Some of the disbursements by U.S. military agencies do not provide dollar income to the foreign countries in which the disbursements are made, since they are made in foreign currencies that were originally acquired by the Government through the sale of agricultural products, excess property, and other goods and services, or received as counterpart funds under grant programs and as payments on loans and other credits. For the most part, the Military Establishment purchases these local currencies from the U.S. Treasury with appropriated dollars.

About half of the foreign outlays of the Armed Forces for services consists of out-of-pocket disbursements of U.S. personnel and their dependents, direct payments to foreign personnel, and the foreign outlays of post exchanges and clubs.

Contributions by the United States to the multilateral construction program of the North Atlantic Treaty Organization (NATO) has shown little fluctuation from year to year. By the end of June 1959 the cumulative cost to the United States for these installations constructed for the common use of the Allied forces was about $500 million.

Offshore procurement for the purchase of military equipment to be retransferred as grant aid to the producing countries or to other countries participating in the military assistance program amounted to $149 million in 1959.

The United States also receives dollars from other countries for the sale of certain military equipment. Such receipts are shown in the "services" section of this report. Most of the receipts result from the mutual security military sales program which enables our allies to purchase military equipment and services from the U.S. Government. Total receipts from military sales averaged $180 million annually during 1953–57. In 1959 they amounted to $300 million.

Because of the increase in the adverse balance of international payments of the United States, relative to the countries of Western Europe, it has been proposed that the latter bear a larger proportion of the cost of military defense than they now bear. There is no question but that the position of Europe has improved, while that of the United States has deteriorated, as far as the balance of international payments is concerned. Whether or not the Western European countries are paying a fair share of the total cost of the defense burden, however, is a different and more fundamental question.

Although it has no direct bearing on the balance of payments problem the following tabulation is presented to indicate the share of the cost of military defense that is being borne by selected countries, relative to their gross national products.