BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

Office Correspondence

Date September 9, 1944

To Chairman Eccles

From Richard A. Musgrave R.A.M.
Kenneth B. Williams KBW

Subject: Postwar Foreign Demand for American Goods--1945 and 1946.

We are attaching two preliminary memoranda on the probable foreign demand for U. S. goods in 1945 and 1946 which have been prepared by the International Section at our suggestion.

The main points of the memoranda may be summarized as follows:

1. Exports are expected to amount to $7 or $8 billion a year in this period. These estimates assume that we shall continue in operation some controls over our sales abroad, at least for those products like automobiles or tires that will be critically short in the domestic market.

2. Demand for products will fall heavily on food (fats and oils, particularly), textile products, industrial machinery and supplies which may be in short supply here in this period. How great the pressure will be on our markets will depend on the extent and nature of supplies and capacity released after the defeat of Germany and on the surplus stocks of these things that we have in Europe at that time.

3. Total gold and dollar resources that foreigners could spend in our markets in 1945 and 1946 will be very great. As shown in Mr. Gardner's memo, available reserves in gold and official dollar balances may amount to $24.5 billion and an additional $15 billion may be available from other sources, including American imports and official assistance. Except for the Axis group and Spain, every foreign country has far greater reserves today than in 1929. How much of these reserves they will be willing to use in this period is difficult to measure.

4. The distribution of dollar and gold resources by countries in relation to probable patterns of trade indicate that there may be some financial limitations on exceedingly heavy purchases in our markets, particularly by Europe. Europe may be faced with a very heavy drain on its reserves, possibly $6 or $7 billion per year, by no means all of which would flow to the United States. Europe may thus have to take advantage of any assistance available from loans, relief, and foreign investment. Should this happen, however, Latin America may add to its already large reserves, which, after a lag, might be used in our markets.

(CONTAINS SOME CONFIDENTIAL DATA)

PRELIMINARY NOTES ON PROBABLE FOREIGN DEMAND
FOR UNITED STATES GOODS IN 1945-1946

1. Foreign purchases of American goods in the years 1945 and 1946 will be governed by three factors:

a) The dollar purchasing power that foreign countries are in position to employ;

b) The foreign need for American goods;

c) The amount of exports this country will permit.

2. The dollars foreign countries will have may be roughly estimated as follows in billions of dollars:

Gold at the end of 1944	14.5
Gold output 1945-46	2.0
Official dollar balances at end of 1944	4.5
Dollars acquired from U.S. military expenditures in 1945-46	1.5
Net Fund quotas available	2.0
Total reserves	24.5
Army relief	1.0
UNRRA expenditures	1.3
Export-Import Bank	1.0
International Bank	2.0
Reserves plus official assistance	29.8
Business investment	.2
Reserves, official assistance, and business investments	30.0
Private balances held here by foreigners	2.0
Reserves, official assistance, and private credit	32.0
U.S. imports and net services	8.0
Total dollars (or gold) foreigners will have in 1945-46	40.0

In addition possibly 5 or 6 billion dollars of supplies may be provided under Lend-Lease during this period in connection with the Japanese war and with post-war delivery of equipment ordered during the European or Japanese phases of the war.

3. The dollars foreign countries will have in the aggregate will be greatly in excess of what they will feel free to employ. Since gold reserves are needed to maintain confidence in the national currency and to guard against international drains that may develop in the future,

no country will be prepared to strip itself of reserves. What portion of their reserves foreigners will feel free to employ is impossible to state with any precision. As a group foreign countries may have 24.5 billion dollars of reserves (including Fund quotas) to dispose of before the end of 1946 as against 7 billions at the end of 1929. Except for the Axis group and Spain almost every foreign country has far greater reserves to-day than in 1929. World trade in dollar terms is not likely to be much larger than in 1929. Prima facie, there would appear to be substantial disposable reserves.

As regards the attitude of various countries toward use of their reserves, a few comments may be made. Legal reserve requirements against notes and central bank deposits no longer have their pre-war force. War has driven home the fact that they can be easily altered by a stroke of the pen. England, for instance, has eliminated legal gold reserve requirements altogether and so have Canada and other countries. Nations setting up new banking arrangements after the war, as a great many will have to do, can readily follow the fashion of the day and reduce or liberalize domestic reserve requirements, which arbitrarily tie up their gold. France and other occupied countries have stated repeatedly that they intend to use a substantial part of their gold reserves for relief and reconstruction. Latin American countries have indicated that the reserves they have accumulated during the war must be regarded as temporary. On the other hand, England and Canada have made it clear that they consider it necessary to maintain substantially greater reserves than in the past (quite apart from any legal reserve requirements); and undoubtedly, when the test comes, it will be found that most countries will be reluctant to see their reserves drawn down again to the levels of 1929. Recurrent outflows even of surplus gold may unsettle confidence, and, although modern systems of exchange control may largely prevent capital flights, countries will wish to avoid the domestic consequences of diminished confidence in the currency. Hence we might regard 10 billion dollars as all that foreign countries will be willing to utilize of their 24.5 billion of gold and official dollar balances. This would leave them with double the reserves of 1929 -- in practice really more than that because the mobile resources of the Fund, which can be massed at any danger spot, are far more powerful than a corresponding amount of independent reserves divided among many countries.

Adding to this 10 billion dollars of reserves that might be used the 5.3 billion of funds that may be made available by the official agencies and the 0.2 billion of estimated business investment would raise the total that foreign countries might employ to 15.5 billion. Use of private foreign balances would probably not alter this figure much, since such balances are likely to be maintained at something like the present volume for working and other purposes; but, allowing for partial use of them, we might round off the figure to 16 billion dollars.

If then foreign exports of goods and net services to the United States are in the neighborhood of 4 billion dollars a year, foreigners will have about 24 billion dollars to spend in the United States (without unduly reducing their reserves) in the years 1945-46. They could, of course, employ more than this if their needs for American goods were sufficiently intense to justify further use of their reserves. In fact, however, they may be content to employ less because, after a certain point is passed, their needs may not be of such a pressing character that they will wish to incur debt or diminish their reserves in order to satisfy them and they will adjust their international controls accordingly.

4. The War Production Board has made a confidential estimate that in the two years following the end of European hostilities United States exports including Lend-Lease may reach an annual rate of about 7 billion dollars (see appended tables). This assumes standards of food consumption abroad that are but little higher than those maintained during the war, not much further application of the "scorched earth" policy, and restoration programs aiming only at pre-war levels. It also assumes financing difficulties, shipping limitations, and United States restrictions on the supply of some items. It is hardly, therefore, an estimate of all that foreign countries might decide to buy here if there were no financing difficulties or no United States restrictions on the supply.

The figure of 7 billion dollars annually is, in fact, less than United States exports after the first World War when, for two years, exports were at an average rate of 8 billion dollars, considerably more than three times the pre-war level. Prices, however, rose much farther in the earlier period than seems probable this time.

If United States exports during 1945-46 do not exceed an aggregate of 14 billion dollars including Lend-Lease shipments, the 24 billion dollars of purchasing power which foreigners might be prepared to employ will be ample. In fact a question could be raised as to why, with that much purchasing power, foreign governments should not respond more easily to the pressures that they will be under to expedite recovery and build up the standard of living of their people. Two reasons may be suggested. First, the rate at which the foreign world can make use of our goods will depend in part on how rapidly it gets the processes of peacetime production organized and operating. It cannot put blueprints immediately into operation. Second, the foreign world, even though it is prepared to use 10 billion dollars of its reserves, may not wish to do so in the first two years after the war even though these will be the critical years. While these reasons may give plausibility to a figure substantially less than 24 billion dollars, the fact remains that the estimate of 14 billion dollars is conservative and has been held in check by assumed financial limitations and United States restrictions -- factors that in this analysis are being handled separately.

If our export trade were in fact no larger than 14 billion dollars, including Lend-Lease, and imports were 8 billion in the period 1945-46 it is apparent from the figures on the first page of this memorandum that foreigners might find their reserves considerably higher in 1946 than the unprecedentedly high levels reached in 1944. That this should be the case at the end of the critical post-war period seems hard to believe in view of the expressed intention of the war-damaged countries to use their reserves freely for reconstruction and the pressure of long-starved demands in Latin America and elsewhere. It is possible, of course, that the 3 billion dollars of loans assumed for the Export-Import Bank and the International Bank together in the two-year period is somewhat high, but it could be cut in half and still leave foreign reserves at a new peak in 1946. All this emphasizes the conservative character of the 14 billion dollar figure unless this country imposes limits on the effective foreign demand for our goods.

5. Even a 14 billion dollar foreign demand for American goods in 1945-46 may prove disturbing to our markets. Whether or not this is the case will depend upon the commodities on which it falls. If these are to be found in surplus inventories or can immediately be produced by plants released from war production, the foreign demand will have a stabilizing effect. It appears, however, that the demand will fall to a considerable extent on fats and oils, textile products, certain categories of industrial machinery and supplies (such as trucks and tires) which, in the language of the W.P.B. report, "are likely to be under a system of allocation" for the period under review. Only raw materials, amounting to about one-tenth of total requirements, represent surplus markets in the main. Foreign demand directed toward raw materials will assist in stabilizing the economy; but much of the foreign demand will merely intensify the problem of control within the United States.

6. Mr. Harley has prepared an analysis from a rather different standpoint designed to show how foreign demand might be spread around with much of it never reaching the United States. His analysis is given as an appendix to this memorandum. He starts with the assumption that the prime mover in the situation will be Europe, and that Europe will need imports about equal in physical volume to those of 1938 although its exporting power in physical terms will equal only two-thirds that of 1938. This will give Europe an adverse trade of about 9 billion dollars a year in the period 1945-46. Much of Europe's demand, however, will be directed to other areas than the United States. These other areas will, of course, find their purchasing power vis-a-vis the United States enlarged by the increased European purchases of their products; but Mr. Harley assumes that the United States will check these demands by continuing its wartime system of allotments in order to avoid a price scramble, and hence the European purchases in these other areas will largely serve merely to increase the international monetary reserves of those areas rather than their purchases in the United States. The final picture with which he emerges is given briefly in the table below.

ESTIMATED ANNUAL FOREIGN TRADE IN 1945-1946 PERIOD
(In billions of dollars)

	Exports (To world)	Imports (From world)	Balance	
United States	7.8	3.0	4.8	
Europe	10.5	20.1	-9.1	
				-4.3
	(To U.S. and Europe)	(From U.S. and Europe)		
Latin America	3.3	2.0	1.3	
Canada	2.3	1.1	1.2	
Asia	1.9	1.5	.4	
Oceania	1.5	.6	.9	
Africa	1.8	1.4	.4	
				4.2

A few comments may be made on this table. Mr. Harley comes out with a somewhat larger export total for the United States than did the War Production Board, even though like the Board he is assuming allotment limitations on our exports and even though he assumes a lower physical volume of exports to Asia than in 1938. He obtains a lower figure for our imports than was assumed earlier in this memorandum -- 3 billion dollars as against 4 billion. His 3 billion dollar figure represents about the same physical volume of imports as in 1938 when our foreign buying was on a reduced scale following collapse of the inventory boom of 1937.

The most noteworthy features of Mr. Harley's table, however, are the heavy net imports of Europe and the fact that he has every area outside of Europe adding substantially to its already swollen war reserves. European net imports for the two years are assumed to be 18 billion dollars. Mr. Harley anticipates that some 5 billion of this will be covered by payments on services. Just how the remaining 13 billion dollars will be financed is something of a question. Europe should have over 12 billion dollars of gold and dollar balances at the end of 1944. New gold production and United States military expenditures may add another half billion; and official assistance might bring the total up to 17 billion dollars. Additional amounts might be squeezed out of private balances and business investment and a billion or two from the Fund. Continuance of Lend-Lease to England and possibly other European countries while the Japanese war lasts and continued Lend-Lease deliveries thereafter in fulfillment of war orders for equipment such as oil plants or railway signal systems, which take a long time to produce but are as useful in peace as in war, may supply Europe with several billion dollars of goods for which it does not have to find immediate means of payment. But on Mr. Harley's assumptions it would look as if Europe would have to make the most of every possibility of outside assistance unless it is prepared to make very substantial drafts on its reserves of gold and official dollar balances.

Meanwhile he pictures other areas undergoing an opposite experience. He concludes, for instance, that Latin America, which has built up reserves several times those of the pre-war period and which has accumulated large unsatisfied demands for durable consumer goods and industrial equipment, will add further extraordinary amounts to these reserves instead of drawing upon them to meet those demands on a more generous scale and to raise the standard of living of the people. His figures indicate that this amassing of gold and dollars would take place without any borrowing on the part of Latin America from the Export-Import Bank, the new World Bank, or the Fund. If this picture proves to be correct, Latin America is in for further inflationary experiences, and when the United States lifts its controls on exports Latin American demand for goods may be of unprecedented magnitude.

While these comments raise a number of questions, Mr. Harley's picture of a European demand that is not confined to the United States alone, but that spreads around the world, is significant. Though a considerable portion of this demand may ultimately reach the United States, there are innumerable possibilities for delay, or even for a permanent bottling up of the effects, in the intervening countries.

W.R.G.
H.S.E.
W.E.T.
A.G.
C.R.H.

Aug. 31, 1944

GOLD AND DOLLAR RESERVES OF FOREIGN COUNTRIES
ESTIMATED AS OF END OF 1944

	Billions of dollars
Occupied and enemy countries in Europe	
France	2.6
U. S. S. R.	1.8
Belgium	.8
Netherlands	.5
Rumania	.3
Germany	.2
Italy	.1
Other	.8
Total	7.1
United Kingdom	3.2
European neutrals	
Switzerland	1.0
Sweden	.6
Portugal	.2
Spain	.1
Total	1.9
Total Europe	12.2
Latin America	3.0
Asia	2.1
Union of South Africa	.8
Canada	.7
All other	.2
Grand Total	19.0

Note: Areas are listed in this table somewhat in the order of the pressure they may be under to draw down their reserves. Asia is listed below Latin America only because important sections of it may be involved in war and on a Lend-Lease basis for much of 1945-46.

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ACTUAL AND FORECAST EXPORTS OF CIVILIAN-TYPE COMMODITIES a/

1949 AND 1943-1945

Commodities	1939	1943	1944	1945
(In millions of current dollars)				
TOTAL	3,123	6,465	6,768	6,963
Food	312	1,689	1,900	1,905
Raw materials	557	1,072	925	750
Machinery and equipment	778	1,062	1,149	1,440
All other	1,476	2,642	2,794	2,868
(In millions of constant dollars at 1939 prices) b/				
TOTAL	3,123	5,180	5,377	5,535
Food	312	1,125	1,260	1,270
Raw materials	557	965	832	675
Machinery and equipment	778	920	990	1,240
All other	1,476	2,170	2,295	2,350

a/ Excluding munitions.
b/ 1943 prices assumed applicable to 1944-1945.

Source: p. 16 of Document No. 19, War Production Board, Bureau of Planning and Statistics, Planning Division.

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ESTIMATED EXPORT REQUIREMENTS, 1944-1945
ASSUMING EUROPEAN WAR ENDS IN THE FALL OF 1944 a/

(In millions of 1943 dollars)

	1944		1945	
	1st Half	2nd Half	1st Half	2nd Half
ALL EXPORT REQUIREMENTS: TOTAL	3,160	3,608	3,883	3,080
Relief requirements: Total	110	733	1,358	755
Food	50	200	275	180
Textiles, clothing & leather	20	161	325	190
Medical and sanitary supplies	8	40	55	15
Soap	3	12	20	13
Industrial rehabilitation	18	277	621	306
Agricultural rehabilitation	11	43	62	51
Other export requirements: Total	3,050	2,875	2,525	2,325
Food	850	800	750	700
Textiles and clothing	175	175	175	175
Machinery and equipment	450	350	200	200
Raw materials	475	450	400	350
All other	1,100	1,100	1,000	900

a/ Includes Lend-Lease and Direct purchases.

Source: p. 14 of Document No. 19, War Production Board, Bureau of Planning and Statistics, Planning Division.

Note in explanation of the figures on page 1

1. Gold at the end of 1944: Estimate largely based on reserves reported by individual foreign countries adjusted for foreign gold production subsequent to date of latest reports.

2. Gold output 1945-46: Figure somewhat below normal pre-war production reported in individual foreign countries plus about 400 million dollars estimated for U.S.S.R. on less conclusive evidence. British consider our U.S.S.R. figure as an understatement.

3. Official dollar balances at end of 1944: Estimated on basis of regular reports of United States banks.

4. Dollars acquired from United States military expenditures in 1945-1946: The Far East will probably require 1 billion dollars and it will take time to disentangle ourselves from Europe.

5. Net Fund quotas available: 50 per cent of foreign quotas (which can be drawn upon by members at the rate of 25 per cent a year) minus the foreign gold contribution. The round figure somewhat understates the net quotas and furthermore the Fund can in its discretion lend assistance beyond the quotas.

6. Army relief: About 500 million dollars has already been allocated by the Army for various countries in Eastern Europe. The remaining 500 million dollars is a rough estimate of Army relief in Western Europe and enemy countries. This estimate has been arrived at in consultation with Mr. Bennett, head of the Food Division of F.E.A.

7. UNRRA expenditures: This is the whole amount which the United States has agreed to subscribe. Presumably it will all be spent in the first two years. Should more be needed Congress may provide it.

8. Export-Import Bank: This estimate, too, may have been rounded off on the up side; but plans for expanding the Bank's resources are already being worked out on the assumption that this institution may have to take care of substantial needs before the International Bank starts operating.

9. International Bank: The Bank can hardly start operations before 1946; but the demands upon it at that time may be enormous. Some economists estimate the total foreign investment needs at 30 billion dollars in 10 years. One must balance the concentration of needs in the early years against the difficulty of getting programs developed and approved. Two billion dollars may be a bit optimistic.

10. Business investment: Anybody's guess; but it may not take American industry long to start realizing opportunities for expansion in this Hemisphere and some other areas once capital equipment for civilian purposes is available. The figure given is low in comparison with the average outflow of the inter-War period.

11. Private balances held here by foreigners: Estimated on basis of regular reports of United States banks.

12. U. S. imports and net services: The annual figure of 4 billion dollars is about the rate at which imports have been running in 1944. The Commerce study of "Foreign Trade After the War" suggests that with a national product of 175 billion dollars we should expect imports of over 6 billion dollars a year. Even if we could use such a volume of imports immediately, however, foreign countries could hardly supply them in the transition period. Hence continuance of the existing rate is assumed with some imports declining sharply as stockpiling ceases and war demands shrink, but a wide range of imports developing simultaneously to meet civilian needs.

    Net services are estimated at zero. Actually they were a source of dollars to foreigners in the pre-war years and may become a substantial source again as the tourist trade develops. Even in the immediate post-war years, before the tourist trade attains large proportions and while the United States is supplying its own shipping, it is estimated that the balance will run slightly in favor of the foreigners. Travel expenditures, remittances to families, and private contributions should be more than enough to take care of net interest and dividends due the United States.

APPENDIX

ESTIMATED PATTERN OF EARLY POST-WAR TRADE

by
C. R. Harley

The attached tables serve the limited purpose of showing, first, the probable general pattern of European buying in the early post-war years, and, secondly, the probable pattern of United States trade during the same period. They may prove helpful in two respects: they will indicate the rapidity with which European reserves may be drawn down even though the United States restricts European purchases in its markets; and they will give some indication of the manner in which gold and dollar resources may be redistributed during the period.

In preparing these tables certain assumptions were necessary. We assumed, first, that the pre-war pattern of trade reflected the most desirable distribution of labor possible under pre-war economic institutions and that post-war trade would tend to resume the same pattern in so far as conditions permitted. The trade pattern of 1938 is therefore the foundation on which the estimates are built up. We assumed, secondly, that the general price level of internationally traded goods during 1945 and 1946 would be on the average 50 per cent higher than in 1938. This is about the extent of the price increase for imports into the United States between 1938 and 1943. During the two year period considered prices may be both higher and lower than at present; the 50 per cent figure is necessarily arbitrary. Price increases during the war have naturally varied from commodity to commodity and it might be possible to assume various price levels for imports depending upon their nature. This would involve allowance for various price levels in the several exporting areas in accordance with the type of commodity exported. These refinements have not been attempted in this paper.

Implicit in the assumption of a post-war price level similar to that of 1943 is the assumption that governmental controls will continue into the post-war period. We assume that export controls, import controls, and price controls will be continued either as domestic policies of the various nations or through international authorities similar to the Combined Boards.

The operation of controls in turn implies that resources will be allocated in some manner other than that of competitive bidding in the market. We have tried to estimate from pre-war statistical data supplemented by such knowledge as we have of war-time trade developments what allocation of physical resources appears reasonable. It does not appear reasonable, for example, that the physical volume of exports from Asia in the immediate post-war period will be as great as in the pre-war years. On the other hand, the increased productivity of the United States economy and of the Canadian economy provide the opportunity for increased exports from these countries.

On the demand side the assumption has been made that European needs will approximate those of 1938 in physical volume. On the basis of our estimates of the availability of resources we find in Table I that Europe will be able to import the quantity imported in 1938 if European exports (and hence intra-European trade) do not fall below two-thirds of the 1938 volume. Under this pattern European imports would be valued at 20 billion dollars annually, exports at 10.5 billion dollars and the annual unfavorable balance on trade account at 9 billion dollars.* From this latter figure we may deduct 2.5 billion dollars as the estimated income of European nations on service account, interest payments, etc., leaving an unfavorable balance on total current account of 6.5 billion dollars annually or 13 billion dollars over the two-year period. The third column of Table I shows the estimated distribution of the unfavorable balance on trade account and indicates that less than one-half of the total (approximately 43 per cent) will result from trade with the United States.

Table II changes the assumption as to European export capacity during the period and reveals that a fall of European exports to one-half the 1938 level in quantity terms (and a comparable fall in the intra-European trade) would result in a fall of European imports below the 1938 level. If the needs of European countries during this period are, in fact, accurately estimated as equal to 1938 imports it is apparent that the pressure of European demands under the assumptions of Table II would be much greater than under the assumptions of Table I and controls would be required over a greater range of products.

Table III attempts to fit United States trade into the pattern of Europe's trade shown in Table I. On the import side, the tables are closely interrelated and European and American requirements have been mutually adjusted to the estimated total supply. On the export side, United States trade is assumed to be subject to fairly rigid controls which would prevent departures from the pattern shown. The level of United States exports shown is somewhat higher than total exports in 1943 less the munitions component of Lend-Lease shipments. The third column of Table III shows the total estimated favorable balance of the United States on trade account at 4.8 billion dollars annually.

It may be unnecessary to mention that trade data covering the war period is not available for most areas. The reasonableness of the estimates of world exports to Europe as shown in Tables I and II may be judged in connection with the following comments:

From the United States - 4.5 billion dollars: this is higher than 1943 recorded exports to Europe minus the munitions component of Lend-Lease. Double our 1938 exports to Europe in quantity terms. (Note: Based on confidential trade data.)

From Canada - 1.6 billion dollars: this is double the value of Canada's exports to Europe in 1938 in terms of quantity and is, I believe, more than Canada's present total exports to European allies (including munitions).

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* See Table I for explanation of apparent discrepancy. Transport costs in European trade account for the difference.

From Latin America - 2.25 billion dollars: at assumed post-war prices exports from Latin America to Europe in 1938 would have amounted to around 1.95 billion. I am allowing 1 billion of exports from Latin America to the United States which is well above the 1938 level.

From Asia - 1.5 billion dollars: pricing Europe's 1938 imports from Asia at assumed post-war level they amounted to 1.9 billion. If the war against Japan should end six months after the European war a large backlog of products might be available for export from Asia. An average level for the two years at 75 per cent of the pre-war level does not appear pessimistic.

From Oceania - 1.4 billion dollars: an increase of 25-30 per cent over 1938 in quantity terms in spite of the heavy demand for Australian and New Zealand products for use of United Nations forces in the Far East during the war in that area.

From Africa - 1.6 billion dollars: this is perhaps somewhat low. It is only slightly above the 1938 level in terms of physical quantities.

C. R. H.
Aug. 26, 1944

TABLE I

ESTIMATED PATTERN OF POST-WAR EUROPEAN TRADE 1/
ANNUAL AVERAGE 1945-1946

(Millions of U.S. dollars)

Area	Exports to	Imports from	Balance
United States	600	4,500	-3,900
Canada	200	1,600	-1,400
Latin America	750	2,250	-1,500
Europe	6,700	7,200*	--
Asia	900	1,500	-600
Oceania	350	1,400	-1,050
Africa	1,000	1,600	-600
Total	10,500	20,050	-9,050

1/ On the assumption that European export capacity is two-thirds of 1938 capacity in quantity terms.

* Difference represents transport costs.

TABLE II

ESTIMATED PATTERN OF POST-WAR EUROPEAN TRADE 1/
ANNUAL AVERAGE 1945-1946

(Millions of U.S. dollars)

Area	Exports to	Imports from	Balance
United States	450	4,500	-4,050
Canada	150	1,600	-1,450
Latin America	575	2,250	-1,675
Europe	5,000	5,350*	--
Asia	675	1,500	-825
Oceania	275	1,400	-1,125
Africa	750	1,600	-850
Total	7,875	18,200	-9,975

1/ On the assumption that European export capacity is one-half of 1938 capacity in quantity terms.
* Difference represents transport costs.

TABLE III

ESTIMATED POST-WAR UNITED STATES TRADE 1/
AVERAGE 1945-1946

(Millions of U.S. dollars)

Area	Exports to	Imports from	Balance
Northern North America	900	700	200
Latin America	1,200	1,000	200
Europe			
U.S.S.R.	1,200	200	1,000
United Kingdom	1,500	200	1,300
All other	1,800	200	1,600
Asia	600	400	200
Oceania	200	100	100
Africa	400	200	200
Total	7,800	3,000	4,800

1/ On the assumption that Table I represents the better estimate of European trade.