

TO PAY AND WHAT TO PAY? SOUTH AFRICA AND LEND-LEASE IN THE 1940'S¹

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Om te betaal en wat om te betaal? Suid-Afrika en *lend-lease* in die jare veertig

Suid-Afrika was een van 'n aantal Geallieerde ontvangers van *lend-lease* hulp vanaf die Verenigde State van Amerika gedurende die Tweede Wêreldoorlog. Alhoewel Suid-Afrika in 'n posisie was om te betaal vir die oorlogsvorrade wat dit ontvang het, het die Amerikaners aanvanklik verkies om voorrade aan al die Statebondslande deur *lend-lease* te kanaliseer. Daar is egter geen formele ooreenkoms hieroor tussen Suid-Afrika and die VSA gesluit nie. Suid-Afrika het die meeste van sy *lend-lease* voorrade via Brittanje ontvang en 'n omvattende ooreenkoms met laasgenoemde gesluit. Vanaf ongeveer 1943 het sommige Amerikaanse amptenare egter daarop begin aandring dat Suid-Afrika, aangesien dié land nie ekonomies gesproke deur die oorlog verwoes is nie, vir sy voorrade moes betaal. Suid-Afrika was daartoe bereid. Uitgerekte onderhandelinge het gevolg en 'n ooreenkoms in hierdie verband is in 1945 gesluit. Teen daardie tyd het die Amerikaners geëis dat Suid-Afrika vir alle *lend-lease* voorrade wat dit vanaf die VSA ontvang het moes betaal. Suid-Afrika het geweier, aangesien dit reeds aan Brittanje betalings gedoen het vir voorrade wat via daardie land ontvang is - *lend-lease* voorrade ingeslote. Die Suid-Afrikaners het boonop gereken dat dit nie die oorspronklike gedagte van die instellers van *lend-lease* was om terugbetalings te eis nie. Taai onderhandelinge het gevolg. Die Amerikaners het oorspronklik \$800 miljoen geëis. Suid-Afrika was net bereid om \$100 miljoen te betaal. Uiteindelik is 'n ooreenkoms op laasgenoemde basis bereik. In hierdie artikel word die *lend-lease* kontroversie indringend onder die loep geneem.

South Africa was one of a number of Allied recipients of lend-lease aid from the United States of America during the Second World War. Although South Africa was in a position to pay for the war supplies it thus received, the Americans initially preferred to channel provisions to all Commonwealth countries through lend-lease. However, no formal agreement in this respect was signed between South Africa and the USA. South Africa received most of its lend-lease equipment through Britain, with which a comprehensive agreement was signed. From about 1943, however, some Americans felt that, since South Africa was not economically devastated by the war, the Union should pay for its supplies. South Africa was prepared to do just that. After lengthy negotiations an agreement to this effect was signed in 1945. By then, however, the Americans were demanding payment from South Africa for all lend-lease supplies it received from the USA. This South Africa refused to do, since it was already paying the British for supplies received through them -

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including lend-lease supplies. The South Africans furthermore felt that it was not the original intention of those who instituted lend-lease to demand repayment. Tough negotiations followed, with the Americans initially demanding some \$800 million. South Africa was only prepared to pay \$100 million. In the end a settlement was reached on that basis. In this article the history of this lend-lease controversy is analysed.

Introduction

In his pioneering publication on United States-South African relations in the Truman Era, *Apartheid's Reluctant Uncle*, Thomas Borstelmann briefly touches on the controversy between the two countries on the issue of South Africa's alleged lend-lease debts accrued during the Second World War.² The United States calculated that the Union of South Africa received \$873 million in direct and indirect American lend-lease aid. The South Africans were, however, initially only prepared to concede a debt of \$40 million. Eventually, after prolonged negotiations which almost ended in discussions on the highest level, the two sides agreed to a settlement of \$100 million.

This article attempts to provide answers to numerous questions regarding this unpleasant issue between two wartime allies. Why did lend-lease claims develop into a protracted issue between South Africa and the United States? Was the controversy simply the result of opportunistic mis-interpretations by both South Africa and the United States of the original intention of the Lend-Lease Act. Did it result from conflicting interpretations of the two countries of South Africa's position as a British Dominion and its contribution to the war? Was it the result of deliberate attempts by the South Africans to avoid making a just contribution to the Allied cause? Was the American diplomat who accused South African Prime Minister Jan Smuts of deliberately misleading the South African public by falsifying the real position regarding lend-lease³ justified in arriving at that conclusion? Did South Africa really, as the State Department alleged, contribute less to the war effort, in proportion to its national wealth and population, than any other Commonwealth country did, and if so, why? Why did South Africa and the United States fail to reach a reverse lend-lease agreement? Is it true that South Africa's financial and economic position improved substantially during the Second World War? On what grounds did South Africa reject the initial American claims and did the State Department reject the initial South African offers for a settlement? Why did the stalemate result in a public issue in South Africa? Did this issue have a lasting negative impact on US-South African relations?

In this article the issue is analysed from a South African point of view. The focus is on the negotiations which led to the final agreement: on how the South Africans interpreted their obligations in terms of the lend-lease aid agreements; on their reasons for rejecting numerous American proposals for settlements and agreements; on how domestic issues influenced the position of the South African Government; and on how a settlement was finally reached. This issue has never, with the exception of two one-sided reports compiled by the South African Defence Force, been studied from a South African point of view. This article is based on archival sources held by the South African State archives, on material in the archives of the South African National Defence Force, as well as the *Confidential US State Department Central Files. South Africa. Internal Affairs and Foreign*

2. Borstelmann, T., *Apartheid's reluctant uncle. The United States and South Africa in the early Cold War* (New York, 1993), pp 79-80.
3. Confidential US State Department Central Files, South Africa 1945-1949, microfilm (further referred to as CUSSDCF, SA45-49, mfm) reel 6, frame 848A.24/9-2346, Letter from Dale Maher, Pretoria to Secretary of State, 23 September 1946.

Affairs, 1945-1949, and on newspaper clippings.

The origin of lend-lease

Lend-lease had its origin in Britain's war needs to obtain combat materials in increasing quantities and with increasing urgency after its major setback at Dunkirk in the early phase of the Second World War. The genesis of the Lend-Lease Act of 11 March 1941 is not directly relevant to this paper. What is important is that this act authorised the United States President to sell, transfer title to, exchange, lease, lend or otherwise dispose of defense articles to any country whose defence he deemed vital to the defence of the United States. On 11 March 1941 President Roosevelt declared the defence of Britain vital to the defence of the United States. Eventually some forty countries were so declared, including South Africa in November 1941. In October 1941 the President created the Office of Lend-Lease Administration (OLLA), which became the main channel of foreign civilian procurement in the United States. In that capacity it also became the arbiter of essentiality. It fell to OLLA to decide whether the requirements of Britain and her allies fulfilled the test of essentiality. In cases where OLLA decided that materials were ineligible for lend-lease, procurement could only take place on a cash basis.⁴

The contents of the American Lend-Lease Bill was first brought to the notice of the South African Government by the British Dominions Office in February 1941. South Africa's main requirements in respect of combat materials were at that time submitted to the USA through the British Supply Council in that country. South Africa replied to the notification by the Dominions Office that it did not wish to obtain credit facilities in the United States as it was in a position to find dollars or gold. In the USA itself however, the Lend-Lease Administration was in favour of canalising all demands from the British Empire, of which South Africa formed part, through one channel. Britain herself was also in favour of the inclusion of the Dominions' acquisitions under lend-lease. By June 1941 the British perception was that the USA wanted the total procurement of combat materials in that country by Britain and the Dominions to be brought under the Lend-Lease Administration with the view of controlling supplies.⁵

South Africa had in view of this and other reports substantiating the above viewpoint, no doubt that the USA insisted on the use of straight lend-lease to the fullest extent. Up to that time South Africa's orders in the USA were on a cash basis. Most of it was handled by either the South African Legation in Washington or a Mr Swingler for the South African Director General War Supplies (DGWS). The South African Purchasing Commission (Sapurcom) in the USA strongly recommended that the country keep following the principle of 'pay as you go', instead of being dependent on the British authorities, on the principle, as Swingler put it, 'I don't want it, the dog won't eat it, so you can have it'. However, any advantages of cash purchase soon disappeared. As a result of its own huge rearmament programme and the colossal call for lend-lease goods, the United States government instituted stricter control of supplies. The procurement of supplies from sources outside lend-lease was hemmed in by so many restrictions that it became evident that South Africa, to obtain anything, would have to come in definitely under lend-lease. This question was considered by the South African War Committee and on 24 June 1941 and it was decided to make maximum possible use of lend-lease facilities for all South African purchases in

4. South African National Defence Force Archives, Pretoria, Union War Histories (UWH) 13, Anonymous Report on Lend-Lease, Undated, pp 1-7. Further on referred to as UWH 13.

5. UWH 13, pp. 7-11.

the United States. However, lend-lease was slow in getting under way. It was only well on in 1942 that supplies began to come off American assembly lines in any quantity. In March 1942 the South African DGWS had *no information that the Union Government had derived much real benefit from the 'Lend-Lease Act'*.⁶

Lend-lease started off in a spirit of open-handed free-giving on the part of its authors. But by the end of 1942 this mental attitude was increasingly questioned by elements in the United States Congress, press and business establishment. The result was an endeavour to apply more businesslike principles to a scheme which had started on a basis essentially unbusinesslike. On 13 January 1943 the State Department proposed to South Africa that credit lend-lease should be limited to "military supplies" and that "non-military" supplies be procured on a cash reimbursable basis. It became clear to the South Africans that the United States was beginning to make distinctions between South Africa and the rest of the British Empire. Two months later OLLA indeed informed Sapurcom of its decision that from that date onwards it would draw a distinction between combat materials, which South Africa would obtain under lend-lease, and essential civilian and indirect military requirements, which South Africa should procure through ordinary commercial channels or, if that was not possible, under lend-lease on a cash reimbursable basis. For the South Africans it appeared that the decision originated from the United States Treasury which considered that South Africa's financial position warranted her paying cash for supplies from the United States. OLLA seemed to be concerned about possible criticism on the part of the House Appropriation Committee if it appeared that a gold producing country in a good financial standing was the recipient of unlimited credit equally with a country like Britain.⁷

Reciprocal aid or 'reverse lend-lease'

On 23 February 1942 the United States and Britain entered into the British Master Agreement which laid down the mutual obligations of the two countries in reference to lend-lease. The United States would continue to supply articles, services and information under the Lend-Lease Act, while Britain would continue to contribute to the defence of the United States and to supply such articles, services and information as it was in a position to do. This was a mutual aid agreement and the United States stressed the importance that it be implemented by arrangements as to the facilities and articles which the British and Dominion Governments would furnish to the United States. Britain advised the South African Government of the agreement and of the desire of the United States in regard to reciprocal aid, but the latter decided that no action should be taken until the reaction of the Australian Government was known, in view of the fact that Australia, like South Africa but unlike Britain, had no lend-lease agreement with the USA. After lengthy negotiations agreement was reached on 3 September 1942 between the USA and Britain, Australia, New Zealand and Fighting France, recorded in separate exchanges of notes which specified in each case the kind of aid which each country would render the United States. These were the reciprocal aid agreements. The South African Government now decided to proceed and adopt the form of the Australian agreement with the USA.⁸

However, the negotiations commenced in the changed atmosphere already referred. These negotiations had far reaching effects for South Africa because new questions were

UWH 13, pp. 11-24.

UWH 13, pp. 23-32.

UWH 13, pp. 33-36.

raised on the American side. On 26 December 1942 the South Africans submitted a draft agreement which accepted that the general principle in providing mutual aid was the pooling of resources of both nations for the use of their armed forces. On 13 January 1943 the Department of State answered with their own draft which the South Africans interpreted as a demand to undertake to do certain things. This included the provision of strategic materials. The addition of "strategic materials" to the commodities to be supplied under reciprocal aid was a fundamental departure from precedent in the case of the British Dominions. The proposal was therefore not the concern of South Africa only but also of Britain. The British authorities feared that it probably meant that South Africa would have to provide minerals and other materials not only to the armed forces but to the United States factories without payment. As it would be dangerous to allow a breach of the principle which had been established of not giving raw materials in return for lend-lease supplies, the British advised South Africa to resist the proposal. The South African Government agreed with that view and informed the Minister in Washington accordingly. "Strategic" materials had to be omitted from the articles to be supplied as reciprocal aid because South Africa did not want to deal with the matter in isolation but from the standpoint and with a view to the needs of the Commonwealth as a whole.⁹

Negotiations stalled for almost nine months, until after Britain had made some concessions with regard to raw materials and after the reorganisation of American overseas economic agencies, under which OLLA lost its identity and merged with the Foreign Economic Administration (FEA). However, it was the State Department which re-opened negotiations in November 1943, specifically requesting the provision of raw materials as reciprocal aid. The arrear date of 1 July 1943 was suggested as the date of commencement. South Africa now accepted the provision of raw materials as reciprocal aid, but could not agree to the fixing of a retrospective date of commencement as there were too many questions of procedure and safe-guards which had to be settled first.¹⁰ A deadlock was thus again reached, and even though the South African Government announced in the press that agreement with the USA had been reached on the major principles of a reciprocal aid agreement,¹¹ no such agreement was ever formally signed.¹² South Africa did provide direct reciprocal aid to the USA, but not to the same extent as Britain or even Australia did.

The only country with which South Africa did sign a comprehensive aid and financial agreement during the Second World War was Britain. In terms of this financial agreement signed in November 1943 South Africa had to make cash payments to Britain. Those payments, it was agreed, would cover all war material, including equipment and supplies furnished to South Africa from the USA via Britain through lend-lease. It was also agreed that all lend-lease matters arising out of equipment covered by the settlement would be adjusted by the British Government without any further participation by South Africa. The equipment and maintenance of South Africa's forces outside the borders of South Africa was formally recognised as the sole responsibility of Britain, to which South Africa would

9. UWH 13, pp. 37-43.

10. South African State Archives, Pretoria (further on referred to as SASA), DGS 231, file 19/11, Minutes of meeting held in Pretoria on 9 November 1943, to consider ... reciprocal aid.

11. *Rand Daily Mail*, Johannesburg, 12 November 1943, 'Union and U.S. agree in principle on reciprocal help'.

12. UWH 13, pp. 47-51.

pay £500 000 per month for the land force and £500 000 per month for the air force.¹³ Smuts had no doubt that nothing beyond or in addition to this payment to the United Kingdom was required on account of lend-lease supplies.¹⁴ Indeed, 20 March 1944 he made a statement to that effect to the South African Parliament, assuring the members that South Africa was "not paying a penny ... in connection with lend-lease".¹⁵

The "cash agreement" of 1945

In the meantime the question of payment by South Africa for all supplies from the USA came up again. Swingler of Sapurcom, who had at the commencement of lend-lease urged that South Africa remain on a cash basis, had early in 1943 again raised the matter. This was strongly supported by Dr Hendrik van der Bijl, who was the South African Director General of War Supplies.¹⁶ However, it was only in September 1943 that the South African Cabinet decided that the country's best policy might be to acquire its requirements on a full cash basis as from an agreed date. They furthermore decided to ask the British Government for its comments on the possibility of South Africa signing an alternative agreement with the United States. To this the reply was that Britain would regret a decision by the South African Government to withdraw from present lend-lease arrangements.¹⁷

This was the position when, in November 1943, during the course of informal discussions between the South African Minister in Washington and the State Department, Dean Acheson, who was the Assistant State Secretary, enquired how a proposal to put South Africa on a completely cash basis would be received. He did not think this would prejudice the obtaining of supplies by South Africa in the USA nor that such a suggestion would be construed as reluctance on South Africa's part to meet her obligations. When confronted with this proposal, the Union's Minister of Finance, Jan Hofmeyr, desired to know the value of lend-lease aid provided to South Africa since 1 July 1943, since he needed that information to estimate the implications for South Africa should the country convert to a cash basis. However, no department or office in the Union could furnish an exact figure, since it was often not known whether material had been supplied from the United States under straight lend-lease conditions or otherwise.¹⁸ In the United States itself, there does not seem to have been any unanimity on how South Africa should be handled anyway. Early in February 1944 the Foreign Economic Administration proposed a resumption of discussions towards a reciprocal aid agreement as an alternative for South Africa going on a cash basis.¹⁹ In the end Prime Minister Smuts decided that it would be unwise to pursue the completely cash basis issue as it would embarrass Britain and would

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3. South African National Defence Force Archives, Pretoria, Union War Histories (UWH) box 8, Report by Brigadier E. Williamson on Lend-Lease Agreement, undated, pp. 8-9. Further on referred to as UWH 8.
SASA, DGS 231, file 19/11/2, letter from High Commissioner London to Secretary of External Affairs Pretoria, 7 June 1944.
 15. Union of South Africa, *Debates of the House of Assembly*, First Session, Ninth Parliament, 20 March 1944, column 3515.
 16. SASA, DGS 231, file 19/11/2, Extract from DGS Management Committee Minutes, 29 March 1943. See also SASA, HEN 3353, file 518/2/2, letter from Secretary, DGS to Secretary for Commerce and Industries, 23 December 1943.
 17. UWH 13, pp. 52-54.
 18. SASA, HEN 3353, file 518/2/2. Minute titled "Reciprocal aid and the possibility ...", dated 7 January 1944.
 19. SASA, DGS 231, file 19/11/2, telegram from SA Legation, Washington, to Secretary for External Affairs, 13 February 1944.

represent an important retrogression of the principle of reciprocal aid. The South African Government therefore informed the Minister in Washington that it was in general agreement with the proposed procedure in connection with reciprocal aid. By then, however, the attitude of the State Department was that South Africa should go on a cash basis. In the light of this the Prime Minister and his deputy, Jan Hofmeyr, came to the conclusion that South Africa should pay cash for all supplies furnished under lend-lease with effect from 1 July 1943. The decision was withheld from the public, but the British Government was informed.²⁰ The latter initiated talks with the USA on the question of the continued of lend-lease combat equipment to South African forces under British operational command. While a final decision was awaited, the State Department unilaterally notified South Africa in May 1944 that it has been decided that from 15 February 1944 all mutual aid transactions between the United States and South Africa would be financed by cash payments in both directions.²¹

To put into effect the arrangements in regard to the payment of cash required complicated negotiations. The problem was that the war was still going on and South Africa was still receiving material from the United States. The negotiators had to sort out what South Africa had to pay for. The Americans wanted South Africa to pay for everything, but South Africa was only prepared to accept liability for the combat material and other goods supplied direct by the United States to South Africa on orders placed by the latter on and after 15 February 1944.²² The question of payment for lend-lease equipment supplied by Britain to South African forces under its operational command involved complications with the FEA, which adopted an unbending attitude.²³ South Africa itself was not pliable and, in the light of its agreement with Britain in 1943, consistently refused liability for supplies through the British to South African forces in the field.²⁴ The South African Secretary for External Affairs rejected American accusations that the Union was not contributing fully to the war effort. In his opinion South Africa was not only furnishing troops out of all proportion to her capacity to equip them, but was also providing valuable air cover to the Cape sea route. He threatened that should the Union have to assume financial responsibility for all supplies for her troops operating outside South Africa, the additional burden would be too great and would force the country to curtail her contribution.²⁵

By mid-1944 the South African Government decided to send its Secretary for Finance, Dr Jack Holloway, to Washington to handle the negotiations. Holloway, who later on served as South African Ambassador in Washington and High Commissioner in London, was two years later described by the US Embassy in Pretoria as *one of (the) shrewdest and*

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20. SASA, DGS 231, file 19/11/2, Telegram from Secretary of External Affairs to High Commissioner, London, 25 January 1944.
 21. SASA, HEN 4583, file CSD 408, Telegram from SA Legation, Washington, to Secretary for External Affairs, Cape Town, 10 May 1944; UWH 13, pp. 54-57.
 22. SASA, HEN 3354, file 518/2/8, Telegrams from SA Legation Washington to Secretary for External Affairs, Pretoria, 1 and 4 August 1944; HEN 4583, file CSD 408, Telegram from Secretary for External Affairs, Pretoria, to SA Legation Washington and High Commissioner London, 22 August 1944.
 23. SASA, HEN 3354, file 518/2/8, telegram from SA Legation Washington to Secretary for External Affairs, Pretoria, 22 June 1944.
 24. SASA, DGS 231, file 19/11/2, Telegram from Secretary for External Affairs, Cape Town, to High Commissioner, London and SA Legation, Washington, 27 May 1944; UWH 13, pp. 57-58.
 25. SASA, DGS 231, file 19/11, Telegram from Secretary for External Affairs, Pretoria to SA Legation, Washington, 26 June 1944.

*toughest negotiators in Union Government service.*²⁶ When Holloway arrived in Washington towards the end of July 1944, the prospects for change in the American attitude seemed discouraging.²⁷ Indeed, at the first meeting between the South Africans and American officials on 29 July, the latter claimed that lend-lease was intended to assist countries which could not pay for war supplies from the USA, and since South Africa could afford to pay it was not eligible for lend-lease.²⁸ A few days later the US Secretary



Dr. J.E. (Jack) Holloway

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26. CUSSDCF, SA45-49, mfm reel 6, frame 434, Telegram US Embassy, Pretoria to Secretary of State, 12 July 1946.
 27. SASA, HEN 4583, file CSD 408, Telegram from SA Legation Washington, to Secretary for External Affairs, Pretoria, 26 July 1944.
 28. SASA, HEN 3354, file 518/2/8, Telegram from SA Legation Washington, to Secretary for External Affairs, Pretoria, 1 August 1944.

of State, E.R. Stettinius, suggested to the South Africans to make a monthly payment to the United States for lend-lease material.²⁹ This was rejected by the South African Government, which regarded the sum of one million pounds per month paid under agreement to the United Kingdom as covering the lend-lease equipment furnished by the Americans.³⁰ However, the South African proposal to pay cash for goods supplied directly by the United States on order placed by the South African Government from 15 February 1944, seemed acceptable to the United States.³¹ Consequently South Africa drafted a formal, written proposal and Holloway returned to Pretoria. Another eight months passed before the final agreement was concluded on 17 April 1945. In terms of the final arrangement the two Governments agreed that all forms of mutual aid provided by one government to the other, with the exception of a few specific items, should be financed by cash payment as from 15 February 1944.³²

The termination of lend-lease

President Roosevelt announced in November 1944 that lend-lease would continue until the end of the war, but in August 1945, just prior to Victory Japan Day, announced that it would immediately end. Roosevelt ordered the cancellation of all outstanding lend-lease contracts and directed that all deliveries under the Act be paid for or credit arranged. On 18 August the FEA, in anticipation of the presidential announcement, notified the British Supply Council and the Dominions Missions that the agency wished to enter into negotiations to terminate lend-lease as quickly as possible. In view of the US-South African agreement of 17 April 1945, the only significant terms of the notification in the case of South Africa were those to the effect that new procurement would be discontinued forthwith and that cash reimbursable lend-lease would be available for 60 days after VJ Day within the presently agreed programmes. FEA would require an inventory of lend-lease supplies still in control of the recipient, that is, excluding those lost, destroyed or consumed. That was the only feature of serious concern to South Africa.³³

The Administrator of the FEA resigned and the organisation was abolished on 27 September 1945. Lend-lease matters were taken over by the State Department. On 20 October there were established an office of Foreign Liquidation and an Interim Foreign Economic Liquidation Commissioner with authority to dispose of surplus property of lend-lease origin in foreign areas.³⁴

The American claims of 1945-46 and South Africa's reaction

In the United States itself there was by 1945 considerable disagreement on the principle of claiming payment for lend-lease assistance. The FEA argued that countries which could afford to do it, like South Africa, should pay for the lend-lease goods it received. In line

29. SASA, HEN 3354, file 518/2/8, Telegram from SA Legation Washington, to Secretary for External Affairs, Pretoria, 4 August 1944.

30. SASA, HEN 4583, file CSD 408, Telegram from Secretary for External Affairs Pretoria, to High Commissioner London and SA Legation Washington, 9 August 1944.

SASA, DGS 231, file 19/11, Telegram from SA Legation Washington, to Secretary for External Affairs, Pretoria, 19 August 1944.

32. SASA, KOG 165, file A06/47/250, Note 1450, Agreement between the Government of the Union of South Africa and the Government of the United States of America...

33. UWH 13, pp. 62-63.

34. UWH 13, p. 62.

with this argument the United States would not demand a financial settlement from the United Kingdom, since the latter *really put its shoulder to the wheel in the war* and was not in a position to pay. South Africa, on the other hand, did not according to the FEA, make sufficient sacrifices and certainly was in a position to pay for lend-lease assistance. A number of senior officials in the Department of State held the opposite view. In their opinion lend-lease was simply one part of America's war cost and the benefits of lend-lease lay in victory and in the opportunities that victory brought for the rehabilitation of the world's economic system on a sound basis. They argued that the United States *should take the dollar sign out of lend-lease* and must avoid repeating the *capacity of pay* controversy of war debts after the First World War. Their final argument was that it was not the original intention of lend-lease to seek financial settlements after the war.³⁵

Eventually those in favour of forcing South Africa to make repayments gained the upper hand. In October 1945 the American State Department proposed that South Africa and the USA commence discussions as soon as possible for the termination of lend-lease and settlement and disposal of American surplus property in South Africa and hoped that South Africa would send a mission to Washington so that discussions might start by 20 November. Also that South Africa would furnish as full information as possible regarding civil and military lend-lease stocks.³⁶ The South African Government answered that it would prefer to receive suggestions from the USA as to what it had in mind before sending a team of negotiators. In response to this request the State Department handed the South African Legation in Washington an aide memoire in which it was stated that:

It is the view of the Government of the United States that there should be a cash settlement on a comprehensive basis, taking into account all lend-lease aid to the Union of South Africa, and all reciprocal aid furnished by the Union of South Africa to the United States.³⁷

The head of the South African Legation, Harry Andrews, next inquired whether, on the United States side, they had arrived at any finality regarding their lend-lease to South Africa. His impression was that they were reluctant to commit themselves because of apparent incompleteness of records, but with all reservations they thought it might be about 150 million dollars in respect of direct requisitions placed by South Africa on the United States plus at least another 150 million dollars for combat materials transferred via Britain.³⁸ This figure was widely mentioned in press reports at the time, even though Andrews told reporters that no figure had been mentioned.³⁹

Andrews furthermore informed the Prime Minister that it was his impression that the Americans would press for the highest possible cash payment for lend-lease furnished to South Africa. His expectation was that the American argument would be that South Africa's economic and financial position had throughout the war been and after the war was

35. CUSSDCF, SA45-49, mfm reel 6, frame 233, Letter from Collado to Fetter, 20 February 1945, and frame 236-237, Letter from Fetter to Collado and others, 23 March 1945 and frame 262-263, Letter from Clayton to Stettinius, 2 June 1945.

36. SASA, HEN 3354, file 518/2/8, Telegram from SA Legation, Washington, to Secretary for External Affairs, Pretoria, 26 October 1945.

37. CUSSDCF, SA45-49, mfm reel 6, frames 316-317, Aide-Memoire, undated.

38. UWH 8, p. 3.

39. *Rand Daily Mail*, Johannesburg, 23 January 1946, 'U.S. views on Union's lend-lease position'; and 24 January 1946, 'Lend-lease account not yet rendered'; *Die Burger*, Cape Town, 8 January 1946, editorial.

such that it was able to pay in full for all lend-lease supplies and services both military and civil and therefore the bill should be liquidated in toto. His feeling was that South Africa's basic case in support of as small a cash payment as possible would have to be stated strongly in black and white. He warned that South Africa would face a tough lot of negotiators who would squeeze the utmost out of lend-lease in order to placate the United States Congress.⁴⁰

Andrews finally urged that South Africa's negotiators should emphasise South Africa's war effort. In previous reports by South Africans who visited the USA it was repeatedly stated that there was colossal ignorance of and a complete lack of appreciation for South Africa's war effort in that country. Indeed, there was in his opinion a similar ignorance of South Africa's economic structure, development and population.⁴¹

The South African Government immediately started working on estimates of lend-lease aid received from the United States and for which the Union could be held responsible. The Union Defence Force estimated in a report presented to the Government on 16 January 1946 that South Africa's liability to the United States in terms of lend-lease was £9 444 000 or \$38 012 000 dollars. The report suggested that South Africa offer £10 million or \$40 million in full settlement.⁴² This was nowhere near the preliminary estimation of the United States FEA, according to which, firstly, military and non-military material to the value of \$173 million was shipped to South Africa from the USA in the period March 1941 through February 1944, and secondly lend-lease aid amounting to between \$150 million and \$300 million was provided to South African forces in the theatres of operations. These estimations reached South Africa just before Christmas 1945.⁴³ Even before South Africa had the opportunity to react to these estimates, the United States proposed the holding of discussions as soon as possible - hopefully not later than mid-February - to settle the lend-lease issue. With this objective in mind the USA invited representatives from South Africa to Washington for the discussions.⁴⁴ The South African Department of External Affairs answered that the Union was urgently working on a proposal to the United States which, if accepted, would hopefully obviate the necessity for sending a mission to Washington.⁴⁵

South Africa's proposal, which was submitted to the Cabinet in March 1946, was conveyed to the Secretary of State on 22 April. In this proposal the South Africans made it clear that in their opinion prior to 15 February 1944 no agreements relating to aid had been entered into between the Governments of South Africa and the USA. All lend-lease equipment obtained by South Africa before that date were furnished by Britain through its agreements with the USA and South Africa. Indeed, in accordance with its 1943-agreement with Britain, South Africa had made payments of approximately \$280 million to Britain to cover war expenditure. The South African Government could not fairly be expected to pay twice for the same service, once to Britain and once to the United States. The proposal contained the further argument that it was only possible for South Africa to give the essential air protection and other facilities to shipping around the coasts of Africa by reason

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40. SASA, TES 63, file FS 1/88/1, Telegram from SA Legation, Washington, to Secretary for External Affairs, Pretoria, 11 December 1945.
 41. UWH 13, p. 65.
 42. SASA, HEN 3351, file 518/2, Memorandum Termination and settlement for lend-lease supplied by the United States of America to the Union of South Africa, 28 March 1946.
 43. UWH 8, pp. 14-15.
 44. CUSSDCF, SA45-49, mfm reel 6, frames 318-319, Letter from Acting Secretary of State to SA Legation, Washington, 22 January 1946.
 45. CUSSDCF, SA45-49, mfm reel 6, frame 338, Letter from SA Legation, Washington to Secretary of State, 4 February 1946.

of the equipment received from the United States and Britain. This protective cover, which made heavy demands on the Union's manpower, was maintained for the benefit of the Allied war effort. Lend-lease aid furthermore made it possible for South Africa to raise and equip an expeditionary force which helped to clear the common enemy from East and North Africa. With this as background the proposal went on to include the Union Defence Force's estimate that South Africa's liability to the United States in terms of lend-lease was £9 444 000 or \$38 012 000 dollars. South Africa offered £10 million or \$40 million in full settlement.⁴⁶

The Department of State rejected the proposal because it was *greatly at variance with the comprehensive settlement which this Government has in mind*. The Secretary of State repeated the request that a special mission be sent to negotiate a settlement.⁴⁷ The South African Legation in Washington reported that Phillip Kelsner, who had been a member of the lend-lease mission to South Africa, and had been preparing the US case for months, had described the offer as "contemptible".⁴⁸

The Washington negotiations, July-August 1946

South Africa thereupon despatched a mission to the United States. Its members were Dr Jack Holloway and Brigadier E. Williamson, Secretary to the Defence Finance Committee. They were accompanied by H.J.G. Kenney of the Department of Commerce and Industries and Secretary to the External Procurement Fund, Colonel T. Woodward, the Director Air Force Equipment and H.E. Duihan of the Office of the Assistant Secretary (Finance) of the Department of Defence.⁴⁹ They arrived in Washington on 14 July 1946. The first meeting between the South African mission and representatives of the US Government took place on 15 July. Only procedural matters were discussed. The two delegations met again on 16 July under the chairmanship of Chester Lane, who remained chairman during the whole period of discussions. He made a favourable impression on the South Africans. The South African delegates were next presented with a document entitled *Statement of Lend-Lease aid from the United States of America to the Union of South Africa*, dated 1 July 1946 and prepared by Kelsner and the Foreign Liquidation Commission. The voluminous document of 193 pages was labelled by the South Africans as the "Brown Book". It contained a statement showing a total of lend-lease aid to South Africa of \$895 million. No actual claim for any specified amount was made, however, the figures being merely furnished as a background for discussion. The South African delegates indicated that they would only comment on the contents of the "Brown Book" after they had had an opportunity to study it.⁵⁰

At the start of the next meeting Holloway made a lengthy statement in which he explained the South African views. He informed his hosts that the South African population consisted of about 11,25 million people of whom about 2,3 million were white and the rest black. The financial burden of the war fell almost entirely on the white population. He furthermore explained the importance of the composition of the white population. About

46. SASA, HEN 3351, file 518/2, Memorandum Termination and settlement for lend-lease supplied by the United States of America to the Union of South Africa, 28 March 1946.

47. CUSSDCF, SA45-49, mfm reel 6, frame 399, Letter from J.F. Byrnes to H.T. Andrews, 27 May 1946.

48. UWH 13, p. 66.

49. SASA, BLO 79, file 116/171/1, Letter from SA High Commission, London to Dominions Office, 4 July 1946.

50. UWH 8, pp. 41-43.

58% were of Dutch, German or French descent and had from the 17th century developed into the *Afrikanervolk*, which he called the Dutch population. About 35% were of British descent and the remainder of other origins. A very large percentage, probably a substantial majority of the *Afrikanervolk* were against participation in the Second World War because they refused to support Britain against whom the Afrikaners were locked in a deadly war less than forty years before. In 1939 Parliament decided by a narrow majority to declare war against Germany. The majority remained slight until the General Election of 1943 - a fact which tied Prime Minister Smuts' hands behind his back in his pursuit of the war. The government's decisions as to the role South Africa could play in the war and the resources it could throw in were deeply influenced by the strong anti-war feeling in South Africa. Holloway then explained that those decisions were also deeply influenced by the USA's declarations with regard to lend-lease. From the wording of the Lend-Lease Act and the public statements of President Roosevelt, the South Africans could not but gain the impression that America was throwing her surplus industrial capacity into the war not on the basis of sale to her allies, of which South Africa was one, but on the basis of a contribution to the indivisible victory. South Africa used material provided under lend-lease not for her peculiar benefit, but to fight the common enemy. South Africa's interpretation of numerous statements of President Roosevelt was that that was how he meant it to be. Holloway alleged that that certainly was the way Smuts interpreted Roosevelt's statements. On 12 March 1943 the Prime Minister told the South African Parliament:

I feel that America's generosity in regard to this war is greater than I can express in words. President Roosevelt ... say(s) that the war debts which were incurred in the last war ... were one of the causes for the distress of the nations and that in that sense they were perhaps the cause of the condition in which the world finds itself today ... The English Government gets it (lend-lease aid) for nothing from the United States and we get it for nothing from the English Government.

That, Holloway assured the Americans, was the way the South African government viewed the declarations of the American Government and that was the basis on which the South African Government accepted certain commitments.⁵¹

Holloway described the American calculations as completely beside the point. In terms of its London agreement with the British in 1943, South Africa had no liability whatsoever for the provisioning of South African soldiers fighting under British command. The item of \$704 million for indirect lend-lease aid to South African forces outside South Africa was on those grounds rejected by the South African mission. After several meetings and considerable argument with the United States representatives on this point, the South African delegation even met the Acting Secretary of State, William Clayton. At this meeting the latter suggested that South Africa should pay a token sum of \$50 million towards the cost of the material supplied to the South African forces outside South Africa. The delegation could not agree. They argued that to do so would be an admission that the South African Government had a liability to the USA to pay for the equipment of South African forces outside the Union, and that was not acceptable to South Africa. The proposal was then abandoned by the United States Government.⁵²

At this time the American negotiators began expressing the opinion that it had been a

51. UWH 8, pp. 44-55.

52. UWH 8, pp. 56-57.

mistake to give South Africa credit lend-lease since the country's budgetary and foreign exchange position did not require it. As time went on, the American authorities came more and more to regard the position of South Africa as differing fundamentally from that of other lend-lease countries. The Act was expressly designed to assist countries which, owing to exhaustion of their financial resources, were likely to go under to the Axis powers and so endanger the safety of the United States. One of the qualifications for lend-lease aid was that the aid requested must not be obtainable as a practical proposition by payment therefor in American dollars or other currency available to the requisitioning country. One such currency was sterling and South Africa had ample supplies of gold for the acquisition of sterling. The American authorities in the later stages kept stressing the "splendid financial position" of South Africa which had improved during the war, enabling her to repatriate practically the whole of her external debt and to strengthen her foreign exchange position. The South Africans did not dispute this but explained that this was mainly due to South Africa's gold industry. The United States had in fact consistently for a period of years refused supplies for the gold mines on the grounds that, as in America, gold mining was not an essential industry, but South Africa having thought differently, and continued gold mining to the fullest possible extent, the Americans naturally saw no reason for not making the best of the resulting position.⁵³

The South African negotiators also argued that to say that South Africa should never have been given lend-lease aid was a departure from the conception of lend-lease as accepted by the American Administration at the time of its inception. The wording of the Lend-Lease Act provided *any country whose defense the President deems vital to the defense of the United States* and Presidential messages gave South Africa every right to think that the USA contributed lend-lease goods as part of her war effort. Furthermore, the Lend-Lease Administration in effect accepted the principle that the sterling area should be treated as a whole and thereafter insisted that all demands in respect of Britain and the Dominions should be co-ordinated and put forward under lend-lease. It was in consequence of this insistence that South Africa, which was inclined to favour cash purchase, agreed.⁵⁴

By the end of hostilities the Americans had gradually moved from this position. They had negotiated lend-lease agreements with several Dominions as individuals. Lend-lease had become, the South Africans argued, less popular with the American public as a channel for largesse. Business methods had come to the fore and the dollar sign had obtruded itself. And there was some excuse in the case of South Africa. The elimination of the dollar sign symbolised the preclusion of post-war debts and where there was no question of these it was difficult to find an argument against paying at least for civilian supplies and in fact liability for these was in the final negotiations not disputed by the South Africans. A claim in respect of military supplies was, however, on a different footing. These could be balanced by military services, and military undertakings were as the result of lend-lease in the case of South Africa on a larger scale than she could have undertaken with her own monetary resources.⁵⁵

The possibility of demands for payment of lend-lease supplies was, in South Africa at least, foreseen from the first. In 1941 the South African Prime Minister, in withdrawing in consonance with Britain the offer that South Africa pay Britain in cash for lend-lease supplies coming through Britain, as an additional reason for this course questioned the wisdom of admitting at that stage that war supplies under lend-lease would eventually be

53. UWH 13, pp. 68-69.

54. UWH 13, pp. 61 and 69.

55. UWH 13, pp. 69-70.

paid for. The USA did not seem to have raised the issue but rather to have publicised the view that Britain and the Allies were fighting also for the security of the United States. South Africa's sacrifices in the war surely, he thought, weighed up against America's contribution in supplies and services and it was arguable that accounts outstanding should be avoided. The view that South Africa should not pay for combat-materials he continued to hold, but this fell away with the agreement of 17 April 1945.⁵⁶

During the negotiations the Americans frequently alleged that South Africa did not sufficiently contribute to reciprocal aid and the pooling of resources. Indeed, the Americans quoted from numerous statistics in an attempt to prove that South Africa's war effort compared badly with that of the other belligerents. This the South African negotiators rejected. With reference to Holloway's opening remarks on the political position within South Africa, they argued that their country had done what it could. They also argued that this was beside the point.⁵⁷

The final settlement

It having appeared before the discussions commenced that certain charges under South Africa's cash agreement had not been notified to South Africa, the latter's offer was increased from \$40 million to \$60 million. The American negotiators replied that they would rather report no agreement than accept this offer. The South Africans remained firm in their conviction that they were not liable for lend-lease supplies outside South Africa. This was confirmed in correspondence between the negotiators and the South African Government. The negotiators gained the impression that the Americans would settle for one hundred million dollars overall, but this the South Africans regarded as too high. But by mid-August the Americans were only prepared to make a comprehensive settlement, dropping the issue of lend-lease supplies outside South Africa, for a sum of \$175 million. The South African answer was that this was quite unacceptable.⁵⁸

After extensive correspondence with their Government, the South African negotiators on 20 August offered the Americans \$100 million as a comprehensive and all embracing settlement. The items of South Africa's offer of \$100 million were as follows:

1.	Civilian goods and goods lost at sea	21.6
2.	Cash due under 1944 agreement	35.0
3.	Goods consumed in South Africa for South African defence	20.8
4.	Original cost of surplus stores in South Africa	7.0
5.	Amounts in dispute	7.3
6.	Goods to be transferred from Britain lend-lease (Harvards, 6th Division equipment, etc)	7.0
7.	Rounding off amount	1.3

Items 1,2,3 and 6 equalled the United States' claims under these heads in full. Items 4 and 5 represented reduced amounts under corresponding heads. The balance of the American claim fell under a heading "Goods sent out of the Union on Allied demand". This South

56. UWH 13, pp. 70.

57. UWH 8, pp. 61-62.

58. UWH 8, pp. 62-66.

Africa rejected as representing the value of goods, material and equipment passed by her to her allies either in the condition received or in the form of manufactured goods for which lend-lease allowances were made by South Africa at the time of transfer. These goods only came to South Africa because it was a provisioning base for other areas and it was impossible now to reclaim from Britain, India and other governments a refund of lend-lease allowances made to them. Item 6 involved a departure from the principle that South Africa did not admit liability to the USA for lend-lease goods received through Britain, but there was a distinction in the fact that the goods involved were not to be used in the war but were to be retained by South Africa after the conclusion of the war. No claim was in fact made by the US Government in terms of the Lend-Lease Act for the return of any "defense articles" in South Africa.⁵⁹

On the American side Clayton, the Under Secretary of State for Economic Affairs told the South Africans on 27 August that he could neither accept the offer nor recommend the President to accept it. The South African negotiators repeated all their arguments to him, but failed to convince him to accept after all. However, he promised that the USA would not claim for lend-lease supplied outside South Africa. The latter regarded this as a minor breakthrough.⁶⁰ The reaction of the South African Prime Minister to the rejection of the \$100 million offer was that the Americans were still trying to go beyond the terms of both their own Presidential and administrative pronouncements and agreements by which South Africa was bound, in order to arrive at a settlement which the US Congress will understand and which will not have to be defended. If that attitude was not modified, Smuts lamented, he would be placed in the painful position of having to admit that he was misled by President Roosevelt's statements and would be subjected to severe and damaging criticism.⁶¹

Clayton was fully informed of the South African reaction to his refusal to accept the \$100 million offer. He discussed it with the Secretary of the Treasury, Snyder, and they then lowered their amount for an all-embracing settlement to \$125 million. The South Africans answered on 17 September that they could not increase their offer above \$100 million, a figure which they still regarded as the maximum which could be justified. If that figure was not acceptable to the USA, the only course open in their opinion would be a discussion of the whole issue on the highest level. Smuts was scheduled to visit the USA in October 1946, and could then discuss the issue with President Truman.⁶² The Americans remained firm in their rejection of the \$100 million offer and the South African negotiators left Washington for London where they reported extensively to Smuts.⁶³

Smuts, accompanied by Holloway, arrived in New York in the second half of October. On 25 October the Americans reduced their figure to \$115 million, perhaps in an attempt to avoid reference to the heads of state. Back in Washington in November 1946 Holloway finally convinced Chester Lane to accept a \$100 million settlement.⁶⁴ Smuts was still in the USA at that time, but it does not seem as if he ever discussed the issue with Truman.

59. UWH 8, p. 67.

60. SASA, BLO 79, file 116/171/1, Telegram from SA Legation, Washington to Prime Minister, 28 August 1946.

61. UWH 8, pp. 72-81.

62. SASA, BLO 79, file 116/171/1, Cablegram from SA Legation, Washington to Primesec for Prime Minister, 20 September 1946.

63. UWH 8, pp. 82-96.

64. CUSDDCF, SA45-49, mfm reel 6, frame 848A.24/11-1946, Memorandum of Conversation between Chester Lane and J.E. Holloway, 19 November 1946; UWH 8, pp. 97-105.

The final document was signed early in 1947.⁶⁵

Conclusion

One cannot but conclude that the "stubborn" South Africans indeed proved themselves to be tough negotiators. That was the major reason why the negotiations took so long to reach a conclusion. Both sides were positive that they were acting correctly in the demands they tabled and both sides seemed to have had high moral grounds to stand on. The South Africans certainly disapproved of Kelser, and his role possibly needs further study in order to arrive at a more definite conclusion about the negotiations. But generally speaking the negotiations seemed to have taken place in a cordial atmosphere.

The major reason why the two sides never really settled to the satisfaction of both was, on the South African side, because Holloway seriously attempted to gain as much as possible for his country, without regard for diplomatic niceties but with high regard for contractual liabilities; because Smuts and Hofmeyr could not agree to token payments because, even though it would have made good political sense externally, it would have heaped political criticism on them which they could not afford internally; and because the Americans never understood exactly how the minds of the South Africans worked. Perhaps the only way in which this whole issue could have been avoided was by refusing South Africa lend-lease aid right from the start. But the other problem was that Roosevelt and those Americans who administered lend-lease towards the end of the war had different perceptions of the idea behind the scheme. The South Africans were probably closer to the logic of Roosevelt than the Americans were prepared to concede in 1946.

The lend-lease settlement issue seemingly had no negative impact on US-South African relations after the war. Indeed, there were no references to it in diplomatic correspondence in later years. Both sides seemed, in spite of the long duration of the negotiations, ultimately to have been satisfied with what was achieved.

65. SASA, URU 2399, South African Executive Council Minute 581, dated 17 April 1947.