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DIVISION OF AID AMONG OEEC COUNTRIES FOR 1949-50

Robert Solomon and Paul Gekker

ECA Dollars

The Council of the OEEC has transmitted its recommendations to ECA for the division of aid for the year 1949-50. After an earlier tentative proposal had been rejected by the United Kingdom, Baron Snoy and M. Marjolin of the OEEC were given the task of drawing up a compromise recommendation for the division of ERP dollars among the participating countries. An acceptable districution was worked out by utilizing the $150 million which was to have been deducted from the assumed Congressional authorization before it was allocated among the participating countries. This reserve fund was principally intended to meet unforeseen deficits in connection with the program for the liberalization of intra-European trade.

Along with their recommendations for the division of ECA dollars Baron Snoy and M. Marjolin submitted a report which emphasized the effect of the United States readjustment on the dollar earnings of Western Europe and especially of the sterling area, which, as the largest earner of dollars, suffered most heavily. The report concluded that, in spite of considerable improvement, European recovery was not proceeding fast enough to make viability possible by 1952. The dollar problem, it was asserted in the report, is a problem for the United States as much as for the rest of the world, and its fundamentals would have to be reconsidered at an early date.

After the submission of the OEEC recommendation ECA announced that it would insist on the withholding of the $150 million reserve fund. This will probably require that the proposed allocations to each of the countries, except Belgium-Luxembourg and Sweden, be reduced by about 4 percent. Proposed dollar aid to Belgium-Luxembourg and Sweden would not be cut since their aid is entirely on a conditional basis, being matched by drawing rights granted by them to other ECA countries. ECA also announced that whereas the OEEC recommendations would be taken as the basis for the allocation of aid during the first half of 1949-50, the decision on the use of the funds for the second half of the year "will be directly related to the performance of the participating countries, acting both individually and collectively through the OEEC, in effectively using the aid and realizing the objectives of the Convention for European Economic Cooperation and the Economic Cooperation Act."

Subject to these reservations, the probable allocation of ECA dollars for 1949-50 may be taken as the OEEC recommendation adjusted so as to reconstitute the reserve fund. These figures are shown in Table II (Column 3).

Intra-European Drawing Rights

The OEEC Council has also determined the division of drawing rights under the Intra-European Payments Agreement for the period 1949-50. 1/ The total of gross bilateral drawing rights expressed in pre-devaluation dollar equivalents has increased slightly, from $810.4 million in 1948-49 to $889.5 million. The latter figure, however, includes $87.5 million credits granted by Belgium. Examination of the more significant data on net drawing rights granted or received by each country (See Table I below) indicates an increase in the imbalance in intra-European trade.

As under the 1948-49 Payments Agreement, the net debtors (participants who receive greater drawing rights than they grant) are France, the Netherlands, Greece, Austria, Norway, Turkey, Portugal, and Denmark. The net creditor countries (who grant drawing rights in excess of those they receive) are Belgium-Luxembourg, the United Kingdom, Trizone, and Italy. The only changes in this distribution are the introduction of Portugal as a net debtor, and the changeover of Turkey from a net creditor in 1948-49 to a net debtor position for the coming period.

Among the debtors, France is the only country which has moved toward greater intra-European balance. The other debtors all receive larger drawing rights for 1949-50 than they were granted in 1948-49. The Netherlands and Norway in particular are to receive approximately twice their 1948-49 drawing rights under the new arrangements.

Of the creditors, all have increased the total drawing rights granted to participants except the United Kingdom, whose balance has drastically declined, from $282 million to $69 million in 1949-50. The Trizone has steeply increased net credits granted from only $9.4 million in 1948-49 to $163.9 million for the new payments period, and the total Belgian contribution has increased from $207.5 million in 1948-49 to $400 million in 1949-50. The latter figure includes $87.5 million of credits to be granted by Belgium to the United Kingdom, France, and the Netherlands. Sweden has almost doubled net drawing rights granted from $25 to $48 million, thus making its intra-OEEC surplus equal to its scheduled dollar deficit.

Net Aid

Data on direct ECA aid and those on intra-European drawing rights must be combined to give the full picture of the aid to be received by the individual OEEC countries. For intra-European creditors net aid equals ECA dollar aid minus net drawing rights (and credits) granted, and for intra-European debtors it equals ECA dollar aid plus net drawing rights received. Net aid thus defined is negative

1/ See this Review, July 19, 1949. The drawing rights were agreed upon before the devaluation of European currencies. It is possible that devaluation will alter the pattern of deficits and surpluses anticipated. In any case the agreed drawing rights were intended to finance the movement of a certain volume of goods and services and had been converted from local currencies into dollars at the pre-devaluation rates of exchange, for the purpose of relating drawing rights to ECA conditional aid. While it would probably be logical to scale down the dollar value of the agreed drawing rights there is some question as to whether the problems of the size and distribution of drawing rights will be reopened. If it is not reconsidered, the unresolved question of the disposition of unused drawing rights may assume greater importance.

for Belgium since its contribution to other European countries in the form of drawing rights and credits exceeds dollar aid received from ECA.

It may be seen from Table II that the principal changes from 1948-49 to 1949-50 in net aid received are the reductions for France and the Trizone, reflecting the marked economic improvement in both these countries during the past year. Although direct aid to the United Kingdom will decline by over $300 million, the reduction in drawing rights offsets this decrease considerably, so that net aid to the United Kingdom will fall by only 11 percent. 1/ There will be increases in net aid in 1949-50 for some of the smaller countries, including Norway, Turkey, and Greece; also Portugal which received no aid in 1948-49.

The provision of the new Intra-European Payments Scheme concerning transferability of 25 percent of the drawing rights may result in changes in the distribution of the drawing rights as set out in Table I. Since, however, conditional dollar aid is scheduled to move with the transferred drawing rights, the distribution of net aid will not be altered by such transfers.

1/ It should, however, be borne in mind that in 1948-49 about $85 million of drawings rights granted by the United Kingdom were not utilized. Moreover, several OEEC countries increased their sterling holdings. This means that, in fact, net aid granted to the United Kingdom in 1948-49 was considerably larger than appears from Table II.

Table I

Intra-European Drawing Rights

(Millions of dollars)

	1948 - 1949			1949 - 1950		
Country	Granted	Received	Net	Granted	Received	Net
Austria	3.1	66.6	-63.5	2.7	85.8	-83.1
Belgium-Lux.	218.5	11.0	+207.5	400.0 1/	-	+400.0 1/
Denmark	5.1	11.9	- 6.8	7.7	22.6	-14.9
France	9.7	333.0	-323.3	36.4	258.0	-221.6
Greece	-	66.8	-66.8	-	107.3	-107.3
Italy	47.3	27.0	+20.3	24.5	-	+24.5
Netherlands	11.3	83.0	-71.7	21.3	156.5	-135.2
Norway	16.5	48.3	-31.8	5.0	76.8	-71.8
Portugal 2/	-	-	-	1.0	27.2	-26.2
Sweden	34.8	9.8	+25.0	48.0	-	+48.0
Trizone 3/	123.6	114.2	+ 9.4	163.9	-	+163.9
Turkey	28.5	8.8	+19.7	8.0	53.3	-45.3
United Kingdom	312.0	30.0	+282.0	171.0	102.0	+69.0
Total Credits	810.4	-	563.9	889.5	-	705.4
Total Debits	-	810.4	563.9	-	889.5	705.4

1/ Includes credits of $87.5 million.
2/ Portugal not included in 1948-49 scheme.
3/ 1948-49 figures are for Bizone and French zone combined.

Table II

	1948 - 1949		1949 - 1950		
	Direct ECA Aid (1)	Net Aid a/ (2)	Direct ECA Aid b/ (3)	Net Aid a/ (4)	Percent (4 ÷ 2)
	(Millions of dollars)		(Millions of dollars)		
Austria	215.2	278.7	166.4	249.5	86
Belgium-Lux.	247.9	40.4	312.5	- 87.5 c/	-
Denmark	109.1	115.9	87.0	101.9	88
France	980.9	1304.2	673.1	894.7	69
Trizone	509.8	500.4	332.9	169.0	34
Greece	144.8	211.6	156.3	263.6	125
Iceland	5.2	5.2	7.0	7.0	135
Ireland	78.3	78.3	44.9	44.9	57
Italy	555.5	535.2	389.1	364.6	68
Netherlands	469.6	541.3	295.6	430.8	80
Norway	83.3	115.1	90.0	161.8	141
Portugal	-	-	31.5	57.7	-
Sweden	46.6	21.6	48.0	0	0
Trieste	17.8	17.8	13.4	13.4	75
Turkey	39.7	20.0	59.0	104.3	522
United Kingdom	1239.0	957.0	919.8	850.8	89
	4742.7	4742.7	3626.5	3626.5	76
Reserve Pool			150.0	150.0	
			3776.5	3776.5	

a/ Direct ECA aid minus net drawing rights granted or plus net drawing rights received (See Table I).

b/ The OEEC recommended allocations reduced by 4.4 percent except those for Belgium-Luxembourg and Sweden.

c/ Belgium-Luxembourg will grant credits of $87.5 million over and above $312.5 million of drawing rights offset by ECA dollar Aid.

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DEVALUATION AND EAST-WEST TRADE 1/

Gregory Grossman

The devaluation of Western European currencies (mostly by 30.5 per cent) which has just been carried out, will probably not have a very great effect on the volume of East-West trade. The shortage of export availabilities in Eastern Europe will continue to impose an upper limit, while the strong mutual interest in the trade will probably continue to lead to its steady expansion, other considerations remaining equal. The major effect of the devaluation, as far as can be seen now, will be a shift in the terms of trade in favor of Eastern Europe, which however may not be very large.

Level and Structure of Trade

Trade between Eastern and Western Europe had reached in 1948 approximately 40 per cent of the 1938 volume, and may still remain below one-half the prewar volume in 1949.2/ The individual plans of the OEEC countries envisage its restoration to something like 75-90 per cent of the prewar volume by 1952-53, but this outlook seems to be rather optimistic.

Table 1 shows the breakdown of Western Europe's imports from Eastern Europe in 1948 into the three chief commodities: grain, coal, and lumber. (The relatively small importance of lumber is due to our exclusion of Finland from Eastern Europe.) These three commodities accounted for over one-half the value of such imports. Of the other half, somewhat less than 50 per cent were imports (other than coal and lumber) from Czechoslovakia, comprising mostly manufactured products, and the remainder included raw materials (non-ferrous ores and metals, crude fertilizers, tobacco, flax), some crude foodstuffs (poultry, meat, eggs, etc.), and forestry products of various degrees of manufacture.

With respect to 1952-53, the plans of the Western European countries anticipate larger imports of coal than in 1948, almost double the grain imports, five times the softwood lumber imports (not considering imports from Finland), and similarly very much larger imports of other commodities, especially meat and dairy products.

1/ "Eastern Europe" is to be understood here as comprising the USSR and the other communist-controlled countries of the area (including Yugoslavia), i.e. countries characterized by complete or almost complete state monopolies of foreign trade. Finland is best considered separately, being radically different in its institutional structure and its trade orientation. The Soviet Zone of Germany is also excluded, although primarily for reasons of uncertainty as to the lines of development of its trade, as well as for statistical convenience. "Western Europe" is here synonymous with the OEEC group of countries. "East-West" trade is here understood as trade between Eastern and Western Europe.

2/ See this Review, July 19, 1949.

Table 1.

Imports of OEEC Countries from Eastern Europe 1/ in 1948
(in millions of dollars)

Total Imports from Eastern Europe	1,026
of which:	
Coal 2/	210
Grain (all) 3/	220
Sawn Softwood 4/	70
Other commodities	526
of which: from Czechoslovakia	(260)

1/ Excluding Finland and Soviet Zone of Germany.
2/ 14 mill. m. tons at an average c. i. f. price of $15/ ton.
3/ 2 mill. m. tons at an average c. i. f. price of $10/ ton.
4/ 442,000 standards at an average c. i. f. price of $160/ st. (E/ECE/Trade/3, p. 18).

Table 2.

Trade of OEEC Countries with Eastern Europe 1/ in 1948
(in millions of dollars)

	Exports	Imports
Hard currency countries 2/	68	72
Sterling area countries 3/	140	235
Other OEEC countries	476	719
Total OEEC countries	684	1,026

Source: Tabulation prepared by F & TP Branch, ECA, from trade statistics of OEEC Countries.

1/ Excluding Finland and Soviet Zone of Germany.
2/ Switzerland and Portugal.
3/ U. K., Eire, and Iceland.

Western Europe's exports to Eastern Europe consist largely of manufactured goods, although capital equipment as such accounts for only a minor fraction of the total (22 per cent in 1947). In addition, Eastern Europe buys raw materials and some foodstuffs in the overseas territories of the respective monetary areas, using for this purpose the proceeds (especially sterling) of its export surplus with Western Europe. In 1948 such purchases were $200-250 million, chiefly rubber and wool.

It can be seen that to a considerable extent Western Europe imports from Eastern Europe commodities which may be regarded as direct or indirect substitutes for dollar commodities. Consequently, the prices which Eastern Europe sellers are able to charge are either substantially the prices for these commodities in the dollar area, and in any case will not tend to fall much below dollar prices. Indeed, the dollar shortage may permit Eastern Europe to charge higher prices than those in the dollar markets. Nevertheless, important specific conditions in the various commodity markets must be borne in mind.

Coarse grains have been more important than wheat in recent Soviet grain exports, and the prices which the Soviet Union is able to charge reflect those in the dollar area. However, the Soviet Union is not a party to the International Wheat Agreement of 1949, which means that should a favorable supply situation develop in wheat in the course of the next four years the USSR may have to accept lower prices than the exporting countries which are signatory to the Agreement.

With respect to coal, Europe as a whole is rapidly becoming independent of large imports from the United States. Thanks to rising production within Western Europe the sellers' market in coal has been easing considerably and the Poles have been showing anxiety for some time now with regard to maintaining their favorable position in the market. Yet, as long as Western Europe fails to become independent of both American and Polish coal, i.e., as long as failure to obtain Polish coal will cause resort to marginal imports from the United States, the delivered price of U. S. coal should continue to set indirectly a minimum below which Polish prices (in dollar terms) will not fall much, except as dictated by quality differences. In this limited sense Polish coal may be still regarded as a substitute for a dollar commodity. However, the situation is further complicated by the fact that during the ERP period the opportunity which Western Europe has to obtain coal without payment under the ERP exerts downward pressure on Polish coal prices. This bargaining tactic of their trading partners may be causing more anxiety to the Poles than the general easing of the European coal supply situation.

The situation is roughly analogous with respect to lumber, certain nonferrous ores and metals, fertilizers and other commodities which Western Europe imports from Eastern Europe.

Shift in the Terms of Trade

Thus, generally speaking, the prices of imports from the East, in terms of Western European local currencies, may be expected to rise more than the prices of Western exports to the East, the latter being to a large degree manufactures with a high local labor cost component or sterling area raw materials. Some deterioration in Western Europe's terms of trade vis-à-vis Eastern Europe would tend to take place on this account.

On the whole, the commodities which Western Europe imports from the East probably have relatively low price elasticities of demand, and they are largely such that their purchase cannot be easily shifted from Eastern Europe to the now devalued countries without seriously impairing total supply. Thus, the higher prices (in local currency) after the devaluation may not of themselves reduce the volume of imports from Eastern Europe to any large extent, and their value (in local currency) may quite likely increase.

Since the Eastern European countries may be expected to utilize fully their foreign exchange proceeds, exports from Western Europe (and from the overseas territories of the respective monetary areas) to Eastern Europe are also likely to increase in value, and most probably in volume. On the other hand, we should not expect the devaluation to cause much of a rise in Western exports to the East at the expense of exports from the dollar area, as the latter are already at a low level because of U. S. export controls.

(This analysis is not as fully applicable to Czechoslovakia as to the other Eastern European countries. Czechoslovakia exports largely manufactured articles as well as some timber and coal to Western Europe. Its terms of trade may not be expected to improve as much as those of other Eastern countries, if at all. It may also have to face relatively less favorable price elasticities of demand.)

Effect on Existing Contracts

With regard to existing contracts the immediate effect of the devaluation would depend on the currency in which the prices have been legally expressed. A number of important East-West trade agreements consist of a bulk purchase contract on the part of the Western country, with the respective Eastern country being paid in (Western) local currency and using such proceeds relatively freely for its purchases. If the prices which the Western country is committed to pay for these bulk purchases are contractually local currency equivalents of fixed dollar prices, then the Eastern country would clearly benefit from the devaluation. Should, however, these prices be expressed in local currency only, the Eastern country would not obtain larger local currency proceeds, and will most likely lose because of the now higher local currency prices of its imports. We do not have sufficient data to indicate which of the two alternatives is more prevalent in fact; according to The Economist 1/, British contracts are expressed only in sterling.

Eastern European Exchange Rates

Two of the Eastern European countries -- Czechoslovakia and Yugoslavia -- have par values approved by the Fund. Poland does not have an approved par value yet, and the other countries are not members of the Fund. All of these rates, to a lesser or greater degree, overvalue the Eastern European currencies by any purchasing power criteria and are far from being "equilibrium rates". However, this fact is not a serious obstacle to their trade, since virtually all of it is carried on by foreign trade monopolies which can be (and are) readily subsidized in local currency. The overvaluation probably does affect their foreign

1/ September 24, 1949, p. 682.

exchange proceeds from remittances, and they are attempting to meet this problem by various schemes. Furthermore, unrealistic rates ought to interfere with rational economic planning in these countries, but there seems to be no concern with this problem, at least in the published literature.

None of the Eastern European countries has as yet devalued,1/ and in view of what has been just said there is little reason to expect any to do so. For propaganda reasons they may wish to avoid such a step in order to play up the "strength" of the Eastern economies as contrasted with the "disastrous" effects of the Marshall Plan which has now forced devaluation on Western Europe. Should, nevertheless, any official devaluation take place in Eastern Europe its practical effects on the outside world would be virtually nil, with the possible exception of stimulating somewhat larger remittances to the area.

1/ However, the Finnish markka has been devalued by 30.5 per cent, or by as much as the pound sterling. This is in addition to the 15 per cent devaluation carried out on July 4, 1949. Altogether the markka has been, therefore, devalued by 41 per cent, or from 136 to 230 markkas to the dollar, since mid-year.

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THE U. S. RECESSION AND THE DOLLAR POSITION OF THE OEEC COUNTRIES

Albert O. Hirschman and Barbara Hinrichs

In an earlier article 1/ it was argued that a slight recession of the American economy would not necessarily prove upsetting for the balances of payments of those countries that rely heavily on American aid in the financing of their import surplus. It seemed a priori probable that a U. S. recession would result, for countries with large initial excess of imports over exports, in larger dollar savings on the import side (as a result of declines in U. S. prices) than in dollar losses on the export side (as a result of decreased U. S. purchases). The British crisis may seem to belie this thesis; and the Snoy - Marjolin report on the division of ECA aid in 1949-50 maintains that the fall in dollar earnings of OEEC countries as a group during 1949 has been much larger than any dollar savings resulting from the fall in the prices of American exports. Calculations based on U. S. foreign trade data show that this statement is correct for the United Kingdom and the sterling area, but does not hold for the continental OEEC countries. Even for the United Kingdom and the sterling area the net loss incurred as a result of the excess dollar losses over dollar savings in the course of the recent readjustment amounts to only a fraction of the actual loss in gold and dollar reserves.

Suppose that the United States exports $10 billion during a base year and that the unit value of its exports drops by an average of 10 percent during the next year, then $9 billion will buy the same volume of goods in this year as $10 billion did the year before. The savings accruing to foreign countries due to price declines in the United States amounts therefore to $1 billion. This figure can then be compared to the actual dollar losses incurred by foreign countries as a result of both the decline in the prices of goods they export to the United States and the lowered volume of their sales. This procedure is prompted by the consideration that the fall in export and import prices and the fall in the foreign countries export volume are direct and unavoidable consequences of the U. S. recession while the foreign countries have it within their power to prevent the volume of their imports from the United States from rising in reaction to the fall in U. S. prices.

The most significant result of Table I below is the striking difference in behavior between the sterling area and the Continental OEEC countries. While the sterling area's dollar losses in the second quarter exceeded its dollar savings the opposite held for the Continental OEEC countries and their dependencies: the savings accruing to these countries as a result even of the relatively small price declines in the United States were sufficient to wipe out any decrease in dollar earnings that occurred between 1948 and 1949.

This difference is explained mainly by two considerations: First the sterling area earned its own way to a much larger extent than the Continental OEEC countries. In 1948 the sterling area covered 70 percent of its imports from the United States by its exports to the United States, whereas this ratio stood

1/ See this Review, June 7, 1949.

Table I

Dollar Savings and Losses in Trade of OEEC Countries with the United States (in millions of dollars)

	Sterling Area	Continental OEEC Countries 1/	Total
Second Quarter of 1949 (annual rate compared to 1948)			
Dollar Savings accruing to foreign countries as result of price declines of U. S. exports 2/	104	188	292
Dollar Losses (decrease in U. S. imports)	252	30	282
Net Savings or Losses (-)	- 148	159	10
Second Quarter of 1949 compared to 2nd Quarter of 1948 (annual rates)			
Dollar Savings accruing to foreign countries as result of price declines of U. S. exports 2/	133	256	389
Dollar Losses (decrease in U. S. imports) 1/	260	- 88	172
New Savings or Losses (-)	- 127	344	217

1/ Including dependent overseas territories, excluding Switzerland.
2/ Calculated by applying the decline in the unit value index for total U. S. exports to the value of U. S. exports in the base period. Up to the second quarter of 1949 the index had declined by 5.2 percent from the average of 1948, and by 6.7 percent from the second quarter of 1948.

at only 20 percent for the Continental OEEC countries. The Chinese proverb: "Who sleeps on the floor cannot fall from his bed" thus applied to these countries. Unlike the sterling area countries, the Continental OEEC countries were likely to reap almost the full benefit of any U. S. price declines since they did not stand to lose much sales volume to the United States. On the contrary - and this is the second explanation of the difference between sterling area and Continental OEEC countries - for some of them, sales to the United States had remained at so low a level in 1948 that they could expand them even during our domestic readjustment. This is typically true of all countries in which recovery had lagged such as Germany, Austria, Greece, and Indonesia (See Table II). Turkey and the Netherlands also were able to increase their sales to the United States in 1949. The decrease of U. S. purchases from countries like France, Italy, Belgium, and Sweden was sufficient to offset these gains in the comparison of the second quarter of 1949 with the average of 1948, but not in that with the second quarter of 1948. For this comparison the table thus actually reveals a net gain (in place of a loss) which, together with the dollar savings due to U. S. price declines, adds up to a sizeable improvement in the dollar position of the Continental OEEC countries. But even those European countries whose exports to the United States declined from the second quarter of 1948 to the second quarter of 1949 gained on balance as a result of the decline in U. S. prices. The only notable exception to this rule is Sweden whose exports of wood pulp were hit particularly hard.

For the United Kingdom and the sterling area the situation is the reverse In both comparisons the "losses" exceed the "savings" and the net loss for the second quarter of 1949 amounts for both comparisons to between $30 and $40 million on a quarterly basis. In spite of the fact that much has been made of the decline in prices and U. S. purchases of sterling area products the contribution of the United Kingdom to this loss is larger than that of the rest of the sterling area. In any event, the aggregate loss is small if compared to the actual gold and dollar loss of $260 million sustained by British reserves during the same period. The explanation of the major part of this drain must be sought, not in the effects of the recession in the United States, but in capital movements and in an exceptional increase in sterling area imports from the dollar area.

In general, it is clear that the "dollar savings" calculated by us on the assumption that the volume of imports from the United States would remain constant in the face of U. S. price declines, are highly theoretical. Rather than decrease in proportion to the fall of the unit value index, U. S. exports to both sterling area and continental OEEC countries showed considerable increases from 1948 to the second quarter. Thus between the second quarter 1948 and the second quarter 1949 U. S. exports increased by $89 million to the sterling area, and by $30 million to the Continental OEEC countries. This was not, of course, an automatic reaction of an elastic demand of foreign countries for U. S. imports. It is largely explained by the slow start of ECA procurement during 1948 and its acceleration during the second half of the 1948-49 fiscal year. To some extent, the easing supply situation in this country may also have led to an exceptional rise of U. S. exports as a result of shorter delivery dates and of the exportation of scarce items previously reserved for the domestic market. The increase in the volume of imports from the United States thus explains why sterling area gold losses have been so much larger than indicated by our figures and why the

Continental OEEC countries have not added considerably to their reserves. Nevertheless, the data shown here on net dollar savings or losses are meaningful since they isolate the effect of the U. S. recession on the dollar position of the OEEC area from other factors that, to a large extent, have operated independently.

In summary, immediate dollar losses were suffered in the course of 1949 by foreign countries as a result of decreased foreign purchases by the United State But these losses could have been virtually cancelled, for the combined sterling and OEEC areas, by the savings accruing to these countries as a result of reduced U. S. prices. The disturbing feature about the development of U. S. foreign trade in 1949 was therefore not so much its impact on the immediate dollar position of foreign countries as the long-run implications of the premature halt in the expansion of U. S. imports for an eventual solution of the dollar problem.

Table II

Dollar Savings and Losses in Trade of OEEC Countries with the United States (in millions of dollars)

Countries	Second Quarter of 1949 (annual rate) Compared to 1948			Second Quarter of 1949 Compared to Second Quarter of 1948 (annual rates)		
	Dollar Savings 1/	Dollar Losses 2/	Net Savings or Losses (-)	Dollar Savings 1/	Dollar Losses 2/	Net Savings or Losses (-)
U.K.	33.8	117.9	- 84.1	34.8	125.2	- 90.4
Other Sterling Area	70.0	134.0	- 64.0	95.6	134.0	- 38.4
Sterling Area	103.8	251.9	- 148.1	130.4	259.2	- 128.8
Austria	7.6	.4	7.2	10.0	- 2.0	12.0
Belgium-Lux.	16.2	16.4	- .2	15.6	15.6	0
Belgian Congo	2.6	16.9	- 14.3	3.6	2.0	1.6
Denmark	2.8	1.6	1.2	3.2	.4	2.8
France	31.0	21.7	9.3	47.2	- 23.2	70.4
French Colonies	6.7	2.7	4.0	9.6	- 7.2	16.8
Germany	45.4	- 15.9	61.3	63.6	- 27.2	90.8
Greece	12.4	- 5.9	18.3	14.8	- 10.0	24.8
Italy	21.8	36.6	- 14.8	31.6	36.4	- 4.8
Netherlands	16.4	- 17.8	34.2	20.4	- 27.6	48.0
Indonesia	4.8	- 55.9	60.7	6.4	- 72.0	78.4
Norway	4.4	4.8	- .4	4.4	- 5.2	9.6
Portugal	4.0	8.4	- 4.4	5.2	5.2	0
Sweden	6.2	45.5	- 39.3	10.0	55.2	- 45.2
Turkey	5.3	- 29.5	34.8	9.2	- 28.4	37.6
Continental OEEC Countries 3/	187.6	30.0	157.6	254.8	- 88.0	342.8
Combined OEEC and Sterling Area	291.4	- 281.9	9.5	385.2	171.2	214.0

1/ Dollar Savings on U. S. exports due to U. S. price declines. For method of calculation see footnote 2 to Table I.
2/ Decrease or increase (-) in U. S. imports.
3/ Exclu~~sively~~ Switzerland.