

# ANGLO-AMERICAN



## Financial and Commercial Agreements

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DECEMBER 1945

DEPARTMENT OF STATE  
PUBLICATION 2439  
Commercial Policy Series 80

# STATEMENT BY PRESIDENT TRUMAN AND PRIME MINISTER ATTLEE<sup>1</sup>

DECEMBER 6, 1945

The economic and financial discussions between officials of the United States and United Kingdom Governments meeting in Washington have now been completed.

These discussions have been concerned with the major problems affecting the basic economic and financial relations between the two countries, in the light of the provisions of article VII of the mutual-aid agreement between their Governments signed February 23, 1942.

They have covered the questions of financial assistance from the United States to the United Kingdom, the demobilization of wartime trade and monetary restrictions, the settlement of lend-lease, the disposal of surplus war property in the United Kingdom owned by the United States, and, finally, long-range commercial policies in the broad sense, embracing the fields of trade barriers and discriminations, policies in respect of commodities in world surplus, cartels, an international trade organization, and international aspects of domestic measures to maintain employment.

The purpose of the discussions has been to arrive at mutually advantageous solutions of these problems which the two Governments would commend to the peoples and legislatures of the two countries and to the world as a whole.

Both sides have been fully conscious of the significance to other countries, as well as their own, of the outcome of these discussions, and they have from the beginning had continuously in view the common interest of their Governments in establishing a world trading and monetary system from which the trade of all countries can benefit and within which the trade of all countries can be conducted on a multilateral, non-discriminatory basis.

The discussions have been successful.

Agreement has been reached, subject to the approval of the legislatures of both countries, for the extension by the United States to

<sup>1</sup> Released simultaneously in Washington and London.

the United Kingdom of a line of credit of \$3,750,000,000 on the terms stated in the financial agreement signed this day, for the following purposes: to facilitate purchases by the United Kingdom of goods and services from the United States, to assist the United Kingdom to meet transitional post-war deficits in its current balance of payments, to help the United Kingdom to maintain adequate reserves of gold and dollars, and to assist the United Kingdom to assume the obligations of multilateral trade. This credit would make it possible for the United Kingdom to relax import and exchange controls, including exchange arrangements affecting the sterling area, and generally to move forward with the United States and other countries toward the common objective of expanded multilateral trade.

Agreement has been reached for the final settlement of lend-lease and reciprocal aid, the disposal of surplus war property in the United Kingdom owned by the United States, and the final settlement of the claims of each Government against the other arising out of the conduct of the war.

Agreement has been reached on the broad principles of commercial policy for which the two Governments will seek general international support.

These arrangements, if carried out, will put an end to the fear of an economically divided world; will make possible, throughout the world, the expansion of employment and of the production, exchange, and consumption of goods; and will bring into being, for the first time, a common code of equitable rules for the conduct of international trade policies and relations.

The realization of these proposals will depend upon the support given them by the peoples and legislatures of the United States and the United Kingdom, and where they envisage measures requiring broad international collaboration, the support of other countries.

The following documents resulting from these discussions are being issued by the two Governments:

Financial agreement.

Joint statement regarding the understanding reached on commercial policy.

Joint statement regarding settlement for lend-lease and reciprocal aid, surplus war property, and claims.

# UNDERSTANDING REACHED ON COMMERCIAL POLICY

JOINT STATEMENT BY THE UNITED STATES AND THE  
UNITED KINGDOM

The Secretary of State of the United States has made public today a document setting forth certain "Proposals for Consideration by an International Conference on Trade and Employment". These proposals have the endorsement of the Executive branch of the Government of the United States and have been submitted to other Governments as a basis for discussion preliminary to the holding of such a conference.

Equally, the Government of the United Kingdom is in full agreement on all important points in these proposals and accepts them as a basis for international discussion; and it will, in common with the United States Government, use its best endeavors to bring such discussions to a successful conclusion, in the light of the views expressed by other countries.

The two Governments have also agreed upon the procedures for the international negotiation and implementation of these proposals. To this end they have undertaken to begin preliminary negotiations at an early date between themselves and with other countries for the purpose of developing concrete arrangements to carry out these proposals, including definitive measures for the relaxation of trade barriers of all kinds.

These negotiations will relate to tariffs and preferences, quantitative restrictions, subsidies, state trading, cartels, and other types of trade barriers treated in the document published by the United States and referred to above. The negotiations will proceed in accordance with the principles laid down in that document.

# SETTLEMENT FOR LEND-LEASE AND RECIPROCAL AID, SURPLUS WAR PROPERTY, AND CLAIMS

JOINT STATEMENT BY THE UNITED STATES AND THE  
UNITED KINGDOM

1. The Governments of the United States and the United Kingdom have reached an understanding for the settlement of lend-lease and reciprocal aid, for the acquisition of United States Army and Navy surplus property, and the United States interest in installations, located in the United Kingdom, and for the final settlement of the financial claims of each Government against the other arising out of the conduct of the war. Specific agreements necessary to implement these understandings, setting forth the terms in detail, and consistent herewith, are in the course of preparation and will shortly be completed.

2. This settlement for lend-lease and reciprocal aid will be complete and final. In arriving at this settlement both Governments have taken full cognizance of the benefits already received by them in the defeat of their common enemies. They have also taken full cognizance of the general obligations assumed by them in article VII of the mutual-aid agreement of February 23, 1942, and the understandings agreed upon this day with regard to commercial policy. Pursuant to this settlement, both Governments will continue to discuss arrangements for agreed action for the attainment of the economic objectives referred to in article VII of the mutual-aid agreement. The Governments expect in these discussions to reach specific conclusions at an early date with respect to urgent problems such as those in the field of telecommunications and civil aviation. In the light of all the foregoing, both Governments agree that no further benefits will be sought as consideration for lend-lease and reciprocal aid.

3. The net sum due from the United Kingdom to the United States for the settlement of lend-lease and reciprocal aid, for the acquisition of surplus property, and the United States interest in installations, located in the United Kingdom, and for the settlement

of claims shall be \$650,000,000 subject to the accounting adjustment referred to below. This amount consists of (a) a net sum of \$118,000,000 representing the difference between the amount of the services and supplies furnished or to be furnished by each Government to the other Government after V-J Day through lend-lease and reciprocal-aid channels, less the net sum due to the United Kingdom under the claims settlement, and (b) a net sum of \$532,000,000 for all other lend-lease and reciprocal-aid items, and for surplus property, and the United States interest in installations, located in the United Kingdom and owned by the United States Government. The actual amounts due to the respective Governments for items included in (a) above other than claims will, however, be ascertained by accounting in due course, and the total sum of \$650,000,000 will be adjusted for any difference between the sum of \$118,000,000 mentioned above and the actual sum found to be due. All new transactions between the two Governments after December 31, 1945, will be settled by cash payment.

4. The total liability found to be due to the Government of the United States will be discharged on the same terms as those specified in the Financial Agreement concluded this day for the discharge of the credit provided therein.

5. In addition to the financial payments referred to above, the two Governments have agreed upon the following:

- (a) Appropriate non-discriminatory treatment will be extended to United States nationals in the use and disposition of installations in which there is a United States interest;
- (b) Appropriate settlements for the lend-lease interest in installations other than in the United Kingdom and the colonial dependencies will be made on disposal of the installations;
- (c) The United States reserves its right of recapture of any lend-lease articles held by United Kingdom armed forces, but the United States has indicated that it does not intend to exercise generally this right of recapture;
- (d) Disposals for military use to forces other than the United Kingdom armed forces of lend-lease articles held by the United Kingdom armed forces at V-J Day, and disposals for civilian use other than in the United Kingdom and the colonial dependencies of such lend-lease articles, will be made only with the consent of the United States Government, and any net proceeds will be paid to the United States Government. The United Kingdom Government agrees that except to a very limited extent it will not release for civilian use in, or export from, the United Kingdom and the colonial dependencies lend-lease articles held by the United Kingdom armed forces.

(e) The Government of the United Kingdom will use its best endeavors to prevent the export to the United States of any surplus property transferred in accordance with this understanding.

6. The Government of the United Kingdom agrees that, when requested by the Government of the United States from time to time prior to December 31, 1951, it will transfer, in cash, pounds sterling to an aggregate dollar value not in excess of \$50,000,000, at the exchange rates prevailing at the times of transfer, to be credited against the dollar payments due to the Government of the United States as principal under this settlement. The Government of the United States will use these pounds sterling exclusively to acquire land or to acquire or construct buildings in the United Kingdom and the colonial dependencies for the use of the Government of the United States, and for carrying out educational programs in accordance with agreements to be concluded between the two Governments.

7. The arrangements set out in this statement are without prejudice to any settlements concerning lend-lease and reciprocal aid which may be negotiated between the Government of the United States and the Governments of Australia, New Zealand, the Union of South Africa, and India.



# FINANCIAL AGREEMENT

## BETWEEN THE GOVERNMENTS OF THE UNITED STATES AND THE UNITED KINGDOM

It is hereby agreed between the Government of the United States of America and the Government of the United Kingdom of Great Britain and Northern Ireland as follows:

1. *Effective date of the Agreement.* The effective date of this Agreement shall be the date on which the Government of the United States notifies the Government of the United Kingdom that the Congress of the United States has made available the funds necessary to extend to the Government of the United Kingdom the line of credit in accordance with the provisions of this Agreement.

2. *Line of credit.* The Government of the United States will extend to the Government of the United Kingdom a line of credit of \$3,750,000,000 which may be drawn upon at any time between the effective date of this Agreement and December 31, 1951, inclusive.

3. *Purpose of the line of credit.* The purpose of the line of credit is to facilitate purchases by the United Kingdom of goods and services in the United States, to assist the United Kingdom to meet transitional postwar deficits in its current balance of payments, to help the United Kingdom to maintain adequate reserves of gold and dollars, and to assist the Government of the United Kingdom to assume the obligations of multilateral trade, as defined in this and other agreements.

4. *Amortization and interest.*

(i) The amount of the line of credit drawn by December 31, 1951, shall be repaid in 50 annual installments beginning on December 31, 1951, with interest at the rate of 2 percent per annum. Interest for the year 1951 shall be computed on the amount outstanding on December 31, 1951, and for each year thereafter, interest shall be computed on the amount outstanding on January 1 of each such year.

Forty-nine annual installments of principal repayments and interest shall be equal, calculated at the rate of \$31,823,000 for each \$1,000,000,000 of the line of credit drawn by December 31, 1951, and

the fiftieth annual installment shall be at the rate of \$31,840,736.65 for each such \$1,000,000,000. Each installment shall consist of the full amount of the interest due and the remainder of the installment shall be the principal to be repaid in that year. Payments required by this section are subject to the provisions of section 5.

(ii) The Government of the United Kingdom may accelerate repayment of the amount drawn under this line of credit.

5. *Waiver of interest payments.* In any year in which the Government of the United Kingdom requests the Government of the United States to waive the amount of the interest due in the installment of that year, the Government of the United States will grant the waiver if:

(a) the Government of the United Kingdom finds that a waiver is necessary in view of the present and prospective conditions of international exchange and the level of its gold and foreign exchange reserves *and*

(b) the International Monetary Fund certifies that the income of the United Kingdom from home-produced exports plus its net income from invisible current transactions in its balance of payments was on the average over the five preceding calendar years less than the average annual amount of United Kingdom imports during 1936-8, fixed at £866 million, as such figure may be adjusted for changes in the price level of these imports. Any amount in excess of £43,750,000 released or paid in any year on account of sterling balances accumulated to the credit of overseas governments, monetary authorities and banks before the effective date of this Agreement shall be regarded as a capital transaction and therefore shall not be included in the above calculation of the net income from invisible current transactions for that year. If waiver is requested for an interest payment prior to that due in 1955, the average income shall be computed for the calendar years from 1950 through the year preceding that in which the request is made.

6. *Relation of this line of credit to other obligations.*

(i) It is understood that any amounts required to discharge obligations of the United Kingdom to third countries outstanding on the effective date of this Agreement will be found from resources other than this line of credit.

(ii) The Government of the United Kingdom will not arrange any long-term loans from governments within the British Commonwealth after December 6, 1945, and before the end of 1951 on terms more favorable to the lender than the terms of this line of credit.

(iii) Waiver of interest will not be requested or allowed under section 5 in any year unless the aggregate of the releases or payments in that year of sterling balances accumulated to the credit of overseas governments, monetary authorities and banks (except in the case of colonial dependencies) before the effective date of this Agreement is reduced proportionately, and unless interest payments due in that year on loans referred to in (ii) above are waived. The proportionate reduction of the releases or payments of sterling balances shall be calculated in relation to the aggregate released and paid in the most recent year in which waiver of interest was not requested.

(iv) The application of the principles set forth in this section shall be the subject of full consultation between the two governments as occasion may arise.

7. *Sterling area exchange arrangements.* The Government of the United Kingdom will complete arrangements as early as practicable and in any case not later than one year after the effective date of this Agreement, unless in exceptional cases a later date is agreed upon after consultation, under which immediately after the completion of such arrangements the sterling receipts from current transactions of all sterling area countries (apart from any receipts arising out of military expenditure by the Government of the United Kingdom prior to December 31, 1948, to the extent to which they are treated by agreement with the countries concerned on the same basis as the balances accumulated during the war) will be freely available for current transactions in any currency area without discrimination; with the result that any discrimination arising from the so-called sterling area dollar pool will be entirely removed and that each member of the sterling area will have its current sterling and dollar receipts at its free disposition for current transactions anywhere.

8. *Other exchange arrangements.*

(i) The Government of the United Kingdom agrees that after the effective date of this Agreement it will not apply exchange controls in such a manner as to restrict (a) payments or transfers in respect of products of the United States permitted to be imported into the United Kingdom or other current transactions between the two countries or (b) the use of sterling balances to the credit of residents of the United States arising out of current transactions. Nothing in this paragraph (i) shall affect the provisions of Article VII of the Articles of Agreement of the International Monetary Fund when those Articles have come into force.

(ii) The Governments of the United States and the United Kingdom agree that not later than one year after the effective date of this Agreement, unless in exceptional cases a later date is agreed upon after consultation, they will impose no restrictions on payments and transfers

for current transactions. The obligations of this paragraph (ii) shall not apply:

- (a) to balances of third countries and their nationals accumulated before this paragraph (ii) becomes effective; or
- (b) to restrictions imposed in conformity with the Articles of Agreement of the International Monetary Fund, provided that the Governments of the United Kingdom and the United States will not continue to invoke the provisions of Article XIV, Section 2 of those Articles after this paragraph (ii) becomes effective, unless in exceptional cases after consultation they agree otherwise; or
- (c) to restrictions imposed in connection with measures designed to uncover and dispose of assets of Germany and Japan.

(iii) This section and section 9, which are in anticipation of more comprehensive arrangements by multilateral agreement, shall operate until December 31, 1951.

9. *Import arrangements.* If either the Government of the United States or the Government of the United Kingdom imposes or maintains quantitative import restrictions, such restrictions shall be administered on a basis which does not discriminate against imports from the other country in respect of any product; provided that this undertaking shall not apply in cases in which (a) its application would have the effect of preventing the country imposing such restrictions from utilizing, for the purchase of needed imports, inconvertible currencies accumulated up to December 31, 1946, or (b) there may be special necessity for the country imposing such restrictions to assist, by measures not involving a substantial departure from the general rule of non-discrimination, a country whose economy has been disrupted by war, or (c) either government imposes quantitative restrictions having equivalent effect to any exchange restrictions which that government is authorized to impose in conformity with Article VII of the Articles of Agreement of the International Monetary Fund. The provisions of this section shall become effective as soon as practicable but not later than December 31, 1946.

10. *Accumulated sterling balances.*

(i) The Government of the United Kingdom intends to make agreements with the countries concerned, varying according to the circumstances of each case, for an early settlement covering the sterling balances accumulated by sterling area and other countries prior to such settlement (together with any future receipts arising out of military expenditure by the Government of the United Kingdom to the extent to which they are treated on the same basis by agreement with the countries concerned). The settlements with the sterling area

countries will be on the basis of dividing these accumulated balances into three categories (a) balances to be released at once and convertible into any currency for current transactions, (b) balances to be similarly released by installments over a period of years beginning in 1951, and (c) balances to be adjusted as a contribution to the settlement of war and postwar indebtedness and in recognition of the benefits which the countries concerned might be expected to gain from such a settlement. The Government of the United Kingdom will make every endeavor to secure the early completion of these arrangements.

(ii) In consideration of the fact that an important purpose of the present line of credit is to promote the development of multilateral trade and facilitate its early resumption on a non-discriminatory basis, the Government of the United Kingdom agrees that any sterling balances released or otherwise available for current payments will, not later than one year after the effective date of this Agreement unless in special cases a later date is agreed upon after consultation, be freely available for current transactions in any currency area without discrimination.

#### 11. *Definitions.*

For the purposes of this Agreement:

(i) The term "current transactions" shall have the meaning prescribed in Article XIX (i) of the Articles of Agreement of the International Monetary Fund.

(ii) The term "sterling area" means the United Kingdom and the other territories declared by the Defence (Finance) (Definition of Sterling Area) (No. 2) Order, 1944, to be included in the sterling area, namely "the following territories excluding Canada and Newfoundland, that is to say—

- (a) any Dominion,
- (b) any other part of His Majesty's dominions,
- (c) any territory in respect of which a mandate on behalf of the League of Nations has been accepted by His Majesty and is being exercised by His Majesty's Government in the United Kingdom or in any Dominion,
- (d) any British protectorate or protected State,
- (e) Egypt, the Anglo-Egyptian Sudan and Iraq,
- (f) Iceland and the Faroe Islands."

12. *Consultation on Agreement.* Either government shall be entitled to approach the other for a reconsideration of any of the provisions of this Agreement, if in its opinion the prevailing conditions of international exchange justify such reconsideration, with a view to agreeing upon modifications for presentation to their respective legislatures.

Signed in duplicate at Washington, District of Columbia, this 6th day of December, 1945.

For the Government of the United States of America :

FRED M. VINSON

*Secretary of the Treasury  
of the United States of America*

For the Government of the United Kingdom  
of Great Britain and Northern Ireland :

HALIFAX

*His Majesty's Ambassador Extraordinary and  
Plenipotentiary at Washington.*