly been made in Table II. Included in this interarea transfer item are both capital movements and the funds which the British are compelled, either on grounds of equity or legal obligation, to make available to countries of the Sterling Area for conversion into dollars of blocked sterling balances and balances accumulating on current account. The magnitude of this interarea transfer of funds appears to be one of the factors responsible for the unexpectedly high rate at which the United Kingdom loan has been utilized.

An explanation for this dollar drain on Europe is found in the changed pattern and terms of world trade induced by the war. The delayed revival of European exports, the volatility of raw material prices in relation to prices of manufactured products and the liquidation of Europe's overseas investments to finance the war and reconstruction have upset the pre-war, world-wide system of multilateral balancing. In the 1920's and 1930's, tropical countries on balance sold goods to the United States and used the proceeds to pay returns on European investments and to buy goods and services, particularly non-durable goods and shipping services from

Europe, especially the U. K. And Europe paid for a balance of imports from the United States largely out of the returns on investments in tropical and newly settled countries. Temporarily creditors on current account vis-à-vis Europe and unable to secure goods and services from their former sources in volume commensurate with their demands, the non-European areas have turned to the United States as the only remaining, albeit high cost, source of goods, and have sought to obtain dollars for their export surplus to Europe to pay for U. S. goods. The result is a drain upon Europe, especially the U. K., for dollars with which to finance exports from the U. S. to non-European countries, as well as the rapid depletion of dollar reserves of non-European countries.

C. Unsatisfied Capital Import Requirements.

It should be observed that the requirements estimates given in Table I and the balance of payments projection in Table II are not directly comparable since the latter is computed in current prices while the former is in fixed prices. The balance of payments projection is based on the assumption that the level of real income in the United States will decline 10% from the level reached in the third quarter of 1947 to the fourth quarter of 1948. Accompanying the decline of real income, it is assumed, prices will fall from 110% of the level prevailing in the last half of 1946, in 1947 to 99% in 1948, and 97% in 1949. The lower level of prices is expected to set the stage for a subsequent rise in real income during 1949. No change in the U. S. terms of trade over the period is assumed.

It is possible to compute the additional sums which at the assumed current prices would be required to satisfy the real requirements measured in Table I. The following table gives the results of that computation.

Dollars Required to Finance the Unsatisfied Capital Import Requirements at Current Prices: By Area
(billions of dollars at then current prices)

	1947	1948	1949	Total
All Areas	2.3	3.4	3.4	9.1
Europe	1.3	2.9	3.0	7.2
Western Europe	.8	2.2	2.6	5.6
Eastern Europe	.5	.7	.4	1.6
Near East & Africa	.2	.1	.1	.4
Far East	.5	.3	.2	1.0
Western Hemisphere	.3	.1	.1	.5

If the decline in prices during 1947-49 does not in fact materialize or if it is less than herein assumed, substantially larger amounts would be needed to meet the unsatisfied requirements.*

It is not possible, of course, to turn back the clock and meet the requirements that have gone unsatisfied thus far in 1947. Speedy action in the last few months of 1947 resulting in a firm indication that new aid would be forthcoming might make it possible for foreign countries to secure a limited amount of short-term financing (for example, from the International Monetary Fund) or to draw somewhat upon funds earmarked for future years in order to cover some of the otherwise unfinanced 1947 deficit. To some extent, moreover, reconstruction and development scheduled in Table I for 1947 could be pushed forward into 1948 and 1949 with an acceleration of the reconstruction programs in those years; while some projects scheduled for 1948 and 1949 would have to be deferred because of failure to meet objectives in 1947, meeting consumption objectives in 1948 and 1949 in the face of the lower level of production dictated by 1947 realizations may be more costly.

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* If it is assumed (1) that prices remain at the 1947 level, (2) that nevertheless real national income of the U. S. conforms to the pattern assumed in computing Table II, and (3) that the higher prices affect only the costs of exporting and importing goods and service items (i.e., capital items remain unchanged), the recomputed unsatisfied world requirements should be increased by $2.1 billion in the two years 1948 and 1949. They become:

	(billions of dollars)			
	1947	1948	1949	Total
All Areas	2.3	4.5	4.4	11.2
Europe	1.3	3.5	3.6	8.4
Western Europe	.8	2.6	3.1	6.5
Eastern Europe	.5	.9	.5	1.9
Near East and Africa	.2	.3	.1	.6
Far East and Oceania	.5	.5	.4	1.4
Western Hemisphere	.3	.2	.3	.8

It must also be borne in mind that the estimated unsatisfied requirements are based upon assumed price and national income patterns that would be affected by the effort to meet these requirements. Prices would undoubtedly be higher and, since U. S. imports from devastated areas are limited by physical supply conditions, a higher U. S. income level would not likely raise imports from Europe sufficiently to affect appreciably the higher costs of meeting U. S. objectives resulting from higher prices.

Although it is impossible to estimate quantitatively the net result of these effects, the amounts needed through 1949 to secure the indicated objectives of American foreign policy, in addition to amounts already committed and prospective from the World Bank, might be of the order of $9 billions.

Beyond 1949 the picture is obscure. It is to be hoped that a well coordinated three-year assistance program in these magnitudes would bring Western Europe, at least, within sight of becoming self-supporting. Some further assistance, however, will undoubtedly be required after 1949, particularly if the requirements given in Table I prove to be substantially underestimated.

Unless their unsatisfied capital import requirements are met, U. S. political objectives in respect of strengthening the three important Western European countries -- UK, France, and Italy -- and of holding out a beckoning hand to the Russian satellites, will not be achieved. As noted above, unless further aid is forthcoming to Italy and France, it may reasonably be expected that the existing moderate governments will give way to governments partially or wholly controlled by

Communists. The prospect for the UK, while less dramatic, is nevertheless serious; the immediate result of relying wholly on present programs and policies of financial aid will be to force a reduction in British gold holdings and dollar balances below the minimum considered by the U. K. Government necessary to meet the uncertainties of the next few years, to force a sharp reduction in living standards, and greatly to retard economic development. The UK would find it necessary to request freedom from the commitments of the British Loan Agreement and would probably have recourse to more stringent bi-lateral trading arrangements, more exclusive preferences, and more comprehensive state trading. The U. K.'s war potential would suffer; it would be probably forced to relinquish most of the load it has been carrying in occupied areas; and it would no longer be able to perform as a full-fledged partner in a worldwide program of collective security.

D. Financing the Unsatisfied Requirements

It is not within the scope of this study to consider in detail alternative methods of financing the unsatisfied capital import requirements of the world. Some general observations may, however, be made.

No allowance has been made in Table I and only a small allowance has been made in the calculations of unsatisfied requirements above for lending by the International Monetary Fund. Some part of the unsatisfied requirements may conceivably be met from this source, but such loans should be considered short-term. While total loans of the International Monetary Fund outstanding at any time may be expected to be fairly large, the Fund cannot be relied upon to provide long term capital for the purposes represented by the requirements estimates in Table I. Requirements met out of loans from the Fund must, within a short time, be otherwise re-financed.

No allowance has been made in Table I for new lending by the Export-Import Bank. It is to be expected that a number of the development projects in underdeveloped areas of the Western Hemisphere, the Near East, Africa, and the Far East, unfinanced under present programs and polcies, would become appropriate candidates for Export-Import Bank loans. It is possible that a few projects in Europe could be so financed once it had been determined that other unsatisfied European requirements would be met in other ways. It is not, however, possible in advance to estimate for individual countries or areas the extent to which the Export-Import Bank might finance otherwise unsatisfied requirements out of its uncommitted lending power, which stood at $800 millions at the end of July 1947.

Allowance has been made for a sizeable program of lending by the International Bank. However, the program is modest - indeed excessively modest - in comparison with the lending authority of the Bank under its charter. The estimate of unsatisfied requirement given in this report assumes continuation by the Bank of a conservative policy both as regards the nature of its loans and the volume of its securities to be floated.

The question may fairly be put as to the possibility that countries confronting unsatisfied capital import requirements might use gold holdings or liquidate dollar assets, public or private, in meeting their deficits. The examination in Appendix B of this possibility for the countries confronting the largest deficits indicates tentatively that little contribution to the problem of Western Europe can be expected from this source beyond the allowance in Table I. Some contribution might be made to meeting deficits elsewhere, but before any reliance is placed upon it a detailed examination should be made to determine the extent to which each country's reserves are committed or otherwise encumbered. Some of the requirements shown as unsatisfied for the Near East, Far East, and Western Hemisphere also may be met by the inter-area transfer of funds from Europe allowed for in Table I.

III. World Situation for Critical Commodities

Of equal importance with the problem of financing essential world trade to achieving U. S. objectives is the problem of allocating scarce resources - of insuring that maximum supplies of critical commodities are made available for export and are properly distributed. The persistence of shortages of a number of vital commodities is a basic factor impeding recovery in the post-war world. Under these conditions, availability of funds does not automatically guarantee that importing countries will be able to satisfy their essential requirements. Analysis of the situation, commodity by commodity, and world commodity programs to insure distribution in accordance with agreed objectives are also essential.

A logical approach to analyzing the commodity problems involved in realizing U. S. economic assistance objectives would be: (1) estimate requirements for individual commodities implied by the dollar requirements of Table I and (2) the supply-requirements balances for individual commodities implied in the U. S. balance of payments projection based on present financial policies and programs; from these estimates a determination could then be made of (3) the corollary reallocation of U. S. and world resources and manpower required to meet the unsatisfied needs of the world. It has not been possible to proceed in this fashion. The commodity-by-commodity balancing of supply and demand implicit in the U. S. balance of payments projection of Table II has not been worked out, and the requirements for commodities implicit in the basic standards of consumption and investment employed in calculating

calculating Table I are not known. However, world demand for certain critical commodities and services is so great that even within the context of the U. S. balance of payments projection of Table II, deficits may be expected and difficulty encountered in covering the most urgent world needs without resort to export controls in the U. S. and curtailment of domestic U. S. consumption of some of them.

A. Situation for Critical Commodities

1. Breadgrains and Feedgrains

In 1947/48, total world grain export availabilities (in food and feed) will reach 31 to 34.5 (median 33) million metric tons; but they will still fall short of total requirements of 47 million tons by about 14 million tons. The corresponding deficit figure for 1948/49 will be approximately 10 million tons. These deficit figures are based on requirements estimates using consumption goals somewhat higher than the low levels realized in 1946/47.*

It is thus apparent that the acute post-war world grain shortage will continue for at least two more years. In 1949/50, however, world exportable supplies and import needs are now expected to balance, though with total exports at a level of 27 million tons, as compared with 16 million tons pre-war.

Two

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* For 1946/47, requirements used in this report are 3,000,000 tons lower than the preliminary total requirements stated by the claimant countries to IEFC.

Two factors have been primarily responsible for the post-war world grain shortage: (1) in Europe, the dislocation of grain production and its distribution to urban areas (2) in the Far East, decline in rice production.

These two factors coupled with the increase in population have increased world grain import requirements in 1947/48 by 31 million tons above the pre-war world grain import level.

In Europe alone (including Germany and the U. K.), grain import requirements have increased from 9.4 million tons pre-war to about 19 million tons in 1947/48. France and Italy account for 4 million tons of this increase, even if they are allowed only 90 percent of their pre-war grain consumption. The grain import needs of Bi-zonal Germany, resulting from its separation from the eastern, grain-producing laender and from general economic dislocation, account for another 2.4 million tons of increase of the 1947/48 European requirements over pre-war. Europe's additional grain imports, excluding freight, will cost Europe in 1947/48 above $1.2 billion* more than pre-war almost entirely in dollars or other scarce currencies. Additional freight charges add about another $100 million to the bill.

At

* Estimated in terms of f.o.b. wheat prices, 1938 and 1947, of $1.78 and $2.20 per bushel, respectively, at 60 pounds per bushel. 19 million tons in 1947 is estimated to cost 1.5 billion; 9.4 million tons pre-war estimated to cost $269 million, in terms of wheat and excluding freight.

At least through 1948/49, the United States and Canada must be the major suppliers for grain deficit areas of the world. It is estimated that the United States bumper wheat crop will make available for export in 1947/48 12.5 to 13.5 million tons of wheat as compared with 10.5 million tons in 1946/47. With 6.5 to 7.5 million tons from Canada of wheat and rye, about 2 to 2.5 million from Argentina, 1.5 to 2 million from Australia, 2 million tons of wheat and rye from all other suppliers (including USSR), world export availability of wheat and rye is expected to be 24.5 to 27.5 million tons in total. Course grains, now used in higher proportions for human consumption, add 6.5 to 7.0 million tons to total world export supplies, of which 1.5 to 2.0 million tons are expected from the United States. Thus, total world grain export availability for food and feed will reach 31 to 34.5 (median 33) million tons, but as noted above, will still fall short of total requirements of 47 million, by about 14 million tons.

U. S. production of wheat has increased from 20.6 million tons pre-war to 38.1 million estimated in 1947/48, while exports are expected to increase from 1.1 million to between 12.3 and 13.6 million tons. Thus, of the 17.5 million increase in U. S. output over pre-war, 11.2 to 12.5 million tons are intended for export, only 1.4 million tons for increased domestic consumption as wheat and 1 to 1.6 million for increased consumption as feed, the remainder for carry-over and other uses.

The

In view of the magnitude of the world grain deficit for the next two years, it is clear that a U. S. foreign aid program should include maximum efforts to step up grain exports. This conclusion is reinforced by the prospect that the only other possible source of additional supplies of grains in 1947/48 is the U.S.S.R. which alone among important European suppliers has a good harvest in sight and which may be counted upon to turn surpluses squeezed from domestic consumption to telling political account.

In 1949/50 as noted above, restoration of production in the Far East and in some European countries is expected to balance world exportable supplies and requirements of breadgrains, though at a considerably higher level of world exports. This increase in exports is necessary mainly because of failure of production in importing countries to keep pace with anticipated population increase. Continental Europe, excluding Germany, is expected to require at least 1 to 2 million tons more grain from abroad, Western Germany 3.9 million tons more, and Italy, 400,000 tons more than pre-war. In addition, no 1949/50 exports to Western Europe are estimated from Eastern Europe including the Soviet zone of Germany and former German territory now under Polish control. Normal population increase is taken into account, but practically no allowance is made for improvement over pre-war consumption levels or a decrease in uneconomical grain production in Europe.

For details of the world grain balances 1947/48 - 1949/50, see Appendix C.

Fats and Oils.

During the calendar years 1947-49, the annual world deficit of fats and oils is expected to range between 450 and 575 thousand tons (oil equivalent) and may be as much as 1,600,000, if 1949 world import requirements are projected as the sum of (1) imports required to meet pre-war consumption standards (European countries except Germany) and (2) pre-war imports (non-European countries). World requirements of fats and oils are, in fact, expected to exceed available supplies so long as Far Eastern sources of vegetable oils remain below pre-war levels of production.

Because of dislocated production and normal population increase, countries of continental Europe, excluding Germany and the United Kingdom., are expected to require almost 300,000 tons additional imports of fats and oils in 1949 as compared with the pre-war figure, merely to equal by that year a pre-war level of consumption. German consumption in 1949 is estimated herein at 425,000 tons below pre-war. European countries as a whole will depend on imports for 62% of fats consumed as compared with 56% pre-war. For European countries, which are the most important fats and oils importers, the major problem will be one of securing a fair share of world availabilities to meet increased requirements insofar as possible during a period of seriously deficient world supplies. Continuing world allocation, therefore, will be essential to insure as equitable distribution as possible of scarce fats and oils.

It is estimated that world export availabilities of fats and oils will be only 54% of the pre-war level during 1947. Even with moderately optimistic assumptions on recovery of oil production, world production in 1949 will have

recovered to only 77% of pre-war. If European countries obtain a fair or perhaps more than fair share of world export supplies, it may be possible for them to attain on the average 75% of their pre-war consumption level in 1947, 90% in 1948 and 100% in 1949.

The physical scarcity of fats and oils is sufficiently marked perhaps to relegate the problem of financing essential imports to a secondary position. Since the United States is an importer and not a supplier of fats and oils, financing is not necessarily a dollar problem, although dollar financing may be needed for countries with deficit trade balances or inconvertible currencies.

The current high level of fats and oils prices, however, intensifies the problem of financing such imports. For example, it is estimated that European importers must pay $661 million more in 1947 (excluding additional freight) to obtain less than 3/4 the pre-war volume of imports of fats and oils. If prices remain more than three times the pre-war level, estimated requirements for 1949 (or even a pre-war volume of imports) would cost European countries approximately $1 billion more than the same volume of imports at 1938 prices, excluding changes in transportation cost. Removal of fats and oils from world allocation undoubtedly would lead to even more marked price increases. Without allocation, the financially weaker claimants, including many European countries, would probably not receive a "fair" share of world supply in the ensuing international bidding-up of fats and oils prices.

Coal

Europe is the critical coal deficiency area. Pre-war (1937) it consumed about 550 million tons of coal and requires

about 575 to 590 million tons in the post-war period. Production in 1947 is estimated at 460 million tons, which is 115 to 130 million tons short of post-war requirements and 90 million tons short of pre-war consumption. The United States is expected to export some 36 million tons of coal to Europe in 1947 as a consequence of which the deficit will be reduced to between 80 and 95 million tons.

Europe is unlikely to attain self-sufficiency in coal until 1951. Germany and Britain, which are normally exporters of coal are now short of coal themselves. Despite this shortage, they are not to be considered coal importing countries in the traditional sense. Most countries of Europe have been and will continue to be net coal importers. Prior to the war, they imported 70 million tons of coal. Their current and post-war import requirements are estimated to be between 70 and 80 million tons. This deficit figure does not, of course, include the German and U.K. deficits, since neither Germany nor the U.K. are expected to import substantial quantities of coal over the next four years. (This omission explains the difference between the 70-80 million ton figure and the 115-130 million ton figure mentioned above.)

It is not anticipated that European countries will be able to obtain all their coal import requirements from European sources until 1951. In 1947 they will obtain only 20 million tons from other European sources, namely, Poland and Germany. They might import about 36 million tons in 1947 from the United States., leaving an unsatisfied deficit, after imports from Poland and Germany, of 15 to 25 million tons. In 1948 these countries might be able to import 35 million tons from Poland and Germany, in 1949. 50 million tons in 1950,

65 million tons and in 1951, 70 to 75 million tons. At this rate of import from European export sources, and considering the demand upon the U.S. as residual, the demand upon the U.S. is likely to decrease progressively as follows:

	Millions of Tons
1948	35-45
1949	20-30
1950	5-15
1951	0-10.

The anticipated cost of U.S. coal c.if. European ports at the stated levels of demand follows:

	Millions of Dollars
1947	$675
1948	600-760
1949	305-455
1950	40-160
1951	0-80

It is significant that by 1948 the European coal importing countries might be able to close the gap between supply and requirements for coal conditional upon the availability of dollars with which to pay the charges, not only for U.S. coal, but for German and for part of Polish coal as well.

The attainment of a rising level of coal production in Europe depends upon the availability of labor, mine supplies and equipment, adequate transport facilities, an adequate standard of living for miners, and the export of equipment from the U.S. to rehabilitate both the mining and transportation industries.

The ability of the U.S. to maximize coal exports and assure their equitable distribution depends upon the continuation of export controls under the Export Control Act, adequate transport facilities, both inland and waterborne,

and continued participation in the European Coal Organization, whose functions are now being transferred to the Economic Commission for Europe.

Latin America is traditionally a coal importing area. Practically all of its coal imports are now secured from the U.S. The net import requirement of South America is only 2 1/2 million tons per year, and this is met in full from U.S. sources. Although the Far East is experiencing a shortage of coal, it is not anticipated that that area will draw upon the U.S. for significant quantities of coal.

Ocean Shipping

Shifts in the ownership of and freight rates charged by the world's ocean going dry cargo fleet as a result of wartime sinkings, the unprecendented U.S. shipbuilding program and large volume of traffic have deprived a number of European countries of an important source of foreign exchange income and have greatly increased Europe's dollar expenditures on current international account. Financing this cost and the cost of rebuilding European fleets, by purchase and perhaps to some extent by new construction, will necessarily be an integral part of the U.S. contribution to a European recovery program.

Shipping as income.

Of the world's total ocean going dry cargo fleet, the United States now operates 50 percent (in terms of deadweight tonnage) as compared with 11.6 percent pre-war. Since the world's active fleet is actually somewhat smaller than in 1939, European shipping has declined drastically, in absolute as well as relative terms. The loss of shipping as a source of income and foreign exchange are of special importance to

Norway, for which pre-war shipping earnings were 36.5 percent of the value of merchandise exports, for Greece (24.1%), for the United Kingdom (13.4%), for the Netherlands (9.2%), for Denmark (7.1%), and for Italy (an undetermined but significant amount in comparison with merchandise exports).

Shipping as cost.

Europe's need to import critical bulk commodities regardless of cost or shipping distance from the source of their availability and to find dollars to finance United States shipping services have intensified the balance of payments difficulties of all European countries. The necessity to import more goods over longer distances arises from world commodity scarcities that force countries to import coal, wheat, etc. from wherever they can be found. The increased burden of dollar shipping costs on Europe's limited dollar resources reflects, of course, the predominance of United States vessels in world shipping and the corresponding decline in Europe's merchant fleet. The increase in maritime rates over pre-war is directly related to the continuing shortage of dry cargo shipping, measured (1) in terms of active tonnage (which is now somewhat less than the 60 million d.w.t. pre-war) vs. shipping traffic (somewhat more than the 200 million tons per-war) and (2) in terms of the decrease by comparison with pre-war in tonnage carried annually per d.w.t. of vessels in operation due to longer average hauls and decreased operating efficiency, again by comparison with pre-war, as a result of war dislocations, such as port damage, inefficient stevedoring, etc.).

Prospects for 1949

The United Kingdom, Norway, France, Netherlands, Sweden,

Denmark and Belgium have developed plans for rebuilding fleets larger than pre-war, but the prospects for Greece and Italy appear much less favorable. The United States active fleet, moreover, is expected to decline by about 10 million tons to a total of 25.2 million or 32% of the world total. These factors plus eventual improvement in the operating efficiency of European ports should increase the share of European fleets in the world total, although not to their pre-war level of maritime importance. Since world sea-borne trade in 1949 is estimated at 240 million tons, a level necessitating substantial United States flag participation, world maritime rates are expected to remain above pre-war in order to cover the high cost of American operations. The increased shipment of European goods in European bottoms, the restoration of international trade to more normal commodity patterns (e.g., coal from Europe, grain from European sources) should operate to decrease the absolute and the dollar cost of ocean transportation for European countries, and to restore, in whole or in part, the shipping income of Europe's maritime powers.

Immediate steps in this direction are the efforts of European countries to:

(1) implement an ambitious program for new ship construction; 1,521,000 d.w.t. are now under construction in European yards.

(2) acquire a share of the currently inactive United States Government-owned fleet. Application already has been made for 3.7 million of the total 12 million d.w.t. now inactive.

With world steel supply now one of the chief factors limiting reconstruction, building of new ships while United

States war-built vessels remain inactive is apparently uneconomic. Although many of the United States surplus of war-built vessels are not considered efficient in terms of competitive cost, such ships can well be used ad interim, if sold or chartered now to European countries, and the program for building new and more efficient ships thus deferred to a period of less critical steel scarcity.

Steel

World steel production is expected to increase by more than 18 million ingot tons between 1947 and 1949. Nevertheless, world steel production is expected to fall short of world steel requirements by 28.7 million tons in 1947, by 21.9 million tons in 1948 and by 13.3 million tons in 1949, in terms of ingot equivalent. These requirements estimates are rather arbitrary and may substantially underestimate in the case of the war devastated areas the quantities which could be effectively used.

It should be noted that Germany is estimated to account for 7 million tons of the world steel deficit in 1949 (production 8 million; requirements 15), with coal supply rather than Level of Industry restrictions as the principal limiting factor. (Germany's steel needs for rapid reconstruction probably exceed 15 million tons per year). Japan accounts for 1 million tons of the world deficit in 1949, and the USSR for another 4.5 million tons. If it is assumed that USSR steel imports from Europe will be mainly machinery and manufactures and will be a relatively small tonnage in terms of the world deficit, and that German and Japanese steel deficits will not constitute an effective demand for steel on world markets, the 1949 situation can be considered almost in balance, with requirements only 800,000 tons more than steel production. This conclusion is, however, subject to the important qualification noted above concerning the requirements figures, and no allowance is made in these estimates for carry-over into future periods of needs not filled in 1947, 1948 or 1949.

Abnormally high reconstruction needs and abnormally low production in most countries of continental Europe are chiefly responsible for these deficits. It should be noted, also, that the world steel balance is computed entirely in overall terms. Within the totals of availabilities and requirements may be included serious shortages of steel in the particular forms desired by importing countries (e.g., shortages of castings or sheets preferred to imports of finished products). In the same way, requirements estimates

do not take into account the extraordinary demands for steel that may arise in connection with extensive programs of industrialization, and in any case are highly dependent on a wide range of possible assumptions as to levels of steel consumption.

The United States is the principal producer of steel available for export; U.S. exports in the amount of 7 million ingot tons per year in the form of semi-finished or steel products are herein assumed. Europe, including the UK and Turkey but excluding the USSR, is now expected to produce only 33.4 to 44.5 million tons while European requirements will be 53 millions (the gap mainly represents a 7 to 11.5 million ton German deficit). Thus, Europe can absorb entirely whatever steel surpluses are available in Europe, from Belgium (3 to 4.5 million tons) and from Poland and the UK (relatively small amounts). No part of the USSR production of 16.5 to 20 million tons can presumably be regarded as available for export.

Claimants for US surplus production, therefore, will be: Europe (with a 6.9 to 1.5 million ton deficit, 1947 to 1949 excluding the German deficit and an 18.4 to 8,5 million deficit in the same period when Germany is included in the total); South America, (a deficit area of approximately 2.5 million tons), and the Far East (a deficit area of 2.9 to 1.5 million tons, 1947-49, excluding Japan, and a deficit area of 4.9 to 2.5 million tons if Japan is included). Thus claims totalling 25.8 million tons in 1947 and declining to 13.5 million tons in 1949 (including Germany and Japan) will be presented against U.S. exports of 7 million tons. This will make necessary the allocation of U.S. steel exports according to a priority pattern which reflects considerations of foreign policy and equity.

B. Steps Required to Deal with Critical Commodity Problems

It is clear from the foregoing analysis of the major scarce commodities that the following steps are essential if the problem is to be handled satisfactorily:

1. There must be a determination of agreed world-wide requirements and availabilities. In the past the fact that total requirements, as stated by individual importing countries, have been in excess of total availabilities has created a haphazard allocation pattern which has failed to produce maximum benefits from such supplies as have been forthcoming. It is necessary to bring requirements and supplies more closely into line with each other in such a way that both claimants and exporters are satisfied that the results are equitable and economic. This involves a consideration of goals and standards used by importing countries in determining requirements and also by exporting countries in determining availabilities. It also involves the establishment of priorities by area - in the case of steel, for example, placing the reconstruction of Europe ahead of new development in Latin America. (See Part IV.) These are extremely difficult problems but they cannot be avoided. Failure to deal with them will simply produce a result achieved without careful consideration, the political repercussions of which will probably be disadvantageous to United States aims.

2. Once agreed requirements and availabilities which are reasonably in balance have been established, the task of insuring that current shipments conform to allocations and that allocations are adjusted equitably to unforeseen changes in supply must be undertaken. Consideration should also be given in determining allocations to incentives to world recovery. For example, food allocations might be increased above a basic minimum depending upon the recipient country's performance with respect to such matters as extraction rates, collection of indigenous supplies, control of black markets, etc.

3. International machinery is required to implement these programs. The International Emergency Food Council is an example of the type of agency which is useful in this field. However, such agencies have heretofore always included among their membership some Soviet-dominated countries. If we undertake to insure a priority in allocation of scarce commodities to countries outside the Soviet sphere, we may force the withdrawal of the satellite countries. Such a priority seems, nevertheless, to be necessary, though it should be tempered to the extent that Soviet satellites may be able to participate at the working level in a European Recovery Plan. Trade on the basis of mutual benefit would still be possible between the Soviet world and the non-Soviet world providing the Soviets do not undertake to initiate full-scale economic warfare.

4. Within the United States there is a need to strengthen the machinery available for dealing with this problem. The Second Decontrol Act of 1947, which provides limited priorities and allocations powers, expires on February29, 1948. (See Note following.) If Congress should appropriate substantial funds for aid to Europe or other deficit areas, it would be necessary not only to extend the powers of the Second Decontrol Act but also to strengthen them. It is also necessary to strengthen the administrative machinery for supervising exports. At present, this function is divided between the Departments of Commerce and Agriculture. Personnel are not available to these agencies to do an adequate job of determining the United States position with respect to requirements and supply of scarce commodities and implementing these decisions as outlined in the foregoing paragraphs. Either a new agency should be established to perform this function or an existing agency or agencies should be adequately staffed to do the job.

5. In planning for the implementation of United States support of a European Recovery Plan, we must bear in mind the fact that the commodities which are critical to Europe are also critical to the world and must be handled on a world-wide basis.

Note on The Second Decontrol Act of 1947

The Second Decontrol Act of 1947 (Pub. L. 138 - 80th Cong.) which became law on July 15, 1947 extends certain emergency powers over allocations and priorities as well as controls over exports, from July 16, 1947 to February 29, 1948.

These powers are continued in order to complete reconversion, to protect the health, safety and welfare of the American people, and to support the foreign policy of the United States, with respect to specified materials and facilities which continue in short supply at home and abroad as a result of the war.

Their retention is declared necessary, (1) to protect the domestic economy from the injury which would result from adverse distribution of the materials which continue in short world supply; (2) to promote production in the United States by assisting in the expansion and maintenance of production in foreign countries of materials critically needed in the United States; (3) to make available to countries in need, consistent with the foreign policy of the United States, those commodities whose unrestricted export to all destinations would not be appropriate and (4) to aid in carrying out the foreign policy of the United States.

Authority

Extended until February 29, 1948 by the amendment of Title III of the Second War Powers Act are the powers, authority, and discretion conferred on the President, (with respect to allocations, priorities, etc.) over the following:

"'(1) The materials (and facilities suitable for the manufacture of such materials), as follows:
"'(A) Tin and tin products, except for the purpose of exercising import control of tin ores and tin concentrates;
"'(B) Antimony:
"'(C) Cinchona bark, quinine, and quinidine, when held by any Government agency or after acquisition (whether prior to, on, or after July 16, 1947) from any Government agency, either directly or through intermediate distributors, processors, or other channels of distribution, or when made from any of such materials so acquired;
"'(D) Materials for export required to expand or maintain the production in foreign countries of materials critically needed in the United States, for the purpose of establishing priority in production and delivery for export, and materials necessary for manufacture and delivery of the materials required for such export;
"'(F) Materials (except foods and food products, manila (abaca) fiber and cordage, agave fiber and cordage, and fertilizer materials, including petroleum and petroleum products, required for export, but only upon certification by the Secretary of State that the prompt export of such materials is of high public importance and essential to the successful carrying out of the foreign policy of the United States, for the purpose of establishing priority in production and delivery for export, and

"'materials necessary for the manufacture and delivery of the materials required for such export: Provided, That no such priority based on a certification by the Secretary of State shall be effective unless and until the Secretary of Commerce shall have satisfied himself that the proposed action will not have an unduly adverse effect on the domestic economy of the United States; and

"'(2) The use of transportation equipment and facilities by rail carriers.'

"Congress by concurrent resolution or the President may designate an earlier time for the termination of any power, authority or discretion under such title III.

"The authority to negotiate contracts with or without advertising or competitive bidding under the Act of June 28, 1940, as amended, ended on July 15, 1947. The Act of March 29, 1947 (Pub. L.24) protecting the domestic rubber producing industry, and the Act of March 31, 1947 (Pub. L. 30) entitled the Sugar Control Extension Act of 1947 are continued in force.

"The control over the export of articles, technical data, materials, or supplies established by the Export Control Act of July 2, 1940, as amended, is extended until February 29, 1948.

"Sections 3 and 10 of the Administrative Procedure Act (60 Stat. 237) regulating publication of procedures, and judicial review, apply to this Act.

"Authority is given to the Secretary of Commerce to administer the Act. A quarterly report is required from him. It is to be noted that under paragraph (F) above certificates of the Secretary of State are required on certain products needed for export to carry out foreign policy."

IV. Relation between Regional and World Approaches to Economic Assistance Policy

The problem of economic assistance is world-wide. The fundamental problem of the post-war world arises from the high productivity of the Western Hemisphere, particularly the United States, on the one hand and, on the other, the relative failure of productivity to recover in the Eastern Hemisphere. Practically all areas of Europe and Asia, with the exception of the U.S.S.R., are having difficulties in attaining a self-sustaining pattern of trade. Even a number of countries in the Western Hemisphere are confronted with a dollar problem.

Although the problem is world-wide it is necessary to approach its solution by giving attention to regional differences. Western Europe is the area where the Soviet-Western conflict is most critical. It is also the area where economic assistance can produce the most immediately significant results in reviving world economy. Consequently the decision has been taken to give principal attention to this area for the immediate future.

Present plans for implementing Secretary Marshall's suggestion at Harvard call for:

1. The formulation of a program for European Recovery by the 16 participating nations which will involve the maximum possible degree of self-help and effective regional coordination and the presentation of this program to the United States in September.

2. Study of the program and the role of the United States in assisting to carry it out by the public and by Congressional committees, looking toward legislation early next year.

3. Authorizations and appropriations calling for extraordinary assistance to the participating countries in large sums over a period of 4 to 5 years, and possibly longer.

4. Special organizations in Europe and in Washington to insure the successful functioning of the program.

At the present time it is contemplated that a regional program of this nature involving United States aid and a regional integration of national economies should be limited to Europe for the following reasons:

1. The degree of economic interdependence and community of interest is greater for Europe than for any other region.

2. Progress in solving the problem of European recovery will go far toward eliminating the needs for special assistance elsewhere in the world. As indicated in Part II, above, many non-European countries have increased their imports from the United States because their traditional suppliers in Europe cannot meet their needs. Or, like Canada, they financed a pre-war deficit with the United States through a surplus with Europe which they cannot now convert to dollars. European recovery will permit a revival of these patterns and a resulting improvement in the dollar position of many non-European countries.

3. Non-European countries other than devastated areas may be able to rely to a large extent upon existing agencies such as the International Bank, Export-Import Bank and private capital for necessary financing; the validity of this conclusion, however, will depend upon a considerably more ambitious lending program by the International Bank.

It will, however, be necessary to provide special financial assistance in implementing the "crank-up" program for reviving Japan's production to render that country self-supporting. Southern Korea will also require special aid, and as indicated in Part II, a special assistance program for China may be required.

4. The short-run aspects of the European problem can be distinguished from the problem in other areas as primarily one of recovery and reconstruction rather than development. The task of developing backward areas requires different techniques from those being developed under the European Recovery Program. Much heavier emphasis should be placed on the role of private investment. Techniques for stimulating such investment in Asia, Latin America and the Middle East must be formulated. Reliance upon the UN should be emphasized where possible particularly with respect to plans for regional development. Much additional analytical work on the magnitude and nature of long-term capital requirements of underdeveloped areas in the light of the objectives and considerations outlined in Part I is needed. When such analysis is available, it will be possible to judge whether or not new national and international financial and development institutions and assistance programs may be required to achieve the objectives of United States policy in these areas.

The possible gains to the economy of the Far East through a program of regional economic integration buttressed by a coordinate United States aid program are now being explored in the State Department.

TABLE I

WORLD CAPITAL IMPORT REQUIREMENTS, BY COUNTRY, 1947-1949
(millions of dollars at prices prevailing in the last half of 1946)

Area and Country	Total "Required" Net Dollar Capital Imports a/				U.S. Gov't Credit & Aid b/				Use of Dollar Assets and Gold Reserves c/				Unsatisfied Net Capital Import Requirements Before Gross Private Capital				Gross Private Capital d/				Net Unsatisfied Capital Import Requirements			
	1947	1948	1949	Total	1947	1948	1949	Total	1947	1948	1949	Total	1947	1948	1949	Total	1947	1948	1949	Total	1947	1948	1949	Total
Western Europe	5,767	5,113	3,955	14,835	4,239	1,806	561	6,606	1,010	700	420	2,130	518	2,607	2,974	6,099	76	155	185	416	442	2,452	2,789	5,683
United Kingdom	2,450	2,100	2,000	6,550	2,450	700	-	3,150	-	200	200	400	-	1,200	1,800	3,000	-	-	-	-	-	1,200	1,800	3,000
France	1,500	1,400	800	3,700	735	475	195	1,405	700	300	100	1,100	65	625	505	1,195	-	-	-	-	65	625	505	1,195
Italy	640	415	260	1,315	365	132	50	547	-	-	-	-	275	283	210	768	-	-	-	-	275	283	210	768
Netherlands	400	350	250	1,000	241	137	75	453	150	150	100	400	9	63	75	147	9	63	75	147	-	-	-	-
Belgium	100	75	75	250	48	43	-	91	-	-	-	-	52	32	75	159	52	32	75	159	-	-	-	-
Norway	146	80	50	276	51	20	15	86	-	-	-	80	15	60	35	110	15	60	35	110	-	-	-	-
Sweden	40	40	20	100	-	-	-	-	40	40	20	100	-	-	-	-	-	-	-	-	-	-	-	-
Denmark	62	43	-	105	32	33	-	65	30	10	-	40	-	-	-	-	-	-	-	-	-	-	-	-
Iceland	20	10	-	30	-	-	-	-	10	-	-	10	10	10	-	20	-	-	-	-	10	10	-	20
Bizonal Germany	400	600	500	1,500	308	266	226	800	-	-	-	-	92	334	274	700	-	-	-	-	92	334	274	700
Trieste	9	-	-	9	9	-	-	9	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Eastern Europe	1,144	1,180	615	2,939	676	373	187	1,236	5	-	-	5	463	807	428	1,698	-	-	-	-	463	807	428	1,698
Finland	40	40	30	110	32	20	52	104	5	-	-	5	3	20	22	1	-	-	-	-	3	20	22	1
Austria	210	250	175	635	117	15	-	132	-	-	-	-	93	235	175	503	-	-	-	-	93	235	175	503
Czechoslovakia	40	50	50	140	34	55	40	129	-	-	-	-	6	-5	10	11	-	-	-	-	6	-5	10	11
Poland	250	200	-	450	130	113	95	338	-	-	-	-	120	87	-95	112	-	-	-	-	120	87	-95	112
Hungary	100	100	100	300	9	-	-	9	-	-	-	-	91	100	100	291	-	-	-	-	91	100	100	291
Yugoslavia	118	100	100	318	38	-	-	38	-	-	-	-	80	100	100	280	-	-	-	-	80	100	100	280
Albania	6	-	-	6	6	-	-	6	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Rumania	50	50	50	150	-	-	-	-	-	-	-	-	50	50	50	150	-	-	-	-	50	50	50	150
Bulgaria	20	20	10	50	-	-	-	-	-	-	-	-	20	20	10	50	-	-	-	-	20	20	10	50
Greece	280	370	100	750	280	170	-	450	-	-	-	-		200	100	300	-	-	-	-		200	100	300
USSR	30	-	-	30	30	-	-	30	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Miscellaneous Europe	-	-	-	-	69	70	-	139	-	-	-	-	-69	-70	-	-139	-	-	-	-	-69	-70		-139
Total Europe	6,911	6,293	4,570	17,774	4,984	2,249	748	7,981	1,015	700	420	2,135	912	3,344	3,402	7,658	76	155	185	416	836	3189	3217	7,242
Near East & Africa e/	550	638	440	1,628	82	212	110	404	270	70	10	350	198	406	320	924	100	200	200	500	98	206	120	424
Egypt																					34	69	34	137
Iran																						30	30	60
Lebanon & Syria																					28	29	9	66
Liberia																						2	3	5
Saudi Arabia																					5	4	4	13
Turkey																						50	25	75
Palestine																					7	6	6	19
Iraq																					24	16	9	49
Far East and Oceania e/	1821	1,187	1,213	4,221	990	692	805	2,487	390	180	130	700	441	315	278	1,034	120	40	40	200	321	275	238	834
Burma																					50	30	20	100
China																					100	150	150	400
French Indo China																					35	25	15	75
Japan																					130	70	53	259
Western Hemisphere e/	1930	628	549	3,107	151	186	183	520	1,440	90	-30	1,500	339	352	396	1,087	250	230	260	740	89	122	136	347
Unallocable	39	85	175	299	39	85	175	299																
Total	11251	8881	6,947	27,079	6,246	3,424	2,021	11,691	3,115	1,040	530	4,685	1,890	4,417	4396	10,703	546	625	685	1,856	1344	3,792	3,711	8,847

a/ On the definition of capital import requirements used in this report, excludes needs met from the proceeds of (i) exports of goods and services, (ii) the sale of new gold, (iii) private remittances, and (iv) loans by hard currency countries other than the United States; includes dollars required to unblock sterling and funds required to provide for return flow of capital to the United States.

b/ On a disbursement basis; includes: (1) Export-Import Bank Credits, (2) Foreign Liquidation Commission and Maritime Commission Credits, (3) Special country loans & grants (U.K. loan, Civilian Relief for Occupied and Liberated Countries, expected U.S. contribution to IRO, etc.), (4) 1947 Balance of UNRRA program, (5) Probable International Bank lending (including loans financed by International Bank debentures). Source: "Annual Dollar Availabilities Under Present Policies, by Country, 1947-1949", dated June 17, 1947 (Revised).

c/ Based on present policies of the foreign governments having plans for liquidating public and private foreign investments of their nationals (as in the case of France and the Netherlands), and on an analysis (a) of gold reserves and public dollar balances and (b) of the rate at which these were evidently liquidated in the first quarter, 1947.

d/ It is assumed that Netherlands, Belgium, and Norway can meet unsatisfied capital requirements in the order indicated by resort to private capital markets. The total of gross private capital outflow to Western Europe so indicated is only slightly larger than is allowed for in Table II, the "Projection of United States Balance of Payments under Present Financial Policies and Programs, by Areas, 1947-1949".

e/ Unsatisfied capital import requirements were computed for countries in these areas on the assumption that the new development programs could not employ funds becoming available through private investment, the liquidation of gold holding and dollar balances, or the conversion of sterling and other currency holdings into dollars. This assumption may not hold for countries in the Near and Far East receiving or holding sizeable sterling balances, and the unsatisfied requirements of those countries may be overstated on that account.

The country breakdown for these areas applies only to the column giving unsatisfied capital import requirements; the totals for other columns include all countries in the areas in question including, for example, the critical countries for which country studies have been prepared but which were not, at the time this table was prepared, known to have requirements unfinanced after account was taken of resources prospective under present policies and programs as shown in Table III, namely, Afghanistan, Portugal, Spain, French Northwest Africa, Korea, Indonesia, India, NEI, the Philippines, and Siam.

N.B. Estimates of unsatisfied requirements given in the last column do not entirely agree with similar estimates carried in the country studies submitted to the Ad Hoc Committee. The differences arise from the necessity of using estimates made early in the summer when most of the country studies were still in preparation.

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TABLE II

PROJECTION OF UNITED STATES BALANCE OF PAYMENTS UNDER PRESENT FINANCIAL POLICIES, AUTHORIZATIONS AND PROGRAMS, BY AREAS, 1947-1949

(Millions of dollars at then current prices)*

	All Areas				Europe				Western Europe				Eastern Europe				Near East & Africa				Far East & Oceania				Western Hemisphere				Undistributed			
	1947	1948	1949	Total	1947	1948	1949	Total	1947	1948	1949	Total	1947	1948	1949	Total	1947	1948	1949	Total	1947	1948	1949	Total	1947	1948	1949	Total	1947	1948	1949	Total
1. U.S. Exports of Goods & Services	19,020	13,670	12,370	45,060	7,360	4,940	3,450	15,750	6,170	4,070	2,780	13,020	1,190	870	670	2,730	1,390	1,320	1,200	3,910	3,340	2,890	3,420	9,650	6,350	4,410	4,113	15,370	70	120	190	380
2. U.S. Imports of Goods & Services	8,340	7,660	8,410	24,410	1,970	2,100	2,350	6,420	1,670	1,790	2,000	5,460	300	310	350	960	690	530	540	1,760	1,660	1,660	2,130	5,450	4,020	3,370	3,390	10,780				
3. U.S. Trade Balance:	10,680	6,010	3,960	20,650	5,390	2,840	1,100	9,330	4,500	2,280	780	7,560	890	560	320	1,770	700	790	660	2,150	1,680	1,230	1,290	4,200	2,330	1,040	720	4,590	70	120	190	380
Financed by:																																
4. U.S. Gov't Loans & Aid	6,246	3,424	2,022	11,691	4,984	2,249	748	7,981	4,308	1,876	561	6,745	676	373	187	1,236	82	212	110	404	990	692	805	2,487	151	186	183	520	39	85	175	299
5. Other Sources of Dollars	530	620	600	1,750	260	170	110	590	100	10	10	120	160	120	100	380		200	210	410	60	110	90	260	180	150	170	500	30	30	20	80
Private Remittances	840	600	500	1,940	500	350	300	1,150	340	230	200	770	160	120	100	380	50	50	50	150	130	140	100	370	130	30	30	190	30	30	20	80
Private Capital Export	570	570	600	1,740	100	100	100	300	100	100	100	500					100	200	200	500	120	40	40	200	250	230	260	740				
Less Return Flows of:																																
Gov't long & short-term credits	-150	-210	-200	-560	-130	-190	-180	-500	-130	-190	-180	-500													- 20	-20	-20	-60				
Private long & short term credits	-310	-180	-200	-690	-60	-60	-80	-200	-60	-60	-80	-200					-20	-20	-20	-60	-90	-20	-20	-130	-140	-80	-80	-300				
Gov't unilateral transfers	-280	-70		-350	-110	-40		-150	-110	-40		-150					-100			-100	-70	-30		-100	-40	-10	-20	-70				
Private unilateral transfers	-140	-90	-100	-330	-40	-30	-30	-100	-40	-30	-30	-100					-30	-30	-20	-80	-30	-20	-30	-80								
6. Liquidation of Gold & Dollar Assets	3,700	1,640	1,150	6,490	1,345	1,030	760	3,135	1,340	1,030	760	3,130	5			5	350	150	100	600	400	200	150	750	1,600	260	140	2,000				
Gold Reserves & Long & Short Term Assets	3,120	1,040	530	4,690	1,015	700	420	2,135	1,010	700	420	2,130	5			5	270	70	10	350	390	130	130	700	1,440	90	-30	1,500				
Sales of New Gold	580	600	620	1,800	330	330	340	1,000	330	330	340	1,000					80	80	90	250	10	20	20	50	160	170	170	500				
7. International Monetary Fund	200	330	190	720	200	300	120	620	150	230	90	470	50	70	30	150		30	70	100												
8. Inter-Area Transfers					-1,400	-870	-640	-2,910	-1,400	-870	-640	-2,910					270	200	170	640	230	230	240	700	900	440	230	1,570				
Unblocking of Sterling					-360	-370	-390	-1,120									120	120	130	370	230	230	240	700	10	20	20	50				
Other Transfers of Gold and Dollars					-1,040	-500	-250	-1,790									150	30	40	270					890	420	210	1,520				

*Current prices are prices expected to prevail in the future, respectively 1947 = 110% 1948 = 99%, and 1949 = 97% of prices prevailing in the last half of 1948.

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TABLE III

ANNUAL DOLLAR AVAILABILITIES UNDER PRESENT POLICIES, BY COUNTRY, 1947-1949

(Millions of U.S. Dollars)

Area and Country	Export-Import Bank				Liquidation of Foreign Assets in U.S.				U.S.M.C.	Special Country Loans and Other Unilateral Transfers				Intergovernmental Loans				Others	Total Available			
	1947	1948	1949	Total	1947	1948	1949	Total	1947	1947	1948	1949	Total	1947	1948	1949	Total	1947	1947	1948	1949	Total
All Areas	994.1	293.7	135.7	1,423.5	199.8	163.0		362.8	198.4	4,086.	1,902.	871.	6,859.	355.	1,065.	1,015.	2,435.	412.6	6,245.9	3,423.7	2,021.7	11,691.3
Europe	803.7	177.0	67.4	1,048.1	95.3	103.0		198.3	168.3	3,331.	1,189.	226.	4,746	335.	780.	455.	1,570.	250.8	4,984.1	2,249.0	748.4	7,981.5
Albania																		5.8	5.8			5.8
Austria	.6	.2		.8	8.1			8.1		86.	15.		101					22.7	117.4	15.2		132.6
Belgium and Luxemburg					18.1	3.0		21.1						30.	40.		70.		48.1	43.0		91.1
Czechoslovakia	7.7	.2		7.9										5.	55.	40.	100.	20.8	33.5	55.2	40.	128.7
Denmark	2.1	2.9		5.0		10.0		10.0						30.	20.		50.		32.1	32.9		65.0
Dodecanese Islands																		.1	.1			.1
Finland	31.9	9.5	2.4	43.8	.1	10.0		10.1								50.	50.	.1	32.1	19.5	52.4	104.0
France	504.0	70.0		574.0		50.		50.	30.8					200.	355.	195.	750.		734.8	475.0	195.0	1,404.8
Germany										308.	266.	226.	800.						308.0	266.	226.	800.
Greece	6.9	4.7		11.6	21.2	10.		31.2	52.5	185.	155.		340.					14.0	279.6	169.7		449.3
Hungary					2.0			2.0		6.			6.					.9	8.9			8.9
Italy	28.4	37.0	50.0	115.4		10.		10.	45.8	209.			209.	15.	85.		100.	67.1	365.3	132.0	50.0	547.3
Netherlands	163.0	2.0		165.0	17.2	10.		27.2	11.2					50.	125.	75.	250.		241.4	137.0	75.0	453.4
Norway	15.0	20.0	15.0	50.0	8.1			8.1	28.0										51.1	20.0	15.0	86.1
Poland	20.1	13.5		33.6	19.6			19.6		33.			33.	5.	100.	95.	200.	52.0	129.7	113.5	95.	338.2
Trieste										9.			9.						9.			9.
United Kingdom										2,450.	700.		3,150.						2450.	700.		3150.
U.S.S.R.					.9			.9										29.3	30.2			30.2
Yugoslavia																		38.0	38.0			38.0
Misc. Europe	24.0	17.0		41.0						45.	53.		98.						69.	70.		139.0
Near East and Africa	26.3	19.8	5.0	51.1	11.5	33.0		44.5		44.	64.		108.		95.	105.	200.	.3	82.1	211.8	110.	403.9
Egypt															50.		50.			50.		50.
Ethiopia	1.8	1.2		3.0	.6			.6										.3	2.7	1.2		3.9
Lebanon					2.5			2.5											2.5			2.5
Liberia										4.	4.		8.						4.	4.		8.
Saudi Arabia	6.4	8.6	5.0	20.0	.5			.5											6.9	8.6	5.0	20.5
Turkey	18.1	10.0		28.1	6.8			6.8		40.	60.		100.		20.	80.	100.		64.9	90.0	80.0	234.9
Union of South Africa						2.0		2.0												2.0		2.0
Yemen						1.0		1.0												1.0		1.0
Iran					1.1	30.0		31.1							25.	25.	50.		1.1	55.	25.	81.1
Far East and Oceania	42.3	12.3		54.6	86.9	21.0		107.9	22.0	681.	609.	605.	1,895.		50.	200.	250.	158.0	990.2	692.3	805.0	2,487.5
Australia					.6			.6											.6			.6
Burma						5.0		5.0												5.0		5.0
China	42.3	12.3		54.6	4.0			4.0	22.0	27.			27.					154.0	249.3	12.3		261.6
French Indo-China					11.9			11.9											11.9			11.9
India																150.	150.				150.	150.
Japan					13.6	6.		19.6		327.	267.	257.	851.						340.6	273.	257.	870.6
Korea					18.9			18.9		169.	194.	172.	535.					.7	188.6	194.	172.	554.6
Netherlands East Indies					31.7			31.7							50.	50.	100.		31.7	50.	50.	131.7
New Zealand					.8			.8											.8			.8
Philippine Islands										158.	148.	176.	482					3.1	161.1	148.	176.	485.3
Siam					5.4	10.0		15.4											5.4	10.		15.4
Misc. Far East and Oceania																						
Western Hemisphere	121.7	84.6	63.3	269.6	1.0	6.0		7.0	8.1					20.	95.	120.	235.		150.8	185.6	183.3	519.7
Argentina	.1	.1		.2															.1	.1		.2
Bolivia	4.8	6.5		11.3															4.8	6.5		11.3
Brazil	39.3	21.9		61.2		4.		4.	6.8							50.	50.		46.1	25.9	50.	122.0
Chile	25.8	23.7		49.5											20.		20.		25.8	43.7		69.5
Colombia	12.3	3.7		16.0	.8	1.7		2.5											13.1	5.4		18.5
Costa Rica						.3		.3												.3		.3
Ecuador	3.3	3.8	3.3	10.4															3.3	3.8	3.3	10.4
Mexico	33.1	19.2	40.0	92.3											50.	50.	100.		33.1	69.2	90.	192.3
Peru									1.3										1.3			1.3
Uruguay	2.0	1.7		3.7	.2			.2											2.2	1.7		3.9
Venezuela																						
Misc. West. Hem.	1.0	4.0	20.0	25.0										20.	25.	20.	65.		21.0	29.	40.	90.
Unspecified	.1			.1	5.1			5.1		30.	40.	40.	110.		45.	135.	180.	3.5	38.7	85.	175.	298.7

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Report of Economic Working Group

to Special Ad Hoc Committee

APPENDIX "A"

CALCULATION OF COUNTRY NET CAPITAL IMPORT REQUIREMENTS

A. European Countries

Requirements estimates for United Kingdom, France, Italy and Germany have been discussed above in the Text. This appendix will be confined to an analysis of the methods employed in estimating requirements for other European countries. Reference is made below to the Post-UNRRA relief standards. These standards are briefly defined as allowing 2,200 calories per day for the urban population of a country, 70 percent of its pre-war supplies of non-durable consumption goods other than food, and sufficient imports to maintain the current level of industrial production.

1. The Netherlands

The capital import requirements of the Netherlands are based upon the assumption of a general consumption level rising from roughly 80 percent of pre-war in 1947 to reach the pre-war level by 1951 or 1952. A high rate of investment, which is planned by the Government, is also assumed. It is estimated that at the assumed rates of consumption and investment and with the financing of the required imports the Dutch balance of payments will be in equilibrium by 1950.

Netherlands nationals hold approximately $840 million of dollar investments. It is estimated that the Government will probably attempt to liquidate $400 million of these assets, but that any further liquidation would meet with considerable resistance both in Government and private circles. It seems probable that the Netherlands will be able to round out its dollar capital needs from non-United States Government sources.

2. Belgium

The dollar capital needs of Belgium are estimated at $250 million for 1947-49 in line with the Government's tentative 10 year investment program of $8.4 billion. This program will be used to raise the standard of living which is at present roughly equal to 90 percent of pre-war and which is threatened by a continued disequilibrium in the balance of payments now being financed largely by funds accumulated during the war. It is estimated that most of the credits which the investment program will probably require from abroad will come primarily from non-United States Government sources. No further liquidation of the Belgian foreign exchange holdings or gold reserves is anticipated.

3. Norway

Norway has experienced a steady economic recovery. Its food position which is at present quite good is steadily improving. Its moderate foreign exchange requirements since the end of the war have been largely met from accumulated hard currency reserves. These are being supplemented by the sale of securities in the Swedish and American money markets. Total additional dollar capital requirements during the period 1947-49 will probably approximate $100 million and will be used primarily for investment purposes. The facility with which Norwegian bonds recently have been sold indicates that Norway should have no serious difficulty in raising these funds on the United States money market. Norwegian dollar requirements include $36 million to allow for purchase of Maritime Commission vessels and surplus property on credit. Credits in that amount have already been arranged.

4. Sweden

While Sweden is now quite prosperous, it is experiencing balance of payments difficulties due to relatively high internal prices, to overbuying of dollar imports and to

inconvertibility of other European currencies. For that reason it is estimated that Sweden will draw down dollar reserves by about $100 million during the period under consideration. The imposition of more restrictive import and foreign exchange controls has met considerable resistance in Sweden, but will nevertheless be necessary.

5. Denmark

Denmark is having balance of payments difficulties because the world-wide shortage of fodder and fertilizer has restricted its agricultural production for export and forced limitation of domestic consumption. To prevent further lowering of living standards (among the highest in Europe) Denmark will probably liquidate $40 million of dollar assets in the period 1947-49.

A probable International Bank loan of $50 million in 1948 will provide for a moderate amount of capital improvement, primarily in the transportation system.

6. Finland

The Finnish standard of living is substantially below pre-war. The reparations burden and the resettlement of the population from the territories ceded to the Soviet Union have strained the economy. It is estimated that in order to raise the Finnish standard of living to something less than pre-war levels by 1949 and to increase Finnish industrial production to pre-war levels by 1948, primarily through the accumulation of working supplies of raw materials, Finland will need slightly more than $110 million in the period under consideration. Towards this end it will probably liquidate $5 million of its dollar assets and the recent $25 million Export-Import Bank credit. The additional $80 million which will be required can probably be obtained from the International Bank and United States private investors.

7. Iceland

Iceland probably needs help from abroad to cushion the shock of the forthcoming sharp reduction in its standard of living even though it is, however, considerably above pre-war. The current fall in the price of fish, Iceland's principal export, is turning the terms of trade against Iceland. In addition, the foreign exchange revenues received from the American garrison in Iceland during the war are no longer available. Since considerable investment was made just before and during the war, it is doubtful whether new investment can increase productivity sufficiently to prevent the drastic decline in its standard of living from present levels to roughly pre-war levels. It is likely that $30 million in the form of credits or in the form of supporting high prices of the Icelandic fish catch would be adequate to cushion the shock of a suddenly lowered standard of living. This may be necessary since Iceland is considered to be politically a "critical" country.

8. Austria

The Austrian estimates provide for an average urban diet of 2,400 to 2,500 calories in 1948 and 1949 and for sufficient imports of raw materials and capital equipment for the level of industrial production to reach 100 percent of 1938 by 1948.

The present program for Austria is much more restricted. It provides for an average urban diet of 2,000 calories per day which may be increased to 2,300 in the fall of 1947. The present minimum estimates call for new credits in 1947 of $45 million, (in addition to Post-UNRRA grant of about $115,000,000, and existing grants (UNRRA and U.S. Army) equal to $50 million) in 1948 of $150 million, and in 1949 of $75 million for a total of $405 million, as compared with the more liberal program of $635 million for the same period used in this report.

9. Czechoslovakia

For repair and expansion of plant, including industrialization projects for Slovakia, and to finance a small current

dollar deficit, a capital import of roughly $120 million will be required by Czechoslovakia during 1947-49. In addition, Czechoslovakia will require about $20 million of goods in 1947 already financed by the United States contribution to UNRRA and by the unused portion of an Export-Import Bank cotton credit. If the necessary credit is provided, the country should be able to maintain an export balance sufficient to meet its dollar obligations (including payments for nationalization compensation, transit charges in Germany, and repayment of principal and interest on outstanding loans) which will total at least $50 million over the next three years.

It is estimated that Czechoslovakia will probably receive an International Bank loan of $100 million leaving $20 million of its requirements as yet unfinanced.

10. Poland

Under strict Post-UNRRA relief standards it has been estimated that Poland needed $130 million of financial assistance in 1947. In addition, to assist in its domestic investment program which includes the improved mechanization of the coal mines and the transport system, it is estimated that $300 million will be required from abroad during the period 1947-49. This would allow Polish coal exports to increase from 14 million tons in 1946 to perhaps 35 million tons in 1949.

11. Hungary, Yugoslavia, Roumania, and Bulgaria

It is estimated that the total required net dollar capital imports of Hungary, Yugoslavia, Roumania and Bulgaria will amount to about $800 million in the three-year period under consideration. These estimates are based on the assumption that in 1947 industrial production and domestic food consumption will approximate pre-war levels, that in 1948 and 1949 they will be somewhat above pre-war levels, and that there will be a considerable expansion of capital formation. Yugoslavia's capital requirements will be reduced to the extent that it receives reparations.

Under the Post-UNRRA relief standards these countries would require $160 million of goods in 1947 as follows:

Hungary	$60 million
Roumania	$35 million
Yugoslavia	$65 million
Bulgaria	0

It is estimated that none of these countries will liquidate the meagre dollar assets and gold which they have available.

12. Greece

It is assumed rather arbitrarily that $200 million in 1948 and $100 million in 1949 will be required to round out the Greek Aid Program begun in 1947 with an appropriation of $300 million divided roughly equally between civilian and military programs.

B. Near East and Africa

Estimates for the Near Eastern countries are based on known and intimated desires and on the over-all cost of certain development projects. At the present time it does not appear that any substantial portion of such total costs would represent a demand on the United States for credit in view of local and other foreign credits available to the Near Eastern countries. There appears to be some value, however, to presenting these figures as over-all outside possibilities and then defining the forseeable demand on the United States in the light of the whole.

In considering possible over-all credit needs of the Near Eastern countries the following factors have been considered: (a) currency stabilization, (b) agricultural development plans including irrigation development to increase living standards, and (c) industrial and other financial requirements necessary for a more balanced economy, including possible balance of payments deficits.

A. Currency Stabilization

The following countries have indicated currency stabilization needs:

Egypt	$80,000,000 to $90,000,000
Levant States	$40,000,000
Iraq	$10,000,000 to $20,000,000
Total	$130,000,000 to $150,000,000

It seems unlikely at the present time that any of this amount would be considered as a credit requirement against United States resources, although the United States has been approached in this connection.

B. Agricultural Development

The following estimates of possible credit needs for agricultural development have been made:

Egypt and Sudan	$240,000,000 to $400,000,000
Palestine and Transjordan	50,000,000 to 70,000,000
Syria and Lebanon	100,000,000
Iraq	100,000,000 to 120,000,000
Saudi Arabia	35,000,000
Total	$525,000,000 to $725,000,000

These figures include estimated costs of various river irrigation projects in the various countries as well as improvement of agricultural production designed to provide improved living standards. At the present time it would appear that there would be only a limited demand for immediate United States credit facilities in connection with these projects. Egyptian sterling credits are more than ample to cover the cost of initiating its schemes, Saudi Arabia can probably cover the immediate cost of agricultural development. Syria and Lebanon on the other hand are expected to require outside credit assistance, probably in the form of bank credits.

C. Industrial Development

Possible credit needs for industrial development are difficult to determine in the absence of specific knowledge of industrial development programs. The recent war stimulated the industrialization process in the Near East but there is some question as to how much of the war-time industrialization can survive post-war world-wide competition and as to how far toward industrialization these countries can during the next few decades, inasmuch as these countries are largely agricultural in character it has been assumed for the purposes of this paper that 10 percent to 20 percent of the need for agricultural development would represent a fair guess as to the cost requirement for industrial development. This formula would result in the following credit needs:

Egypt	$50,000,000 to $80,000,000 1/
Palestine and Transjordan	10,000,000 to 15,000,000 1/
Syria and Lebanon	20,000,000 2/
Iraq	30,000,000 2/
Saudi Arabia	30,000,000 to 60,000,000 3/

It is believed that the above figures would represent a relatively low demand for United States credit assistance.

The following country analysis are based on a compilation of the above figures.

1/ Egypt and Palestine tend to be more highly industrialized and the 20 percent base was used in obtaining these figures.

2/ Syria, Lebanon, and Iraq are less highly industrialized and the 10 percent base was used in obtaining these figures.

3/ The Saudi Arabia estimate is based on a probable cost of some $30,000,000 for the proposed railway from the Persian Gulf to the Capital, and proposed east coast harbor works.

1. Egypt.

The possible total local and foreign financial requirements of Egypt and the Sudan are estimated as follows:

a.	Currency stabilization	$ 80,000,000 to 90,000,000
b.	Agricultural development	240,000,000 to 400,000,000
c.	Industrial and financial	50,000,000 to 80,000,000
	Total	$370,000,000 to 570,000,000

Egypt has requested a currency stabilization loan to permit her to establish an independent currency free of the pound sterling. This would envisage a 10 to 15 year loan to become available in the first year. The agricultural program envisages a 20 year comprehensive development of the Nile, to include irrigation, flood controls to improve culture methods pre-requisite to raising the standard of living of the Egyptian fellahim - the majority of the Egyptian population. This would envisage an outlay of approximately 2/3 of the funds in the first ten years of the program, and an estimated outlay of $64 to $104 million in the first four years. The Five-Year Industrial Program is assumed to require $50 to $80 million, approximately 20 percent of the Agricultural Program, for the approximate ration of the value of Egyptian industrial output to total output. It is assumed that the average annual financial requirement will be approximately the same throughout the five years - $10 to $16 million. Thus, the breakdown by years, for the next four years is estimated to be approximately as follows:

In Millions U.S. Dollars

	1947-48	1948-49	1949-50	1950-51	Total 4 Years
Currency stabilization	80-90	-	-	-	80-90
Agricultural development	16-26	16-26	16-26	16-26	64-104
Industrial development	10-16	10-16	10-16	10-16	40-64
Total	106-132	26-42	26-42	26-42	184-258

Of the above needs it is estimated that Egypt would require United States sources only relatively small amounts for industrial development. The foreseeable demand at the moment includes some $5,000,000 to cover the cost of initiating the Delta fertilizer project and the possibility that some credits will be required in connection with the Aswan Hydro-electrication scheme. The measure of requirements in connection with the latter will depend largely on the proportion of United States participation, if any, which has not yet been determined.

2. Palestine and Transjordan

The possible local and foreign financial requirements of Palestine and Transjordan are estimated as follows:

a.	Agricultural development	$ 50,000,000 to $70,000,000
b.	Industrial development	10,000,000 to 15,000,000
	Total	$ 60,000,000 to $85,000,000

These estimates assume no change in the political and economic status quo in Palestine and Transjordan. Assuming the relative annual requirements to be similar to the relative requirements in Egypt, the estimated breakdown by years, for the next four years is estimated to be approximately as follows:1/

In Millions U.S. Dollars

	1947-48	1948-49	1949-50	1950-51	Total
Agricultural development	3.2-4.6	3.2-4.6	3.2-4.0	3.2-4.6	12.6-18.4
Industrial development	2.0-3.0	2.0-3.0	2.0-3.0	2.0-3.0	8.0-12.0
Total	5.2-7.6	5.2-7.6	5.2-7.6	5.2-7.6	20.8-30.4

1/ The combined Anglo-American study group which investigated the cost of implementing the recommendation of the Anglo-American Committee of Inquiry to admit 100,000 Jews to Palestine estimated the cost of a 10-year Arab program to be $180,000,000. One-fourth of this, $45,000,000 was considered essential in the first year, and of this $23,000,000 was considered non-suitable for a self-liquidating loan.

3. Syria and Lebanon

The possible local and foreign financial needs of Syria and Lebanon are estimated as follows:

1. Currency stabilization	$40,000,000
2. Agricultural development	
a. Syria	70,000,000
b. Lebanon	30,000,000
3. Industrial development	10,000,000
	$150,000,000

A currency stabilization loan would permit Syria and Lebanon to establish an independent currency free of the French franc. This would envisage a 10 to 15-year loan to become available in the first year. Assuming that the relative annual requirements for the funds to be similar to the relative requirements in Egypt. The estimated breakdown by years, for the first four years of the program would be approximately as follows:

In Millions U.S. Dollars

	1947-48	1948-49	1949-50	1950-51	Total
Currency stabilization	40.0	-	-	-	40.0
Agricultural development	6.6	6.6	6.6	6.6	26.4
Industrial development	2.0	2.0	2.0	2.0	8.0
Total	48.6	8.6	8.6	8.6	74.4

Syria and Lebanon will probably require the assistance of United States financing in connection with any large-scale agricultural development. Present requirements to initiate the program are estimated at approximately $20,000,000 and it is believed that reasonable aid may be secured from United States credit sources.

4. Iraq

The possible local and foreign financial needs of Iraq are estimated as follows:

1. Currency stabilization	$10,000,000 -	$ 20,000,000
2. Agricultural development	100,000,000 -	120,000,000
3. Industrial development	10,000,000 -	
Total	$120,000,000 -	$150,000,000

Iraq has requested a loan which would permit her to establish an independent currency. This would envisage a 10 to 15-year loan to become available at once. Assuming that the relative annual requirements for other funds would be similar to that of Egypt, the estimated breakdown by years, for the next four years would be approximately as follows:

In Millions U.S. Dollars

	1947-48	1948-49	1949-50	1950-51	Total
Currency stabilization	10-20	-	-	-	10-20
Agricultural development	6-8	6-8	6-8	6-8	24-32
Industrial development	2	2	2	2	8
Total	4.4	4.4	4.4	4.4	17.6

It is believed that the largest portion of Saudi Arabian financial needs will be met locally or from oil royalties or loans arranged through banking channels with the assistance of the oil or of development companies. However, it is possible that the Export-Import Bank may be asked to finance as much as $5,000,000 in connection with the estimated $30,000,000 railway and labor development in the east. Other projected railway plans are not expected to develop credit demands within the next few years. Public utilities and airport developments in which the ruler is extrememly interested may result in subsequent credit requests of the Export-Import Bank.

5. Iran.

World dollar capital needs of Iran for 1947-49 are estimated to be

1947 -- None	
1948 -- $30,000,000	Partial payment on a loan of $150,000,000 for a five-year period.
1949 -- $30,000,000	Partial payment on a loan of $150,000,000 for a five-year period.

6. Turkey

In the absence of firm estimates, it has been assumed arbitrarily that the present Turkish Aid Program will be inadequate and that $50 million in 1948 and $25 million in 1949 will be required to carry out United States obligations in Turkey.

7. Liberia

A small allowance of $5 million has been made for new development programs in Liberia. This amount has been determined by capitalizing, over a long period of time and at a low rate of interest, the ability of the Liberian Government to carry a development loan as deomonstrated by the rate at which the Firestone obligation has been retired. A portion of such a development loan might be used to help finance the much-talked-of railroad project and part might be employed for projects worked up by the United States Government Economic Mission in Liberia. The costs of (a) the Mission, (b) port construction, (c) the U.S. Public Health Mission, (d) the Programs of the Office of International Intelligence and Cultural Affairs, (e) Roberts Field maintenance, and (f) the Centennial celebration are already financed and are included in the figure on total net capital import requirements on the Near East and Africa.

C. Far East and Oceania

Requirements for China have been discussed above in the text. From the point of view of their needs for and ability to utilize a loan the slight information available indicates that Burma might usefully employ about $100 million and French Indo China might make good use of $75 million. The estimated capital import requirements for Japan are based on the assumption of a "cranking-up" program. They are dollar deficits only and do not take account of export surpluses in sterling in currencies of other areas, such as N.E.I. might, on the assumption of

convertibility, provide a part of the funds needed to balance Japan's foreign trade. Examination of the prospects for Siam, Korea, and India has not revealed any firm capital import requirements beyond those that would be satisfied under present financial policies and programs.

D. Western Hemisphere

The unsatisfied capital import requirements allowed for western hemisphere countries may well be too low. By comparison with the three-year total of $347 million given in Table I, an implied figure of $632 million has been developed in a more detailed analysis by the Latin American Area Subcommittee.

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to Special Ad Hoc Committee

Appendix B

UTILIZATION OF GOLD AND DOLLAR RESERVES

Western Europe

The Scandinavian countries in Western Europe are expected to solve their import problem by drawing upon known reserves of gold and dollars. Of the four important Western European countries facing an unsatisfied deficit Bizonal Germany has no significant dollar reserve, the United Kingdom and France are expected to liquidate sizeable amounts of dollar and gold holdings, but Italy is not.

The United Kingdom

United Kingdom gold holdings and short-term dollar balances amounted to an estimated $2,587 million on December 31, 1946. It is expected that these holdings will be drawn upon to the extent of $400 in meeting anticipated dollar requirements in 1947-1949. While this is by no means a maximum program, it would provide for reducing reserves to near the figure ($2 billion) considered by the British necessary to meet the uncertainties of the next few years. Thus, a further reduction might be effected in United Kingdom gold and dollar reserves in meeting the unsatisfied deficit; if no new aid is forthcoming from the United States, it is likely that reserves will be drawn down to the minimum in the course of the period 1947-1949.

During the war the United Kingdom liquidated about $4.5 billion of private British assets in the United States; in consequence, remaining private holdings either are difficult to liquidate or are encumbered (as, for example, by being pledged against the RFC loan).

France

Gold holdings and official dollar assets of France on

December 31, 1946 came to $943 million. It is expected that $460 million of these will be liquidated early in the period 1947-1949 reducing reserves by the end of 1947 to an all-time low despite assurances to the French public that they would be maintained at one billion. In addition, France has undertaken a program of marshalling private French assets. A survey of private foreign French holdings was made, and the present plan of the French Government provides for liquidating about $680 million of private securities and other assets which can be converted into dollar exchange. This program on top of past liquidations amounting to about $300 million will leave intact only those private assets which are difficult to liquidate.

Italy

Except for holdings of the Vatican and those under Allied control, Italian gold holdings and dollar balances amounted to $192 million on December 31, 1946, including $183 of short-term dollar balances. These balances are substantially larger than was maintained pre-war. Unless they are in some way encumbered, they might be drawn upon, perhaps, to the extent of $150 million in helping to meet the unfinanced Italian import deficit amounting to $768 (this would particularly be the case if the net realization of $43 million for Italy from the 'gold pot' held in Germany were employed as a foreign exchange reserve rather than as a local currency reserve); even so, a sizeable dollar deficit would remain unsatisfied.

Eastern Europe

The seven Eastern European countries facing an unsatisfied import deficit, Austria and Greece have gold holdings and dollar exchange balances too small to offer any significant sources of dollars to finance the deficit as indicated in the following comparison between the deficit and gold and official dollar exchange resources of Eastern European countries.

	dollar deficit unsatisfied 1947-1949	gold holdings and official dollar exchange balances Dec. 31, 1946
	(millions of dollars)	
Austria	503	10
Czechoslovakia	11	20
Poland	112	66
Hungary	291	39
Rumania	150	274
Bulgaria	50	26
Greece	300	34

The other five countries might cover at least a part of their deficits by drawing down gold holdings or dollar balances. The extent to which this might be possible, however, would require a detailed examination of the situation in each case, exploring such questions as the need of the country for reserves and encumberances against which they must apply (for example, nearly one-quarter of the Rumanian reserves are regarded as "loot" received from Germany and some part of this may have to be returned).

Other Areas

Allowance has been made in Tables I and II for reduction of gold holdings and dollar assets of non-European countries as follows:

	Official gold holdings & dollar balances in the U.S. (12/31/46)	Anticipated Liquidations 1947-1949
	(millions of dollars)	
Near East and Africa	1,513	350
Far East and Oceania	1,933	700
Western Hemisphere	4,229	1,500
Canada	1,225	500
Latin America	3,004	1,000

It has not been possible to relate the anticipated liquidation of gold and dollar assets, which has been estimated for these broad geographical areas, to the development programs of particular countries. It has been assumed in the preparation of Table I that the capital import programs of non-European

countries, for which no specific financing was known to be available were over and above the capital imports to be financed either by private foreign investment, by funds received on inter-area transfer or by the liquidation of gold holdings and dollar assets. There is a distinct possibility that this assumption is erroneous. Where the "Unsatisfied Capital import requirements" of a country have been estimated from its over-all trade balance (as was the case with Japan) the liquidation of gold and dollar holdings in the measure already allowed for or the use of sterling and other currency balances may suffice to meet some part of the deficit.

Even assuming that the unsatisfied capital import requirements shown for non-European areas are additional to requirements satisfied out of the available dollar supplies shown in Table I, it is possible that these unsatisfied requirements might, to some extent be met out of the gold and dollar holdings remaining to non-European countries, particularly Japan, China, Turkey, Iran, and Brazil. A careful study should be made of each country's position to determine the extent to which these possibilities exist.

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Preliminary APPENDIX "C"

ESTIMATED WORLD GRAIN BALANCE, 1947/48 THROUGH 1949/50

Estimates of world exportable supplies of all grains (apart from rice) and import requirements of these grains for use as breadgrains for the consumption years 1947/48 through 1949/50 can be summarized as follows:

1. The year 1947/48 is expected to be the record period for world import requirements, 45 million long tons as compared with 37 million in 1946/47. World exports of all grains may reach 29 million tons, one million tons more than 1946/47, leaving a deficit for breadgrains alone of 16 million tons. This compares with a shortage of 9 million during the 1946/47 consumption year ending June 30, 1947.

2. In 1948/49, world exportable grain supplies are estimated at about 29 million tons while requirements are expected to drop sharply to about 33.5 million tons, thereby reducing the deficit between supply and breadgrain requirements to approximately 4.5 million tons.

3. During 1949/50 a further increase in exportable supplies to a level of 30.5 million tons is expected, while requirements will continue to decline to about 32.5 million tons, thereby reducing the gap between supply and requirements to almost 2. million tons.

4. When account is taken of grain import requirements for feed use, the gap between supply and requirements in 1947/48 can be increased by 6 million tons -- the additional stated requirements for feed use. In 1948/49 and 1949/50, import requirements for feed are expected to be higher than

six million tons, but since exportable supplies will not meet breadgrains needs of importing countries, these additional import requirements of grains for feed must be almost entirely disregarded.

Table 1. WORLD GRAIN TRADE BALANCE: ACTUAL PREWAR AND 1946/47; ESTIMATED 1947/48 THROUGH 1949/50
(000 long tons)

	Prewar (1935-38)		1946/47		1947/48		1948/49		1949/50	
Imports or Requirements		28,964		37,000[a]		45,000[a]		33,650		32,350
Exportable Supplies										
Wheat, Rye, Flour	15,610		20,000[a]		22,050		21,000		19,700	
Coarse Grains	13,354		8,000[a]		6,950		8,800		11,600	
Total		28,964		28,000[a]		29,000		29,080		30,580
Deficit				9,000		16,000		4,570		1,770

NOTE: Actual prewar and 1946/47 and estimated 1947/48 data obtained from International Emergency Food Council. 1948/49 and 1949/50, IFI estimates.

a. Rounded.

Table 2. WORLD EXPORTS OF GRAINS: ACTUAL PREWAR AND 1946/47, PROPOSED BY IEFC FOR 1947/48 AND ESTIMATED FOR 1948/49—1949/50
(000 long tons)

Country	Prewar Average (1935/38	1946/47	1947/48	1948/49	1949/50
United States					
Wheat, flour, rye	512.2	10,734.0	12,000	8,000	6,700
Coarse grains	76.9	4,166.0	1,500	1,400	2,700
Total	589.1	14,900.0	13,500	9,400	9,400
Canada					
Wheat, flour, rye	4,656.1	5,900.0	5,650	6,000	6,000
Coarse grains	50.8	505.8	00	100	100
Total	4,706.9	6,405.8	5,650	6,100	6,100
Argentina					
Wheat, Flour, rye	3,009.9	1,662.0	2,000	2,500	2,500
Coarse grains	7,290.8	2,558.5	3,500	4,000	4,500
Total	10,300.7	4,220.5	5,500	6,500	7,000
Australia					
Wheat, flour, rye	2,804.1	1,314.7	1,900	2,500	2,500
Coarse grains	81.1	39.5	50	80	80
Total	2,885.2	1,354.2	1,950	2,580	2,580
Other Countries					
Wheat, flour, rye	4,627.5	425.3[a]	500	2,000	2,000
Coarse grains	5,854.9	493.0[a]	1,900	2,500	3,000
Total	10,482.4	918.3[a]	2,400	4,500	5,000
Total -- World					
Wheat, flour, rye	15,609.8	20,036.0[a]	22,050	21,000	19,700
Coarse grains	13,354.5	7,762.8[a]	6,950	8,080	10,880
Total	28,964.3	27,798.8[a]	29,000	29,080	30,580

Note: Prewar, 1946/47, 1947/48 data obtained from IEFC: 1948/49, 1949/50, IFI estimates.

a/ Data incomplete for the last two months of 1946/47.

Table 3. WORLD GRAIN TRADE OF SPECIFIED IMPORTING COUNTRIES: ACTUAL PREWAR AND 1946/47, PROPOSED BY IEFC FOR 1947/48, AND ESTIMATED FOR 1948/49 AND 1949/50
(000 long tons)

Country or Area	Prewar 1935-1938	1946/47 Stated Import Requirements	1946/47 Imports	1947/48 Stated Import Requirements	1947/48 Proposed IEFC Allocations	1948/49 Estimated Import Requirements	1949/50 Estimated Import Requirements
Albania	15	9	0	0	0	0	0
Austria	746	467	474	872	540	750	750
Belgium	2,355	1,308	1,021	1,183	810	1,250	1,350
Bolivia	40	71	40	50	45	50	50
Brazil	945	1,200	948	1,200	720	1,000	1,000
China	272	800	378	1,200	540	1,000	1,000
Cuba	122	250	247	300	225	300	250
Czechoslovakia	44	203	135	774	360	250	200
Denmark	704	0	0	361	135	50	50
Egypt & Red Sea Area	49	100	127	350	135	250	100
Finland	232	359	327	353	300	350	300
France	1,036	1,444	1,321)	2,598	1,890	1,500	1,250
French North Africa	-552	542	)	800	450	300	100
French Colonies	-624	221	113	211	110	0	-200
Germany (UK-US)	2,227)	3,438	2,992	5,300	3,600	4,250	4,250
Germany (French)	)	470	235	594	315	550	600
Greece	550	441	414	851	495	500	500
Hungary	-510	116	23	0	0	-200	-300
India	298	3,610	2,096	5,315	2,700	4,000	3,500
Ireland	704	183	256	455	225	250	200
Italy (US Zone)	)	111	115	125	90	100	100
Italy	833)	1,731	1,759	3,261	2,070	1,750	1,750
Japan, Korea & Ryukyu I.	123	2,719	1,539	3,011	1,710	3,000	3,000
Mexico	15	548	392	425	360	400	300
Netherlands	1,765	1,147	989	1,288	990	1,000	1,000
Neth. East Indies	-37	80	74	150	90	100	100
New Zealand	56	144	137	160	135	150	100
Norway	499	363	352	400	300	350	350
Peru	127	152	110	200	110	200	150
Philippine Islands	109	294	265	300	135	200	150
Poland	-741	913	416	1,197	225	0	-100
Portugal	40	275	309	480	300	300	300
Rumania	-1,594	720	86	75	70	-100	-250
Spain	52	300	391	350	315	350	300
Sweden	96	130	61	477	315	0	0
Switzerland	890	453	519	656	450	450	450
Union of So. Africa	349	938	527	350	180	350	350
United Kingdom	9,560	5,714	5,732	6,261	5,130	5,500	6,000
United Kingdom Areas	0	2,236	1,455	2,067	1,260	1,750	1,250
Uruguay	-66	125	165	150	135	100	50
Yugoslavia	-616	1,610	12	0	0	-100	-200
Miscell. or other	10,144	1,400	1,241	1,100	990	1,000	1,000
Total World	29,000	37,000	28,000	45,000	29,000	33,650	32,350

Note: Prewar, 1946/47, 1947/48 data obtained from IEFC; 1948/49, 1949/50 IFI estimates.

Prewar includes over 13 million tons of coarse grains, most of which was used for feed by importing countries. Requirements for 1946/47 through 1949/50 do not include feed.

II. THE WORLD SUPPLY OF AND DEMAND FOR DRY-CARGO OCEAN SHIPPING IN 1947

The world's ocean-going dry-cargo fleet in January 1947 approximated 71.9 million deadweight tons (d.w.t.),[1] an increase of 12.7 percent over the 63.8 million d.w.t. in 1939. (See Table 1). At present, however, the large number of vessels laid-up and in repairs[2] reduces the fleet in active operation to somewhat below the 60 million d.w.t. in service in 1939. In addition to changes in the size of the fleet, its total capacity is affected by several factors which render the existing merchant marine less able to handle annually the same amount of cargo per unit of active shipping space than in 1939. These factors are:

(1) Longer hauls (primarily US to Europe) arising from the movement of large quantities of bulk commodities under relief, reconstruction, and rehabilitation programs.

(2) Congestion and consequent delays at piers resulting from war destruction of port facilities, failure to replace outmoded loading and unloading equipment, shortages of skilled port labor, and the decreased efficiency of unskilled labor required to perform heavy work on limited food allowances.

(3) Lower efficiency of vessels as a result primarily of a higher percentage of war-built tonnage, i.e., 70 percent in 1947 as contrasted with 20 percent in 1939.

The volume and pattern of world demand for the services of the 1947 fleet cannot be precisely determined. The US Maritime Commission has estimated that all types of ocean-borne freight approximated 245 million tons in 1937,[3] and the volume is somewhat higher today. In dry-cargo terms this is estimated to be about 200 million tons in 1937 and possibly 10 percent higher in 1947.

1. Deadweight tonnage is the weight in long tons required to depress a vessel from light water line to load line. It is therefore the weight of the cargo, fuel, and stores which a vessel can carry safely.
2. The US alone has about 12 million d.w.t. laid-up and there is substantial tonnage undergoing repairs in Europe.
3. W.W. Smith, Chairman US Maritime Commission, Journal of Commerce (N.Y.) May 22, 1947, p. 6A. The effects of possible large scale US aid to foreign countries do not appear to have been given consideration in the development of these estimates.

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Preliminary Appendix D

Estimate of World Exportable Supply and Import Requirements of Fats and Oils, 1947-1949

I. SUMMARY

1. World exports of visible fats and oils for edible and industrial purposes during the calendar year 1947 are estimated at 3.2 million metric tons as compared with 2.6 million tons in 1946 and 5.9 million tons average during the 1935-39 period. (See Table 1). World import requirements, calculated here on the basis of 75 percent of prewar per caput consumption for 8 selected European countries, Austria, Belgium, Czechoslovakia, France, Italy, Netherlands, Poland, and Portugal and on the basis of expected import demand in the rest of the world, total 3.75 million tons, leaving a world deficit of 575 thousand tons. Of the one million tons of imports needed to meet such goals in the countries named, 750 thousand tons actual imports are expected.

2. In 1948, world exportable supplies are estimated at 4 million metric tons, 68 percent of prewar. Import requirements, based on about 90 percent of prewar per caput consumption for these named countries and minimum demand for the rest of the world, are estimated at 4.45 million tons, 19 percent higher than in 1947. The gap of 450 thousand tons between estimated exportable supplies and requirements will have to be met either by lower imports into these countries or decreased effective demand in other parts of the world.

3. World exportable supplies are expected to total about 4.6 million metric tons in 1949, 78 percent of prewar. Import requirements to provide approximately prewar per caput consumption in the countries listed above, and to meet the import demands of other countries, are estimated to be 5.15 million metric tons, leaving a deficit of 550 thousand metric tons.

II. FATS AND OILS

Exportable Supplies. World exports of visible fats and oils (including butter and olive oil) in the calendar year 1947 may total 3.18 million metric tons in terms of oil, which is 21 percent greater than the 1946 exports of 2.63 million tons but only 54 percent of the prewar level of 5.9 million metric tons. Although exports in 1947 show increases over 1946 for most types of fats and oils, the improvement is attributable mainly to the rapid rehabilitation of the Philippine copra industry and to the increase in the world marine oil supply.

Assumptions have been made of continued low exports from Manchuria and the N.E.I., higher consumption in the major producing areas, maintenance of the present export-price policies in Argentina, and continuation of international agreements limiting the whale catch to a maximum of 16,000 blue-whale units (one half the 1938 level). With continuing recovery of copra and coconut oil exports which in the prewar period accounted for 20 percent of total world fats and oils exports, and with small increases in other oils, total world exports for 1948 are expected to reach 4 million metric tons, 26% greater than in 1947. By 1949, even though exports of copra are expected considerably to exceed prewar levels, total exports of fats and oils are likely to be only 4.6 million metric tons, 77 percent of prewar, but 45 percent greater than in 1947.

Import Requirements. For the 8 countries, Austria, Belgium, Czechoslovakia, France, Italy, Netherlands, Poland, and Portugal, imports of fats and oils totalling one million tons would be necessary in 1947 to provide, for each of these countries when added to indigenous production, per caput supplies 75 percent of prewar (see Table 3.) The volume of imports required to reach this consumption goal corresponds to tonnage requirements used in the provisional fats and oils allocation schedules for 1947 prepared by the International Emergency Food Council, to provide an estimated 70 percent of prewar per capita consumption.

The difference of 5 percent is due to higher IEFC estimates of prewar per capita consumption and to lower IEFC estimates of 1947 production. Import requirements of one million tons for the group of countries would be 86 percent of their prewar imports. However, actual imports by these countries in 1947 are expected to total about 750,000 tons, (65 percent of prewar imports), which will provide about 67 percent of prewar per caput supplies when added to indigenous production. Allocations and import requirements to other selected countries (Turkey, Iran, Bolivia, Brazil, Chile, Ecuador, Haiti, China, Netherlands East Indies, Philippines), most of which are net exporters, are negligible. Expected exports under allocation to the rest of the world amounted to 2.75 million metric tons, about 60 percent of prewar imports by these areas. Of this 2.75 million tons, the United Kingdom accounts for 920 thousand tons and the United States for about 100 thousand of net imports.

Estimates of import requirements for the calendar year 1948 and 1949 for the 8 continental European countries named are based on consumption goals of 90 percent and 100 percent of prewar per caput supplies (except for Italy 90 and 105 percent and Portugal 100 and 105 percent). Such standards give import needs reaching 1.2 and 1.4 million metric tons in 1948 and 1949 respectively, after allowing for the gradual increase in these countries of indigenous supplies as estimated in Table 3. Only France, Czechoslovakia, and Portugal are expected to reach prewar levels of fats and oils production by 1949.[1] Population growth is also taken into account.

For the rest of the world, 1948 and 1949 estimates of import requirements are minimum demand based on the expected actual imports in 1947 of 2.75 million metric tons and gradual

1. National average prewar total caloric intake for the selected continental European countries ranged from 2461 for Portugal to 3012 for France (including wine). Calories from fats and oils for the same period for these countries varied from 192 or 7 percent of total calories in Poland to 573 or over 19 percent of total calories in the Netherlands.

annual increases to reach levels of 3.25 million metric tons in 1948 and 3.75 million metric tons in 1949.[1] Imports of 3.75 million metric tons, representing only 80 percent of prewar imports for the rest of the world, are not based on any fixed standard of per caput consumption in these countries. Larger fat supplies from increased indigenous production in some countries and from greater retention of domestic supplies formerly exported will be offset by the demands of substantially larger populations.

Estimated world exportable supplies of 4 million metric tons in 1948 and 4.6 million metric tons in 1949 leave prospective gaps of 450 and 550 thousand metric tons. Closing these gaps can of course be done either by restricting increases in imports and consumption of the importing countries or by further increasing world production and export supplies, or both.

After 1949 increasing production can be expected to decrease the world deficit somewhat, even with maintenance of consumption standards in all countries and increases in some. However, unless export prospects in such important areas as Manchuria and the Netherlands East Indies improve more than now appears probable, there is little possibility that world export supplies will equal import requirements for several years beyond 1949.

The estimates presented above are based on the assumption that allocations continue through June 30, 1948. The discontinuance of allocations will probably result in some increases both in production and exports due to the price stimulus resulting from competitive bidding especially in colonial and primary producing areas. However, this larger world trade will be accompanied by a less equitable distribution than now exists, perhaps even at the expense of some of the European countries specifically considered in this report.

1. This trend of imports, if projected into 1950-55, would fall between the high and low estimates made by the Food and Agriculture Organization of the UN.

The estimates of requirements and demand are not based on any particular price relationship between different types of fats and oils or between fats and other commodities. General financial and economic developments over the next few years will largely determine the price prospects for all commodities, including fats and oils and will directly affect potential demand for them. The extent to which importing countries will use their limited foreign exchange resources for purchases of oilseeds, fats and oils will also help to determine the general price levels and price relationships between fats. Since the United States, a net importer of fats, is a major exporter only of lard, the shortage of dollar exchange is not as critical a problem for fat importing countries as for certain other important products for which the United States is the sole or principal source of supply. Unless there is a severe economic recession, there is little doubt that world exportable supplies will be short of potential demand in the next few years. Even such a depression, which will adversely affect demand for fats and oils, may not reverse the trend of increased consumption of both edible and industrial fats and oils.

Table 1. FATS AND OILS:[1] WORLD TRADE BALANCE, PREWAR, ANNUAL ESTIMATES 1947 THROUGH 1949

	Prewar	1947	1948	1949
	(1,000 metric tons of oil)			
Import Requirements				
Selected Countries[2]	1,155	1,000	1,200	1,400
Rest of World[3]	4,775	2,750	3,250	3,750
World	5,930	3,750	4,450	5,150
Exportable Supplies	5,930	3,175	4,000	4,600
Deficit	-	575	450	550

1. Visible fats and oils for both edible and industrial purposes.

2. Austria, Belgium, Netherlands, France, Italy, Poland, Czechoslovakia, Greece, Portugal, and Hungary. Import requirements for other countries under special consideration are negligible. Import requirements for these selected European countries are based on the following total per caput supplies of fats and oils for all purposes as a percent of prewar for each country: 1947 - 75%; 1948 - 90%; 1949 - 100%, except for Italy (at 105 percent in 1949) and Portugal (at 100 and 105 percent in 1948 and 1949).

3. Estimated demand in 1947 with gradual annual increases.

Table 2. FATS AND OILS: WORLD EXPORTS, PREWAR AVERAGE, ESTIMATED ANNUAL 1946-1949[1]

Commodity	Prewar	1946	1947	1948	1949
	(1,000 metric tons oil or fat equivalent)				
Edible Oils					
Cottonseed	173	40	36	45	45
Peanut	775	286	300	375	450
Soybean	400	61	65	75	150
Sunflower	29	62	64	100	100
Olive oil	158	11	23	40	65
Sesame	59	5	5	40	60
Total	1,594	465	493	675	870
Palm Oils					
Coconut	1,170	539	875	1,150	1,250
Palm kernel	318	233	225	250	270
Palm	495	211	230	270	300
Babassu	18	16	9	25	25
Total	2,001	1,000	1,340	1,695	1,845
Industrial Oils					
Linseed	648	295	286	325	400
Castor	92	75	77	100	100
Rapeseed	41	6	9	35	40
Oiticica	4	15	9	10	10
Tung	81	37	41	50	50
Perilla	36	0	0	5	10
Total	902	428	422	525	610
Animal Fats					
Butter	417	240	250	400	450
Lard	173	227	191	200	225
Tallow	177	100	116	130	150
Total	767	567	557	730	825
Marine Oils					
Whale	530	145	320	325	350
Fish	136	27	45	50	100
Total	666	172	365	375	450
Grand Total	5,930	2,630	3,175	4,000	4,600

1. Preliminary estimates for 1946 and 1947 and revised estimates for 1935-39 average from the Office of Foreign Agricultural Relations, US Department of Agriculture. Preliminary estimates for 1948 and 1949 made in the Office of Intelligence Research, State Department.

Table 3. FATS AND OILS: ESTIMATES OF ANNUAL PRODUCTION, CONSUMPTION GOALS AND IMPORT REQUIREMENTS[1] FOR SELECTED EUROPEAN COUNTRIES, 1947, 1948 and 1949, WITH PREWAR COMPARISONS
(1,000 metric tons oil content)

Prewar				1947			1948			1949		
Pro-duction	Con-sumption	Net Imports	Selected Countries[2]	Pro-duction	Con-sumption	Net Import Reqmt.	Pro-duction	Con-sumption	Net Import Reqmt.	Pro-duction	Con-sumption	Net Import Reqmt.
63	114	51	Austria	37	89	52	43	97	54	47	117	70
94	215	121	Belgium	56	171	115	65	191	126	75	218	143
135	269	134	Czechoslovakia	101	165	64	115	200	85	125	222	97
365	901	536	France	305	660	355	325	795	470	345	875	530
478	605	127	Italy	319	490	171	430	595	165	455	695	240
140	263	123	Netherlands	70	222	152	85	270	185	100	306	206
267	303	36	Poland	89	154	65	120	184	64	145	207	62
86	113	27	Portugal	80	102	22	82	142	60	84	150	66
1,628	2,783	1,155		1,057	2,053	996	1,265	2,474	1,209	1,376	2,790	1,414

1. Import requirements for selected European countries are based on following total per capita supplies of fats and oils for all purposes as percent of prewar for each country: 1947 - 75; 1948 - 90; 1949 - 100, except for Italy at 75-90-105, and Portugal at 70-100-105 percent.
2. Hungary and Greece not included in European group because they are expected to be self sufficient. Other selected countries in the Middle East, Africa, Latin America and the Far East are not included because they are either net exporters or have negligible import requirements. These countries are: Turkey, Iran, Bolivia, Brazil, Chile, Ecuador, Haiti, China, Netherlands East Indies, Philippines.

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APPENDIX "E"

Report of Working Group on Economic Aid to Special Ad Hoc Committee

Probable Supply-Requirements Position of Coal in Europe, 1947-51, Probable Demand for U. S. Coal, and Estimated Dollar Requirements for Coal from U.S., Poland and Germany

Production 1/

Table 1, attached, 2/ shows actual hard coal production in Europe in 1937 and 1946 and gives estimates of production for the years 1947 to 1951, inclusive. In 1937, 582 million tons of coal were produced in Europe; in 1946 production was 406 million tons or 176 million tons below 1937. Production in 1947 is expected to reach 454 tons, 128 million tons below the level of output in 1937. Hard coal production in Europe is expected to attain the 1937 level of output by 1951. 3/

Comparison of the magnitude of production between current and prewar levels does not fully reveal the deterioration in European coal production, for the quality of coal and the efficiency of consuming plants have deteriorated. It has been estimated that the quality of coal is now 5 to 7% below pre-war. The decline in quality has been caused by poor grading and segregation of different classes of coal. As the supply of coal increases, the grading and quality may be expected to improve.

The country breakdown of coal production shown in Table 1 indicates that Britain, which accounts for about 40% of total European coal production, will not have attained her 1937 level of output by 1951. A number of reasons are likely to prevent England from attaining her pre-war level of coal production. The principal restraining influence is likely to be the shortage of manpowpr. Given the shortage of manpower and the need of the British to increase exports in order to overcome

1/ All data on production and consumption given herein refer to hard coal only. Brown coal has been omitted because it does not move in international trade to any extent and because its inclusion would not materially affect the analysis. Note that brown coal production is now not as far below pre-war rates as hardcoal production and that brown coal production problems for the reason that brown coal is usually mined by open cast methods, are not as refractory as hard coal production problems. Germany produces very large quantities of brown coal; Austria and Czechoslovakia also produce significant quantities measured in relation to their needs.

2/ All tables are annexed hereto.

3/ Provided, of course, the requisite measures are taken.

the long-term deterioration in her terms of trade, Britain is likely to restrict her coal production to the level of her internal needs, for owing to the labor shortage, she may be expected to try to maximize the net return on exports by concentrating on the export of finished goods rather than of raw materials.

Britain, of course, can increase her coal output to a greater extent than anticipated in Table 1, even within limitations imposed by manpower shortage, if she were able to increase productivity substantially. Over-all output per manshift had declined 10% between 1935 and 1947, from 1.17 to 1.05 tons per manshift. Even if productivity were restored to the pre-war level, (a 10% increase in productivity)1/ to produce 230 million tons of coal, Britain would need between 125 to 140 thousand additional mine workers.2/ Although Britain might be able to raise the output per man above the average attained during the third decade, she could do so only by introducing revolutionary changes in the conditions and methods of mining as outlined in the Reid Report of March 1945.3/

A glance at Table 1 shows that Poland might produce 77 million tons in 1951 4/, as compared with 66 million tons in 1937, some 91 million under the German occupation during the World War II, 47 million in 1946, and an estimated 57 million in 1947. Reserves of Polich coal are extensive, ore occurences lend themselves to extensive mechanization, the systems of mining now in use are conducive to efficient operation, so that from the technical point of view there is every reason to believe that Poland can attain her stated plan of 77 million tons per year. The Polish and Silesian mines before the war were among the most productive in Europe. The Reid Report indicates that next to the U.S., Polish coal is most easily won. However, the attainment of the planned target of output depends upon the receipt of generating and other surface and underground equipment. Poland has sought a loan from the World Bank to finance imports of required equipment. Although Polish plans call for the attainment of 77 million tons of production by 1949, this

1/ Productivity increased about 5% shortly after the introduction of the 5 day week.

2/ On the assumptions that output per man is 1.17, that each employee is scheduled to work 250 days per annum and that absenteeism averages 10% compared with 15-16% now. Current employment is about 730-740 thousand. The total increase required would be lower if surface operations were rationalized.

3/ "Coal Mining". Report of the Technical Advisory Committee, HMS Office, 1935.

4/ This is the official target figure (reduced from 80 million originally) for 1949. It is believed to be within the realm of attainment by 1951 rather than by 1949.

level of output has been deferred in Table 1 to 1951 on the presumption that even if credits were attained, delivery of equipment, particularly generating equipment, is likely to delay the attainment of target production. Polish ability to export coal is likewise limited by shortage of rail transport facilities and port loading facilities at the Baltic ports. The ability of Polish exports to keep pace with the rising level of coal production depends upon the installation of adequate loading facilities at the Baltic ports and also upon sufficient all-rail transport facilities to Western countries.1/

Table 1 indicates that an annual production of 132 million tons by 1951 is anticipated in the Ruhr-Aachen area. It is assumed that by that time that area will have attained the pre-war rate of daily production which was 440,000 tons.

Although the Monnet Plan calls for production of 65 million tons of coal in France by 1950, this level of production is considered extremely ambitious in view of the shortage of labor and the low level of productivity of the French mines. Prior to the war, French productivity was about .85 tons per man-shift over-all, next to the lowest in Europe.2/ At the present time, productivity in French mines is .65 tons per man-shift, only 75% of pre-war; it still ranks second lowest in Europe. France has been able to exceed her pre-war level of production by employing a total of 100,000 more workers than she did before the war. Almost 50,000 of these are POW's, which are now being returned. Assuming that productivity in France is restored to the pre-war level, (which would require a 30% increase in productivity) France would require 285,000 workers to attain an output of 65 million tons or 15,000 workers more than currently employed after deducting 50,000 POW's.3/ After deducting the loss of 50,000 POW's she would require 260,000 workers (or 10,000 fewer than currently employed) to attain the 60 million tons shown in Table 1. Both of the preceding calculations assume continuation of the present six-day week.3/ The miners' union, however, has indicated that it will seek a five-day week, and if this is the case, then 345,000 workers (or 75,000 more than currently employed excluding POW's) will be required to produce 65 million tons and 285,000 workers (or 15,000 more than currently employed excluding POW's) to produce 60 million tons. These data are summarized on the following page.

1/ Poland may also experience shortage of manpower and technicans.

2/ Productivity in the Belgian mines was slightly lower than that in the French mines.

3/ Calculations assume 10% absenteeism as compared with 16% currently.

	Current total Employment	Estimated Employment required at pre-war Productivity			
		To produce 65 million tons		To produce 60 million tons	
		on 5 day week	on 6 day week	on 5 day week	on 6 day week
Total	320,000	345,000	285,000	285,000	260,000
POW's	52,000	----	----	----	----
Civilian	268,000	345,000	285,000	285,000	260,000

Note that since calculations are based on output per man-shift of underground and surface workers, the labor requirements may be somewhat over-stated because the surface operations, such as preparation and maintenance, can expand activities with less than proportionate increases in manpower.

As for the other countries, Table 1 anticipates production in Belgium by 1951 will have been restored to the 1937 level; that production in Czechoslovakia will have increased by 15% over 1937; and that the Netherlands will produce roughly at the pre-war level.

Consumption1/

Table 3 compares pre-war with estimated post war consumption. Total European consumption in 1937 was 550 million tons and estimated total requirements for the period 1950-51 are 586 million tons. Consumption in 1950-51 is estimated to be 35 million tons higher than 1937 and about 100 million tons above the rates of consumption in 1947.

An explanation of the estimated increase in requirements between 1937 and 1951 can be had by comparing individual country requirements for the respective years. It is estimated that Britain will require a 17% increase in the level of consumption or 30 million tons more than in 1937 owing to a higher level of export of finished goods, a higher standard of living for lower income groups, and a level of business activity sustaining full employment. The 225 million ton requirement for 1951 assumes that 5 to 10 million tons would be required for overseas bunkers. By 1951, Britain is expected to have increased her fuel oil consumption by an equivalent of 10 million tons of coal so that she may have available 40 million tons more coal than in 1937.

Although the Monnet Plan calls for an annual coal consumption of 87 million tons by 1950, this has been reduced by 7 million tons because it is highly probable that shortage

1/ Covers hard coal requirements and consumption only.

of labor in France will limit expansion of production. Even the 80 million ton level of consumption assumed in Table 3 is 18% above the 68 million tons consumed in 1937 and may also be rather high. 1/

It is assumed that the level of industry established for Germany will require a rate of coal consumption 83% of that of 1937. Assuming that German brown coal consumption will have attained pre-war levels by 1951, which is not unlikely as it is already over 90% of pre-war in the Western Zones, then Germany is likely to have available for internal consumption about 147 million tons of coal, in SKE equivalents, 2/ or 87% of pre-war consumption counting both hard and brown coal. 3/

Requirements for Poland for 1951 estimated at 40 million tons, slightly lower than 1937 consumption. This would give her a per capita consumption in 1951 of 1.7 tons. Per capita consumption in Britain is expected to increase from about 4.1 tons in 1937 to about 4.7 tons in 1951. The per capita consumption in France is expected to increase from 1.7 in 1937 to 2 tons in 1951, while that of Germany is expected to be about 1.6 in 1951.

The U.K., France, Germany, and Poland consumed 430 million tons of coal prior to the war, as compared with an estimated post-war consumption of 450 million tons. The other European countries consumed 120 million tons in 1937 and, according to the calculations in Table 3, are expected to consume 136 million tons in 1951. These countries are therefore expected to increase their level of consumption by 11%. Assuming, as in the ECO report GPC/16, that half their energy requirements will be met by hydro power, so that they would require only about a 5% increase in coal supply, they would require only 6 million additional tons or a total of 126 million tons in

1/ Note, however, that the Monnet Plan calls for steel production by 1950 which is over 80% above the 1938 level and a like increase in rail carrying capacity. It aims to attain a level of production 25% above that of 1929, when 79 million tons of coal were consumed. If the level of output actually attained by 1950 is equal to but not higher than 1929, then obviously the consumption of coal would be lower than 1929's consumption owing to the long term increase in industrial production relative to given units of coal consumption.

2/ Brown to hard coal ratio of 9 to 2 used herein.

3/ Germany produced about 42 million tons of brown coal prior to the war (in SKE equivalents). Pre-war consumption estimated to have been equal to 127 hard coal plus 42 million brown coal or a total of 169 million tons.

1951. Total European requirements between 1950 and 1951 are therefore expected to range between 575 and 585 million tons.1/

Note that in estimating requirements account has not been taken of current inventory needs, which are probably substantial.

Supply-Requirements Position

Tables 1 and 3 indicate that Europe was self-sufficient in coal in 1937 and, in fact, had a net exportable surplus of some 30 million tons, a good deal of which was used for overseas bunkers. The estimates in these tables indicate that by 1951 Europe will probably have become self-sufficient in coal once again. At the 1947 rate of production, Europe is 125 million short of attaining the rate of production necessary to become self-sufficient by 1951. Coal consumption in Europe in the years, 1947-1951, inclusive is estimated in Table 3. The estimates indicate that in 1947 Europe will consume 482 million tons (446 from indigenous production plus 36 million from the U.S.). Consumption in 1948 is estimated at 512 million tons, comprising 472 from indigenous production and from 38 to 43 million from the U.S. Consumption in 1949 is estimated at 552 million tons comprising 524 from indigenous production plus 25 to 30 million tons from the U.S. The Table indicates that total consumption is expected to increase almost 15% in 1947 as compared with 1946, by 10% in 1948 as compared with 1947, by 8% in 1949 as compared with 1948, and by 6% in 1950-51 as compared with 1949. Although the gap between European indigenous production and requirements in 1949 is still expected to be over 50 million tons, the rate of U.S. exports to Europe is expected to begin declining sometime in 1948 or at the beginning of 1949 owing to the fact that the demand for U.S. coal is restricted to the traditional coal importing countries of Europe, whose purchases of U.S. coal will begin declining as the level of exports from Germany and Poland increases.2/ For the reason that Britain is not likely to

1/ Note that the extent to which coal will be displaced by substitution to fuel oil and other forms of non-coal energy by dieselization, use of oil for heating and so forth, have not been taken into account except in the U.K. Other countries, notably Belgium, have ambitious conversion programs.

2/ Demand for U.S. coal is estimated in terms of the supply requirements position of the traditional European coal importing countries without reference to their dollar resources for the purchase of U.S. coal. This report also presumes that the UK will not purchase US coal in significant quantities or over considerable length of time and that her current purchases were induced by the need to avoid entering the winter of 1947-48 with a low inventory.

import coal in any substantial quantities and that Germany, despite her shortage of coal for internal consumption, will be required to export coal for political and economic reasons, these traditional coal export countries will probably be unable to bridge their respective difference between supply and requirements until 1950-51 while the traditional coal-importing countries will have bridged the difference by the end of 1947 as a result of the high level of U.S. export.

Table 4 indicates the supply requirements position of the U.K. in the six year period, 1946 to 1951. It indicates that Britain is unlikely to resume exporting coal before 1950 and that her exports are likely to be small as compared with her prewar volume of exports of about 50 million tons, of which 35 million was exported to the Continent.

Table 5 shows the supply requirements position for Germany in the six-year period, 1946 to 1951.

Table 6 presents similar figures for Poland.

The traditional coal importing countries imported on a net basis about 72 million tons of coal annually in 1935-38. The data in Table 8 show that these countries will probably have an equivalent net import requirement in 1950-51. Their current net import requirement is probably higher than 72 million tons owing to deterioration in the quality of coal, deterioration of industrial equipment, and need to increase stocks.1/ The current level of net import demand is, therefore, probably 75 million tons minimum. These countries, as is shown in Table 2, will probably import from other European sources 19 million tons in 1947, 32 million tons in 1948, 45 million tons in 1949, 63 million in 1950, and will have available in 1951 some 74 million tons from other European sources, or enough coal to meet total net import requirement without drawing on U.S. supplies. Residual demand on the U.S., in the respective years, is estimated at about 53, 40, 28, 9 and probably zero million tons.

The U.S. exported in the months of April and May of 1947 at the rate of 3.8 million tons per month to Europe. Assuming availability of coal, and adequate inland and ocean freight facilities, the U.S. should be able to export about 45 million tons of coal to Europe per year. A comparison of Tables 2 and 7 indicates that the demand upon and the probable supply of U.S. coal will probably be in balance in 1948 and that thereafter U.S. export capacity might be greater than demand.

An attempt is made in Table 9 to estimate the dollar requirements for U.S. coal in the years 1947-51, inclusive.

1/ Although stock requirements are not known, they are probably substantial.

These estimates, are, of course, subject to wide margins of error for they are based on estimates of the price of export coal, of ocean freight rates, and of the proportion of estimated exports carried in U.S. flag vessels over a period of five years. The total dollar cost for the five-year period is estimated at between $1,665,000,000 and two billion dollars.

An estimate of the probable dollar cost which the coal importing countries will have to pay for German and Polish coal is shown in Table 10. It is assumed therein that the price of Polish and German coal will be determined by the average price of U.S. coal delivered in Europe as the U.S. coal at least as long as it exceeds $10 per ton, may properly be considered marginal. In column 8 of Table 9 is shown the estimated average dollar cost per ton. These estimates are used in Table 10 (see column 2) for determining the probable price of Polish and German coal. It is assumed in Table 10, however, that as long as a sellers' market for coal obtains, the price will be determined by the export price of the coal producing country whose costs are highest. This is likely to be Britain. As the cost of producing British coal is probably now in excess of $8 at the mine, it is assumed that $10 will be the price for European coal as long as British coal is required. The estimates shown in Table 10 indicate that the dollar cost of German coal, assuming that all German coal exports will be paid for in dollars, will be about $1,050,000,000 for the five-year period. It is assumed, as in ECO/GPC/16, that approximately one-third of Polish coal exports will be paid for in dollars. The estimated total cost of Polish coal for the five-year period is $487,000,000. The total dollar cost for coal from all three sources -- U.S., Germany, and Poland, comes to between $3,200,000 and $3,500,000,000. Note that the dollar requirements for capital goods necessary to raise the capacity of European coal mines have not been included. The ECO report estimates that $1,565,000,000 are required for maintenance and development and $260,000,000 for new capital equipment; only $50,000,000 worth of equipment are estimated to be required from the US, although more might be obtained if more US capacity were available. The ECO report presumes that for most of the equipment, dollar expenditures would not be required as most of the equipment could be produced in Europe. However, the equipment to be imported from Germany, which by far is the largest supplier of such equipment, will have to be purchased for dollars. The ECO estimate of dollar requirements for equipment is therefore on the low side. A more determinate estimate of dollar requirements for capital equipment will have to wait upon studies now in process under the auspices of ECO and the Paris economic conference.

Comparison between Foregoing and ECO Report

Production

Production data as given in Table 1 are compared with ECO/GPC/16 below:

	This Report2/ 1/	Per Cent Increase Over Year Preceding	ECO Report2/ 1/	Per Cent Increase Over Year Preceding
1937	582	-	560	-
1947	454	-	440	-
1948	480	6%	490	11%
1949	529	10%	525	7%
1950	573	8%	550	5%
1951	589	3%	570	4%

1. The difference in 1937 is attributable to the exclusion of Spanish production in the ECO report.

2. 1947. Spanish production about 10 million tons excluded in ECO report. This report2/ presumes that Ruhr Aachen will produce 70 million tons, an average for the year of 230,000, per day, and the Saar 10 million tons, 80 million in all. The ECO report is low by 8 million tons. This report also presumes that UK will fall below the 200,000,000 ton target by 2 million tons.

3. 1948 and Thereafter. On an overall basis, ECO estimate for 1951 is reconcilable with this report if Spanish production is added to estimates in former. However, individual country estimates vary, as follows(for 1951):

	ECO Report	This Report
U.K.	240	-10
Germany	124	± 8 3/
Poland	80	- 3
France	60	0
Belgium	28	± 2
Netherlands	12	0
Czechoslovakia	18	± 2
Saar	0	±13
Other	8	± 7 (Exclusion of Spanish production)

1/ Millions of tons.
2/ "This report" refers to foregoing report as distinct from ECO report.
3/ There is no reason for presuming, on technical or physical grounds, that the Ruhr - Aachen area cannot attain the pre-war level of production.

It will be noted that the ECO report, as compared with this report, closes the gap between the current and projected levels of production at a faster rate in the early years and a slower rate in the later years.

Consumption

The ECO report presents a 1951 requirement for Europe of 560 million tons; this report, of 586 million tons. At least 10 million tons of the total difference of 26 million tons is attributable to the exclusion of Spanish requirements in the former report. The estimates of British requirements do not differ materially--225 in this report; 121 in the ECO report. This report presumes that Germany will require 83% of pre-war consumption; the ECO report, 75% of pre-war. The former is probably closer to current "level-of-industry" thinking. The difference for Germany is 10 million tons. Of the total difference of 26 million tons, 20 have therefore been explained. The remaining difference can be explained by French requirements. The ECO report presumes a 5% increase for all other countries, including France. This allows France a post-war requirement of 71.5 million tons. This is probably too low. An 80 million ton requirement is allowed in this report. The remaining differences are negligible.

Dollar Costs

	ECO Report	This Report
	(Billions of Dollars)	
U.S. Coal	$1.550	$1.663-1.982
Polish Coal	0.400	0.487
German Coal	0	1.051-1.066

Considering the differences in method, the two estimates are fairly close. The ECO report writes off the dollar cost of German coal while this report includes the cost of German coal.

Table 1. European Hard Coal Production, 1937, 1946 and estimates for 1947-51, inclusive.

	Millions of Metric Tons						
	1937	1946	1947	1948	1949	1950	1951
Belgium	30	23	24	25	27	28	30
Czechoslovakia	17	15	17	18	19	20	20
France 1/	44	47	53	55	57	58	60
Netherlands	13	8	10	10	11	12	12
Germany 2/	141	55	70	85	100	125	132
Poland 3/	66	47	57	62	68	73	77
U.K.	244	189	198	210	220	230	230
Saar	13	8	10	11	12	13	13
Others	14	14	15	15	15	15	15
Total	582	406	454	480	529	573	589

1/ Compare Monnet Plan Targets (which includes about 1-2 million tons of liguite, which is excluded in table above): 1947,55 million; 1948, 59; 1949, 62; 1950, 65. Manpower in France is likely to be too tight and the additional production too marginal to permit an expansion to 65 million tons. The point of optimum returns, in fact, may be exceeded at a level well below 60 million.

2/ Assumes pre-war daily output of 440,000 tons per day in Ruhr-Aachen area will have been attained by 1951.

3/ Includes former German Silesia.

Table 2. Probable European Demand for U.S. Coal 1947-1951 1/

Year	1000 Metric tons European Export Availability					Residual Demand on USA3/
	Germany	Poland2/	U.K.	Saar	Total	
1947	9	9	0	1	19	51 - 56
1948	14	16	0	2	32	38 - 43
1949	16	25	0	4	45	25 - 30
1950	20	33	5	5	63	7 - 12
1951	27	37	5	5	74	0 - 1

1/ Covers traditional coal importing countries only, whose net import requirements are estimated at 70-75 million tons per annum. They imported about 72 million tons per annum in the period 1935-38.

2/ Other than USSR, which is expected to cease importing coal from Poland in 1950.

3/ Demand on USA is considered residual because of high transportation costs. USA export availability estimated at 45-50 million tons to Europe assuming favorable supply of coal and of inland and overseas transport.

Table 3. Hard Coal Consumption in Europe: 1929, 1937, 1946 and estimates for 1947, 1950-51.

(millions of metric tons)

	Actual			Estimate for			Estimate for
	1929	1937	1946	1947	1948	1949	1950-51
UK	184	192	198 1/	199			225
Germany 2/	136	127	43 3/	60			105
France	79	68	58	68			80 4/
Saar	7	7 5/	6 5/	7			8
Belgium-Luxembourg	34	31	27	31			33
Italy	14	13	7	11			14
Netherlands	14	15	11	15 6/			16
Czechoslovakia	17	16	15	17			19
Poland 7/	51	43	32	40 8/			40
Scandinavia 9/	13	19	10	13			20
Iberia 10/	10	8	10	11			11
Balkans 11/	4	3	2	3			5
Others 12/	10	8	6	7			10
Totals	573	550	425	482 13/	512 14/	552 15/	586

1/ Includes stock drawdown.

2/ All data estimated.

3/ Actual consumption probably higher owing to inventory draw down.

4/ Monnet Plan estimated requirement is 87 million tons; this is reduced by 7 million on presumption that Monnet Plan and other European economic plans together create excess industrial capacity, a matter which might ultimately be reconciled by the Conference for European Economic Recovery.

5/ Estimated.

6/ Netherlands could get an additional 1 million tons of coal from U.S. if her dollar resources were adequate.

7/ Includes German Silesia. Figures for 1929 and 1937 estimated.

8/ Retention of coal could be reduced by 6 million tons if transport were available.

9/ Covers Denmark, Sweden, Norway and Finland

10/ Spain and Portugal

11/ Greece, Bulgaria, Roumania, Hungary and Yugoslavia

12/ Austria, Ireland, Switzerland

13/ European production in 1947 estimated at 454 of which 8 million from Poland is destined for USSR, leaving 446 for Europe. U.S. exports estimated at 36 million, giving Europe availability of 482 million tons.

14/ European production equals 480 less 8 million to USSR plus 38 to 43 million from USA

15/ European production equals 529 less 5 million to USSR plus 25-30 from USA. Country breakdown for 1948 and 1949 not given as it would involve too many assumptions regarding the distribution of coal imports.

Table 4. U.K.: Probable production and Exports of Coal, 1946-1951

	Production (millions of metric tons)	Exports1/	Consumption2/
1929	263	79	184
1937	244	52	192
1946	189	3	198 3/
1947	198	0	198 4/
1948	210	0	210
1949	220	0	220
1950	230	5	225 5/
1951	230	5	225 5/

1/ Excluding overseas bunkers

2/ Current requirements estimated at 220 million tons, Requirements in 1951 at 225 million tons

3/ Accomplished by drawdown of stocks

4/ Of which only about 190 will be available for consumption owing to need to augment stocks. UK will have imported about 1 million tons US coal by end of 1947.

5/ Includes 5-8 million tons for overseas bunkers, leaving about 220 million for internal use.

Table 5. Germany: Probable production and Exports of Coal 1/ 1946-1951

	Production	Exports (millions of Metric tons)	Available for internal consumption 2/
1929	135	NA 3/	136
1937	141	28	127 4/
1946	55	12	43 5/
1947	70	10	60
1948	85	14	71
1949	100	16	84
1950	125	20	105
1951	132	27	105

1/ Present rump Germany excluding Saar.

2/ Rump Germany excluding Saar consumed about 127 million tons of hard coal in 1937. New level of industry decisions will probably require about 105 million tons, 83% of 1937 consumption. It is assumed that Germany will retain a major portion of rising coal output, that she will retain her full requirement by 1950 and that thereafter increments in output will redound largely to the benefit of the rest of Europe.

Consumption data are rough estimates as data on movement of coal from Silesian fields to rest of Germany are not available.

3/ Probably between 22-25 million tons.

4/ Production less exports are lower than this figure because part of Silesian coal production was consumed in Germany.

5/ Available from current production. Actual consumption was probably higher owing to draw-down of stocks.

Table 6. Poland: Probable production and Exports of Coal 1/ 1946-1951

Year	Production	Available for Internal Consumption	Exports		
			Total	USSR	Other
	(millions of metric tons)				
1937	66	43	23 4/	NA	NA
1946	47	32	15	10	5
1947	57	40 2/	17	8	9
1948	62	38	24	8	16 3/
1949	68	38	30	5	25
1950	73	40	35	0	33
1951	77	40	40	0	37

1/ Including Upper and Lower Silesia

2/ Poland requires about 36 million tons and according to Polish Mines Administration, is retaining 40 million owing to transport shortages.

3/ Assumes considerable improvement in transport facilities at Baltic ports. Present optimum transport capacity for coal is about 9-10 million tons to areas other than USSR, comprising 7 to 7.5 million by way of Baltic ports and remainder by all rail movement. Delivery of port loading equipment in time to accomplish a significant increase in port capacity by 1948 is doubtful.

4/ Of which a considerable proportion was consumed in Germany.

Table 7. Estimated Coal Exports available to European Coal Importing Countries 1/ 1946-1951

Year	From European Sources	From USA	Total
	(millions of metric tons)		
1946	19	17	36
1947	19	36	55
1948	32	38 - 43	70 - 75
1949	45	25 - 30	70 - 75
1950	63	7 - 12	70 - 75
1951	74	0 - 1	74 - 75

1/ Assumes European Coal importing countries require 70 - 75 million tons of net imports.

Source: See preceding tables.

Table 8. Estimated net import requirements of Traditional European coal importing countries in 1950-1951 1/

Country	Production	Total Requirements	Net import Requirements
	(millions of metric tons)		
Belgium-Luxembourg	30	33	3
France	60	80	20
Netherlands	12	16	4
Italy	1	14	13
Scandinavia	0	20	20
Others	1	13	12 2/
Total	104	176	72

1/ Derived from preceding tables.

2/ Covers Austria, 4 million; Portugal, 2; Ireland, 2; Switzerland, 3; Greece, 1.

Table 9. Estimated dollar cost for U.S. coal, C.I.F., 1947-51

	(1) U.S. Coal Exports	(2) Coal FOB Pier 1/	(3) Cost FOB Pier (1) x (2)	(4) Ocean freight per ton 2/	(5) Tonnage carried on U.S. flag vessels 3/	(6) Est. freight cost (4) x (5)	(7) Total dollar cost (3) plus (6)	(8) Av. dollar cost per ton
1947	36	$10.00 4/	$360.0	$10.00	27	$270	$630	$17.33
1948	38-43	9.75-10.00	370.0-430.0	10.50-11.50	26-31	273-356	643-786	16.92-18.28
1949	25-30	9.00-9.25	225.0-277.0	8.50-9.00	11-16	93-144	318-421	12.72-14.03
1950	7-12	8.00-8.00	56.0-96.0	8.00-8.25	2-5	16-41	72-137	10.29-11.58
1951	0-1	7.75	0-07.8		0	0	0-8	7.75
	106-122		1011-1170.8			652-811	1663-1982	

1/ Assumes full employment in US and consequent high level of internal coal consumption. Price fob pier is also assumed to vary directly with foreign demand.

2/ Assumed to vary directly with foreign demand for coal. Differences in rates to various destinations are smoothed over.

3/ Approximately 75% of coal carried in US vessels in 1947 and 9 million tons carried in foreign flag vessels. Foreign flag tonnage assumed to increase in coming years so that tonnage carried by US flag vessels will be residual except for statutory requirement that coal bought with Exim-bank funds be carried in US vessels.

4/ Price of US coal averages about $10.50-$11.00 since new wage contract. Pre-contract price averaged about $9.50.

Table 10. Dollar costs to Europe of Polish and German Coal Exports, 1947-51

	(1) Av. price US coal per ton 1/	(2) Assumed price European Export coal	(3) German Coal Exports 2/	(4) Dollar cost of German Exports (2) x (3)	(5) Polish Coal Exports 2/	(6) Polish Exports at 1/3 of 5 3/	(7) Dollar cost of Polish Coal (6) x (7)
1947	$17.00	$17.00	10	$100-115 4/	9	3 2/	$ 51
1948	17.00-18.00	17.50	14	245	16	5	87
1949	13.00-14.00	13.50	16	216	25	8	108
1950	10.00-12.00	11.00	20	220	33	11	121
1951	7.75	10.00	27	270	37	12	120
Total				1051-1066			487

Total Dollar Costs

Country	1947	1948	1949	1950	1951	Total
USA	$630	$643-786	$318-421	$72-137	$0-8	$1663-1982
Germany	100-115	245	216	220	270	1051-1066
Poland	51	87	108	121	120	487
Total	781-796	975-1118	642-745	413-478	390-398	3201-3535

1/ CIF Europe

2/ Millions of metric tons

3/ Assumes, as does ECO/GPC/16, that one-third of Polish coal exports will be paid for in dollars. Polish coal is now selling for between $14-18 per ton at Polish border; ECO estimate of $10 per ton for Polish coal appears low.

4/ Current German export price is about $10 per ton. If no increase occurs, then cost to importing countries is estimated at 100 million dollars. If price is raised to $15.00 then cost is estimated at 115 million dollars. It is assumed that the price of German export coal will be raised in subsequent years in line with the policy of making Germany pay for its occupation, at least on the books. While this may simply shift the proximate incidence of cost from the U.S. to the coal importing country, the ultimate cost in any case may be borne by the US, except to the extent - probably, indeterminate-- that the cost to European importers is defrayed by US credits which are repaid.

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APPENDIX "F"

Report of Working Group on Economic Aid to Special Ad Hoc Committee

The World Dry-Cargo Shipping Situation 1947-49

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SUMMARY

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The world's maritime dry-cargo fleet in January 1947 approximated 72 million deadweight tons (d.w.t.) as compared with 64 million d.w.t. in 1939. However, the present active fleet is somewhat smaller than the 60 million tons operating in 1939 and is being called upon to transport over longer routes more than the 200 million tons per year of prewar traffic. These factors, combined with a high percentage of war-built tonnage, port congestion, shortages of skilled labor, and reduced efficiency of underfed, unskilled labor at ports abroad have lowered the number of tons of cargo carried annually per d.w.t. of vessels in the postwar fleet and have produced a worldwide tightness of supply. This tightness is attested by the high level of current shipping rates and large maritime construction programs in progress in many countries of the world.

The most serious aspects of the shipping problem, however, do not arise primarily from any general shortage of cargo space but rather from the changes in distribution of vessel ownership among the maritime nations of the world. The US fleet has risen from 11.6 percent of the world total in 1939 to almost 50 percent in January 1947, and the absolute and relative tonnage of almost all the European countries has declined at a time when their need for increased foreign exchange is vital to reconstruction and rehabilitation. For example, before the war net exchange receipts from shipping equalled 36.5 percent of foreign exchange receipts from exports of domestic products for Norway, 24.1 percent for Greece, 13.4 percent for the United Kingdom, 9.2 percent for the Netherlands, 7.1 percent for Denmark, and an undetermined but significant amount for Italy. The loss of this source of income and foreign exchange at a time when the need to

import by sea is relatively far greater, the price of foreign (i.e., US) shipping far higher, and the alternative means for payment fewer than before the war has been a matter of major concern to many European countries. To build their fleets back up to 1939 levels they have attempted with limited and delayed success to purchase war-built US vessels and have embarked on great national construction programs which absorb resources basic to other phases of the economy and are in short supply. The time required for new construction also negates its effectiveness as a solution to the immediate relief problem. Expeditious disposal of the US government-owned fleet, of which 12 million d.w.t. are currently inactive, could contribute very significantly to eliminating the general tightness of shipping space and correcting dislocations arising from an abnormal distribution of tonnage among the other nations.

The Situation in 1949

By the end of 1949 the world dry-cargo fleet is expected to reach over 79 million d.w.t. of which 65-70 million d.w.t. will probably be active. Traffic is estimated to reach at least 240 million tons. New construction and transfers to foreign registry of vessels now under the American flag are expected to have relieved the current general tightness of supply by 1949 and to have alleviated considerably the dislocations arising from the present abnormal distribution of ownership. The United Kingdom, Norway, France, Netherlands, Sweden, Denmark, and Belgium will all have fleets larger than their 1939 fleets, although their proportion of the total world tonnage will in some cases be a little smaller than before the war. Prospects for restoration of the Greek and Italian fleets appear much less favorable both in absolute tonnage and in relation to the world total. In view of the importance of shipping to the peacetime economies of Greece and Italy, these shortages will affect their ability to pay for necessary imports.

Between January 1947 and December 1949 the United States fleet is expected to have declined by about 10 million tons to a total of 25.2 million tons. A significant amount of the US fleet in 1949 will in inactive, but the tonnage in operation is expected to be much larger than before the war. The extent of American participation in the international dry-cargo maritime shipping picture with world trade and foreign fleets at the levels anticipated above will depend upon the extent of improvements in operating conditions at ports and the extent to which commodity movements resume more normal patterns by 1949. Changes in these factors would permit the European fleets to carry a greater tonnage of international trade through reduction of turn-around time and decreases in average hauls. Barring greatly increased subsidies to American operators, the American merchant marine, whose costs are much higher than those of its competitors, can be expected in 1949 to retain primarily only such traffic as cannot be carried by foreign fleets. Since world seaborne trade in 1949 will be at levels necessitating substantial American participation, the level of world maritime rates is expected to be higher than in the prewar period in order to cover the high costs of the American operators. The economic dislocations from high rate levels will be reduced between 1947 and 1949, however, since the income produced by the rates will be more normally distributed among the maritime nations of the world.

I. INTRODUCTION

The purpose of this paper is to assess the probable size of the world's dry-cargo maritime fleet relative to the anticipated demand for shipping services in order to point out the problems in this field which bear on the ability of the United States to participate in large-scale programs of aid to foreign countries. Consideration must be given not only to the total supply of shipping service but also to the distribution of

vessels among the maritime nations of the world. The ownership pattern is particularly important today because the extreme shortage of foreign exchange, especially US dollars, in many countries limits the use of ships of foreign registry and because the maritime industry normally makes a significant contribution to the national product of a number of countries.

In peacetime, the world supply of shipping space represents a mobile international pool moving to all areas of the world in an effort to maximize the return of owners.[1] An analysis of the current shipping situation and its development in the next few years of large relief, rehabilitation, and reconstruction programs necessitates, therefore, a conclusion in regard to the probable size of this pool, its distribution among nations, and its ability to meet the world's demand for shipping service.

There is little doubt that at present the total supply of maritime dry-cargo vessels in operation is quite limited. No detailed quantitative analysis of the shortage is possible but there is ample evidence of its existence. Foreign shipyards are very active, subject to limitations imposed by shortages of materials, and there are substantial applications on file with the US Maritime Commission for purchase of war-built American vessels by foreign governments and private operators. In addition, the level of ocean freight rates now prevailing confirms the tightness in the supply of operating vessels. The extent of the shortage may be exaggerated by the wish of many governments to expand their merchant marines for security reasons and in order to maintain "empire" unity, combined with the general desire of each nation to carry at least a substantial part of its foreign commerce in national bottoms, but these factors do not change the general picture appreciably.

1. Although there is greater flexibility in tramp operations, liners ultimately respond similarily, but because of international agreements and conferences, shifts in area of operations are generally slower. The regulations of national governments also frequently interfere with operating flexibility.

Table 1. DISTRIBUTION OF THE WORLD'S DRY-CARGO MARITIME FLEET -- 1939 and 1947

Country	Deadweight tonnage (In thousands) January 1947	September 1939	Change 1939-1947	Percent of World Total 1947	1939
World Total	71,921	63,769	+ 8,152	100.0	100.0
Europe	27,613	46,045	-18,432	38.5	72.2
Belgium	272	393	- 121	.4	.6
Denmark	928	1,411	- 483	1.3	2.2
Finland	350	815	- 465	.5	1.3
France	1,627	2,540	- 913	2.3	4.0
Germany	200	4,278	- 4,078	.3	6.7
Greece	1,043	2,741	- 1,698	1.4	4.3
Italy	683	5,328	- 4,645	.9	8.4
Netherlands	1,922	2,685	- 763	2.7	4.2
Norway	2,345	3,800	- 1,455	3.3	6.0
Portugal	353	253	+ 100	.5	.4
Spain	1,091	955	+ 136	1.5	1.5
Sweden	1,781	1,776	+ 5	2.5	2.8
United Kingdom	14,456	17,562	- 3,106	20.1	27.5
Yugoslavia	221	604	- 383	.3	.9
Other	341	904	- 563	.5	1.4
United States	35,050	7,424	+27,626	48.7	11.6
Other	9,258	10,300	- 1,042	12.8	16.2

Source: Based on data from the US Maritime Commission.

Since the world's active dry-cargo maritime fleet today, although smaller than in 1939, is being called upon to carry a heavier volume of tonnage over a longer average haul between congested ports, a tightness in the supply of active cargo space exists throughout the world. This tightness is attested by the high level of current shipping rates[1] and the large volume of maritime construction being planned or already in progress in many countries of the world.

The most serious aspects of the shipping problem do not arise primarily from a general shortage of cargo space but rather from changes since 1939 in the distribution of vessel ownership among the maritime nations. Table 2 shows the percentage of world dry-cargo tonnage registered in the United States and each of the principal European maritime countries for the years 1939 and 1947. The American fleet increased from 11.6 percent of the world total in September 1939 to 48.7 percent in January 1947 while the European nations have all suffered losses. The significance of particular declines in tonnage varies in accordance with the contribution made by the shipping industry to national income and with its importance as a source of foreign exchange; the latest available measurements of these relationships, made by the Department of Commerce for 1937, are contained in Table 3. Reduced participation in the international carrying trade has particularly adverse consequences today for countries like Norway, Greece, Italy, Netherlands, Denmark, and the United Kingdom that must import heavily to reconstruct and rehabilitate their economies. The loss of a significant part of this source of income and foreign exchange in the postwar period, when the need to import by sea is far greater, the price of foreign (i.e., US) shipping far higher, and the alternative means for payment fewer than before the war has been a matter of great concern to most of the maritime nations.

1. Although the current level of rates is partially attributable to higher operating costs, a substantial portion of the increase in rates since 1939 is the result of the pressure of demand on supply.

A number of European countries have embarked on great shipbuilding programs, the unofficial aims of which are approximate restoration of the 1939 tonnage during the next five years. During 1947 new vessels added to European fleets may exceed 1.5 million d.w.t. In new construction estimated for 1947 Great Britain leads the way with about 800,000 d.w.t., followed by France and Norway, each with an estimated 200,000 d.w.t. The bulk of the remaining European construction is completed by Sweden with 100,000; Netherlands with 83,000; Italy with 68,000; Denmark with 50,000; and Belgium with 20,000 d.w.t. Subject to some limitations imposed by shortages of material, equipment, and skilled labor, maritime construction is proceeding rapidly in some countries, but the time required to complete vessels now under way negates the effectiveness of new construction as a solution to the pressing need for relief this year. Furthermore, shipbuilding requires large amounts of such scarce resources as steel and lumber which are basic to reconstruction of other vital phases of the economies.

In addition to new building many countries have applied to the US Maritime Commission for purchase of war-built American vessels. These applications covered 5.6 million d.w.t.[1] on March 31, 1947. To date the sale and transfer of US government-owned ships to foreigners has proceeded rather slowly. The Maritime Commission appears to favor chartering vessels to American operators rather than selling to purchasers abroad. The high profits and extremely low risk to private operators under prevailing charters from the US Government, which are terminable under 15 days notice, has greatly swollen the active fleet under the American flag and reduced the amount readily usable tonnage available for purchase by other countries. There are, however, 1,200 dry-cargo government-owned vessels totalling 12,000,000 d.w.t. now laid-up. These include about 500 Liberty

1. Of this total, 3.7 million d.w.t., or about two thirds, were under applications from European countries.

ships and about 400 other cargo vessels converted for military use. Estimates for bringing the Liberties into use range from $75,000 per ship upwards and are somewhat higher for vessels of the latter category. Expeditious disposal of the government-owned fleet could contribute very significantly to eliminating the general tightness in the supply of shipping space and correcting dislocations arising from the abnormal distribution of tonnage among the various nations.

Table 2. CHANGE IN PERCENTAGES OF THE WORLD DRY-CARGO MARITIME DEADWEIGHT TONNAGE REGISTERED IN THE UNITED STATES AND THE PRINCIPAL EUROPEAN MARITIME NATIONS 1939 and 1947

Country	1947	1939
Belgium	0.4	0.6
Denmark	1.3	2.2
France	2.3	4.0
Germany	0.3	6.7
Greece	1.4	4.3
Italy	1.0	8.4
Netherlands	2.7	4.2
Norway	3.3	6.0
Sweden	2.5	2.8
United Kingdom	20.1	27.5
United States	48.7	11.6

Source: Based on data from the US Maritime Commission.

Table 3. INTERNATIONAL SHIPPING AS A SOURCE OF NATIONAL INCOME AND FOREIGN EXCHANGE IN THE PRINCIPAL EUROPEAN MARITIME NATIONS - 1937

Country	Income from shipping as percentage of total national income	Ratio of net exchange receipts from shipping as a percentage of exchange receipts from exports of domestic products
Denmark	2.5	7.1
France	0.5	4.0
Germany	0.3	3.7
Greece	n.a.	24.1
Netherlands	2.4	9.2
Norway	11.2	36.5
Sweden	1.1	5.9
United Kingdom	1.3	13.4

NOTE: Includes income from all types of international shipping. Separate estimates for dry cargo are not available. No data are available on these items for Italy.

Source: Article by J. S. Smith, "World Income from Shipping", Foreign Commerce Weekly, US Department of Commerce, April 29, 1944.

III. THE WORLD SUPPLY OF AND DEMAND FOR DRY-CARGO OCEAN SHIPPING IN 1949

By the end of 1949 the world fleet as shown in Table 4 is expected to reach 79.3 million d.w.t., an increase of 10.3 percent over 1947 and 24.3 percent over 1939. Of this total fleet an estimated 65-70 million d.w.t. will probably be in active service to handle the 240 million tons of cargo anticipated as the approximate minimum level of international dry cargo ocean borne trade by 1950.[1]

New construction during 1948 and 1949, as shown in Table 4, is expected to reach slightly over 5.0 million d.w.t. for Europe and about 0.6 million d.w.t. in the rest of the world, excluding the United States, for which no goal has yet been officially established, but whose dry cargo building should be relatively small. Transfers of vessels now under the American flag to foreign registry by the end of 1949 are expected to exceed 5.6 million tons. Total increases in the world fleet not under the American flag during the period from the middle of 1947 to the end of 1949 thus approximate 17.2 million d.w.t., of which 77.6 percent is accounted for by European countries. Not all of this tonnage is expected to constitute a net addition to the active fleet, but it should be sufficient to eliminate the general tightness in supply of cargo space, particularly if trade moves in more normal patterns, thereby reducing the amount of shipping employed in moving large quantities of bulk commodities from the US to Europe.

The most significant aspect of the tonnage increase in European fleets by 1949 will be its alleviation of the current dislocations arising from abnormal distribution of ownership. Table 4 shows that the United Kingdom, Norway, France, Netherlands, Sweden, Denmark, and Belgium will all have fleets larger than in 1939, although their proportion of the total world tonnage will in some cases be a little smaller than before the war. Prospects for restoration of the Greek and Italian fleets appear much less favorable both in absolute tonnage and in relation to the world.

1. Estimated by the Maritime Commission and referred to in this report as a minimum figure since it does not give weight to the possibility of increased American aid to foreign countries.

total. In view of the importance of shipping to the peace time economies of the latter two countries, a reduced fleet will affect their ability to pay for necessary imports.

By the end of 1949 the American fleet is expected to have declined by almost 10 million d.w.t. to a total of about 25.2 million d.w.t. Although a large amount of this tonnage will probably be inactive, the tonnage in operation is expected to be much larger than before the war. The extent of American participation in international dry-cargo ocean shipping if world trade and foreign fleets are at the levels anticipated above will depend upon the extent to which there are improvements in operating conditions at ports and the extent to which seaborne trade approaches prewar patterns. Barring greatly increased subsidies to American operators, the US merchant marine, whose costs have for many years been much higher than those of its competitors, can be expected in 1949 to retain primarily only such traffic as cannot be carried by foreign fleets. Since world seaborne dry-cargo traffic in 1949 will be at levels necessitating substantial American participation, the level of world maritime rates can be expected to remain higher than in the prewar period in order to cover the high costs of American operators. However, with the world fleet more normally distributed by 1949, the economic dislocations from high rate levels will be less serious than in 1947 since the income produced by the rates will be more widely distributed among the maritime nations of the world.

Table 4. ESTIMATED DISTRIBUTION OF THE WORLD'S DRY-CARGO MARITIME DEADWEIGHT TONNAGE, 1947-49
(Tonnage figures in thousands)

Country	Dec. 31, 1947[a]	New Construction 1948 and 1949	Sale and Transfer of US Tonnage to Foreign Countries 1948 & 1949	December 31, 1949 Tonnage	December 31, 1949 Tonnage Increase or Decrease Since 1939	December 31, 1949 Percentage of World Total
World Total	73,725	5,609	5,573	79,334	+15,565	100.0
Europe	32,274	5,009	3,729	41,012	- 5,033	51.7
Belgium	422	80	-	502	+ 109	.6
Denmark	1,159	220	67	1,446	+ 35	1.8
Finland	350	-	32	382	- 433	.5
France	2,237	650	62	2,949	+ 409	3.7
Germany	200	-	-	200	- 4,078	.3
Greece	1,899	-	605	2,504	- 237	3.2
Italy	1,413	230	252	1,895	- 3,433	2.4
Netherlands	2,474	230	147	2,851	+ 166	3.6
Norway	2,759	625	862	4,246	+ 446	5.4
Portugal	403	142	43	588	+ 335	.7
Spain	1,116	75	23	1,214	+ 259	1.5
Sweden	1,894	335	84	2,313	+ 537	2.9
United Kingdom	15,369	2,400	1,477	19,246	+ 1,684	24.3
Yugoslavia	230	-	35	265	- 339	.3
Other Europe	349	22	40	411	- 493	.5
United States	30,812	[b]	-	25,239	+17,815	31.8
Other	10,639	600	1,844	13,083	+ 2,783	16.5

Source: Primary data from the files of the US Maritime Commission

FOOTNOTES:

a. Estimates based on fleets as of January 1, 1947 as shown in Table 1, adjusted to reflect new domestic construction during 1947 and transfers and purchases from the United States. The decrease in the US fleet during 1947 is accounted for by the transfer of 3,057,000 d.w.t. to European countries and 1,181,000 d.w.t. to non-European flags.

b. No estimate can be made at this time, but new construction of dry cargo vessels is not expected to be extensive.

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Report of Working Group on Economic Aid

to Special Ad Hoc Committee

Appendix G

WORLD STEEL SITUATION 1947-1948-1949

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1. Introduction and Summary

This study presents, in first approximation, a projected world steel balance for the years 1947, 1948, 1949. For individual countries, estimates are given for production and consumption in these years. Also shown is a "requirements" figure, but specific use of this last estimate is not made in the balances. All estimates, and especially the requirements figures, must be considered tentative forecasts.

It has been assumed that world conditions during the next three years will be favorable to the continued production of steel, that there will not be widespread curtailment of demand and consumption, and that minimum restrictions on trade will prevail.

Although favorable conditions have been postulated -- in particular, that production be maintained at high levels -- there will be insufficient steel in the next three years to satisfy the needs and perhaps even the demands of all countries. This means that in addition to maintaining the high level of production over the three year period, there must also be maintained, both a high level of exports from the producing countries and as equitable a distribution of these exports as possible. Such a distribution will require cooperation, not only on the

part of the exporting countries, but also on the part of the importing countries in adjusting their demands to those of other countries and to the amount available.

2. Production

The Production figures are based on several factors. These factors are chiefly:

1. The normal prewar (usually 1937) output.
2. The known plant capacity and the amount of plant rehabilitation necessary.
3. The amount of raw material available to a country.
4. Individual country plans for steel production and the possibilities of fulfillment.
5. The prewar world trade pattern.
6. The possibilities of increased world trade.

All figures are in terms of steel ingots and castings.

For some countries, it will be noted, no production is anticipated. These are the countries where there is no production at the present time, where no future production is planned, or where a projected steel industry is not expected to come into production before 1950.

The future of Germany's iron and steel industry is based not on technical considerations but on decisions of policy at the highest level. A level of 14.2 million tons capacity and 12.2 million tons production for the bizonal area is now being discussed and it seems likely that agreement at approximately these figures will be reached. To this should be added a production level for the rest of Germany of about 800,000 tons. Since Germany's steel production is closely tied to her coal production, it is felt that the allowed steel production of 13 million tons will not be reached during the period under review.

3. Consumption

The consumption figures indicate the amount of steel which each country is expected to use, based on the amounts they will be able to produce and/or import and export. The consumption

figures do not necessarily represent the amount of steel a country could use or requires. The consumption figures are geared to, and dependent on, the production figures. They represent an approximation to the allocation of the steel which, it is estimated, will actually be produced in the world. In fact, the over-all consumption figure has been kept somewhat below (4%) world production figure, as a "margin of safety" against inevitable fluctuations in production.

To estimate the consumption figures for the individual countries, general consideration has been given to the following factors:

1. The normal prewar (usually 1937) apparent consumption.
2. Trade patterns before the war and changes in that pattern since 1937.
3. Prospective future trade patterns in the light of:
   a. probable rehabilitation and developmental needs.
   b. ability to purchase on the international market.

All consumption figures are in terms of steel ingots and castings, with mill products included as ingot equivalents.

4. Requirements

The requirements figures are rough indications of the amount of steel a country could absorb. They are based on the amount of steel a country consumed in prewar years in the course of normal activity, the amounts of steel that were received during the war years adjusted by the percentage of this amount that was actually diverted to military use, and the amounts that have been estimated for rehabilitation in the war-damaged areas. Insofar as possible, estimates of needs by the specific countries themselves were taken as points of departure for the figures shown. Where information on any one of the points indicated above was lacking, figures were based on such general knowledge as was at hand.

There is, of course, considerable variation of the deficiency between consumption and requirements for different countries. The deficit is obviously much greater for the countries with large war damage. Thus in the case of certain European countries,

the requirements figure is considerably higher than the consumption figure as a result of the large amounts needed for rehabilitation. In contrast, in the figures for several South American countries, the consumption figures approach closely or meet the requirements figure. It should also be noted that in succeeding years, as rehabilitation progresses and needs are satisfied, the discrepancy between consumption and requirements is lessened.

Germany's requirements are arbitrarily carried in the table at 15 million tons which is the 1937 apparent consumption of the Altreich. This is arbitrary. No attempt has been made to prepare a careful estimate.

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WORLD STEEL SITUATION
1947-1948-1949
(In thousands of metric tons)

	PRODUCTION Ingots			CONSUMPTION Ingot Equivalent			REQUIREMENTS Ingot Equivalent		
	1947	1948	1949	1947	1948	1949	1947	1948	1949
Canada	2,700	2,750	2,800	2,700	2,750	2,800	2,700	2,750	2,800
United States	78,000	79,000	80,500	70,200	71,100	72,450	71,200	72,100	73,450
Mexico	280	300	320	620	640	680	700	700	700
Cuba	---	---	---	100	110	120	100	110	120
Other Central America	---	---	---	100	110	110	100	110	110
Total North & Central America	80,980	82,050	83,620	73,720	74,710	76,160	74,800	75,770	77,180
Colombia	---	---	---	150	155	160	160	160	160
Ecuador	---	---	---	14	14	14	14	14	14
Venezuela	---	---	---	120	130	150	150	150	150
Paraguay	---	---	---	14	14	14	14	14	14
Uruguay	---	---	---	100	100	110	100	100	110
Bolivia	---	---	---	18	18	18	18	18	18
Argentina	150	180	200	1,200	1,300	1,500	1,500	1,500	1,500
Peru	---	---	---	90	100	110	110	110	110
Chile	35	40	50	170	180	190	190	190	190
Brazil	250	270	300	650	700	750	750	750	750
Total South America	435	490	550	2,526	2,711	3,016	3,006	3,006	3,016
Austria	300	400	500	300	350	400	600	600	600
Belgium-Luxembourg	5,000	5,500	6,500	1,250	1,500	2,000	2,000	2,000	2,000
Czechoslovakia	1,850	2,100	2,400	2,000	2,300	2,500	2,500	2,500	2,500
Denmark	---	---	---	350	350	350	450	450	450
Finland	75	85	90	250	300	350	390	390	390
France	4,840	4,500	6,500	5,700	6,270	6,900	8,000	8,000	8,000
Germany	3,500	5,000	8,000	3,500	5,000	8,000	15,000	15,000	15,000
Greece	---	---	---	100	100	150	150	150	150
Hungary	350	400	450	350	400	450	560	560	560

	PRODUCTION Ingots			CONSUMPTION Ingot Equivalent			REQUIREMENTS Ingot Equivalent		
	1947	1948	1949	1947	1948	1949	1947	1948	1949
Italy	1,700	2,000	2,400	1,700	2,000	2,400	3,000	3,000	3,000
Netherlands	100	120	150	500	600	700	1,500	1,500	1,500
Norway	30	50	70	330	350	370	400	400	400
Poland	1,600	1,950	2,200	1,300	1,400	1,500	1,750	1,750	1,750
Portugal	---	---	---	100	100	120	150	150	150
Rumania	100	150	200	150	250	300	450	450	450
Spain	650	650	650	650	650	650	650	650	650
Sweden	1,200	1,200	1,200	1,700	1,700	1,700	1,700	1,700	1,700
Switzerland	negl.	negl.	negl.	200	250	300	400	450	500
Turkey	50	100	100	275	325	325	350	350	350
United Kingdom	13,000	13,000	13,000	11,000	11,000	11,000	12,500	12,500	12,500
Yugoslavia	50	75	100	100	150	200	350	350	350
Total Europe	34,395	38,280	44,510	31,805	35,345	42,665	52,850	52,900	52,950
Union of South Africa	650	700	750	1,250	1,300	1,350	1,300	1,300	1,350
Other, incl. Egypt, Algeria, Tunisia, French Morocco, Belgian Congo, French Equatorial Africa, French West Africa, Northern Rhodesia Southern Rhodesia, British West Africa.	---	---	---	800	850	900	900	900	900
Total Africa	650	700	750	2,050	2,150	2,250	2,200	2,200	2,250
Burma	---	---	---	45	60	70	70	70	70
China	30	40	50	300	300	350	500	500	500
India	1,100	1,300	1,500	1,100	1,300	1,500	1,500	1,500	1,500
Indochina	---	---	---	10	10	50	100	100	100
Japan	1,000	1,500	2,000	1,000	1,500	2,000	3,000	3,000	3,000
Korea	20	30	70	20	30	50	50	50	50
Malaya	---	---	---	150	150	200	250	250	250
Manchuria	---	---	---	---	---	---	---	---	---
Netherlands East Indies	---	---	---	150	250	350	400	400	400

	PRODUCTIONS Ingots			CONSUMPTION Ingot Equivalent			REQUIREMENTS Ingot Equivalent		
	1947	1948	1949	1947	1948	1949	1947	1948	1949
Philippine Republic	---	---	---	120	130	140	150	150	150
Siam	---	---	---	20	40	60	70	70	70
Total Asia	1,150	2,870	3,620	2,915	3,770	4,770	6,090	6,090	6,090
Australia	1,500	1,600	1,700	1,500	1,600	1,700	1,500	1,600	1,700
New Zealand	---	---	---	350	350	350	350	350	350
U.S.S.R.	16,500	18,500	20,000	16,500	18,500	20,000	24,500	24,500	24,500
TOTAL WORLD	136,610	144,490	154,750	131,136	139,136	150,911	165,296	166,416	168,036

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