



Treaty Series No. 46 (1949)

Exchange of Notes

between the Government of the
United Kingdom of Great Britain and Northern Ireland
and the Government of the United States of America, further

prolonging the Bizonal Fusion Agreement

of 2nd December, 1946

as amended by the Agreement
of 17th December, 1947

Washington, 30th June, 1949

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

LONDON
HIS MAJESTY'S STATIONERY OFFICE
ONE PENNY NET

EXCHANGE OF NOTES BETWEEN THE GOVERNMENT OF THE UNITED KINGDOM OF GREAT BRITAIN AND NORTHERN IRELAND AND THE GOVERNMENT OF THE UNITED STATES OF AMERICA FURTHER PROLONGING THE BIZONAL FUSION AGREEMENT OF 2nd DECEMBER, 1946, AS AMENDED BY THE AGREEMENT OF 17th DECEMBER, 1947

Washington, 30th June, 1949

No. 1

The United States Secretary of State to His Majesty's Ambassador at Washington

Department of State,

Excellency,

Washington, 30th June, 1949.

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 of Germany.⁽¹⁾

By their exchange of notes of 31st March, 1949,⁽²⁾ the two Governments agreed to extend the Bizonal Fusion Agreement to 30th June, 1949, and to consult together before 1st June, 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 30th June, a German Government would be in existence, that the Occupation Statute⁽³⁾ would be in operation and that the Tripartite Agreement on Control Machinery,⁽³⁾ 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is the extension for a further period of three months of such parts of the present Fusion Agreement as have not already been replaced by other agreements or arrangements.

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 2nd December, 1946, as amended on 17th December, 1947,⁽⁴⁾ and as further amended by the exchange of notes of 31st December, 1948,⁽⁵⁾ and 31st March, 1949, shall, unless sooner terminated by mutual agreement or by the conclusion of a Trizonal Fusion Agreement, be extended until 30th September, 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

(1) "Treaty Series No. 65 (1946)," Cmd. 7001.

(2) "Treaty Series No. 41 (1949)," Cmd. 7742.

(3) "Germany No. 1 (1949)," Cmd. 7677.

(4) "Treaty Series No. 4 (1948)," Cmd. 7301.

(5) "Treaty Series No. 12 (1949)," Cmd. 7623.

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 17th December, 1947, amending the Fusion Agreement. The Government of the United States will use its best endeavors to secure the full utilisation by the Bizonal Area of the offer of supplies and services which the Government of the United Kingdom will make to fulfil 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 31st March last amending and extending the Revised Fusion Agreement will, to the extent that they have not been fully spent by 30th June, 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 31st March, 1949, paragraph 3 of the Agreement signed in Washington on 17th December, 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 conclusion of such a Payments Agreement the figure of 1½ million pounds in paragraph 3 (6) (vi) and (vii) of the Agreement of 17th December, 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 17th December, 1947, shall be limited to the sterling held on 1st July, 1949, in the No. 2 account of the *Bank Deutscher Länder* with the Bank of England, or due to be paid into that account in fulfilment of arrangements concluded before 1st July, 1949. During the period of the present agreement the sterling held in the No. 2 account of the *Bank Deutscher Länder* with the Bank of England will not be converted into dollars.
- (f) At the time of the liquidation of the Joint Export-Import Agency as provided for in the Charter of the Allied High Commission for Germany⁽⁶⁾ 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 2nd December, 1946, will be made available to the German Government for purposes of financing the foreign trade of Germany,

(6) "Germany No. 2 (1949)," Cmd. 7727.

provided, however, that the sterling assets of J.E.I.A. transferred under these arrangements will be blocked until 30th June, 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, &c.
(Sd.) DEAN ACHESON.

No. 2

*His Majesty's Chargé d'Affaires at Washington to the United States
Secretary of State*

British Embassy,

Sir,

Washington, D.C., 30th June, 1949.

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

[As in No. 1.]

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, &c.
(Sd.) F. R. HOYER MILLAR.

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