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which the dollar currencies will still be scarce, is the expected increase in the Colonial dollar surplus. Already in 1947 the Colonies had recovered to the point of having a small dollar surplus; in the current year this has been running at a rate of about \$150 million.

191. *Assistance towards United States Stockpiling.*—Under the provisions of Article V of the Economic Co-operation Agreement between the United Kingdom and the United States, the United Kingdom Government have undertaken to facilitate the transfer to the United States of materials which are needed by the latter for stockpiling or other purposes and to promote the production of these materials. Preliminary discussions have already taken place between the United States and the United Kingdom authorities with a view to ascertaining what materials will be needed by the United States Government and what measures the United Kingdom Government can take to carry out their obligations. The United Kingdom Government for their part intend in collaboration with the Colonial Governments to take all possible steps to increase the production of materials which the United States Government may require and are already considering the measures to be taken for this purpose. They recognise the importance which the United States Government attach to chrome and manganese.

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**CHAPTER VI.—ESTIMATE OF THE BALANCE OF PAYMENTS
IN 1952-53**

(1) INTRODUCTORY

192. The four previous chapters have described the principal policies which the United Kingdom proposes to follow in order to solve its balance of payments problem and achieve independence of external economic assistance by 1952-53. As has already been pointed out, these policies must be flexible and to some extent provisional. It is impossible to forecast with precision what position will be reached in 1952-53 as a result of these policies. Too much depends upon world economic developments outside the control of the United Kingdom and the other Governments with which it is co-operating. But an attempt has been made to prepare a set of estimates of a realistic kind. These are based upon four assumptions:—

- (i) that there is a high level of business activity throughout the world, and that this leads to a high level of demand for imports (especially in the Western Hemisphere);
- (ii) that the United States Government provides sufficient funds between now and 1952 to permit the full development of the European Recovery Programme;
- (iii) that substantial progress is made in European co-operation, particularly in the "fields of activity" to which O.E.E.C. is giving special attention;
- (iv) that a reasonable amount of East-West trade within Europe is possible on commercial lines.

193. The results are presented in this Chapter. They show that, on the present assessment of the prospects, and on the assumptions made about the factors it cannot itself control, the United Kingdom expects to achieve the objectives it has set itself. But they show, too, that the balance will not be reached at all easily.

(2) OVERSEAS EARNINGS

194. A major factor in restoring the overseas balance will be the increase in earnings from exports. After an analysis of sales possibilities, product by product and market by market, taking account of the expressed desire of most of the world's Governments to increase trade, it is believed that in the early 1950's the United Kingdom should be able, year in year out, to maintain exports at a rate of 150 per cent. of the 1938 volume. This represents, on the information now available to the United Kingdom, a realistic assessment of the prospects, and has been taken as the appropriate figure for planning purposes. With uniformly favourable conditions a higher figure might be reached; it would be of advantage to the United Kingdom's economy if it could, and the additional supplies for export (after appropriate adjustments to import and home production plans) could be produced.

195. In achieving a level of exports half as great again as in 1938 and well above even the level of the peak years of world trade (1927-29), reliance is placed upon the recovery of solid fuel exports to about 40 million tons (including bunkers), and continuing expansion of equipment and textile exports. Domestic policies to assist these expansions have been discussed above. Some diminution in sales of miscellaneous products has been allowed for.

196. Net invisible earnings are also expected to make a very large contribution. The most important item is likely to arise from the increased oil production of the British companies discussed in paragraphs 89-95. Also significant will be increased shipping earnings (paragraphs 131-139 above). A recovery of earnings from foreign investments is expected, but in 1951 obligations require to be met under the Anglo-American and Anglo-Canadian Financial Agreements of 1946, and provision is made for them; this is the main element of amortisation included in the balance of payments—no allowance is made for amortisation of private loans. In the rest of the "invisible" field, continued recovery is expected in earnings from the traditional services performed by London, such as insurance. In total, net invisible earnings are expected to be \$1,053 million, compared with \$140 million in 1948-49; at this level, net invisible