

# ECONOMIC FUSION OF AMERICAN AND BRITISH ZONES OF OCCUPATION IN GERMANY

*Exchange of notes at Washington December 31, 1948, extending agree-  
ment of December 2, 1946, as amended*

*Entered into force December 31, 1948*

*Expired March 31, 1949*

62 Stat. 3645; Treaties and Other  
International Acts Series 1883

*The British Ambassador to the Secretary of State*

BRITISH EMBASSY,  
WASHINGTON, D.C.  
*December 31, 1948*

Ref. 90/137/48  
12442

SIR,

I have the honour to refer to the discussions which have taken place between His Majesty's Government in the United Kingdom and the Government of the United States of America on the subject of the extension of the Agreement between the two Governments concerning the British and American Zones of Occupation in Germany.

His Majesty's Government has had under consideration the obligation assumed by the United States Government and His Majesty's Government in the United Kingdom under paragraph 11(b) of the revised Fusion Agreement signed at Washington on December 17, 1947,<sup>1</sup> to consult together before December 1, 1948 to consider the terms and conditions of a new agreement.

His Majesty's Government had hoped that it would be possible to replace the existing Fusion Agreement on January 1, 1949 by a new Agreement to which the French Government would be a party, providing for the economic fusion of the Three Western Zones of Occupation. It now seems clear, however, that until the new arrangements relating to Germany arising out of the six-power talks held last spring in London have matured, it would be desirable to extend the terms of the Bizonal Agreement, as amended, rather than attempt to negotiate a new agreement to include France. His Majesty's Government believe that extension of the agreement for a three-months'

<sup>1</sup> TIAS 1689, *ante*, p. 833.

period with the understanding that it can sooner be terminated by mutual agreement, is a more practical arrangement in the circumstances than an attempt to conclude a Trizonal Fusion Agreement at this time.

In these circumstances, I have the honour to submit the following proposals for the consideration of the United States Government:

(A) The Fusion Agreement,<sup>2</sup> as amended by the Agreement signed in Washington on December 17, 1947, shall be extended to March 31, 1949, unless sooner terminated by mutual agreement or by the conclusion of a Trizonal Fusion Agreement. The two Governments shall consult together before March 1, 1949, to consider the terms and conditions of a new agreement for a further period.

(B) During the period for which the existing Fusion Agreement is extended, His Majesty's Government will continue their contribution of supplies and services to Germany at the existing basic rate of 17½ million pounds per annum (approximately the equivalent of 70 million dollars).

(C) Separate discussions will take place as to the nature of goods and services to be provided by His Majesty's Government for the first three months of 1949, if as a result of seasonal or other factors it proves impossible or difficult to supply precisely one-quarter of the quantities of the goods and services specified in the Annex to the Agreement of December 17, 1947, amending the Fusion Agreement.

(D) As soon as possible the Joint Export-Import Agency shall enter into negotiations with representatives of His Majesty's Government of the nature indicated in paragraph 3(a) of the Agreement of December 17, 1947, amending the Fusion Agreement.

(E) Provisions of the Fusion Agreement as amended relating to Joint Foreign Exchange Agency Accounts shall be applicable to such accounts transferred to the Bank Deutscher Laender.

Should these proposals commend themselves to the United States Government, I have the honour to suggest that this note and your reply should constitute an Agreement between our two Governments.

I avail myself of this opportunity to renew to you the assurance of my highest consideration,

OLIVER FRANKS

The Honourable  
GEORGE C. MARSHALL,  
*Secretary of State,*  
*United States Department of State,*  
*Washington, D.C.*

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<sup>2</sup> Agreement signed at New York Dec. 2, 1946 (TIAS 1575, *ante*, p. 800).

*The Acting Secretary of State to the British Ambassador*

DEPARTMENT OF STATE  
WASHINGTON

*Dec 31 1948*

EXCELLENCY:

I have the honor to acknowledge the receipt of your note of today's date, the terms of which are as follows:

[For text of British note, see above.]

In reply, I have the honor to inform your Excellency that the Government of the United States accepts the proposals set forth in your note and, in accordance with the suggestion contained therein, your Excellency's note and this reply will be regarded as constituting an Agreement between our two Governments in this matter.

Accept, Excellency, the renewed assurances of my highest consideration.

ROBERT A. LOVETT  
*Acting Secretary of State*

His Excellency

The Right Honorable

Sir OLIVER SHEWELL FRANKS, K.C.B., C.B.E.,  
*British Ambassador*