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INTERIM PLANNING IN BRITAIN

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Since the critical weakness of Britain's balance of payments position became clearly visible around the middle of the year, the United Kingdom has adopted a series of measures designed to lessen the drain upon its gold and dollar assets, to supplement its reserves from sources other than the United States, and to increase its earnings of foreign exchange. The well-publicized action of August 20 by which the United Kingdom re-imposed widespread restrictions on the conversion of current accumulations of sterling into dollars was among the more spectacular of those measures, but is not considered here. This paper will attempt a brief summary of Britain's domestic programs for the restriction of imports and the expansion of exports, and of the voluntary assistance which a number of the Dominions appear ready to give to the United Kingdom.

Briefly, the professed aim of the British Government is to reach a position of over-all balance on current international account by the middle of 1948; the magnitude of the task may be suggested by recalling that the current account deficit in the first half of 1947 has been officially estimated at the annual rate of $2,400 million. A substantial reduction in imports of goods and services and a very sharp increase in exports are the obvious methods upon which reliance will be placed. Although it appears that many of the objectives cannot, in fact, be attained within the time periods established, evidence is accumulating that the scope of the new programs has brought home to the British public--for the first time since the end of the war--the true measure of the nation's difficulties.

Even should an over-all balance be attained, however, British officials recognize that the balance of payments problem would not be solved unless the net export surpluses of the United Kingdom with individual countries could be paid for in hard currencies which Britain could use to discharge its net obligations to the Western Hemisphere. For many of the nations of Western Europe the ability to pay in dollars for net purchases from the United Kingdom will depend upon the future lending policy of the United States. To this extent dependence upon indirect assistance from some form of "Marshall Plan" appears to be implicit in the British program. The possibility of further direct assistance from the United States (other than from the hoped-for release of the $400 million remaining from the U.S. loan of 1946) is very much played-down in official pronouncements. These take the position that Britain must free itself from further reliance upon outside aid. The discrepancy between these official statements and the leading part which Britain has taken in the deliberations and proposals of the Committee of European Economic Cooperation may be explained by the necessity for stimulating the greatest possible domestic effort and by the prudent wish to formulate a national recovery program which would not be based on the uncertain future policy of the U.S. Government. Unfortunately, the call for reliance on domestic efforts alone has sometimes been accompanied by ill-founded reflections on the extent to which the terms of the Anglo-American Financial Agreement have dictated British trade and financial policy. It should be pointed out, however, that leading Cabinet members, including the Prime Minister and the Chancellor of the Exchequer, have repeadedly stressed the very real assistance which the U.S. loan has given to British recovery to date.

Reductions in Expenditures Abroad

The first major step in Britain's intensified recovery program was the substantial cut in imports announced by Prime Minister Attlee on August 16. In addition to moderate cuts in imports of certain semi-luxuries, and of lumber and petroleum, the Prime Minister revealed that food imports from hard-currency areas would be reduced by some $580 million a year. These purchases, however, would be shifted to soft-currency sources wherever possible. At about the same time Chancellor Dalton imposed new and more stringent restrictions on the expenditures of Britons traveling abroad (for business or pleasure), and raised import duties on foreign films in such a way as to absorb approximately 75 per cent of their total earnings.

No official estimate was released as to the total reduction in foreign payments which would be realized from these measures, but a recent issue of the London Financial Times ascribes to an "authoritative review of the Government's program" the equivalent of $832 million as the savings to be expected in a full year from reduced imports of goods and services. This estimate appears to be extremely high in view of the Government's expressed intention of replacing food imports from dollar areas by imports from soft-currency countries. A saving of this magnitude would, of course, be practicable if world prices were to decline appreciably within the next few months; the British have not indicated that such a decline is assumed in their forecasts, but the data imply anticipations of this nature.

An essential segment of the longer-range program for maintaining balance of payments equilibrium involves a 20 per cent increase in domestic agricultural output by 1951-52. To facilitate this increase of $400 million in home food production, British farmers have been offered higher guaranteed prices for selected products, and have been assured a preferred position in the allocation of agricultural machinery and housing.

A second major saving is expected to result from reductions in government expenditures in foreign areas. While appreciable economies are anticipated from accelerated demobilization of military personnel stationed abroad, the principal saving hoped for will depend upon a reduction of Britain's share in the net cost of maintaining the combined U.S.-U.K. Zones of Occupation in Germany. Since the bi-zonal arrangement was introduced in December 1946, the two occupying powers have shared equally in the cost of net imports for the area, a large portion of which has been payable in U.S. dollars. On August 6, Prime Minister Attlee announced that Britain could not continue to provide dollars for supplies for Germany and negotiations are now being held between the two governments to determine a revised basis for allocation of these expenses. The British program for a balanced position in international receipts and payments apparently contemplates a $400 million reduction in government expenditures abroad during calendar 1948, of which the largest single portion would represent reduction in net expenditures on Germany.

Total anticipated reductions in payments abroad thus amount to somewhat over $1,200 million, or approximately one-half of the estimated current rate of deficit.

Increased Earnings from Abroad

The United Kingdom recovery plan calls for increased exports sufficient to finance the remaining half of the balance of payments deficit. Shortly before Sir Stafford Cripps was appointed to the post of Minister for Economic Affairs, he announced, in his capacity as President of the Board of Trade, a comprehensive list of export targets for 1948. Specific targets have been established for more than 150 industries and groups of industries; attainment of these goals would mean an increase of about $125 million per month in the value of exports by mid-1948 and of about $170 million by the end of 1948. In quantity terms, exports would have to reach 143 and 164 per cent of the 1938 volume on the dates indicated.

No attempt has yet been made by the writer to appraise the export program in detail. A considerable increase in production will, of course, be required. For example, the program for passenger cars calls for exports of 26,300 units in December 1948 whereas total current production, for the home market and exports, is reported to be about 25,000 units per month. Similarly, Sir Stafford Cripps has stated that cotton textile production must increase 20 per cent within six months if the export program is not to result in a substantial cut in domestic supplies.

It is probable, moreover, that certain types of British goods will meet increasing resistance in foreign markets. Many Latin American and European countries have drastically reduced their quotas for imports of pleasure cars within the last few months and foreign exchange allocations for other types of luxuries or semi-luxuries also have been curtailed. On the other hand, the fact that sterling earnings of Britain's suppliers will not be transferable for purchases in the United States may strengthen the competitive position of the United Kingdom in those markets where sterling tends to accumulate. Sir Stafford has promised that the Government will give all possible assistance to industries contributing to the export drive; preferential allocations of fuel and raw materials will insure the fullest possible production and the Government's limited powers for the direction of labor will be used to guide manpower into export industries. Alternatively, industries unable to market their quotas abroad will not be permitted to increase their sales to the home market but will have their raw material allocations reduced in accordance with their reduced export potential.

"Aid for Britain" Discussions with the Dominions

As has been pointed out frequently, the gold and dollar reserves of the United Kingdom constitute the bulk of the hard-currency reserves of the entire sterling area. An import surplus of any portion of the area vis-a-vis hard-currency countries accordingly constitutes a drain on Britain's dollar resources. In order to minimize this drain, the United Kingdom initiated discussions with those Dominions which are members of the sterling area to explore measures for reducing their hard-currency requirements. The response has been very favorable from Britain's viewpoint. Australia promptly revised its import program for the coming year in a manner designed to save \$40 million. At the end of September, the Australian Prime Minister asked for a further revision to reduce dollar expenditures by a second \$30 to \$40 million. It has been estimated in Australia that, without these cuts, the nation's hard currency deficit would have amounted to some \$110 million in a twelve-month period.

Australia has further agreed to sell to the United Kingdom its entire current production of gold. This has recently been running at about \$30 million annually and may be increased by a reduction of existing taxation. Since 1941 Australia has added most of its gold production to its own monetary reserves.

Information from New Zealand is less specific. All licenses for imports from hard-currency countries are being reviewed; if no firm contract, dated prior to September 18, 1947, has been concluded against existing licenses, revalidation by the trade authorities will be required. "Absolute essentiality" will be the criterion for re-approval of existing import permits or issuance of new licenses. A 35 per cent decrease in imports of newsprint from Canada reportedly has been suggested by the New Zealand Newspaper Proprietors' Association as a contribution to the aid-to-Britain program.

No details whatever have become available concerning the contribution which Eire will make to the reduction of dollar expenditures. A willingness to cooperate "in any measures to protect sterling" has been expressed by the Minister for Industry and Commerce of Eire, however, and this fact alone is noteworthy in view of the negative attitude which has long characterized relations of Eire with the United Kingdom. As the Minister pointed out, holdings of sterling by official and private interests in Eire amount to about £400 million and any fall in the exchange value of these assets would be a serious blow for the Irish Free State.

The dollar requirements of India apparently cannot be reduced in the near future without serious harm to the essential trade of the newly organized states. Representatives of both the Indian Union and Pakistan were present at the London meetings but acted as observers only. The Indian Finance Minister had previously announced, on August 22, that the Indian Union would respond to Britain's appeal to minimize dollar demands and that the Indian import program would be reviewed periodically. The August financial agreement between the United Kingdom and India provided that the latter might draw upon its accumulated sterling balances between July 15 and December 31, 1947, a maximum of $260 million. This amount could be drawn in any currency desired but $120 million of the total should be regarded as a working balance to be used to meet temporary deficits only.

The South African Government has shown no particular enthusiasm for reducing South African imports from hard-currency areas, but has offered a substantial gold loan to the United Kingdom, on very liberal terms, as its major contribution toward aiding the mother country. Subject to legislative approval in South Africa, the two Governments agreed on October 9 that the Union Government should lend 9-1/4 million ounces of fine gold (valued at $324 million) to the United Kingdom. The loan will bear interest at one-half of 1 per cent and is repayable after three years. South Africa will also compensate the United Kingdom in gold for any payments made through London on behalf of Union residents to countries outside the sterling area. Subject to the proviso that the Union's gold reserves shall not fall below 100 million South African pounds, South Africa presumably will continue to sell some portion of its current gold production to the United Kingdom in payment for its net imports on current account from the latter country.

Concluding Remarks

Despite the rigorous import restrictions, the all-out drive for exports and the assistance forthcoming from many of the Dominions, the United Kingdom must necessarily expect a substantial drain on its gold and dollar reserves before an equilibrium position can be approached. Since the end of August the British Treasury has disclosed the sale of gold valued at $200 million and the acquisition of $180 million from the International Monetary Fund against payment in sterling.

Even without detailed analyses of the British programs, moreover, one may venture the opinion that over-all balance of payments equilibrium on current account cannot be attained within the time period suggested by the Government without violent and disruptive effects on the domestic economy which would have incalculably harmful consequences for the long-run stability of the country. In so far, however, as the foundation is being laid for intensified industrial and agricultural production and for continued austerity in consumption, the British programs suggest that any aid which may be forthcoming under the Marshall Plan will be effectively employed.

FOREIGN INVESTMENT PROVISIONS IN GENEVA DRAFT OF I.T.O. CHARTER

L.N. Dembitz and M.J. Roberts

In the chapter on economic development in the Geneva Draft of the International Trade Organization Charter, there have been incorporated certain general and broadly qualified provisions regarding foreign investments, which did not appear in earlier drafts of the Charter. The inclusion of provisions concerning the treatment of foreign investments had been requested by representatives of important business groups, especially in the United States, and was sponsored at Geneva by the U.S. delegation. Although the provisions adopted, forming Articles 11 and 12 of the Geneva draft, are not so explicit as those that had been proposed by a U.S. interdepartmental committee, they represent the maximum to which the delegates at Geneva could agree. Even so, a few delegations considered it necessary to reserve their countries' position with respect to certain of the more concrete provisions.

These investment provisions follow immediately after several articles which commit I.T.O. members to favoring economic development in principle and which authorize the I.T.O. upon request to advise members concerning development plans. Apart from specific obligations that the Geneva draft would impose upon members, the draft also authorizes the I.T.O. to draw up and promote further international agreements on the treatment of foreign enterprises, including an investment code that would set forth agreed principles concerning the conduct, practices, and treatment of foreign investment. The desirability of some sort of international investment code had been emphasized by private groups, including the International Chamber of Commerce, as a potentially important means of encouraging private investment abroad.

The investment articles begin with a paragraph prohibiting capital-exporting countries from imposing "unreasonable or unjustifiable" impediments to the outflow of capital. The remainder of the section, however, is devoted principally to the imposition of obligations (even if rather vague ones) upon capital-importing countries.

The first obligation of capital-importing countries is to refrain from taking "unreasonable or unjustifiable" actions that would be injurious to investments of foreigners. Members recognize that international investment is necessary for economic development. It is agreed, however, that international investment must not be allowed to interfere with the recipient countries' internal affairs or national policies. Subject to this limitation, and to other "appropriate safeguards", members agree to provide the widest opportunities for investment and the greatest security for both existing and future investments. Such limitations as a country does place on the opportunity for foreign investment do not, apparently, need to be nondiscriminatory as between would-be investors of different nationalities.

As to the type of treatment that a country must assure to investments that it chooses to admit, the Charter itself does not seem to afford a high degree of protection, although it contemplates that the code to be worked out in later negotiations may fill in many of the gaps. In general, the Charter establishes the principle of "national" treatment (i.e., the same as local citizens) and most-favored-nation treatment of foreign investments. It does so, however, by prohibiting, after an investment is made, the imposition of any new requirements that are "appreciably" more onerous than those imposed upon investments of nationals of the capital-receiving country or of third countries. From the U.S. point of view, some such qualification was necessary to cover some kinds of exceptions that have been practiced in this country, such as certain exemptions accorded to domestic issuers of securities but not to foreign issuers.

In addition to this qualification to national or most-favored-nation treatment of foreign investments, the Charter permits the continuance of any special requirements that were in existence at the time the investment was made, or at the time the Charter comes into force. Should there be any substantial addition to the investment, or change in the nature of the business, the additional investment or changed business would, of course, be subject to the requirements in effect at the time of the addition or change. The Charter also specifically permits a country to take "reasonable measures to ensure participation [by its own nationals] in the future expansion of any branch of industry within its territories through increased investment"; thus new investment by a foreign company for the purpose of expanding into new fields may be curbed. There is also a provision permitting a country to require the transfer of ownership of foreign-owned investments to its own nationals upon payment of "just consideration". These two latter provisions were inserted at the suggestion of the Indian delegation which wanted explicit protection for a government's right to take such measures to expand locally-controlled private business.

Member governments agree to make "just compensation" for foreign property which is nationalized. In a footnote interpreting this section of the Charter, just compensation or consideration is defined as payment in local currency that is fair both as to adequacy and as to time of payment. The question of transferring such local currency into foreign currencies is left to the paying country which, however, is obligated not to restrict transfers to an extent greater than that required by its general foreign exchange policy. The Belgian delegation stated that it would further interpret this section as requiring that the amount of compensation to be paid should be fixed prior to actual nationalization of foreign property.

To summarize the position of an investor under the Geneva draft of the Charter:

(1) The country in which he proposes to invest has rather broad discretion to exclude him or to impose conditions on his admittance.

(2) Once his investment is admitted, any discrimination against him (as compared with the treatment of local capital) will not be "appreciably" greater than at the time of his investment. However, he may at any time be required to sell his property to local investors or to the Government, for which he would receive just compensation in local currency.

(3) As to the withdrawal of profits or of capital, the Charter makes no substantial change in the existing situation. Withdrawals of profits or dividends receive some protection from the International Monetary Fund agreement (or from the exchange agreements to be executed with the I.T.O. by non-members of the Fund) limiting a country's freedom to impose restrictions on

current payments. The investor's ability to obtain repayment on capital account remains subject to existing difficulties, except that if the Government should require the sale of his investment, to itself or to local investors, it may not impose discriminatory restrictions against the transfer of the resulting local currency.

(4) Investors would of course continue to have any protection given by existing agreements or treaties, which in many cases go beyond the provisions of this Charter. Also, this draft of the I.T.O. Charter envisages later international agreement upon an investment code which might give much more definite assurances to investors on many points, and might cover additional subjects--such as the settlement of defaults on foreign-held obligations of a member government--which are not covered in the Geneva draft.

BULGARIAN LEV AND YUGOSLAV DINAR: NEW EXCHANGE RATE — R. E.

In September 1947, rumors were circulated that Bulgaria and Yugoslavia had agreed to establish a common currency unit, to be known as "Slav". The Finance Minister of Bulgaria, Stefanov, denied these rumors and on September 23 issued a press release announcing that the so-called Bled Agreement between Bulgaria and Yugoslavia provided for the establishment of a new exchange rate between the Bulgarian lev and the Yugoslav dinar. The new rate, presumably effective at once, was set at 5.75 leva to the dinar. It was declared officially that the new rate would remove many obstacles in the monetary field to improved relations between the two countries. Since, however, in both countries foreign economic and financial relations are under complete State management, the practical effect of exchange rates is very limited.

In the immediate prewar period, the National Bank of Bulgaria quoted a buying rate of 1.92 leva per dinar. The new rate therefore represents an appreciation of the dinar vis-a-vis the lev close to 200 per cent. On the basis of the official Yugoslav rate of 50 dinars per dollar (set by the Yugoslav authorities in April 1945), the new rate would make the lev worth 0.3478 U.S. cent. It is generally believed that the official Yugoslav rate--which so far has not been submitted to the International Monetary Fund as an "initial parity" rate--overvalues the dinar vis-a-vis the dollar by at least 200 per cent. If this supposition is correct, and assuming that the new lev-dinar rate reflects relative prices, the purchasing power parity of the lev would be in the neighborhood of 0.1 U.S. cent. The cross-rate based upon the official Yugoslav rate, however, corresponds approximately to the rate of 285 leva per dollar (0.3509 U.S. cent per lev), established by the Bulgarian authorities in 1945 and still quoted as the buying rate of the National Bank of Bulgaria.

PHILIPPINE GOLD SALES AT PREMIUM PRICES

John Exter

The Philippine Government has been placed in an awkward position by the request of the International Monetary Fund that members cooperate in eliminating transactions in gold at premium prices. On the one hand, it has clearly shown evidences of its desire to cooperate with the Fund, while on the other, it has been under very great pressure from Philippine gold mining interests whose task of rehabilitating the gold mining industry would be rendered considerably easier by gold prices of more than $35 an ounce.

At the present time there is considerable doubt as to what the Philippine gold policy really is. After the Fund's statement of June 24, 1947, regarding transactions in gold at premium prices,[1] the Philippine Government cooperated first by placing a temporary embargo on all gold shipments and later by ordering the cancellation of all gold export licenses which had not been used prior to the issuance of the Fund's statement. Meanwhile, the Government has carefully screened new applications and generally has denied licenses for shipments to Macao, where an active market in high-priced gold is known to exist. This policy has not been consistently followed, however, for the press reported that licenses for the reexport to Macao of $2 million worth of gold imported into the Philippines had been reinstated.

It is asking a good deal of the Philippine Government to expect it to cooperate in a policy which clearly has adverse effects upon the Philippine economy and the benefits of which in terms of exchange stability are not easily demonstrable. The gold mining industry is extremely important to the Philippine economy. Production increased steadily throughout the 'thirties and reached a rate of $40 million a year in 1940 and of approximately $45 million in the first ten months of 1941. Gold was second only to sugar as an export commodity. It accounted for about one-fourth of the total value of all exports in 1940 and may well have represented as much as 6 or 7 per cent of the gross national product. During the war the industry suffered such heavy damage that production, even on a small scale, could not be resumed until early this year. Production in 1948 is expected to be only about $12 million. To some areas of the Philippines the continued recovery of the industry will mean the difference between prosperity and stagnation. It is no wonder, then, that the Philippine Government is reluctant to take any measures which will hamper the industry's rehabilitation.

The elimination of transactions in gold at premium prices touches the Philippine Government at a peculiarly sensitive point for another reason. The Chinese community in the Philippines normally sends a continual flow of living allowance remittances to relatives in South China. Although the Philippine Government realizes that it could not check this flow without violating both the International Monetary Fund Agreement and the Executive Agreement with the U.S. entered into in accordance with the Philippine Trade Act, it has nevertheless regretted the continual loss of valuable U.S. dollar exchange which might otherwise be used for imports into the Philippines. The principal market for higher-priced gold is South China, more particularly Macao,

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1/ See Federal Reserve Bulletin, July 1947, p. 851.

and the dollars which are used to pay for the gold in that market come primarily from the flow of remittances through Hongkong. Many Filipinos quite naturally feel that it would be merely poetic justice if a share of the remittances from Chinese in the Philippines could be recaptured for the benefit of the Philippine gold mining industry.

It may indeed be impossible for the Philippine Government to prevent international transactions in gold at premium prices. The Fund itself has not yet asked member countries to take measures to prevent domestic transactions in gold at prices above parity. As the Philippine gold mining industry has revived, a very considerable domestic market in gold has grown up. The Philippines has one of the freest economies in the world, without exchange control and with very few restrictions on imports and exports. It has a coastline which facilitates smuggling, considering especially the proximity of the Philippines to China. Also, it may hardly be expected that the Philippine authorities would be aggressive in carrying out a policy deleterious to one of its most important industries. There may thus be a strong temptation for the Philippine Government to do little about a situation which, after all, arises primarily out of the inflationary conditions in China and not out of any circumstances over which Philippine authorities have control.

EXTENT OF LEND-LEASE SETTLEMENT

M. J. Roberts

Since the fall of 1945 the United States has been in the process of negotiating final settlement agreements with lend-lease countries. With these settlements will be brought to an end a program whereby the United States made available between March 1941 and December 1946 $50 billion of aid to its allies. At the present time, settlements have been reached with the United Kingdom, France, Belgium, Netherlands, Turkey, South Africa, India, Australia, and New Zealand. Still to be negotiated are settlements with Norway, Czechoslovakia, Poland, Yugoslavia, Greece, the Soviet Union, and China. Negotiations are now in progress with a number of these countries, including the Soviet Union, but no agreements are imminent.

Under the lend-lease program the United States during the war made available both war materials and civilian supplies to its allies on a deferred settlement basis. At the same time these allies provided the United States with reverse lend-lease aid. In the original lend-lease agreements covering wartime or "straight" lend-lease, no definite principles on which final settlement might be based were stated. They simply provided that the foreign country return to the United States after the war emergency any defense articles not destroyed or consumed which the United States might wish to receive and that the full amount of defense aid made available by each country should be taken into account and that the terms and conditions of the settlement should not burden commerce between the two nations.

The terms of payment for lend-lease supplies shipped to Latin American countries were established in lend-lease agreements signed with these countries at the time lend-lease was extended to them. These agreements provided that the recipient country should pay to the United States over a period not to exceed six years a specified percentage of the total cost of the lend-lease aid received. This percentage varied among countries and, to avoid recriminations, has been kept strictly secret. The lend-lease account with Canada is considered closed since Canada paid in cash at the time for all supplies and materials procured in the United States through the lend-lease mechanism.

In the period between the inauguration of lend-lease in March 1941 and VJ-day (legally, September 2, 1945) when it was determined that wartime or straight lend-lease should cease,1/ the United States had made available about $48 billion in defense aid. During the same period, reverse lend-lease received by the United States was valued at almost $8 billion. Of pre-VJ-day lend-lease aid, 64 per cent was to the British Commonwealth, 23 per cent to the Soviet Union, 6 per cent to France and its possessions, and 2 per cent to China. About 70 per cent of lend-lease goods were war materials and the balance civilian supplies.

Upon the termination on September 2, 1945, of straight lend-lease, there was the problem of arranging terms for the delivery of a large quantity of civilian-type industrial and agricultural goods which were then "on order"2/ and which had been intended for transfer under straight lend-lease. The United States offered to deliver thesd goods for payment on credit on a long-term basis. The goods selected by the lend-lease countries pursuant to this offer have been referred to as "pipeline" goods. The credit terms offered were, in general, payment of the full value of the goods over 30 years with interest at 2-3/8 per cent. The following tabulation gives the value of the pipeline goods selected:

1/ Exceptions to this termination date for straight lend-lease were made in the case of certain recipient countries. The cut-off date for the Soviet Union was extended to September 20, 1945, for certain rather technical reasons. Military lend-lease aid to China was continued until June 30, 1946; since then, certain minor military lend-lease programs have been handled on a reimbursable basis. It was agreed in October 1945 that Belgium should receive as straight lend-lease $42 million of U.S. civilian-type goods contracted for but not shipped by September 2, 1945, and $45 million of civilian-type excess military equipment, because Belgian reverse lend-lease to the United States had exceeded U.S. lend-lease to Belgium by about $90 million.

2/ Goods "on order" meant, in the case of industrial articles, goods for which contracts had been placed with suppliers by U.S. procurement agencies, and in the case of agricultural commodities, meant goods up to the amounts allocated for the third quarter and tentatively allocated for the fourth quarter of 1946.

Recipient country	Amount of "pipeline" credit sales (Millions of dollars)
United Kingdom and colonies	350
Australia	17
New Zealand	7
India	2
U.S.S.R.	242
France	400
Belgium	56
Netherlands	63
China	48
Brazil	2
Total a/	1,187

a/ Not including Chile, Cuba, Peru, and Uruguay. Pipeline sales to these countries were on cash terms.

By action of Congress, pipeline deliveries were cut off as of December 31, 1946, although about $26 million of pipeline goods which the United States had agreed would be made available to recipient countries remained undelivered.[1/] Of the undelivered pipeline the Soviet Union was to receive goods to the value of about $17 million, France about $6 million, China and Australia each about $1 million.

In the final settlement agreements with lend-lease countries certain general principles, which were first established in the agreement with the United Kingdom, have been followed. No payment is required for any military or civilian articles destroyed, consumed, or lost during the war. Military items still in existence at the end of the war are left in the possession of the recipient country, without payment, but subject to the right of recapture. However, both the lend-lease countries and the United States pay on appropriate terms for lend-lease and reverse lend-lease articles of postwar civilian utility in their possession on VJ-day.[2/] Most of these agreements include arrangements for the delivery of and payment for pipeline goods. Customarily these final settlement agreements have also covered the sale of surplus property located abroad and the settlement of outstanding claims arising out of the war.

1/ Under Section 3(c) of the Lend-Lease Act as amended, the powers of the President to carry out contracts or agreements made with foreign governments was extended until July 1, 1949. However, Congress, in the Third Deficiency Appropriation Act, 1946, placed a limitation on the use of the funds appropriated by that Act to the Treasury for administrative expenses of the lend-lease pipeline, prohibiting the use of such funds for expenses incident to the shipment of the pipeline goods after December 31, 1946. Although the foreign governments desirous of receiving the balance of their undelivered pipelines deposited funds with the Treasury sufficient to cover freight costs, the goods have not been delivered.

2/ These lend-lease goods with a postwar civilian utility are designated as the "lend-lease inventory", to distinguish them in the settlements from the lend-lease pipeline.

In final settlements with lend-lease countries, the United States has extended credits to cover the amounts due this country for the lend-lease inventory as well as the pipeline. In the following tabulation, the amount of these final settlement credits is given and also the amount of the pipeline credits granted to lend-lease countries with which no final settlement has yet been reached.

Lend-Lease Settlement and Pipeline Credits

Country	Date signed	Amount (Millions of dollars)	Rate of interest (Per cent)	Period of repayment of principal (Years)
United Kingdom	12/6/45	590	2	50, beginning 1951
France	5/28/46	420	2	30, beginning 1951
Australia	6/7/46	.5	a/	
Iran	12/14/45	8.5	none	3, beginning 1946
Liberia	12/31/43	19.3 b/		
Netherlands	5/28/47	48	2	30, beginning 1951
Brazil	6/28/46	2 c/	Treaty terms	
China	6/14/46	58.9	2-3/8	30, beginning 1947
U.S.S.R.	10/15/45	242	2-3/8	22, beginning 1954

a/ Payment to be made in Australian currency for acquisition of real estate, construction of U.S. Government buildings and improvements thereon, and furtherance of cultural relationships.

b/ Cost of dock facilities being constructed in Liberia by Navy Department; reimbursement to United States to come out of port revenues.

c/ Estimated.

In connection with these final settlements, additional credits have also been extended to finance the purchase by the foreign country of U.S. surplus property located abroad.

Settlements with certain lend-lease countries included no extensions of credit by the United States but provided for cash dollar payments by the foreign country or the mutual cancellation by the United States and the foreign country of claims arising from lend-lease and reverse lend-lease. The settlements with South Africa and Turkey were of the first type. South Africa has paid $100 million and Turkey $4.5 million. Under the terms of the lend-lease settlements with Australia and the Netherlands, the former made a cash dollar payment of $20 million and the latter $19.5 million. The United States also paid to the Netherlands $25 million in cash for the settlement of certain claims arising out of the war. Lend-lease, reverse lend-lease, and military relief accounts with Belgium canceled out so that no payments were made in either direction for these items in the war accounts settlement. In the case of New Zealand and India, no payment was necessary because lend-lease and mutual aid offset each other.

Many of the lend-lease settlements under which credits were extended provide for partial repayment in local currency if desired by the United States. This local currency can then be used by the Government for certain purposes specified in the agreement which may include the purchase of real estate, the construction of and improvements on U.S. Government buildings in the foreign country, cultural and educational programs and U.S. Government expenditures in the foreign country.

In the lend-lease settlements with France and the Netherlands and in future final settlements with other lend-lease countries, provision is made for the postponement of payments of principal or interest or both, if, in view of extraordinary and adverse economic conditions, it would not be to the common advantage of the United States and the foreign country for service payments to be made. The agreement with the United Kingdom goes further in one respect by providing for waiver of interest under certain conditions, but in another respect is less generous since there is no provision for the postponement of interest or of principal payments.

For its lend-lease aid to foreign countries of over $50 billion both before and after VJ-day, the United States had received a financial return up to the present time of over $11 billion including reverse lend-lease, cash payments, credits extended, and goods to be returned. Settlements yet to be concluded with lend-lease countries may give rise to a further $0.5 billion of cash payments or credits.