



Treaty Series No. 38 (1950)

## 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  
regarding Financial Issues arising out of  
the Bizonal Fusion Agreement  
of 2nd December, 1946 as amended by  
the Agreement of 17th December, 1947

Washington, 28th June, 1950

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

LONDON

HIS MAJESTY'S STATIONERY OFFICE

TWOPENCE 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 REGARDING FINANCIAL ISSUES ARISING  
OUT OF THE BIZONAL FUSION AGREEMENT OF 2nd DECEMBER,  
1946, AS AMENDED BY THE AGREEMENT OF 17th DECEMBER,  
1947

Washington, 28th June, 1950

No. 1

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

*Department of State,*

Excellency,

*Washington, 28th June, 1950.*

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 financial issues arising from the Bizonal Fusion Agreement of 2nd December, 1946<sup>(1)</sup>, as amended by the Agreement of 17th December, 1947<sup>(2)</sup>, and its extensions agreed on 31st December, 1948<sup>(3)</sup>, 31st March, 1949<sup>(4)</sup>, and 30th June, 1949<sup>(5)</sup>, and the financial issues arising from the Trizonal Fusion which has been accomplished under the Charter of the Allied High Commission for Germany<sup>(6)</sup>.

In the interest of settling these outstanding issues, I have the honor to submit the following proposals for the consideration of the Government of the United Kingdom:—

- (1) The Government of the United Kingdom will make available sterling funds to the Government of the German Federal Republic, by payment to the Joint Export-Import Agency in final discharge of its obligations under paragraph 1 of the Revised Fusion Agreement of 17th December, 1947 as subsequently amended and extended. It is the understanding of the Government of the United States that the Government of the United Kingdom proposes to make available pounds sterling 1,305,000 under paragraph 1 (a) (ii) and pounds sterling 1,150,000 under paragraph 1 (a) (iii) of the Agreement.
- (2) In order to implement the provisions of the Charter of the Allied High Commission and of the Bizonal Fusion Agreement of 30th June, 1949, the Government of the United States proposes that the two Governments instruct their respective High Commissioners to work out with the French High Commissioner suitable arrangements to come into effect as promptly as possible for the liquidation of the Joint Export-Import Agency, the transfer to the Federal Government of its assets, and the assumption by the Federal Government of the liability to meet any of the remaining claims on the Joint Export-Import Agency which are approved under procedures established by the Allied High Commission.
- (3) Sterling balances to the credit of the No. 2 Account of the *Bank Deutscher Laender* with the Bank of England will be transferred to the No. 1 Account on 30th June, 1950. While these funds will be regarded as existing resources for the purposes of the European Payments Union, they will be segregated in a special sub-account or by other means and will not be merged with other funds of the No. 1 Account pending the

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

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

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

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

(5) "Treaty Series No. 46 (1949)," Cmd. 7757.

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

determination of the rights of the parties to the European Payments Union with respect to sterling balances. It is agreed that the United Kingdom Government will not claim that the funds from the No. 2 Account so transferred should be taken into account in the determination of drawing rights for the purposes of the Intra-European Payments Agreement of 1949-50<sup>(7)</sup>.

- (4) The Government of the United Kingdom will undertake to consult with the Government of the United States in regard to the provision of sterling to meet the current essential needs of the Federal Republic, in the event that the Federal Republic should be faced with a deficit in its sterling availabilities of such a character as to endanger the achievement of the objectives of the occupation, and there is no intra-European payments agreement or other similar multilateral payments agreement in force, provided that the United States is concurrently making economic aid available to the Federal Republic.
- (5) The provisions of the preceding paragraph do not relate to expenditures which may be incurred for the maintenance of forces of occupation and control staff for Germany.
- (6) As part of the proposals outlined herein the Government of the United States will agree to release the Government of the United Kingdom from its obligation for conversion of sterling in the No. 2 Account into dollars under the terms of paragraph 4 of the Revised Fusion Agreement of 17th December, 1947.
- (7) The understandings between the two Governments contained in paragraph 6 (e) of the Bizonal Fusion Agreement of 2nd December, 1946 with respect to the recovery of the costs incurred by the two Governments prior and pursuant to the Agreement remain in force.

Should these proposals commend themselves to the Government of the United Kingdom, I have the honor to suggest that this note and your reply shall constitute an Agreement between our two Governments, which shall come into force upon the date of your reply.

I avail, &c.

For the Secretary of State,  
(Sd.) HENRY A. BYROADE.

No. 2

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

*British Embassy,  
Washington, D.C., 28th June, 1950.*

Sir,

I have the honour to acknowledge 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, to be in force from the date of this reply.

I avail, &c.

(Sd.) OLIVER FRANKS.

(7) "Miscellaneous No. 13 (1949)," Cmd. 7812.

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