

No. 2868

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

**Exchange of notes (with annex) constituting an agreement
relating to economic co-operation. London, 25 Feb-
ruary 1953**

Official text: English.

Registered by the United States of America on 12 July 1955.

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

**Échange de notes (avec annexe) constituant un accord
relatif à la coopération économique. Londres, 25 fé-
vrier 1953**

Texte officiel anglais.

Enregistré par les États-Unis d'Amérique le 12 juillet 1955.

No. 2868. 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 COOPERATION. LONDON, 25 FEBRUARY 1953

I

The British Secretary of State for Foreign Affairs to the American Ambassador

FOREIGN OFFICE, S. W. 1

No. M 368/11

25th February, 1953

Your Excellency,

I have the honour to refer to the conversations which have recently taken place between representatives of our two Governments relating to the Economic Co-operation Agreement signed at London on the 6th July, 1948,² and to Section 9 (c) of the Mutual Security Act of 1952³ amending Section 115 of the Economic Co-operation Act of 1948.⁴ I have also the honour to confirm the understandings set out below, which have been reached as a result of these conversations.

1. The Government of the United Kingdom of Great Britain and Northern Ireland agree that the establishing of a sound and expanding economy capable of providing a progressive increase in living standards is essential to the development of mutual security and of the individual and collective defence of the free world, and they believe that a concrete programme, carried out in the United Kingdom pursuant to the provisions of Section 115 (k) of the Economic Co-operation Act of 1948, as amended and of Section 516 (a) of the Mutual Security Act of 1951, as amended, can make a significant contribution to the achievement of this objective.

2. The Government of the United Kingdom are therefore glad to take this opportunity to put forward certain proposals for projects to be financed with

¹ Came into force on 25 February 1953 by the exchange of the said notes.

² United Nations, *Treaty Series*, Vol. 22, p. 263; Vol. 86, p. 304; Vol. 87, p. 384; Vol. 99, p. 308; Vol. 126, p. 348; Vol. 133, p. 316; Vol. 172, p. 332, and Vol. 186, p. 310.

³ United States of America: 66 Stat. 150; 22 U.S.C. § 1513 (c).

⁴ United States of America: 62 Stat. 150; 22 U.S.C. § 1513.

funds deposited in the special account in accordance with Article IV of the said Economic Co-operation Agreement, such funds being the counterpart of aid funds allotted to the United Kingdom under Section 115 (k) of the Economic Co-operation Act referred to in paragraph 1 above. They are satisfied that increase in productivity can only be achieved by industry itself, and (in accordance with the emphasis placed by the Economic Co-operation Act and the Mutual Security Act on private enterprise) these proposals are designed to meet the responsibility of Government to assist in the provision of services by which industry can help itself, to promote research necessary for this purpose, to make what provision it can to give industry encouragement to raise its efficiency, and to provide for co-operative action between government, management and labour, so as to enable industry to raise the national production to new heights. Thus, some of the projects put forward call for once-for-all expenditure on the endowment of university studies, research contracts or equipment, or the initiation of services for industry of a kind which it is hoped industry will subsequently be prepared to finance for itself.

3. This programme will be put into effect as soon as possible and is being planned on the basis that the bulk of it will be completed within two or three years. Estimates of the periods for particular items are indicated in subsequent sub-paragraphs. The programme consists of a number of heads under each of which projects can be worked out designed to help to increase the ability and willingness of British industry to produce under fully competitive conditions to the mutual benefit of employers and employed and of the consumer. They are as follows :—

(a) *Advisory Service.* To advise concerns, especially the smaller concerns, on re-organisation and production techniques with a view to increasing productivity and lowering prices. The advisers might be members of the staff of research or business organisations if they specialised in the problems of particular industries, or might work under contract for, say, the British Productivity Council or with the Department of Scientific and Industrial Research if they specialised in techniques applicable to the whole of industry. It is believed that their activities could be spread over a great part of industry and agriculture.

Estimated expenditure during a period of two to three years of counterpart funds from \$1.28 m. (£0.457 m.)

(b) *Expansion of research into factors affecting the efficiency of the national economy.* This research would deal with, among other things, such matters as incentives in industry or agriculture, the effects of restrictive practices, and the relative efficiency of competitive and monopolistic enterprise. The programme would range from medical work on, say, design of machine controls and indus-

trial fatigue problems, or research into the sociology and social psychology of the relationships between employer, management and employed, to pure economic descriptive, statistical and theoretical work on, for instance, the structure of industry and the structure and practice of trade associations, trade unions and so on. Special emphasis would be given to applied research in these subjects. It would, it is hoped, provide information about a number of points touching the attitude of employers and employed to higher production. Such a programme would be carried out largely under contract by various bodies, including the universities and economic or sociological institutes, the British Institute of Management and other professional and learned bodies.

(c) *Promotion of Studies.* This proposal includes the promotion of studies in technological subjects at various universities and technical colleges, the training of staff for courses for supervisors, the provision of scholarships, including scholarships for trade unionists, in management subjects. Part of this proposal might take the form of a contribution by endowment to the building up, recently announced by the Government of the United Kingdom, of at least one institution of university rank devoted predominantly to the teaching and study of the various forms of technology, and their application to production processes. These projects would not only help to fill the gap between industrial and agricultural research and its practical application in factory and farm, but also would enable management and labour to gain an appreciation of methods designed to increase productivity.

Estimated expenditure in respect of (b) above during a period of three years and in respect of (c) above during a period of two to three years, of counterpart funds from \$2.8 m. (£1.0 m.).

(d) *Publicity.* It is proposed to give this programme wide publicity, emphasizing the contribution it can make to the achievement of the objectives stated in the paragraphs 1 and 2 above. One effective method would be the organisation of local conferences or the showing of exhibits, with the co-operation of industry. As a part of the publicity campaign, but also as part of the training and education courses in particular techniques, arrangements would be made for facilitating the showing in factories, public halls, at conferences and elsewhere, of instructional films, including the films which have been supplied by the Mutual Security Agency. A small number of further films might be made in this country on carefully chosen subjects. The results of the research referred to in sub-paragraph (b) above would also, so far as it is generally applicable, be made available to management, labour and the public generally.

Estimated expenditure during a period of two to three years of counterpart funds from \$0.5 m. (£0.178 m.)

(e) *Loans to Industry.*

(i) It is proposed to set up a revolving fund of \$2.8 m. (£1 m.) to be used for short-term loans to industry for equipment and reorganisation of plant. In appropriate cases these loans would be used to carry out the recommendations of the Anglo-American Council reports or of the advisers referred to in sub-paragraph (a) above. Producers, processors, and distributors of foodstuffs and agricultural supplies, such as fertilisers, and projects for distribution and marketing of agricultural products would also be eligible.

(ii) In the administration of the fund advice on the matters referred to in sub-paragraph (iii) below would be given by a committee or committees to be created for that purpose including members selected from such national organisations representing both sides of industry as the Federation of British Industries, the National Union of Manufacturers and the Trades Union Congress, possibly through the British Productivity Council. The members would, however, serve as individuals and not as representatives of the bodies from which they were chosen. Guidance on general policy would be given by the interdepartmental Committee hereinafter referred to.

(iii) The fund would be administered in accordance with terms which would 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 would be stressed of making these loans available to small and medium-sized enterprises in order to increase the ability of industry to produce under fully competitive conditions; importance would be attached to choosing sound firms likely to be able to market their increased production, and to the necessity, if the loans were to have their maximum utility, of providing means whereby the knowledge and experience gained in suitable cases (such as those in which the money was spent on implementing the recommendations of a productivity report or of the advisers) would be made available to others in a position to benefit from it and whereby the results achieved through higher productivity could be equitably shared.

Estimated expenditure of counterpart funds from \$2.8 m. (£1.0m.) No period has been set for this operation.

(f) The Government of the United Kingdom will be prepared to play its part in a productivity agency to be established by the Organisation for European Economic Co-operation.

Estimated expenditure during a period of three years of counterpart funds from \$0.72 m. (£0.254 m.)

(g) The balance of the counterpart funds to be provided, \$0.9 m. (£0.321 m.) will be distributed, in agreement with the Special Mission to the United Kingdom of the Mutual Security Agency, among those projects within the above programme on which it could most effectively be used for expenditure within the periods indicated in the appropriate sub-paragraphs.

4. Since the foregoing programme covers a wide range of subjects and involves a considerable number of government departments, the various activities will be coordinated by an interdepartmental Committee. This Committee will be charged with the duty of seeing that the funds allotted are used in conformity with the programme set out above, or any changes subsequently agreed between us, for giving general guidance in the administration of the loans referred to in sub-paragraph (e) of paragraph 3 above, for carrying out forward planning, and for supervising the publicity programme referred to in sub-paragraph (d) of paragraph 3 above. It will also be a function of the interdepartmental Committee to provide the Special Mission to the United Kingdom of the Mutual Security Agency with periodic reports of progress under the programme so that you may be regularly and fully informed of what it achieves.

5. It is understood that the decision as to the industries or branches of agriculture in which loans would initially be made, as to the general categories of expenditure under the other sections of this programme, and as to the objects of any permanent endowments will be taken in consultation with the Special Mission to the United Kingdom of the Mutual Security Agency.

6. On the termination of a project or programme referred to in this Note, including the revolving loan fund, disposal of any funds remaining, including any payments of principal and interest thereon which may accrue thereafter on loans from the revolving loan fund, shall be determined by agreement between the Government of the United States of America and the Government of the United Kingdom.

7. The amount and timing of dollar allotments to be made and the terms and method of deposit and distribution of counterpart funds under this programme, together with certain procedural arrangements, are contained in the Annex to this note, which shall be deemed to be an integral part thereof.

8. The Government of the United Kingdom consider this programme to be of real importance and capable of making a significant contribution to the objectives of the Economic Co-operation Act and the Mutual Security Acts, which they uphold in common with the United States Government. They will encourage and facilitate, by all appropriate means, the widest possible participation by firms, agencies and institutions in this programme.

I should be glad if Your Excellency would confirm that the above understandings are also acceptable to the Government of the United States of America.

I have the honour to be with the highest consideration, Your Excellency's obedient Servant,

Anthony EDEN

H.E. The Honourable W. Aldrich, G. B. E.,
etc., etc., etc.

ANNEX

1. The Government of the United States will allot \$9 million to the United Kingdom Government during the United States fiscal year 1953 to carry out the terms of this Note, in accordance with established procedures for the allotment of other dollar assistance under the Mutual Security Act of 1951, as amended. 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 United States Government under the said Act. The above sum will be allotted as follows :—

- (a) At the date of the signature of this note : \$5 million.
- (b) Three months after the date of the signature of this note : \$3.28 million.
- (c) Upon the Government of the United Kingdom becoming a party to the productivity agency to be established by the Organisation for European Economic Co-operation provided that such agency is established : \$0.72 million.

2. The Government of the United Kingdom agree that the local currency counterpart deposits made by them which will accrue, in accordance with the provisions of Article IV of the Economic Co-operation Agreement between the Governments of the United Kingdom of Great Britain and Northern Ireland and the United States of America of the 6th July, 1948, as the counterpart fund of the afore-mentioned dollar assistance shall be dealt with as follows :—

- (a) (i) On the initial allotment of the dollars referred to in paragraph 1 above, a separate United States/United Kingdom fund will be established, to which will be transferred the local currency equivalent to 90 per cent. of the said and successive dollar allotments.
- (ii) The local currency equivalent of 10 per cent. of the dollar allotments made in accordance with this Note will be transferred, as is the case with other dollar assistance under the Mutual Security Act of 1951, as amended, to the account of the Government of the United States.
- (iii) To the extent that money is needed before actual accrual of counterpart funds in accordance with this Note, transfers will be effected from the existing general 90 per cent. counterpart account or from other resources of the Government of the United Kingdom.

- (iv) The dates and amounts of such transfers of funds will be specified in the formal Mutual Security Agency/W letter allotting dollars in accordance with this Note.
- (b) The Government of the United Kingdom will transfer to the special funds referred to in sub-paragraph (a) of this paragraph an additional amount of local currency equivalent to \$900,000 derived from counterpart deposits against Technical Assistance dollars expended in the United States fiscal year 1953. To the extent that money is needed before actual accrual of the said counterpart, transfers will be effected from the existing general 90 per cent. counterpart account or from other resources of the Government of the United Kingdom.
- (c) Releases of counterpart funds from such special United States/United Kingdom fund shall be made only to agreed agencies which have responsibilities in connexion with the approved programme in accordance with established procedures governing releases of counterpart funds from the 90 per cent. counterpart fund.

3. The revolving loan fund, referred to in sub-paragraph (e) of paragraph 3 of this Note will draw its initial funds from the special United States/United Kingdom fund, referred to in sub-paragraph (c) of paragraph 2 above. The initial loans from this revolving fund shall be made in accordance with the provisions, particularly sub-paragraph (e) of paragraph 3, of this Note. Any payments on loans made from the said fund and any net interest earnings which may accrue in connexion with such loans will likewise be used to make further loans in accordance with sub-paragraph (e).

4. The total amount of funds expended, in accordance with this Note, in the field of agriculture will not exceed 30 per cent. of the local currency funds which will be available in accordance with its terms.

II

The American Ambassador to the British Secretary of State for Foreign Affairs

AMERICAN EMBASSY
LONDON, ENGLAND

No. 8800

February 25, 1953

Sir :

I have the honor to acknowledge the receipt of Your Excellency's Note No. M 368/11 of today's date, in which you refer to the conversations which have recently taken place between representatives of our two Governments relating to the Economic Co-operation Agreement signed at London on the 6th July, 1948, as amended, and to Section 9 (c) of the Mutual Security Act of 1952 amending Section 115 of the Economic Co-operation Act of 1948, as amended, and in which you also confirm certain understandings which have been

reached as a result of these conversations. These understandings are set forth in eight numbered paragraphs of the Note and in four numbered paragraphs of the Annex thereto, which is deemed to be an integral part thereof.

In reply I have the honor to confirm that these understandings as set forth in the numbered paragraphs of your Note, including its Annex, also represent the understandings of the Government of the United States of America.

Please accept, Sir, the renewed assurances of my highest consideration.

Winthrop W. ALDRICH

The Right Honorable Anthony Eden, M. C., M. P.
Secretary of State for Foreign Affairs
Foreign Office S. W. 1