



Treaty Series No. 13 (1946)

JOINT MEMORANDUM AND AGREEMENTS

BETWEEN

His Majesty's Government in the United Kingdom  
and the Government of the United States of America

REGARDING

Settlement for Lend-Lease, Reciprocal Aid,  
Surplus War Property and Claims

WASHINGTON, 27<sup>TH</sup> MARCH, 1946

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

LONDON

HIS MAJESTY'S STATIONERY OFFICE

NINEPENCE NET



**JOINT MEMORANDUM AND AGREEMENTS BETWEEN HIS MAJESTY'S GOVERNMENT IN THE UNITED KINGDOM AND THE GOVERNMENT OF THE UNITED STATES OF AMERICA REGARDING SETTLEMENT FOR LEND-LEASE, RECIPROCAL AID, SURPLUS WAR PROPERTY AND CLAIMS.**

*Washington, 27th March, 1946*

**MEMORANDUM.**

1. The Government of the United Kingdom of Great Britain and Northern Ireland and the Government of the United States of America announced in a Joint Statement of 6th December, 1945<sup>(1)</sup>, that they had reached an understanding for the settlement of lend-lease and reciprocal aid, for the acquisition of United States Army and Navy surplus property, and the United States interest in installations, located in the United Kingdom, and for the final settlement of the financial claims of each Government against the other arising out of the conduct of the war. It was therein stated that specific agreements necessary to implement that understanding, setting forth the terms in detail, and consistent with the Joint Statement were in the course of preparation. These have now been completed.

2. These specific agreements, which are annexed hereto, are as follows:

- I. Agreement on Lend-Lease and Reciprocal Aid Pipelines and Off-setting Arrangement.
- II. Agreement on Settlement of Intergovernmental Claims.
- III. Agreement relating to Civilian Holdings.
- IV. Agreement relating to Military Holdings.
- V. Agreement on Lend-Lease Aircraft (Non-Combat) and Spares.
- VI. Agreement relating to Petroleum.
- VII. Agreement on Lend-Lease and Reciprocal Aid Installations.
- VIII. Agreement relating to United States Army and Navy Surplus Property and Surplus Installations in the United Kingdom.
- IX. Agreement relating to Tort Claims.

3. With the exception of certain small craft specifically covered by these Agreements, vessels furnished under lend-lease and reciprocal aid are subject to return to the supplying Government in accordance with the terms upon which they were furnished or with detailed arrangements agreed or to be agreed between the two Governments. Consequently no separate agreement relating to such vessels is included among these Agreements.

4. Insofar as provisions of these Agreements relate to British Colonial Dependencies, they are to be regarded as relating also to Southern Rhodesia.

5. The Government of the United Kingdom of Great Britain and Northern Ireland and the Government of the United States hereby signify their acceptance of the terms of the Agreements annexed hereto.

DONE in Washington in duplicate this twenty-seventh day of March, 1946.

For the Government of the United Kingdom of Great Britain and Northern Ireland:

HALIFAX.

*His Majesty's Ambassador Extraordinary and Plenipotentiary at Washington.*

For the Government of the United States of America:

DEAN ACHESON.

*Acting Secretary of State of the United States of America.*

(<sup>1</sup>) Cmd. 6708.

# I

## AGREEMENT ON LEND-LEASE AND RECIPROCAL AID PIPELINES AND OFFSETTING ARRANGEMENT

In accordance with their JOINT STATEMENT REGARDING SETTLEMENT FOR LEND-LEASE, RECIPROCAL AID, SURPLUS WAR PROPERTY AND CLAIMS, dated 6th December, 1945, the Governments of the United Kingdom and of the United States have reached agreement as set forth below regarding settlement for articles and services furnished after 1st September, 1945, to either Government through lend-lease and reciprocal aid channels and regarding other matters covered by the offsetting arrangement described in paragraph 3 (a) of the Joint Statement. In general this agreement covers certain articles and services which were intended for supply through mutual aid channels but which, on 2nd September, 1945, had not been made available to the recipient Government.

### A. PROVISION OF CERTAIN MILITARY AND NAVAL SUPPLIES AND SERVICES AS BETWEEN ARMED FORCES

1. Straight mutual aid between the Governments of the United Kingdom and of the United States was terminated generally on 2nd September, 1945, with certain exceptions (which include the provision of military and naval supplies and services referred to in paragraph 2 of this section).

2. In accordance with standing directives, the United States War and Navy Departments have had discretion, in the period after 2nd September, 1945, to continue to make supplies and services available to the United Kingdom Armed Forces on a straight lend-lease basis in certain specified circumstances. Similarly United Kingdom military and air commanders in the areas under the South East Asia Command and under the United States Army Forces in the Pacific Theatre, and United Kingdom naval commanders in all theatres, have had discretion to make supplies and services available to United States Armed Forces on a straight reciprocal aid basis in similar circumstances. Supplies and services furnished on the above basis are excepted from the arrangements outlined below.

3. It has been agreed that accounts will be rendered in due course for supplies and services (other than any furnished on a straight lend-lease or reciprocal aid basis) furnished by the United States and United Kingdom Armed Forces to each other during the period from 2nd September, 1945, to 31st December, 1945, inclusive, and that such accounts will be settled under the offsetting arrangement referred to in section E of this Agreement. Any such supplies and services furnished after 31st December, 1945 (other than any furnished on a straight lend-lease or reciprocal aid basis or covered under section B of this Agreement) will be for cash settlement between the two Governments. Petroleum products designated for withdrawal by either Government from its share of stocks held by the other Government under the Agreement relating to Petroleum concluded this day (No. VI) are not covered by this paragraph.

### B. LEND-LEASE

1. The lend-lease pipeline consists of such of the following articles as the Government of the United Kingdom selected for transfer to it after 1st September, 1945, as evidenced by a designation duly made by representatives of the Government of the United Kingdom, together with the services specified below:

(a) Articles and services covered by United Kingdom requisitions filed with the Foreign Economic Administration or its successor (other than

articles under procurement through the United States Department of Agriculture covered by sub-paragraph (b) hereof) which were under contract, or were completed, but had not been transferred on 2nd September, 1945.

(b) Foodstuffs, services and other materials under procurement through the United States Department of Agriculture to the extent of

(i) all firm allocations, emergency allocations, and tentative fourth quarter 1945 allocations in effect as of 18th August, 1945, for United Kingdom programmes;

(ii) the shares which, after 18th August, 1945, were apportioned to the United Kingdom programs out of the quantities for which the Foreign Economic Administration had theretofore incurred procurement obligations but had not made sub-allocations to claimants; and

(iii) the quantities under United Kingdom requisitions, determined to have been active as of 18th August, 1945, for commodities not controlled by United States allocation.

(c) (i) Naval supplies available in inventory or under contract which, as of 2nd September, 1945, were covered by formal United Kingdom requisitions or earmarked against approved requirements placed directly with the United States Navy Department.

(ii) Military supplies available in United States War Department inventories which, as of 2nd September, 1945, were covered by formal requisitions or earmarked against approved requirements placed directly with the War Department.

(iii) Military and naval maintenance spares issued against requisitions placed during the period from 2nd September, 1945, to 31st December, 1945, inclusive, with the United States War or Navy Department by the Government of the United Kingdom under standing United States Government directives (other than spares issued under section A, paragraph 2 of this Agreement).

(d) Inland transportation, storage, handling and services incidental thereto, furnished in the United States during the period from 2nd September, 1945, to 31st December, 1945, inclusive, with respect to certain materials under the control of the Government of the United Kingdom, to the extent such services were originally requisitioned by that Government prior to 2nd September, 1945, as modified by later requisition.

(e) Transportation provided out of lend-lease funds for United Kingdom personnel or cargo on United States flag civilian airlines during the period from 2nd September, 1945, to 31st December, 1945, inclusive.

(f) Shipping services and supplies described in part I of the Annex to this Agreement.

(g) Petroleum products in accordance with the Agreement relating to Petroleum concluded this day (No. VI).

2.—(a) The Government of the United States agrees to complete as early as possible the transfer of articles in the lend-lease pipeline (both civilian and military), in the quantities and according to the specifications and other conditions, except as to time of delivery, set forth in the requisitions or comparable documents submitted by the Government of the United Kingdom, to the extent that such articles are or will be available to the Government of the United States for transfer to the Government of the United Kingdom and subject to the conditions set forth in this Agreement. The Government of the United States may, however, in exceptional cases, decline to complete the transfer of articles in the lend-lease pipeline, when it determines that such transfer would be contrary to its national interests. The Government of the

United Kingdom agrees to accept the transfer of articles in the lend-lease pipeline (both civilian and military) and to settle for such articles under the offsetting arrangement. The Government of the United Kingdom may, however, in exceptional cases, decline to accept articles which it has designated for transfer, but agrees in that event to settle under the offsetting arrangement for the costs (including costs of contract cancellations) incurred by the Government of the United States in connection with such articles, less the value of such articles to the Government of the United States or the proceeds realised from their disposal.

(b) Unless otherwise provided by mutual agreement, transfer of articles in the lend-lease pipeline shall be deemed to have taken place immediately upon loading of the articles on board ocean vessel in a United States port, or on board aircraft preparatory to flight from the United States, and title to such articles shall pass at the time of such loading; provided that risk of loss not recoverable from the supplier, carrier or other third party shall be assumed by the Government of the United Kingdom—

(i) with respect to articles specifically contracted for under United Kingdom requisitions, upon shipment from the factory or other premises of the supplier;

(ii) with respect to articles covered by paragraph 1 (b) of this section, upon delivery f.a.s.; and

(iii) with respect to all other articles, upon shipment from warehouse or United States Government depot.

Any articles that shall not have been transferred as provided in this paragraph prior to midnight on 31st December, 1946, or six months after receipt by the Government of the United Kingdom of notice of availability, whichever is later, shall be deemed to have been transferred as of such later date.

3. The amount which the Government of the United Kingdom agrees to pay by means of the offsetting arrangement for articles and services in the lend-lease pipeline (other than (a) shipping services and supplies, which for this purpose will be dealt with in accordance with Part I of the Annex to this Agreement, and (b) petroleum products, which for this purpose will be dealt with in accordance with the Agreement relating to Petroleum concluded this day (No. VI)) will be the amount determined by the Government of the United States as the cost to it of such articles and services. The general basis of costing by the Government of the United States has been the subject of full consultation with the appropriate United Kingdom authorities.

### C. RECIPROCAL AID

1. (a) Certain supplies and services of types which before V-J Day were made available to the Government of the United States under reciprocal aid have continued to be furnished without current payment, and settlement for such supplies and services furnished during the period from 2nd September, 1945, to 31st December, 1945, inclusive (other than any furnished on a straight reciprocal aid basis under section A, paragraph 2 of this Agreement) will be made under the offsetting arrangement. Any services rendered or supplies made available after midnight on 31st December, 1945 (other than any furnished on a straight reciprocal aid basis under section A, paragraph 2 of this Agreement) will be for cash settlement.

(b) In the case of bulk commodities for import into the United States on a "Government-to-Government" basis the offsetting arrangement will apply to all such commodities of types which before V-J Day were made available to the Government of the United States on reciprocal aid, entered on ocean

bill of lading during the period from 2nd September, 1945, to 31st December, 1945, inclusive. All commodities entered on ocean bill of lading after the latter date will be for cash settlement. Transfer to the Government of the United States shall be deemed to have taken place immediately upon loading of the articles on board ocean vessel. Title and risk of loss with respect to such articles shall pass at the time of such loading.

(c) In the case of bulk commodities for import into the United States for which the Government of the United States itself makes payment in the first instance, the offsetting arrangement will not apply, and the Government of the United Kingdom will not reimburse the Government of the United States for any such commodities entered on ocean bill of lading after midnight on 1st September, 1945. The Government of the United Kingdom will reimburse the Government of the United States in cash for commodities covered by approved requisitions for re-imbursement under reciprocal aid entered on ocean bill of lading prior to midnight on 1st September, 1945, in accordance with the practice previously followed.

2. The amount which the Government of the United States agrees to pay by means of the offsetting arrangement for articles and services in the reciprocal aid pipeline (other than (a) shipping services and supplies, which for this purpose will be dealt with in accordance with Part II of the Annex to this Agreement and (b) petroleum products, which for this purpose will be dealt with in accordance with the Agreement relating to Petroleum concluded this day (No. VI)) will be the amount determined by the Government of the United Kingdom as the cost to it of such articles and services. The general basis of costing by the Government of the United Kingdom has been the subject of full consultation with the appropriate United States authorities.

D. TORT CLAIMS

The amounts paid by the Governments of the United Kingdom and of the United States in settlement of certain claims described in the Agreement relating to Tort Claims concluded this day (No. IX) shall be included in the offsetting arrangement.

E. OFFSETTING ARRANGEMENT

The Joint Statement of 6th December, 1945, contemplated that the total amounts due for certain supplies and services furnished after 1st September, 1945, through lend-lease and reciprocal aid channels to the Governments of the United Kingdom and of the United States respectively, would be offset in order finally to compute the net sum due from the Government of the United Kingdom to the Government of the United States in accordance with paragraph 3 of the Joint Statement. The sum of \$118,000,000 appearing in paragraph 3 (a) of the Joint Statement represented the best estimate then obtainable of the net amount which would be due to the Government of the United States under paragraph 3 (a), after deducting the net sum due to the Government of the United Kingdom under the claims settlement. The net sum due to the Government of the United Kingdom under the Agreement on Settlement of Intergovernmental Claims concluded this day (No. II) has been finally computed at \$53,020,000.

The supplies and services to be brought into this offsetting arrangement are those so specified in this Agreement. The total amounts due for such supplies and services will be computed in accordance with the principles set forth in this Agreement.

An agreed accounting procedure shall be established for the computation of the net sum due under this offsetting arrangement.

ANNEX  
SHIPPING SERVICES AND SUPPLIES

PART I

There shall be brought within the lend-lease pipeline for inclusion in the offsetting arrangement:

(1) Ocean transportation charges at established rates, on United States controlled vessels berthing during the period from 1st November, 1945, to 30th November, 1945, inclusive in respect of personnel and wet or dry cargo, according to lend-lease practices which prevailed before 18th August, 1945, including, *inter alia*, supplies procured by or transferred to the Government of the United Kingdom or to a Government in the British Commonwealth (other than the Governments of Australia and of India) as follows:

- (a) pipeline supplies;
- (b) supplies procured under " Q " (90,000 series) cash reimbursement requisitions; and
- (c) supplies purchased for cash by the above Governments in the open market.

(2) Ocean transportation charges at established rates on United States controlled vessels berthing during the period from 1st December, 1945, to 31st December, 1945, inclusive, for the same personnel and wet or dry cargo as are covered in paragraph (1) hereof but excluding material purchased under " Q " series cash reimbursement requisitions, or for cash in the open market in the United States.

(3) Hire, at rates to be agreed upon between the two Governments, of United States controlled vessels allocated to the Government of the United Kingdom in respect of the period from 1st November, 1945, to 31st December, 1945, inclusive, to include:

- (a) United States controlled vessels allocated to Sea Transport service;
- (b) United States controlled vessels allocated to New Zealand coast-wise and forward area service, to the extent that the cost does not come within paragraphs (1) and (2) hereof; and
- (c) United States controlled assistance tankers to the extent that the cost does not come within paragraphs (1) and (2) hereof.

Nothing in the foregoing shall be taken to apply to the vessels demised to the Government of the United Kingdom which are the subject of the United States War Shipping Administrator's letter of 24th November, 1944, to the United Kingdom Minister of War Transport (with the accompanying Memorandum of Agreement) and subsequent correspondence.

(4) The cost of services and supplies covered under requisitions directed to the United States War Shipping Administration for all British controlled merchant vessels berthing at United States ports during the period from 2nd October, 1945, to 31st October, 1945, inclusive (subject to an agreed abatement of 4.5 per cent. in the case of dry cargo vessels to cover non-Government owned or sponsored cargoes). The cost of services and supplies provided to the s.s. *Queen Mary* at United States ports during the period from 2nd October, 1945, to 31st December, 1945, inclusive, shall be included in the offsetting arrangement.

(5) Costs incurred by War Forwarding Corporation in the Port of New York and United States War Shipping Administration forwarders in other United States ports in connection with the handling of shipments covered by sub-paragraphs (a) and (b) of paragraph (1) hereof, called forward by them during the period from 1st November, 1945, to 30th November, 1945, inclusive.

(6) Net payments within the scope of the "Knock-for-Knock" Agreement and supplementary understandings, in respect of casualties occurring during November and December, 1945.

## PART II

There shall be brought within the reciprocal aid pipeline for inclusion in the offsetting arrangement:

(1) Freight and passage money at established rates, on United Kingdom controlled vessels for United States Army personnel or cargoes in respect of vessels sailing during the period from 2nd September, 1945, to 31st December, 1945, inclusive.

(2) The proportion of the operating cost of United Kingdom controlled vessels applicable to the period from 2nd September, 1945, to 31st December, 1945, inclusive, in respect of vessels in continuous service of the United States Army on a full use basis.

(3) The cost of services and supplies (including, *inter alia*, repairs and oil bunkers) provided to the United States War Shipping Administration and United States Army controlled vessels, berthing during the period from 2nd September, 1945, to 31st December, 1945, inclusive, in areas in which the Government of the United Kingdom formerly gave reciprocal aid; however, in the case of (a) services or supplies to vessels operating coastwise in a single country within an area in which the Government of the United Kingdom formerly gave reciprocal aid, or (b) issues of United Kingdom Ministry of War Transport stores to United States Armed Forces, the date of the provision or issue and not the date of berthing will be the operative date. In the case of services and supplies provided to United States War Shipping Administration controlled vessels the provisions of this paragraph shall apply without distinction as between supplies or services formerly eligible or ineligible for reciprocal aid.

## II

### AGREEMENT ON SETTLEMENT OF INTERGOVERNMENTAL CLAIMS

1. During the course of the negotiations leading to the JOINT STATEMENT REGARDING SETTLEMENT FOR LEND-LEASE, RECIPROCAL AID, SURPLUS WAR PROPERTY AND CLAIMS, dated 6th December, 1945, representatives of the Governments of the United Kingdom and of the United States discussed certain claims arising out of the conduct of World War II and presented by one Government to the other. The objective was to arrive at as comprehensive a settlement as possible and to obviate protracted negotiations between the two Governments.

2. The following were accepted by the Governments of the United Kingdom and of the United States respectively for inclusion in the offsetting arrangement, described in section E of the Agreement on Lend-lease and Reciprocal Aid Pipelines and Offsetting Arrangement concluded this day (No. 1), in accordance with paragraph (3) (a) of the Joint Statement of 6th December, 1945, in the amounts indicated below:—

(a) *Claims by the Government of the United States accepted by the Government of the United Kingdom.*

*In millions of dollars.*

(i) Assignment to certain British Colonial Dependencies, ineligible for lend-lease at the time, of 796 trucks and certain spares ...	2.0
(ii) Re-export of 10,000 tons of lend-lease steel to France ... ..	0.7
(iii) Transportation costs for petroleum products in the Sudan (net figure) ... ..	0.12
(iv) Rental of lend-lease rolling stock for use to 2nd September, 1945, by Middle East Railways ... ..	2.0
(v) Retransfers and diversions of lend-lease tinplate, terneplate and drumsheets in the Middle East, Iran, and East and West Africa	6.0
(vi) Agreed provision to cover claims not otherwise settled arising out of instances of retransfers or diversions of lend-lease articles occurring during the period from 11th March, 1941, to 1st September, 1945, inclusive, or out of exports during that period, in respect of which the Government of the United States would have been entitled to reimbursement ...	4.0
(vii) The United Kingdom motor spirit basic ration for civilians ... ..	2.8
(viii) Commercial exports of petroleum products from the United Kingdom to Eire, France, West Africa and Sweden ... ..	5.1
(ix) Diversions of lend-lease petroleum and petroleum materials to oil companies in the Middle East ... ..	1.0

(b) *Claims by the Government of the United Kingdom accepted by the Government of the United States.**In millions of dollars.*

(i) Purchase price of capital facilities in the United States acquired by the Government of the United Kingdom prior to the entry of the United States into World War II and re-purchased by the Government of the United States in accordance with existing agreements	32.0
(ii) Freight, insurance and handling charges on South American meat transferred to the U.S.S.R. on United States Government account ... ..	1.45
(iii) United States Government share of cost of joint pre-emption of Siamese rubber ... ..	0.8
(iv) United States Government re-export of reciprocal aid goods ... ..	7.0
(v) Spare parts for aircraft purchased for dollars by the Government of the United Kingdom and transferred to the Government of the United States in 1941 ... ..	7.6
(vi) Dollar expenditure eligible for lend-lease incurred in respect of Dutch ships chartered by the Government of the United Kingdom and allocated to the Government of the United States ... ..	15.0
(vii) United States Government share of Middle East Supply Centre administrative expenses ... ..	0.5
(viii) Reduction in price in respect of re-negotiation of contracts under cash reimbursement requisitions ... ..	0.29
(ix) British trucks sold by the United States Army in Iran ... ..	2.0
(x) Dollar cost of assembly, disassembly and repair of U.S.A.A.F. aircraft at Speke, England ... ..	1.6
(xi) Balance due in respect of excess over agreed share of United Kingdom Government supplies to Saudi Arabia joint supply programme for the years 1944 and 1945 ... ..	1.8
(xii) Sales to civilians and diversions of reciprocal aid petroleum products in	
Dakar ... .. 1.0 million	
Brazil ... .. 1.3 "	
North Africa ... .. 4.4 "	
	6.7

3. The following claims were presented and considered by the two Governments:—

(a) *Presented by the Government of the United States.*

	<i>In millions of dollars.</i>
Suez Canal dues paid by United States vessels ...	13.0

(b) *Presented by the Government of the United Kingdom.*

(i) Claims for aircraft purchased for dollars by the Government of the United Kingdom in the United States and subsequently transferred to the Government of the United States for its own use and for transfer to the U.S.S.R. ...	252.8
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(ii) Freight payable to the Iranian Railways in respect of goods supplied by the Government of the United States under lend-lease to the U.S.S.R. ... ..	25.0
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While agreement for the acceptance of these claims was not reached, it has been agreed that they shall be regarded as taken into account in the general settlement contained in the Joint Statement of 6th December, 1945, and that they are covered by paragraph 6 hereof.

4. Financial claims between the two Governments, other than claims dealt with in the Agreements concluded this day, arising out of existing arrangements where the liability for payment is acknowledged and the method of computation is mutually agreed are not covered by this settlement as they will be settled in accordance with such arrangements.

5. The following types of financial claims between the two Governments are also not covered by this settlement and will be dealt with in accordance with procedures already established or to be established after appropriate discussion:—

(a) Claims arising out of military relief expenditure.

(b) Claims arising in connection with the loss of currency notes and with the provision of military currencies.

(c) Claims arising out of the administration of occupied enemy territories.

(d) Claims between the U.S. Commercial Company and United Kingdom Commercial Corporation.

(e) Claims arising out of the operation of the Agreement between the Governments of the United Kingdom and of the United States relating to the Interchange of Patent Rights, Information, Inventions, Designs, or Processes, dated 24th August, 1942.

6. The two Governments hereby agree that all financial claims whatsoever of one Government against the other which (a) arose out of lend-lease or reciprocal aid, or (b) otherwise arose on or after 3rd September, 1939, and prior to 2nd September, 1945, out of or incidental to the conduct of World War II, and which are not otherwise dealt with in the Agreements concluded this day, are hereby waived, and neither Government will hereafter raise or pursue any such claims against the other.

## III

## AGREEMENT RELATING TO CIVILIAN HOLDINGS

In accordance with their JOINT STATEMENT REGARDING SETTLEMENT FOR LEND-LEASE, RECIPROCAL AID, SURPLUS WAR PROPERTY AND CLAIMS, dated 6th December, 1945, and in partial consideration of the payment of the net amount of \$532,000,000 by the Government of the United Kingdom to the Government of the United States specified in paragraph 3 (b) thereof, the Governments of the United Kingdom and of the United States have reached agreement as set forth below regarding the disposition of holdings of such articles of lend-lease and reciprocal aid origin as are defined below.

1. The Government of the United Kingdom hereby acquires and shall be deemed to have acquired on 2nd September, 1945, without qualification as to disposition or use, full title to all articles (including raw materials, food-stuffs and other agricultural products, durable goods, and vessels of 100 gross tons or under not procured or constructed out of funds appropriated to the United States Navy Department or the United States Maritime Commission) supplied on straight lend-lease by the Government of the United States to the Government of the United Kingdom or to the Government of any British Colonial Dependency, and in the possession or control of such Government, its agents or distributees at midnight on 1st September, 1945, excluding any such articles, other than raw materials, in the possession or control of the United Kingdom Armed Forces or of their supply agents acting on their behalf, and excluding any such articles which have been returned to the Government of the United States since 1st September, 1945.

2. The Government of the United States hereby acquires and shall be deemed to have acquired on 2nd September, 1945, without qualification as to disposition or use, full title to all articles (including raw materials, food-stuffs, and other agricultural products, durable goods, and vessels of 100 gross tons or under furnished under reciprocal aid) supplied on straight reciprocal aid by the Government of the United Kingdom and in the possession or control of the Government of the United States, its agents or distributees at midnight on 1st September, 1945, excluding any such articles other than raw materials in the possession or control of the United States Armed Forces or of their supply agents acting on their behalf, and excluding articles which have been returned to the Government of the United Kingdom since 1st September, 1945.

3. The Government of the United Kingdom, when it disposes of or distributes articles acquired pursuant to paragraph 1 of this Agreement, will use its best endeavours to avoid discrimination against the legitimate interests of the United States manufacturers or producers of such articles, or their agents or distributors in the United Kingdom.

4. In addition to the exclusions described in paragraphs 1 and 2 above, this Agreement shall not apply to the following:

(a) Petroleum products made available under lend-lease or under reciprocal aid, the transfer of which is governed by the arrangements set out in the Agreement relating to Petroleum concluded this day. (No. VI).

(b) Vessels other than those referred to in the preceding paragraphs made available under lend-lease or under reciprocal aid. Such vessels are subject to return to the supplying Government.

(c) Such aircraft, and spares therefor, as are covered by the Agreement on Lend-Lease Aircraft (Non-Combat) and Spares concluded this day. (No. V).

5. In this Agreement, the term " Vessels " includes ships, boats, barges, floating dry docks and other watercraft.

6. Nothing in this Agreement (or any of the other Agreements concluded this day) affects any obligation entered into by the Government of the United Kingdom in connection with any silver transferred by the Government of the United States under lend-lease.

## AGREEMENT RELATING TO MILITARY HOLDINGS

In accordance with their JOINT STATEMENT REGARDING SETTLEMENT FOR LEND-LEASE, RECIPROCAL AID, SURPLUS WAR PROPERTY AND CLAIMS, dated 6th December, 1945, and with the principles of international security and welfare set forth in the Charter of the United Nations<sup>(2)</sup>, the Governments of the United Kingdom and of the United States agree that, effective 2nd September, 1945, the disposition and use of lend-lease articles which were (a) in the possession or control on 2nd September, 1945 of the United Kingdom Armed Forces (including their supply agents) or (b) transferred to them thereafter on straight lend-lease terms (both hereinafter referred to as "lend-lease articles"), and of reciprocal aid articles which were (a) in the possession or control on 2nd September, 1945 of the United States Armed Forces (including their supply agents) or (b) transferred to them thereafter on straight reciprocal aid terms (both hereinafter referred to as "reciprocal aid articles") shall be governed by the following principles.

1. Under Article V of the Mutual Aid Agreement of 23rd February, 1942 between the Governments of the United Kingdom and of the United States<sup>(3)</sup>, the Government of the United States has the right to recover at the end of the present emergency as determined by the President, such defence articles transferred under that Agreement as have not been destroyed, lost or consumed, and as shall be determined by the President to be useful in the defence of the United States or of the Western Hemisphere, or to be otherwise of use to the United States of America. It is agreed that this right of recapture may be exercised at any time after 1st September, 1945, with respect to lend-lease articles which, as of the date upon which notice requesting return is communicated to the Government of the United Kingdom, are not destroyed, lost, consumed or disposed of in accordance with this Agreement.

2. The Government of the United States reserves its right of recapture of any lend-lease articles held by the United Kingdom Armed Forces, but does not intend to exercise generally this right of recapture. In respect of cases where it wishes from time to time to exercise its right of recapture, the Government of the United States will give reasonable notice of its intention and will provide full opportunity to the Government of the United Kingdom for discussion of that Government's need for the articles in question, without limiting the right of recapture referred to in paragraph 1 hereof. The Government of the United Kingdom will make the arrangements for effecting the physical return to the custody of the Government of the United States, at such points as the latter may designate, of the lend-lease articles to be recaptured, and will use its best endeavours to see that all reasonable care is exercised in order to prevent loss of or damage to such articles during the process of return. The Government of the United States will, however, take into consideration the practical difficulties in particular cases, especially as to designation of points of delivery, and will co-operate with the Government of the United Kingdom as fully as the available United States organisation and equipment permit, in facilitating and expediting the return of articles to be recaptured. In general, the Government of the United States will not require the Government of the United Kingdom to undertake any major reconditioning or repair of such articles.

3. Similar principles will be applied by both Governments in regard to the recapture of reciprocal aid articles.

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(2) "Miscellaneous No. 9 (1945)," Cmd. 6666.

(3) "Treaty Series No. 7 (1942)," Cmd. 6391.

4. Full responsibility in connection with any lend-lease and reciprocal aid articles not recaptured or accepted for return by the supplying Government shall lodge with the recipient Government. The supplying Government may decline to accept any lend-lease or reciprocal aid articles which may be offered for return. The recipient Government shall not be required to notify the supplying Government before disposing of or abandoning any lend-lease or reciprocal aid articles which become surplus to the military requirements of the recipient Government. Nothing in this paragraph shall, however, be construed as overriding the provisions of paragraphs 6, 7, and 8 hereof.

5. Except as provided in the following paragraphs hereof, the recipient Government will not be required to purchase from the supplying Government, or to enter into any mutual financial arrangements regarding, any lend-lease or reciprocal aid articles.

6. Transfer by the recipient Government of lend-lease or reciprocal aid articles may be made to third governments (including Dominion Governments) for military use, whether by sale, loan or otherwise, only with the prior authority of the supplying Government and on terms to be agreed between the supplying Government and the third government in question, it being understood that such transfer will in all cases be made for purposes compatible with the principles of international security and welfare set forth in the Charter of the United Nations. Contingent forces serving under United Kingdom command may, subject to the prior authority of the Government of the United States, withdraw lend-lease articles from United Kingdom military holdings upon their assuming a status independent of the United Kingdom Armed Forces. The terms of settlement for such articles shall be agreed between the Government of the United States and the government making the withdrawal.

7. Lend-lease articles may be disposed of for civilian use, whether by sale, lease or otherwise, outside the United Kingdom and British Colonial Dependencies only after the Government of the United States has been offered and has declined their return and has approved such disposal of the articles. Any disposals in this category shall be for the account of the Government of the United States and the proceeds of any such disposal, net of selling and other relevant and necessary expenses, shall accrue to the Government of the United States in the currency in which payment was made to the Government of the United Kingdom. Net proceeds in respect of the period from 2nd September, 1945, onwards under leases, arranged before that date, of lend-lease articles for civilian use outside the United Kingdom and British Colonial Dependencies will similarly accrue to the Government of the United States. Such payment by the Government of the United Kingdom will constitute fulfilment of obligations laid upon it by this paragraph in respect of such leases. The foregoing provisions of this paragraph shall be without prejudice to the possible conclusion at a later date of separate arrangements between the governments concerned providing for the comprehensive settlement of the rights and obligations arising from the disposal for civilian use within a given country outside the United Kingdom and British Colonial Dependencies of lend-lease articles in the possession or control of the United Kingdom Armed Forces. It is understood that although the disposal of lend-lease articles within the United Kingdom and British Colonial Dependencies shall be at the full discretion of the governments concerned, these governments will not in practice be releasing such articles for export or for civilian use except to a very limited extent. In view of this understanding, the total sum due to the Government of the United States pursuant to the Joint Statement of 6th December, 1945, is deemed to include an adequate compensation for

the value of such goods as may be released for civilian use in the United Kingdom and British Colonial Dependencies. In the case of food, the Government of the United Kingdom anticipates that all the lend-lease foodstuffs held by the United Kingdom Armed Forces will, subject to exceptional circumstances, be consumed by those Forces; in view of this, such exceptional disposals of food as may occur outside the United Kingdom and British Colonial Dependencies are excepted from the provisions of this paragraph, although such cases will be reported to the Government of the United States.

8. Lend-lease articles rendered unfit for use may be disposed of for scrap outside the United Kingdom and British Colonial Dependencies without the prior authority of the Government of the United States. Accounts of any net proceeds from such disposals during an agreed six months' period shall be kept by the Government of the United Kingdom, which will remit the aggregate of such net proceeds to the Government of the United States. In the light of experience gained during such period, the Government of the United States will review with the Government of the United Kingdom this arrangement, with a view to determining whether an accounting to the Government of the United States for net proceeds from such disposals recorded prior to such period or derived thereafter need be undertaken.

9. The provisions of paragraphs 6, 7 and 8 hereof shall not apply to components (other than aircraft engines, aircraft propellers, aircraft automatic pilots, aircraft gun turrets, and power units of three or more kilowatts) which at the time of disposal are installed in or assembled with articles not themselves subject to this Agreement.

10. The provisions of this Agreement do not apply to the following categories of lend-lease and reciprocal aid articles:

(a) Installations (covered by the Agreement on Lend-Lease and Reciprocal Aid Installations, No. VII).

(b) Petroleum and Petroleum Products (covered by the Agreement relating to Petroleum, No. VI).

(c) Raw Materials (covered by the Agreement relating to Civilian Holdings, No. III).

(d) Such aircraft and spares therefor as are covered by the Agreement on Lend-Lease Aircraft (Non-Combat) and Spares (No. V).

(e) Vessels of the Navy procured with United States Navy appropriations; such vessels are subject to return under United States law.

(f) Ocean-going lend-lease vessels (other than vessels referred to in (e) above), which will be dealt with in accordance with the agreements relating to their transfer.

(g) Vessels exceeding 100 gross tons furnished under reciprocal aid.

(h) Articles of possible lend-lease or reciprocal aid origin which cannot be identified as to origin and which are not otherwise dealt with in these Agreements. Such unidentifiable articles shall be deemed the property of the holding Government.

11. In this Agreement the term "vessels" includes ships, boats, barges, floating dry docks and other watercraft.

12. The term "United Kingdom Armed Forces" as used herein comprises all armed forces under the direction of the United Kingdom Chiefs of Staff. All the armed forces under command of Commander-in-Chief India are to be regarded for the purposes of this Agreement as United Kingdom Armed Forces, and the Government of the United Kingdom assumes full responsibility in connection with the use and disposal of lend-lease articles in the possession

or control of such forces in accordance with the conditions herein laid down. On 1st April, 1946, a proportion of lend-lease military holdings in India will be earmarked for the requirements of the forces under the command of Commander-in-Chief India on the basis of their post-war strength. The conditions governing the use and disposal of the lend-lease articles so earmarked will form the subject of negotiations between the Governments of the United States and of India, and the privileges of the Government of the United Kingdom and its obligations to the Government of the United States under this Agreement with respect to such articles shall remain operative until the date on which any separate arrangements between the Governments of the United States and of India relating to such articles take effect. As from such date and for purposes compatible with the principles of international security and welfare set forth in the Charter of the United Nations, lend-lease articles held by the United Kingdom Armed Forces may be transferred to the forces under the command of Commander-in-Chief India without the prior authority of the Government of the United States subject to the following understandings:

(a) Subsequent reports, in such practicable form and detail as may later be mutually agreed, regarding such transfers will be made to the Government of the United States.

(b) The Government of the United States reserves the right to reopen with the Government of the United Kingdom the question of applying the principle of prior authority over such transfers, stipulated in paragraph 6 of this Agreement, should there be a material change in the existing arrangements between the United Kingdom Armed Forces and the Armed Forces of the Government of India.

AGREEMENT ON LEND-LEASE AIRCRAFT (NON-COMBAT) AND SPARES

In accordance with their JOINT STATEMENT REGARDING SETTLEMENT FOR LEND-LEASE, RECIPROCAL AID, SURPLUS WAR PROPERTY AND CLAIMS, dated 6th December, 1945, the Governments of the United Kingdom and of the United States have reached agreement as set forth below regarding settlement for certain lend-lease aircraft and spares, of non-combat nature, furnished by the Government of the United States to the Government of the United Kingdom.

1. This Agreement covers the use and disposition of all aircraft of the models listed in the Annex hereto, together with spares for such aircraft, which were transferred by the Government of the United States to the Government of the United Kingdom under lend-lease during the period from 11th March, 1941, to 1st September, 1945, inclusive, and were not destroyed, lost or consumed at the end of that period.

2. This settlement is made in partial consideration of the payment by the Government of the United Kingdom of the net sum of \$532,000,000 specified in section 3 (b) of the Joint Statement of 6th December, 1945, and is final in respect of the aircraft and spares referred to in paragraph 1 hereof, except for the separate payments which may be made in the circumstances indicated in paragraphs 5, 6 and 7 hereof.

3. The Government of the United States hereby transfers to the Government of the United Kingdom full title, as of 2nd September, 1945, to 72 Dakota (C-47) aircraft intended for operation by British civil air lines.

4. The Government of the United States hereby transfers to the Government of the United Kingdom full title, as of 2nd September, 1945, to 600 Dakota (C-47) aircraft, 25 Expediter (UC-45) aircraft, and 18 Liberator (C-87) transport aircraft, subject only to the condition that, as and when they become surplus to British military requirements, they will not be transferred, by sale, loan or otherwise, to third countries (including the Dominions and India) outside the United Kingdom and British Colonial Dependencies without the consent and agreement of the Government of the United States.

5. The two Governments will enter into a leasing arrangement, the specific terms of which will be hereafter agreed, in respect of 671 Dakota (C-47) aircraft, for a total of 7,213 aircraft months beginning 2nd September, 1945. Such leasing arrangement shall provide that, upon its termination with respect to any particular aircraft, such aircraft will be returned subject to the provisions of paragraph 12 hereof. It shall also contain appropriate provisions governing the liability of the Government of the United Kingdom in kind or in cash (outside the provisions of section 3 (b) of the Joint Statement of 6th December, 1945), for loss of or damage to any aircraft while under lease. A monthly statement shall be furnished by the Government of the United Kingdom as to the consumption of the 7,213 aircraft months and as to the number of aircraft that will be available for return at the end of the month.

6. In the event that the Government of the United Kingdom desires to extend the leasing arrangement referred to in paragraph 5 hereof, the Government of the United States will grant such extension, for which separate payment will be made by the Government of the United Kingdom in cash at the rate of \$333.33 per aircraft month for any aircraft months in excess of the 7,213 aircraft months specified in paragraph 5 hereof. In the event of a national emergency the Government of the United States shall have the right to refuse such extension in respect of any or all aircraft under lease.

7. Should the Government of the United Kingdom desire at any time to acquire, and the Government of the United States be willing to transfer, title to any of the said aircraft leased from the Government of the United States, separate payment shall be made in cash by the Government of the United Kingdom at the present United States standard surplus disposal price of \$20,000 per aircraft less lease charges paid in respect of such aircraft up to the time of purchase thereof, or at the United States standard disposal price obtaining at the date of acquisition with no reduction for lease charges previously paid, whichever is the lower.

8. The Government of the United States hereby transfers to the Government of the United Kingdom full title as of 2nd September, 1945, to the latter's holdings on that date of spares related to the aircraft described in paragraphs 3, 4 and 5 of this Agreement (estimated at two months' supply), subject to the same conditions regarding disposal as are applicable to the particular aircraft to which they are related.

9. The Government of the United Kingdom may continue to use for military purposes such Harvard (AT-6 and AT-16) aircraft as it has indicated it requires for such purposes, and such Liberator (B-24) aircraft as have been converted by the R.A.F. into improvised transport aircraft, together with a proportionate range of spares behind both types. No converted Liberator (B24) aircraft will be employed by the Government of the United Kingdom for commercial hire in the carriage of freight or passengers.

10. The Government of the United Kingdom will offer to the Government of the United States for return all the aircraft referred to in paragraph 1 hereof (other than those covered by paragraphs 3, 4 and 5 hereof) which remain on charge to all holding agencies of the Government of the United Kingdom. The Harvard and Liberator aircraft referred to in paragraph 9 hereof will be offered for return on the same conditions as they become surplus to United Kingdom military requirements and, if not accepted by the Government of the United States, will be subject to the provisions of paragraph 13 hereof. Further, the Government of the United Kingdom will make every effort to return as large a quantity as possible of spares for aircraft of the models offered for return and needed by the Government of the United States.

11. Subject to the provisions of paragraphs 5 and 6 hereof, the Government of the United States reserves its full right of recapture pursuant to Article V of the Mutual Aid Agreement dated 23rd February, 1942, in respect of all aircraft and spares covered by this Agreement other than those to which title is acquired by the Government of the United Kingdom pursuant to paragraphs 3, 4 and 8 hereof, or is hereafter acquired by it pursuant to paragraph 7 hereof. It is agreed that this right of recapture may be exercised at any time after 1st September, 1945, with respect to aircraft and spares covered by this Agreement which, as of the date upon which notice requesting return is communicated to the Government of the United Kingdom, are not destroyed, lost, consumed or disposed of in accordance with this Agreement.

12. The Government of the United Kingdom will make the arrangements for effecting the physical return to the custody of the Government of the United States, at such points as the latter may designate, of any aircraft and spares to be returned or recaptured and will use its best endeavours to see that all reasonable care is exercised in order to prevent loss of or damage to such articles during the process of return. The Government of the United States will give reasonable notice of its intention to recapture, will take into consideration the practical difficulties in particular cases, especially as to designation of points of delivery, and will co-operate with the Government of the United Kingdom as fully as the available United States organization

and equipment permit in facilitating and expediting the return of articles to be recaptured. With respect to aircraft, other than those covered by paragraphs 5 and 6 hereof, the Government of the United Kingdom will be required to make the above arrangements only for aircraft which, at the date of the notice of intention to recapture or of the acceptance of the offer for return, are flyable or may be made so after repairs requiring not more than 250 man-hours in the case of a Dakota (C-47) and proportionately greater or less time for larger or smaller models.

13. So long as aircraft and spares covered by this Agreement and not within paragraphs 3 to 8 hereof, inclusive, have not been the subject of (a) acceptance by the Government of the United States of an offer for return in accordance with the requirements of paragraph 10 or (b) recapture by the United States under the provisions of paragraph 11, they may be used by the Government of the United Kingdom for military purposes and, as they become surplus to such military purposes, may be disposed of for its own account as salvage or scrap, after being rendered unfit for aeronautical use, without further consultation with the Government of the United States.

ANNEX

MODELS OF AIRCRAFT COVERED BY THIS AGREEMENT

			<i>U.S. Designations</i>	<i>U.K. Designations</i>
<i>Transport</i>	...	...	UC-43	Traveller
			C-45	Expediter
			C-47 } .	Dakota
			C-53 }	
			C-54	Skymaster
			C-59 }	Lodestar
			C-60 }	
			UC-61	Argus
			UC-64	Norseman
			C-87 or RY3 or B-24 converted	Liberator
<i>Advanced Trainers</i>	...	...	AT-6	Harvard
			AT-7	Navigator
			AT-16	Harvard
			AT-17	Crane
			AT-19	Reliant
<i>Primary Trainers</i>	...	...	PT-26	Cornell
<i>Liaison</i> ...	...	...	L-1 or O-49	Vigilant
			L-4	Cub
			L-5	Sentinel
<i>Boats and Amphibians</i>	...	...	J4F	Widgeon
			JRF	Goose
			PBY	Catalina

## VI

### AGREEMENT RELATING TO PETROLEUM

In accordance with their JOINT STATEMENT REGARDING SETTLEMENT FOR LEND-LEASE, RECIPROCAL AID, SURPLUS WAR PROPERTY AND CLAIMS, dated 6th December, 1945, the Governments of the United Kingdom and of the United States hereby agree that the various questions relating to petroleum arising between the two Governments out of the conduct of World War II shall be dealt with as follows:

#### A. PETROLEUM " PIPELINE "

1. The lend-lease petroleum " pipeline " intended for the United Kingdom consists of supplies contracted for but not transferred before 2nd September, 1945 which the Government of the United Kingdom designated for transfer after that date under lend-lease procedure. The Government of the United States agrees to complete the transfer of the petroleum products in the pipeline and the Government of the United Kingdom agrees to accept the transfer of such products. The total agreed value of the lend-lease petroleum pipeline, which amounts to \$275,440, will be brought into the offsetting arrangement described in section E of the Agreement on Lend-Lease and Reciprocal Aid Pipelines and Offsetting Arrangement concluded this day (No. I).

2. The reciprocal aid petroleum " pipeline " is deemed to consist of

(a) deliveries of fuel oil in the amount of \$5,158,927 made to the United States Navy during the period from 2nd September, 1945 to 31st December, 1945, inclusive, under contracts with non-American companies in Curacao, Trinidad and Abadan; and

(b) deliveries up to a maximum value of \$400,000 of petroleum products, other than aviation gasoline and lubricants, made or to be made during the period from 2nd September, 1945 to 30th June, 1946, inclusive, to the United States Armed Forces in the Middle East.

These items will be brought into the offsetting arrangement.

#### B. CLAIMS BROUGHT WITHIN THE AGREEMENT ON SETTLEMENT OF INTERGOVERNMENTAL CLAIMS

The following claims, arising out of petroleum transactions, in the net amount of \$2,200,000 in favour of the Government of the United States are included in the Agreement on Settlement of Intergovernmental Claims concluded this day (No. II) for settlement in accordance therewith.

1. *Claims by the Government of the United States accepted by the Government of the United Kingdom:*

(a) *United Kingdom Motor Spirit Basic Ration.*—In conformity with previously made arrangements, the Government of the United Kingdom accepts the claim of the Government of the United States in the amount of \$2,800,000 for the landed cost of such additional motor spirit as was consumed in the United Kingdom during the period from 1st June, 1945 to 1st September, 1945, inclusive, by private cars for private use by reason of the restoration of the basic ration.

(b) *Commercial Exports of Petroleum Products from the United Kingdom.*—In conformity with previously made arrangements regarding commercial exports of petroleum products from the United Kingdom, the Government of the United Kingdom accepts the claim of the Government of the United States in the amount of \$5,100,000 for the landed cost in the United Kingdom of such products exported to Eire, West Africa, Sweden and France during the period from 11th March, 1941 to 1st September, 1945, inclusive.

(c) *Diversions of Lend-Lease Petroleum and Petroleum Materials in the Middle East.*—The sum of \$1,000,000 shall be taken as the amount due to the Government of the United States from the Government of the United Kingdom in respect of diversions to oil companies in the Middle East of lend-lease petroleum products and petroleum materials for which the Government of the United States was entitled to reimbursement.

2. *Claims by the Government of the United Kingdom accepted by the Government of the United States:*

(a) *Brazil and Dakar.*—The Government of the United States accepts the claim of the Government of the United Kingdom in the amount of \$2,300,000 for a proportionate share, based on contributions, of the proceeds from those sales of petroleum products to third parties in Brazil and Dakar in which there was a reciprocal aid content.

(b) *North Africa.*—The Government of the United States accepts the claim of the Government of the United Kingdom in the amount of \$4,400,000 for a proportionate share, based on contributions, of the proceeds from sales of petroleum products for civilian use in North Africa during the period from 1st December, 1944 to 1st September, 1945, inclusive.

#### C. TRANSACTIONS TO BE CARRIED TO COMPLETION

1. *Crude Oil for Programmes of the Combined Training Establishment in Canada.*—The Government of the United States will complete the delivery of crude oil in Canada, in accordance with standing agreements and United Kingdom requisitions previously approved thereunder, to carry out its commitment to the Government of the United Kingdom in connection with aviation petroleum products consumed prior to 2nd September, 1945 under the programmes of the Combined Training Establishment in Canada.

2. *Aviation Gasoline at Bahrein.*—The Government of the United Kingdom reaffirms the dollar-sterling conversion and petroleum supply arrangements made between it and the Government of the United States during the war with respect to aviation gasoline supply and reciprocal aid at Bahrein and will carry such arrangements to completion.

3. *Other Transactions.*—Certain other transactions described in Annex I, in which the liability for payment has heretofore been acknowledged and the method of computation is not in dispute, will be carried to completion in due course as provided in Annex I.

#### D. CIVIL AFFAIRS SUPPLIES

1. *Northwest Europe.*—Contributions of petroleum products to Northwest Europe drawn from the United Kingdom pool will be treated as falling in the unidentifiable category as set forth in the agreements already reached by the Governments of the United Kingdom and of the United States regarding the lend-lease element in civil affairs supplies, subject to the proviso that, in the case of petroleum products as distinguished from other unidentifiable civil affairs supplies, the provisions of these agreements dealing with the determination of contributions shall be applied over the period from 11th March, 1941, to 1st September, 1945, inclusive, in order to be consistent with the method used for the determination of the lend-lease share of the United Kingdom petroleum inventory and other arrangements between the two Governments in respect of petroleum products.

2. *South Europe.*—The Government of the United Kingdom waives any claim to have contributed a share of the petroleum products sold for civilian use by Allied Forces Headquarters in South European countries.

## E. WAIVER OF OTHER CLAIMS

The provisions of the Agreement on Settlement of Intergovernmental Claims concluded this day (No. II) shall apply to claims arising out of petroleum transactions, and in addition all claims not otherwise dealt with in this Agreement or in Annex I hereto, arising out of the sale, diversion or retransfer, in Gibraltar, Malta, China, the Philippines and elsewhere, of petroleum products or petroleum materials supplied under lend-lease or reciprocal aid are hereby mutually waived, whether or not covered by paragraph 4 of the Agreement on Settlement of Intergovernmental Claims.

## F. INVENTORIES

1. *United Kingdom Inventories.*—For the purposes of this Agreement, the total petroleum inventories in the United Kingdom as of 2nd September, 1945, shall be deemed to include petroleum stocks in the United Kingdom on that date, stocks then in transit to the United Kingdom, and stocks then within the possession of the British Armed Forces in Northwest Europe. These stocks have been divided into the United Kingdom share, attributable to contributions to such stocks by the Government of the United Kingdom, and the United States lend-lease share, attributable to contributions of the Government of the United States to such stocks under lend-lease. Such United States lend-lease share is equivalent to the sum of (a) the quantities earmarked under previous arrangements as the United States military share, and (b) other United States lend-lease stocks.

The agreed amount of the United States lend-lease share is shown in Annex II.

### 2. *Other Inventories*

(a) An agreed statement of inventories of petroleum products attributable to lend-lease within the possession of the Government of the United Kingdom as of 2nd September, 1945 (exclusive of inventories in the United Kingdom and in the Mediterranean pool), and of inventories of petroleum products attributable to reciprocal aid within the possession of the Government of the United States as of that date is given in Annex III.

(b) An agreed statement of stocks constituting part of the Mediterranean pool which were transferred as of 2nd September, 1945, for use by the British Armed Forces pursuant to directive of the United States Joint Chiefs of Staff is given in Annex IV.

(c) An agreed statement is given in Annex V showing the petroleum products in Italy physically under British control as of 2nd September, 1945, but available for use by the United States Armed Forces or for issue to other parties at the discretion of the Government of the United States, representing the difference between (i) the total stocks held in British controlled tankage in Italy as of 2nd September, 1945, and (ii) the stocks which were transferred in Italy for use by the British Armed Forces pursuant to directive of the United States Joint Chiefs of Staff as shown in Annex IV.

## G. WITHDRAWALS BY THE GOVERNMENT OF THE UNITED STATES AGAINST ITS SHARE OF INVENTORIES WITHIN THE POSSESSION OF THE GOVERNMENT OF THE UNITED KINGDOM

1. *Withdrawals from United Kingdom Inventories.*—The Government of the United States has notified the Government of the United Kingdom of the quantities of petroleum products as set out in Annex VI, which it estimates that the United States Armed Forces will wish to withdraw against the United States share of the United Kingdom stocks either for use in

the United Kingdom or for shipment elsewhere for military purposes. With respect to the latter, it shall be at the option of the Government of the United Kingdom, after consultation with the United States military authorities, to substitute direct deliveries from other areas, in which case appropriate adjustment will be made for any differences in freight costs. While the Government of the United States has the right to withdraw the designated quantities at any time and the Government of the United Kingdom will use its best endeavours to make prompt delivery of the quantities notified as required by the United States Armed Forces, in case of stringency as regards supplies or tankers the Government of the United Kingdom may postpone deliveries by arrangement with the United States military authorities.

2. *Withdrawals from Other Inventories.*—The Government of the United States has notified the Government of the United Kingdom of the quantities of aviation gasoline which it wishes to withdraw in India, Ceylon and the Middle East, and of the quantities of aviation lubricants which it wishes to withdraw in Ceylon and the Middle East, against its share of stocks of these products in the areas mentioned attributable to contributions of the Government of the United States to such stocks under lend-lease. These quantities are set out in Annex VII. The Government of the United States has the right to withdraw such quantities at any time.

#### H. WITHDRAWALS BY THE GOVERNMENT OF THE UNITED KINGDOM AGAINST ITS SHARE OF INVENTORIES IN THE PACIFIC

The Government of the United Kingdom has notified the Government of the United States of the quantities of petroleum products, as set out in Annex VIII, which it wishes to withdraw from stocks in the Pacific against its reciprocal aid share of such stocks. The Government of the United Kingdom has the right to withdraw such quantities at any time.

#### I. TITLE TO INVENTORIES AND TO PETROLEUM PRODUCTS DESIGNATED FOR WITHDRAWAL

In so far as either the Government of the United Kingdom or the Government of the United States does not already hold title to petroleum inventories or to petroleum products designated for withdrawal:

(1) The Government of the United States hereby acquires and shall be deemed to have acquired on 2nd September, 1945, full title (a) to all petroleum products designated for withdrawal by the Government of the United States pursuant to section G hereof, and (b) to all petroleum inventories located outside the United Kingdom which were within the possession of the Government of the United States as of 2nd September, 1945, or were subsequently transferred to it under United Kingdom Government directive, except for the quantities designated for withdrawal after 1st September, 1945, by the Government of the United Kingdom pursuant to section H hereof.

(2) The Government of the United Kingdom hereby acquires and shall be deemed to have acquired on 2nd September, 1945, full title (a) to all petroleum products designated for withdrawal by the Government of the United Kingdom pursuant to section H hereof, and (b) to all petroleum inventories in its possession as of 2nd September, 1945, or subsequently transferred to it under United States Joint Chiefs of Staff directive, except for quantities designated for withdrawal by the Government of the United States after 1st September, 1945, pursuant to section G hereof.

A summary of petroleum inventories and of petroleum products designated for withdrawal, title to which is deemed to pass in accordance with this section, is given in Annex IX.

## J. FINANCIAL SETTLEMENT FOR INVENTORIES, WITHDRAWALS AND TRANSFERS

1. *Settlement for Inventories and Transfers of Stocks.*—Title to petroleum products acquired by the Governments of the United Kingdom and of the United States under the terms of section I of this Agreement which had been furnished under lend-lease and reciprocal aid prior to 2nd September, 1945, shall be deemed to have been transferred in consideration of mutual transfers of the title to such products and in partial consideration of the payment of the net amount of \$532,000,000 by the Government of the United Kingdom to the Government of the United States specified in paragraph 3(b) of the Joint Statement of 6th December, 1945.

2. *Settlement for Withdrawals.*—No financial payment for withdrawals under the provisions of sections G and H hereof shall be required; provided, however, that as of the date when either Government declares that it has made its last withdrawal, settlement for any differences between actual withdrawals and the quantities designated for withdrawal by either Government against its share of stocks within the possession of the other Government as of 2nd September, 1945, and for appropriate handling and packaging charges on quantities delivered after 1st September, 1945, to the United States Armed Forces in the United Kingdom (but not on direct deliveries from source in bulk to the United States Armed Forces in areas other than the United Kingdom, on which no such charges will accrue) or in the other areas mentioned in section G paragraph 2 hereof, shall be made by payment, at appropriate prices to be agreed at the date of settlement, in cash or in kind by adjustment of quantities, as may be mutually convenient, in which case title to any such differences shall pass to the retaining Government upon such payment or adjustment.

3. *Settlement for Other Deliveries.*—All deliveries after 1st September, 1945, of petroleum products to agencies of the Government of the United Kingdom or of the Government of the United States, exclusive of (a) those mentioned in section A paragraphs 1 and 2 hereof, (b) withdrawals against agreed shares of inventories, or (c) straight lend-lease or reciprocal aid transfers under United States Joint Chiefs of Staff or United Kingdom Government directives, shall be for settlement in cash.

## K. LEND-LEASE INTERESTS IN PETROLEUM INSTALLATIONS

1. *Petroleum Installations in the United Kingdom.*—The lend-lease interest in petroleum installations in the United Kingdom is transferred to the Government of the United Kingdom in accordance with the Agreement on Lend-Lease and Reciprocal Aid Installations concluded this day (No. VII).

2. *Petroleum Installations in British Colonial Dependencies and in Third Countries.*—Petroleum installations located in British Colonial Dependencies and under the control of the United States Armed Forces on 2nd September, 1945, are shown in Annex X. The lend-lease interest in these installations is deemed to have been returned to the Government of the United States under the Agreement on Lend-Lease and Reciprocal Aid Installations concluded this day (No. VII). Petroleum installations located outside the United Kingdom and British Colonial Dependencies, in which the United States had a lend-lease interest and which were in civilian use on 2nd September, 1945, or thereafter were or may be diverted to such use, are shown in Annex XI. The installations listed in Annexes X and XI shall be used and disposed of in accordance with the Agreement on Lend-Lease and Reciprocal Aid Installations.

### L. RESTRICTIONS ON IMPORTATION OF PETROLEUM EQUIPMENT AND MATERIALS

In the course of the negotiation of this Agreement several questions which have arisen in connection with restrictions imposed on American oil companies, limiting the importation from the United States of plant and materials necessary to rehabilitate American oil properties in certain British areas, were discussed and cleared up individually on a satisfactory basis. The Government of the United Kingdom agrees that it will not impose or encourage the imposition of restrictions on the importation of petroleum materials from the United States likely to prejudice American companies in relation to their competitors.

### M. GENERAL PETROLEUM QUESTIONS

The principles of general commercial policy recently discussed between the two Governments relate to petroleum as to any other commodity.

The two Governments recognise the importance of early agreement on petroleum questions of mutual interest and, pending the establishment of formal intergovernmental machinery to deal specifically with petroleum questions, will consult together as necessary on such questions.

## ANNEX I

### TRANSACTIONS REFERRED TO IN SECTION C PARAGRAPH 3 OF THIS AGREEMENT

The following transactions, in which the liability for payment has heretofore been acknowledged and the method of computation is not in dispute, have been left for settlement outside the offsetting arrangement, and payment will be made in due course.

1. *Iceland.*—To carry out previously made arrangements, in dividing between the two Governments the proceeds from sales of petroleum products shipped to Iceland via the United Kingdom, the Government of the United States shall be credited with the proceeds of sales of such petroleum products made during the period from 1st January, 1944 to 31st October, 1944, inclusive. If, however, the proceeds from such sales should exceed the landed cost of such products in the United Kingdom, any excess shall be credited to the Government of the United Kingdom, which has met under reciprocal aid the expenses incurred by it in respect of such petroleum products for handling charges in the United Kingdom, freight from the United Kingdom to Iceland, leakage en route and handling charges in Iceland.

In the case of sales of such petroleum products made during the period from 1st November, 1944 to 1st September, 1945, inclusive, the Government of the United States shall be credited with the landed cost in the United Kingdom of the petroleum products sold and the Government of the United Kingdom will be credited with any proceeds over and above such cost.

The resultant net balance of accounts is known to be in favour of the Government of the United States, although the exact amount is subject to future determination. This balance shall be settled by cash payment to the Government of the United States.

2. *Profits from Cairo-Suez Pipeline.*—The Government of the United Kingdom agrees to pay the Government of the United States the amounts due to the Government of the United States, to be agreed between the two Governments at convenient intervals, in respect of its share of the profits arising from the operation of the Cairo-Suez Pipeline. These payments will be made in the currency received in the course of operations.

3. *Arrangements for Expansion of Petroleum Output by Sterling Area Refineries.*—The Government of the United States reaffirms the arrangements made in 1944 in connection with the combined decision of the Governments of the United Kingdom and of the United States to expand the output of petroleum products in Curacao, Trinidad and Bahrein for use in the Allied war effort and will complete the payments due to the Government of the United Kingdom when the amounts have been determined.

4. *Aviation Petroleum Products for Certain Atlantic Bases.*—The Government of the United States will complete payment to suppliers in the amount found to be due in accordance with existing agreements and under approved requisitions covering aviation petroleum products used prior to 2nd September, 1945 by the Royal Air Force at bases in Newfoundland and Bermuda.

5. *Trinidad.*—The Government of the United Kingdom will pay to the Government of the United States the amount due in settlement of the difference between (a) the sum of the cost of certain services in connection with petroleum and of the cost of petroleum products delivered at Trinidad to the Government of the United States which have been determined as eligible for reciprocal aid although payment was made at the time by the Government of the United States and (b) the cost of petroleum products delivered to the Government of the United States at Trinidad under reciprocal aid, but later diverted for purposes not eligible for reciprocal aid.

## ANNEX II

### STATEMENT SHOWING UNITED STATES LEND-LEASE SHARE OF PETROLEUM INVENTORIES IN THE UNITED KINGDOM AS OF 2nd SEPTEMBER, 1945.

(Thousands of Long Tons)

	U.S. Lend- Lease Share	Analysis of U.S. Lend-Lease Share	
		Military	Residual Lend-Lease Share
Admiralty Oil Fuels ... ..	383	114	269
100 Octane Aviation Gasoline ... ..	610	349	261
Other Aviation Gasoline ... ..	76	—	76
Motor Gasoline ... ..	840	418	422
White Spirit ... ..	15	—	15
Burning Oil ... ..	227	31	196
Vaporizing Oil ... ..	126	—	126
Gas Oil... ..	447	140	307
Diesel Oil ... ..	83	—	83
Fuel Oil ... ..	193	—	193
Lubricating Oil ... ..	254	32	222
Bitumen ... ..	5	—	5
Total ... ..	3,259	1,084	2,175

ANNEX III

STATEMENT SHOWING PARTICIPATION ATTRIBUTABLE TO LEND-LEASE AND RECIPROCAL AID CONTRIBUTIONS IN PETROLEUM INVENTORIES OTHER THAN THOSE IN THE U.K. AND IN THE MEDITERRANEAN POOL

(Thousands of Long Tons)

*U.S. Share of Stocks within the Possession of the U.K. Government as of 2nd September, 1945*

Aviation Gasoline, India, Ceylon and the Middle East ...	277
Aviation Lubricants, Ceylon, West Africa and the Middle East .. ... ..	15
Motor Transport Lubricants, East and West Africa and the Middle East ... ..	38
Admiralty Lubricants ... ..	10
Various products, Bermuda and Miscellaneous Bases ...	10
Crudes held at Curacao, Trinidad and Bahrein ... ..	95
Total ... ..	445

*U.K. Share of Stocks within the Possession of the U.S. Government as of 2nd September, 1945*

Various Products :

Pacific (including Fiji) and Canal Zone ... ..	738
Dakar ... ..	10
Brazil ... ..	40
Ascension ... ..	7
Caribbean and South American Bases ... ..	10
Total ... ..	805

ANNEX IV

STATEMENT OF PETROLEUM INVENTORIES IN THE MEDITERRANEAN POOL TRANSFERRED AS OF 2nd SEPTEMBER, 1945 TO THE UNITED KINGDOM FOR USE BY THE BRITISH ARMED FORCES

(Thousands of long tons)

	Italy, Sicily, Sardinia	In Other Areas					Grand Total
		Greece	Azores	French North Africa	Tripoli	Total	
100 Octane Aviation Gasoline	32.9	2.1	0.9	4.5	6.9	14.4	47.3
Motor Gasoline	81.1	3.4	0.1	1.7	—	5.2	86.3
Kerosene ...	5.0	0.6	—	0.1	—	0.7	5.7
Diesel Oil ...	35.3	1.6	1.3	1.6	—	4.5	39.8
Navy Special ...	34.6	2.5	11.2	3.9	—	17.6	52.2
Lubricating Oils	10.5	1.7	0.1	0.3	—	2.1	12.6
Sundries ...	1.5	—	—	—	—	—	1.5
Total ...	200.9	11.9	13.6	12.1	6.9	44.5	245.4

## ANNEX V

### STATEMENT SHOWING PETROLEUM INVENTORIES HELD IN TANKAGE CONTROLLED BY U.K. IN ITALY AS OF 2nd SEPTEMBER, 1945 AND DIVISION INTO U.K. AND U.S. SHARES

(Thousands of long tons)

	Total Stocks in British controlled Tankage	Stocks Transferred to the U.K. for use by British Armed Forces	Balance Available for withdrawal by U.S.
100 Octane Aviation Gasoline	75.3	32.9	42.4
80 Octane Motor Gasoline ...	63.9	81.1	—17.2
Kerosene ... ..	13.4	5.0	8.4
Diesel Oil—702 ... ..	87.4	35.3	52.1
Navy Special ... ..	83.1	34.6	48.5
Lubricating Oil ... ..	20.0	10.5	9.5
Sundries ... ..	11.7	1.5	10.2
Total ... ..	354.8	200.9	153.9

## ANNEX VI

### STATEMENT OF QUANTITIES OF PETROLEUM PRODUCTS DESIGNATED FOR WITHDRAWAL BY U.S. ARMED FORCES FROM THE U.S. SHARE OF STOCKS IN THE U.K.

*(Thousands of Long Tons)*

Admiralty Oil Fuels ... ..	114.0
100 Octane Aviation Gasoline	349.0
Motor Gasoline ... ..	228.0
Burning Oil ... ..	13.6
Gas Oil ... ..	140.0
Lubricating Oils, Ground ... ..	1.6
Lubricating Oils, Aviation ... ..	2.5
<b>Total ... ..</b>	<b>848.7</b>

## ANNEX VII

## STATEMENT OF QUANTITIES OF AVIATION PETROLEUM PRODUCTS DESIGNATED FOR WITHDRAWAL BY U.S. ARMED FORCES FROM THE U.S. SHARE OF STOCKS IN INDIA, CEYLON AND THE MIDDLE EAST

							<i>(Thousands of Long Tons)</i>
<i>100 Octane Aviation Gasoline</i>							
India and Ceylon	...	...	...	...	...	...	146.6
Middle East	...	...	...	...	...	...	35.2
<i>Lubricating Oils, Aviation</i>							
Middle East and Ceylon	...	...	...	...	...	...	1.0
Total						...	182.8

NOTE : Withdrawals of aviation lubricating oils by the U.S. Armed Forces from the U.S. share of stocks of these products in India and handling or packaging charges on quantities of 100 Octane Aviation Gasoline withdrawn from stocks in India are matters for settlement between the Governments of the United States and of India.

## ANNEX VIII

## STATEMENT OF QUANTITIES OF PETROLEUM PRODUCTS DESIGNATED FOR WITHDRAWAL BY U.K. ARMED FORCES FROM THE U.K. SHARE OF STOCKS IN THE PACIFIC

(Thousands of Long Tons)

—	Stocks held by British Pacific Fleet as of 2nd Sept., 1945	Additional Requirements Sept.—Oct., 1945	Stocks in Fiji as of 2nd Sept., 1945	Total
100 Octane Aviation Gasoline ...	—	—	1.45	1.45
Motor Gasoline ...	—	—	.55	.55
Diesel Oil ...	7.37	9.47	5.00	21.84
Navy Special ...	108.82	222.50	8.09	339.41
Totals ...	116.19	231.97	15.09	363.25

## ANNEX IX

### STATEMENT SHOWING PETROLEUM INVENTORIES, TITLE TO WHICH IS DEEMED TO HAVE PASSED ON 2ND SEPTEMBER, 1945

(Thousands of  
Long Tons)

<i>I. Inventories acquired by the Government of the United States</i>			
<i>(a) Designated withdrawals by the Government of the U.S. from inventories within the possession of the Government of the U.K. as of 2nd September, 1945.</i>			
(i) From stocks in the U.K. (Annex VI) ... ..			849
(ii) From stocks in India, Ceylon and Middle East (Annex VII) ... ..			183
(iii) From stocks in British controlled tankage in Italy (Annex V) ... ..			154
 <i>(b) Reciprocal aid stocks within the possession of the Government of the United States as of 2nd September, 1945.</i>			
in various areas (Annex III) ... ..		805	
Less withdrawals designated by the Government of the U.K. (Annex VIII) ... ..		363	
		—	442
	Total ... ..		1,628
 <i>2. Inventories acquired by the Government of the United Kingdom</i>			
<i>(a) Designated withdrawals by the Government of the U.K. from inventories within the possession of the Government of the U.S. as of 2nd September, 1945.</i>			
From stocks in Pacific (Annex VIII) ... ..			363
 <i>(b) Lend-lease stocks within the possession of the Government of the United Kingdom as of 2nd September, 1945.</i>			
(i) In the U.K. (Annex II) ... ..		3,259	
Less withdrawals designated by the Government of the U.S. (Annex VI) ... ..		849	
		—	2,410
(ii) <i>Mediterranean pool :</i>			
In Italy (Annex V) ... ..		355	
Less withdrawals designated by the Government of the U.S. (Annex V) ... ..		154	
		—	201
In Greece, North Africa, Azores (Annex IV) ... ..		44	
		—	245
(iii) In other areas (Annex III) ... ..		445	
Less withdrawals designated by the Government of the U.S. (Annex VII) ... ..		183	
		—	262
	Total ... ..		3,280

ANNEX X

PETROLEUM INSTALLATIONS LOCATED IN BRITISH COLONIAL DEPENDENCIES AND UNDER CONTROL OF U.S. ARMED FORCES ON 2nd SEPTEMBER, 1945

- |                             |     |     |                                 |
|-----------------------------|-----|-----|---------------------------------|
| 1. <i>Gold Coast</i>        | ... | ... | (a) Takoradi                    |
|                             |     |     | (b) Accra                       |
|                             |     |     | (c) Accra Airport               |
| 2. <i>Nigeria</i>           | ... | ... | (a) Apapa (Lagos)               |
|                             |     |     | (b) Kano                        |
|                             |     |     | (c) Kano Airfield               |
|                             |     |     | (d) Bukuru                      |
|                             |     |     | (e) Naidugari Airfield          |
|                             |     |     | (f) Port Harcourt               |
| 3. <i>Sierra Leone</i>      | ... |     | Freetown—Kissey East Site       |
| 4. <i>Kenya</i>             | ... | ... | (a) Mombasa, Kipevus            |
|                             |     |     | (b) Nairobi, Eastleigh Airfield |
| 5. <i>South Atlantic</i>    | ... |     | (a) Ascension Island            |
|                             |     |     | (b) Ascension Island Airport    |
| 6. <i>Aden Protectorate</i> | ... | ... | (a) Salalah Airfield            |
|                             |     |     | (b) Sheikh Othman Airport       |
| 7. <i>Palestine</i>         | ... | ... | Tel Litvinski Jerrican Factory  |

ANNEX XI

PETROLEUM INSTALLATIONS (LOCATED OUTSIDE THE UNITED KINGDOM AND BRITISH COLONIAL DEPENDENCIES) IN WHICH THERE IS A LEND-LEASE INTEREST

*Pipelines and Bulk Facilities*

- |                   |     |     |  |
|-------------------|-----|-----|--|
| 1. <i>Egypt</i>   | ... | ... | (a) Agrud—Cairo 6" Pipeline (White oils)                 |
|                   |     |     | (b) Suez—Port Said 8" Pipeline (Black oils)              |
|                   |     |     | (c) Timsah—Nefisha 10" Pipeline (Black oils)             |
|                   |     |     | (d) Gaboari (Alexandria) 6" Pipeline (Black oils)        |
|                   |     |     | (e) Fayid, Kabrit, Kosiarit, Shandur Airfields Pipelines |
|                   |     |     | (f) Amriya (Alexandria) Military Pipelines (White oils)  |
| 2. <i>Lebanon</i> | ... | ... | Beirut 10" Pipeline (Black oils)                         |
| 3. <i>Iceland</i> | ... | ... | Reykjavik (bulk installation)                            |
| 4. <i>Iran</i>    | ... | ... | Abadan—Ahwaz—Khorramshar Pipeline                        |

*Drum and Can Plants*

- |              |     |     |  |
|--------------|-----|-----|--|
| <i>Egypt</i> | ... | ... | (a) Nefisha Can Factory—Filling Depot and 4" Pipeline  |
|              |     |     | (b) Shoubra (Cairo) Jerrican Factory—Plant No. 1       |
|              |     |     | (c) Shoubra (Cairo) 5-gallon Drum Factory—Plant No. 2  |
|              |     |     | (d) Moharrem Bey (Alexandria) Drum Factory—Plant No. 3 |
|              |     |     | (e) Nouzha (Alexandria) Drum Factory—Plant No. 4       |
|              |     |     | (f) Stagni (Alexandria) Tin Factory                    |

## VII

### AGREEMENT ON LEND-LEASE AND RECIPROCAL AID INSTALLATIONS

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In accordance with their JOINT STATEMENT REGARDING SETTLEMENT FOR LEND-LEASE, RECIPROCAL AID, SURPLUS WAR PROPERTY AND CLAIMS, dated 6th December, 1945, and in partial consideration of the payment of the net amount of \$532,000,000 by the Government of the United Kingdom to the Government of the United States specified in paragraph 3 (b) thereof, the Governments of the United Kingdom and of the United States have reached agreement as set forth below regarding the transfer, use and disposition of lend-lease and reciprocal aid installations, which term shall cover structures or capital assemblies affixed to land or buildings in a permanent manner.

1. The Government of the United Kingdom hereby acquires and shall be deemed to have acquired on 2nd September, 1945, full title to any lend-lease interest in installations located in the United Kingdom or British Colonial Dependencies on that date, except that such interest in any installations located in the Colonial Dependencies and under the control of the United States Armed Forces on that date shall be deemed to have been returned to the Government of the United States. The Government of the United States hereby acquires and shall be deemed to have acquired on 2nd September, 1945, full title to any reciprocal aid interest in installations located on that date in the United States, its territories or possessions. A lend-lease or reciprocal aid interest shall be deemed to exist in an installation when (a) it has been furnished in complete form under lend-lease or reciprocal aid, or (b) it contains significant quantities of lend-lease or reciprocal aid materials, or (c) a significant part of the construction costs was met under lend-lease or reciprocal aid.

2. The lend-lease interest in installations transferred to the Government of the United Kingdom under paragraph 1 hereof shall be deemed to have been transferred subject to the condition that United States nationals, corporations, and associations shall receive appropriate non-discriminatory treatment in the use and disposition of such installations. The term "appropriate" as used in this paragraph and in paragraph 3 hereof shall mean appropriate to the trade position in the area of the parties involved, and to their rights of entry or expansion in the area consistently with pertinent agreements reached either under Article VII of the Mutual Aid Agreement of 23rd February, 1942, or otherwise.

3. The use and disposition of all installations located outside the United Kingdom and British Colonial Dependencies and outside the United States, its territories and possessions in which a lend-lease interest as between the two Governments remains unextinguished by return or otherwise and which were in civilian use on 2nd September, 1945, or thereafter were or may be diverted to such use, shall be governed by the following principles:

(a) Installations under the direct or indirect control of the Government of the United Kingdom continued in operation pending disposal shall be operated without discrimination against the nationals, corporations or associations of the United Kingdom and of the United States.

(b) In cases where both Governments have contributed to the cost of an installation or where one Government is in control of an installation to the cost of which the other has contributed, disposal should be by mutual agreement, and the two Governments will co-operate with the object of

securing appropriate non-discriminatory treatment for the nationals, corporations, or associations of both countries in connection with the subsequent use of such facilities. The proceeds of any agreed sale shall be divided between the Governments of the United Kingdom and of the United States in accordance with their relative contributions (including lend-lease, reciprocal aid and other contributions by either Government) to the cost of the facility as agreed by them, or in such other manner as may be mutually agreed.

4. The use and disposition of any installations located in British Colonial Dependencies in which a reciprocal aid interest exists and which were on 2nd September, 1945, under the control of the United States Armed Forces shall be governed by the principles set out in paragraph 3 hereof.

5. It is hereby reaffirmed that the Government of the United States has full title to any lend-lease interest in installations located in the United States, its territories or possessions, and that the Government of the United Kingdom has full title to any reciprocal aid interest in installations located in the United Kingdom or British Colonial Dependencies.

## VIII

### AGREEMENT RELATING TO UNITED STATES ARMY AND NAVY SURPLUS PROPERTY AND SURPLUS INSTALLATIONS IN THE UNITED KINGDOM

1. In accordance with their JOINT STATEMENT REGARDING SETTLEMENT FOR LEND-LEASE, RECIPROCAL AID, SURPLUS WAR PROPERTY AND CLAIMS, dated 6th December, 1945, and in partial consideration of the payment of the net amount of \$532,000,000 by the Government of the United Kingdom to the Government of the United States specified in paragraph 3 (b) thereof, the Governments of the United States and of the United Kingdom agree that the latter shall acquire possession of and title to the following property on the terms and conditions set forth below:

(a) All movable articles of whatever description (except vessels other than those which may be specifically designated from time to time by the Government of the United States for transfer hereunder, and aircraft) located in the United Kingdom which had been on 6th December, 1945, or are thereafter declared to the office of the Foreign Liquidation Commissioner, United States Department of State, as surplus to the needs and responsibilities of the United States War and Navy Departments.

(b) All interests of the United States War and Navy Departments in installations (which term includes structures or capital assemblies affixed to land or buildings in a permanent manner) located in the United Kingdom where such interests have been or are declared to the Office of the Foreign Liquidation Commissioner as surplus to the needs and responsibilities of the War and Navy Departments.

2. Title to and custodial responsibility for the property described in paragraph 1 hereof shall be deemed to have passed or shall pass to the Government of the United Kingdom as soon as possible in accordance with transfer proceedings established by the representatives in the United Kingdom of the Office of the Foreign Liquidation Commissioner and the responsible departments of the Government of the United Kingdom.

3. The Government of the United Kingdom agrees that the procedure for the acquisition of the property described in paragraph 1 hereof will not interfere with the consumption or continued use of such property by the United States Army and Navy in connection with their respective needs and responsibilities.

4. Any property described in paragraph 1 hereof which had on or before 6th December, 1945, been specifically committed for sale or transfer to third parties or which has been or may be directly transferred to the United Nations Relief and Rehabilitation Administration by the United States War and Navy Departments under Section 202, Title II, United States Public Law No. 382, 78th Congress, shall not be subject to transfer to the Government of the United Kingdom.

5. The Government of the United Kingdom will afford the United Nations Relief and Rehabilitation Administration opportunity to acquire at fair and reasonable prices any property transferred to the Government of the United Kingdom under this Agreement.

6. The Government of the United Kingdom will use its best endeavours to ensure that property transferred pursuant to this Agreement shall not be imported into the United States in the same or substantially the same form, if such property was originally produced in the United States and is readily identifiable as such, but such property may be imported into the United

States on consignment to a person or firm in the United States for the purpose of reconditioning for re-export, or by a member of the United States Armed Forces for his personal use.

7. The Government of the United Kingdom, when it disposes of or distributes property transferred pursuant to this Agreement, will use its best endeavours to avoid discrimination against the legitimate interests of the United States manufacturers of such property, or their agents or distributors in the United Kingdom.

8. The provisions of the Agreement on Lend-Lease and Reciprocal Aid Installations concluded this day (No. VII) which relate to non-discriminatory treatment of United States nationals, corporations and associations shall also apply to installations, in which the Government of the United States has had an interest covered by this Agreement.

9. The Government of the United Kingdom will not transfer to other Governments or for export without the consent of the Government of the United States any arms, ammunition or lethal implements of war transferred pursuant to this Agreement.

10. In this Agreement the term "vessels" includes ships, boats, barges, floating dry docks and other watercraft.

## IX

### AGREEMENT RELATING TO TORT CLAIMS

The Governments of the United Kingdom and of the United States have agreed that the Agreement relating to the settlement of certain classes of claims against members of the armed forces of one arising out of their military duties in the territory of the other, which has been in effect since 1944 on terms set out in the Foreign Secretary's Note to the United States Ambassador at London, dated 29th February, 1944, and its Annex (hereinafter called "the Agreement"), shall apply on the same terms to claims in respect of acts or omissions within the scope of the Agreement as hereby modified, committed (a) by members of the United Kingdom Armed Forces in the course of their military duties in the United States on or before 28th February, 1946, and (b) by members of the United States Armed Forces in the course of their military duties in the United Kingdom on or before 31st December, 1949, subject to the following modifications:

(i) The Agreement is hereby extended to include claims in tort arising after 1st September, 1945, from training, manoeuvres and operations of aircraft in the performance of military duties.

(ii) The amounts paid by one Government in settlement of claims arising after 1st September, 1945, against the other in accordance with the Agreement as hereby modified shall be included in the offsetting arrangement described in section E of the Agreement on Lend-Lease and Reciprocal Aid Pipelines and Offsetting Arrangement concluded this day (No. I), by adjustment of the sum designated (a) in paragraph 3 of the Joint Statement regarding Settlement for Lend-Lease, Reciprocal Aid, Surplus War Property and Claims, dated 6th December, 1945.

\* To 60/1948

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