

No. 3074

UNITED STATES OF AMERICA
and
UNITED KINGDOM OF GREAT BRITAIN
AND NORTHERN IRELAND

**Exchange of notes constituting an agreement relating to
economic co-operation. London, 24 June 1953**

Official text : English.

Registered by the United States of America on 20 December 1955.

ÉTATS-UNIS D'AMÉRIQUE
et
ROYAUME-UNI DE GRANDE-BRETAGNE
ET D'IRLANDE DU NORD

**Échange de notes constituant un accord relatif à la coopéra-
tion économique. Londres, 24 juin 1953**

Texte officiel anglais.

Enregistré par les États-Unis d'Amérique le 20 décembre 1955.

No. 3074. EXCHANGE OF NOTES CONSTITUTING AN AGREEMENT¹ BETWEEN THE UNITED STATES OF AMERICA AND THE UNITED KINGDOM OF GREAT BRITAIN AND NORTHERN IRELAND RELATING TO ECONOMIC CO-OPERATION. LONDON, 24 JUNE 1953

I

*The British Minister of State to the Chief of the Mutual Security Agency's
Special Mission to the United Kingdom*

FOREIGN OFFICE, S. W. 1.

June 24, 1953

Dear Mr. Gordon,

Conversations have recently taken place between representatives of our two Governments relating to the Economic Cooperation Agreement signed at London on July 6, 1948,² as amended,³ and to Section 9 (c) of the Mutual Security Act of 1952,⁴ amending Section 115 of the Economic Cooperation Act of 1948.⁵ I now write to confirm on behalf of the Government of the United Kingdom of Great Britain and Northern Ireland the understandings set out below, which have been reached as a result of these conversations.

1. The Government of the United Kingdom and the Government of the United States of America consider that a programme carried out in the Uganda Protectorate and in Tanganyika, being British territories to which the said Economic Cooperation Agreement extends, pursuant to the provisions of Section 115 (k) of the Economic Cooperation Act of 1948, as amended, and of Section 516 (a) of the Mutual Security Act of 1951, as amended, may make a significant contribution to the achievement of the objectives set out in these sections.

2. The Government of the United Kingdom are satisfied that the accomplishment of the objectives mentioned in paragraph 1 requires an increase in the productivity of the economies of the territories, an increase in the supply of skilled labour in the territories, the increased participation of Africans in industry as either entrepreneur or employee and the greater efficiency of native production, especially

¹ Came into force on 24 June 1953 by the exchange of the said notes.

² United Nations, *Treaty Series*, Vol. 22, p. 263.

³ United Nations, *Treaty Series*, Vol. 86, p. 304 and p. 308; Vol. 87, p. 384 and p. 386; Vol. 99, p. 308; Vol. 126, p. 348; Vol. 133, p. 316; Vol. 172, p. 332, and Vol. 186, p. 310.

⁴ United States of America: 66 Stat. 150; 22 U.S.C. § 1513 (k).

⁵ United States of America: 62 Stat. 152; 22 U.S.C. § 1513 (k).

in the field of industry, and that the aim of increased efficiency in turn requires improvement in the organisation of plant and in the technical methods of production. The Government of the United Kingdom are satisfied, furthermore, that cooperation between all elements of the community in the territories—labour, management, and government—is essential to the success of a programme designed to achieve these objectives.

3. The Government of the United Kingdom have therefore proposed the creation of a revolving loan fund in the Uganda Protectorate and in Tanganyika of approximately £100,000 in each case, to be constituted with funds deposited in the Special Account in accordance with Article IV of the said Economic Cooperation Agreement, such funds being the counterpart of aid funds allotted to the United Kingdom under Section 115 (*h*) of the Economic Cooperation Act referred to in paragraph 1 above. The revolving loan funds will be used in accordance with the following conditions :

- (a) The revolving loan funds will be used for short-term loans to African firms or enterprises for equipment and reorganisation of plant. Producers, processors, and distributors of food-stuffs and agricultural supplies, such as fertilisers, and projects for distribution and marketing of agricultural products will also be eligible.
- (b) In each territory the revolving loan fund will be administered by a body, which will include unofficial representation, to be established by the Government of the territory. In each territory there will be appropriate African participation in the administration of the revolving loan fund.
- (c) The revolving loan funds will be administered in accordance with terms which will provide, *inter alia*, that loans should be used to increase production and productivity with consequent lower prices to consumers, so as to promote an expanding economy capable of providing a progressive increase in standards of living. The importance will be stressed of making these loans available to small and medium-sized undertakings in order to increase the ability of industry to produce under fully competitive conditions ; importance will be attached to choosing sound undertakings likely to be able to market their increased production, and to the necessity, if the loans are to have their maximum utility, of providing means whereby the knowledge and experience gained in suitable cases will be made available to others in a position to benefit from it and whereby the results achieved through higher productivity can be equitably shared among all elements of the community in the territories.
- (d) Borrowers who receive loans from the revolving loan funds will be furnished with technical assistance necessary to the best use of the borrowed funds. Such technical assistance will therefore promote the achievement of the objectives cited in the earlier numbered paragraphs of this letter and at the same time improve the ability of the borrowers to repay the sums borrowed so that they will again become available for loans to others.

4. The Government of the United Kingdom will provide the Special Mission to the United Kingdom of the Mutual Security Agency with quarterly reports to be rendered within forty-five days after the end of each quarter on the employment of the revolving loan fund in each territory so that the Government of the United States may be regularly and fully informed of the status and achievements of the revolving loan funds until such time as the Government of the United States shall indicate their desire to terminate the receipt of the said quarterly reports.

5. The decision as to the industries or branches of agriculture in which loans originally be made will be taken in consultation with the Special Mission to the United Kingdom of the Mutual Security Agency. Periodic meetings will be held by representatives of the Government of the United Kingdom with representatives of the Special Mission to the United Kingdom of the Mutual Security Agency to discuss the operations of the revolving loan funds until such time as it may be agreed between the two Governments to discontinue such meetings.

6. Either or both of the revolving loan funds may be terminated by agreement between the two Governments. On such termination, disposal of any funds remaining in the fund or funds terminated, including any payments of principal and interest thereon which may accrue thereafter on loans from the fund or funds terminated, shall be determined by agreement between the Government of the United States and the Government of the United Kingdom.

7. (a) The Government of the United States will allot \$625,000 to the Government of the United Kingdom during the United States fiscal year 1953 to carry out the terms of this letter, in accordance with established procedures for the allotment of other dollar assistance under the Mutual Security Act of 1951, as amended. This allotment will be made at the date of signature of this letter. These dollars will be available for general programme procurement under the established Procurement Authority procedure governing the expenditure of other dollar assistance made available by the Government of the United States under the said Act.

(b) The Government of the United Kingdom have agreed that 90 % of the local currency counterpart of the dollar sum set forth in sub paragraph (a) above will be designated in equal portions for the revolving loan fund of each of the territories mentioned in paragraph 3 above.

(c) The Government of the United Kingdom have agreed that the local currency counterpart deposits made by them which will accrue in accordance with the provisions of Article IV of the said Economic Cooperation Agreement as the counterpart fund of the aforementioned dollar assistance shall be dealt with as follows :—

(i) On the date of allotment of the dollars referred to in sub-paragraph (a) of paragraph 7 above, a separate United States/United Kingdom fund will be

established, to which will be transferred the local currency equivalent to 90% of the said allotment. The date and amount of such transfer of funds will be specified in the formal letter from the Mutual Security Agency in Washington allotting dollars in accordance with this letter.

- (ii) The local currency equivalent of 10% of the dollar allotment made in accordance with this letter will be transferred, as is the case with the other dollar assistance under the Mutual Security Act of 1951, as amended, to the account of the Government of the United States.

(d) Releases of counterpart funds from such special United States/United Kingdom fund shall be made only to bodies agreed in accordance with sub-paragraph (b) of paragraph 3 above.

(e) The revolving loan funds referred to in paragraph 3 above will draw their initial funds from the special United States/United Kingdom fund referred to in sub-paragraph (c) (i) above. Any payments on loans made from the said funds and any net interest earnings which may accrue in connexion with such loans will likewise be used to make further loans in accordance with paragraph 3 above.

(f) The total amount of funds expended in accordance with this letter for loans for projects falling within the scope of the second sentence of sub-paragraph (a) of paragraph 3 above will not exceed 30% of the local currency funds which will be available in accordance with its terms.

(g) The revolving loan funds created hereunder will at all times be separately accounted for and will retain their separate identity.

8. In the event that either or both of the revolving loan funds described in paragraph 3 above do not come into being the Government of the United Kingdom will refund to the Government of the United States any dollars received by the Government of the United Kingdom pursuant to the arrangements set out above, that is, should one such fund not be established, \$312,500 or such lesser amount as may have been received in respect of the fund not established, or, should neither fund be established, \$625,000 or the total amount received pursuant to the arrangements set out above should that amount be less than \$652,000, and the Government of the United States will refund to the Government of the United Kingdom the sterling equivalent of 10% of such dollar amount and will agree to the release to the Government of the United Kingdom from the funds in the special United States/United Kingdom account established under sub-paragraph (c) (i) of paragraph 7 above of the sterling equivalent of 90 % of such dollar amount.

9. Wherever the words "Special Mission to the United Kingdom of the Mutual Security Agency" occur in the numbered paragraphs above they shall be deemed to include any other Agency which the Government of the United States may appoint.

I would be glad if you would confirm that the understandings set out above also represent the understandings of the Government of the United States of America.

Yours sincerely,

Selwyn LLOYD

The Honourable Lincoln Gordon
United States Embassy
1, Grosvenor Square
W. 1.

II

The Chief of the Mutual Security Agency's Special Mission to the United Kingdom to the British Minister of State

June 24, 1953

Sir :

I write to acknowledge and thank you for your letter of today, the 24th of June, 1953, about the understandings reached in recent conversations between representatives of our two Governments about a program pursuant to the provisions of Section 115 (*k*) of the Economic Cooperation Act of 1948, as amended, and of Section 516 (*a*) of the Mutual Security Act of 1951, as amended, to be carried out in the Uganda Protectorate and in Tanganyika.

In reply I am able to confirm that the understandings set out in the nine numbered paragraphs of your letter also represent the understandings of the Government of the United States of America.

Lincoln GORDON
Chief of Mission

The Rt. Hon. Selwyn Lloyd, Q. C., M. P.
Minister of State
Foreign Office
Downing Street, S. W. 1