RFD. 188

Board of Governors of the Federal Reserve System

Division of International Finance

REVIEW OF FOREIGN DEVELOPMENTS

April 8, 1952

The Administration Request for Mutual Security for 1953 - Florence Jaffy	7 pages
United States Trade With Latin America Edward Marcus	11 pages

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April 8, 1952

The Administration Request for Mutual Security for 1953 1/

Florence Jaffy

The Executive Branch has submitted to Congress a proposal for a $7.9 billion Mutual Security Program for the fiscal year 1952-1953. Draft legislation covering the program was introduced into the House (H. R. 7005) on March 11, and hearings by the House Committee on Foreign Affairs are now in process. Although no legislation was formally introduced into the Senate, the Foreign Relations Committee has considered the identical Administration proposal in a series of hearings which are now concluded. The Senate Committee will shortly begin drafting its own version of the legislation for introduction into the Senate. No schedule for floor debate has yet been set in either House or Senate. It is possible that the Senate Armed Services Committee may wish to hold separate hearings.

The Administration proposal includes $5.4 billion for military assistance, $1.8 billion for "defense support," and $655 million for economic and technical assistance, primarily to underdeveloped areas. The total figure is about midway between the amount requested by the Administration a year ago, and that finally appropriated by Congress last year, as shown below in billions of dollars: -

	Fiscal 1952			Fiscal 1953
	Proposed by Administration	Authorized by Congress	Appropriated by Congress	Proposed by Administration
Total Aid	$8.5	$7.5	$7.3	$7.9
Military	6.3	6.0	5.8	5.4
"Defense support"	-	-	-	1.8
Economic and technical assistance	2.2	1.5	1.4	.7

Under the Administration proposal, funds for direct military assistance would represent 69 per cent of the total request (as compared with 79 per cent in last year's request). On the other hand, funds for other purposes (largely for indirect military aid) would be raised both

1/ The material in this article has been derived from H. R. 7005, from data on the Mutual Security Program for Fiscal 1953 supplied to Congress by the Executive Branch, from the prepared statements of the President and Mutual Security officials to Congress, and from the President's letters to Congress in pursuance of Sec. 502 (c) of the Mutual Security Act of 1951. Material subsequently reported in connection with the hearings is not included.

in absolute amount and relative share. In terms of actual expenditures, however, the proportion of total aid accounted for by direct military items is expected to rise markedly in fiscal year 1953.

The proposed legislation

The Administration bill consists of proposed amendments to the Mutual Security Act of 1951 (the basic statute) and to other laws. The heart of the bill consists of fund authorizations, which are shown together with some additional detail in the table on the following page.

The bill would authorize the transfer of 5 per cent of the total of European funds as between military and economic (defense support) purposes. This is a reduction from the 10 per cent transfer allowed in the 1952 appropriation. Also, the section of the existing act requiring that 10 per cent of the economic aid be provided in the form of loans would be repealed.

Among other provisions of the proposed legislation are the following:

1. Aid funds appropriated for Europe may be used to assist any association of nations "which, in the opinion of the President makes a significant contribution toward political federation, military integration, or economic unification." It is stated as essential that the administration of the program should be such as to support concrete measures for such federation and integration in Europe.

2. Unexpended balances of last year's (and in some cases earlier years') foreign aid appropriations are authorized to be carried over. This includes the unspent balance of the 1952 appropriation of $100 million for assistance to Spain. In addition, the 1952 authorization for a U. S. contribution of $45 million to the U. N. Korean Reconstruction Agency would be carried over. (No appropriation under this authority was made last year.)

3. The Department of the Army would be authorized to turn over not more than $67.5 million worth of civilian relief goods to the U. N. Korean Reconstruction Agency (UNKRA), when that Agency assumes full responsibility for relief and rehabilitation in Korea. The amount made available is to be credited toward the total pledged U. S. contribution to UNKRA, rather than, as now provided, deducted from the cash contribution immediately authorized.

4. During fiscal 1953 an additional $200 million worth of excess military equipment is authorized to be furnished to foreign countries from U. S. stocks.

Mutual Security Program, Authorization Request

(In millions of dollars)

Item	Title I	Title II	Title III	Title IV	Title V	Total
I. Military assistance						
A. Country programs:						
1. Material (including OSP)	$3914.87	$601.18	$ 603.58	$60.34	$ -	$5179.97
2. Training	155.13	5.19	7.65	2.06	-	170.03
Subtotal	4070.00	606.37	611.23	62.40	-	5350.00
B. Participation in international security organizations, and all administrative expenses	75.00					75.00
Total military assistance	4145.00	606.37	611.23	62.40	-	5425.00
II. Defense Support	1819.20					1819.20
III. Economic and technical assistance:						
A. Under Mutual Security Agency			258.00			258.00
B. Under Technical Cooperation Administration						
1. Country aid		131.00	150.00	22.00		303.00
2. Multilateral technical cooperation					17.00	17.00
Subtotal		131.00	150.00	22.00	17.00	320.00
C. Other:						
1. Palestine refugees		65.00				65.00
2. Emigration of surplus manpower					10.00	10.00
3. Ocean freight, relief parcels					2.80	2.80
Subtotal		65.00			12.80	77.80
Total, economic and technical assistance		196.00	408.00	22.00	29.80	655.80
Grand total	5964.20	802.37	1019.23	84.40	29.80	7900.00

Note: In general, Title I applies to NATO Europe; Title II to Africa and the Near East; Title III to Asia and the Pacific; Title IV to American Republics; and Title V to general provisions.

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5. Authorization for transfer of military equipment or services on a reimbursable basis is extended to include transfers to international military organizations (such as SHAPE); and several changes are introduced in regard to payment therefor.

6. Authorization for the use of MSA funds for strategic materials development for United States needs is repealed, in accordance with the President's finding of March 27 that the MSA should not continue these activities after June 30, 1952.

7. The Mutual Security Act of 1951 contained a limitation of $10 million on the use of dollars for advance purchases of local currencies to meet needs of the aid program in Near Eastern countries, and a limit of $25 million on similar expenditures in Asiatic countries. The present bill contains a provision designed to remove ambiguity by making clear that these limitations apply only to the use of MSA funds for this purpose, and not to Technical Cooperation Administration (TCA) funds.

Description of the program

Europe - A total of $5.9 billion is requested for Title I countries, of which $4.1 billion would be used for military assistance and $1.8 for "defense support." 1/

The military funds requested under this title would cover European NATO countries (not including Greece or Turkey, whose military funds are provided for under Title II) and Germany, together with other European countries, such as Yugoslavia, whose defense is important to the security of the North Atlantic area and of the United States. Military end-item procurement accounts for $3.9 of the $4.1 billion of military assistance, and of this about $3.6 billion is intended for NATO countries and Germany. About $2.6 billion of the $3.6 are proposed for direct purchase in the U. S., and the remaining billion for offshore procurement.

Military technical and training programs, plus a small amount for administrative expense, account for the remaining $200 million requested for military assistance under Title I.

These figures, representing requested obligational authority, are considerably smaller than the anticipated volume of deliveries for the coming period: The President's budget message indicated that deliveries

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1/ Introduction of the term "defense support" appears to be an effort to clarify the true nature of a portion of the funds last year classed as "economic," in view of the fact that there has been a sharp change from previous years in the criteria for administering such aid allocated to European countries.

to all areas in fiscal year 1953 from old as well as new funds are expected to total around $8 billion, most of which would go to European NATO countries. A figure of this order would represent a sharp increase from existing levels (military aid transfers during calendar 1951 amounted to about $1.5 billion); and would mean some reduction in the large backlog of funds available for military assistance.

The $1.8 billion of "defense support" funds requested under Title I, unlike the direct military aid, are intended to cover Greece and Turkey as well as the original NATO countries, Germany and Yugoslavia. They also cover a small amount (possibly $100 million) of purely economic assistance for Austria and Trieste.

About $1.4 billion of the $1.8 would apply to NATO countries and Germany. This portion of the program is designed to provide financing for a critical margin of resources -- raw materials, commodities and machinery -- in which Europe is deficient. The underlying assumption is that the utilization of these resources, in combination with European resources, will make it possible for the recipient countries to produce defense goods to a value considerably higher than the value of the American contribution. The Executive Branch estimates that "U. S. financing and supply of these commodities is directly accountable for between two and three times their value reflected directly in the European defense effort." It is pointed out that the indirect values of such defense support, in avoidance of economic disorganization, and in the morale effects of the maintenance of present defense goals which such support makes possible, are even greater.

The precise amount of aid to be allocated to Yugoslavia for military equipment and defense support is not yet known, since discussions are still in progress with British, French, and International Bank representatives on the aid pattern for 1953.

Negotiations looking toward United States use of military facilities in Spain are now being planned. No new funds are necessary, in view of the appropriation last year of $100 million for economic, technical and military assistance to that country.

Africa and the Near East - Most of the $600 million of military funds requested for Title II are intended for Greece and Turkey.

Of the non-military funds, $55 million is for technical cooperation in Iran, Israel, and the Arab States, as well as Ethiopia, Liberia, and Libya. Another $76 million consists of economic aid to be used for relief and resettlement of refugees in Israel, and for the development of productive capacity essential in connection with the refugee problem in that country. Finally $65 million is authorized as a contribution to the U.N. Relief and Works Agency for Palestine Refugees, under the provisions of the U.N. Palestine Refugee Aid Act of 1950.

Asia and the Pacific - The $611 million of military assistance under Title III is intended for Southeast Asia to counteract possible threats of external Communist aggression. Substantial amounts are for Indochina and Formosa, and the remainder is for use in the Philippines and Thailand.

Economic and technical assistance is envisaged for all of the above areas, and in addition for Burma and Indonesia in Southeast Asia, as well as for the countries of South Asia (India, Pakistan, Afghanistan, Ceylon and Nepal).

Some of the $250 million in economic assistance asked for Southeast Asia, particularly for Formosa and Indochina, will be in the nature of defense support. On the other hand, in South Asia, where the critical problems are internal, the entire $150 million in aid funds would be used for technical assistance programs.

American Republics - The request under Title IV includes $62.4 million to continue the military assistance program instituted last year. The program will help to standardize military equipment to be used for hemisphere defense. Funds for technical cooperation to the amount of $22 million complete the request.

This area would also benefit by the $1 million contribution to the technical cooperation program of the Organization of American States, requested in the Administration bill.

Miscellaneous - Provision for continued United States participation in United Nations technical assistance programs is part of the 1953 plan, and $16 million is requested for this purpose.

The program also provides for a $10 million contribution to the Provisional Intergovernmental Committee for the Movement of Immigrants from Europe.

Finally there is provision for continuing the authority to pay ocean freight charges for relief packages, the authority to be exercised by such department or agency as the President may designate. It is contemplated that the program would be shifted from the Mutual Security Administration to the State Department.

Organization of the program

No significant organizational changes in the administration of foreign aid are proposed by the new legislation. Those changes which are occurring now are in implementation of directives contained in last year's Mutual Security legislation. 1/

1/ See RFD 178, Nov. 20, 1951.

In a report made to Congress in accordance with section 502 (c) of the Mutual Security Act of 1951, the President on March 27, 1952 found that all the powers and responsibilities already granted to the Director by Congress are necessary to enable him to carry out his duties after June 30, 1952, with the following exceptions:

1. Special provisions for consultation between the Administrator and the Secretary of State, and between the chiefs of the MSA mission and of the US diplomatic mission within each participating country. These provisions have been superseded by the Mutual Security Act of 1951 and by executive orders providing that (1) the Secretary of State and the Mutual Security Director shall establish arrangements to ensure that MSA programs are carried out in conformity with U. S. foreign policy and (2) country-level coordination shall be carried out under the leadership of the Chief of the U. S. Diplomatic Mission.

2. Guarantee of investments in enterprises producing or distributing informational media. The President considers that these activities, although not to be carried on by MSA, are important and he will later submit to Congress a request for authority to enable the Government to continue this work. /The investment guarantee program for enterprises other than informational media is to be continued. Since the 1951 Mutual Security Act extended this guarantee program to all areas of the world to which assistance is furnished, additional plans to make use of this authority are now being considered./

3. Promotion of the procurement and increased production of materials in which the United States is deficient, in participating countries. These functions will now be the special province of the Defense Materials Procurement Agency (DMPA), which will operate projects previously supervised by ECA. The MSA will "continue to emphasize and support materials projects through use of direct assistance and counterpart funds," but will leave to DMPA those aspects of the program which are directly related to United States needs.

4. Payment to participating countries of ocean freight charges on relief packages. The President considers this also an important government activity, although no longer properly a function of MSA: it is for this reason that the proposed legislation provides that the payments may be carried on by an agency or department designated by the President.

5. Programs for the promotion of travel within participating countries by U. S. citizens.

6. The power to create a corporation. (This power has never been utilized.)

The foregoing powers and functions of the Director for Mutual Security, unless otherwise provided by law, will lapse after June 30, 1952.

April 8, 1952

UNITED STATES TRADE WITH LATIN AMERICA 1/

Edward Marcus

In the second half of 1951 the United States had a substantial export surplus with the Latin American republics, and gold and dollar reserves of Latin American countries declined by $310 million. This decline in reserves was much smaller, however, than the goods and services deficit with this country, mainly because of their dollar receipts from trade surpluses with other areas.

Effect of U. S. trade on Latin American reserves

From a post-war high of $3,840 million in June 1946, Latin American gold and dollar reserves fell to a low of $2,720 million in March 1949 and then rose to $3,730 million by March 1951 partly because of import restrictions. After March 1951 they declined for the remainder of the year. Because of the fact that our exports to Latin American countries remained high in 1951 and our imports from this area dropped off, the trade balance of these countries deteriorated, thus contributing greatly to the drop in their reserves after March 1951. Both in 1951 and the previous peak of 1947 the upswing had followed a prior period of reserve accumulation. (See Table I).

Because so much of our output during World War II was devoted to military production and because of shipping shortages, our shipments to the Latin American Republics were far below what would have been expected from the rising level of income experienced at the time in that area. Hence, during 1941-1945 their gold and dollar reserves rose to almost $4 billion, and it was not until the post-war reconversion and ending of priorities that our exports to the twenty republics recovered.

From a wartime average of just under $1 billion, our yearly exports to Latin America quadrupled by 1947, while our imports rose much less absolutely and proportionately -- from $1.4 billion to $2.2 billion. The resulting large U. S. trade surplus was thus a major factor in reducing Latin American gold and dollar reserves from $3.8 billion to $2.9 billion at the end of 1947. This drop caused some of the countries to impose restrictions on imports from the U. S., but for the group as a whole our export surplus continued, and reserves dropped to a post-war low of $2.7 billion at the end of the first quarter of 1949.

Further restrictions on imports from the U. S. helped to end the drain and by mid-1949 our exports to the Latin American republics

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1/ U. S. data used here for specific countries exclude the "special categories" -- mostly military goods -- from export statistics for the period after June 1949.

TABLE I

Latin American Balance of Payments with the United States 1/
(In millions of dollars)

	1951	1949-50 2 years	1946-48 years
Latin American exports to the United States 2/	3,350	5,210	6,300
Latin American imports from the United States 2/	-3,740	-5,430	-9,120
*Latin American trade deficit 2/	-390	-220	-2,820
Latin American dividend and interest payments to the United States 3/	-690	-1,150	-1,370
Latin American receipts from the United States on other invisibles (net)	60	290	350
Inward movement of capital from the United States 3/	280	500	1,100
Net payments to (-) or receipts from the U. S. on capital and invisibles	-350	-360	80
*Deficit on U. S. goods, services, and capital	-740	-580	-2,740
Latin American dollar receipts from other areas and errors and omissions (net)	670	1,160	1,810
Miscellaneous receipts from the United States 4/	110	120	200
Total	780	1,280	2,010
Deficit on United States goods, services, and capital	-740	-580	-2,740
*Change in Latin American gold and dollar assets 5/	+40	+700	-740

Note: Details may not add to totals because of rounding.
* See Chart I for quarterly movements since 1948.
\- Net payments to the United States.
1/ Based on U. S. trade statistics and U. S. Department of Commerce estimates.
2/ U. S. recorded trade statistics.
3/ Excludes undistributed profits of branches and subsidiaries reinvested in Latin America.
4/ Private remittances, U. S. non-reimbursable economic and military aid, and U. S. Government pensions.
5/ Includes Latin American private long-term investments in the U. S.

were down to almost half the post-war peak, while monetary reserves began to rise. The outbreak of war in Korea and subsequent rise in the volume of our imports, as well as increased prices, enabled the Latin American countries to increase their reserves still more; by March 1951 the total gold and dollar holdings were $3.7 billion. Part of this increase in reserves can be attributed to speculative and "fright" capital flows, particularly to Mexico and Uruguay. However, the attendent increase in domestic incomes boosted imports, particularly from the United States; as a result the total reserves dropped in each of the subsequent quarters of 1951 for a total loss of $386 million for the nine months. By the end of 1951, total reserves were down to $3.3 billion, or $0.3 billion above the level immediately before Korea. (See Chart I).

Merchandise trade 1950-1951

In general, United States exports to the Latin American Republics and our imports from that group tend to move together, but with a lag in exports. (See Chart II). This is an understandable relationship, since incomes in these countries tend to be dominated by their exports, much of which are destined for the United States.1/ Hence, as our imports from Latin America vary, incomes in the exporting countries vary and thus determine the volume of spending, of which in turn a large share goes into the purchase of U. S. goods.1/

Although the post-war boom in our foreign trade was common to all regions, the share with Latin America rose markedly, far above prewar levels. In 1936-1938, 16 per cent of our exports had gone to Latin America but in most of the post-war years the proportion was 25 per cent. Imports, which had been only 22 per cent of the total in 1936-38, rose to 38 per cent in 1947 and then gradually dropped back to just over 30 per cent in 1951. As a result, the pre-war and wartime excess of U. S. imports with the region became an excess of exports in most of the postwar years.

Much of the fluctuation in the value of our imports from Latin America in the past two years can be attributed to coffee, which comprised about 40 per cent of our imports from this area in 1950-51. This proportion varied greatly over the year, partly because of the seasonal nature of the supply; for example, in June 1950 the proportion was only a quarter, whereas in December 1951 it was more than half. In absolute terms, the swings in the value of coffee imports over the two years have been between $55 million and $140 million monthly, whereas the value of

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1/ In 1950 approximately half the Latin American Republics' exports came to this country, and about half their imports were supplied by the U. S.

all other imports from Latin America has ranged between $122 million and $210 million monthly; that is, the ratio of the high to the low for coffee was 2.5 while for all other imports it was only 1.7. Part of the change in coffee import values is attributable to the rise in coffee prices, the import cost per pound having moved up from 26 cents in September 1949 to 44 cents in June 1950 and above 50 cents throughout 1951.

To a lesser extent, the seasonal pattern of our imports of unmanufactured wool also contributed to the fluctuations in the volume of U. S. imports from Latin America, wool imports from Argentina and Uruguay having varied between $5 million and $32 million monthly over the two years.

If coffee and wool were taken out of the totals, our imports from Latin America show a much more stable though similar picture, a rising trend from mid-1949 through the first quarter of 1951, and a downward movement thereafter. It might be noted that a lesser factor disturbing the movement of these "other imports" was sugar: in August 1950, when the post-Korean "scare buying" raised sugar imports more than half, and in December 1951, when imports dropped off more than seasonally to less than a quarter the 1950-1951 average.1/

Our exports to the area rose after the first quarter of 1950, and levelled off after March 1951. As a result of this lag of exports behind imports, the United States had an import excess through most of 1950 and the first quarter of 1951, and an excess of exports thereafter. The lower level of our imports in the latter half of 1951 may result in a drop in our exports in early 1952. In fact, in January 1952 a small import surplus emerged, as our exports dropped from $355 million in December to $283 million in January, and imports rose from $250 million to $293 million.

Other balance of payments items

In addition to trade, other important items in the U. S.-Latin American balance of payments are (i) tourists' expenditures; (ii) capital movements and the flow of interest and dividends; and (iii) Latin American dollar receipts from or payments to other areas.

Latin America is an important area for the U. S. tourists, although less so than Canada. Over 30 per cent of U. S. tourist expenditures

1/ See the appendix, under "Cuba".

(other than fares) in 1951 was in Latin America, the seasonal high coming with the post-Christmas cruise season. In the opposite direction, there is also a sizeable amount of Latin American tourists' expenditures in this country.

TABLE II

Estimated Tourists' Expenditures
(In millions of dollars)

	U. S. Expenditures in Latin America	Latin American Expenditures in the U. S.
1946	164	77
1947	166	98
1948	171	110
1949	182	120
1950	194	126
1951p	213	122

Source: Department of Commerce.
p/ Preliminary estimate.

The flow of U. S. capital — both private and Government — has been somewhat erratic, and has declined since 1949. As calculated for balance of payments purposes, net new investment, including the reinvestment of dividends but excluding undistributed profits, was $340 million in 1949, $161 million in 1950, and $283 million in 1951, of which $85 million was U. S. Government funds. The U. S. Government was an important net supplier of dollars only in the first half of 1951, when there was a substantial outflow of Export-Import Bank funds to Argentina.1/ The private capital outflow, however, has been substantial, mainly for the development of Venezuelan petroleum, but also for manufacturing. Of the estimated increase of $2 billion in direct investments (including undistributed profits) since the end of the war, petroleum accounted for half and manufacturing a sixth. Much of this new investment has been the reinvestment of profits. Portfolio investments have been relatively unimportant. Since Korea, the rate of new investment in petroleum has dropped off but the exploitation of iron ore and the non-ferrous metals in Venezuela and Chile respectively may reverse the downward trend in new investment.

1/ See the Appendix, under "Argentina".

The high and continued flow of capital to Latin America has produced a large movement of dividends and interest to the U. S. investor. Since the war, this item has tended to increase, reflecting both this continued growth of investment and the higher profit rate. There was a drop in the first half of 1949, a reflection of the depressing effect of increasing restrictions on imports of Venezuelan oil by non-dollar countries. In the following year -- mid-1949 to mid-1950 -- there was a slight upturn, and then in the third and fourth quarters of 1950 a sudden jump, presumably reflecting the high prices and profits following the outbreak of war in Korea. The amount received in 1951 was somewhat lower though higher than in the pre-Korean period.

TABLE III

U. S. Income from Investments in the 20 Latin American Republics 1/
(In millions of dollars)

	1948	1949	1950	1951
1st Quarter	116	105	130	151
2nd Quarter	140	97	117	175
3rd Quarter	138	119	212	175
4th Quarter	162	134	237	187p

Source: Department of Commerce.
p/ Preliminary estimate.
1/ Excludes earnings of branches and subsidiaries not distributed to the parent company.

It might be noted that the fourth quarter rise is probably due to the practice of making greater distributions at the end of the year.

A very important source of dollars for the Latin American Republics from time to time has been from trade surpluses with areas other than the United States -- particularly the ERP countries and Canada. In this connection, Venezuelen petroleum exports have been of significant aid. To the extent that these earnings are in dollars, they can be used to meet the current deficits with this country. Although the balance of payments item for these transfers also includes the net error arising from inaccuracies in the estimates of the other parts of the international accounts, it is quite possible that a major part of this item (see Table I) reflects inter-area earnings.

Appendix on country developments

Brazil stands out among the countries to which our exports increased the most during 1950-51. The large increase in our exports to Brazil after the war reduced Brazilian gold and dollar holdings to such an extent that in 1947 import restrictions were imposed and were not eased until the beginning of 1950. From a low of $56 million in the first quarter of 1950, our shipments rose steadily and in both the third and fourth quarters of 1951 they totaled $204 million. On the other hand, the value of our imports, which had risen in 1950 some 30 per cent ($160 million) over 1949, almost entirely because of the rise in coffee prices, continued high through the first quarter of 1951, after which, on a seasonally adjusted basis, they levelled off. The increase in U. S. exports thus contributed significantly to the $160 million decline in Brazilian reserves during April-December 1951.

Mexico was another of the Latin American countries to show a large loss in gold and dollar holdings during 1951. This loss was mainly in the second and third quarters when total reserves dropped $61 million and $17 million, respectively. As in Brazil, the most significant influence was the trade balance with this country; our excess of exports in each quarter of 1951 exceeded that of the corresponding quarter of 1950, the increase amounting to more than $60 in both the second and third quarters. This increased surplus was the combined result of lower U. S. imports in the second and third quarters, while U. S. exports, which had been rising all through 1950 and the first quarter of 1951, remained high for the remainder of the year. Part of this decline in imports can be attributed to our price ceilings on non-ferrous metals which kept our prices below those in other markets; as a result shipments were diverted from the United States but may shift back as the excess of foreign over U. S. prices disappears.

Our trade with Cuba has been rather erratic because of fluctuations in our sugar imports. Immediately after Korea U. S. consumers, remembering the shortages of the two World Wars, started to hoard large quantities of sugar and our imports from Cuba in August 1950 exceeded those of June by almost 100 per cent. When it was realized that, unlike wartime the present hostilities would not interrupt our supply lines, purchasing returned to normal and imports dropped off drastically at the end of the year. In part, this was attributable to the usual seasonal decline. During 1951, our total imports from Cuba rose again but the total for the first three quarters was about the same as for the corresponding period of 1950. The seasonal decline in the fourth quarter of 1951 was again accentuated by the drop in sugar, with total imports dropping in December to the lowest in two years.

As is true with so many Latin American countries, our trade with Argentina was largely determined by our imports. Both our exports and imports moved within a relatively narrow range in 1950. With the seasonal increase in wool shipments, however, our total imports in the first quarter of 1951 exceeded the last quarter of 1950 by $38 million, or 77 per cent. This was followed by an increase in our exports to Argentina, particularly in the summer of 1951 -- June-August exceeding the previous three months by a third; in the latter part of the year, both sides of the trade dropped off, in part because growers held wool off the market, waiting for higher prices.1/ Another factor which may have also worked to increase our exports in mid-1951 was the Export-Import Bank loan of 1950, which enabled Argentina to clear up some of its overdue commercial debts, and thus restore its trade credits.2/

Exports to Venezuela, which had shown an upward movement after Korea, dropped off after March 1951. Because the outflow of U. S. private capital to Latin America dropped off in 1951, much of which had been for investment in Venezuelan petroleum, it is quite possible that the decline in our investment in Venezuela reduced the demand for our products to go into new facilities, as well as curtailing spending arising from the secondary income reactions associated with development programs.

Our imports from Chile, which had fluctuated between $8 million and $20 million monthly in 1950 and the first quarter of 1951 jumped to $28 million in April, because of increased imports of unmanufactured wool and copper, and then dropped back to its previous range in the latter half of 1951. Throughout 1951, however, our imports were kept down by the diversion of copper by Chile to other more profitable markets; because of the world-wide shortage of non-ferrous metals, prices abroad rose well above the U. S. ceiling price, and only recently has this premium diminished. Hence, it is possible that Chilean shipments to this country will rise in the remainder of this year, aided, too, by our efforts to develop further the production of their raw materials.3/

1/ See the U. S. Department of Agriculture Office of Foreign Agricultural Relations Foreign Crops and Markets, March 17, 1952, page 218.
2/ See, for example, the Federal Reserve Bank of New York monthly report on Latin American export credits, May 1951 issue (dated June 21, 1951).
3/ See the Financial Times, January 19, 1952, p. 4, and the Wall Street Journal, February 27, 1952, page 7.

TABLE IV

U. S. Trade with the Latin American Republics 1/
(In millions of dollars)

Exports 1/

	1950 I	1950 II	1950 III	1950 IV	1951 I	1951 II	1951 III	1951 IV
Argentina	38	37	31	39	46	64	69	55
Brazil	61	72	101	119	132	159	205	204
Chile	20	18	13	21	35	46	45	40
Cuba	94	101	133	133	151	132	124	133
Mexico	114	114	129	161	157	183	183	187
Venezuela	99	98	92	110	118	124	107	107
All others	175	196	170	182	192	213	202	195
Total excl. Spec. Cat. 1/	577	616	668	765	827	924	934	921
Spec. Cat. 1/	24	20	24	24	25	29	31	50
Total incl. Spec. Cat.	601	636	692	789	852	953	965	971

Imports

	1950 I	1950 II	1950 III	1950 IV	1951 I	1951 II	1951 III	1951 IV
Argentina	56	47	53	50	88	80	31	21
Brazil	140	127	234	215	271	198	183	258
Chile	32	42	37	49	47	65	43	48
Cuba	98	95	131	82	115	108	114	80
Mexico	74	73	78	94	95	79	66	86
Venezuela	83	77	84	79	82	84	75	83
All others	200	140	247	193	327	232	189	199
Total	683	601	865	761	585	846	701	774

1/ Exports of "special categories" -- mostly military goods -- are excluded from the country totals. Recorded trade as reported by the Department of Commerce.

CHART I

CHANGES IN 20 LATIN AMERICAN REPUBLICS' GOLD AND DOLLAR ASSETS AND SOME RELATED COMPONENTS OF THE BALANCE OF PAYMENTS

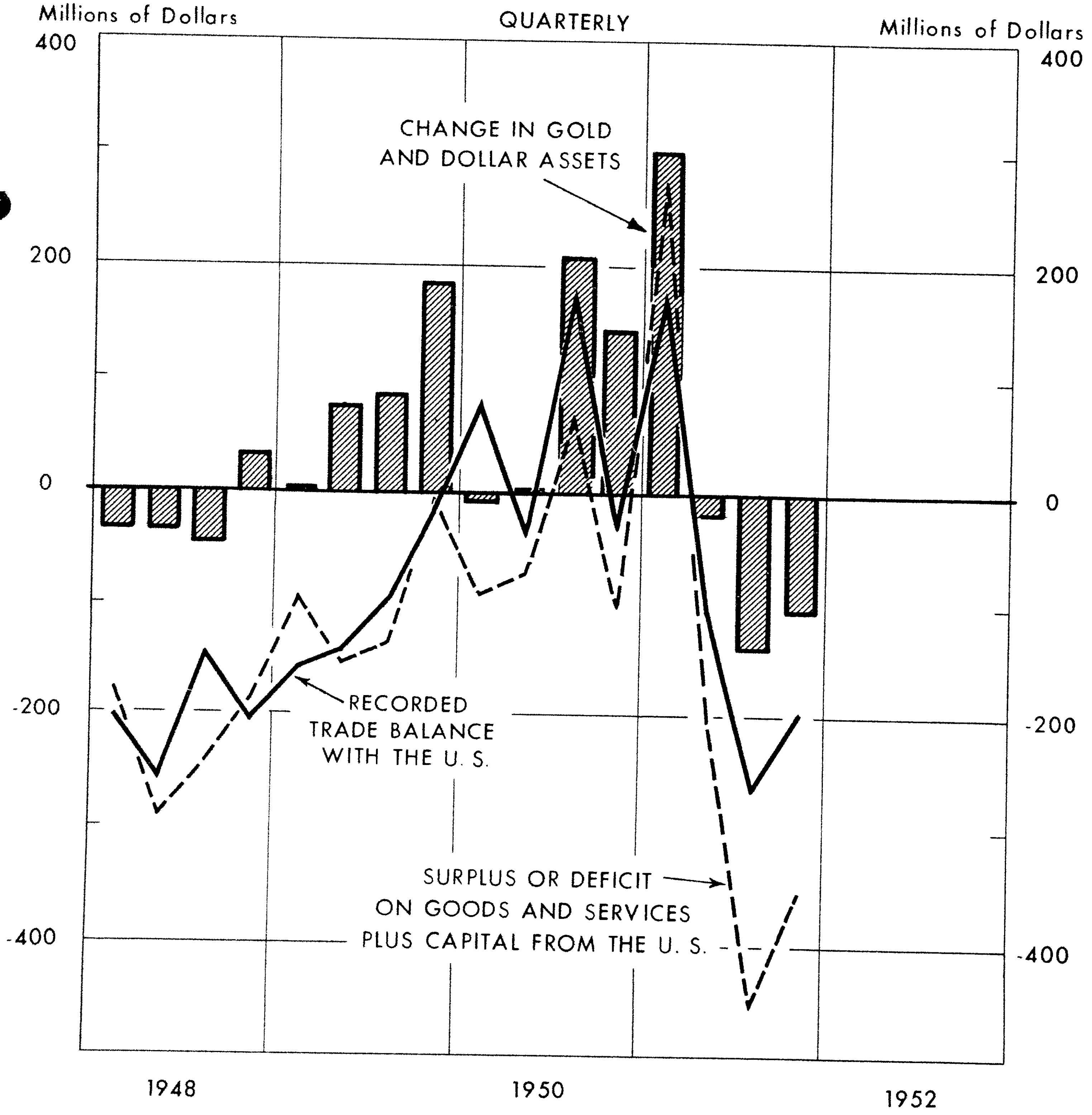
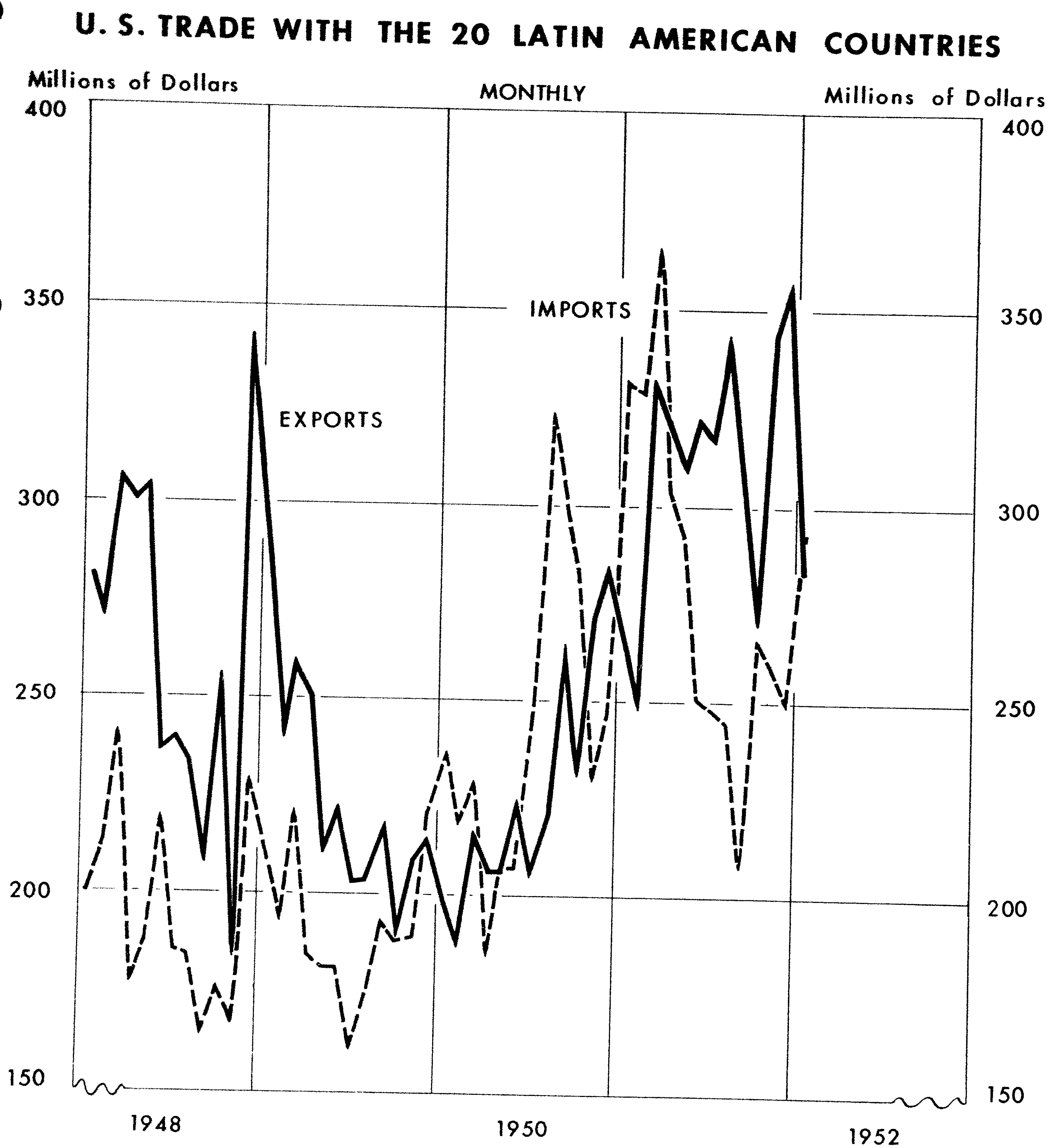


CHART II


U. S. TRADE WITH THE 20 LATIN AMERICAN COUNTRIES
Millions of Dollars
MONTHLY
Millions of Dollars
400
350
300
250
200
150
IMPORTS
EXPORTS
400
350
300
250
200
150
1948
1950
1952