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1102 to Moscow, Sept. 12, 1948

Bank of emission, insofar as they relate to the introduction and continued use of German marks of the Soviet zone in Berlin, would be subject to the ~~QUOTE~~ control ~~AND~~ ~~QUOTE~~ of the financial commission and the four Military Governors. It was only in reliance upon this specific commitment that the three western Powers were prepared to accept a directive to the four Military Governors in which this relationship was not specifically and categorically established.

In view of these circumstances, the western Powers are unable to understand the position which has been taken by the Soviet Military Governor in the Military Governors' recent discussions in Berlin, namely that the German Bank of emission should in no respect be subject to the control or direction of the Financial Commission. It is therefore proposed that the Soviet Government instruct the Soviet Military Governor in Berlin that the financial Commission should be empowered to control the operations of the German Bank of emission insofar as they relate to the introduction and continued use of the German Mark of the Soviet zone in Berlin, and to direct the Bank of emission to take such steps as are necessary to implement the financial arrangements for Berlin agreed to by the four Military Governors, including the provision of the necessary supplies of currency for that



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E. O. 11652, Sec. 3(E) and 5(D) or (E)
Dept. of State letter, 7-13-75
By NLT/HK, NARS Date 11-24-75

purpose.

Point Three. The position taken by the Soviet Military Governor in the recent Berlin discussions that the control of the trade between Berlin and third countries and the western zones of Germany should be exercised unilaterally by the Soviet military administration does not constitute a reasonable approach to QUOTE a satisfactory basis for trade between Berlin and third countries and the western zones of Germany AND QUOTE as provided in the directive. The Western Powers consider that the arrangements agreed upon by the four Military Governors with respect to such trade of Berlin should, insofar as they concern exports and imports (other than food and fuel imported in fulfillment of their responsibilities) provide for administration of trade regulations under the control of the four occupying powers. At the same time, each occupying power in view of its special responsibilities for maintaining the health and welfare of the civilian population in its sector of Berlin, must maintain its continued right to import at its discretion food and fuel for purposes of civilian consumption. Furthermore, each occupying power should be entitled to control the disposition of the proceeds in German Marks of the Soviet zone derived from the sale of food and fuel imported in fulfillment of

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their responsibilities into its sector from third countries and the western zones of Germany.

It is therefore proposed that the Soviet Government instruct the Soviet Military Governor in Berlin that a satisfactory basis for trade between Berlin and third countries and the Western Zones of Germany should be reached between the four Military Governors which does not involve the unilateral control of such trade by the Soviet Trade Administration and which recognizes the right of each of the occupying powers to import in fulfillment of their respective responsibilities, and to control the proceeds from, food and fuel imported for the use of the Berlin population and industry.

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The above is not repeat not a statement but is only for your background guidance.

Cable Room Sent to Moscow. Repeat to London as 3610; Paris as 3578; Berlin as 1614.

Marshall
MARSHALL
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