

ECONOMIC FUSION OF AMERICAN AND BRITISH ZONES OF OCCUPATION IN GERMANY

Memorandum of agreement signed at New York December 2, 1946

Entered into force January 1, 1947

Amended by agreements of December 17, 1947,¹ and June 30, 1949²

*Extended by agreements of December 31, 1948;³ March 31, 1949;⁴
and June 30, 1949²*

Implemented by agreement of June 28, 1950⁵

Expired September 30, 1949.⁶

61 Stat. 2475; Treaties and Other
International Acts Series 1575

MEMORANDUM OF AGREEMENT

Representatives of the two Governments have met at Washington to discuss the questions arising out of the economic fusion of their zones of occupation in Germany. They have taken as the basis of their discussion the fact that the aim of the two Governments is to achieve the economic unity of Germany as a whole, in accordance with the agreement reached at Potsdam on 2nd August, 1945.⁷ The arrangements set out hereunder, for the United States and United Kingdom Zones, should be regarded as the first step towards the achievement of the economic unity of Germany as a whole in accordance with that agreement. The two Governments are ready at any time to enter into discussions with either of the other occupying powers with a view to the extension of these arrangements to their zones of occupation.

On this basis, agreement has been reached on the following paragraphs:—

1. *Date of inception.* This agreement for the economic fusion of the two zones shall take effect on 1st January, 1947.

¹ TIAS 1689, *post*, p. 833.

² TIAS 1962, *post*, p. 937.

³ TIAS 1883, *post*, p. 925.

⁴ TIAS 1959, *post*, p. 934.

⁵ 1 UST 540; TIAS 2098.

⁶ Except for provisions of paragraph 6(e), which were continued in force by exchange of notes of June 28, 1950 (1 UST 540; TIAS 2098).

⁷ *Ante*, vol. 3, p. 1229.

2. *Pooling of resources.* The two zones shall be treated as a single area for all economic purposes. The indigenous resources of the area and all imports into the area, including food, shall be pooled in order to produce a common standard of living.

3. *German administrative agencies.* The United States and United Kingdom Commanders-in-Chief are responsible for setting up under their joint control the German administrative agencies necessary to the economic unification of the two zones.

4. *Agency for foreign trade.* Responsibility for foreign trade will rest initially with the Joint Export-Import Agency (United States-United Kingdom) or such other agency as may be established by the two Commanders-in-Chief. This responsibility shall be transferred to the German administrative agency for foreign trade under joint supervision to the maximum extent permitted by the restrictions existing in foreign countries at any given period. (All references in this agreement to the Joint Export-Import Agency shall apply to this agency or to any agency established by the two Commanders-in-Chief to succeed it.)⁸

5. *Basis of economic planning.* The aim of the two Governments is the achievement by the end of 1949 of a self-sustaining economy for the area.⁹

6. *Sharing of financial responsibility.* Subject to the provision of the necessary appropriations, the Governments of the United States and the United Kingdom will become responsible on an equal basis for costs of approved imports brought into account after 31st December, 1946 (including stocks on hand financed by the respective Governments), insofar as those cannot be paid for from other sources, in accordance with the following provisions:

(a) For this purpose the imports of the area shall be divided into two categories: those imports required to prevent disease and unrest (Category A), which are financed in decreasing amounts by appropriated funds; and those further imports (including raw materials), however financed, which will be required if the economic state of the area is to recover to an extent sufficient to achieve the aim laid down in paragraph 5 of this Agreement (Category B).

(b) It is the intention of the two Governments that the full cost of Category A imports shall be defrayed as soon as possible, subject to subparagraph (c) below, from the proceeds of exports. Any portion of the cost of Category A imports which is not met by export proceeds will be defrayed by the two Governments in equal shares from appropriated funds.

(c) The proceeds of exports from the area shall be collected by the Joint Export-Import Agency and shall be used primarily for the provision of Category B imports until there is a surplus of export proceeds over the cost of these imports.

⁸ For amendments of paras. 4 and 5, see agreement of Dec. 17, 1947 (TIAS 1689), *post*, pp. 838 and 839.

- (d) In order to provide funds to procure Category B imports:
- (i) The Government of the United Kingdom will make available to the Joint Export-Import Agency the sum of \$29,300,000 in settlement of the understanding reached in September, 1945, for the pooling of the proceeds of exports from the two zones in proportion to import expenditures, which shall be credited to the United States contribution.
 - (ii) In addition to this sum the accumulated proceeds of exports from the United States Zone (estimated at \$14,500,000), will be made available to the Joint Export-Import Agency for the purchase of Category B imports.
 - (iii) The Government of the United Kingdom will provide Category B goods at the request of the Joint Export-Import Agency to a value equal to that of the United States contribution under sub-paragraphs (i) and (ii) above.
 - (iv) The Governments of the United States and the United Kingdom will make available to the Joint Export-Import Agency in like amounts their respective shares of the sum to be used for financing purchases of essential commodities for the German economy under the provisions, and upon ratification by the Government of Sweden, of the accord dated 18th July, 1946,⁹ between the Governments of the United States, the United Kingdom and France on the one hand and of Sweden on the other.
 - (v) Any further sums which are agreed by the Joint Export-Import Agency to be required for the purchase of Category B imports shall be provided by the two Governments on an equal basis in such manner as they may agree. To the extent that either Government advances sums for the purchase of raw materials for processing and re-export on special terms as regards security and repayment, the other Government may advance equal sums on similar terms.
- (e) The costs incurred by the two Governments for their two zones before 1st January, 1947, and for the area thereafter, shall be recovered from future German exports in the shortest practicable time consistent with the rebuilding of the German economy on healthy non-aggressive lines.

7. *Relaxation of barriers to trade.* With a view to facilitating the expansion of German exports, barriers in the way of trade with Germany should be removed as rapidly as world conditions permit. To the same end the establishment of an exchange value for the mark should be undertaken as soon as this is practicable; financial reform should be effected in Germany at an early date; and the exchange of full technical and business communications between Germany and other countries should be facilitated as soon as possible.

⁹ TIAS 1657, *ante*, vol. 4, p. 88.

Potential buyers of German goods should be provided access to both zones to the full extent that facilities permit, and normal business channels should be restored as soon as possible.

8. *Procurement.* The determination of import requirements shall be the responsibility of the Joint Export-Import Agency. The procurement of these requirements shall be dealt with as follows:

- (i) Procurement of Category A imports to the extent that they are financed from appropriated funds of either Government shall be the responsibility of that Government.
- (ii) Procurement of Category B imports and of Category A imports to the extent that they are not financed by appropriated funds shall be the responsibility of the Joint Export-Import Agency, with such assistance from the two Governments as may be desired.

Unless otherwise agreed, subject to the provisions of this paragraph, procurement shall be from the most economical source of supply. However, the sources shall be selected to the fullest extent practicable so as to minimise the drain on the dollar resources of the United Kingdom.

The two Governments will establish a joint committee in Washington with the following responsibilities:—

(a) In the case of commodities in short supply, to support the requirements of the Joint Export-Import Agency before the appropriate authorities.

(b) To determine, where necessary, sources of supply and to designate procurement agencies having regard to the financial responsibilities and exchange resources of the two Governments.

With respect to sub-paragraph (a) above, the two Governments agree to assist the committee in obtaining the requirements of the Joint Export-Import Agency having regard to all other legitimate claims on available world supply.

With respect to sub-paragraph (b) above, where the financial responsibility rests with one Government, and the designated source of supply is the territory under the authority of the other Government, the latter, if so requested, will accept responsibility for procuring those supplies as agent for the former.¹⁰

9. *Currency and banking arrangements.* The Bipartite Finance Committee (United States–United Kingdom) will be authorized to open accounts with approved banks of the countries in which the Joint Export-Import Agency is operating, provided that agreements are negotiated with those countries for credit balances to be transferred on demand into dollars or sterling. The Bipartite Finance Committee will be authorized to accept payment of balances in either dollars or sterling, whichever, in the judgment of the Joint Export-Import Agency, may be better utilized in financing essential imports.

¹⁰ For an amendment of para. 8, see agreement of Dec. 17, 1947 (TIAS 1689), *post*, p. 839.

10. *Food.* The two Governments will support, to the full extent that appropriated and other funds will permit, an increase in the present ration standard to 1800 calories for the normal consumer as soon as the world food supply permits. This standard is accepted as the minimum which will support a reasonable economic recovery in Germany. However, in view of the current world food supply, a ration standard of 1550 calories for the normal consumer must be accepted at present.

11. *Imports for displaced persons.* Subject to any international arrangements which may subsequently be made for the maintenance of displaced persons, the maintenance of displaced persons within both zones from the German economy shall not exceed the maintenance of German citizens from this economy. Supplementary rations and other benefits which may be provided for displaced persons in excess of those available to German citizens must be brought in to Germany without cost to the German economy.

12. *Duration.* It is the intention of the two Governments that this agreement shall govern their mutual arrangements for the economic administration of the area pending agreement for the treatment of Germany as an economic unit or until amended by mutual agreement. It shall be reviewed at yearly intervals.

JAMES F. BYRNES

ERNEST BEVIN

2nd December, 1946.