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United States Grants For Foreign Economic Aid
Fiscal Years 1952-1954 - Stephen H. Axilrod

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UNITED STATES GRANTS FOR FOREIGN ECONOMIC AID
FISCAL YEARS 1952-1954

Stephen H. Axilrod

The period of large scale appropriations for grant aid by the United States Government for economic and technical assistance is by all indications over. Smaller amounts of economic aid are requested in the proposed budget for fiscal 1955 than in previous years, and, as in the past three Mutual Security Program budgets, any declines that may occur will mostly affect European countries. The impact of the changing level and pattern of appropriations for the Mutual Security Program on actual economic aid disbursements during the past two fiscal years as well as prospective disbursements for the current fiscal and calendar years will be discussed in this paper.

Grant aid ^{1/} for economic and technical assistance has been steadily declining from a peak outflow of nearly \$5 billion during fiscal year 1949, when European Recovery Program disbursements first reached significant levels. Declining at an average annual rate of \$750 million, non-military grant aid was almost \$2.5 billion in fiscal 1952 and by the past fiscal year had declined to about \$1.9 billion. Economic aid has continued to decline during the first six months of the current fiscal year and is currently running at an estimated annual rate of about \$1.4 billion. On the other hand, grants of military supplies and services, which amounted to only about \$350 million in fiscal 1949, rose to \$1.8 billion in fiscal 1952 and to \$4.2 billion during the past fiscal year; from July to December 1953 deliveries of military supplies and services were at an estimated annual rate of \$3.5 billion with indications that the pace of such aid will increase over the rest of this fiscal year.

Distribution of non-military grant aid by area and country

The decline in economic and technical aid was shared proportionately by Europe and all other areas as a group from fiscal 1949 to fiscal 1952, when Europe's share of total economic aid remained between 77 and 80 per cent. The reduction in economic aid during the past fiscal year, however, is almost wholly reflected in declining European aid, as shown by Table I; the share of all other areas in the past fiscal year rose to over 28 per cent. During the first six months of fiscal 1954 non-European areas increased their share of a declining total to about 32 per cent.

Aid to Europe -- From fiscal years 1949 to 1951 and through the first half of fiscal 1952 the bulk of economic aid to Europe was disbursed under the European Recovery Program, while sizeable amounts were given Western Germany under the Defense Department's program of civilian supplies in occupied areas. All but an insignificant portion of European aid payments after December 31, 1951 were administered by the Mutual Security Agency (now the Foreign Operations Administration) under the Mutual Security Program, which succeeded the ERP and differs from it to the extent that mutual defense aspects of economic assistance are given more emphasis. All

^{1/} In this article grant aid is taken net of transfers of counterpart funds to the United States and the return of certain lend-lease grant goods.

Table I

Disbursements of U.S. Government Grant Aid (Net)

for Economic and Technical Assistance

(Millions of dollars)

Area and Country	Fiscal years	
	1953	1952
Total	<u>1,893</u>	<u>2,466</u>
Western Europe	<u>1,355</u>	<u>1,910</u>
United Kingdom	383	250
France	272	409
Italy	182	183
Yugoslavia	106	88
Greece	102	188
Germany	68	122
Austria	50	140
Turkey	50	70
Other <u>1/</u>	142	460
Other Areas and Inter-regional	<u>538</u>	<u>556</u>
Asia and Pacific	<u>379</u>	<u>414</u>
Korea <u>2/</u>	169	160
Formosa	90	89
Other	120	265
Near East and Africa	<u>102</u>	<u>110</u>
Latin America	<u>21</u>	<u>17</u>
Other <u>3/</u>	<u>36</u>	<u>15</u>

1/ Includes contributions to the European Payments Union, administrative funds, and other European countries.

2/ Includes contributions to the United Nations-Korean Reconstruction Agency.

3/ Includes funds for the movement of migrants, international children's emergency fund, multilateral technical assistance, and administrative expenditures.

Source: Based on Department of Commerce data.

appropriations for economic grant aid throughout the world have been made through the Mutual Security Act for the past ^{two} fiscal years and for the current one. 1/

Of the individual European countries, France and the United Kingdom were by far the largest recipients of aid during the past two fiscal years, as indicated by Table I. Aid to France, though declining substantially from 1952 to 1953, amounted to about \$680 million over the two-year period; the rise in aid to the United Kingdom during the past fiscal year brought its two-year total to about \$630 million. Aid to Italy remained near \$180 million during each of the past two fiscal years, while Greece, Germany and Austria received significantly smaller amounts of aid in fiscal 1953 compared with fiscal 1952.

Aid to other areas -- Grant aid to non-European areas during the past two fiscal years has been administered by two separate agencies. Responsibility for administering technical assistance lay with the Technical Cooperation Administration, while the Mutual Security Agency administered aid programs in a few non-European countries (Formosa received the largest amount of such aid) which were more closely tied to the Mutual Defense Program; technical assistance was not emphasized as much in MSA programs, which to a larger extent financed commodity imports. These two agencies have now been replaced by the new Foreign Operations Administration, which administers both economic and technical assistance under the Mutual Security Program throughout the world.

By fiscal 1953, only about 25 per cent of non-European grant aid (and less than 8 per cent of total grant aid) was provided outside the MSA and TCA programs; this was largely accounted for by civilian supplies for relief in Korea, provided through the armed services, as well as by diminishing and relatively small amounts of Defense Department civilian supplies for Japan and the Ryukyus. The minor role of aid outside the Mutual Security Program can be expected to continue during the current fiscal year.

The relative stability of aid to non-European areas from fiscal 1952 to 1953 is explained by the fact that a decline in aid outside the Mutual Security Program to these areas was offset by slightly increased expenditures for economic and technical assistance under that program, largely because of accelerated outlays on technical assistance projects. This, in turn, reflects the increase in Congressional appropriations to these areas when the Mutual Security Program was undertaken. The trend in appropriations may be seen from Table II.

Note on appropriations -- Because of certain provisions in the law permitting transfers of funds among appropriations, 2/ the appropriation

1/ With the very small exception of some funds for government and relief in occupied areas.

2/ Provisions of the law allow (1) certain economic aid funds to be transferred among areas (not more than 10% of the eligible appropriations may be transferred (2) in the case of Europe 10% of the total of military and economic appropriations to be transferred between those two titles, and (3) \$100 million of appropriated funds to be used at the President's discretion (but not more than \$20 million of this total to any one country).

Table II

Appropriations for Foreign Economic Aid 1/
and Technical Assistance,
Fiscal years 1950 - 54
(Millions of dollars)

Area	1950	1951	Mutual Security Program		
			1952	1953	1954
Total	3,954	2,399	1,540	1,782	1,501
Europe	3,823	2,250	1,122	1,282	<u>2/</u> 790
Non-Europe	131	149	418	<u>3/</u> 500	<u>4/</u> 711

1/ Excluding appropriations for civilian supplies.

2/ Includes \$170 million for the manufacture of military equipment in France and the United Kingdom for the use of their forces. Also includes \$400 million for the procurement of equipment and material presumably in France for the use of forces in Indochina.

3/ Includes funds for movement of migrants, ocean freight on relief packages, multilateral technical assistance, and international children's emergency fund.

4/ Includes purposes of footnote 3 as well as funds for the United Nations Korean Reconstruction Agency and other monies for relief and rehabilitation in Korea.

Note: A small part of expenditures out of these appropriations have been on a loan basis and, hence, are not reflected in the data of Table I. Mutual Security loans (excluding the Indian grain loan) in the past two fiscal years were less than ten per cent of total grant aid. A very small portion of funds appropriated for fiscal 1954 will be used to purchase foreign currencies held by the Treasury; this is a bookkeeping transaction and these dollars will not be received by foreign countries nor will they be a budgetary expenditure.

figures presented in Table II do not give an accurate measure of the amount of funds actually made available for economic aid out of the total appropriations for Mutual Security military and economic assistance during a given fiscal year. In fiscal 1952 and fiscal 1953, \$478 million and \$125 million respectively were transferred from European military appropriations to European economic aid; so far in fiscal 1954 an additional \$385 million has been made available to France to support the Indochinese effort out of funds appropriated to other, probably military (though there are no firm indications yet) purposes. (This brings the amount of aid made available to France for this purpose to \$785 million ^{1/}). Adjusting appropriations for these transfers, it can be seen, as indicated in the table below, that total economic aid funds newly available have remained stable at higher levels over the past three fiscal years while funds to Europe have been steadily declining.

Table III

Funds Newly Available for Mutual Security Program
Economic and Technical Aid, Fiscal Years 1952-54.
(Billions of dollars)

	<u>1952</u>	<u>1953</u>	<u>1954</u>
Total	2.0	1.9	1.9
Europe	1.6	1.4	1.2
Non-Europe	0.4	0.5	0.7

On this basis, the share of non-European areas in total funds newly available for economic purposes is somewhat less than their share when only new appropriations are considered. For example, the share of non-European areas is 46 per cent of total economic appropriations in fiscal 1954 but only 37 per cent of new availabilities.

Projected grant aid expenditures

Total funds available for grant aid disbursements under the Mutual Security Program in the current fiscal year (the sum of the unexpended balance of previous availabilities plus new appropriations and availabilities) amount to about \$3.5 billion, about the same as availabilities at the beginning of the past fiscal year. ^{2/} There has, however, been some change in the area distribution of these funds. Smaller appropriations, the backlog having

^{1/} In fiscal 1954 aid used to support forces and troops in Indochina is often classified as non-European aid. It has been classified as European aid in this paper since the dollars will presumably be available to France to be used as any other foreign exchange.

^{2/} Of the \$3.5 billion which Table IV indicates as available at the beginning of the fiscal year, only \$2.9 billion were actually available at that time. The difference was made available by transfers subsequent to that date and by a new appropriation for Korean aid later in the fiscal year.

remained relatively unchanged, have reduced the amount of aid available to Europe to about \$2.3 billion, while the rise in appropriations (particularly for Korea) has been largely responsible for the increase in funds available to non-European areas by about \$300 million to almost \$1.2 billion.

Table IV
 Status of Mutual Security Program Economic and
 Technical Assistance Funds
 (Millions of dollars)

	Available funds, July 1, '53	Unexpended balance <u>1/</u> June 30, '53	New availabilities, 1953-54 <u>2/</u>	Available funds, July 1, '52
Total	3,453	1,567	1,886	3,373
Europe <u>3/</u>	2,295	1,120	1,175 <u>4/</u>	2,529
Asia and Pacific	774	313	461 <u>5/</u>	548
Near East and Africa	285	104	181	235
Latin America	33	11	22	33
Other	66	19	47	28

1/ That part of unexpended balance (unobligated appropriations and unexpended obligations) which was carried over to the present fiscal year; only a very small amount was not reappropriated.

2/ New economic aid appropriations plus transfers from other appropriations to economic aid.

3/ Includes assistance to Spain, of which \$26 million may be used for either military or economic assistance.

4/ In addition to items mentioned in footnote 2, Table II, an additional \$385 million made available to France in support of their Indochinese effort is included.

5/ Includes \$50.7 million appropriated for the UN-Korean Reconstruction Agency and another \$200 million made available, out of funds saved by the Armistice, for relief and rehabilitation in Korea.

Aid in fiscal 1954 -- Economic grant aid during the current fiscal year may be somewhat larger than would be indicated by the estimated outflow of \$1.4 billion, annual rate, during the first six months of this fiscal year. The extent of the rise will depend in large part upon the speed with which the special aid of \$785 million to France for support of the Indochinese effort is disbursed and, in smaller part, on the extent to which the increased Korean aid program can be expedited. It is not yet clear to what extent the difficulties involved in securing agreement on these two programs

have been surmounted. Apparently none of these funds have yet been released, and in view of past experience, it is likely that the largest part may be disbursed in the first half of fiscal 1955.

An indication of how much the administration expected to disburse in this fiscal year can be obtained from the fact that in its presentation to Congress in support of the Mutual Security Act of 1953 a 15 per cent decline in the backlog based on appropriation requests was estimated. ^{1/} This would have placed expected expenditures at about \$1.7 billion for the fiscal year; this estimate, however, does not include expenditures out of the additional \$385 million recently made available to France nor the additional \$200 million made available to Korea out of funds saved by the armistice. Currently, expenditures have been running below expectations.

For the latter half of fiscal 1954, expenditures at an annual rate of \$1.6 to perhaps \$2.0 billion may be expected; at this rate the fiscal year's total expenditures would be about \$1.5-1.7 billion, which would imply a slight rise in the backlog by the end of this fiscal year. About \$600 billion of this may be disbursed to non-European countries.

Aid in calendar 1954 -- In addition to factors mentioned in the preceding section, aid during the current calendar year will also depend on appropriations for fiscal 1955. In the President's budget message, about \$1 billion is requested for economic and technical assistance for fiscal 1955. Most of this requested additional aid would be available for non-European countries. The budget message contemplates "new appropriation for aid to very few European countries"; this would presumably include problem areas such as Greece, Turkey, Spain, Berlin, and France (to support the Indochinese effort). In addition, an appropriation of \$300 million for fiscal 1955 is requested in order to make some portion of current agricultural surpluses available to friendly foreign countries. ^{2/}

By the second half of calendar 1954 significant declines in the backlog of unexpended funds, particularly for Europe, can be expected. Therefore, despite the expected decline in new availabilities to Europe, disbursements to all foreign countries in this period may be maintained at a \$1.6 - \$2.0 billion annual rate (probably closer to the upper limit as non-European aid rises) so that payments during the entire calendar year may also be within that range, perhaps near \$1.8 billion. Close to fifty per cent of the disbursements may be to non-European countries.

In both calendar and fiscal year 1954, France will undoubtedly be the largest recipient of aid, receiving greater amounts than during the previous two fiscal years, while the United Kingdom and Italy as well as most other European countries may be expected to receive declining amounts of aid.

^{1/} Senate Report #403 on the Mutual Security Act of 1953, p. 14.

^{2/} The Mutual Security Act of 1953 provided that between \$100 and \$250 million of funds appropriated in that Act were to be used for financing the purchase of surplus agricultural commodities; local currency for the account of the United States would be accepted in payment for these commodities and these currencies would for the most part be used to finance purchases against offshore contracts. There have been some difficulties in securing agreement with foreign countries about this program. It is unlikely that more than \$150 million of such aid will be utilized out of this appropriation.

Offshore procurement

Some of the decline in grant aid received by European countries from fiscal 1952 to fiscal 1953 was offset by slowly rising payments on offshore procurement contracts let in foreign countries for the manufacture of military equipment there for the use of their forces. These payments will probably continue to increase over the next twelve months.

The amount of offshore contracts placed can be seen from Table V. Although actual expenditure data is not available, payments on these contracts during fiscal 1953 may be estimated at near \$250 million. Signi-

Table V
Offshore Procurement Contracts Placed
(Millions of dollars)

	Total	Fiscal years	
		1953	1952
Total	2,264	1,616	648
Europe	2,225	1,586	639
France	1,076	732	344
United Kingdom	479	408	71
Italy	383	241	142
Belgium	107	89	18
Netherlands	63	25	38
Others	117	91	26
Far East	39	30	9

Source: Department of Defense

ificantly larger payments totaling perhaps \$750 million on these contracts may be expected during the current fiscal year as more plants come into full production.

There should be a continued rise in payments on offshore procurement contracts during the second half of calendar 1954, total payments for the year reaching perhaps \$1 billion. Most of the increasing payments will come from contracts let in the past fiscal year. Only a small portion of the contracts let in fiscal 1954 will be paid during this fiscal year. The latest estimate for the amount of offshore procurement contracts to be let in the current

fiscal year is between \$900 million and \$1 billion 1/, a substantial reduction from the \$1.6 billion of contracts that were let in the past fiscal year. Declining payments on this account will probably not be felt until the latter half of 1955.

These payments may bring European countries' dollar receipts from both grant aid and military offshore purchases to the neighborhood of \$1.8 billion in fiscal 1954, a somewhat larger amount than receipts from both sources during fiscal 1953. Payments to all foreign countries on both accounts may amount to about \$2.5 billion in the current fiscal year, more than \$300 million over last fiscal year's estimated payments. In calendar 1954, payments on both accounts may be close to \$3 billion.

1/ New York Herald Tribune, December 22, 1953, p. 3.