

- (2) While much progress has been made towards a sound internal financial situation, there are inflationary tendencies in some countries and deflationary tendencies in others that stand in the way of stable development.
- (3) Disequilibria in the balances of payments of several member countries still exists.
- (4) Almost all countries have serious disequilibria in their balances of payments with the dollar area.
- (5) Progress in the liberalisation of intra-European trade has been halted and some important countries have had to reduce the scope of trade liberalisation, thus contributing to a decline in trade that is more general.

The member countries submitted forecasts which show the general expectation that, "on the basis of present world economic policies, a serious dollar disequilibrium will persist, and any balance of payments improvement will result from a decline in imports rather than from an expansion of exports".

It is clear that despite the progress made since the end of the war, a substantial dollar deficit persists. The following table adapted from the March, 1953, issue of the National City Bank Review shows the present extent of the world dollar deficit:

U.S. INTERNATIONAL PAYMENTS

(In Billions of Dollars)

Transactions Supplying Dollars

	1949	1950	1951	1952
Merchandise imports	\$7.1	\$9.3	\$11.7	\$11.4
U.S. Government expenditures abroad . .	.7	.7	1.2	1.6
Other services	2.4	2.6	2.7	2.9
(1) Goods and services total	\$10.2	\$12.6	\$15.6	\$15.9

Other Dollars Supplied

U.S. capital investments	1.2	.5	1.8	1.4
U.S. Government economic aid	5.2	3.7	3.0	2.0
Total	6.4	4.2	4.8	3.4
Total Dollars Supplied	16.6	16.8	20.4	19.3

Transactions Using Dollars

Merchandise exports	12.3	10.7	15.5	15.5
Less-military aid	—	.3	1.1	2.2
Net commercial exports	12.3	10.4	14.4	13.3
Other services	3.7	3.7	4.7	4.8
(2) Goods and services total	16.0	14.1	19.1	18.1
Deficit in International Payments . .	-.6	-2.7	-1.3	-1.2
Increase (†) or decrease:				
Foreign gold and \$ balances	-.2	†2.6	†1.0	†1.0
Errors and omissions	†.8	†.1	†.3	†.2
	-.6	-2.7	-1.3	†1.2

Largely as a result of the boom in raw material prices following the outbreak of the Korean War in 1950 the foreign holdings of gold and U.S. dollars increased sharply in 1950 but dropped off again in 1951 and 1952. In other words, the non-dollar areas improved their position for a short time through the rapid rise of raw material prices, particularly coming from sterling