



Treaty Series No. 6 (1948)

FINANCIAL AGREEMENT
BETWEEN THE
GOVERNMENT OF THE UNITED KINGDOM
AND THE GOVERNMENT OF EGYPT
[WITH EXCHANGES OF LETTERS]

CAIRO, 5TH JANUARY, 1948

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

LONDON
HIS MAJESTY'S STATIONERY OFFICE
T W O P E N C E N E T

Cmd. 7305

FINANCIAL AGREEMENT BETWEEN THE GOVERNMENT OF THE UNITED KINGDOM AND THE GOVERNMENT OF EGYPT, WITH EXCHANGES OF LETTERS

Cairo, 5th January, 1948

THE Government of the United Kingdom of Great Britain and Northern Ireland (hereinafter referred to as "the Government of the United Kingdom") and the Royal Egyptian Government have agreed as follows:—

ARTICLE I

Subject to the provisions of the present Agreement, the Financial Agreement between the Government of the United Kingdom and the Royal Egyptian Government signed in London on 30th June, 1947⁽¹⁾ (hereinafter referred to as "the Principal Agreement"), shall, notwithstanding the provisions of paragraph 2 of Article XI thereof, continue in force until 31st December, 1948.

ARTICLE II

1. From the date of signature of the present Agreement, the provisions of paragraph 3 of Article II of the Principal Agreement shall operate in accordance with the provisions of paragraphs 2, 3, 4 and 5 of this Article.

2. The Government of the United Kingdom will take the necessary steps to ensure that sterling standing to the credit of Egyptian Transferable Accounts shall be available for the purpose of payments for current transactions with any of the Scheduled Territories and for such capital transactions with these Territories as may be permitted by agreement.

3. The Government of the United Kingdom will place no restrictions on and will facilitate the transferability of sterling standing to the credit of Egyptian Transferable Accounts for payments for current transactions to Transferable Accounts of any other country.

4. The Government of the United Kingdom will use their best endeavours to ensure that sterling standing to the credit of Egyptian Transferable Accounts shall be available, to the widest possible extent, for payments for current transactions in currency areas other than those specified in paragraphs 2 and 3 of this Article.

5. The Government of the United Kingdom shall make available to the Royal Egyptian Government, against payment in Egyptian Transferable sterling, from the date of signature of the present Agreement, the sum of £6,250,000 in United States dollars for the purpose of making payments for current transactions.

ARTICLE III

Article IV of the Principal Agreement shall cease to have effect, and the following new Article shall be substituted therefor:—

"1. There shall be released forthwith from the No. 2 Account of the National Bank of Egypt to the No. 1 Account of that Bank:

"(a) the sum of £21,000,000 for the period of validity of the present Agreement; and

⁽¹⁾ "Treaty Series No. 51 (1947)," Cmd. 7163.

“(b) the equivalent of any portion (not released by 31st December, 1947) of the scarce currencies provided in the Hard Currency Agreement of January 1945⁽²⁾ (as finally extended in February 1947⁽³⁾) between the Government of the United Kingdom and the Royal Egyptian Government which was not spent before 15th July, 1947.

“2. There shall also be released from the No. 2 Account of the National Bank of Egypt to the No. 1 Account of that Bank during the period of validity of the present Agreement:

“(a) the equivalent of any sums paid after 31st December, 1947, by the Royal Egyptian Government to the Government of the United Kingdom from an Egyptian Account or an Egyptian Transferable Account:

“(i) in respect of military supplies purchased before 14th July, 1947, and not paid for before that date; and

“(ii) in respect of surplus stores, equipment or fixed assets in Egypt disposed of by the Government of the United Kingdom to the Royal Egyptian Government either before or after 14th July, 1947.

“(b) the equivalent in sterling of any sums realised by the Government of the United Kingdom in Egyptian currency after 14th July, 1947, from the sale of surplus stores, equipment or fixed assets now in Egypt, other than to the Royal Egyptian Government;

“(c) the equivalent of such amounts may be paid from Egyptian Accounts or Egyptian Transferable Accounts to the Government of the United Kingdom by the Royal Egyptian Government for the section of the Palestine Railway situated in Egyptian territory, should an Agreement be made to transfer that section to the Royal Egyptian Government.

“The releases under (a) and (c) of this paragraph shall be made at the time the payment is made by the Royal Egyptian Government. The releases under (b) shall be made as soon as practicable after the end of each month.

“3. Further sums shall be released from the No. 2 Account of the National Bank of Egypt to the No. 1 Account of that Bank during the period of validity of the present Agreement, in accordance with paragraphs 6, 8 (b) and 10 of the Annex to the Principal Agreement.”

ARTICLE IV

An additional release of £11,000,000 as a working balance shall be made from No. 2 Account of the National Bank of Egypt to No. 1 Account of that Bank over and above the sum of £12,000,000 provided for in paragraphs 1 and 2 of Article V of the Principal Agreement.

ARTICLE V

1. From the date of signature of the present Agreement, the provisions of Article VI (a) of the Principal Agreement shall operate in accordance with the provisions of the immediately following paragraph.

2. If the acceptance by residents of any country of sterling at the disposal of residents of Egypt is in any way restricted in settlement of payments for current transactions, the Royal Egyptian Government may, if they so desire, restrict the acceptance by residents of Egypt of sterling at the disposal of residents of that country.

(2) “Egypt No. 1 (1945),” Cmd. 6582.

(3) “Egypt No. 1 (1947),” Cmd. 7100.

ARTICLE VI

The following words shall be added at the end of paragraph (b) of Article VI of the Principal Agreement:—

“ Provided that reciprocal treatment is extended by the Scheduled Territory concerned to amounts of its currency similarly accruing to residents of Egypt.”

ARTICLE VII

The following amendments shall be made in the Annex to the Principal Agreement:—

(a) The following shall be substituted for paragraph 1 (b):—

“ (b) All other payments expressed in currencies other than sterling or Egyptian pounds, which have necessarily to be settled in sterling or Egyptian pounds, shall be converted into and settled in sterling or Egyptian pounds, as the case may be, on the basis of the official rates in London or Cairo respectively.”

(b) Paragraph 4 shall be deleted, and the following substituted:—

“ 4. All payments to residents of the Scheduled Territories, which residents of Egypt are permitted to make under the Exchange Control regulations in force in Egypt, shall be effected, either by a credit in Egyptian pounds to a Scheduled Territory Account in Egypt, or by the debit of sterling or other Scheduled Territory currency of an Egyptian Account or an Egyptian Transferable Account in the Scheduled Territory concerned.”

(c) In the last sentence in sub-paragraph (b) of paragraph 6, the words “ Before making any claims for such releases ” shall be omitted, and the following words substituted:—

“ At the time of making any claims for such releases.”

ARTICLE VIII

The present Agreement shall be deemed to have come into force on 1st January, 1948.

In witness whereof the undersigned Plenipotentiaries, being duly authorised thereto by their respective Governments, have signed the present Agreement and have affixed thereto their seals.

Done at Cairo this fifth day of January, 1948, in duplicate.

For the Government of the United Kingdom:

(L.S.) E. A. CHAPMAN-ANDREWS.

For the Royal Egyptian Government:

(L.S.) A. M. KACHABA.

EXCHANGES OF LETTERS

No. 1

Dr. Abdel Hakim el Rifai Bey to Mr. W. A. B. Iliff

Dear Mr. Iliff,

*Ministry of Finance,
Cairo, 5th January, 1948*

It gives me great satisfaction that our two Delegations, after arduous labours, were able to reach a provisional agreement on the Egyptian Sterling Balances to cover the period from 1st January to 31st December, 1948.

For their part, the Egyptian Government wish to put on record that the Egyptian Delegation have put forward during the negotiations two claims resulting from Egypt's departure from the Sterling Area, namely:—

- (1) That Egypt should be allocated a share of the United Kingdom gold reserves, these reserves being accumulated in fact on behalf of the whole Sterling Area to which Egypt was a party.
- (2) That Egypt's Sterling Balances should have the benefit of a gold clause identical to that granted to some other countries.

In view of the vital importance of these two questions, the Royal Egyptian Government reserve their right to raise them again in any future negotiations regarding the Sterling Balances.

I am, &c.
A. EL RIFAI.

No. 2

Mr. W. A. B. Iliff to Dr. Abdel Hakim el Rifai Bey

Dear Dr. Rifai Bey,

*British Embassy,
Cairo, 5th January, 1948*

I HAVE to acknowledge your letter of to-day's date, reading as follows:—

[As in No. 1]

On behalf of His Majesty's Government, I take note of the reservation by the Royal Egyptian Government.

I too wish to express my satisfaction that our two Delegations have been able to reach agreement with regard to the handling of Egyptian Sterling Balances during 1948.

I am, &c.
W. A. B. ILIFF.

No. 3

Dr. Abdel Hakim el Rifai Bey to Mr. W. A. B. Iliff

Dear Mr. Iliff,

*Ministry of Finance,
Cairo, 5th January, 1948*

WITH reference to Article II of the Agreement signed to-day, the Royal Egyptian Government desire to put on record—

- (1) that, in their views, so long as the undertaking to make sterling freely expendable for current transactions in any currency area cannot be implemented, any arrangement entered into between the United Kingdom and any third country which has important trade

relations with Egypt ought to provide that sterling standing to the credit of Egyptian Transferable Account should be given rights of transfer not less favourable than those afforded to sterling of any other country; and

- (2) that if any country should no longer maintain a Transferable Account during the currency of the Agreement, the Egyptian Government must reserve the right to claim an additional release of hard currencies to meet any deficit in their balance of payments with that country.

I am, &c.

A. EL RIFAI.

No. 4

Mr. W. A. B. Iliff to Dr. Abdel Hakim el Rifai Bey

British Embassy,

Dear Dr. Rifai Bey,

Cairo, 5th January, 1948

I HAVE to acknowledge your letter of to-day's date reading as follows:—

[As in No. 3]

With reference to paragraph 1 of your letter, I take note of the view of the Royal Egyptian Government, which I shall convey to the Government of the United Kingdom.

With reference to paragraph 2 of your letter, I have the honour to inform your Excellency that, in the event of the Transferable Account arrangements ceasing to apply to any particular country during 1948, the Government of the United Kingdom will raise no objection to transfers of sterling from Egyptian Transferable Account to the Sterling Accounts of residents of the particular country concerned (or *vice versa*), provided that the transfers relate to payments in respect of genuine trade or financial transactions outstanding between Egypt and the particular country concerned at the date on which the Transferable Account arrangements cease to apply, and which fall into one of the three following categories:—

- (a) Payment of cheques, bills or drafts already drawn,
- (b) Payments under instructions already given, and
- (c) Payments under credits already established and already confirmed by an office in the United Kingdom of any bank.

I am, &c.

W. A. B. ILIFF.

No. 5

Dr. Abdel Hakim el Rifai Bey to Mr. W. A. B. Iliff

Ministry of Finance,

Dear Mr. Iliff,

Cairo, 5th January, 1948

WITH reference to Article II, paragraph 3, of the Present Agreement and to paragraph 10 of the Annex to the Principal Agreement, the Egyptian Government desire to put on record that it shall be understood, in the event of a net disbursement by Egypt of United States dollars or other hard currency on account of residents of the Sudan, that a compensating adjustment shall be effected from the No. 2 Account of the National Bank of Egypt to the No. 1 Account of that Bank and that the amount so released shall be immediately converted into United States dollars.

I am, &c.

A. EL RIFAI.

No. 6

Mr. W. A. B. Iliff to Dr. Abdel Hakim el Rifai Bey

*British Embassy,
Cairo, 5th January, 1948*

Dear Dr. Rifai Bey,

I HAVE to acknowledge your letter of to-day's date reading as follows:—

[As in No. 5]

I have pleasure in confirming that the understanding of your Government, as set out in that letter, is accepted by my Government.

I am, &c.
W. A. B. ILIFF.

No. 7

Mr. W. A. B. Iliff to Dr. Abdel Hakim el Rifai Bey

*British Embassy,
Cairo, 5th January, 1948*

Dear Dr. Rifai Bey,

I HAVE the honour to inform your Excellency that, in order to enable Egypt to meet the additional gold commitment arising out of the increase in her International Monetary Fund Quota, and her increased subscription to the International Bank, the Government of the United Kingdom will sell to the Royal Egyptian Government the necessary quantity of gold (approximately \$4 million) against payment in Egyptian Transferable Sterling.

I am, &c.
W. A. B. ILIFF.

No. 8

Dr. Abdel Hakim el Rifai Bey to Mr. W. A. B. Iliff

*Ministry of Finance,
Cairo, 5th January, 1948*

Dear Mr. Iliff,

I have the honour to acknowledge the receipt of your letter of 5th January, 1948, reading as follows:—

[As in No. 7]

I am glad to take note of this assurance.

I am, &c.
A. EL RIFAI.

No. 9

Dr. Abdel Hakim el Rifai Bey to Mr. W. A. B. Iliff

*Ministry of Finance,
Cairo, 5th January, 1948*

Dear Mr. Iliff,

WITH reference to paragraph 7 of the Annex to the Anglo-Egyptian Financial Agreement of 30th June, 1947, which provides that certain transfers of capital from the Sterling Area to Egypt or *vice versa* may be permitted by

agreement between the two Governments, I have the honour to propose that the following principles be regarded as agreed :—

- (1) The contracting Governments shall co-operate with a view to keeping capital movements within the scope of their respective policies, and shall permit capital transfers between their areas only in so far as they serve useful economic and commercial purposes.
- (2) The contracting Governments shall permit transfers of United Kingdom capital from Egypt and of Egyptian capital from the United Kingdom within agreed limits and for agreed purposes.
- (3) The application of the foregoing principles shall be delegated to the Egyptian and United Kingdom Exchange Controls respectively.
- (4) The Government of the United Kingdom will draw the attention of the Governments in the other Scheduled Territories to the preceding clauses and invite their adherence to a similar policy, subject to reciprocal arrangements being agreed upon.

I am, &c.

A. EL RIFAI.

No. 10

Mr. W. A. B. Iliff to Dr. Abdel Hakim el Rifai Bey

British Embassy,

Cairo, 5th January, 1948

Dear Dr. Rifai Bey,

I HAVE to acknowledge your letter of to-day's date, which reads as follows :—

[As in No. 9]

I have the honour to confirm the agreement of the United Kingdom Government with the above principles.

I am, &c.

W. A. B. ILLIFF.

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