

ECONOMIC FUSION OF AMERICAN AND BRITISH ZONES OF OCCUPATION IN GERMANY

*Agreement signed at Washington December 17, 1947, amending agree-
ment of December 2, 1946*

Entered into force December 17, 1947

Expired December 31, 1948

61 Stat. 3608; Treaties and Other
International Acts Series 1689

AGREEMENT BETWEEN THE GOVERNMENT OF THE UNITED STATES OF
AMERICA AND THE GOVERNMENT OF THE UNITED KINGDOM OF GREAT
BRITAIN AND NORTHERN IRELAND AMENDING CERTAIN TERMS OF THE
BIZONAL FUSION AGREEMENT SIGNED AT NEW YORK ON DECEMBER 2,
1946

WHEREAS paragraph 12 of the Bizonal Fusion Agreement signed at New
York on December 2, 1946,¹ provides for its amendment by mutual
agreement,

AND WHEREAS the Government of the United Kingdom have requested
the Government of the United States to take part in discussions with a view
to revising, in light of current international financial developments, the
provisions of the Bizonal Fusion Agreement which relate to the division of
responsibility for the payment for imports,

AND WHEREAS the Government of the United Kingdom have represented
that they are unable to continue to make payments in dollars in respect of
such imports,

AND WHEREAS it is the intention of the two Governments to develop, in
that part of Germany which is subject to their jurisdiction, an economy which
can be maintained without financial assistance from either Government,

AND WHEREAS the representatives of the two Governments have entered
into and completed discussions regarding the revision of the terms of the
Bizonal Fusion Agreement as requested by the Government of the United
Kingdom,

IT HAS BEEN AGREED by the Government of the United States and the
Government of the United Kingdom as follows:

¹ TIAS 1575, *ante*, p. 800.

Financial Responsibility for the period ending December 31, 1948

1 (a) The Government of the United Kingdom shall have no further liability to pay dollars for Category A goods and services imported into the United States and United Kingdom Zones of Occupation in Germany (hereinafter called the "Bizonal Area"). The liability of the Government of the United Kingdom to supply Category A goods and services shall, subject to the provision of the necessary appropriations, be discharged by the provision of:

(i) all deliveries which may be made in the period November 1, 1947, to December 31, 1947 (to the estimated value of £3,500,000, approximately the equivalent of \$14,000,000), against commitments already undertaken by the Government of the United Kingdom for procurement from sterling area sources, together with such other sterling area purchases as the Government of the United Kingdom may be able to make for delivery within the period (to an estimated value of £1,000,000, approximately the equivalent of \$4,000,000); and

(ii) goods, services or sterling against commitments already undertaken by the Government of the United Kingdom for procurement of Category A supplies for the Bizonal Area from countries outside the sterling area to a total value of £4,000,000 (approximately the equivalent of \$16,000,000). (The Government of the United Kingdom shall pay for any such goods which can be delivered against sterling payment in the period November 1, 1947, to December 31, 1947, and any charges which may be involved in the cancellation of outstanding contracts and shall pay the balance of the sum mentioned above to the Joint Export-Import Agency in sterling); and

(iii) a sum of £4,250,000 (approximately the equivalent of \$17,000,000) in discharge of the obligations undertaken by the Government of the United Kingdom in accordance with the provisions of the Bizonal Fusion Agreement for the procurement for delivery after December 31, 1947, of Category A supplies for the Bizonal Area from countries outside the sterling area. (This sum shall be held by the Government of the United Kingdom and shall be used for the purchase of Category A supplies and services from the sterling area and shall be spent, with the agreement of the Joint Export-Import Agency, as and when it may be possible to purchase such supplies or services without involving a direct or indirect dollar drain upon the United Kingdom.); and

(iv) Category A goods from the sterling area during the calendar year 1948 and services to be rendered during the same period (as set forth in the Annex to the present Agreement) to the total value of £17,500,000 (approximately the equivalent of \$70,000,000).

(b) The services to be provided by the Government of the United Kingdom under the terms of the preceding sub-paragraph of this paragraph shall

include the furnishing, so far as is practicable, of such ships as may be necessary to lift thirty-three complete cargoes allocated for shipment to the Bizonal Area from United States ports in the period November 1, 1947, to December 31, 1947, and the furnishing during the calendar year 1948 of a sufficient number of freight ships to lift twelve complete cargoes for the Bizonal Area each month from United States Atlantic and Gulf Coast ports; subject to market possibilities, such freight ships shall be chartered for three consecutive voyages on Bizonal account or approximately for a period of six months.

(c) Subject to the provision of the necessary appropriations, the balance of the Category A requirements for the Bizonal Area in the period November 1, 1947, to December 31, 1948, shall be provided by the Government of the United States.

(d) It shall be the responsibility of the Joint Export-Import Agency to keep an account of the contributions made by the two Governments in accordance with the provisions of the preceding sub-paragraphs of this paragraph and to establish that the valuations placed on the goods and services so furnished are fair and reasonable.

2. The financial liability of the two Governments under the present Agreement is exclusive of whatever expenditure may be incurred by either Government for the maintenance of forces of occupation and control staff for Germany.

Trade between the Bizonal Area and the Sterling Area

3 (a) The Joint Export-Import Agency shall enter into immediate negotiations with representatives of the Government of the United Kingdom with a view to drawing up a plan to maximize trade in both directions between the Bizonal Area and the sterling area. The United States and British Military Governors in Germany shall co-operate with representatives of the Government of the United Kingdom for the purpose of meeting the needs of the United Kingdom for heavy steel scrap and timber to the greatest extent consistent with the requirements of the bizonal economy and conflicting demands for these products.

(b) All trade between the Bizonal Area and the sterling area shall be conducted in sterling in both directions. From January 1, 1948, payments in respect of such trade shall be made in the following manner:

(i) The Joint Foreign Exchange Agency shall open an account with the Bank of England to be known as "The Joint Foreign Exchange Agency No. 1 Account".

(ii) All payments to residents of the sterling area in respect of goods imported into the Bizonal Area, or services rendered on behalf of the Bizonal economy (other than goods or services provided by the Government of the United Kingdom from appropriated funds in accordance with the pro-

visions of paragraph 1(a) of the present Agreement) shall be made from the No. 1 Account.

(iii) Payment for all exports to residents of the sterling area, or services rendered to such residents, shall be paid into the No. 1 Account.

(iv) The Joint Foreign Exchange Agency shall, as and when it may be necessary, arrange that transfers be made from its other accounts to the No. 1 Account to an amount sufficient to ensure that there is always a credit balance in its favor in the No. 1 Account. Any amounts so transferred may be withdrawn from the No. 1 Account when they are no longer required in order to maintain a credit balance in the Account.

(v) A statement showing the state of the No. 1 Account at the close of business on the last day of each of the months of March, June, September and December shall be rendered on the first day of business of the following calendar month by the Bank of England to the Joint Foreign Exchange Agency.

(vi) If any such statement shows that, after deduction of the net amount of any transfers made in accordance with the provisions of clause (iv) above, there is a credit balance in the No. 1 Account in excess of £1,500,000, the Bank of England for account of the Government of the United Kingdom shall, against reimbursement from the No. 1 Account in sterling, make a payment of an amount equivalent to the excess, in United States dollars, to the account of the Joint Foreign Exchange Agency at the Federal Reserve Bank of New York.

(vii) If any such statement of account shows that, after deduction of the net amount of any transfers made in accordance with the provisions of clause (iv) above, there is a debit balance in the No. 1 Account in excess of £1,500,000, the Joint Foreign Exchange Agency shall sell United States dollars to an amount equivalent to the excess to the Bank of England, for account of the Government of the United Kingdom, and the sterling proceeds of such sale shall be credited to the No. 1 Account.

(viii) Provided that a credit balance is maintained in the No. 1 Account, transfers may be made from that Account to the other sterling accounts of the Joint Foreign Exchange Agency if necessary in order to maintain the minimum sterling balances required under the provisions of sub-paragraph (b) of paragraph 4 of the present Agreement.

Convertibility of sterling held by the Joint Foreign Exchange Agency

4 (a) Notwithstanding the provisions of paragraph 11 of the present Agreement, the Government of the United Kingdom recognize a continuing liability to convert into dollars in accordance with the provisions of sub-paragraph (b) of this paragraph, any sterling held by the Joint Foreign Exchange Agency at the date of signature of the present Agreement and any

sterling acquired by the Joint Foreign Exchange Agency during the period of the present Agreement.

(b) The sum to be kept in the dollar accounts of the Joint Foreign Exchange Agency shall not be less than \$20,000,000 and the sum to be kept in the sterling accounts (other than the No. 1 Account) of the Joint Foreign Exchange Agency shall not be less than the sterling equivalent of \$20,000,000 unless the total of the sums held in these accounts, as shown in the books of the Agency, falls below the equivalent of \$40,000,000 in which case the amounts held in the dollar and in the sterling accounts shall (within a maximum variation of the equivalent of \$1,000,000) be kept equal. Transfers from the sterling accounts to the dollar accounts and transfers from the dollar accounts to the sterling accounts shall be made when the holdings of dollars or sterling as the case may be fall below the minima indicated above. Such transfers shall be in sums of \$1,000,000 or the sterling equivalent thereof.

(c) Any conversion of sterling into dollars in accordance with the provisions of sub-paragraphs (a) and (b) of this paragraph shall be effected by the purchase of dollars from the Bank of England by the Joint Foreign Exchange Agency. Any such purchases shall be made at the rate of £1 equals \$4.03. If, at any time, the Joint Foreign Exchange Agency purchases sterling in exchange for any other currency, such purchases shall be effected through the Bank of England.

(d) In recognition of the serious dollar difficulties of the United Kingdom, it is the intent and purpose of the Government of the United States that, in so far as practicable, the operations of the Joint Export-Import Agency shall be so conducted that not more than the sterling equivalent of \$40,000,000 shall be required to be converted in accordance with the preceding sub-paragraphs of this paragraph, prior to January 1, 1949. Moreover, if for any reason at any time during the period of the present Agreement, the rate of drawing of dollars through the conversion of sterling should be such as to result in an undue drain on the dollar resources of the Government of the United Kingdom, the matter may be raised with the Bipartite Board and thereafter, if necessary, between the two Governments for the purpose of seeking some method acceptable to the Government of the United States whereby the rate of drawing of dollars through the conversion of sterling can be decreased. Pending a settlement of the matter, the provisions of sub-paragraphs (a), (b) and (c) of this paragraph shall, unless otherwise agreed between the two Governments, continue to apply.

Agency for Foreign Trade

5. The Government of the United Kingdom recognize that so long as the Government of the United States is called upon to make the major contribution towards the cost of the essential imports of the Bizonal Area, that Government shall be entitled to a larger measure of authority with respect to the

operations of the Joint Export-Import Agency and the Joint Foreign Exchange Agency.

Paragraph 4 of the Bizonal Fusion Agreement is accordingly amended as follows:

“4. (a) Responsibility for foreign trade shall rest initially with the Joint Export-Import Agency (United States/United Kingdom). This responsibility shall be transferred to German administrative agencies under the supervision of the Joint Export-Import Agency to the maximum extent permitted by the restrictions existing in foreign countries at any given period.

“(b) Except in so far as the use to which they shall be put has been determined in advance by agreement between the two Governments, and subject to the authority of each Government over the expenditure of its own appropriated funds, and any legislative limitations which may be placed thereon, the appropriated funds available for carrying out the terms of this Agreement shall be expended in accordance with schedules established by the Joint Export-Import Agency. These schedules shall be drawn up in accordance with the general policies of the two Military Governors (constituting the Bipartite Board) and shall be used as a basis for procurement in accordance with the provisions of paragraph 8 of this Agreement, subject to any amendment effected by agreement between the two Governments.

“(c) The Joint Export-Import Agency shall be responsible for the approval of all imports and exports and for procurement in accordance with its responsibilities under the provisions of paragraph 8 of this Agreement, subject to any amendment effected by agreement between the two Governments. It shall be the responsibility of the Joint Export-Import Agency to develop a maximum export program consistent with the accomplishment of over-all objectives in Germany and in conformity with the policy of the two Governments gradually to transfer responsibility to German administrative agencies. The Bipartite Board shall facilitate the work of the Joint Export-Import Agency in developing such a program.

“(d) The Joint Export-Import Agency and the Joint Foreign Exchange Agency shall operate in accordance with the general policies of the Bipartite Board to conduct or to supervise the import and export trade of the Bizonal Area. Each of these agencies shall be governed by a board of directors, to which the respective Military Governors shall each appoint an equal number of members. The decisions of the board of directors shall be determined by the majority vote of its members. The members appointed by each Military Governor shall vote as a group. Each group shall have a voting strength in relation to the other group equal to the proportion which the appropriated funds made available by their respective Governments under the provisions of this Agreement, or any subsequent amending agreement, plus the funds contributed by each Government to the capital of the Joint Export-Import Agency, bear to the total funds made available by the two Governments for these purposes.

“(e) Either Military Governor may, should he consider that any action

which it is proposed that the Joint Export-Import Agency or the Joint Foreign Exchange Agency should take is likely to prejudice the interests or conflict with the policies of his Government, request that the matter be referred to the Bipartite Board for review. In that event the proposed action shall be suspended pending Bipartite Board review. Such suspension shall continue only until adequate opportunity has been afforded in the Bipartite Board to ensure that the issue has been reviewed in all its aspects, unless the Bipartite Board unanimously agree to disapprove or modify the proposed action.

“(f) Subject to the provisions of the preceding sub-paragraphs of this paragraph, the Bipartite Board shall delegate to the Joint Export-Import Agency and the Joint Foreign Exchange Agency full power and authority necessary for the conduct of the export-import trade, including the authority to contract for imports and exports through such agencies as it may designate, to borrow and lend money, to pay and collect accounts, and to utilize and distribute foreign currency, and such other necessary authority as is essential to the rehabilitation and promotion of peaceful trade and commerce.”

Basis of Economic Planning

6. Paragraph 5 of the Bizonal Fusion Agreement shall be amended as follows:

“5. The United States and United Kingdom Military Governors in Germany shall, in accordance with the policy of the two Governments, use their best endeavors to develop at the earliest possible, in that part of Germany which is under their jurisdiction, an economy which can be maintained without further financial assistance from either Government, and which will at the same time contribute to the peaceful rehabilitation of Europe.”

Procurement

7. Paragraph 8 of the Bizonal Fusion Agreement shall be amended as follows:

“8. 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 imports financed from funds appropriated by either Government shall be the responsibility of that Government except to the extent that such responsibility is delegated by the Government concerned to the Joint Export-Import Agency.

“(ii) Procurement of all other imports shall be the responsibility of the Joint Export-Import Agency with such assistance from the two Governments as may be required. Unless otherwise agreed, procurement shall be from the most economical sources of supply. Provided that the pro-

curement of essential imports shall not be prejudiced thereby, the sources shall be selected, to the fullest extent practicable, so as to minimize the drain on the dollar resources of the Government of the United Kingdom (accordingly, where required imports are known to be available from dollar and sterling area sources of supply and conditions regarding price, quality and terms of delivery are equal, the imports shall normally be procured from the sterling area source).

“(iii) With respect to any procurement where the financial responsibility rests with one Government and the agreed source of supply is within territory under the authority of the other Government, the latter, if so requested, shall accept responsibility for procuring those supplies as agent for the former.”

8. The Bizonal Supplies Committee, established under the provisions of paragraph 8 of the Bizonal Fusion Agreement, shall be abolished.

9. Representatives of the two Governments shall consult together in Washington in regard to the following matters:

(a) The programing of the procurement of Category A goods against programs of import requirements submitted by the Joint Export-Import Agency.

(b) The methods to be employed by agencies of either Government, whether directly or through the Joint Export-Import Agency, in the purchase of such products as cereals, livestock products, oils, fats, pulses and fertilizers, in certain markets of primary importance to the United Kingdom, such as Canada, Argentina and Europe, in view of the fact that uncoordinated purchases in these markets might adversely affect United States or United Kingdom supply interests.

Definitions

10 (a) For the purposes of the present Agreement, the expression “the sterling area” shall be deemed to mean “the scheduled territories”, which expression has the meaning assigned to it under the provisions of the Exchange Control Act, 1947, of the United Kingdom. “The scheduled territories” at present include:

(i) Great Britain and Northern Ireland.

(ii) Australia, New Zealand, Union of South Africa, Eire, India, Pakistan, Southern Rhodesia and Ceylon.

(iii) Any British Colony and any territory under the protection of His Britannic Majesty.

(iv) Any territory in respect of which a mandate on behalf of the League of Nations was accepted by His Britannic Majesty and any territory placed under the trusteeship system of the United Nations, which territories are

being administered by His Majesty's Government in the United Kingdom or in any Dominion.

- (v) Burma.
- (vi) Iraq and Transjordan.
- (vii) Iceland and the Faroe Islands.

If and when any alteration is made to the definition of the expression "the scheduled territories" for the purposes of the Exchange Control Act, 1947, of the United Kingdom, the Government of the United Kingdom shall forthwith notify that change to the Joint Foreign Exchange Agency and the expression "the sterling area" shall be deemed to have been correspondingly amended for the purposes of this Agreement.

(b) For the purposes of the present Agreement, the Bipartite Finance Committee (United States-United Kingdom), provided for in the Bizonal Fusion Agreement, shall be deemed to have been superseded by the Joint Foreign Exchange Agency.

(c) Any reference in the present Agreement to the Joint Export-Import Agency or the Joint Foreign Exchange Agency shall be construed to refer likewise to any successor organization or organizations.

Provisions for Entry into Force, Amendment and Renewal

11 (a) The present Agreement shall come into force on signature. The present Agreement and the Bizonal Fusion Agreement shall constitute a single agreement between the two Governments, which shall remain in force until agreement has been reached for the treatment of Germany as an economic unit or until December 31, 1948, whichever is the sooner. In either event, the Joint Export-Import Agency and the Joint Foreign Exchange Agency shall continue to function until such time as further agreement is reached concerning them.

(b) The two Governments shall consult together before June 30, 1948, at the request of either of them, for the purpose of reviewing the operation of the Agreement and of considering whether any amendment should be made in its terms. The two Governments shall also consult together before December 1, 1948 to consider the terms and conditions of a new Agreement for a further period.

IN WITNESS WHEREOF the undersigned, being duly authorized thereto, have signed the present Agreement.

DONE at Washington, in duplicate, this seventeenth day of December, 1947.

For the Government of the United States of America:

ROBERT A. LOVETT

For the Government of the United Kingdom of Great Britain and Northern Ireland:

WILLIAM STRANG

ANNEX TO THE AGREEMENT OF DECEMBER 17, 1947, BETWEEN THE GOVERNMENT OF THE UNITED STATES OF AMERICA AND THE GOVERNMENT OF THE UNITED KINGDOM OF GREAT BRITAIN AND NORTHERN IRELAND, AMENDING CERTAIN TERMS OF THE BIZONAL FUSION AGREEMENT SIGNED AT NEW YORK ON DECEMBER 2, 1946

Provision by the Government of the United Kingdom of Category A goods and services in the calendar year 1948

The goods and services to be provided by the Government of the United Kingdom during the calendar year 1948 in accordance with the provisions of paragraph 1 (a) (iv) of the Agreement, are as follows:

	<i>£ million</i>
Fish	5.55
Pulses	.45
Seeds	1.65
Oils, Vegetables and miscellaneous food	2.00
Insecticides	.50
Fertilizers	1.10
Freight	5.00
Miscellaneous goods	1.25
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	17.50 (approximately the equivalent of \$70,000,000)

The Government of the United Kingdom may, in consultation with the Joint Export-Import Agency, make reasonable adjustments in the composition of this list.