

APPENDIX I...

Lend-Lease Administration

This is a very large subject, a comprehensive account of which, entering into all matters directly or indirectly affecting Exchange Control, would involve immense detail. What is attempted here is perhaps not much more than an outline of the evolution of working principles from the very broadly defined principles of the Act itself, together with examples of particular problems and their solution. These should illustrate the difficulties, largely political and by no means divorced from the jealousies surrounding the current and prospective trading positions of the two countries most concerned, which arose to confront those responsible for the administration of Lend-Lease, generally well disposed towards each other though they were.

The central organ on the American side was the Office of Lend-Lease Administration (commonly referred to as O.L.L.A.) of which Mr. Harry Hopkins, with a rather indefinable official position, was appointed Administrator by the President, close to him for consultation and reporting purposes. After things had got more or less on to a working basis the President's personal attention was somewhat relaxed and a Deputy Administrator (General Burns) appointed. General Burns was replaced a few months later by Mr. Stettinius, formally installed as Lend-Lease Administrator, subject to the President's oversight on policy; after which Mr. Hopkins ceased to have any formal functions. The procuring of Lend-Lease supplies was done by the War Department, Navy Department, Department of Agriculture, War Shipping Administration and, lastly, a much expanded (since the Act) Department of the Treasury called Treasury Procurement^f.

According to the U.S. President's third quarterly report to Congress on Lend-Lease, the following countries were eligible for aid: the U.K. and British Empire; Egypt; all

^fA fairly full account of the origin and working of Lend-Lease down to May 1942 will be found in a Treasury memorandum [(37 pp. Playfair) filed in Overseas & Foreign 320 Vol. 2 198 dd.]

European Allies and Turkey; Russia, China, Netherlands East Indies; and the 20 Latin American Republics. So far as concerned the U.K. the general control of purchases was in the hands of the British Supply Council in North America and of the North American Supply Committee (Minister of Supply, Minister of Aircraft Production and First Lord of the Admiralty) in London. The purchasing agency in the U.S.A. was the British Purchasing Commission.

At this point, before going on to describe some of the trials of administration, a reference to the expansion of the purpose of Lend-Lease as the war progressed may not be out of place. At first introduced as a means of relieving the British dollar problem it became, after the U.S.A. had entered the war, increasingly a strategic instrument for pooling the output of the United Nations and directing it to wherever it was most needed.

As regards ultimate settlement (if any) for aid received, what had so often to be borne in mind on the British side, when resolving this or that difficulty, was that while the President and his Administration at the time when Lend-Lease was introduced contemplated in any ultimate settlement neither money factor nor transfer of property or rights, there was nothing in the act which need restrain a future and less sympathetic Administration from taking another view. Even before the Lend-Lease Act was passed, the many complications to which, it was clear, the transfer of goods, services and facilities would give rise, began to come up for discussion. Difficulties of this kind continued for more than a year. Some were soon settled on general principles, others only after much discussion, and others again not until taken care of by the more general resolutions of the Mutual Aid and Reciprocal Aid Agreements. However, there seems to be some virtue in giving an account of a number of them more or less as they arose, and irrespective of whether solution was proximate or remote.

While, for example, British Government official purchases would presumably continue to be made through the B.P.C.* the position of private purchases was less clear. Hitherto, the private importer had obtained a licence from the Import Licensing Department, usually endorsed as urgent by a Government Department, but sometimes granted merely on evidence of an urgent Government contract. A credit would be opened, either with a U.S. bank or a British agency bank, through the importer's own bank.

Under Lend-Lease the U.S. Government, having paid dollars for the goods, would hand over the title to them to the B.P.C. or other British Government agency, and no dollar financing would come into the British picture. Would it now be permissible for the B.P.C. to negotiate such documents, using existing banking machinery, and so avoid the probable chaos which their handling by a newly created government agency would doubtless involve?

Freight and handling charges were in a rather different category. Such part of these as was payable in dollars should continue, it was thought, to be a charge on E.E. A/c funds: either new dollar credits would be obtained or dollar payments made, and existing practices of forwarding agents retained.

Discussions followed between the I.L.D. and the Bank of England (and, in strict confidence, a representative of the London Chamber of Commerce) and between the I.L.D. and the Ministry of Supply; and Departments were enjoined to continue to plan to the end that the field of public purchase should be extended wherever possible. A parallel endeavour was the working out of a system by which manufacturers taking advantage of Lend-Lease should not suffer undue delay.

Early in March an estimate was called for of all U.K. needs up to the end of June and also for the year following (i.e.,

*For the financial machinery of the B.P.C.'s purchases as it affected the Bank, see "Relations with Government Departments" in Part IV.

to June 1942). Food, Petrol and Tobacco were to be included as well as "Items of Defence"; and the U.S. Administration insisted on the centralisation of our purchases through one channel.

A meeting at the Bank (7. 3.1941) discussed procedure with regard to private purchases (e.g., Machine Tools) and agreed that, if the U.S. Government approved, importers might be made agents of H.M.G. for specific transactions.

A few days later (at the Treasury) it was decided to obtain, before the passing of the Act and with a view to securing as large a part as possible to rank for Lend-Lease, a detailed schedule of outstanding contracts either directly on account of H.M.G. or indirectly through private firms acting as their agents. A memorandum for Mr. Harriman, due to arrive shortly from the U.S.A., was to be drawn up under the headings: Armaments, Food, Ministry of Supply contracts already placed by or on behalf of H.M.G., Miscellaneous Trading Contracts (some possibly under the Ministry of Supply but mainly under I.L.D.), which it was hoped might rank for Lend-Lease. The memorandum pointed out that purchases had hitherto been made by three methods:-

- (1) Through the British Government agencies in the U.S.A. (B.P.C. and B.A.C.)* from American manufacturers and suppliers. These covered all our remaining contracts.^φ
- (2) By Government Departments, or Controls operating for them through agents either in the U.K. or the U.S.A. and covering all raw materials, food and fertilisers.
- (3) By private firms or agents in the U.K. and private firms or agents in the U.S.A., largely for defence purposes and controlled by the I.L.D., i.e., specialised raw materials, chemicals, machinery and manufactured goods.

On 31st March the Treasury circulated other departments by letter to the effect that so far as their supplies from the U.S.A. were not clearly covered by the new U.S. Administration,

*British Air Commission.

^φA calculation by the Bank at the time put the total in Group I at £875 million; in Groups 2 and 3 at £170 million and £30 million, respectively.

or where this was uncertain, sanction of the Treasury and the Exchange Requirements Committee was necessary before commitments were undertaken. The position of agricultural products was in suspense: it was hoped that eventually the U.K. Government's liabilities for their purchases would be dischargeable in the same manner as for warlike products; meanwhile they would be paid for in raw materials.

Progress towards persuading the U.S. Administration to interpret the term "government purchases" in the widest sense was slow. Meanwhile it was necessary to route all orders for war-like stores so far as possible through official channels and to avoid transactions "carried virtually to the stage of commitment through private channels" (again with particular reference to machine tools). Another difficulty was that American law demanded competition bidding for all U.S. Government requirements, which prevented our specifying a given supplier for a given product. The B.P.C. believed, however, that competitive bidding might be dispensed with where good reason could be shown for approaching a particular supplier (e.g., replacement of identical parts); but in such cases cables would have to state reasons fully where they were not obvious.

The clause in the Act which prevented the U.K. Government from transferring defence articles or title to them, except with the consent of the President or someone designated by him, raised fears that it would hold up all food and any raw materials destined for sale by H.M.G. to U.K. contractors.

Organisation was also discussed at an Exchange Control Conference (16. 4.41), after which Mr. Cobbold wrote to the Treasury (Sir R. Hopkins) that he felt unwilling to go further into the matter until it was known more definitely what our policy towards non-Governmental purchases would be and who would be responsible at this end for general co-ordination and Lend-Lease procedure.

Armaments and raw materials primarily for armament use (e.g., steel and non-ferrous metals), food and shipbuilding in fact gave little difficulty. In dealing with the large number of

other raw materials and manufactures, to get over the implications of the transfer clause in the Act, it was suggested in London that such purchases might be passed through a kind of company as a counterpart to their co-ordination on the American side, but this idea seems not to have been developed further.

In January a U.S. Treasury Representative had been sent over to examine and report on our methods of distributing Lend-Lease goods. By the middle of August he had considered several memoranda from various Ministries. His criticism was that they were too vague and lacking in statistics. In London it was felt that it would clearly be valuable to have, on the other side, someone who knew and would probably stand up for the British case; but here again it is difficult to trace any direct results in this respect from his visit.

Arrangements for the disposal of individual products supplied under Lend-Lease were constantly under discussion, usually on the merits of the case. Some general principles, however, were laid down in a memorandum (30. 7.41) prepared for Mr. Winant, and to some extent modified on his advice. When assurance was forthcoming that they would be acceptable to the U.S. Government these principles were embodied in the White Paper (Cmd. 6311 10 Sept. 1941) on export and distribution policy, commonly referred to thereafter as the "Export White Paper".

The main principles were -

1. H.M.G. have taken, and will continue to take, action to secure that these goods are not in any case diverted for the furtherance of private interests, whatever the method of distribution of Lend-Lease goods;
2. The remuneration received by the distributors is controlled and will be no more than a fair return for their services and exclude any opportunity for speculative profit by private interests. In some cases, to avoid the creation of elaborate new organisation and consequent loss of efficiency, distribution would continue to be through existing channels, appointed agents of H.M.G. Where alternative arrangements were proposed full explanation

would be supplied to the U.S. Administration. But it was intended that wherever possible the title to the supplies should remain with H.M.G. and where it passed the sale price would be determined by principles agreed between the departments concerned and the Treasury.¹

Strict conformity with the export provisions of the Act was relaxed to the extent that where Lend-Lease materials were not in short supply in the U.S.A., the export of similar materials (or manufactures containing them) would not be restricted unless the British exports competed with American exports.²

Further, where complete physical segregation was impracticable we received American assurance that we would have ... "lived up to our part of the Agreement if we consume in the U.K. as much or more of the material as we have obtained under Lend-Lease".

In the Summer of 1941 Lord Keynes, accompanied by Mr. Thompson-McCausland, was in Washington. On his return Lord Keynes reported to an Exchange Control Conference (6. 8.41) his impressions of the U.S. Administration's attitude. He laid most emphasis on the U.S. refusal to take over our pre-Lend-Lease contracts. Had they done so we might have hoped to provide ourselves with a working balance of dollars while applying Lend-Lease procedure comparatively sparingly. Since they had not it would mean "exploring every conceivable sophistry whereby the Americans could be enabled to take over our contracts without in so many words infringing the Budget Director's undertaking".

Asked by Lord Catto about the desirability of charging the Dominions for Lend-Lease material transferred to them, as one means of retarding the rate of increase in their sterling balances, Lord Keynes did not think this possible but agreed that it would be advantageous if the Dominions were to set off the value of the materials in some other way.

Lord Keynes anticipated diminishing zeal, as our

¹Memorandum, Ministry of Supply 2. 8.41

²See, for example, Cotton, below.

position eased, on the part of the Americans to help us surmount difficulties; but mentioned the Joint Clearing Committee as being particularly ~~helpful~~

helpful

helpful and progressive. The difficulties with which our Washington Delegation had to contend at this time, extending to the suppression of natural feelings of resentment at having to maintain "a cap in hand" attitude, are well illustrated in two short notes (of the eye-witness account type, by Mr.Thompson-McCausland, 5 and 6 Aug.1941).

It is hardly surprising therefore to find Washington reluctant to take on the responsibility of spending a single dollar at this time. In particular, the conflicting attitudes of the U.S.Treasury and the U.S.Administrative Departments must have been perplexing. The former, faced with the problem of averting a U.K. dollar shortage crisis, urged the putting of everything possible into Lend-Lease: the latter, whose problems were mainly administrative, showed irritation at the inclusion of a multitude of small amounts for requisition. In their anxiety to appease American public opinion, moreover, H.M.Treasury had been inclined to take the view that we should always give way on doubtful points.

However, under repeated instructions from the U.S.Treasury, and after some six months of Lend-Lease, definitions had been extended to cover almost any article to which the term "Defence" might be admitted. The danger was that the American public still thought in terms of armaments, ships and food; and the President's report on progress during the first quarter gave a minimum of prominence to any extension of the programme.

An Exchange Control Conference (10.9.41) called for a memorandum, for their consideration, suggesting criteria to be applied in selecting requirements more suited to direct dollar spending than to Lend-Lease requisitioning^x. The note prepared by H.M.Treasury (Mr.Playfair) and the Bank (Mr.Thompson-McCausland) recommended that Lend-Lease procedure should be avoided for obtaining:

(1) Small

^xThe U.S.Treasury had set up a Joint American-British Clearing Committee to ensure that the U.K. should only have to spend dollars when means (on the American side) could not be found to qualify requirements for Lend-Lease. This Committee dealt also with questions of priority, etc.

- (1) Small amounts of finished products to round-out our non-military requirement programmes where any question arose of exporting similar products;
- (2) Similarly with certain raw materials not technically in short supply;
- (3) Apparatus and other durable goods which would continue to have a civilian use after the war;
- (4) Goods for transfer to non-belligerent sterling area countries.

(1) and (2) would obviate exposure to criticism and (3) the obligation to return the goods after the war. In (4) spending dollars would avoid difficulties of settlement between the U.K. and the transferee country by keeping the whole transaction outside Lend-Lease. Finally, to spend dollars to avoid delay in delivery or to keep within (or revert to) established channels of distribution might be advantageous.

At the end of October recommendation (3) became accepted in principle. The question was brought up at the American end and it was agreed that plant and equipment which would continue to serve peace-time requirements after the war would not be eligible for Lend-Lease.

At a Lend-Lease Committee (6.11.41) some progress was made towards freeing ourselves from a too rigid interpretation of the Export White Paper. The Treasury had hitherto argued that since it was a political document we should always give way on doubtful points in order not to imperil our other sacrifices. The Chancellor was now to be invited to advance the case for exports against other claims on labour, materials, etc. The Bank made the point that the time lag which was then keeping exports up would be likely to operate against us in the future. We should need all we could earn by exports to build up reserves against a time when Special Account countries might decide against further accumulation of sterling.

As a good example involving controversial views on the Lend-Lease content of exports, the provision of electric lamps for Empire countries, and to a lesser extent the Netherlands East Indies

and South

and South America, may be mentioned. The value of components imported from the U.S.A. was of the order of 10% of the total export value of the completed lamps. If the components were disqualified from Lend-Lease our alternatives were either to sacrifice the whole of our exports, or, since we were satisfied that the lamps were "essential", to ask the Americans to supply them. The second alternative would mean either throwing 100% (instead of about 10%) on to Lend-Lease or paying in our own dollars.

This case is argued from the point of view of dollars saved or lost; but it, like others among which it is simply one interesting example, involved also questions of "unobtainability" in the U.S.A., and of the establishment of "essentiality" and whether the U.K. could be regarded as being in a position to vouch for it in, say, Latin America; and also, of course, of the reaction of American public opinion.

The exchange of telegrams between London and Washington concerning a wide diversity of products was inevitably long and complicated. Objectives were not only an increase in exports but the elimination of delays such as often arose over the question whether goods required were obtainable in the U.S.A. or not. Thus, the Board of Trade were glad to make the most of a paragraph in the President's report on Lend-Lease progress. This they interpreted as meaning that the U.S. Government expected us to place no restrictions at all on the use of Lend-Lease (or similar) materials in our exports to the Empire, so long as they satisfied the "essentiality" provision. The Board proposed to act accordingly.* In Washington the Supply Council left to H.M. Government the settlement of important questions arising out of the application of the White Paper to U.K. exports, and also the interpretation of "essentiality". They wished, however, to be governed by C.L.L.A. in questions of "obtainability".†

Office of Lend-Lease Administration

*Cable (6123) B.O.T. to Washington.

†Cables (12 and 14 Nov. 1941).

In November

1941

In November a drastic revision of the Neutrality Act gave much greater freedom to American shipping, allowing merchantmen to be armed and removing all geographical restrictions on their movements. Commenting on the revision and its probable help towards a faster flow of food and raw materials (Lend-Lease and other) to this country, the London and New York Press quoted figures which the Bank had given to the U.S. Treasury for submission confidentially to a Congressional Committee. Moreover the London Press were beginning to ask embarrassing questions, suggesting, among other things, that gold and dollar payments by the U.K. to countries other than the U.S.A. reflected purchases mainly in South America, and that perhaps there was an undertaking to pay Argentina gold or dollars. After consultation with the Treasury the Press were told by the Bank that their suggestion was entirely incorrect.*

This was, incidentally, an early warning of the fate to be expected for any figures given, however confidentially, to the U.S. Administration, and borne in mind very actively at a later period when the situation forced us to give particulars of our reserves, ultimately for publication.

After the entry of the U.S.A. into the war the question of pooling resources arose, rather overshadowing more particular Lend-Lease problems, and in a short time became fused in the general principles of Mutual Aid (see main text).

At the end of December the desirability of extending Lend-Lease to our imports from Latin America - which in effect meant South America - gave rise to considerable discussion: the Treasury were in favour, the Bank not. On a short view an offer of goods against no immediate payment was obviously attractive. But the maintenance, or at any rate the post-war revival, of exports to South America had to be borne in mind. Both the war effort and the supply of civilian goods to South America had to be sustained by American and British capacity. To persuade the

*Letters 28/29.11.1941 between C.F.C. and S.D.W.

Americans to extend Lend-Lease to U.K. imports of Argentine products would be likely to make them argue that they rather than we should continue exporting to South America. The result might well be to convince Argentina, not yet saturated with sterling, that if British goods were not forthcoming sterling was the less desirable to hold.*

Late in February 1942 extracts from letters (Mr. Stettinius to Mr. Harriman) revealed that O.L.L.A. were beginning to receive requests for a number of items which they considered to be far removed from the needs of the war effort (e.g., textiles for natives of the British West Indies, office equipment and household goods for the U.K.). The question begged solution because in many instances the U.S.A. was the only source of supply.

The next stage was the reduction of such requirements to a "hard core" of things not eligible for Lend-Lease. To finance U.K. imports of these Mr. Stettinius advocated the setting up of a revolving fund, and the idea at first seemed acceptable to the Treasury. But a letter from the B.S.C. informed the Treasury that the incidental difficulties of running the proposed fund were so great that O.L.L.A. had turned down the idea.

It was decided (Lr. 7.10.42 H.M.T. to B.S.C.) that Lend-Lease should be suggested, unless impracticable, where urgent purchases had to be made: where the B.S.C. considered that dollar purchases would speed up or simplify delivery the Treasury would agree to the expenditure.

Mr. Stettinius, Lord Keynes and Lord Catto, conferring in London, suggested an allocation of \$2 million Lend-Lease funds a month to help the U.K. to cover the many official miscellaneous purchases in small amounts. This proposal was not adopted, on the grounds that British dollar contracts were beginning to taper off, that there still remained \$35 million of the R.F.C. Loan unused, that U.S. dollar expenditure in the U.K. was increasing, and that U.K. dollar balances were still "fairly ^ssizeable".

*Partial settlement of this matter came nearly a year later, when Washington reported that a South American commodity obtainable for sterling would not rank for Lend-Lease. [Note 12.11.1942: O. & F. 320 (3)].

Alternative suggestions by the Americans were -

- (a) To advance funds to two large distributing firms in the U.S.A. (Sears Roebucks and Montgomery Ward) and allow the British to place contracts with them direct;
- (b) To allocate funds to Treasury Procurement which would pay manufacturers for duly authorised British orders from them.

Already existing organisations would thus be utilised and more direct contact established between the British ordering departments, etc. and the U.S.manufacturers. It is not clear whether these ideas ever materialised.

For the better part of the following 18 months administrative problems were connected mainly with particular commodities or reverse Lend-Lease (Reciprocal Aid), which are more conveniently deal with separately, below.

In the Spring of 1944 Mr.Cobbold took up, in the following letter to the Treasury (27.4.44), a question never far in the background* but which now seemed to call for early decisions.

"My dear Eady,

For some time past H.M.G.have been under pressure from Washington both to cut lend-lease and to increase reciprocal aid. Has not the time come for a decision between the two? We certainly cannot afford both.

Our view is that it is right and advantageous at this stage to begin to reduce our dependence on lend-lease and that we shall now gain something useful by increasing reciprocal aid. With an end in sight to the rise in our gold and dollar balances, every million dollars lost on reciprocal aid makes it the more difficult to get away from dependence on lend-lease.

This will assume yet greater importance if the revision of the Export White Paper** goes forward on the lines which Sir Samuel Beale has brought back from Washington. The proposed revision will only provide a way of escape for us to the extent that we can afford to pay dollars for our imports of raw materials.

May I say

* Its beginnings can be traced as far back as the spring of 1942, when the implications of Reciprocal Aid were becoming clear. See section on "Reverse Lend-Lease" below.

**The relief was not, in fact, mentioned in the White Paper referred to (the Second Report on Mutual Aid: Cmd.6570) but in the Prime Minister's statement to the House, 3rd November, in which he said that from the beginning of 1945....."we shall no longer receive shipments to this country under Lend-Lease of any manufactured articles for civilian use which enter into export trade, nor of many raw and semi-manufactured materials such as iron and steel and some non-ferrous metals. Consequently in accordance with the White Paper of Sept.1941 we shall then be free to export a wide range of goods made from those materials."

May I say in this connection that, as the revised export arrangements will be valuable or the reverse according as they are administered, we greatly hope that the Treasury will be strongly represented on the proposed committee in Washington and on whatever body has charge of the matter in London. The importance of our foreign exchange position needs no stressing.

Sir Wilfred Eady, K.C.B., K.B.E., C.M.G."

Replying (on 8.5.44) Sir Wilfred Eady said:

"My dear Cobbold,

Thanks for your letter of the 27th April about Lend-Lease and Reciprocal Aid. As you know we have found it necessary to agree to cut lend-lease to the extent of eliminating items which FEA professed to regard as politically dangerous. We hope that this process has now come to an end and we feel that it would be a mistake for us on our part to volunteer that lend-lease should be cut further. This would be inconsistent with our contention that our reserves are much too low having regard to our liabilities.

As regards reciprocal aid, we agree with you that we shall now gain nothing useful by extending its scope and we have refused in a number of recent cases to do so, e.g., reciprocal aid in the Caribbean, Suez Canal dues and raw materials and foodstuffs from Australia and India.

As regards the Export White Paper, we and the Board of Trade are very conscious of the fact that the revised arrangements will be valuable or the reverse according as they are administered. You may be sure that we shall keep in very close touch with the Board of Trade on the matter both here and in Washington."

At about the same time a good deal of thought was being given in Washington to Lend-Lease settlement, and the question of "consideration" was being revived. The memorandum presented by Lord Keynes in the previous autumn had produced many arguments but few suggestions, though many people in the U.S.A. most closely concerned seem to have been against stripping us bare of dollars. It was recognised in Washington that on the one hand our natural reluctance to use Lend-Lease to build up dollar balances, and on the other the probable post-war complaints of U.S. traders that we had too few dollars to buy their products, faced the U.S.A. with a dilemma. The presentation of the case for adequate reserves had apparently not yet taken the line that the soundness of sterling was an essential for postwar redistribution. Settlement, in fact, was to be deferred until merged in the wider question of post-war aid and the 1945 loan agreement.

Closely connected with final settlement was the

question

question, very much alive as the end of the war approached, of the disposal of the surplus stores which it was clear the American Forces would hold (and would probably wish to leave)* in sterling area countries. This became a major issue, and memoranda offering various suggestions were drafted on both sides of the Atlantic. The Middle East received early attention, but it was soon realised that unwanted stores in the United Kingdom were likely to be very large: the value of food and materials alone was believed to be of the order of £100 million at the end of 1944. (General Eisenhower estimated American movable equipment in Europe on V/E Day at \$4,500 million, of which, however, about 30% was described as "unbattle-worthy"). Both surplus goods of the U.S. Army itself and surplus British Army goods with Lend-Lease content were concerned.

The question had come to the fore in the Summer of 1944 and a letter (23.9.44) from Sir Ronald Campbell** to Mr. Stettinius embodied instructions from H.M. Government, of which a leading principle was that the U.K. could not afford to allow the sale of U.S. surplus goods in the sterling area unless they were essential.

The U.S. Treasury were in favour of a comprehensive settlement including army material (which would anyhow end up largely as scrap). Such a settlement would dispose of the article in the Mutual Aid Agreement which bound us to return unconsumed Lend-Lease goods after the war. But any offer on these lines, in the absence of any but the vaguest ideas of the value of surpluses at the end of the war, would be a mere gamble. Mr. Cobbold thought the idea ridiculous; and the Bank had at best a secondary interest. In the event (Cf. main text) a similar type of settlement was accepted as part of the 1945 Loan Agreement, though of course after an interval which allowed time for a much closer valuation to be made of the stocks concerned.

*A comment (by G.L.F.B.) to an Overseas & Foreign note, 8.9.44, suggests that no U.S. Government would dare to bring American military goods back to the States, and face an outcry from manufacturers and traders at the depressing effect of throwing obsolescent goods on the market.

**U.K. Minister in Washington.

Some particular problems

All supplies apart from those with obvious claims on Lend-Lease (Munitions, and other warlike things) had to face tests - not always logical, no doubt, in the minds of claimants - for inclusion; and cases had to be argued on their merits as seen through eyes on both sides of the Atlantic. In particular, they gave trouble if there was any hint that they were potential competitors with American exports or could be regarded as "unessential". Records offer a very large range, but the following examples have been chosen either as involving leading principles or as being of closer rather than of remoter interest to the Bank, who were continually called upon to express opinions.

Gold-mining machinery

This was a matter which affected the Bank only indirectly; but its implications for the reserves were serious. When in Washington Lord Keynes mentioned to General Burns gold-mining machinery (in connection with Belgian Congo needs, i.e., the difficulty in getting priority) as a non-warlike article which we should consider of the highest importance. General Burns could not admit its "essentiality" for the conduct of the war: its only purpose was to extract gold from the African soil with a view to its subsequent interment in the U.S.A. There thus appeared the possibility that gold-mining machinery might not rank for priority, even under cash payment. Our requirements, however, would be carefully watched with a view to allowing us to import as and when we could.

The Prime Minister of South Africa (General Smuts), through the South African High Commissioner in London, sent his views to Washington, emphasizing that if the mines were crippled in their working both the Union and the U.K. Governments would be gravely affected in their acquisition of dollar exchange. If the difficulties raised related only to Lend-Lease and if the U.S.

Authorities would allow immediate deliveries against payment, the decision would not be so grave.

The Treasury later wrote to the Board of Trade (3.10.41) saying that they attached special importance to everything possible being done to make gold-mining machinery for the British Empire available from the U.K. It was later agreed that application by gold, diamond and copper mines, wherever situated, for maintenance material as well as machinery should be considered by the Treasury, the Bank of England and the Export Licensing Department, and the material issued automatically.

In the Autumn of 1941 continued American refusal to grant priority to equipment for South Africa brought further protests from General Smuts. In the Bank's view, it would have been unwise to press the Americans on the gold-mining question at that time.

Cutting across the main argument was the disinclination of the Colonial Office to foster Empire gold production to the utmost. A reminder that the U.K. had payments obligations with other countries than the U.S.A. seemed called for. It might eventually take heavy drafts of our gold to discharge obligations to the Special Account countries. (Lr.L.P.T.McC. to H.M.T. 3.11.41).

In November it was decided to divert all orders to the U.K. (the Americans' wish) and to authorise only such supplies as were needed to prevent a fall in gold production. Where supply from the U.K. was impossible, machinery would be ordered in the U.S.A. for cash.

^ see also under "Gold".

Egypt

During the summer of 1941 a scheme was formulated to avoid dangerous shipping routes and to obtain from America as large a proportion as possible of Egyptian and Middle East requirements. These were largely military and presented no problem, but some were for transfer to the Egyptian Government, a part of which in turn, it was assumed, would be obtainable under Lend-Lease. The amount involved was estimated at about £2 million a year. It was for a number of reasons undesirable that goods should be supplied to the Egyptians free, and the question of the form payment should take and its accounting had to be settled.

Some American criticism was anticipated if the U.K. were paid for goods she had received on Lend-Lease; on the other hand, there was equal likelihood of objection in the U.S.A. if the principle of Lend-Lease was extended far beyond original intentions. (Egypt was neither a "democracy" nor at war).

Either course being open to criticism, there might be a case for spending dollars, but discussion led to a decision that the correct procedure was to make payments into a sterling Suspense Account*. U.K. out-of-pocket expenses only, not full cost, were to be recovered; but the Egyptians must understand that we were incurring a potential liability to the U.S.A. which we might have to ask them to help us discharge. This would be a first charge on the Suspense Account.

In the following February the Americans agreed that Lend-Lease for Egypt should be handled by retransfer through the U.K., subject to the provision that the U.S.A. and Egypt each had a member on the Middle East Supply Council; and in May that the net proceeds of sales of supplies for the civilian population in Middle Eastern countries should be held in the currency of the country in question for the credit of the U.S.A. The money would not be turned into

*Payments for nitrate, for which the U.K. paid Chile and the U.S. lend-leased freight, went to a special nitrate pool.

dollars but used locally for the expenses of the U.S. Government. These principles were accepted by H.M.G. some five months later (cables 71 and 272 USLON, and 654 LONUS). In due course a "Lend-Lease Proceeds" Account was opened at the National Bank of Egypt for this purpose.

On 16th October 1943 the National Bank informed the Bank that the American authorities were applying for the conversion into dollars of £E 275,000, part of the balance on this Lend-Lease Account; which money, it had been agreed, should only be used locally for U.S. Government expenses. After discussion it was believed that these funds might prove excessive for their purpose, in which case there would be the alternatives:

- (a) To pay off the outstanding balance in dollars.
- (b) To allow it to be used for commodity purchases. Or
- (c) To make it transferable to other parts of the Sterling Area.

The matter remained under consideration until 22nd May 1944, when the Governor cabled to the National Bank "..... Although contrary to original arrangements H.M.G. are prepared to agree exceptionally subject to your concurrence" and added that Whitehall intended to reconsider the position of lend-lease accounts in the Middle East with the aim of liquidating or preventing the further accrual of these funds.

Iceland: Fish, Sheepskins, etc.

We had an agreement with Iceland to pay dollars for large quantities of fish exported to the U.K. In the autumn of 1941 the Americans offered to take over this agreement, pay the dollars to Iceland and lend-lease the fish to us. In return they expected the U.K. to take a generous view of Iceland's accumulated sterling*, and suggested that we should not require reimbursement of dollars which we had lent to Iceland when she was short of them. The U.K. view was that we should at least ask for the dollars back if and when Iceland became flush of them again, and should also reserve a

*Our expenses of occupation were yielding them about £200,000 monthly.

right to repay lend-lease fish in kind. Iceland was also relieved of further anxiety about the disposal of other products (e.g. sheepskins and fish oils) when in 1942 the U.S. undertook, *as with fish,* to purchase them for dollars and lend-lease them to the U.K.

Iceland could also take advantage of the lend-lease machinery in order to get priority (A.3) for American goods, but had to repay the U.S.A. in dollars.

Silver.

There is ~~an interesting case (of silver for India)~~ *also the interesting case of American supplies of silver for the U.K and India, when in 1942 both were the U.S. arising in the first instance out of anxiety over the* ~~supply of nickel for armaments.~~ *faces with serious shortages.* It is, however, so closely connected with the much wider question of silver in all its aspects, and does not in fact strictly qualify as Lend-Lease although so called, that it is more appropriately, and much more conveniently, included as part of the chapter on Silver.

REVERSE LEND-LEASE

Reverse Lend-Lease (Reciprocal Aid) existed, at one remove as it were, as a principle ready for adoption as soon as the United States became an Ally, and was discussed at a Treasury meeting of the Departments on 3rd February 1942, three weeks before the Mutual Aid Agreement was signed.

It was then decided that the U.K. should supply to the U.S. Government munitions (including machine tools) and military supplies on Lend-Lease terms, and land them in the U.S.A. when required there. Supplies consigned to private contractors working for the U.S. Government would be sold to the contractors. Commercial supplies and raw materials were to be sold for dollars; likewise such goods as the U.K. paid for in dollars. There were minor exceptions, e.g., raw materials for incorporation in goods eventually to be lend-leased to the U.K. As to food, the Americans should pay for their direct local purchases, but where it was supplied from U.K. stores we should make no charge. However, where there was risk of undertaking large commitments (e.g., of Argentine meat) it was suggested that the Americans should make their own arrangements direct.

For the Dominions and India it was first proposed that questions of all kinds should be settled between the U.K. and U.S. Governments. This was in keeping with our opposition all along to direct Lend-lease arrangements for the Dominions. In a cable (28.2.42) setting out the proposals for U.K. reverse Lend-Lease, H.M. Government, while it did not know whether Dominion Governments had been approached direct by the U.S. Government, said that it seemed desirable that if the latter wanted formal embodiment of agreed principles, negotiations with them should be conducted jointly with the U.K. The cable added that "having regard to Lend-Lease supplies being and to be provided from the U.S." the Dominions "might provide munitions and military stores to the United States Government on Reverse Lend-Lease".

In other parts of the sterling area supplies other than munitions, and the local expenditure of the U.S. Forces, were for settlement between the U.S.A. and the countries concerned. The U.K. Government was responsible for munitions.

As regards Middle East countries (which had so far received little by way of Lend-Lease) the U.S. should pay as they went, as the U.K. did; and should also make themselves responsible for their requirements of local currencies. The Bank pointed out, however, that this would not meet the problem of Sterling Balances, since dollars received by (e.g.) Egypt would either be sold for sterling or retained by the local control. In the Middle East, for the Americans to pay as they went could only "aggravate the already serious inflation difficulties", any solution of which "must lie along the lines of Lease-lent goods, not money payments". (L.18.2.42 to the Treasury).

It was not up to the U.K. to suggest that the Free French (or Belgians in regard to the Congo) should offer Reverse Lend-Lease.

It was learned that O.L.L.A. were working out a plan to offset the value of materials supplied by the U.K. to the U.S.A., a principle which seemed objectionable and which was summed up by Mr.Cobbold in a letter (19.2.42) to the Treasury "The suggestion that we should set off item for item in some cases and 'by and large' in other cases, thus leaving a net balance in favour of U.S.A. at the end, does not commend itself to us, especially if, as I understand is the case the "consideration" principle has been accepted. If we are to have "consideration" let us keep the shadow Lease-lend records gross both ways so that at the end we have a claim for "consideration" as well as the U.S.A., and do not let us be manoeuvred into setting off approximately equivalent materials and services leaving a one-way claim at the end". The Treasury thought, however, that we were already committed to the one-way claim. Mr.Cobbold replied reaffirming his belief in the value of gross records (which in fact were to some extent being kept) in a final settlement.

It was soon realised that there must be limits to total American expenditure plus Lend-Lease (the more of one, the less of the other), and thus, also, to Sterling Area dollar receipts. It was the declared policy of the U.S. not to let us run out of dollars; but equally it was unlikely that we should be allowed to pile them up. It was thus reasonable to regard Lend-Lease as the means of canalising the balance arising from the excess of U.S. supplies to the U.K., which began 2½ years before Reverse Lend-Lease, over U.K. supplies

to the U.S.A.

All this had a bearing on the Empire sterling balances, whose size and growth were beginning to cause apprehension, and argued moderation in the giving of Reverse Lend-Lease. Under the system of effective financial pooling in which we found ourselves the more Reverse Lend-Lease the Sterling Area gave the Americans the more direct Lend-Lease would they have to give us to make up for dollars foregone through Reverse Lend-Lease. But the U.K. was now receiving almost her maximum proportion of Lend-Lease, and any further extension of direct Lend-Lease to the Sterling Area would have to come through other Empire countries, relieving them of direct dollar expenditure and strengthening their sterling balances.

The loss of dollars incidental to the giving of Reverse Lend-Lease also raised the question of alternative means of payment for dollar commitments, and of the inviolability of our gold reserves - a principle argued at some length in the main text.

This inclination to go slow on Reverse Lend-Lease led to suggestions by the Bank that it should in principle be confined to weapons in a narrow sense. The Treasury were doubtful whether this would be possible but thought that we should continue to refuse to supply raw materials as Reverse Lend-Lease. The position was not made easier when Mr. Harriman urged, in view of the shortage of shipping, the elimination of any supplies from the U.S. which could be provided in local areas of operation.

It was perhaps only natural that the U.S. Administration should claim the widest possible scope for supplies from the Sterling Area as a set-off for Lend-Lease. But such an extension would inevitably have led rapidly to a shortage of dollars and a call for a subsidy to square the account.

This aspect of Mutual Aid could hardly ever have been remote from the minds of the U.K. Authorities when current problems were under consideration. Yet it does not seem to have actually pressed for decisions for another two years (cf. Mr. Cobbold's letter 27.1.44 to the Treasury, above).

On the question of scope the Bank at all events were clear e that, to forestall any possible complaints of niggardliness the initiative should be with the Americans. They should requisition as each particular case arose, but canalisation through a single U.S. office in London should be avoided; a single office of H.M. Government might be necessary to prevent divergent treatment by different Departments. It would then be for the U.K. to decide in principle what should be supplied under Reverse Lend-Lease.

Such problems, and the vexed question of what records should (or could) be kept, occupied the months intervening between the Mutual Aid Agreement and the next understanding (3rd September) between the two Governments. d

It was realised that the U.K. records, particularly of repairs and other services, of Reverse Lend-Lease would be far less complete than the American records of direct Lend-Lease, a danger for ultimate settlement which we had to face.

The extreme difficulty, whatever records might be kept on either side, of putting a valuation on services mutually rendered (and with "consideration" casting its shadow before an imaginary future settlement) is illustrated by the following extract from a letter.*"O.L.L.A.'s figures will be detailed and neat for what they cover, but I suspect that in the end that will only cover a fraction of the field. I don't know what the really important things we shall have handed over may be, but one of them clearly is information. I believe Admiral Dorling maintains that the value of the anti-submarine devices we have handed over is equivalent to all the Lend-Lease assistance we have had to date or something of that sort". m

There was a good deal of revision of the principles agreed at the first Treasury meeting in February and the revised versions were cabled to Washington, but always re-asserted the basic principle "It is my understanding that the essential principle to be applied is that as large a portion as possible of the articles and services to be provided by each Government to the other shall be in y n

*From Bewley of the U.K. Washington Delegation to Playfair of H.M.T. (26.5.42).

the form of Reciprocal Aid so that the need of each Government for the currency of the other may be reduced to a minimum."

The various revisions* made it possible to set down clarified principles in the form of a longish note (20.6.42) prepared by H.M. Treasury for Mr. Stettinius, in London at the time. This was a good step in the direction of what was wanted for the understanding published as the Reciprocal Aid White Paper on the 3rd September. The slow and difficult evolution of the principles there laid down is illustrated by the slightly playful last paragraph of the Stettinius note, which says "For the most part it just grew, like Topsy, and is in fact still growing we believe its growth is on sound lines. Our general principle is that, if it works perfectly it should not even be noticed".

In April the New Zealand Government asked for the views of H.M. Government on the new situation arising out of the diversion to the American Forces then arriving of supplies normally exportable to the U.K., which would deprive New Zealand of sterling income. H.M.G. replied giving assurance that during the war they would make any advances necessary to prevent New Zealand sterling balances from falling.

Total advances to New Zealand by H.M.G., the greater part of which were made to cover Reciprocal Aid losses, were as follows:-

	£000's)	
	<u>Advanced</u>	<u>Repaid</u>
Year ended 31st March 1941	5,988	1,472
" " " " 1942	8,243	9,941
" " " " 1943	15,557	8,000
" " " " 1944	9,266	6,255
" " " " 1945	6,784	5,000
" " " " 1946	<u>2,830</u>	<u>18,000</u>
Total	<u>48,668</u>	<u>48,668</u>

H.M.G. likewise undertook to protect Australian sterling balances, but no advances were in fact necessary.†

*See O. & F. 320.8 folios 4/5, 32, 57a, 79b,c,d, 119b, 132a, 133a,b, 137d, 137h.

†£12 million advanced in 1940/41 and repaid in 1943/44 was the only loan by H.M.G. to the Australian Government, who (in 1945) estimated total Australian Reciprocal Aid to U.S. Forces at £A250 million.

With American Forces now arriving in Australia in large numbers the Australian Government also proposed that their large capital works programme (about £A30 million, of which £A6 million purely on American account) should be made entirely from Australian funds, but recorded as Reverse Lend-Lease. The Bank were against any record of expenditure - as distinct from a statement of goods and services supplied - being passed to the Americans. H.M.G. agreed and made it quite clear (in cable 20.6.42) that they wished to avoid a position at the end of the war in which the U.S. Government would be able to compare a Lend-Lease with a Reverse Lend-Lease statement, the difference between which would be popularly regarded as a monetary debt.

By September the main difficulties had been resolved and the new Agreement signed. What had begun as part of "Mutual Aid" in the previous March, with no clear understanding as to financial pooling and records, had now passed through "Reverse Lend-Lease", with such things in an evolutionary process, to become "Reciprocal Aid". Behind the Exchange of Notes published on 3rd September there was now the understanding that financial accounting should be reduced to a minimum.

Nevertheless, in December the Treasury received warning from Sir Frederick Phillips that the U.S. Administration might still wish to obtain a cash valuation of the aid which the U.K. were giving, or that they might be compelled to produce their own figures for it. This, as we have seen, was a question on which the Bank had strong views. Commenting on a Treasury memorandum prepared for Sir Frederick's guidance, the Governor wrote (6.1.43):

"Dear Sir Wilfrid Eady,

I have read with interest a Treasury document of the 4th January dealing with Reciprocal Aid. If, as I must assume, this note is intended for American eyes, I must once again express my regret that the money sign is so often used in this otherwise excellent paper. Admittedly it is only used *exempli gratia* and no attempt is made to add up the items, but that it is used at all can only prejudice the standpoint (to which I believe we should cling most firmly) that there is no money sign in Reciprocal Aid.

I trust that it may not be too late to expurgate the paper before it is used in Washington: otherwise it will, I fear prove another step on a slippery slope leading to a certain quagmire.

I am, Yours sincerely,

(Sd.) M.NORMAN"

On the 11th January Lord Keynes told the Treasury that he was surprised to find that the value of Reciprocal Aid (converted at £1 = \$7 to bring it into line with American prices) amounted to 50% of the Lend-Lease we had received for the past 12 months. He thought this information ought to be used to dispel the American idea that our contribution was unimportant. The Treasury were impressed and apparently cabled* to that effect. The Bank, with strong views against any such use of the "money sign", did not agree.

*No copy of this cable can be found in the Bank, but a note on the Treasury meeting bears the comment "The outgoing telegram to Phillips was not agreed by the Bank." C.F.C.

In mid-August the President was due to present to Congress a further report on Lend-Lease progress; in which, since there was little realisation by Congress, the Press or the public in the U.S.A. of the volume of Reciprocal Aid they had received, he proposed to make much of the pooling of resources. In order to support his statements the U.K. were asked to grant certain concessions and to provide statistics of their own contribution. The Treasury prepared a memorandum for the Chancellor to present to the Cabinet, on which they asked for the Bank's comments. The memorandum proposed:

- (i) To answer the request for statistics by the production of a White Paper.
- (ii) To meet a claim for Reciprocal Aid in raw materials by accepting responsibility for their provision from the U.K., the Colonies and Rhodesia. The U.S. Administration were to be invited to discuss similar supplies from Australia, New Zealand, South Africa and India with the Governments concerned. These countries should be informed of U.K. policy and of our willingness to consider any hardship to which such promises might subject them (Cf. earlier sterling balances guarantees to New Zealand and Australia).
- (iii) To put on record with the U.S. Administration that, having regard to (i) and (ii), we considered that the question of our gold and dollar balances should be deferred to a much later date.

The Bank repeated their view that to put a valuation on Reciprocal Aid was mistaken policy; and the giving of full statistics something very like submission to American audit. We remain unconvinced of the wisdom of publishing value figures; in fact the admirable exposition in your memorandum of the difficulties of

to the value of \$200/300 million a year.

of assessing values and the unreality of the results achieved strengthens our belief that it would be wiser to stick to the principle of "no money sign".^f

An announcement on raw materials by the Prime Minister in the House of Commons and the issue of the White Paper were to be simultaneous (5th August). But postponement of both was urged by Mr. Morgenthau and Mr. Stettinius on the ground that the raw materials offer, limited so far to the U.K. and Colonies, would seem inadequate; publication of the White Paper should await the Dominions' decisions on raw materials.

The first report on Mutual Aid (Cmd. 6483) eventually appeared early in November 1943 and was not inaptly described by the "Economist", November 13, as "an attempt to give some quantitative ^{form} ~~from~~ to the fact of British Lend-Lease". In giving a few figures the Report subscribed sparingly to American demands. In its qualifications it displayed, if not the Bank's measure of caution, at least some "If any figures which we give on Reciprocal Aid lead to comparison with the lend-lease given to us, such comparison of money value, unless made with circumspection, will lead to a serious underestimate of the British contribution". It was further hinted (cf. Lord Keynes on 11.1.43) that American costs at least 50% higher than British would have inflated the American valuation of direct Lend-Lease: the figures were therefore not an accurate guide to relative efficiency. The figures given estimated work done and supplies transferred ^{by} ~~to~~ 30 June 1943 to the U.S.A. at £216 million, to Russia at £179 million and to all other Allies at £186 million. It was left for the second Report, a year later, to give greater detail.

^f Lr. 27.7.43 C.F.C. to Lord Keynes with comments on the latter's draft for the proposed White Paper.

Towards the end of October the Indian Government, having agreed in principle to bear the cost of raw materials supplied by India as Reciprocal Aid*, asked for a promise that she might keep any balance of dollars which she earned. The Bank were against such a concession, pointing out the undesirability of making exceptions to the dollar pool principle and the difficulty of resisting similar requests from other members of the Area. If it were judged essential to meet the Indian request the Bank would prefer to make a larger allocation of gold for sale in India (Lr.26.10.43 C.F.C. to Sir W.Eady).

The Treasury replied that they had felt constrained to tell the Indians that they would be willing to agree if the dollars could be segregated to form the nucleus of a reconstruction fund. They had however pointed out to them that the contingency was unlikely to arise if the Americans, as seemed probable, were going to meet their military expenditure in India in gold. (Cable from Secretary of State 30.10.43) The Treasury assured the Bank that if the proposal went further and seemed to threaten the continuance of the Sterling Area "we shall think more than twice before in the end we agree to it".

The Bank would have "greatly preferred to see the decision avoided" and reaffirmed their preference for concessions in gold. They further suggested that the dollars should be held with the Federal Reserve Bank by the Bank of England for account of the Reserve Bank of India, the Fund not to be drawn upon until after the end of the war with Japan, but then to be used before any call on U.K. dollar resources should be made for these purposes (which the Bank preferred to designate as "restocking and capital expenditure in the U.S.A." rather than "reconstruction").

* Burlap and Jute were the most important among a number of commodities, the total of which was estimated at \$40 million for the last 9 months of 1944.

In setting up what became known as the "Indian Post-war Dollar Fund", H.M.G. in effect preserved the principle of the Empire dollar pool by not actually segregating Indian accumulations; though they agreed to set aside each year, as a special case, part of the Dollars accruing to it from India's export surplus with the U.S.A., these amounts to be earmarked specifically for Indian post-war development. For each calendar year, 1944 and 1945, the amount was \$20 million, though for 1945 it was subject to revision in the light of statistics yet to come.

In September 1944 the Indian Government claimed that \$20 millions a year was quite inadequate, pointing out that India's surplus with the U.S.A. was of the order of \$250 million. They suggested that 20% of this figure would be more suitable. The India Office, questioning the validity of many of the Indian's' statistics, reduced the figure to \$70 millions. This, in fact, was on the low side, but still left a margin which, on a 20% basis, made the agreed \$20 millions look generous. The Indians were told so and the allocation was not increased. Incidentally, sales of gold in India on purely U.K. account in 1944 had amounted to the equivalent of \$115 millions. (But the gold would have gone into hoards, not dollars!).

The actual opening of the fund was delayed and the Bank, it seems, were ignorant of developments until February 1945, when it was proposed that they should open a special dollar account in the name of the Reserve Bank of India for the purpose of receiving the \$40 million. The Bank thought that to give facilities not accorded to other members of the Empire might prove embarrassing, and suggested that the dollars should be held on and regarded as a liability of the E.F. Account (and included as such in any estimate which might be required of the exchange holdings of that account). This arrangement was adopted, and accepted by the Indian Government.

After the war drawings on the Fund began, and had amounted to \$13.2 million by the end of 1946 and to \$29.3 million a year later.

^{The Fund}
It was not wound up until 1948, when it was arranged that the balance

Mutual Aid - some values

Lend-Lease, Reverse-Lend-Lease, Mutual Aid, Reciprocal Aid: as part of the total war effort these are really all one story - an immense contribution of armaments, ships, materials, food, services and information by the United States; and a lesser, but still very large one by the United Kingdom. By the end of the war practically all the United Nations, according to their capacity, were helping one another;† but for the purpose of record here comparison of the values put on their total contributions respectively by the two countries who bore immeasurably the greatest share is perhaps all that is needed to round off an Appendix to a chapter on financial relations with the U.S.A. The statistical data are provided in two documents: the "Twenty-second Report to Congress on Lend-Lease Operations" (to 31st Dec. 1945); and the "Third Report on Mutual Aid" (Cmd.6931).

The American, and of course much the greater, figure amounted to \$46,517 million (excluding \$2,579 million costs not charged to foreign governments) or in sterling converted at \$4.03, £11,543 million. Of this total the U.K. received £7,631 million, Russia £2,764 million, France and Possessions £590 million and China £331 million. The following table condenses considerable detail to show the British share by principal categories, compared with that of Russia and all other countries.

† At the height of the war the United Nations' aid to one another was on a scale of about £4,500 million a year or roughly the equivalent of a good pre-war year's total world exports. Canadian Mutual Aid is dealt with separately under Canada.

<u>£ millions @ \$4.03</u>	<u>British Empire</u>	<u>U.S.S.R.</u>	<u>Other Countries</u>	<u>Total</u>
Ammunition	525	119	90	734
Ordnance	229	75	61	365
Tanks & ordnance vehicles	708	153	99	960
Aircraft, engines & parts	1,496	388	152	2,036
Motor vehicles & parts	231	285	98	614
Watercraft	748	171	81	1,000
Machinery	203	391	15	609
Metals	338	218	31	587
Petroleum products	579	33	23	635
Food & other agricultural products	1,060	436	62	1,558
Rental & servicing of ships, etc.	579	147	55	781
Other supplies	<u>935</u>	<u>348</u>	<u>381</u>	<u>1,664</u>
	<u>7,631</u>	<u>2,764</u>	<u>1,148</u>	<u>11,543</u>

Reciprocal Aid by the United Kingdom down to 1st September 1945 was valued at £2,078½ millions, of which the United States received £1,241½ millions (60%). The total is made up as follows:

	£ millions
U.S.A.	1,241½
Russia	318
France	106
Poland	228
Other European Allies	124
Portugal	18
Turkey	32
China	<u>11</u>
	<u>2,078½</u>

The U.S.A. share may be analysed by type of aid given:

1. <u>In the U.K.</u>		
Petroleum products	231	
Other goods	<u>223</u>	454
Shipping	164	
Inland Transport	48	
Building Works and Maintenance	45	
Other services	<u>40</u>	297
Capital Facilities:		
Airfields	117	
Barracks, Hospitals, &c.	61	
Port Installations, &c.	37	
Other	<u>8</u>	223
2. <u>Exports to U.S.A.</u>		
Raw Materials	31	
Bulk Foods (Tea, Cocoa, &c.)	22	
Military Stores	<u>46</u>	99
3. Overseas (of which 82 Petroleum)		<u>168</u>
		<u>1,241</u>

Of Russia's £318 million, Aircraft accounted for £129 million, Motor Transport for £119 million, Guns and Ammunition for £24 million. Details are not given of aid to other allies.