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ECONOMIC NEWS & DIGEST

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METROPOLITAN COMMERCIAL CO. LTD.,
HONG KONG.

I. ECONOMIC WARFARE & HK TRADE

US Plot for - "Economic Sanctions" - on China

It wa s learned in Washington that American official advised representatives of the British Commonwealth of Nations and other countries on January 30 that the US intended to push ahead for UN approval of "international economic s anctions" against China.

A uthoritative sources reported that US officials, in a number of luncheon conversations with representatives of key countries in the UN, expressed the view that this was the next logical step(to the UN "condemnatory resolution".- Ed).

They added, however, that American officials had given assurances that they did not intend to ask for diplomatic sanctions which would involve the breaking of relations with Peking by countries such as Britain and India others who have already recognized the Chinese Government.

One thing appeared to be clear to neutral observers - the US, having seized the initiative in the matter of "branding China as aggressor", did not intend to let the matter rest here. At the same time, American officials did not intend to push the matter to a point where the majority of other nations would not follow. Therefore, they appeared ready to ask "economic sanctions," but not diplomatic sanctions, in an effort to show some implementation of the con--demnatory resolution. (S.C.M.P. 2/12/'51).

HK Banks Further Raise the Rate of Marginal Deposits

The HK merchants are highly sensitive to the happenings over in La ke Success and Washington. In their opinion, the UN "condemnatory resolution" and the instigations by the US for "economic sanctions" will affect adversely HK's position as a transhipment center. The banks have already turned to be more cautions than ever in arra nging ma rginal deposits on imports and exports, and have raised the ra te for the same to more tha n 80% and in some cases, to more than 100%. The Chinese ba nks refra ined from engaging in hypothcations. (S.T.Y.P. 2/2/'51).

US, UK & France's New Commodities Groups

The communique issued after the Washington proposals had been made known to member count-ries of OEEC la st week merely described the framework of the scheme. The three sponsoring powers have evidently concluded that a ny formal orga nization a kin to the combined Raw Materials Board (which operated during the World War II- Ed.) would be politically inopportune, difficult to administer, and doubtful of achieving results. The new scheme is at once more flexible and much less precise. It will not enforce economic sanctions against any consuming country, nor will it necessarily spend weeks in delicate negotiations to a chieve a unanimous recommendation. It would seem that the real function of the proposed commodity groups is to see that important producers a nd consumers know a bout the supplies of and the requirements for ea ch particular commodity.

The study of methods of expanding production is likely to boil down to long-term projects and these will have to be co-ordinated with developments already agreed to under Point IV. Consuming countries may be asked to supply machinery and equipmentsto facilitate such developments. A more urgent topic is the "in-

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crea sing exports to friendly countries - one evident way is by reducing exports to non-friendly countries. Aga in no uniform system seems likely to be imposed on exporting countries. Each will do whatever it can to expand supplies to the countries collaborating in common defence. Certain countries may find possible to introduce a system of export licensing and still retain the operation of free markets. Other countries may prefer other methods.

The vital question of stockpiling was not mentioned in the communique. Perhaps stockpile requirements will be included in the defence programmes. Clearly the possibility of a coordinated stockpile policy must be discussed in one of the various bodies. At the present time it is not only military necessary for a country to acquire stocks; it is also financially profitable.

No official mention has been ma de of the commodities to considered. The original list included sulphur, copper, zinc, lead, aluminium, cotton, wool and rubber. But it is known that this week the US has sent out invitations to friendly governments to establish commodity groups for sulphur, zinc and cotton, in each of which the US is the predominent producer and consumer. (Economist, 20/1/'51)

The Scope of Japanese Export Control to be Enlarged

As stipulated in the "Revised Regulations for Japanese Export Control" issued by SCAP on January 1, 1951, the export ban imposed on Dec. 6, 1950, is to be extended for three months more, and its scope enlarged, i.e., for all Japanese goods destined for HK and Macao, a special license is required.

The main points of the "Revised Regulations" promulgated on Jan. 1 are as follows: 1) Because of the intensifying international situation, the special approval system is extended to cover a wider range of commodities of strategical nature. The examiniation and issuance of the license as required will be stricter than ever before. 2) The special licensing system is to be applied to godowns as well as ports of unloading and transhipment.

Meanwhile, the new items added to the list of commodities under export ban are: Cement, used rubber, industrial leather belt, textile machine, medicines, sewing machine and camera (T.K.P. 31/1/'51)

Japan's Trade with China, the Japan Trade's Editorial Opinion

Japan's trade with China, which has just recently begun to bud, will suffer adversely, if the heated antagonism such as exists between US and Soviat Russia continues. Japan will not be denied a ccess, as a result, to her largest potential market, China, but should political conditions in the South-Eastern Asiatic regions show deterioration, there is fear that it will become difficult for Japan to import the goods she requires from these areas. Moreover, should the current state of semi-belligerency continue for some time, shipping rates will inveitably take an upward turn, and more countries will gradua lly shift to a quasi-wartime basic. In particular, when the huge US war budget is enforced, Japan may confront not only a rise in the quotations of materials required for her export commodities, but a shortage of criticals as well. It may turn out that her export trade will suffer contraction as a result, and her economy and the people's livehood will undergo a n a brupt change.. (J.Y. Dec. '50)

Suspension of Tra de with China a nd its Effects on Japan's Recovery, Editorail Opinion

Now that Japan's importation of Chinese materials has been made impossible, Japanese heavy industry, especially her iron steel ma nufacturing, is threatened with a serious blow in the way of industrial production.

Japan finds it urgent to ensure adequate supply of coking coal and soyabeans from other sources in order to surmount this unexpected obsta cle. It is only natural that the Japanese government has requested SCAP for American supply of these two key materials.

It is to noted in this connection that Japan's imports from America cost higher than those from China. As for the price of coal, the higher import price will result in highe steel cost, with unfavourable effects involved on Japan's industries. Next, how to finance imports. Japan could settle her imports account with China with export of her products, whereas she must pay dollars for her imports from America, bringing with it a big drain on Japan's international balance of payments.

Foreign despatches point to a possibility of increased US aids to Japan under the preva iling world situation. Japan is sincerely hoping for some ways and means opened

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to her by which to obtain more foreign currencies and increased exports instead of an increa sed America assistance. Some of her major desires are: 1) The most-favoured nation clause is given to Japan by world nations. 2) Amelioration of SCAP regulations restricting dollar cash payment for Japan's imports. 3) A wider scope of activity of the Japanese merchant fleet so that Japanese merchant marine can carry import cargoes. This will save Japan much of her foreign currency payments for freightage. (J.E.I. Dec. '50)

Japanese Export of Steel Material Dwindling

Japan's exports of steel material which had been on the increase since last April has shown a sharp decline, due to the recently intensified control on export to China, with 54,000 tons in September, 39,000 tons in October, with 72,000 tons in August as the peak.

Steel export contracts stood at 21,929 tons in April, 43,336 tons in July, 72,224 to in August. The figure dropped to 54,555 tons in September, and the October export fell to 39,413 tons or the half of August amount.

Formerly the export of steel material to China registered about 40% of the total export. The prices of Japanese makes were sold at $97 for 19mm. steel bar, $380 for galvanised sheet iron (NO. 26), as compared with $87 for Phillippine steel bars, $82 for Austra lian, and $88 for Thai products. Under such favourable conditions, coupled with the fact that domestic types are available for export, Japanese steel mills were positive in their export to China.

However, due to the tightened control on export of late, the export of thick sheet dropped to 5,400 tons in October from 29,000 tons in August,that of pulp to 2,454 tons in October from 11,468 tons in September.

As the result a certain manufacturer is ea ger to sell its 6,000 tons galvanised sheet iron stock during the year-end period, and at the same time the price of galvanised sheet iron fell to $260, causing confusion in the market.

Anyhow, there has cropped up a big question to Japan's future export of steel material following the all out ban on export to China. (J.E.I. Dec. '50)

Part of Production Goal Seems Difficult Due to Inactive Import of Raw Materials

Japan's import picture of iron ore and coking coal is turning gloomier dur to the inactive import of key production material after the start of war in Korea, followed by the international arms expansion tendency. Besides, Japan is expected to be barred from imports from China since the Japanese government announced a decree banning exports to th direction on December 6. Under these circumstances Japanese industrial circles concerned foresee that the iron and steel industry and some other sections of our industries may find it impossible for them to accomplish the output goal due to short supply of material. As causes for the import inactivity the following may be cited: 1) Even with allotted quotas in the foreign currency budget, traders are having increasing instances of failure to conclude import contracts beca use of price differences and short supply. 2) Japan cannot expect import of iron ore as originally planned from America, the principal supplier, because America needs it for their own needs. 3) No import of coking coal seems available from China. 4) Clumsy operation of the foreign currency budget affected the import of industrial salt during the first six months of this year.

Coking coal. Import of 995,000 tons is regarded possible out of the total import goal of 1,900,000 tons for 1950, leaving about 900,000 tons yet to cover. These can partly account for such dull import: 1) Out of the import goal of 7000,000 tons of Kailn coal the figures attained is a bout 200,000 tons below schedule due to shipping space scarcity. 2) Out of the planned import of 300,000 tons from India, about 120,000 tons appears unattainable. 3) Aga inst the goal of 650,000 tons import of American coal only 300,000 tons seems available. (Even this is doubtful of realization because of Western Europe's urgent need for of US coal. See below US Coal for Europe. -Ed.

In case of Japan's failure to import more from America, in the future, the accomplishment of the iron and steel output goal may be impossible.

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Iron Ore. Japan can expect the import of about 1,600,000 tons as against the annual goal of 2-million tons, but this is only 80% of the planned import volume. Causes for such import slump may be traced in that the planned import of 250,000 tons every term from Sungullin has remained at about200,000 tons due to the short shipping bottom, and that the hurried import failed to show any appreciable outcome as originally a nticipated. And any big purchase from America is regarded hopeless as is checking any undue drain on the domestic supply.

Industrial Salt. As against the 1950 import programme of 800,000 tons the first quarter scored 39,000 tons and the second 42,000 tons, or about one-tenth of the anticipated volume. Japan expects to get 350,000 tons and 360,000 tons in the third and fourth quarters respectively but prospects look doubtful. (J.E.I. Dec. '50)

Thailand applied Export Ban against New Democratic Countries

Under the US pressure, the Ministry of State A ffairs sent out a circular to the agricultural and commercial organ on Jan. 20, 1951, ordering the ban on export of material supplies to new democratic countries as effective from the same date. The circular stressed the steps to be taken in enforcing the export ban. 1) Internal measures are to be taken to ensure that foodstuffs will not go to the areas to which the export ban applies. The material supplies destined for these areas near to new democratic countries or from where transhipment may be made to the said, are subject to special approval and license for these supplies may be refused. 2) If necessary, the agricultural and commercial organs should determine the commodities to be placed under ben and the destinations whereto the supply of the should be barred. 3) Every export of a large quantity of essential materials should obtain the approval by the Ministry of State Affairs.

The emphasis on the internal measures reveals the delicate international position the Thai government now occupies. The export controls which the Thai government has long practised, also require governmental approval, but there a great latitude of discretion is left for the officials in charge. It remains to be seen how the Thai government puts the "internal measures" into practice. (T.K.P. 31/1/'51)

European Countries May Suspend Export of Metals to China

Under the US pressure and the economic difficulties such as coal shortage and wage rises, the European countries may suspend export of metals to China and HK.

It is reported that the Belgium government has already announced on Jaunary 15 that export license will be definitely refused for metal supplies scheduled to be shipped to China. It is also circulated that orders for metal supplies by Chinese and HK merchants for which export licences have already been obtained would be subject to cancellation. It is the same with the French government in its attitude towards metal supplies to China.

British have already greatly reduced their metal exports. It is quite possible that they will suspend totally the export of metals from February 15 onward. Furthermore, the steel industry is due to be taken over by the State on February 15. (T.K.P. 27/1/'51)

HK Government May Strengthen Control Over Metal Exports

According to the Chief of the Department of Industry and Commerce, there is no need to revise the existing licensing system for metal exports; the HK Government may refuse to issue export license any time. If and when it is necessary, certain items of metals may be added to the list requiring export licence. This step is taken by the HK government to make it easier for itself to obtain metal supplies from the US. (T.K.P. 1/2/'51)

India Issued Import Licences for the 1st Quarter of 1951; HK's Portion Reduced by Three-fourth

To save foreign exchanges, India has reduced the import funds and the volume of import licences for the 1st quarter of 1951 to only one-fourth of the same for the similar period in 1950. Considering the rise in commodity prices, the actual sales of HK goods in the 1st quarter of 1951 will be less than one-fourth of the sales in the same period of 1950.

Since the Indian government has already banned the export of gunny bags, cotton yarns and even a uto tires, most of these Indian producers were previously destined for HK, it is only natural that it will slash import quota for HK just to balance payments. The sales of raw silk to India will be extremely difficult. Meanwhile, only a small quantity of supplies are shipped to India. (T.K.P. 30/1/'51)

Trade Between HK and Indonesia Highly Active

At the present time, active trade between HK and Indonesia is due to the voluminous export of rubber from Indonesia and the low price level of HK exports. Recently, the export of cotton goods from HK to Indonesia has been of considerable volume and on Indonesia local markets, their prices are lower than that of the Indian, Japanese and British makes (S.T.Y.P. 31/1/'51)

HK's Trade With Europe; Exports Increasing

In recent time, exports from HK to Europe and England seem to be more enthusiastic than ordering supplies from the latter. For these exports, payments are settled by transfer of sterling account through London banks. Although the orders for European and British supplies have been on the increase, importers encounter great difficulties: 1) The banks generally charge a high rate of marginal deposits - 100%. If the supplies ordered do not come under the categories of strategic materials, the rate would still be above 50%. 2) The scope of supplies available is limited. To order US goods from England would be 20 to 30% costlier than to order the same directly from the US. (T.K.P. 31/1/'51)

Barter Trade and Tungoil Export

According to the estimates by the Tungoil dealers here, since the adoption of the barter trade, the tungoil export via HK in the month of January amounts to 4,500 tons. The volume of the trade is reduced by 40% as compared to the same before the US and Japanese export bans, but, owing to the recent adjustment made by the Chinese trade authorities in respect to the export price and th the rise in international price for tungoil, the merchants here gained more than ever before. It happened only after the adoption of the barter trade. (T.K.P. 1/2/'51)

Prices of Chinese Products Continued to Climb

Owing to the low stock and the shortage in fresh supplies, prices of the main Chinese products here advanced to high record. The difficuties which stand in the way for getting new supplies are: 1) The Chinese trade authorities directly place a limitation to the export of China Produce. 2) Under the new barter system, the traders encountered difficulties in importing to China, so that exports from China naturally will be reduced. 3) The prices of China produce in HK have advanced too fast. Under such circumstances, given the export demand remaining strong, the prices for Chinese products would still be higher. (T.K.P. 2/2/'51)

II. C O M M O D I T I E S

World Demand and Supply

Raw Material Trends

Before the latest upward movement of commodity prices began after the Korean war, prices in general were high enough to encourage maximum production. The advances which have since taken place - and in some instance they range up to 250 per cent - are purely inflationary. They cause tensions, friction and difficulties in many directions.

By next spring the current production of munitions will begin to be reflected progressively in the actual consumption of raw materials, but it will be many more months before Governments, both west and east, can feel strong enough to permit any relaxation in their strategic stockpiling. Even if civilian consumption is cut to the bone, therefore, the threat of chaotic market conditions will continue.

In the course of the upward trend of raw material prices since last June Commodities originating in the sterling area have shown far larger gains than the so-called "dollar commodities." Indeed, the wide disparities in price relations between sterling and dollar commodities that had existed since 1945, have now been overcome.

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The UK is the world's largest importer of raw materials and its terms of trade are adversely affected by the artificial increase in the prices of sterling commodities, although, as banker to the other sterling area, the country receives the gold and dollars earned by the sales of sterling commodities at high prices. But this gain is accompanied by a sharp increase in the US's short-term sterling debt to other sterling countries, with all its potential threats. At the same time, the increase in the gold and dollar reserves results in a discontinuation of Marshall aid to the UK - and Marshall aid has been one of the principal means by which raw material imports have been financed in recent years - it becomes doubtful whether the vast increases in the prices of sterling raw materials are a positive gain. (T.R.T. Dec. '50)

Commodity Movement in the Week Ending January 20

At long last a break has occurred in the steady rise in Commodity prices. This week the price of Cuban sugar was more than ½ cent a pound cheaper; it fell to its lowest price July. The record world crop was bound to affect the market sooner or later, but it took time to do so. Wheat and maize are also cheaper, but this may be partly seasonal, though, if it is, the fall has occurred earlier than usual.

Fibres generally have continued to rise; wool has risen by nearly 10 per cent this week. Tungsten and quicksilver are still bounding upwards; tungsten costs more than twice as much as it did in September, and quicksilver three times as much. The US "grey" market for copper and zinc is rapidly developing into a black market. In these dealings copper is selling at about 42 cents a pound and zinc at 30 cents. Prices of vegatable oils and tallow are still rising, but rubber and tin have weakened. (Economist, 20/1/'51)

UK Wholesale Prices at the Double

The trend of wholesale prices in 1950 vividly illustrates the burden of rising costs. Throughtout the twelve months the Board of Trade's index has displayed an unbroken rise. In the 1st quarter it was modest, but it became sharper as the year progressed and particularly sharp after June. By December the index had risen 21 per cent p the largest annual increase since 1940. The rise in the food component of the index was to some extent damped by the incidence of the subsided, but industrial materials fully reflected the rise in world commodity prices. Basic materials rose by no less than 85% on the year, intermediate products by 22% and manufactured goods by 7%. Food and tobacco rose by 8%, and building materials by 6%.

The main contribution to the higher cost of industrial materials has come from wool, the price of which rose by 117% during 1950 (raw wool itself rose by 133%). Non-ferrous metals rose by 60%, cotton by 36% and other textiles by 29%. Most of these increases occurred in the later part of the year and have still to filter through into retail prices; a sharp increase in retail prices is evidently to be expected in 1951. The actual increase in wholesale prices in December was only 1%, the smallest monthly rise since June. But this slowing down was only a temporary phase; commodity prices have continued to bound upwards this month.(Economist, 20/1/51)

Gold

The Realistic Price for Gold. Rising prices for gold in the so-called free gold markets of the world have served recently to lift gold values out of the doldrums. It is true that the Korean was has led to renewed private demands for gold and to that extent improved the outlook for S. African interests' premium gold sales. Their is reason to believe the new hoarding demand has been more general and more widespread than that of 1949, when supplies found their way chiefly to China. Until the Korean war reversed the trend, price in Middle and Near Eastern markets were falling throughout the 1st half of 1950. In mid-April gold delivery, Macao, was quoted around \$37 by July it had risen to about \$42, only to fall swiftly again on reports of large supplies arriving from Taiwan. Since then, prices have moved up and down on rumours of war and peace, a state of affairs likely to continue while present political undertaintie remain foremost in men's minds. Since the turn of the year the price has in fact been u to over \$47 at Macao and in some other centres still higher prices have been paid, although nothing like the peak level of 1949.

The official price of gold has been frozen since 1934 at \$35 an ounce. If it was appropriate to the general conditions obtaining when it was fixed 16 years ago, it must a priori bear little relevance to the totally different conditions under which we live.

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But what if any is a realistic price for the metal becomes a question of policy not of market value when regulations for holding, using, a nd dealing in gold vary in different countries from most rigorous restriction to complete freedom and when conditions are so remote from those of any other market in which economic forces or governement writ establish prices. Perhaps at some future date, means will be found by international cooperation to keep the output of gold and the price of the metal in step with the requirements of world economy and with the interests of the producing countries. Until then the dominant factors must continue to be the views of the principal buyer - the US Government - and the price he will pay. Meanwhile the acceleration of the decline in American gold stocks in recent months would seem to have produced no ill-effects on the US economy. (L.T. 22/1/'51)

Steel

US Steel Price Hike; Weighted Average is $5.80 a Ton. Pre-settlement estimates of the increase had ranged from $6 to $10 a ton. The weighted average increase fot the industry so far is actually only $5.80 per ton of finished steel. The price increase covers only the cost of wage settlement most steel firms are absorbing increased materials costs which now a verage more than $4 a ton.

The The steel price increases boosted the Iron Age finished steel composite price from 3.837 cents per lb to 4.127 cents per lb, an increase of only 0.290 cents per lb. This finished steel composite price is based on weighted shipments of 10 major finished steel products. (I.A. 7/12/'50)

Steel in UK. Re-rollers of light steel sections and small bars recently stopped accepting new export orders because of their already heavy forward commitments. A carry-over of a large number of orders for completion in 1951 is expected. Exports against existing contracts during October totalled 301,782 tons, compared with 249,416 tons in September. It seems almost certain that total 1950 shipments will reach the three million tons level. Meanwhile, steel plants are operating to the limit of their present capacity and makers hope to raise the 1950 production of steel ingots and casting to fully 16m. tons, in spite of some anxiety about future supplies of fuel and scrap. It is reported that the domestic drive for more scrap is to be intensified in an attempt to offset reduced German imports. Demand for all types of steel is heavy. Big tonnage of plates are wanted by the shipbuilders, while the pressure for black and galvanized sheets is overwhelming. Tube and wire makers are heavily booked forward. There is also an insistent demand from wagon and locomotive builders and engineering firms. (T.K.T. Dec '50)

Coal

The European Coal Shortage. Not only Britain but the whole of Europe is suffering from present insufficienty and a threatened serious scarcity of coal and meturllurgical coke. Thedecisive factor is the inadequate output of both the UK and Western Germany: for in 1937 exports of these two principal producers were about equal to the imports of eight main European importers. Since the war only in 1948 and 1949 were exports from W. Germany and Britain significant; but even during 1949 and the first half of 1950 exports from Britain ha ve been little more than a third of those in 1937, and exports from W. Germany about two-thirds. During Nov. 1950, the growing concern in the UK has been duplicated in most of the coal consuming countries of W. Europe.

During the winter British exports are almost certain to be decreased. In W. Germany the Rhur's authority's decision to export 6,830,000 tons of coal during the 1st quarter of 1951 has incurred the wrath of the German industrialists. Meanwhile Polish coal in insufficient quantity is fetching high prices; but Poland is likely to restrict exports to W. Europe both bacause of eastern European demands and because of Western trade restrictions. S. African coal can by no means meet demands on it; amd US coal at over £6 a ton when delivered is again required to redress the supplies of the Old World. The quantity of US coal exports, however, will clearly depend on the demand of US industry. (T.R.I. Dec '50)

American Coal for Europe. Europe's imports of American coal this winter will amount to about four million tons including 1,200,000 tons bought by England. This is less than Europe requires - eighteen nations recently attending the Coal committee of the Economic Commission for Europe hoped to import in the 1st quarter of this year five million tons more coal and a million tons more coke than European exporters could offer. There is no coke for shipment from the US.

Future supplies are uncerta in. The Germans have been ordered by the International Rhur Authority to accept an export ta rget for this quarter about a million tons higher than they desired; conceivably they will simply allow their deliveries to run into arrear. Poland has not so completely withdrawn from the coal market in Western Europe as had been expected; but it has been ra ising its almost to American levels, so that the order of coal prices on the Continent now ranges from American, the most expensive of a ll delivered, through Polish, Belgian, French, and British down to German. German coal exporters are anxious to raise their prices, and if the occupying authorities a gree this may exercise a corrective influence upon estimates of coal needs. (Economist 20/1/'51)

Machinery

Japanese Trade. According to a MITI survey, 1951,- 52 exports of machinery and equipment are estimated at $133.6m. (of which autos comprise $23m.), and the figure is expected to increase to $501.16m. in 1953-54. Auto exports are scheduled at $160.41 and $207.45, respectively, in 1952-53 and 1953-54. The reasons for such brisk shipments are 1) Increasing purchases by Southeast Asia , 2) the extension of facilities by the Export Bank for plants and equipment exports, and 3) the decrease of machinery export potential in the US and European conutries. (O.E. 20/1/'51)

Oil

Price Advances & Tends to Rise Further. The recent increases in the maximum prices of petroleum products (ranging from a farthing a gallon for 100 octane spirit, to $\frac{3}{8}$d. for diesel oil for road vehicles and to a halfpenny for motor spirit) follow the oil companies' regular half-yearly review of their freight costs and are not the result of any increase in the price of crude oil. The American Government has, in fact, takensteps to freeze Gulf oil price s at the December levels. The cost of operating tanders, as well as the cost of internal distribution , has been rising steadily and one of the biggest factors has itself been the increase in fuel prices. But more important is the fact that since the start of fighting in Korea, the charter charges for tankers have risen sharply while the number of tankers available for charter has fallen. The oil companies carry about 50 percent of their products in their own tanders and charter the remainder, usually on a 5-year basis. Some of the older agreements have been made on terms which are by present compa risons very favourable to the oil companies, but those made now are more than 100 per cent above the general level of charges in June and will probably continue to rise as the shortage of tankers becomes more acute. The fleets in the Far East have made heavy demands on ava ilable tonnage; there are no storage facilities in Korea, and a number of tankers are being virtually taken out of service to act as floating depots. These are fortunate if they complete one round trip in the time in which they would normally have completed ten. More tonnage must wait until the tanker construction programme is completed. (Economist, 20/1/'51)

Rubber & Rubber Products.

Japanese Rubber Goods. Exports from January through November, 1950, totalled about 1.5m. of which auto and bicycle tries and tubes accounted for $750,000, or one half. In the first nine months, tire and the figure increased to $113,000 in October. The best market was HK (one half of the total destined to this market), followed by Burma and India. Tire and tube exports will be hard hit if shipments to HK are stopped. (O.E. 20/1/'51)

No Control of Rubber by Britain. The Government rejected a suggestion made in the House of Commons that it should now control the import and re-export and domesticallocation of natural rubber. The suggestion was made with the idea that rubber supplies should be barred to Soviet Russia and new democracies.(S.C.M.P. 30/1/'51)

Soda Ash Caustic Soda

Japanese Production & Demand for Industrial Salt. Owing to the scarcity of salt, the wartime destruction of soda plants and the shortage of electric power, it was not until 1948 that post-war reconstruction began to make smooth progress. The 1950-51 production was originally scheduled at 160,000 MT for soda ash and at 175,000 MT for caustic soda.

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[redacted]

In view of the marked prosperity in the synthetic textile industry and the increasing demand for soda products since the flareup of the Korean conflict, the October-December goal was boosted to 51,000MT for soda ash and 58,200MT (27,200 MT for ammonia soda plant and 40,000 MT for electrolytic plants) for caustic soda. Almost the same goal has been set for the January-March 1951 quarter.

This year's outlook for the soda industry is likely to turn for the worse because industrial salt is getting shorter and shorter. According to the soda production schedu for the Janua ry-March 1951 quarter, the salt requirement is estimated at 230,000 MT. I cluding consumption for food, the total salt demand in this quarter will be 680,000MT. The maximum supply, on the other hand, is estimated at not more than 550,000 MT (220,000 MT already contracted for, 250,000 MT coming, under long-term contracts, and 80000 MT brought forward from the preceding quarter), or 138,000MT short of demand.

The 1951-52 import goal is set at 1,800,000 MT, but this appears to be an impossible proposition. The rea sons are:1) Due to the Far Eastern situation, it is hardly possible to import industrial salt from neighbouring countries, China in particular, and 2) imports from Africa and other distant areas, too, will be hampered greatly by the rising freightage. Many cif contracts have been cancelled by sellers, and plans are under way to import salt on a fob basis. (O.E. 20/1/'51)

Cotton

Fear for Prices. There have been several important changes recently and, though there is now perhaps less for anxiety about the quantity of the supplies, which it will be possible to obtain, there are more grounds for fearing that the prices which will have to be paid for them will be appreciably higher than most traders had expected. It is, unfortuna tely, more than likely also that difficulties will be encountered in the quality of the material available, and in the continuity of adequate supplies of particular types

On the 8th of November, the US Department of Agriculture had reported that the indic ated production of the current American crop was 9,945,000 bales, which represented an increase of only 76,000 bales over the October estimate, whereas the trade generally had ex pected an increase of between 250,000 and 500,000 bales.

On the other hand the increase in the permitted volume of exports has heighten- the anxiety of users in the US to secure their requirements, and their demand for delivery many more ahead than they are normally disposed to contract for, has pushed prices up sti further. On Nov. 20, near-month futures on the NY Cotton Exchange rose above 44 cents, surpassing the previous highest recorded in that market during the boom of 1920. New-crop deliveries have also advanced because, although control of production by acreage allc ments and marketing quotas will not operate on the 1951 crop, doubt are now appearing whe ther supplies of good-quality seed will be adequate for planting all the acreage which farmers will wish to devote to cotton next spring. From Taxes, Oklahoma, and th e Mississippi Delta have come reports that this year's seed production is poor in quantity and q uality.

Several further considerations suggest that raw cotton from other sources is more likely to become dearer than cheaper. In conformity with an announcement made in March, the Egyptain export on raw cotton was raised as from September 1 , from £E2.20 to £E4.00 a 100 kilogrammes, adding about 2d. per lb. On October 23 the Pakistan Government raise its export tax on raw cotton to 180 rupees a bale of 400 lb - or nearly 1s. per lb - compared with the previous rats of 40 rupees for short-stapled types and 60 rupees for long-stapled types - or respectively, about 2½d. and 4d. per lb- and, as the icrease took effec immedia tely, the higher rate become paya ble on cotton already bought but not yet shipped on the day concerned. This example was followed on November 8 by the Government of India who raised their export tax on raw cotton from 100 rupees to 400 rupees a bale of 400-lb. that is , from 4½d to 1s. 6d. per lb. and also introduced an export tax of 50 percent ad va lorem on cotton waste. As from the first of November, Mexico whence supplies had agai begun to be drawn, suppended all exports of raw cotton. (T.K.I. Dec. '50)

Wool

Price Jump,Again. The behaviour of the wool market since the turn of the year defies description. Since the second half of the selling season opened a fortnight ago woo prices have risen broadly by 20 per cent compared with the december level. According to market reports the main pressure of buying has come from Britain and the US. American buying has been mainly for defence contracts.

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Even before Korea it was clear that wool would be dearer in 1950-51 than in 1949-50, (when record prices were reached) owing to the high level of consumption, the prospective shortage in supplies and the existence of inflationary conditions. There are some signs of but by no means definite ones, tha t civilian consumption of wool beginning to decline. But there is no sign that inflationary conditions are likely to be curbed in the immediate future.

When the present high cost of raw wool comes to be reflected in the prices of wool textiles some consumers may be alarmed, despite the best efforts of manufacturers to limit the rise by mixing wool with cheaper fibres. Whether their alarm will stop them buying is a nother matter. Opportunities for other froms of spending will be restricted as defence production cuts into civilian production, andconsumer resistance to higher wool prices might be small. A bigger danger facing manufacturers might be the institution of price control, though this would have to make some allowance for the present high cost of raw wool. (Economist 20/1/'51)

Silk

Prospects of Japanese Silk Industry. The 1951 outlook of the Japanese silk industry appears encouraging. After a long spell of depression following the termination of the war, silk regained its position last year as one of the most hopeful export merchandises under the impetus of successive accelerators.

During 1949, foreign buyers made bulky purcha ses of Japanese raw silk in anticipatio of the possible removal of the floor price system at the beginning of 1950. Thus, they were rather hesitant in making voluminour purchases during an early stage of last year. Moreover, the domestic silk market was motably depressed due to bulky release of silk stockpiles by government corporations as well as to the continued tight money situation.

Hencem silk prices remained erratic and irregular while stocks at Yokohama and Kobe silk markets sharply increased. In order to prevent a sharp drop in silk prices, therefore reelers were compelled either to suspend or curtail production.

Following the outbreak of the Korean war in late June, the Japanese economic and industrial circles, particularly the textile field, were very much activated, and silk markets both at home and abroad presented a further a nimation. Thus, silk prices began to spurt and reached a postwar peak of ¥210,000 (20/22-A grade) in mid-August. About 28,000 bales of stocked silk, released by closed institutions in the interim, were readily consumed as demands proved remarkably energetic. As stocks have decreased to a record low, most transactions are now being made for future deliveries, say within three or four months ahead. While it can not be denied that the present animation has partly been due to speculative elements, the cardinal factor was a sharp increase in demand for silk both at home and abroa paralleled with a general economic recovery" following the Korean war.

Demand thus, eclipsed supply, and all stocks, including brought-overs from the preceding year, appear to be completely gone by the end of the 1950 silk year(June, 1950).The same seems to be the case with cocoons.

The 1951 production of cocoons is certain to rise by 20% (estimated at a total of 190,000 bales in terms of silk). With a lmost no stocks available ,hence, the 1951 supply is not likely to exceed the said 190,000 bales.

On the other hand, the domestic consumption, including the use for export-fabric weaving, is estimated at a round 100,000 bales even conservatively, leaving 90,000 allotable for foreign requirements. In the meantime, foreign demand for Japanese raw silk is estimated to stand at least at 70,000 bales in the US and 30,000 bales in Europe, Australian and the Asia tic countries. Thus, the demand in 1951 is expoected to exceed the supply again.

Judging from data collected by the writer during the three-month tour of the US and Euro pean countries from February to May 1950 as well as at the international Silk Conference which the writer attended in October, 1950 the public interest for silk has revived remarkably and is likely to increase internationally. The economic activity is also likely become animated during this year. Therefore, demand for Japanese raw silk is certain to soar. Under the circumstances, there is little fear that demand for raw silk will dwindle especially as supply of other textile materials has been notably restricted recently.

Mulberry field acreage as of August 1, 1950 showed a total of449,170 acres, a decrease of 1.85 per cent as compared with 457,709 acres of the precious year, according to statistics of the Raw Silk Bureau. However, high prices for cocoons as possible, and they are utilizing their limited mulberry fields to the full extent by re-planting improved seedlings and also applying fertilizer. Hence, the scheduled 20% gain for this year's cocoon is considered possible.

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Technical improvement is also being carried on by the introduction of new reeling methods and invention of the new automatic reeling mashines, making it possible to make high quality yarns at increased efficiency. (O.E. 20/1/'51)

Ra w Silk Export: Japanese. In 1950, the January-August shipments topped the previous year's annual total. Trade was very brisk in the following months, and the total up to end of November was 82,290.8 bales. Thus, last year's total is estimated at more than 90,000 bales. This year's goal is set at 100,000 bales, of which 50,000-60,000 bales are for the US. Whether or not this plan will proceed smoothly is dependent upon US purchases. (O.E. 20#1/'51)

International Price Level. The firmer trend in Japanese raw silk export prices during October has gathered impetus; 90 per cent raws (13/15 denir) were quoted at fully 35s.6d. per lb. cif UK, for February- April shipment. Towards the end of October the price was about 31s.6d. United States importers have bought on the rise, while demand is particularly prominent from the US and the Continent. US hosiery manufacturers have had to increase their purchases of silk because of the reduction in the civilian use of nylon. Much of the general buying is believed to be for stockpiling. Recent advises from Milan indicate that raw silk prices rose in one week by an average of 100 lire per kilo; 20/22 denier Brand Exquis reached 6,600 lire, the highest figure this year. (T.R.I. Dec. '50).

Silk Confusing Situation in New York. Leading NY silk dealers and SCAP officials expressed Confidence that the Economic Stabilization Administration would clarify soon what effect the Government's price freeze has upon raw silk imports from Japan. Everyone in the trade here agreed that the situationis extpremely confusing. Meanwhile, trade is at a standstill. Likewise, there was general understanding here that so far the Government order has not frozen Japanese silk at $5.50 a pound.

No information is available at present on silk prices for Dec. 19 - Jan. 25 period. The Government order sets forth that peak prices during that period on commodities shall determine the ceiling prices. Commodity market figures show $5.55 a pound was the highesy price paid here during that period for Japanese "A" grade raw silk. That price was the nominal figure still quoted on January 29,. However, the quotation jumped to $5.60 on January 30, but no dealings were recorded. (S.C.M.P. 1/2/'50)

~~Flax London Market~~Flax. Activity in the Conttrai flax and tow markets has resulted in a further advance in prices. Stocks have not been allowed to accumulate and they are now extremelylow. Even the lowest grades of flax and tow are bought at any price that sellers care to ask. Dutch flaxes recently reached £465 a ton, compared with £295 a ton about two months ago. The rapidity of the advance has made the determining of yarn values difficult and successive adjustments have been made by Scottish spinners. (T.R.I. Dec. '51)

Vegetable Oils.

Groundnuts at London. Slow conditions prvailed in the groundnuts import market because of the limited supplies and firm indications; but steady bookings were made on UK account for nuts from the Gambia under official arrangements. Imports into the UK during the first 10 months of 1950 comprised 292,966 tons decorticated and 61,816 undecorticated. (T.R.I. Dec. '50)

Oilseeds; UK Markets. Apart from moderate sales of India castorseed to the UK the oilseeds market continued to be quiet, largely because of the firmness of sellers. The US 1950 linseed corp was officially placed at 35,200,000 bushels, against 43,700,000 in 1949 the Canadian crop was 4,500,000 against 2,262,000 bushels. (T.R.I. Dec. '50)

Seedoils. International trade in seedoils was mainly for groundnuts oil, especially on Italian account. Prices were a little irregular by the undertone was still firm. Indian crude linseed oil was $145 against £153; crude groundnut oil was £152 10s. against £156; and Bombay castor oil first was £155 against £145 a ton c.and f. (T.R.I. Dec. '50)

Tea

The Production & Foreign Demand of Japanese Tea. According to statistics compiled by

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the Ministry of Agriculture and Forestry, the area of the tea plantations under cultivation for the 1946 amounted to about 25,000 chobu (248,000 cubic km). The same statistics indicated that farmers growing tea numbered 590,000 households. The entire output for this year was 660,000 kan approximately, or 55,000,000,lbs. However, it is believed that the actual figures exceeded those appearing in the statistics to a considerable extent. For instance, exports pf tea fpr the year 1949, destined mostly for North America and Morocco, totalled about 17,000,000 lbs. (roughly 2,000,000 kan), while the domestic requirements were estimated to be about 9,600,000 kan (about 80,000,000 lbs.) for a population of 80,000,000 at the pre-war ration of 120 momme (1 lb) per capita. The gross total hence comes out to 11,600,000 kan. Even if these fifures for the domestic consumption be discounted to some extent, it would not be far off the mark to estimate the last year's production, in other words for the year 1949, at 10,000,000 kan. Despite the recent general drop in the prices of commodities, tea quotations show no signs of following suit. This we attribute to the heavy shortage in the supply as compared to the demand. In order to satisfy the home demand, and a t the same time, to maintain exports at the present level, production must be boosted to at least 12,000,000 kan. This goal can must probably be reached in the course of a few years, for such factors as the expansi of the areas under tea cultivation better care of the tea plants, an increasingly large supply of fertilizers, etc., will combine to expedite its attainment.

During the year 1949 appreciable results were obtained in the shipemtns to tea under the open account system of trade. It merits notice that the sharp increase in tea exports from Japan is attributable in the main to the suspension of tea exports from China. Heretofore, Japan and China were the two main countries supplying green tea to the world marke followed by Formosa, although the quantity was limited. The principal sources of the demand for green tea were in Northe Africa, USA and Canada, followed by Soviet Russia. How ever the latter country commenced cultivation of tea in the Cau aa sus area some time ago and recent reports seem to indicate that it is now in a position to satisfy the domestic demand with indigenous products. Hence, the main overseas markets for Japan hereafter will be limited to North Africa, US a nd Canada. However, thereare limits to this demand for the consumption in US and Canada combined amounts to about 5,000,000 lbs, and in North Africa, 25,000,000 lbs approximately, or a total of 30,000,000 lbs. It is hence obvious thatexports of green tea from Japan hereafter will be affected in no small degree by the future trend of green tea shipments from China mainland and Formosa. Moreover, whether the qua lity of Japanese tea sufficiantly matches the taste in overseas markets is another important factor to be considered.

At the present time, heavy shipments of green tea (Chung Mee brand, Gunpowder brand, etc.) are being made to N. Africa. Extensive studies are currently being made in respect to improvements in the methods of production a nd in the machines used for processing with a view to matching the taste in theoverseas markets. (J.T.Dec.'50)

Ta iwan Green Tea to N. Africa. Since the World War II N. Africa has been the principa l market for Chinese green tea. During the 1949-50 period, about 2,000 tons of Taiwan green was shipped to N. Africa. The fact drew the attention of Taiwan tea dealers Since then, Taiwan green tea were exported to N. Africa in great quantity but at the expen ce of quality. This resulted in great repugnance on the part of the N. African tea impo ers. The President of Taiwan Tea Co. was on the way to N. African seeking an investigati of market conditions in N. Africa as well as in Europe.

According to the Taiwan Tea Co., the sales abroad of Taiwan green tea in the past year wa s normal, the total being 3,065,000 lbs of which 2,500,000 lbs. went to S. America, 1,100,000 lbs to British Commonwealth and 1,160,000 lbs to HK. The Taiwan Tea Co. exported nearly 4,000,000 lbs of green tea in 1950 with 2,000,000 lbs going to the US, 1,160 000 to N. Africa a nd the remainder to Europe. (S.T.Y.P. 30/1/'51)

Gunny Bags

The Indian Government imposed an export ban on gunny bags since February 1950 it is now reported that the ban will be lifted. It is also reported that the February allocati for gunny bags wxports to HK will be increased. As to when the Indian firms will take an orders for the same, it is, however, uncertain and pending on the official announcement by the Indian Government. The report has depressed on the black market prices for Indian gunny bags. (S.T.Y.P.)

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US

The Import of US Rearmanent on Its. The impact of rearmament has been felt increasingly during the month of December. Evidence accumulates that supplies of industrial materials will be short and their use restricted. The orders of NPA limiting the use of essential materials in civilian use a point to the fact.

The scarcities are appearing before actual armament production is making any considerable demand on supplies. In part they are due to absorption of stocks by the enormous consumption of metals during the past few months. In part they reflect a scaramble to ke covered in anticipation of future requirements. Most of all, they are due to government stockpiling.

The greatest uncertainty is the size of the wa r orders themselves and the speed with which they will be placed. Between the possible minimum and the possible maxium of expenditures is a range so wide that no one can yet tell precisely what the require,emts for materia ls a nd labour may be.

Subject to these uncertainties, most elements in present outlook favour continuation of high level of production with " a minimum of priorities unemployment". Restrictions of supply now planned will leave the durable goods industries with enough materials to car on a production rate in most cases second only to 1950. The cutoff is not likely to be pr cipitous in all lines, but staggered.

The general view is that markets for durable goods will shrink in 1951, both because of the credit restrictions and the inevitable reaction from last summer's boom, during whi business was borrowed from the future.

Naturally the trade outlook is dominated by prospective purchasing power, and this in turn by high employment at rising wage rates and by quickening armament orders to take up slack where it appears . The second element is the paychology of consumers, whether the will to buy or the will to save is uppermost. In over all terms personal saving came to lt during the month of July according to the estimates of incomes. Since July the propor tion of incomes saved has been rising toward a normal figure again. From every viewpoint more saving is desirable. The long-run fear is not that, spending will be too little to clear the markets of consumers goods, but that demand will exceed supplies - in other wor inflation.

Unfortunately the inflationary spiral has mounted further. The trend of commodity prices has continued, upward. The steel industry, as was inevitable, has joined the procession of increases and steel prices have advanced. What is more significant, the publication of the official consumer's price index (cost of living) for October, which rose to a new high of 174.8 (1935-9 100), required further wage increases to be granted automatically in cases where esca la tor contracts based on this index are in force. In nearly all cas workers covered by these contracts had already had increases since the Korean war began.

Thus is illustrated the effect of inflationary mechanisms such as escalator clauses i prices and wage contracts. Industrial costs will be raised, price advances will work arou the circle, and the pa rity prices which govern farm price support programs will rise. Th ese developments make even more urgent the need to turn more of the income increases from spending into sa ving and for the government to reduce its spending in order to diminish th pressure on the markets . (M.L.E.C.Dec.'50)

US Wholesale Commodity Prices. (August 1939::100)

	Index	Imports	Domestic	Foodstuffs	Industri
Jan.10,1951	383.6	428.3	357.2	394.6	375.9
" 19, '51	388.1	434.1	361.1	395.7	382.3
" 19, '50	249.2	258.0	243.7	308.1	222.5

The index numbers are compiled by the Bureau of Labour Statistics and are based on spo market prices. Most of the 28 commodities are basic raw materials. (N.Y.T. 20/1/'51)

US Price-Wage Freeze. The Government hinted at eventual rollbacks of some prices today, but meanwhile set about the giga ntic task of enforcing the general US price-wage free decreed last night (Jan. 26)

Price Chief Micheal V. Disale, a nnounced that rollbacks will be tackled on an individual commodity basis. "Right now," he said, "the dire need is to stop the crushing price advance in its tracks."

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Authorities tried last night to do this by freezing prices and wages at current level -- all except a list of basic foods and other prices which they could not touch because Congress gave them special treatment in the control law.

The freeze was la belled a stopgap, with price adjustments -- and a new general wage policy -- to be worked out a s quickly as possible. But there were immediate and strong protests from labour and farm groups.

Stocks spurted upward, several commodity markets closed down for the day to await clarification. Businessmen generally pledged support. (S.C.M.P. 28/1/'51)

Western Europe

The Growth of Foreign (to US & ex-Russia) Reserves. In consideration of the fact that Marshall aid to Europe has been gradually slowing down, according to the plan, the growth in foreign (to US) gold and dollar reserves has been phenomenal. The change dates back to September 1949, when currencides were realigned on a worldwide basis. The US gold reserve at $24.6 billion was at its zenith. Since then foreign countries taken collective but ex-Russia have probably added $700m. to their reserves directly from new gold productic From the surplus supply of dollars made by American loan and aid programs and other transactions $1.5 billion has been converted into gold, providing an overall recovery in gold reserves of £2.2 billion for foreign countries (ex-Russia).

Only part of the dollars accruing to foreigners has been converted into gold. The remainder is represented, mainly, in increased deposit balances with American banks, and short term investment in the US market. Such dollar holdings increased $1.1 billion from September 1949 through August, 1950 and may have risen another half billion by the end of November. If gold and dollars are taken together, the recovery in foreigh holdings probably runs to $3½ or $4 billions in 14 months. The change is for the good insofar as creased reserves provides a basis for confidence in currency values. (M.L.E.C. Dec11'50)

UK

More Gold from Europe. The sterling area continues to run an unexpectedly large surplus with Western Europe. The latest monthly compensation of the European Payments Union, covering transactions for December, showed a UK surplus of £20,444,286. A part of this was probably earned through payments for sterling area commodities at the recently prevailing high levels of prices. This surplus was financed as to £4,354,643 by the use of existing sterling resources, i.e. pre-June 30th balancesheld by the dificit countries. The UK is now at the stage at which, as a creditor, it receives in gold half the net amounts due to it and makes the other half available in the form of credits to EPU. In respect of December it recdived £8,158,929 in gold, increasing the amount so far recerived from EPU in this form to £12,668,214. The UK is now a creditor in the books of EPU to the amount of £88,382,857. Here is further evidence that the trend of international gold movements is still strongly towards. London. (Economist, 20/1/'51)

Impact of World-wide Inflation - Rapid Rise in Import Prices - Commodity Agreements Unlikely - Problems of Taxation. The general inflationary trend in the world is unlikely to be modified unless some unexpected development occurs either in international relations or in agreements between the western powers on commodity allocation and price inflation. In Britain, although the new rearmament programme has had hardly any real effect set on industry, the world-wide scramble for a bigger variety of raw materials and the resultant soaring of commodity prices have become the most serious concern of British industry, particularly engineering.

The inflationary effect on their country of the commodity scramble is as follows. The import prices index for all articles was lower in September 1949, then it had been since early in 1948, but since that time it has increased steadily until in October; it was 143 (In all cases appearing hereafter, June 1947::100). The prices of raw materials were the main burden of the rise; and in October the raw materials' import prices index was 175 per cent of that in June 1947. Wholesale prices in this country have inevitably followed the imports prices rise(from 135 in June 1950 to 153 in October, 1950). Wholesale prices of industrial manufactures which rose (from 148 in June, 1950 to 163 in September, 1950 are being more affected than food. So far the effect on reta il prices has been comparatively sma ll the index is only three points above what it was in September 1949. Wages have risen least since devaluation.

Furhter rises in retail prices in the beginning of 1951 are unavoidable, and not only the recent engineering wages agreement but also other pending wages have yet to be reflec ed in the wage index. Such increases in wages are really overdue, and although the fore bearance of the year, 1950, has till now tempered the inflationary movement in the countr the impact of wage increases will add to it.

The impetus to the general infla tionary trend both in Britain and abroad would lose its strength if international agreement could be reached on raw material supplies. But the recent failure of the attempt to work any arrangement for wool as well as the previo failure of the talks on tin, suggest that it would be futile to expect any effective com dity agreements.

The Chancellor's quandary, when he comes to his Budget of 1951, is on the one hand th income tax increases would add to the clamour about the effect of wage increases, and on t other hand there is an increasing clear case for decreasing texes on industrial profits b ea use of the growing repla cement cost and working expenses. The possible running down of real assets in many firms because of monetary over-statement of gross profits in the year since the war is causing concern.

British Imports and Exports Indexes.

	1947 average 100 Import	Export
September, 1949	112	112
June, 1950	132	119
September, 1950	138	121

(T.R.I.Dec. '50)

Japan.

Vital Financial Issues. International prices have been on a steady advance due to a world-wide rearmament race, and this tendency is likely to continue for some time to come The price trend in Japa n cannot stand immune to this international development.

The 1949-50 budget was based on a super-austerity policy and the real outcome was mo than well balanced (with the excess of withdrawals reaching about ¥90,000 million), while the 1950-51 budget, equally based on an austerity policy, turned out to be less satisfact ily balanced and there was a fear that it might end in an excess payment of about ¥10,0C million. The 1951-52 budget was likely to result in a greater excess of payments.

An increased note would become inevitable due to the export excess in commercial ac- count if a shortage of funds resulting from an increase in foreign currency holdings in the Foreign Special Account was not well covered with a transfer from financial funds.

The 1951- 52 budget might well alleviate the super-austerity effects as compared wit the 1949-50 or 1950-51 budget. If, at the same time, the expense for supplies, which for the pivot of the Budgetary plan, was complied with the possible price gain during the nex fiscal year estimated only at 10 per cent, a supplementary expenditure may become necessa in the course of the budgetary execution, However, whether finances are well balanced o not may notbe well judged on the basis of total spending for the year concerned. If the budget results in the excess of payments at the end of a year but registers an excess of withdrawals during the first half of the year, as was the case during the past few years, delationary effects will not be avoided.

Another problem demanding close attention is a study of foreign currency holdings. In case imports fail to increase while exports increase or imports decrease while exports remain unchanged, even the maintenance of a financia l balance through the transfer of fun required for increasing currency holdings from the general account will not play any parti cular role in checking inflation.

Under such circumstance, domestic raw material supplies will become exhausted due to insufficient imports a nd prices will tend to rise. Eventually, imports should be incre ed or exports should be pressed down in order to cope such a situation with.

Shifting to reckless "deficit" finances should be strictly avoided. However, it is equally important to guard against the neglect of long-term economic balance, supported wi goods in a wild pursuit after a financial bal ance in the immediate future. (O.E. 20/1/'5).

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South-Eastern Asia

Stop-Gap Economic Assistance. The US Economic Co-operation Administrator, Mr William Foster expects this week to receive authority to spend $75,000,000 in stop-gap economic assistance to six South-east Asian countries.

This ready cash will enable the United States to start almost immediately programmes designed to help the Philippines, Burma, Indo-China, Thailand, and Formosa muster economi strength to resist Communism. The money would come from unspent European aid funds and would permit the ECA to launch its Southeast Asian assistance programmes without waiting for new appropriations from Congress.

The administration is obtaining its special Southeast Asian aid fund by shifting money from one pocket to another. In voting foreigh assistance funds this year, Congress earmarked most for Europe but it gave the President authority to shift three per cent to other parts of the world if he saw fit.

ECA reportedly asked the Budget Bureau for permission to shift $75,000,000 from Europe to Southeast Asia. (S.C.M.P. 1/2/'51)

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ABBREVIATIONS

B.W.	Business Week.
C.C.J.	Chamber of Commerce Journal.
C.E.B.	Czechoslovak Economic Bulletin.
C.F.	The Commerce & Finance Chronicle.
C.M.	The China Mail.
D.C.Q.	Daily Commodity Quotations.
Economist	The Economist.
E.W.	Eastern World.
F.C.W.	Foreign Commerce Weekly.
F.E.E.R.	Far Eastern Economic Review.
H.S.	Hongkong Standard.
H.T.	Hongkong Telegraph.
I.A.	Iron Age.
I.T.B.	Indian, Trade Bulletin.
K.H.Y.P.	Kung Hiung Yih Pao.
J.F.C.	Journal of Finance & Commerce.
J.E.I.	Japanese Exporters & Importers.
J.I.T.B.B.	Japanese International Trade Board Bulletin.
L.T.	London Times.
N.C.C.C.	New Commonwealth and Crown Colonist.
N.Y.T.	New York Times.
O.E.	The Oriental Economy.
S.C.M.P.	South China Morning Post.
Specta tor	The Spectator.
S.T.H.P.	Shuang Tsing Hui Pao.
S.T.Y.P.	Sin Tao Yih Pao.
S.C.B.	Survey of Current Business.
T.K.P.	Tai Kung Pao
Tea	Tea & Coffee.
T.M.A.	The Textile Mercury & Argos.
T.P.N.	The Promotion News., UN Economic Commission for Asia & the Far East.
T.R.T.	The Times, Review of Industry.
US. FRB. B.	US Federal Reserve Board Bulletin.
US News.	US News & World Report.
W.J.S.	The Wall Street Journal.
US D.C.B.	US Department of Commerce Bulletin.
W.M.B.	World Market Bulletin.
W.W.P.	Wan Wei Pao.

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