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IBRD Loan To Ecuador

The International Bank for Reconstruction and Development on February 10 made a loan of US$8.5 million for a highway construction program in Ecuador. The program is designed to stimulate the development of agricultural production in the Province of Guayas and neighboring parts of the coastal region.

The loan, the first made by the Bank to Ecuador, is for 10 years and bears interest of 4⅝ per cent per annum, including the 1 per cent commission which will be allocated to the Bank's special reserve. Amortization will begin on March 1, 1958. The loan, which is guaranteed by the Government of Ecuador, was made to the Comite Ejecutivo de Vialidad de la Provincia del Guayas, an autonomous local authority, charged with responsibility for developing a road system for the Province of Guayas and port facilities for Guayaquil.

The Comite was established by law in 1945 and consists of officials and prominent private citizens in Guayas Province. To carry out the road program, the Comite is authorized under special laws to receive the proceeds of taxes on petroleum products and certain other taxes collected in Guayas Province. When the Comite was established, there were no paved roads in the Province. Since then it has built some new roads and improved others. As the program for which the Bank's loan has been made will greatly increase the scope of its highway operations, the Comite will engage the services of a general manager, a technical consultant, and an experienced engineering firm which will supply key personnel to direct the construction work and train Ecuadoran personnel in modern methods of construction and road maintenance.

The highway construction program is expected to take about four years to complete. It will cost a total of 179 million sucres (equivalent to US$11.8 million) including the foreign exchange component being financed by the Bank. The Bank's loan will pay for the import of road-building equipment and materials, ferryboats, and repair shop and maintenance equipment. Funds are also included for engineering services.

Source: International Bank for Reconstruction and Development, Press Release, Washington, D. C., February 10, 1954.

Private Production of Gold Coins

Following the favorable verdict in November 1953 in Milan, which condemned as unlawful the unauthorized coining of sovereigns (see this *News Survey*, Vol. VI, p. 190), the U.K. Treasury may appeal to the Swiss Federal Tribunal against an earlier unfavorable verdict. The Swiss, however, are understood to take the view that a coin is either legal tender or it is not, and that there is no such thing as legal tender limited to international business and other special objects—the argument upon which the Treasury case in Milan was based. The Milan verdict is being appealed in Italy.

Manufacturers of gold coins have recently turned their attention to the Saudi Arabian pound. The Saudi Arabian Government has offered a large reward for information leading to the arrest of counterfeiters, and in December, in order to prevent the public from suffering, the Saudi Arabian Currency Agency was authorized to accept all counterfeit gold pounds handed in to it.

Source: *The Bankers' Magazine*, London, England, January 1954.

Europe

Revision of EPU Quotas

The Council of OEEC has decided on a temporary addition to the EPU quotas of Belgium and Austria. The Belgian additional quota is increased from $75 million to $125 million, which is superimposed on a basic quota of $331 million. Austria's basic quota of $70 million was supplemented last year by $25 million, and is now to be increased further by $6 million. In each case one half of the additional surpluses accumulated with EPU will be settled in credits and one half in gold.

Source: *The Economist*, London, England, February 13, 1954.

European Coal and Steel Community

Steel production and trade

Steel production in the ECSC countries fell from 41.8 million tons in 1952 to 39.5 million tons in 1953. Intracommunity trade increased from 2.4 million tons to 3.2 million tons. The main suppliers of steel in intracommunity trade were Belgium (1.7 million tons) and France and the Saar (975,000); the major buyers were Germany (1.3 million tons) and the Netherlands (1.2 million tons). Exports to third countries fell from 8.2 million tons to 8.0 million tons, while imports rose from 663,000 tons to 995,000 tons. Most of this rise in imports was accounted for by Germany, whose imports from third countries increased from 58,000 tons in 1952 to 210,000 tons, and by Italy, whose imports rose from 240,000 tons to 345,000 tons. The estimates for consumption of steel show a drop from 34.4 million tons to 32.3 million tons. This figure does not take into account changes in stocks.

Coal prices

A study made by ECSC of the long-term movement of coal prices shows that the increase between 1938 and September 1953 in ECSC countries was in every case larger than the increase in the United Kingdom. While the coal price index (corrected for the general price movement) for the United Kingdom for September 1953 was 100.6 (1938 = 100), the index for Germany was 138.2, for Belgium 134.1, for France 127.9, and for Italy 103.9. These price movements reflect the influence of different economic and social policies in the various countries, compared with prewar price policies (e.g., by 1938 Germany had frozen her coal prices).

Source: Communauté Européenne du Charbon et de l'Acier, Haute Autorité, *Informations Statistiques*, Luxembourg, January 1954.

Sterling Exchange Rates

In recent weeks the discounts for restricted sterling have narrowed and the official exchange rate has been well above the middle parity. One reason for this trend is the shortage of sterling in many trading countries, and to that extent the high sterling rates may be regarded as a counterpart of U.K. export difficulties. Also, much of the present firmness of the sterling exchange rate is probably the result of skillful management. The movement of transferable sterling rates on January 28, almost back to the recent peak of \$2.78, is attributed, for example, to Treasury intervention in the currency switching transactions of the Middle East (see this *News Survey*, Vol. VI, p. 233).

Source: *The Manchester Guardian*, Manchester, England, January 29, 1954.

U.K. Postwar Credits

In the U.K. budget for 1941 the statutory exemption limit for personal liability to income tax, the earned income allowance, and some of the personal income tax allowances were reduced. It was decided at the same time that the extra tax which had to be paid by reason of these reductions should be offset after the war by a noninterest-bearing credit in favor of the taxpayer. The total credit that had accumulated at the end of the war for the five fiscal years, 1941-42 to 1945-46, was £800 million, the maximum amount that could have accrued to any individual being £325. This amount has never been included in the official total of the national debt, the amount outstanding being recorded in a footnote to the annual Financial Statement and Finance Accounts.

It was decided in 1946 that credits created during the first three years of the postwar credit scheme should be repaid in cash to men on reaching the age of 65, and to women on reaching the age of 60, the same ages as those at which eligibility for old age pensions is established. In 1947 the repayment provisions were extended to cover all postwar credits.

Total repayments to January 16, 1954 have amounted to £212.7 million, and about £20 million has been offset against tax arrears for 1945-46 and earlier years. The amount still outstanding is therefore about £570 million, the number of persons to whom credits are outstanding being about 10 million.

Source: Midland Bank Ltd., *Midland Bank Review*, London, England, February 1954.

Developments in Benelux Policy

The Committee of Benelux Ministers decided on February 5 that, starting March 1, 1954, a common trade and payments policy for Benelux as a whole in relation to third countries would be established within two years. The first step will be the presentation to OEEC on March 1 of a common liberalization list and joint import regulations vis-à-vis the other OEEC countries. The introduction of a similar joint policy regarding dollar imports is also to be studied.

By authorizing the release of some blocked balances in Dutch hands, further steps were taken for the freeing of capital movements within Benelux. At present, the Netherlands has the more restrictive exchange controls but, although Belgian interest rates are slightly higher, the tendency is expected to be for capital to move toward the Netherlands, where a low cost structure and industrial peace are attractions to investors. It is hoped that within two years all capital transactions will be freed from control.

Sources: *Het Financieele Dagblad*, Amsterdam, Netherlands, February 8, 1954; *The Economist*, London, England, February 13, 1954.

Reduced Blocking of Export Proceeds by BLEU

Effective February 1, 1954, the percentages of blocked proceeds from Belgian-Luxembourg exports to EPU have been reduced from a range of 3 per cent to 25.5 per cent to a range of 2.5 per cent to 20 per cent. The average reduction of these percentages is about one quarter.

At the same time, the National Bank of Belgium has agreed to increase its financing of the cumulative Belgian claim on EPU from Bfr 11.1 billion to Bfr 11.5 billion.

Source: *Agence Economique et Financière*, Brussels, Belgium, February 1, 1954.

Denmark's Balance of Payments

Denmark's official annual balance of payments estimate, on the basis of which the country's import policy is determined, shows that the authorities expect little change in the external position in 1954. Exports (f.o.b.) are estimated at about the 1953 level of DKr 6,350 million (US$919 million). The volume of agricultural exports is expected to rise, but prices probably will decline slightly. No change is expected in the volume of industrial exports, which fell by about 5 per cent in 1953, although the U.K. liberalization may provide a stimulus to expansion. Imports (c.i.f.) are estimated at about DKr 7,000 million (US$1,014 million), the same as in 1953. However, the volume of imports is expected to rise; e.g., the number of cars imported may increase by 5,000, to about 30,000. Income from shipping and other services is expected to remain unchanged, and the goods and services surplus will probably be about DKr 250-300 million (US$36-43 million). This amount will be utilized for repayment of foreign debt. Thus DKr 75 million is to be paid to EPU countries, and further repayments are expected of the arrears on the Danish dollar debt (estimated at about US$21 million at the end of March 1954). Denmark may also repurchase Danish kroner from the International Monetary Fund, which at present holds Danish kroner equivalent to US$72.3 million, or 106 per cent of Denmark's quota in the Fund.

Source: *Berlingske Tidende*, Copenhagen, Denmark, February 5, 1954.

Norway's Public Debt

Between June 30, 1952 and December 31, 1953, Norway's national debt increased by NKr 645 million, to NKr 5,517 million. Foreign loans account for NKr 1,309 million of the total debt, domestic loans for NKr 2,830 million, savings certificates for NKr 28 million, and short-term domestic borrowing for NKr 1,349 million. The last item consists of Government borrowing from various institutions (NKr 902.5 million) and Treasury bills (NKr 446.5 million).

Source: *Norges Handels og Sjøfartstidende*, Oslo, Norway, February 4, 1954.

FOA Agreement with Finland

Under an agreement with the Government of Finland, the Foreign Operations Administration will provide dollars to finance the purchase of $2 million worth of U.S. cotton and $3 million worth of U.S. tobacco. These commodities will be sold to Finnish importers, and the local currency received in payment will be used for U.S. purchases of Finnish products.

Source: *The Journal of Commerce*, New York, N. Y., February 12, 1954.

Economic Developments in Greece

Prices in Greece increased further in January (see this *News Survey*, Vol. VI, p. 216), apparently under the impact of seasonal factors. Retail prices in Athens (as measured by the *To Vima* index) were 2.1 per cent higher than in December, primarily as a result of increases in the prices of fuel and of domestically produced foodstuffs. Wholesale prices in the Athens-Piraeus area (as measured by the Bank of Greece index) rose by 1.5 per cent because of higher prices for foodstuffs, fuel, beverages, and tobacco, while prices for raw materials and industrial articles fell slightly. Since March 1953, the last predevaluation month, retail prices have increased by 24.3 per cent and wholesale prices by 31.4 per cent.

At the end of December the note circulation was 3,507 billion drachmas, or 50 per cent higher than on June 30, 1953. The most important factors in this expansion were, first, the increase in official exchange reserves, which is estimated to have involved new money issues of about 600 billion drachmas, and second—of even greater significance—official purchases of wheat at a fixed price, which increased the Government's debt to the Bank of Greece on "supplies account" by approximately 800 billion drachmas. In view of the increases in prices and economic activity, credit expansion to agriculture and business during the latter part of 1953 cannot be regarded as excessive. Between July and November 1953 the total volume of bank credit increased 542 billion drachmas, or 10 per cent, chiefly on account of credit extended to farmers, industrialists, and exporters; this credit expansion was largely financed by commercial banks' own resources. Neither current budget operations nor public investment added significantly to the monetary expansion of the second half of 1953.

1300
800
600

Actual imports in the third quarter of 1953 amounted to the equivalent of US$51.6 million, and in the fourth quarter to the equivalent of $64.8 million. However, approvals for private imports (which after the liberalization of imports have ceased to be restrictive for the great bulk of imports and serve primarily statistical purposes) during these two quarters are reported at the equivalent of $145.7 million (including imports on credit granted by the foreign supplier). According to estimates of the Foreign Trade Administration, the removal of import restrictions will entail additional imports of luxuries whose value will not exceed about $10 million for the whole fiscal year 1953-54. Actual exports (on the basis of the Ministry of Trade's statistics) were the equivalent of $57.8 million in the period from July to November 1953, against $45.9 million in the corresponding period of

1952. Exchange proceeds from exports, according to the foreign exchange records of the Bank of Greece, were the equivalent of $71.7 million, compared with $54.6 million in the same period a year earlier. The increase in invisible exchange earnings was more pronounced, earnings in the second half of 1953 exceeding those in the second half of 1952 by about 50 per cent. Preliminary estimates indicate a balance of payments surplus on current account of $13.4 million for the period July-December 1953. Though a balance of payments surplus is not likely for the whole fiscal year 1953-54, the deficit may be expected to be less than for 1952-53 ($45.2 million).

The drachma price of the gold sovereign in Athens has increased further during recent weeks, as a result of the continued conversion into sovereigns of cash surpluses and savings, which are likely to have increased substantially, chiefly on account of the exchange adjustment and the large agricultural production of 1953. The price of the sovereign rose from 325,000 drachmas at the end of 1953 to 332,000 drachmas on February 9. This movement apparently caused the black market rate for U.S. dollar notes to rise a little, from 31,800 drachmas (premium of 6 per cent) to 32,000 drachmas (premium of 6.6 per cent). Even in terms of these black market quotations, the dollar price of the sovereign in Athens is considerably higher than in Paris and Milan. On February 8, the difference was $0.90 in relation to the price in Paris and $0.70 in relation to the price in Milan.

Source: *To Vima*, Athens, Greece, February 11, 1954.

German Balance of Payments Surplus and Debt Repayment

During the first ten months of 1953 Western Germany had a trade surplus of more than DM 1.8 billion, which may be compared with the surplus of DM 0.7 billion during the corresponding period of 1952. The surplus for invisibles during the first half of 1953 was nearly DM 0.3 billion. The balance of payments surpluses of Western Germany are thus tending to increase; the surplus vis-à-vis the EPU area in 1954 is expected to be about DM 2 billion, and many countries with which Germany maintains important trading connections are threatened by a "deutsche mark gap".

The first reaction of German industrial circles, in the face of this situation, was to favor the systematic encouragement of imports from countries with which Germany has a large trade surplus. The list of products still subjected to restrictions is small, however, and restrictions are usually applied not for any balance of payments reasons but in order to protect certain industrial sectors. There has, therefore, been a tendency recently to suggest that, while the first balance of payments surpluses accumulated since the end of the war have built up indispensable gold and foreign exchange reserves (which amount at present to DM 8 billion), subsequent surpluses should serve to permit capital transfers in accordance with agreements already made or to be concluded later with foreign creditors. This view is most insistently pressed by those who would like to benefit from new foreign credits.

Arrangements have already been made for the transfer at official exchange rates of yields accruing as from January 1, 1954 on DM 25-26 billion of outstanding foreign debts (out of a total of DM 27 billion). For the original blocked mark balances, the Federal Minister of Economics has suggested the liberalization of investment irrespective of its form. The Bank deutscher Länder has already approved a measure for the repayment of these blocked marks on capital accounts up to amounts of DM 10,000. These measures are in part responsible for the strengthening of the rates quoted for sperrmarks (see this *New Survey*, Vol. VI, p. 247) and of Swiss stock exchange quotations for German securities.

Though foreign creditors are not expected to utilize fully their present and future transfer possibilities, it is believed that transfer payments will reduce Western Germany's EPU balance by DM 1 billion during 1954. With a view to closing the remainder of the EPU gap, proposals will probably be made for the inclusion of some of the 1,200 import items which are not yet liberalized, and for a considerable simplification of import procedures.

Sources: Bank for International Settlements, Press Review (of article in *Die Welt*, Hamburg, Germany, January 20, 1954), Basle, Switzerland, January 26, 1954; *Le Monde*, Paris, France, January 31, 1954.

U.S.S.R. Gold Production

Little information has been available even for unofficial estimates of U.S.S.R. gold production. The Union Corporation has for some years put U.S.S.R. output at 2 million ounces, and the Bank for International Settlements recently put forward an estimate of 4 million ounces. The U.S. Bureau of Mines has recently estimated output at 7 million ounces in 1948 and in 1949, 8 million ounces in 1950, and 9.5 million ounces in 1951 and in 1952.

Source: *The Economist*, London, England, February 13, 1954.

Middle East

Oil Concession in Egypt

An agreement between the Egyptian Government and the Conrado Petroleum Company to explore and prospect for petroleum in the Western Desert was signed on February 3. The agreement gives the company the right of exploration, prospecting, and exploitation of petroleum in an area of approximately 185,000 square kilometers, divided into 456 blocks, covering the entire

Egyptian territory north of latitude 28 degrees up to and including Egyptian territorial waters in the Mediterranean, and west of longitude 30 degrees to the Egyptian-Libyan boundaries. The concession is for 30 years and renewable for a similar period. Whenever petroleum is proved to exist, the proved portion will be transferred to an exploitation lease for which the company will pay an annual rental at the rate of LE 25,000 per block. The company will release at least 25 per cent of the original concession area at the end of the third and the sixth year. From the end of the twelfth year from the date of contract, it may not retain more than 50 blocks other than those that have been transferred to exploitation leases. During the first 12 years, no rent will be payable on blocks retained for exploring and prospecting. The company, however, undertakes to add to its expenditures for exploitation in proved areas a minimum of $8 million during the first 6 years from the date of signing the contract. Exploring and prospecting expenditures will increase to $50,000 per block during the seventh to tenth years, inclusive, and to $60,000 per block beginning in the eleventh year. Beginning with the thirteenth year, the company will undertake, in addition to its other commitments, to pay annual rentals of LE 25,000 per block retained for exploring and prospecting.

The royalty payable to the Government on petroleum produced from the area has been fixed at 15 per cent for the first 10 years following the date of production. After that period it will be increased to 25 per cent. During the renewal period, the royalty will be 25 per cent. The Government reserves the right to purchase 20 per cent of the petroleum or petroleum products from the area under the concession at a discount of 10 per cent on world prices. The output must be used first to satisfy the needs of Egyptian refineries up to a certain proportion, beyond which the company is free to export any surplus. After 30 years, the Government will have the right either to continue receiving the agreed royalties plus any taxes the company has to pay, or to receive 50 per cent of the net profits of the company. Egyptian workers must be employed in all operations and Egyptian technicians will have priority for types of work for which they are qualified. In keeping with the recent law for the encouragement of foreign capital investment (see this *News Survey*, Vol. VI, p. 77), the company is exempt from certain specified profit and other taxes.

Sources: *The Egyptian Gazette*, February 4, 1954, and *Al Ahram*, February 4, 1954, Cairo, Egypt.

Development Plan for Israel

Israel's Minister of Finance has made public a development plan involving expenditures of $765 million in foreign exchange and I£1,092 million during the next seven years. The plan is based on the assumption that Israel's population, which at the end of 1953 was about 1,660,000, will reach two million by 1960. Of the total planned expenditure, $202 million and I£422 million are to be allocated to agriculture, $150 million and I£270 million to industry, and $125 million and I£87 million to transportation.

In estimating Israel's foreign exchange requirements during the period of development, the Minister indicated that the deficit on foreign trade, excluding imports for investment purposes, would be $735 million, and that foreign debt repayments would total $210 million. Thus total foreign exchange requirements, including funds for investment for the next seven years, are estimated at $1,710 million. German reparations are expected to provide $420 million; private investment, $230 million; and U.S. grants-in-aid, $185 million. For the remaining $875 million, the Minister said that Israel would have to rely on world Jewish sources, and mainly on the Jews of the United States.

Source: *Israel Economic Horizons*, New York, N. Y., January 1954.

Financing Israel's Exports

In an effort to expand exports, Israel's Ministry of Commerce and a group of Israeli banks have jointly established a fund of I£3 million to assist exporters in financing their transactions and to provide for the importation of raw materials to be used in manufacturing export products.

Source: *Israel Economic Horizons*, New York, N. Y., January 1954.

Far East

Indian Budgetary Position

The Government of India's receipts from income taxes and customs and excise duties during the first three quarters of the financial year 1953-54 have been estimated at Rs 2,773 million, against the budget estimate of Rs 4,212 million for the entire year. The corresponding figures for the previous fiscal year were Rs 3,014 million and Rs 4,370 million, respectively.

Proceeds from customs duties during the first nine months of 1953-54 are estimated at Rs 1,149 million, compared with the budget estimate of Rs 1,700 million. This indicates a shortfall from the previous year, as a result of the abolition of export duties on hessian and medium-variety cloth, and a lower volume of imports, especially motorcars and spare parts, iron and steel, heavy chemicals, cycles, and cycle parts. Customs collections for the entire fiscal year are expected to fall short of the budget estimates by about Rs 100 million.

The budget estimates of income taxes and excise duties are, however, expected to be realized. Income tax collections in the first three quarters were about 60 per cent of the budget estimates, but normally there is a heavy inflow in the last quarter. Excise duties in the first three quarters yielded about 75 per cent of the budget estimate. In spite of the abolition of excise duties on most varieties of cloth, the yield from that source during the first nine months was about 75 per cent of the estimate for the whole year.

Sources: *The Times of India*, Bombay, India, February 4 and 6, 1954.

Prospects for Indian Coal Exports

The prospects for exports of Indian coal during 1954 are believed to be good. India has already obtained a contract for the supply of 250,000 tons to Ceylon, and expects another for 700,000 tons to be supplied to Japan. Burma is expected to buy 300,000 tons this year and Singapore and Hong Kong about 84,000 tons. Negotiations for the supply of 200,000 tons of coal to South Korea are in progress, and the outcome is expected to be favorable to India.

Source: *The Statesman* (Overseas Edition), Calcutta, India, January 16, 1954.

China's Foreign Trade

For the first eight months of 1953, imports of Mainland China from 12 countries (Australia, Belgium, Ceylon, France, Germany, Hong Kong, India, Italy, Malaya and Singapore, Pakistan, and the United Kingdom) were estimated at about US$186.4 million, which was about 50 per cent more than the 1952 figure of $126.5 million. China's exports to these countries and the United States during the same period in 1953 were estimated at about $246 million, or about one-third higher than the 1952 total of $197 million.

Hong Kong was China's chief trading partner, supplying imports valued at $71.6 million in the first eight months of 1953, and taking exports valued at $106.1 million. Ceylon ranked second, supplying goods during January-September 1953 valued at $35.7 million and purchasing goods valued at $33.2 million. Third in importance was Switzerland, with China purchasing goods totaling $20.6 million and shipping goods valued at $12.6 million. The statistics showed no exports from the United States to China, but U.S. imports from China for the first eight months of 1953 were given as $4.6 million, compared with $24.0 million for the same period of 1952.

Source: *The Financial Times*, London, England, January 8, 1954.

Japan's Tight Money Policy

The Japanese Minister of Finance and the Governor of the Bank of Japan are reported to be in agreement on the need to implement a tight money policy pursuant to an austerity budget for fiscal 1954. By minimizing credit extension by the Bank—and thus pledging full support of the Bank to the Government's retrenchment policy—the Governor of the Bank has effectively scotched speculative rumors that the Bank would eventually ease its tight money policy. These rumors arose from the Finance Minister's reported criticism of the rather unexpected expansion of bank loans in January. The two officials, however, have not yet been able to agree on a plan to establish a new bank specializing in foreign exchange dealings and on appropriate measures for eliminating over-expansion of loans. The Bank of Japan has already tightened credit restrictions, with effect from January 16, 1954, by revising its import finance practices; the interest rate on import settlement bills (newly reclassified as loan bills instead of rediscount bills) has been raised from 1.6 sen to 1.7 sen per 100 yen per day (or from 5.84 per cent to 6.205 per cent per annum); and the term for bills for importers of iron and steel, raw materials, hides and leather, and jute has been cut to two months.

Sources: Bank of Japan, *Fortnightly Letter*, January 16, 1954, and *The Nippon Times*, February 6, 1954, Tokyo, Japan.

Philippine National Economic Policy Board

A bill has been introduced in the Philippine Congress to create a new agency, to be known as the National Economic Policy Board, by a merger of the National Economic Council, the Philippine Council for U.S. Aid (PHILCUSA), the Philippine counterpart of FOA, and the Office of Economic Coordination. The new agency would coordinate the plans prepared by different agencies into a national economic plan, supervise the implementation of U.S. and other foreign aid, and promote and develop public enterprises designed to speed up development and stimulate private investment.

Source: Philippine American Chamber of Commerce, *Weekly Bulletin*, New York, N. Y., January 29, 1954.

United States and Canada

U.S. Money Supply in 1953

According to estimates of the Board of Governors of the Federal Reserve System, the U.S. money supply rose $3.9 billion in December, to a new record of $201.3 billion. The money supply had increased by $100 million in November 1953 and by $2.9 billion in December 1952. The December 1953 increase was regarded as largely noninflationary since it reflected seasonal needs and almost one fourth of the rise was due to an increase in time deposits. Part of the increase in demand deposits represented the transfer to private banks of government agricultural price-support loans resold by the Commodity Credit Corporation rather than new loans to business.

During the entire year 1953 the money supply rose $6.5 billion, or 3 per cent, compared with $8.8 billion in 1952. Demand deposits rose only $1.8 billion, compared with $3.3 billion in 1952, while time deposits rose $4.5 billion, to a new record level. The smaller increase in 1953 reflected primarily a smaller flow of commercial bank credit—$6 billion in comparison with $9.5 billion in 1952—to private and municipal government accounts, coupled with a contraction of nearly $1.5 billion resulting from a shift in the balance of payments. These deflationary tendencies were partially offset by a reduction of $1.5 billion in Treasury balances at commercial banks plus a $1 billion increase in Federal Reserve purchases of government securities. While government security holdings of member banks showed little net change for the year as a whole, the shift in money market conditions during the year (see this *News Survey*, Vol. VI, p. 245) was evidenced by purchases of $5 billion from May to December, reversing the $5 billion sales which had occurred earlier in the year.

Sources: *The Journal of Commerce*, New York, N. Y., February 10, 1954; Board of Governors of the Federal Reserve System, *Statistical Release G-7(c)*, Washington, D. C., January 29, 1954.

State-Local Capital Outlays in United States

A recent bulletin of the Federal Reserve Bank of Chicago—discussing the outlook for capital spending by state and local governments as an offset to declines in private spending—points out that construction "needs" to satisfy current requirements for new and improved public facilities are extremely large, with backlogs estimated at over $100 billion. Financing problems, however, constitute a serious limitation to increased expenditure. In order to bring expenditure up to its present rate, states have drawn on financial reserves built up during 1942-47 and have also borrowed heavily. Since 1947, revenue has lagged behind expenditure, and about one fourth of the $5.7 billion surplus accumulated in the 1942-47 period has been used. Net borrowing in 1948-52, less operating deficits, resulted in average yearly accumulations for the period of $460 million, compared with an annual average accumulation of about $1 billion during 1946-47. In many states, reserves soon will be no larger relative to present expenditure levels than they were before World War II, when they were considered working balances and not a means for meeting deficits. Many states, therefore, are expected to propose new taxes and tax rate increases in the near future.

Despite a large measure of deficit financing, state tax systems have changed only slightly in recent years and, with a few exceptions, taxes adopted before the war are still the main sources of income. Since the states depend largely on sales and income taxes, which are sensitive to business fluctuations, a recession of any but the mildest sort would result in lower receipts and, consequently, in lower spending, especially for new construction. In the past, state and local governments have refrained from borrowing for new projects when tax revenues were declining. The scope for increases in property taxes, the major source of local income, is limited by a conviction that the rate is already at a maximum, by legal provisions governing tax rates, by a tardy response of assessments to property values, and by the competitive pressure of low-tax areas. One of the most promising sources of additional finance for local governments is further exploitation of user charges and taxes, such as highway tolls and charges for sewage disposal, water supply, and airport and transit facilities. More widespread adoption of this type of tax would make possible an increase in construction from general tax sources.

Source: Federal Reserve Bank of Chicago, *Business Conditions*, Chicago, Illinois, February 1954.

Canadian Exports to British West Indies

The agreement of 1952, under which British West Indies restrictions on imports from Canada were relaxed, is to be extended in 1954. Under the present agreement, imports of certain goods are limited to 40 or 50 per cent of the average value in 1946-48; in 1954, twelve commodities, including newsprint, are to be placed under open general license, which means that they may be imported without restriction from any source. Last year these commodities accounted for about one quarter of the total value, $40 million, of B.W.I. imports from Canada.

Source: *The Globe and Mail*, Toronto, Canada, February 10, 1954.

Latin America

Export and Import Duties in Mexico

On February 11, the Government of Mexico lifted the 15 per cent duty on 428 export items, and increased by 25 per cent the tax on general imports. These measures were taken in order to improve the foreign trade balance.

The list of export items included many kinds of domestically produced articles, such as frozen foods, henequen, medicinal preparations, chemical products, furniture, glass, moving picture films, cement, wooden products, special oils, etc. The only major imports not materially affected will be food, farm implements, certain types of machinery, and such articles as Mexico does not produce domestically and needs for its development. Slight increases are planned in import taxes on machinery, but they will be less than the 25 per cent increase for general import items.

Sources: *The Journal of Commerce*, New York, N. Y., February 12, 1954; *Tiempo*, Mexico, D.F., February 15, 1954.

Colombia's Economic Situation in 1953

The Banco de la República, in a review of 1953, points out substantial advances in the Colombian economy.

The value of agricultural production was larger than in 1952 when it reached 2,150 million pesos. Exports of coffee were at a record level of 6.5 million bags of 60 kilograms each, valued at US$482 million. Purchases of exchange exceeded registered sales by $12.4 million. The increase in international reserves, however, was larger than this amount. The value of manufacturing output in 1953 was 11 per cent above the 1952 output, which was valued at 1,500 million pesos. Petroleum production of 39 million barrels was 2 per cent higher than in 1952. Gold production reached $15 million. The national income in 1953 rose to 7,600 million pesos, from 6,900 million in 1952. The money supply increased by 18.3 per cent; at the end of 1953 it was at the record level of 1,549 million pesos, compared with 1,309 million at the end of 1952.

Source: *Revista del Banco de la República*, Bogotá, Colombia, January 20, 1954.

Argentine Decree on Foreign-Owned Patents

To implement a law issued in October governing foreign capital investment in Argentina (see this *News Survey*, Vol. VI, p. 188), the Argentine Government has issued Decree No. 25,113. Under this Decree, the value of patents required for industrial or mining activities is to be regarded as capital investment. For the registration of patents as foreign capital, the Decree prescribes the following requirements: they must be indispensable for the investor's activities; the investor must present proof of his right of exploitation of the patent; and the patents must be such that they may be made the subject of a claim for recovery, in accordance with the relevant laws.

Investors are required to declare before the Inter-Ministerial Committee for Foreign Investments the value of their patents, supplying full information thereon, and the bases of calculation used for establishing the value. On the basis of this information, the Interdepartmental Committee is to determine the capital value of the patents for the purposes of income remittances abroad.

Source: *The Review of the River Plate*, Buenos Aires, Argentina, January 19, 1954.

Other Countries

Dollar Loan to New Zealand

The Export-Import Bank of Washington has agreed to lend US$16 million to the New Zealand Government to assist in financing the purchase of U.S. materials, equipment, and services for the Murupara project (see this *News Survey*, Vol. V, p. 148 and Vol. VI, p. 196). Advances under the credit will be repaid in 20 semiannual installments beginning in November 1956. Interest on outstanding balances, at 4¾ per cent per annum, also will be payable semiannually. The funds for this loan are expected to be obtained from private financing institutions in the United States under the Bank's guarantee.

The Murupara project provides for the commercial utilization of an extensive man-made forest of pine, fir, and other species planted and maintained by the New Zealand Forest Service beginning in 1913. The total cost of the project is estimated at $84 million. About half of this amount will be required for the construction of lumber, chemical pulp, and newsprint mills by the Tasman Pulp and Paper Company Limited. The remainder will be for auxiliary services provided by the New Zealand Government.

The Tasman Pulp and Paper Company Limited plans to produce annually up to 72 million board feet of lumber, about 36,000 long tons of chemical pulp in excess of the needs for paper production, and about 75,000 long tons of newsprint.

Source: The Export-Import Bank of Washington, Press Release, Washington, D. C., February 13, 1954.

South Africa's Gold Production

The figures published by the Transvaal and Free State Chamber of Mines show that the declared value of the 1953 gold production at £147.5 million was a record. The volume of output, at 11.9 million ounces, was the highest since 1945, but still far short of the 1941 output of 14.4 million ounces. Output was 120,795 ounces greater than in 1952, and the declared value increased by £621,042; these increases were due entirely to expanded operations in the Orange Free State and on the Far West Rand. Whereas the volume of output in the Transvaal declined by 86,054 ounces and the declared value decreased by £1.9 million, the volume in the Orange Free State increased by 206,849 ounces and the declared value by £2.5 million.

Source: Union of South Africa Government Information Office, *South Africa Reports*, New York, N. Y., February 1, 1954.

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