

ECONOMIC FUSION OF AMERICAN AND BRITISH ZONES OF OCCUPATION IN GERMANY

*Exchange of notes at Washington June 30, 1949, extending agreement
of December 2, 1946, as amended and extended*

Entered into force June 30, 1949

Expired September 30, 1949

63 Stat. 2654; Treaties and Other
International Acts Series 1962

The Secretary of State to the British Ambassador

DEPARTMENT OF STATE

WASHINGTON

June 30, 1949

EXCELLENCY:

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

By their exchange of notes of March 31, 1949¹ the two Governments agreed to extend the Bizonal Fusion Agreement to June 30, 1949, and to consult together before June 1, 1949 to consider the terms and conditions of a new Agreement for a further period.

At the time of this exchange of notes it was thought that, prior to June 30, a German Government would be in existence, that the Occupation Statute would be in operation and that the Tripartite Agreement on Control Machinery, covering a substantial part of the field of Trizonal Fusion, would have come into force simultaneously with the Occupation Statute, thus rendering unnecessary a further extension of the Bizonal Fusion Agreement. Since these arrangements have not yet matured, the Government of the United States believes that the most practical arrangement is the extension for a further period of three months of such parts of the present Fusion Agreement as have not already been replaced by other agreements or arrangements.

¹ TIAS 1959, *ante*, p. 934.

I therefore have the honor to submit the following proposals for the consideration of the Government of the United Kingdom:

(A) The Fusion Agreement of December 2, 1946,² as amended on December 17, 1947³ and as further amended by the exchange of notes of December 31, 1948⁴ and March 31, 1949 shall, unless sooner terminated by mutual agreement or by the conclusion of a Trizonal Fusion Agreement, be extended until September 30, 1949 subject to the following amendments.

(B) During the period for which the existing Fusion Agreement is extended, the Government of the United Kingdom 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). The type and value of specific categories of goods and services to be supplied by the Government of the United Kingdom will be agreed upon in separate discussions between the United Kingdom and the Bizonal Area. Pending such agreement, the Government of the United Kingdom will supply appropriate quantities of the goods and services specified in the Annex to the Agreement of December 17, 1947, amending the Fusion Agreement. The Government of the United States will use its best endeavors to secure the full utilization by the Bizonal Area of the offer of supplies and services which the Government of the United Kingdom will make to fulfill its obligation under this provision. If after the termination of the present agreement it should appear that the Government of the United Kingdom has not fully spent or committed the amount of the contribution envisaged, the two Governments will consult together for the purpose of seeking an acceptable method of settling the balance.

(C) Moneys made available by the Government of the United Kingdom for the supply of goods and services in accordance with paragraph (B) of the exchange of notes of March 31 last amending and extending the Revised Fusion Agreement will, to the extent that they have not been fully spent by June 30, 1949, be used for the purchase of Category A supplies and services for delivery after that date in accordance with existing arrangements and procedures.

(D) Upon the conclusion of a Payments Agreement between the United Kingdom and Western Germany, as envisaged in paragraph (A) of the exchange of notes of March 31, 1949, paragraph 3 of the Agreement signed in Washington on December 17, 1947 shall terminate and its provisions shall be replaced by the Payments Agreement to be concluded between the Government of the United Kingdom and Western Germany. Until con-

² TIAS 1575, *ante*, p. 800.

³ TIAS 1689, *ante*, p. 833.

⁴ TIAS 1883, *ante*, p. 925.

clusion of such a Payments Agreement the figure of 1½ million pounds in paragraph 3(b)(vi) and (vii) of the Agreement of December 17, 1947 will be increased to 7½ million pounds, provided, however, that any credit for account of unused drawing rights out of fiscal year 1948/49 will be excluded from a credit balance of the Bizonal Area for purposes of calculating the excess which would necessitate payments in United States dollars.

(E) The liability of the Government of the United Kingdom to convert sterling into dollars in accordance with the provisions of sub-paragraph (b) of paragraph 4 of the Agreement signed in Washington on December 17, 1947 shall be limited to the sterling held on July 1, 1949 in the No. 2 account of the Bank Deutscher Laender with the Bank of England, or due to be paid into that account in fulfillment of arrangements concluded before July 1, 1949. During the period of the present agreement the sterling held in the No. 2 account of the Bank Deutscher Laender with the Bank of England will not be converted into dollars.

(F) At the time of liquidation of the Joint Export Import Agency as provided for in the charter of the Allied High Commission for Germany the capital funds of the Joint Export Import Agency, resulting from the capital contributions made by the Governments of the United States and United Kingdom in accordance with the Agreement of December 2, 1946, will be made available to the German Government for purposes of financing the foreign trade of Germany, provided, however, that the sterling assets of JEIA transferred under these arrangements will be blocked until June 30, 1950, or until agreement has been reached between the Governments of the United Kingdom and the United States as to how their release is to be effected, whichever date is the sooner.

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

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

For the Secretary of State:

DEAN RUSK

His Excellency

SIR OLIVER SHEWELL FRANKS, K.C.B., C.B.E.,

British Ambassador.

The British Chargé d'Affaires to the Secretary of State

BRITISH EMBASSY,
WASHINGTON, D.C.
June 30th, 1949

Ref. 39/62/49
No. 346

SIR,

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

[For text of U.S. note, see above.]

In reply, I have the honour to inform you that His Majesty's Government in the United Kingdom accept the proposals set forth in your note and, in accordance with the suggestion contained therein, your note and this reply shall be regarded as constituting an Agreement between our two Governments in this matter.

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

F. R. HOYER-MILLAR
Chargé d'Affaires

The Honourable
DEAN ACHESON,
*Secretary of State,
United States Department of State,
Washington, D.C.*