

In very broad terms, two classes of private short-term capital movements can be distinguished. First, there are those initiated primarily by the recipients of the funds and related to their specific current needs—such as, for instance, the financing of their import needs. The major portion of the outstanding short-term claims of the United States on foreigners arose out of such needs, particularly out of needs for financing international trade. To the extent that new credit extensions exceed or fall short of repayments, the differences are recorded as capital flows in our balance-of-payments statistics. Secondly, there are those short-term capital movements that are mainly initiated by investors, in order to obtain a higher interest rate or tax savings or perhaps to gain from an anticipated change in exchange rates.

Some financing of international trade by U.S. banks and businesses covers trade among third countries, but most of it covers U.S. exports and is related to borrowers' needs. Trade financing is mainly undertaken through bankers' acceptances, bank loans to foreigners, sight and time drafts, and open-book credits. Such financing is reflected in various items in the accompanying table: in bank-reported loans to foreigners, collections outstanding (i.e., bills on foreigners held by banks for collection), and "other" bank-reported dollar claims (largely acceptance financing). The short-term claims reported by nonfinancial concerns also reflect export credit as well as short-term balances held abroad for business or other reasons.

The available statistics do not distinguish between foreign borrowing in this country that is directly tied to trade financing and foreign borrowing for more general purposes. The latter category, however, is probably large and would include many conventional bank loans as well as dollar exchange acceptances—i.e., acceptances that are drawn for the express purpose of creating dollar exchange and which do not arise from any specific trade transaction. Such borrowing will often be for temporary foreign exchange needs in countries that are subject to wide swings in export earnings.

Movements of U.S. short-term capital, 1957 to 1st quarter 1962

[In millions of dollars; (–) denotes outflow, (+) denotes inflow]

Type of movement	1957	1958	1959	1960	1961	1962: 1st quarter
Reported by banks, total.....	–253	–343	–81	–991	–1,086	–172
Dollar claims, total.....	–256	–293	–61	–729	–980	–289
Loans to banks and official institutions.....	–45	–213	–8	+33	–199	–194
Loans to others.....	+27	–125	–32	–22	–136	–32
Collections outstanding.....	+17	+2	–95	–89	–89	–38
Other ¹	–255	+43	+74	–651	–556	–25
Foreign currency claims, total.....	+3	–50	–20	–262	–106	+117
Deposits.....	–1	–49	–22	–39	–143	+83
Other.....	+4	–1	+1	–223	+38	+34
Reported by nonfinancial concerns, total.....	–31	+57	+15	² –425	–476	(³)
Dollar claims.....	–23	+69	–37	–253	–443	(³)
Foreign currency claims.....	–8	–12	+52	² –172	–32	(³)
Total U.S. short-term capital ⁴	–284	–286	–66	² –1,416	–1,562	(³)

¹ Represents principally bankers' acceptances.

² Excludes \$370,000,000 held pending direct investment.

³ Not available.

⁴ Does not include Department of Commerce adjustments to a balance-of-payments basis.

NOTE.—Because of rounding, figures do not necessarily add to totals.

Source: U.S. Department of the Treasury.

Finally, there are the various other types of capital movements which fall in the second broad category identified above—that of transactions, largely initiated by the investors. These arise mainly, but not exclusively, out of transactions induced by international interest rate differentials or exchange rate speculation. The opportunities for such transactions were greatly expanded with the reestablishment of external convertibility of the major European currencies at the