

Summary of Economic and Financial Agreements Recently
Negotiated between the American and British Governments.

The President has recently submitted to the Congress a proposal for a long-term loan to Britain of \$3,750,000,000. This proposed loan forms part of the economic and financial agreements negotiated last December between representatives of the American and British Governments. These agreements as a whole enlist Britain's cooperation in the American program for a prosperous world economy as embodied in the Bretton Woods Agreements and in the American proposals for an International Trade Organization. The loan would provide the financial assistance required by the British to participate effectively in this program. In addition, the agreements include a final settlement of Lend Lease and other wartime accounts with Britain. This settlement involves a net payment to the United States of 650 million dollars, to be amortized over a period of years on the same terms as the new money loan.

In the recent negotiations, the British committed themselves to ratify the Bretton Woods Agreements providing for the elimination of artificial exchange restrictions and the provision of agreed machinery for dealing with international exchange rates. They also agreed to support the U. S. proposals for an International Trade Organization which seek the elimination of discriminatory trade practices and the gradual reduction of other barriers to international commerce.

The financial agreement, which is now before the Congress, would give the British a line of credit at the U. S. Treasury of

\$3,750,000,000 on which they might draw up to the end of 1951. Payments on this credit (and on the Lend Lease credit) would commence at the end of 1951 and no interest would accrue until that year. Installments would then fall due over a period of 50 years in equal annual amounts covering both interest and principal. Interest would be charged at the rate of 2 per cent per annum, except that it would be waived in any year in which Britain had insufficient income from exports and other sources to finance a pre-war level of imports. Britain cannot take advantage of the waiver, however, unless she also suspends interest on loans raised in Empire countries to meet her postwar needs and makes a proportionate reduction in payments on foreign debts incurred during the war.

The proceeds of the loan are to be used to help finance British imports from the United States and other countries during the postwar transition period. They are not to be used to repay Britain's other creditors with whom Britain must make settlements out of other resources.

The financial agreement contains a number of specific commitments by the British with respect to their exchange and import restrictions which anticipate or go beyond the Bretton Woods Agreements and the American proposals for an International Trade Organization. In general, these provisions commit the British within one year to dissolve the sterling area; to abandon bilateral exchange agreements; to make sterling funds earned by foreign suppliers of the British market freely convertible into dollars and other currencies; and to eliminate any import controls which discriminate against the United States.