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EXCHANGE OF NOTES

REGARDING

THE ESTABLISHMENT OF A RESERVE
OF AUSTRALIAN WOOL IN THE
UNITED STATES OF AMERICA

London, December 9, 1940

*Presented by the Secretary of State for Foreign Affairs
to Parliament by Command of His Majesty*

LONDON

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EXCHANGE OF NOTES REGARDING THE ESTABLISHMENT OF
A RESERVE OF AUSTRALIAN WOOL IN THE UNITED
STATES OF AMERICA.

London, December 9, 1940.

No. 1.

Viscount Halifax to Mr. Herschel V. Johnson.

Sir,

Foreign Office, December 9, 1940.

I HAVE the honour to inform you that, in order to enable the Government of the United States of America to establish in the United States a reserve of Australian wool against a possible emergency shortage of wool supplies in the United States, the Government of the United Kingdom of Great Britain and Northern Ireland are prepared to enter into an agreement with the Government of the United States in the following terms:—

(1) The Government of the United Kingdom shall make available to the United States Government (or an agency acting on its behalf) 250 million pounds of Australian wool as a strategic reserve for the United States Government against a possible emergency shortage of wool supplies in the United States. The wool shall be transported to the United States, where it shall be stored in bonded warehouses. The Government of the United Kingdom shall retain title to the wool, but all or any part of the wool may be purchased by the United States Government (or an agency acting on its behalf) for use in the United States, or may be sold to the United States domestic trade, if and when it has been determined by the United States Government that an emergency shortage of wool exists in the United States.

(2) The Government of the United Kingdom may withdraw wool from the reserve for shipment to the United Kingdom or other British territory in the case of emergency shortage of supplies in such territory, or, in the contingency of an interruption of wool textile production in the United Kingdom, for the manufacture of textiles in the United States to meet United Kingdom emergency textile requirements, provided that (a) replacements for wool so withdrawn are on the way to the United States, and (b) at no time the total of the reserve in the United States is temporarily depleted by more than 20 per cent. by such withdrawals.

(3) At any time after the signing of a general armistice between the United Kingdom and Germany, the Government of the United Kingdom shall be at liberty to dispose of the wool remaining in the reserve, but the United States Government and the Government of

the United Kingdom shall consult together with a view to ensuring that the disposal of any such wool in the United States shall be effected under conditions which will avoid a dislocation of normal wool-marketing there.

(4) The wool for the reserve shall be made available by the Government of the United Kingdom f.o.b. at Australian ports, and the United States Government (directly or through an agency acting on its behalf) shall thereafter accept responsibility for the safe custody of the wool and shall pay transport, handling, storage, insurance including war risk, and other charges in connexion with the establishment and maintenance of the wool reserve. Payments shall be made between the United States Government and the Government of the United Kingdom on sale of wool from the reserve to offset any savings secured by the Government of the United Kingdom owing to the wool having been transported to and stored in the United States by the United States Government and any loss incurred by the Government of the United Kingdom by reason of depreciation in the value of the wool stored in the United States as a result of deterioration of the wool or by reason of the position in which the wool is stored in the United States, provided that (a) in the case of sales in the United States no payment shall be made which would reduce the receipts by the Government of the United Kingdom for the wool in question below the amount which would have been received on sale f.o.b. Australia at the same date, and (b) in the case of sales outside the United States any payments as between the two Governments shall not involve the Government of the United Kingdom in any net expenditure of United States dollars in respect thereof.

(5) It is tentatively agreed that the 250,000,000 pounds of Australian wool which will be made available by the Government of the United Kingdom for the reserve shall be composed of the following :—

270,000 bales of 58/60s of types normally imported into the United States and of good topmaking Bradford styles ;

290,000 bales of 60s and finer of types normally imported into the United States and of good topmaking Bradford styles ;

190,000 bales of 60s and finer of good to average Bradford styles ; balance (to make up 250,000,000 pounds) of 60s and finer of average Bradford styles ;

Two-thirds of all the 60s and finer wools to consist of 64/60s.

The counts are as normally understood in the United States. Although this tentative agreement on grades and types is subject to modification following consultation between the two Governments after examination of samples of the wool by the United States authorities, it shall become definitive if the examination of samples indicates that the grades and types of wool included in the above-mentioned general categories are such that they could be readily used in American mills without interruption of or delays in the

production of the mills. It is understood that the Government of the United Kingdom, in estimating the quantities available for the reserve, have provided for the retention of sufficient supplies in Australia to ensure that the commercial demand can be met. It is also understood that both the total quantity estimated to be available for the reserve after providing for sales abroad and shipments to the United Kingdom, and the distribution by types and descriptions, have been based upon the results of the 1939-40 clip, and that, should the results of the 1940-41 clip differ, it may be necessary to vary the supply for the reserve.

(6) Space on established British shipping lines running between Australia and the United States shall be used for the transport of the wool so far as available. The wool will be made available in Australia as rapidly as possible, provided that the sale of wool from Australia on commercial account or its shipment to the Wool Control in the United Kingdom or Canada shall not be prejudiced, and every endeavour shall be made to complete the allocations in Australia by the end of March 1941.

2. If the Government of the United States are prepared to accept the foregoing provisions, I have the honour to propose that the present note and your reply to that effect be regarded as constituting an agreement between the two Governments which shall come into force immediately.

I have, &c.
HALIFAX.

No. 2.

Mr. Herschel V. Johnson to Viscount Halifax.

*United States Embassy,
London, December 9, 1940.*

My Lord,

I HAVE the honour to acknowledge the receipt of your note of the 9th December, 1940, in which your Lordship is good enough to inform me that, in order to enable the Government of the United States of America to establish in the United States a reserve of Australian wool against a possible emergency shortage of wool supplies in the United States, the Government of the United Kingdom of Great Britain and Northern Ireland is prepared to enter into an agreement with the Government of the United States in the following terms:—

(1) The Government of the United Kingdom shall make available to the United States Government (or an agency acting on its behalf) 250 million pounds of Australian wool as a strategic reserve for the United States Government against a possible emergency shortage of wool supplies in the United States. The wool shall be transported to the United States, where it shall be stored in bonded

warehouses. The Government of the United Kingdom shall retain title to the wool, but all or any part of the wool may be purchased by the United States Government (or an agency acting on its behalf) for use in the United States or may be sold to the United States domestic trade, if and when it has been determined by the United States Government that an emergency shortage of wool exists in the United States.

(2) The Government of the United Kingdom may withdraw wool from the reserve for shipment to the United Kingdom or other British territory in the case of emergency shortage of supplies in such territory, or in the contingency of an interruption of wool textile production in the United Kingdom for the manufacture of textiles in the United States to meet United Kingdom emergency textile requirements, provided that (a) replacements for wool so withdrawn are on the way to the United States, and (b) at no time the total of the reserve in the United States is temporarily depleted by more than twenty per cent. by such withdrawals.

(3) At any time after the signing of a general armistice between the United Kingdom and Germany, the Government of the United Kingdom shall be at liberty to dispose of the wool remaining in the reserve, but the United States Government and the Government of the United Kingdom shall consult together with a view to ensuring that the disposal of any such wool in the United States shall be effected under conditions which will avoid a dislocation of normal wool-marketing there.

(4) The wool for the reserve shall be made available by the Government of the United Kingdom f.o.b. at Australian ports, and the United States Government (directly or through an agency acting on its behalf) shall thereafter accept responsibility for the safe custody of the wool and shall pay transport, handling, storage, insurance including war risk, and other charges in connexion with the establishment and maintenance of the wool reserve. Payments shall be made between the United States Government and the Government of the United Kingdom on sale of wool from the reserve to offset any savings secured by the Government of the United Kingdom owing to the wool having been transported to and stored in the United States by the United States Government and any loss incurred by the Government of the United Kingdom by reason of depreciation in the value of the wool stored in the United States as a result of deterioration of the wool or by reason of the position in which the wool is stored in the United States, provided that (a) in the case of sales in the United States no payment shall be made which would reduce the receipts by the Government of the United Kingdom for the wool in question below the amount which would have been received on sale f.o.b. Australia at the same date, and (b) in the case of sales outside the United States any payments as between the two Governments shall not involve the Government of the United Kingdom in any net expenditure of United States dollars in respect thereof.

(5) It is tentatively agreed that the 250 million pounds of Australian wool which will be made available by the Government of the United Kingdom for the reserve shall be composed of the following: 270,000 bales of 58/60s of types normally imported into the United States and of good topmaking Bradford styles; 290,000 bales of 60s and finer of types normally imported into the United States and of good topmaking Bradford styles; 190,000 bales of 60s and finer of good to average Bradford styles; balance (to make up 250 million pounds) of 60s and finer of average Bradford styles; two-thirds of all the 60s and finer wools to consist of 64/60s.

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In reply to numbered paragraph 2 of your Lordship's note, I have the honour to confirm, under instructions of my Government, that your Lordship's statement of our understanding as set forth above is agreed to by my Government and that the present exchange of notes is to be regarded as constituting an agreement between the two Governments, which shall come into force immediately.

I have, &c.

HERSCHEL V. JOHNSON,
Chargé d'Affaires ad interim.