by E. S. Kerber ☆

United States Foreign Aid

in the Fiscal Year 1953

INCREASED military assistance raised foreign aid in the fiscal year ended June 30, 1953, to over $7 billion, the highest amount since the end of World War II. Net foreign aid, which takes into account the receipts by the United States Government of reverse grants and repayments of credits, was $6.3 billion. Thus, net foreign aid for the 8-year postwar period reached $41.7 billion (excluding the Government's investment of $3.4 billion in the International Bank for Reconstruction and Development and the International Monetary Fund).

Military supplants other aid

The major military aid program was originally authorized in the year preceding the Communist invasion of South Korea. Throughout the Korean period military aid rose steadily and reached $4.4 billion in the past fiscal year.

Other aid—primarily economic and technical assistance—declined in this period as the position of foreign nations improved through the expansion of production and with the help of the Marshall plan and the other United States Government postwar aid programs. Annual declines of from one-half to one billion dollars in such assistance occurred in the 3 years.

Flow of economic aid

Gross economic aid for fiscal year 1953 was $2.6 billion, one-fourth of which consisted of credits. Although economic assistance contracted to less than half a billion dollars in the December 1952 quarter, increases were noted in the final quarters of the fiscal year. The comparatively large repayments on credits—over half a billion dollars—brought the net economic aid for the year down to $2 billion. Interest collections on the $10.8 billion of foreign indebtedness to the United States Government amounted to $219 million.

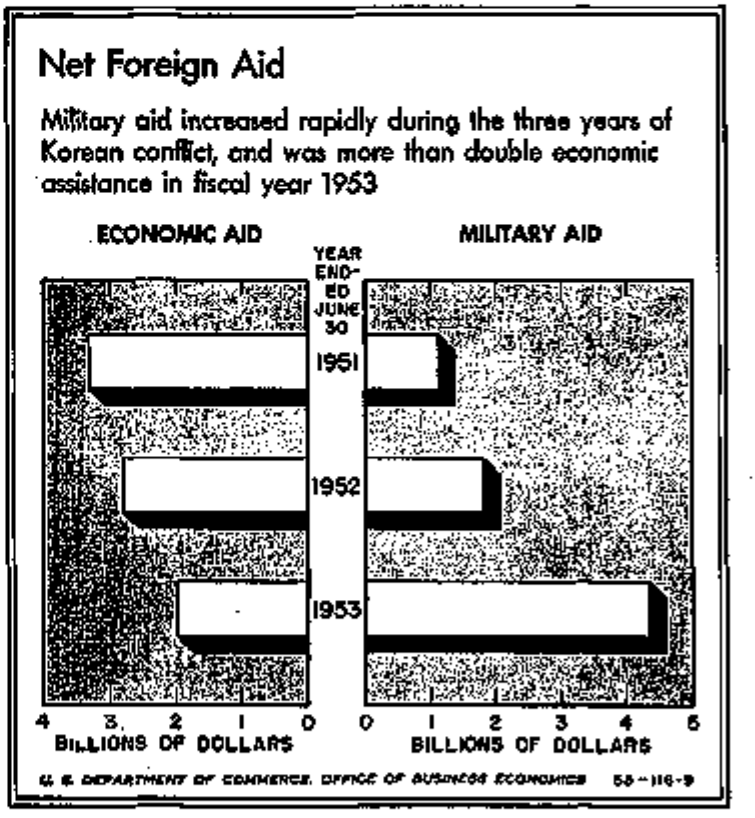
The decline in economic assistance over the past several years was most noticeable in aid to Europe. From 73 percent of the total in fiscal year 1951 the proportion sent to Western Europe and dependent areas dropped to 66 percent last year and by the June quarter was off to 54 percent of all economic aid.

Throughout this period between 75 and 80 percent of all military aid continued to flow to Europe.

United Kingdom and France major recipients

The United Kingdom was the notable exception to the pattern of declining economic assistance in the year ended June 30, 1953. While aid allotments to that country had been terminated at the end of fiscal year 1951, after British gold and dollar reserves had risen to nearly $4 billion, subsequent abrupt decline of sterling-area reserves in the fall of 1951 and the first months of 1952 resulted in a resumption of aid on a substantial scale.

The bulk of the assistance to the United Kingdom in fiscal years 1952 and 1953 came from its utilization of the $300-million defense-support aid allocation made in February 1952 and the subsequent allocations of mutual security program economic-assistance funds totaling $410 million made in fiscal year 1953.



Gross economic aid of $480 million to France was about as large as in the preceding year. France received more economic aid in fiscal year 1953 than any other country, but because of repayments of loans net economic aid of $290 million was considerably less than that to the United Kingdom.

In the September 1952 quarter, France drew $154 million on a special Export-Import Bank loan, advanced against payment by the United States Defense Department for defense materials for which orders had been placed in France.

NOTE.—MR. KERBER IS A MEMBER OF THE BALANCE OF PAYMENTS DIVISION, OFFICE OF BUSINESS ECONOMICS. THE TABLE ON DEBT-SERVICE PROJECTIONS WAS COMPILED BY MR. ZALIE V. WARNER.

These orders were placed under the offshore procurement program to enable the European countries to earn dollars in the course of producing military equipment for North Atlantic Treaty Organization forces. The United States Government buys the equipment and transfers it to NATO countries, as part of the mutual security military-aid program. The United States Government agreed with the French Government to assume some contracts for defense goods vitally necessary to prosecuting the hostilities in Indochina. This eased the burden of that conflict on the French, in addition to providing them with needed dollar exchange. By the end of August these and other contracts placed in France under the offshore procurement program amounted to over $1 billion.

France repays special credit

As the defense materials were delivered, the EIB loan was repaid. By the end of June, repayments totaled $98 million, leaving the net credit utilization on this loan at $56 million for the year. In July 1953 a new $100-million loan of a nature similar to the 1952 loan was arranged; disbursement of these funds was made in August 1953. Meanwhile collections reduced the outstanding balance on the original loan to $44 million.

Other special measures to ease the French position included an $89-million payment during the June quarter to meet a part of the French deficit with the European Payments Union. This deficit had increased in fiscal year 1953 by $400 million, of which France was obligated to pay $380 million in gold or dollars, including $146 million during the last quarter.

Increase for Yugoslavia and Spain

Other than the United Kingdom, Yugoslavia was the only country in Western Europe to receive appreciably more economic aid in fiscal year 1953 than in the preceding year. Aid to Yugoslavia rose steadily throughout the year, continuing a trend in evidence since 1950.

Spain drew another $25 million in credits, slightly more than in fiscal year 1952. About half came from the special

Table 1.—Summary of Foreign Aid (Grants and Credits), Military and Other Aid, by Major Country: July 1, 1951, Through June 30, 1953

[Millions of dollars]

Major country [1]	Fiscal year 1952	Fiscal year 1953				
		Total	July–September 1952	October–December 1952	January–March 1953	April–June 1953
Gross foreign aid	5,026	7,030	1,540	1,443	1,878	2,169
Grants utilized	4,440	6,283	1,221	1,379	1,748	1,935
Less: Credit-agreement offsets to grants [1]						
Credits utilized [1]	859	743	319	69	126	235
Less: Returns	492	634	148	193	125	221
Reverse grants and returns on grants	168	104	22	27	31	24
Principal collected on credits	324	530	126	173	94	197
Equals: Net foreign aid	4,086	5,136	1,392	1,248	1,747	1,948
Net grants [1]	4,271	6,118	1,200	1,353	1,716	1,840
Net credits [1]	325	218	181	−104	32	108
MILITARY AND OTHER AID						
Western Europe (including Greece and Turkey) and dependencies:						
Gross foreign aid	3,717	5,232	1,108	1,160	1,394	1,531
Less: Returns	392	505	131	172	100	103
Equals: Net foreign aid	3,325	4,727	1,037	977	1,294	1,418
Other Europe:						
Equals: Net foreign aid (Returns)	−15	−4	−2	−1	−1	−1
Near East and Africa:						
Gross foreign aid	171	104	41	35	38	40
Less: Returns	4	15	3	5	7	3
Equals: Net foreign aid	166	130	38	30	32	37
Asia and Pacific:						
Gross foreign aid	932	1,240	302	210	397	378
Less: Returns	28	57	4	2	10	43
Equals: Net foreign aid	904	1,182	250	208	387	336
American Republics:						
Gross foreign aid	193	321	53	90	27	214
Less: Returns	51	105	8	18	6	72
Equals: Net foreign aid	142	230	45	12	21	142
Unspecified:						
Gross foreign aid	80	80	17	23	16	24
Less: Returns	2	4	1	1	1	1
Equals: Net foreign aid	84	76	16	22	15	23
MILITARY AID						
Gross foreign aid	1,873	4,380	663	983	1,337	1,457
Less: Returns	64	42	2	3	4	34
Equals: Net foreign aid	1,809	4,338	661	980	1,333	1,423
Western Europe (including Greece and Turkey):						
Gross foreign aid	1,480	3,502	500	843	1,015	1,135
Less: Returns	84	6	2	1	2	1
Equals: Net foreign aid	1,396	3,496	498	842	1,013	1,134
MILITARY AID—Continued						
Asia and Pacific:						
Gross foreign aid	285	785	132	131	268	247
Less: Returns	1	1	(*)	(*)	(*)	(*)
Equals: Net foreign aid	284	785	132	131	268	247
American Republics:						
Gross foreign aid	114	76	6	2	6	61
Less: Returns	90	53				53
Equals: Net foreign aid	114	23	6	2	6	8
Unspecified:						
Gross foreign aid	42	36	8	8	8	14
Less: Returns		2		1	1	
Equals: Net foreign aid	42	35	8	6	7	14
OTHER AID (Economic and technical)						
Gross foreign aid	3,226	2,631	873	465	574	712
Less: Returns	427	632	140	197	123	168
Equals: Net foreign aid	2,799	1,999	733	268	445	545
Western Europe and dependent areas:						
Gross foreign aid	2,267	1,738	650	307	579	386
Less: Returns	328	500	129	171	97	102
Equals: Net foreign aid	1,939	1,238	520	136	282	284
Austria:						
Gross foreign aid	148	55	19	10	15	12
Less: Returns	13	8	.3	3	2	1
Equals: Net foreign aid	135	47	16	7	14	10
Belgium-Luxembourg:						
Gross foreign aid	34	17	6	5	3	2
Less: Returns	15	14	6	1	4	3
Equals: Net foreign aid	20	3	(*)	4	−1	−1
British Commonwealth: United Kingdom:						
Gross foreign aid	316	433	158	307	93	70
Less: Returns	32	87	9	61	10	8
Equal: Net foreign aid	284	346	149	46	83	63
Denmark:						
Gross foreign aid	33	11	4	2	3	2
Less: Returns	3	3	(*)	1	(*)	2
Equals: Net foreign aid	30	8	4	1	3	(*)
France:						
Gross foreign aid	477	480	213	32	79	156
Less: Returns	72	180	54	48	43	44
Equals: Net foreign aid	405	300	159	−16	36	112
Germany:						
Gross foreign aid	201	87	62	23	11	3
Less: Returns	11	64	28	23	11	22
Equals: Net foreign aid	189	4	34	−1	(*)	−20
Greece:						
Gross foreign aid	200	111	45	36	38	21
Less: Returns	16	16	4	4	5	3
Equals: Net foreign aid	184	95	41	32	33	18

Table 1.—Summary of Foreign Aid (Grants and Credits), Military and Other Aid, by Major Country: July 1, 1951, Through June 30, 1953—Continued

[Millions of dollars]

Major country [1]	Fiscal year 1952	Fiscal year 1953				
		Total	July-September 1952	October-December 1952	January-March 1953	April-June 1953
OTHER AID (Economic and technical)—Continued						
Italy:						
Gross foreign aid	218	194	62	46	58	27
Less: Returns	35	40	15	5	12	8
Equals: Net foreign aid	183	154	47	41	47	19
Netherlands:						
Gross foreign aid	108	47	30	7	8	2
Less: Returns	50	29	5	20	1	4
Equals: Net foreign aid	40	18	25	−12	7	−2
Norway:						
Gross foreign aid	38	27	10	8	5	4
Less: Returns	6	7	1	4	1	1
Equals: Net foreign aid	32	20	9	4	4	3
Spain:						
Gross and net foreign aid	24	20	12	6	2	5
Turkey:						
Gross foreign aid	88	55	11	11	16	17
Less: Returns	9	10	3	2	3	3
Equals: Net foreign aid	79	45	8	9	14	14
Yugoslavia:						
Gross foreign aid	97	110	14	20	36	46
Less: Returns	4	3	1	.....	3	3
Equals: Net foreign aid	93	108	13	20	33	43
Other and unspecified Western Europe: [2]						
Gross foreign aid	307	74	23	14	16	20
Less: Returns	3	4	1	1	1	(3)
Equals: Net foreign aid	304	70	22	14	15	19
Other Europe:						
Equals: Net foreign aid (Returns)	−25	−4	−2	−1	−2	−1
Near East and Africa:						
Gross foreign aid	171	154	41	34	30	49
Less: Returns	4	18	3	4	7	3
Equals: Net foreign aid	160	130	38	30	32	37
Iran:						
Gross foreign aid	11	22	3	2	9	8
Less: Returns	(3)	8	.....	4	3	1
Equals: Net foreign aid	11	14	3	−1	6	7
Israel:						
Gross foreign aid	100	78	22	11	16	10
Less: Returns	2	6	2	.....	4	.....
Equals: Net foreign aid	104	72	20	11	12	10
Other and unspecified Near East and Africa: [2]						
Gross foreign aid	54	54	6	22	14	13
Less: Receipts	2	4	1	2	(4)	2
Equals: Net foreign aid	51	50	5	20	13	11
OTHER AID (Economic and technical)—Continued						
Asia and Pacific:						
Gross foreign aid	647	435	123	79	120	123
Less: Returns	27	56	3	2	9	42
Equals: Net foreign aid	620	308	120	78	110	81
China-Taiwan (Formosa):						
Gross foreign aid	90	91	20	16	26	30
Less: Returns	3	3	(4)	(4)	(4)	2
Equals: Net foreign aid	86	88	19	15	26	27
India:						
Gross foreign aid	173	46	25	3	7	12
Less: Returns	2	.....	.....	.....	.....	.....
Equals: Net foreign aid	171	46	25	3	7	12
Indochina:						
Gross foreign aid	23	23	6	4	6	5
Less: Returns	1	(3)	(3)	(3)	(3)	(3)
Equals: Net foreign aid	22	22	6	4	6	5
Indonesia:						
Gross foreign aid	25	21	11	2	5	3
Less: Returns	3	2	1	.....	.....	.....
Equals: Net foreign aid	22	19	10	2	5	3
Japan and Ryukyu Islands:						
Gross foreign aid	130	28	8	7	2	10
Less: Returns	4	43	(3)	(3)	5	38
Equals: Net foreign aid	126	−15	8	7	−3	−28
Korea: [5]						
Gross and net foreign aid	160	100	41	32	50	80
Philippines:						
Gross foreign aid	16	32	7	4	9	11
Less: Returns	11	4	(3)	(3)	4	(3)
Equals: Net foreign aid	7	27	7	4	5	11
Other and unspecified Asia and Pacific:						
Gross foreign aid	28	45	4	11	17	14
Less: Returns	3	4	1	1	(3)	2
Equals: Net foreign aid	25	42	3	11	16	13
American Republics:						
Gross foreign aid	70	240	47	28	21	153
Less: Returns	41	52	8	18	5	19
Equals: Net foreign aid	29	197	39	10	16	133
Unspecified: [5]						
Gross foreign aid	43	43	9	16	5	11
Less: Returns	2	2	1	.....	(3)	1
Equals: Net foreign aid	41	41	7	16	5	10

1. For security reasons data by country do not include the military aid furnished principally under the mutual-security program. The aid shown in the table includes credits which have been extended to private entities in the country specified.
2. The credit-agreement offset to grants for Germany, established in the agreement of February 27, 1953, was not ratified by the United States Senate until after June 30, 1953, and accordingly is not included in the credit data of this table.
3. Less than $500,000.
4. Negative entry of less than $500,000.
5. Includes aid furnished through international organizations.

NOTE.—Definition and explanation of these data are contained on page 16 of the March 1953 issue of the SURVEY OF CURRENT BUSINESS and in the *Foreign Aid* supplement of the SURVEY OF CURRENT BUSINESS, published in November 1952, and available at $1.00 from the Superintendent of Documents, Washington 25, D. C., or the various Department of Commerce field offices.

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

$62½-million congressional loan authorization made as part of the mutual-security program appropriations in September 1950. The remainder represented utilization of the 1952 EIB credit for the purchase of cotton.

Several countries less dependent on aid

Italy and Greece continued to receive major, although declining, amounts of economic assistance in fiscal year 1953. Forty-three percent of the aid to Greece was provided as special resources to meet its EPU deficit. Aid allotments to the Netherlands, Iceland, and Denmark were suspended at their own request in the first half of calender 1953 because of their improved economic position. Belgium-Luxembourg, Ireland, Portugal, and Sweden had previously ceased receiving major allotments.

Germany received $87 million gross economic aid in the year, but large repayments on credits almost balanced this flow of aid. For the current year economic aid to Germany—except for special assistance for Berlin—is also to be suspended.

In February, a settlement agreement was signed with Germany for the supplies and other aid provided in the early part of the postwar period. This agreement, ratified by the United States Senate July 13, provides that $1 billion of the $3.7-billion postwar net aid presently reported for Germany will have to be repaid to the Export-Import Bank, as collection agent, in semiannual installments over a period of

30 years starting July 1, 1958, with interest payments at 2½ percent on the outstanding balance beginning on July 1, 1953. The agreement became effective on September 16, and the first payment of interest was made that month.

Technical assistance rises

In areas other than Western Europe, the most common method of providing United States Government grant assistance is through the technical assistance program. In fiscal 1953 such aid rose slightly. Throughout the year programs were instituted in many areas, and almost $150 million in funds was obligated. By the month of June expenditures were approximating new obligations, showing that the program was maturing.

The rise in technical assistance during fiscal year 1953 was partly offset by declines in special assistance for relief and resettlement of refugees entering Israel and in the assistance through the United Nations for Arab refugees from Palestine.

Table 2.—Foreign Aid Authorizations Available in Fiscal Year 1954

[Billions of dollars]

Source of availability	Total	Military assistance (grants)	Other aid		
			Total	Grants	Credits
Available in fiscal year 1953:					
Estimated carryover from fiscal year 1952	12.9	9.0	3.9	1.7	2.2
New authorizations for fiscal year 1953	6.2	4.4	1.8	1.8	.....
Principal collections on Export-Import Bank loans during fiscal year 1953	.4	.....	.4	.....	.4
Total	19.5	13.4	6.1	3.5	2.6
Less: Utilization in fiscal year 1953	7.0	4.4	2.6	2.0	.6
Equals: Estimated aid still to be furnished as of June 30, 1952, from prior authorizations	12.5	9.0	3.5	1.5	2.0
Additions provided by Eighty-third Congress, first session:					
Wheat for Pakistan (Public Law 77)	.1	.....	.1	.1	.....
For Korea:					
Civilian relief (Public Law 170)	.1	.....	.1	.1	.....
Relief and rehabilitation (Public Law 207)	.2	.....	.2	.2	.....
Emergency famine relief (Public Law 216)	.1	.....	.1	.1	.....
Mutual security:					
Authorized excess-property transfers (Public Law 118)	.2	.2	.....	.....	.....
Appropriations (Public Law 216)	4.6	3.2	1.3	1.3	.....
Total	5.2	3.4	1.8	1.8	.....
Estimated total availability for foreign aid in fiscal year 1954, and for carry-over into fiscal year 1955	17.7	12.4	5.3	3.3	[3] 2.0

1. Public Laws 188 and 214 authorized loans of naval craft to various countries. The value of such loans is not included in this table.
2. Legislation and agreement with Pakistan Government provide that terms upon which 30 percent of this authorization is to be consummated are to be determined later.
3. $2.0 billion is committed to various countries; $1.1 billion represents EDC uncommitted lending authority.

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

Comparatively small increases over the previous year occurred in the economic grants to Korea, Formosa, and Indochina—the three countries accounting for most of such aid in eastern Asia.

Credit aid outside of Europe

Large Export-Import Bank loan utilizations by Brazil ($143 million) and Mexico ($44 million) constituted three-fourths of the net economic credits outside Europe in fiscal year 1953. Brazilian drawings were primarily upon the $300 million loan authorized in February 1953 for liquidation of its past-due dollar accounts with American exporters. In consequence of these large utilizations, net credits to the American Republics rose by $164 million from the preceding year.

India, after drawing $172 million on its special wheat loan in the preceding year, used the last $18 million in the first quarter of fiscal year 1953. Pakistan and Afghanistan received loans for wheat purchases during the year.

Israel drew less and made greater repayments on its Export-Import Bank loan than in the preceding year. The Union of South Africa increased its drawings on Export-Import Bank loans extended for the expansion of mining facilities in that country.

Japan made a $35-million repayment in the last quarter of fiscal year 1953 on a cotton loan disbursed in the preceding year.

Credits emphasize material development

Except for the special credit to Brazil, recent Export-Import Bank loans increasingly have been directed toward the development and expansion of foreign resources and strategic materials essential to United States industries. New loan commitments extended primarily for that purpose amounted to $158 million in fiscal year 1953. The Export-Import Bank has also continued to finance United States cotton exports on a short-term basis with new loan authorizations of $52 million. New credits for general development or other purposes during the fiscal year totaled only $45 million.

Since 1948, immediately following the creation of the Marshall plan, actual net utilization of Export-Import Bank loans has run less than $100 million annually except in the last year, when it totaled $158 million. Of the Export-Import Bank unutilized loan commitments of $790 million outstanding at the end of June $358 million were to Brazil. Other major unutilized commitments included $90 million to Mexico, $74 million to the Union of South Africa, and $65 million to Indonesia. In addition, the Export-Import Bank had available over $1 billion for further loan commitments.

Total funds available for future credits of the Export-Import Bank and other agencies aggregated $2 billion as of June 30.

New grant funds less than current use

For the fiscal year 1954, new legislation by the first session of the Eighty-third Congress added $5.2 billion to amounts available for foreign aid, as shown in table 2. The carry-over of grant funds as of June 30, 1953 was $10½ billion.

Seventy percent of the available funds for fiscal year 1954 is for military aid. Materials being produced for military aid require comparatively long production time; thus deliveries from the funds available for fiscal year 1954 would at current delivery rates take slightly more than 2 years to utilize the available funds.

In recognition of the time required to produce the military equipment furnished our allies under the military aid programs, the Congress in Public Law 118 extended to June 30, 1956, the allowable time for liquidation of the mutual security program. Military equipment transfers were authorized through June 30, 1957. A major restriction on military aid to Europe was enacted, requiring that 50 percent of the aid furnished to Europe under the new appropriation should be to the European Defense Community or its constituent nations following ratification of EDC.

New economic aid funds reduced

Funds available for grants for other than military goods are only one-third greater than 1 year's flow of aid at the

Table 3.—Summary of Indebtedness of Foreign Countries to the United States Government at June 30, 1953, and Projections of Contractual Debt Service (Principal and Interest) for Calendar Years 1953–58

(Millions of dollars)

Program and major country [1]	Indebtedness June 30, 1953	Delinquent 90 days or more		Unprojected [2]	Projection of contractual debt service											
					1953 (last 6 months)		1954		1955		1956		1957		1958	
		Principal	Interest		Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
Total	10,831	31	22	639	176	173	400	232	344	221	345	214	383	207	354	198
British loan	3,600				46	73	47	72	46	71	46	70	60	69	61	68
Export-Import Bank (including agent banks)	2,554	2	3		71	27	272	74	219	60	200	58	164	53	149	49
Mutual-security loans [3]	1,037			22	(4)	19	(4)	14	(4)	34	18	28	20	39	22	38
Credit-agreement offsets to grants and lend-lease credits [5]	1,527	10	16	317	25	25	21	14	26	24	28	23	28	23	28	22
Surplus-property credits	1,088	17	3	112	18	15	27	30	26	20	28	19	25	10	30	18
Merchant-ship credits	126	2	(4)		8	2	12	4	12	4	12	3	12	3	11	2
Military-equipment loans	114			114												
Other [6]	164	(4)	(4)	4	8	1	11	2	12	2	12	2	12	1	12	1
Western Europe and dependent areas	8,540	4	(4)	221	124	143	279	183	175	178	169	174	192	171	196	166
Belgium-Luxembourg	168			1	2	2	8	4	6	4	8	4	5	3	7	4
British Commonwealth: United Kingdom	4,731			99	64	89	55	92	56	91	58	91	60	90	62	89
Denmark	60				(4)	1	1	1	1	1	2	1	2	1	2	1
Finland	111				2	2	5	3	5	3	5	3	5	3	5	3
France	2,082			23	42	30	147	48	67	44	70	42	71	42	72	40
Germany	208			7		2		4		4		5		5	4	5
Greece	87			3	2	2	4	2	5	2	5	2	5	2	5	2
Ireland	128					2		3		3	1	3	1	3	1	3
Italy	315	4	(4)	2	8	3	21	8	17	7	17	7	17	6	17	6
Netherlands	354			82	7	4	7	7	7	6	8	6	8	6	10	6
Norway	108			21	2	1	4	2	4	2	5	2	5	2	4	2
Turkey	99			(4)	3	2	3	2	3	2	4	2	3	2	3	2
Yugoslavia	55			(4)		1	1	2	2	2	3	2	3	2	3	2
Other Western Europe [7]	124			3	1	2	14	3	2	3	4	3	5	3	6	2
Other Europe	314	1	11		3	7	10	8	10	7	10	7	9	7	9	7
Poland	74	1			3	1	4	3	4	2	4	2	3	2	3	2
U. S. S. R.	223		11			5	6	5	6	5	6	5	6	5	6	5
Other countries [7]	16	1	(4)		1	(4)	1	(4)	1	(4)	1	(4)	1	(4)	1	(4)
Near East and Africa	244	11	2	39	8	3	16	5	20	6	21	5	23	4	18	3
Israel	122				5	2	11	4	11	4	11	3	11	3	11	2
Other Near East and Africa [7]	122	11	2	39	3	1	5	1	9	2	10	2	9	1	7	1
Asia and Pacific	899	12	9	372	12	9	21	13	17	13	31	14	25	12	25	12
China	160	11	8	60	4	2	4	2	4	2	4	2	4	2	4	2
India	361			172		2		5		5		5	2	5	2	5
Indonesia	111	(4)			2	2	2	3	2	3	5	3	5	3	5	2
Japan	100			60	(4)	(4)	4	(4)								
Philippines	90			1	6	1	10	2	10	2	10	2	10	1	10	1
Other Asia and Pacific [7]	80			38	(4)	1	(4)	1	1	1	2	2	3	2	3	2
American Republics	684	3	(4)	(4)	27	11	51	22	120	15	18	15	53	12	60	10
Argentina	99				(4)	2	14	2	13	3	13	2	13	2	13	2
Brazil	235	(4)		(4)	5	4	30	7	71	6	51	4	10	3	10	2
Chile	83				3	1	7	3	8	3	8	2	7	2	8	2
Mexico	100	(4)			4	2	12	3	12	3	12	3	10	2	8	2
Other and unspecified American Republics [7]	158	3	(4)		15	3	18	5	16	5	14	4	13	3	12	3
Canada	17			6	(4)	(4)	(4)	(4)	1	(4)	1	(4)	2	(4)	2	(4)
United Nations	63				2		2		2		2		2		2	

1. Data shown in this table include in some instances loans and other credits extended to private entities in the country specified; the projected repayments shown for Canada, for example, represent the indebtedness of private entities in Canada.
2. Represents indebtedness outstanding June 30, 1953, for which no projections of debt service were made primarily because repayment terms were indefinite or provided for return of property, most of which is expected to be returned before 1958.
3. Mutual-security loans include those repayable in deficiency materials.
4. Less than $500,000.
5. Lend-lease credits include the obligations of foreign governments to return lend-lease silver, totaling $291 million.
6. Other loans include Reconstruction Finance Corporation loans, the State Department loan to the United Nations, and the Philippine funding by the Treasury Department.
7. In no case did the indebtedness of any individual country on June 30, 1953, exceed $50 million.

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

current rate, providing only a comparatively small pipeline carryover for fiscal year 1955.

The new appropriations include about three-quarter billion dollars for Europe, $400 million of which is mutual defense financing to support the French Government in financing the battle in Indochina. General economic assistance appropriated for Europe is less than a quarter billion dollars. About 60 percent of the total available for other than military aid grants is for Europe.

With the cessation of hostilities in Korea shortly after the end of fiscal year 1953, the aid programs for that battle-scarred country are to be expanded. New legislation by the Congress in 1953 provided over $300 million in new funds for relief and rehabilitation in Korea. Congress also stipulated that significant amounts of the new authorizations for economic aid are to be utilized for grants to Formosa and Indochina, in support of their defense measures.

The expanded program for Asia and Pacific areas aggregates almost $0.9 billion of the $3.3-billion total. The Near Eastern countries are earmarked for one-third billion dollars.

Debt-service payments

Payments on interest and amortization of loans extended during previous periods are scheduled to increase. For the years 1954 through 1958 these projected payments on principal and interest exceed $3 billion. These projections represent principal and interest payments scheduled on the foreign indebtedness outstanding on June 30, 1953, and are based upon agreements in effect on that date. Thus, they do not allow for any collections on indebtedness contracted thereafter. In particular, a $25 million annual interest and an $11 million principal collection in 1958 on the $1-billion German settlement agreement ratified September 16, 1953, are excluded.

One-third of the outstanding indebtedness on June 30, 1953, was represented by the special British loan, authorized by Congress in 1946 for $3¾ billion. This loan, on which approximately $90 million has already been paid off, requires a scheduled payment of $119 million a year for principal and interest until 2000 when the loan matures. As payments

progress, the amount for principal increases and that for interest decreases.

Currently, the Export-Import Bank is the major lending agency abroad of the United States Government and EIB loans account for almost 25 percent of the total balances outstanding on June 30, 1953. Scheduled collections on these loans drop quite sharply from $346 million in 1954 to $285 million in 1955. The large payments due in 1954 are mainly attributed to repayments of $56 million owed by France on the advance on contracts by the United States Defense Department for the purchase of military supplies. Also drafts of France for more than $25 million for the purchases of cotton are payable in 1954.

Balances on loans extended under the mutual security program amounted to $1.6 billion as of June 30, 1953, of which $91 million represented loans to develop the production of strategic materials. Payments on these development loans have not been projected because the terms of payment, generally based on the delivery of strategic materials to this country, do not allow precise scheduling of payments. However, repayments are generally expected over a period of 5 to 7 years.

Principal repayments on other mutual security loans generally start in 1956 and extend to 1983. The delay in scheduled repayments provides the debtor countries with an opportunity to improve their economic position before being burdened with debt payments. The major borrowers were the United Kingdom and France, accounting for almost 40 percent of the balances outstanding June 30, 1953.

About $2½ billion [1] remain unpaid on postwar settlements for the transfer of surplus property, relief supplies, and lend-lease credits extended by the United States Government. Payments on this balance for the period projected amount to approximately $100 million a year, a little more on principal than on interest, with the former increasing and the latter decreasing. France is scheduled to pay roughly a third of this total due each year and the United Kingdom one-sixth.

Many of the credits in respect to lend-lease and surplus property provide for terms of payment in the currency of the debtor country or the transfer of real estate as required by the United States Government within certain stated limits and not on a definite schedule. In some cases a share of the proceeds from the sale of surplus property is required. Surplus property and lend-lease credits with terms of this nature are not projected. Those credits which represent a loan of property to be returned in kind are also not projected, for example, the wartime loan of silver and military equipment loans.

Four-fifths of the foreign debt owed the United States Government on June 30, 1953, represented obligations of Western Europe and dependent areas. The debts of the United Kingdom and France alone comprised three-fifths of the total. Because the credits to these two countries consist largely of types requiring lower interest rates and longer amortization schedules, their debt-service payments for the years 1954 through 1958 amount to $1.4 billion or only one-half of the total debt-service payments for this period.

Measure of legislation utilization

The data on foreign aid contained in this article continue the series published for 1940-51 in the *Foreign Aid* supplement to the SURVEY. These data are intended to measure the gross magnitude of the utilization of legislative authorizations for foreign aid. The definition excludes the cost of United States Government combat operations, either during World War II or the Korean conflict, as well as costs of occupation administration other than relief to the civilian populations.

One major criterion in determining whether a particular transaction is classified as "aid" is the provision by the United States Government of goods or services or cash without a concommitant *quid pro quo* in one of those forms. Many transactions entered into by the United States Government with some intent to assist a foreign economy fall outside this specification. For example, purchases of commodities, even when entered into with the intention of providing necessary dollar assets to another country, are not classified as aid.

In a similar manner, offshore purchases of military supplies, which are made in part to enable foreign countries to acquire dollars and thus to reduce the need for direct economic aid from the United States Government, are not *per se* considered aid. The donation to the foreign country, or a third nation, of the military equipment thus purchased is included in military aid. An example of this type of transaction is the purchase of material from France arranged at the Lisbon conference in 1952, to assist that country's dollar earnings and at the same time to reduce the pressure on the French budget created by the war in Indochina. The weapons purchased are given as military aid to the French for their operations in Indochina.

A modification of procedure whereby in fiscal 1954 the United States Government, rather than purchase military material in France, is authorized to contribute $85 million to the French for weapons manufacture, will result in the inclusion of the cash transaction as aid.

Aid data include loans made essentially for the development of the production of strategic materials required by the United States. Thus they include the funds provided to expand bauxite production in Greece, while repayments include the value of the aluminum delivered.

Aid in balance of payments

Although the foreign aid data presented here primarily measure the utilization of legislative authorizations, the total aid represents with minor variations similar items in the United States balance of payments.

Grants correspond closely to the aid entries identified in Government unilateral transfers and the loans to Government long-term assets in the balance of payments. Aside from recent revisions which raised military aid by $27 million and other grants by $34 million for fiscal year 1953 the following items constitute the major differences.

Disbursements of the Export-Import Bank agent banks, constituting the consummation of a commitment made by the Export-Import Bank and a charge against its legislative limitation, are included in the balance of payments with private long-term capital movements. Movements of long-term Government assets also include collections on claims against Mexico arising from the expropriation of American oil properties and on investments in production facilities administered by the Reconstruction Finance Corporation.

The difference in the data on military aid stems from the treatment of payments made under the mutual security program to NATO constituents in support of the host countries' construction of NATO airfields, bases, communications, and other facilities used by the forces of all NATO countries including our own. Such payments were authorized under the mutual security program and are here included under military aid. In the balance of payments, however, these payments are considered a part of the general construction expenditures by the United States Armed Forces and are treated as purchases of services from foreign countries.

1. Excluding the $1-billion German settlement ratified in September 1953.