

## EXCHANGE OF COTTON AND RUBBER

*Agreement signed at London June 23, 1939; exchange of notes at London August 25, 1939*

*Senate advice and consent to ratification June 29, 1939*

*Ratified by the President of the United States July 17, 1939*

*Ratification deposited at London August 25, 1939*

*Entered into force August 25, 1939*

*Proclaimed by the President of the United States September 6, 1939*

*Expired in accordance with its terms*

54 Stat. 1411; Treaty Series 947

### AGREEMENT BETWEEN THE GOVERNMENTS OF THE UNITED STATES OF AMERICA AND THE UNITED KINGDOM FOR THE EXCHANGE OF COTTON AND RUBBER

The Government of the United States of America and the Government of the United Kingdom of Great Britain and Northern Ireland, desiring to make arrangements for the exchange of cotton and rubber, have agreed as follows—

#### ARTICLE 1

The United States Government will supply to the Government of the United Kingdom, delivered on board ship, compressed to high density, at New Orleans, Louisiana, and at other Gulf and Atlantic deep water ports to be agreed upon between the two Governments, 600,000 bales of raw cotton of the grades and staples which will be specified by the Government of the United Kingdom. The United States Government will make available in adequate quantities for such purpose cotton from the stock on which the United States Government has made advances to growers.

(a) The price will be fixed on the basis of the average market price as published by the Bureau of Agricultural Economics for middling  $\frac{7}{8}$ -inch cotton during the period January 1st–June 23rd, 1939, for spot delivery at New Orleans, plus 0.24 cent per lb. for cost of compression and delivery on board ship, with adjustments in price for other grades and staples according to differences above or below middling  $\frac{7}{8}$ -inch quoted in that period.

(b) The cotton will be inspected to determine its classification in accordance with the Universal Cotton Standards for grade and the official standards

of the United States for staple, and shall be accepted, by experts appointed by the Government of the United Kingdom. Any disputes which may arise will be settled by Boards of Referees constituted of three members of whom one shall be nominated by the Government of the United Kingdom.

(c) Samples representing the cotton of the grades and staples specified by the Government of the United Kingdom will be made available for inspection and acceptance during a period of six months beginning 15 days after the entry into force of this Agreement, and such inspection and acceptance will be made within a reasonable time after the cotton is so made available. Delivery at the warehouse at the port of sailing with provision for free delivery on board ship at high density will be made within 15 days after inspection and acceptance, and storage and insurance charges will be borne by the United States Government for a period of two weeks but no more after delivery at the warehouse at the port of sailing.

(d) All cotton will be invoiced and accepted on gross weights at the time of delivery.

## ARTICLE 2

The Government of the United Kingdom will supply to the Government of the United States, delivered on board ship at Singapore and, by agreement between the two Governments, at other convenient ports, rubber in bales, of the grades which will be specified by the Government of the United States, to a value equivalent to that of the total value of the cotton to be supplied in accordance with Article 1 of this Agreement. In determining such equivalent value, the rate of exchange between Straits Settlements dollars and United States dollars shall be deemed to be the average of the buying rate during the period January 1st–June 23rd, 1939, in the New York market, at noon, for cable transfers payable in Straits Settlements dollars, as certified by the Federal Reserve Bank to the Secretary of the United States Treasury and published in Treasury Decisions.

(a) The quantity of rubber will be calculated upon the average market price, as published by the Department of Statistics in the Straits Settlements, for No. 1 ribbed smoked sheets, during the period January 1st–June 23rd, 1939, for spot delivery at Singapore plus 0.25 Straits Settlements cent per lb. for cost of baling and delivery on board ship, with adjustments in price for other grades according to differences quoted in that period.

(b) The rubber will be inspected and accepted by experts appointed by the United States Government. Any disputes will be settled in accordance with the normal custom of the trade.

(c) The rubber will be made available for inspection and acceptance by experts appointed by the Government of the United States during a period of six months beginning at a date to be agreed upon by the two Governments, and such inspection and acceptance will be made within a reasonable time

after the rubber is so made available. Delivery at the warehouse at the port of shipment with provision for free delivery on board ship will be made within a period of 15 days after inspection and acceptance, and storage and insurance charges will be borne by the Government of the United Kingdom for a period of two weeks but no more after delivery at the warehouse at the port of shipment.

#### ARTICLE 3

If either Government should find that delivery in accordance with the arrangements specified in Articles 1 and 2 is likely to restrict supplies available to commercial markets unduly or to stimulate undue price increases, the two Governments shall consult with a view to postponing delivery or taking other action in order to avoid or minimise such restriction of supplies or such price increases.

#### ARTICLE 4

The intention of the United States Government and of the Government of the United Kingdom being to acquire the reserves of cotton and rubber, respectively, against the contingency of a major war emergency, each Government undertakes not to dispose of its stock (otherwise than for the purpose of replacing such stocks by equivalent quantities in so far as may be expedient for preventing deterioration) except in the event of such an emergency. If, however, either Government should at any future date decide that the time has come to liquidate its stock of cotton or rubber, as the case may be, it may do so only after (a) consulting the other Government as to the means to be employed for the disposal of such stock, and (b) taking all steps to avoid disturbance of the markets. In no case may either Government dispose of such stocks, except in the case of a major war emergency, before a date seven years after the coming into force of this Agreement.

#### ARTICLE 5

The Government of the United Kingdom will use their best endeavours to secure that the export is permitted under the International Rubber Regulation Scheme<sup>1</sup> of an amount of rubber approximately equivalent to the amount of rubber to be supplied to the United States Government under this Agreement in addition to the amount of rubber which would, under the normal operation of the Scheme, be released to meet current consumption needs.

#### ARTICLE 6

Each Government undertakes, in shipping to its own ports the stocks of cotton and rubber, respectively, provided for in this Agreement, so far as may be possible to distribute the tonnage equally between the ships of the two countries, provided that the shipping space required is obtainable at reasonable rates. Consultation for the purpose of giving effect to this Article shall be between the Board of Trade and the Maritime Commission.

<sup>1</sup> See the agreement of May 7, 1934, between the United Kingdom and other Powers to regulate the production and export of rubber (171 *League of Nations Treaty Series* 203).

## ARTICLE 7

Should the United States Government, before the delivery is completed of the cotton provided for in Article 1 of this Agreement, take any action which has the effect of an export subsidy, they will deliver to the Government of the United Kingdom an additional quantity of cotton proportionate to the reduction in price below that provided for in Article 1 of this Agreement caused by such action.

## ARTICLE 8

The present Agreement shall come into force on a date to be agreed upon between the two Governments.

IN WITNESS WHEREOF the Undersigned, duly authorised thereto, have signed the present Agreement and have affixed thereto their seals.

DONE in London in duplicate this 23rd day of June, 1939.

JOSEPH P. KENNEDY	[SEAL]
OLIVER F. G. STANLEY	[SEAL]

## EXCHANGE OF NOTES

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

FOREIGN OFFICE, S. W. 1.  
25th August, 1939

No. A 5285/28/45

YOUR EXCELLENCY,

In accordance with the provisions of Article 8 of the Agreement between the Government of the United Kingdom of Great Britain and Northern Ireland and the Government of the United States of America regarding the exchange of cotton and rubber, I have the honour to propose that the Agreement shall come into force on the 25th August 1939.

2. If this proposal is acceptable to the United States Government, I have the honour to suggest that the present note and Your Excellency's reply to that effect be regarded as placing on record the Agreement between the two governments in this matter.

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

HALIFAX

His Excellency

The Honourable JOSEPH P. KENNEDY,  
*etc., etc., etc.*

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

EMBASSY OF THE  
UNITED STATES OF AMERICA

*London, August 25, 1939*

No. 1152

MY LORD:

I have the honor to acknowledge the receipt of Your Excellency's note of to-day's date, in which you propose, in accordance with the provisions of Article 8 of the Agreement between our two Governments regarding the exchange of cotton and rubber signed on June 23, 1939, that it shall come into force on August 25, 1939, and further suggest that Your Excellency's note and my reply thereto shall be regarded as placing on record the agreement between our Governments in this matter.

In reply I have the honor to inform Your Excellency that the proposal that the Agreement concerning the exchange of cotton and rubber shall come into force on August 25, 1939, is acceptable to my Government as is also Your Excellency's suggestion that Your Excellency's note and the present reply shall be regarded as making the record to that effect.

I have the honor to be, with the highest consideration, My Lord,  
Your most obedient, humble servant,

JOSEPH P. KENNEDY

The Right Honorable  
Viscount HALIFAX, K.G., G.C.S.I.,  
*etc., etc., etc.,*  
*Foreign Office, S. W. 1.*