

DECLASSIFIED

Authority MND 957344
By KD WPA Date 10/25/76

RG 226
Entry 199
File _____
Box 5

4 March 1945

Italian Division, SI, MED1
Headquarters Detachment
2677th REGIMENT (Prov)

JP-1436

OFFICE OF STRATEGIC SERVICES

SECRET

COUNTRY Italy (Sicily)
SUBJECT Financial Report (February)

ORIGINAL REPORT NO. JP-1436
DATE OF REPORT 4 March 1945
EVALUATION B-2

SOURCE Z, Marco Polo
SUB SOURCE Financial Circles

CONFIRMATION }
SUPPLEMENT }
CORRECTION }

DATE OF INFORMATION 14 February 1945
PLACE OF ORIGIN Palermo

NUMBER OF PAGES 4
ATTACHMENTS
THEATRE MED-HQ DET

THEATRE DISTRIBUTION	
AM AMB	
AMPolAd	
AC-CC	
AC-ES	
G-5 AFHQ	
JICA (2)	
G-2, AFHQ	
UNI Rome	
G-2 SA Army	
AMG (2)	
RAAC, G-2	
Fiscal, AFHQ	
EAB	
WASH (2)	
CASERTA (5)	
Company B	✓
Florence	
London	
Paris	
Palermo	
X-2 Rome	

- Official value of local money in dollars:
1 dollar = 100 lire
- Value of yellow-seal and blue-seal dollars on the black market during the present period: (Feb. 10 - 12, 1945.)
 Yellow-seal dollar
 Private buyer = 215 lire (can be resold at 260)
 Italian Commercial Bank = 210 lire
 Bank of Sicily = 180 lire
 Blue-seal dollar
 Private buyer = 340 lire
 Italian Commercial Bank = 330 lire
 Bank of Sicily = ---
- Value of local money on the black market with respect to gold during the present period:
 1 gram of fine gold (24 karat) = 900 lire
 1 gram of fine silver = 16 lire
 1 silver coin (20 lire) is now worth 100 lire in paper money. This type of coin has been out of circulation since 1935/36.
- Value of local money on the black market with respect to the pound:
 1 pound (occupation money) = 400 lire (official)

SECRET
CLASSIFICATION

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Authority NND957344
By KIO NARA Date 10/05/86RG 226Entry 199

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Box 5

JP-1436

S E C R E T

- 2 -

1 pound (Bank of England) -
 Private buyer - 750 lire
 Italian Commercial Bank - 750 lire
 Bank of Sicily - 750 lire

Occupational currency - 1 pound
 Private buyer - 160 lire for every 100 lire on
 the official exchange i.e. 640 lire for 1 pound.

Italian Commercial Bank - 150 lire for each
 150 lire on the official exchange rate, i.e.
 600 lire for 1 pound.

Bank of Sicily - 600 lire for 1 pound.

5. Principal purchasers of foreign money on the black market:

It appears that foreign money is being purchased by capitalists of Occupied Italy. However, it is not certain whether these purchases are made for the Germans.

6. Principal sellers of local and foreign money on the black market:

Foreign money is obtained from:

1. Ships arriving from foreign ports.
2. Money left behind by the Allied Forces.
3. Exchanges made by Allied personnel in Italian banks.

7. Currency besides official currency which circulates freely:

None.

8. Restrictions on the amount of foreign money which can be exchanged with local money:

Regulated by the Allies.

S E C R E T

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 Authority NND957344
 By KD NARA Date 10/25/86

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 Box 6

BMA POUNDS ACCOUNT

Conversions (Credit Column)

<u>Rate</u>	<u>Other Disbursed</u>	<u>BMA Received</u>
1 £ - 400 Lire	Lire 10,400	26/0/0
1 £ - \$4.00	Dollars \$426.00	106/10/0
	Total	<u>132/10/0</u>

Transfers (Credit Column)

S/T dtd 16 Dec 44 Dain, H J, Capt, Trfd fr Cairo 60/0/0

Conversions (Debit Column)

<u>Rate</u>	<u>Other Received</u>	<u>BMA Disbursed</u>
1 £ - 400 Lire	Lire 56,000	140/0/0

The undersigned acknowledges the transfer of this BMA Pound Account and accepts accountability for actual cash on hand and for clearing all outstanding advances.

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 Authority MIND 957344
 By KD NARA Date 10/05/82

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Box	<u>6</u>

JUGOSLAV DINAR ACCOUNT

Conversions (Credit Column)

<u>Rate</u>	<u>Other Disbursed</u>	<u>Dinar Received</u>
3,047,000 Dinar - 101 M/G M/G	101	3,047,000

Transfers (Credit Column)

S/T #13 Received from Hq Co	24,350
-----------------------------	--------

Conversions (Debit Column)

<u>Rate</u>	<u>Other Received</u>	<u>Dinar Disbursed</u>
37,000 Dinar - 1 M/G	M/G 1	37,000

The undersigned acknowledges the transfer of this Dinar Account and accepts accountability for actual cash on hand and for clearing all outstanding advances.

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By KD NARA Date 10/25/76

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Box 7

<u>Rate</u>	<u>Cash Disbursed</u>	<u>Dollars Received</u>
17 - 1 Lira	Lira 358,600	\$3,586.00
\$1 - 800 Kuna (late)	Kuna 16,000	20.00
	Total	\$3,606.00

Transfers (Credit Column)

T/A #25	Dubes, Lt, Trfd fr Bucharest	100.00
T/A #24	Taschler, Sgt, Trfd fr Bucharest	232.00
T/A #23	Trutza, Sgt, Trfd fr Bucharest	478.00
	Bottkol, Joseph M, Trfd fr Washington	100.00
T/A #134	Independent Military Mission to Tito	3,000.00
	Total	\$3,910.00

Conversions (Debit Column)

<u>Rate</u>	<u>Other Received</u>	<u>Dollars Disbursed</u>
17 - 1 Lira	Lira 201,000	\$2,010.00
\$4 - 1 B	BMA 106/10/0	426.00
	Total	\$2,436.00

Transfers (Debit Column)

T/A #44	Trfd to Washington (Maj L C Huot)	\$2,500.00
T/A #47	Bottkol, Joseph M, Trfd to Hq Co	100.00
	Total	\$2,600.00

The undersigned acknowledges the transfer of this United States Dollar Account and accepts accountability for actual cash on hand and for clearing all outstanding advances.

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 Authority NND 957344
 By KD NARA Date 10/05/76

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 Box 7

<u>Rate</u>	<u>Other disbursed</u>	<u>Lire Received</u>
400 Lire - 1 B	BMA 140/0/0	56,000
1 Lira - 1/4	Dollars \$2010.00	201,000
1 Lira - 1 R/M	R/M 398	398
10 Lire - 1 R/M	R/M 10,000	100,000
1 Lira - 10 Lei	Lei 3,200	320
1000 Lire - 1 M/G	M/G 41	41,000
	Total	398,718

Transfers (Credit Column)

T/A #17	Received from Lt W Peratino (Cairo)	66,000
T/A #12	Gellert, Andor, Trfd fr Hq Co	60,000
S/T #58	Received fr Hq Co	2,000,000
S/T #59	Received fr Hq Co	2,500,000
	Total	4,626,000

Conversions (Debit Column)

<u>Rate</u>	<u>Other Received</u>	<u>Lire Disbursed</u>
1 Lira - 1/4	Dollars \$3586.00	358,600
10 Lire - 1 R/M	R/M 398	3,980
2.0175 Lire - 1 Fr	French Fr 5,000	10,087
1 Lira - 2 Leva	Leva 13,700	6,850
400 Lire - 1 B	British £265/9/0	106,000
400 Lire - 1 B	BMA 26/0/0	10,400
	Total	495,917

Transfers (Debit Column)

T/A #14	Harris, Eric A, Trfd fr Hq Co	50,000
S/T #26	Shipped to Tec 4 Alacevich, Brindisi	2,000,000
T/A #45	Gellert, Andor, Trfd to Stockholm	75
T/A #45A	Trfd to Hq Co, Maj C S Coon	99,000
S/T #29	Capt J J Murphy, Native Dec Payroll	974,505
T/A #46	Kalnay, Francis, Trfd to London	35,000
Cable 343	Capt Andrews Advance (Lt Sichel)	30,000
T/A #49	Schuster, Johnny, Trfd to London (Cable #3653)	10,000
	Total	3,198,580

The undersigned acknowledges the transfer of this lire account and accepts accountability for actual cash on hand and for clearing all outstanding advances.

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Authority MND 957342
By KD NAPA Date 10/25/86

RG	<u>226</u>
Entry	<u>199</u>
File	
Box	<u>8</u>

15 September 1944

Cairo

G-5488

CONFIDENTIAL

Date of Report 15/9/44
Evaluation B-2

1. In Athens on 11 September, the highest quotation for the gold pound was 6,600,000,000 drachmas, and the lowest 5,100,000,000. On 12 September on quotation for the gold pound was 6,200,000,000 drachmae
2. On 12 September, the gold pound was quoted at between \$11 and \$14
3. Prices of certain commodities in Athens in drachmae per oke on 12 September were as follows:

Meat	-	460,000,000	
Fish		560,000,000	
Olive Oil		680,000,000	
Fresh Butter	1,380,000,000		
Cooking fat		960,000,000	
Beans		100,000,000	to 150,000,000
Bread		56,000,000	
Rice		500,000,000	
Macaroni		200,000,000	
Sugar		220,000,000	

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Authority *MND 957344*
By *KID* NARA Date *10/25/86*

RG 226
Entry 199
File _____
Box 8

COLION

EBOW

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CF

INCOMING MESSAGE
INCOMING MESSAGE

DATE 15 FEBRUARY 1945

CL: SECRET

TO: FULTZ, BARI (INFO)
MADDOX, CASERTA

FROM: STEFAN, TIRANA VIA CASERTA # *3511*

NR: 58

ACTION: *Fultz* INFO: CO FILES *DeLucca*

IN RE YOUR MEMO DATED 27 FOLLOWING INFORMATION IS COMPILED BY LT.

COOKY: 1. AMERICAN DIKLAR (SIC, DOLLAR?) IS EXCHANGED AT EHIRTY (SIC) (THIRTY?) ALBANIAN PAPER FRANCS. 2. NO BLACK MARKET ON GOLD OR BLUE SEAL DOLLARS. 3. GOLD SOVERIGN IS EXCHANGED AT 36.5 ALBANIAN PAPER NAPS AND GOLD NAPOLEON IS 30.5 ALBANIAN PAPER NAPOLEONS. 4. 10,000 AMERICAN TEN DOLLAR GOLD PIECES ARE BEING HELD BY LOCAL MERCHANTS AND CIVILIANS, GERMANS HAVE BROUGHT THIS GOLD IN DURING THEIR OCCUPATION. IT IS BEING EXCHANGED AT 75 PAPER NAPOLEONS, MOST OF IT BEING HELD UNTIL THE EXCHANGE OF THE AMERICAN DOLLAR IS SET UP. 5. THE PRINCIPAL PURCHASER OF GOLD IS AN ITALIAN CIVILIAN WHO RUNS A SMALL JEWELRY REPAIR SHOP. ON MANY OCCASIONS I HAVE BEEN ASKED ON THE STREETS BY HIS EMPLOYEES IF WE NEEDED ANY GOLD EXCHANGED. 6. NO COINS OR CURRENCY HAVE BEEN WITHDRAWN. 7. NEW BANK NOTES ARE TO BE ISSUED SOON IN DENOMINATIONS OF 20 AND 100 FRANC NOTES. 8. BRITISH MONEY CAN NOT BE EXBANGED ON THE MARKET. 9. NO COUNTERFEIT CAN BE FOUND ON THE MARKET, CORN BREAD SELLS FOR 16 LIKS (SIC LEKS?) A KILO, WHEAT BREAD 24 LEKS PER KIL9, BUTTER IS 21 FRANCS PER KELO EGGS ARE 5 AND 1/2 LEKS XXXXX EACH, WHEAT FLOUR 24 LEKS A KILO. THERE IS NO SUGAR; POTATOES 10 FRANCS PER KILO. PORK 35 FRANCS PER KILO; BEEF 20 FRANCS PER KILO. UNSKILLED LABOR 20 FRANCS PER DAY. NO MILK ON OPEN MARKET. COAL 25 FRANCS PER HALF SQUARE METER. NO DIESAL OIL ON THE MARKET AT PRESENT DUE TO TRANSPORTATION DIFFICULTIES; WOOD 75 FRANCS PER MULE LOAD. TOR: 1720 TOP: 1745 C

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Authority

MINDIS 344

By

KIO

NARA Date

10/25/86

RG 226

Entry 199

File

Box 9

25 September 1944

Czechoslovakia
Exchange and prices in CFI
controlled areas.

F-2

1. The official rate of exchange for Slovak crowns is 33 to the dollar. but under certain conditions it is legally possible to obtain 40.

2. Prices of most commodities are controlled, but are generally high, especially for quality items and clothing.

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Authority MINDIS 7341
By KD NARA Date 10/05/6RG 226
Entry 199
File _____
Box 9~~FROM~~ ~~HOET~~ Dawes

9/21/44

Number 14

CFI GAVE THREE THOUSAND KORUNS TO EACH FLYERS EVACUATED ON ONE SEVEN AND THREE THOUSAND RACH TO SIX MEN HERE NOW. RATE OF EXCHANGE IS FOUR ZERO KORUNS TO THE DOLLAR. AT CFI REQUEST ALL FUNDS WILL BE HANDLED BY US. FLYERS DO NEED MONEY FOR PURCHASE OF MEALS, POCKET MONEY, SO AM GIVING THEM ONE THOUSAND EACH. SUGGEST COLLECTIING BALANCES YOU SEND. ADVISE IF SATISFACTORY. WILL NEED ADDITIONAL MONEY SUGGEST KOUNFSOS (sic) ONE THOUSAND DOLLARS ON NEXT SORTIE IF POSSIBLE SEND TWO TR ONE FIELD ETC. (NO CONCERN OF FINANCE

40 Koruns to Dollar.

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Authority NND 957342
 By KCO NAPA Date 10/25/86

RG 226
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 Box 9

INCOMING MESSAGE

22 November 1944

Headquarters
 2677th Regiment

SUN-474 (Pt) A

To Berlin Base

SECRET

OFFICE OF STRATEGIC SERVICES

Country Hungary
 Subject Currency issue

Original Report No. Unison-4288
 Date of Report 7 Nov. 1944
 Evaluation B-3

Source Z Cozanne
 Sub Source

(Confirmation)
 Supplement)
 Correction)

Date of Information 14 October 1944
 Place of Origin Hungary via Switzerland and London

Number of Pages 1
 Attachments
 Theatre MEDTO

Theatre
 Distribution

- G2 AFHQ (3)
- G2 PB
- G5 AFHQ
- MATAP
- MAFF
- MAAF (FIU)
- 15 AF
- NIU
- JICANA
- No 1 1 (U)
- Amb Kirk
- POLAD
- PWE
- CEMA
- Force 399
- Siena
- Rome
- Bari (2)
- Cairo (4)
- Athens (2)
- Flies (3)

1. A report published by the National Bank of Hungary states that on 30 September 1944 the number of Hungarian bank notes in circulation exceeded seven and a half billion pengos. This represented an increase of more than a half billion in a single week. The significance of this figure can best be appreciated when one considers that the total amount in circulation in the year 1938 was half a billion.
2. Since the German occupation of Hungary on 19 March 1944, the number of bank notes in circulation has doubled. As all Jewish funds (running accounts, etc.) are blocked and the industrialists and merchants have no need to draw on their accounts, their cash from sales being greater than their expenses for purchases (naturally limited), this catastrophic increase of bills can only be explained by the fact that "profiteers" of the German occupation have withdrawn their immense profits in order to escape into Germany.

By source;
 Wash
 London
 Paris

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Authority MINDIS7342
By KD NARA Date 10/25/86RG 226
Entry 199
File _____
Box 9Original Report No GB-1491
14 Sept 1944
Evaluation B-2*Book limited*

1. Official rate; one dollar - 100 lei

2.. Black market rates:

One dollar	- 1,000 - 1,500 lei
One gold napoleon	- 20-25,000 lei
One gold sovereign	- 22-27,000 lei

3. Apparently everyone, including members of the government, deal in the black market exchange for conversion of foreign currency into lei.
A prominent member of the government unofficially advised American officers that it is an accepted practice and that is the only thing to do.

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Authority MINDIS 7342
By KO N-PA Date 10/25/76

RG 226
Entry 199
File _____
Box 9

Dinar

J. B. Allin Field Photo

28 Sept 1944

One American Dollar 1500 dinars

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Authority MND 957344
By KD NARA Date 10/25/82

RG 226
Entry 199
File _____
Box 9

14 January 1944

TO : FINANCE OFFICER, OSS Bari
FROM : X-2 Bari *(initials)*
SUBJECT : Exchange Rate of Foreign Currencies - Egypt
DATE OF INFORMATION : 2 January 1945
EVALUATION : Very reliable

During the last four months Italian Military money was being sold there at the rate of PTs 18 per 100 Lira - the official rate being 24.16. The rate dropped from 18 to 14 during the last two weeks of December. Today Liras can be bought for 13-1/2, and larger amounts for 13. Original Italian money which has the same value of the Military money in Italy is sold here for PTs 8 per 100 Lira. Gold sovereigns which sold here for \$20 a piece were taken to Italy and sold for \$40 or more, depending upon locality of sale. This trade will stop now that the rate of exchange is half the official rate.

It is reported that Italy is flooded with gold coming from Greece and Yugoslavia. EAM, Partisans and other resistance groups who were given gold from Allied Military Missions are selling it in Italy. Bari is said to be the center of this trade and the exchange for gold there is the lowest of all Italian cities.

The demand for Dollars in Cairo has ceased. Dollar bills (Gold seal) are bought for PT 23 and sold to the bank at the official rate of 23-1/2. Green, red and blue seal bills of \$20 and under can be bought at PT 24, and \$50 bills for PT 25.

There is a demand for Indian Rupees, which sell today at PT 8 - or 1-1/2 PTs above the official rate.

NA 14070

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 Authority NND 957344
 By KD NARA Date 10/25/88

RG 226
 Entry 199
 File _____
 Box 9

2677th Regt.
 OFFICE OF STRATEGIC SERVICES (PROV)
 APO #512, U.S. ARMY
 R & A BRANCH

Belgrade Report No. 5

8 December, 1944

Monetary situation in Belgrade

Rates of exchange - The Serbian Dinars issued by the Nedic government, is the only currency accepted in Belgrade. The pre-war Yugoslav Dinars have all been taken out of circulation. As the number of Dinar banknotes in circulation has been considerably reduced, the exchange of foreign currency is discouraged and limitations have been imposed. Each person is allowed to exchange a maximum of \$10.00 in a period of ten days at the present rate of 1000 Dinars per American Dollar. Allied-issued Italian Lire are not accepted.

The prevailing rates of exchange of foreign currency are as follows:

- 1 Dollar equals 1,000 Dinars
- 1 British Pound equals 4,050 Dinars
- 1 Soviet Ruble equals 100 Dinars

The last official rate quoted for the Reichsmark was ten Dinars. As the circulation of Reichsmarks in Yugoslavia was forbidden, they sold for 10 to 12 Dinars on the Black Market.

It is interesting to note that a Dollar has ten times the value of a Ruble although in the Soviet Union the rate exchange is six Rubles per \$.

National Bank -- All private banks are still closed and it is difficult to obtain ready money. No checks designated in foreign currency are accepted and no regulation has as yet been issued for the exchange of foreign checks.

The National bank, a private enterprise before the war, has become a government institution. The transfer of stocks is now taking place. Vasis has been delegated by the Finance Ministry as manager of the bank's activities.

During their retreat from Belgrade, the Germans confiscated all Serbian money from the Bank as well as the plates used for printing paper money. They overlooked the wood and plastic plates, which are far more difficult to replace. It is believed that the Germans will be unable to print large quantities of Dinars with the stolen plates.

See

REPRODUCED AT THE NATIONAL ARCHIVES

DECLASSIFIED
Authority NND77508
By JW NARA Date 9-22

RG 260
Entry Finance Division
File Gold & Silver
Box 50

DATA RE S.S. LOOT

Shipments.

- 1. * 207 containers SS loot (from Reichsbank - Melmer account)
(Preliminary inventory attached. substantiation that was SS loot through German Reichsbank records)
- 3. * 8 chests of gold plate and service (found in bank at Hof Lublin concentration Camp)
- 4. * 35 bags gold coin (deposited at Reichsbank, Plauen by the Wehrmacht for the Reichsführer of the SS (Himmler) on or about April 12, 1944)
- 16. * 313 cases currency, jewelry etc. (From Buchenwald) (more information attached)
- 18. * 11 bags currency - deposited at Munich bank by SS (had come from Berlin)
- * 28 bags currency - deposited at Munich bank by Reichsführer SS
- 4 boxes personal valuables, foreign currency (reported to be loot from Stalag Luft VIII-C)
- * 3 valises - full contents unknown, (Sent to Munich bank some Dutch guilders from Berlin. Deposit of Reichsführer SS)
- 21. A. 4 boxes currency, coin, jewelry (found in sewer of cement factory at Eiberg. Said to have been removed to Eiberg by Dr. Ernst Kaltenbrunner, Obergruppenführer, Lt. General of Police in Berlin)
- B. two bags coins (believed to be taken from a P.W. camp near Weilheim, Bavaria)
- C. 3 boxes currency (believed to be loot, owners unknown, found in possession of 115 prisoners captured near Laufen, Germany)
- D. 8 bags coin (found in NSDAP office in Salzburg, Austria)
- E. 3 boxes currency (received from German Colonel Kreisten, C.O. at P.W. camp at Memmingen, Germany)
- 22. 58 containers and 14 bags precious metals, silver trays, dishes, precious stones. (found in Friedrichshall Salt Mine, Strassfurt. Origin unknown)
- 23. A. 1 box, 5 bags jewels, currency, (found in Reichsbank, bonds and gold coins Hölzminen. Were in packages sealed with Nazi emblem. Much evidence contents of bags came from Marseilles, France)
- 23. B. * 3 bags gold coins, foreign (Said to belong to notes, gold bars Schwerin Gestapo. Unearthed by CIC Det.)
- 24. bag gold coins (found alongside road in Alt Aussl, Austria. Owner unknown)
- 26. B. * 9 suitcases securities and jewelry (found at Reichsbank Regensburg. Said to have been delivered there from the Staatlichen Vermögensamt, Prague by the Gestapo)
- 4 boxes securities and jewelry
- 1 carton jewelry
- Tabernacle of Russian Orthodox Church
- 43 bars silver bullion

DECLASSIFIED
 Authority NND78058
 By JW NARA Date 9-22

RG 260
 Entry Finance Division
 File Gold & Silver
 Box 50

Data on SS loot (cont'd)

Shipments

- C. bag Austrian gold coins (found in haywagon near
 bag gold bullion. railroad station in Haid-
 hausen, Austria. Origin
 unknown)
- 27. * D. box currency (found at St. Johann through help of
 General Berger, Waffen-SS, Obergruppen-
 führer in Charge of German prisoner of
 war administration. Stated money was
 given him by Himmler with instructions
 to hide it. Claimed money was property
 of Reichsbank and not his or Himmler's
 property)
- * D. box currency believed
 to contain 960,000 RM {said to belong to Reichsführer SS. Found in private
 residence in Ruhpolding - 2011}
- 27. E. box foreign currency and securities (found buried in
 hill just across
 Austrian border in
 the neighborhood
 of Oberbichl, Germany)
- 28. 2 bags currency and securities (found on farm near Erlan-
 gen. Hidden by German
 civilian who had been
 entrusted with funds by
 Seyss-Inquart. Said he
 believed they had belonged
 to Govt. of Netherlands or
 might be requisitioned
 Jewish property in Holland)
- 32. * B. 5 albums of maps (turned over to the Dege-
 nerhausen Estate for
 5 albums on botanical subjects safekeeping by SS leader
 von Alvensleben)
- 51. box of foreign currency and (found in P.W. camp in
 securities Hartmannsdorf which had
 been evacuated by German
 Army. Believed to be Money
 taken from Allied PW's)
- 52. * C. bag gold, silver, currency, (from these sources
 jewelry a, taken from Gestapo
 at Bad Aussee, Austria
 b. taken at Dachau
 c. dredged from Enns
 River)
- * E. 4 boxes, 2 cartons jewelry etc. (SS officer turned over
 from Dachau concentration to Swiss Consul for
 camp Bavaria)
- 53. 1 suitcase paper money, bridgework, (found at Reichsbank,
 watches etc. Eschwege. Origin
 unknown)
- 57. box British Sterling notes (believed taken from
 15 bags British coins deceased British aviators)
 10 packages foreign securities (property of NSDAP)
- 64. * box diamonds and jewelry (taken from Erich Vieh-
 mann, member of SS)
- 75. brooch, bracelet and coin (deposited at Kreissparkas-
 se, Garmisch-Partenkirchen
 by same 2 German Wehrmacht
 officers who deposited
 British money (see ship-
 ment 57)

DECLASSIFIED
Authority NND77058
By JW NARA Date 9-22

RG 260
Entry Finance Division
File Gold & Silver [Hungary] [RESISTANCE]
Box 50

Data on SS loot (cont'd)

Shipments

- 76. * 5 Chest silverware (Property of Eva Braun.
watches, 2 pair cuff links, Found in possession of
currency etc. SS Hauptsturmführer
Franz Konrad)

DECLASSIFIED

Authority NAID 978026
By EP NARA Date 10/1/99RG 59
Entry 69A 7584
File Legal Records War-Related
Box 10 Activities

TO: Mr. Friedman

FROM: Mr. Kotlar

SUBJECT: Report of Property Disposition Board.

The attached document is an objective summary, without comments, of the report of the Property Disposition Board, OMGUS. This report recommends an interim program for (1) the custody of the properties now controlled by Military Government and (2) the handling of "Internal Restitution." The problem of the ultimate disposition of this property was considered but no recommendations were made.

Two recommendations by the Board are considered of sufficient importance to require comment. These are (1) the relinquishment by Military Government of the "operational responsibility" for broad categories of property and (2) the utilization of German judicial machinery for the handling of "Internal Restitution" matters.

The turning over of "operational responsibility" for the custody of various properties from Military Government to the various Laender raises a problem of considerable importance. Presumably the basic reason for taking control of these properties was to fulfill the objective of the Potsdam Agreement that "German militarism and Nazism will be extirpated." Barely one year has passed since VE day. Has it been demonstrated that denazification has been so effective that such a move is in order? It is submitted that this plan by Military Government appears to be an attempt to avoid administrative burdens and evade its responsibilities; for the maintenance of "supervisory control" has no practical application or significance. If the policy enunciated in taking over these properties is to be effectuated it should be the continuing responsibility of Military Government to ensure that the properties are utilized in such a way that the basic objectives are fulfilled.

The Board recommendation that German judicial machinery should be used to handle "Internal Restitution" matters would place the administration of this important program in unsympathetic hands. Charles Fahy, as Director of the Legal Division of OMGUS, signed a memorandum concerning "Internal Restitution" on January 15, 1946. This was a fairly detailed program for handling "Claims for the Restitution of Property or for Damages or Injury Suffered as a result of Nazi Persecution or Discriminatory Acts in Germany." A Marshalling Fund was to be established consisting of the unclaimed property confiscated by the Germans. The report vigorously insisted upon an International Mixed Commission to decide questions on the restitution of property and for damages. The Commission was to have a German Minority Representation. A pertinent section of the report is quoted:

VI

305157

DECLASSIFIED

Authority NND 978026
By KU NARA Date 10/17/99

RG

59

Entry

69A 7584

File

Legal Recs - 63 War
Sub File War

Box

10Related
Activities

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11. The German courts, it is believed, are not competent to discharge the manifold responsibilities inherent in this program, and it is not to be anticipated that such competence will be acquired within a generation.....

a. Substantial justice cannot be anticipated from the German courts no matter how conscientiously the members of the court might attempt to be impartial, particularly in rendering fair and unbiased judgment in the cases of non-resident claimants. The removal of the personal element from consideration of these claims is a fundamental prerequisite to fair and equitable treatment of all claimants.

(1) A representative, although limited, poll of a cross section of German public opinion in the four sectors of Berlin, conducted at the request of the Political Division of this Headquarters, revealed that 60 per cent of those contacted favored the restitution of property from whom it had been confiscated. As to other benefits the poll was practically 100 per cent against any such benefits. The suggestion of such benefits was denounced in most violent and vituperative language. Present relief measures in operation for the benefit of victims of the Nazi program were bitterly denounced. It was almost unanimously held that all Germans had suffered from the Nazi regime and that no group or class of people should receive any special consideration for having been persecuted or discriminated against, but that all should work to rebuild Germany, and that the right of those persecuted minorities to regain a place in the German political, economic and social life of the future depended upon their constructive contribution to Germany from now on and that alone should determine their place in German society. To grant benefits such as proposed by this study, the poll revealed, is looked upon as substituting for the Nazis the minority groups as a class to which special privilege is to be given."

Now, Mr. Fahy, as Chairman of the Property disposition Board, notwithstanding his earlier report, recommends that the matters relating to "Internal Restitution" be turned over to the Laender for handling "through existing judicial machinery or by specially constituted tribunals." It is submitted that Mr. Fahy's own testimony proves that a sympathetic handling of this problem will not be the case either in the German Courts or in specially constituted tribunals set up by the various Laender.

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That this letter plan for handling "Internal Restitution" is the one which now prevails see CC3989 from OMGUS to WD 28 April 1946 which states:

- "1. At present Laenderrat is developing program for the restitution of specific property for early adoption in US Zone....
2. Laenderrat has been instructed to consider a program for the partial satisfaction of claims by an interim award for the economic rehabilitation of those destitute as a result of Nazi persecution."

The attitude of Military Government is clearly expressed in a May 8, 1946, Cable CC 4640 from Clay to WD. Pertinent excerpts are quoted below:

"The initiative for bringing such claims should be on the individuals involved and not on Military Government, whose responsibility should be limited to assuring the creation of machinery for hearing these claims and for making periodic inspections to ensure that the machinery is accomplishing the purposes for which it is established.

"3. Use of German personnel to adjudicate claims....We would not recommend the establishment of procedure to be administered by Germans unless we had confidence that they would be able to perform the job effectively. It will be necessary to check their results from time to time. Any system which we propose will of course make provision for this. The claims which will be presented will undoubtedly number in the thousands. It will be necessary that there be tribunals in all principal cities. The personnel will need a background and understanding of German law. Our experience here has been that such United States personnel is not available in sufficient numbers. We are having extreme difficulty even in locating competent lawyers with no German law experience.

It is submitted that this trend towards "turning everything over to the Germans" at this stage of the game is premature and evidences a failure to grasp the policies underlying both the control of property and the handling of "Internal Restitution" matters.

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TO: Mr. Friedman

FROM: Mr. Kotlar

SUBJECT: Report of Property Disposition Board. - A Summary

On the 5th of February 1946 a Board was appointed by the Office of Military Government for Germany (U.S.) "to formulate and recommend...a long-range program for the ultimate disposition and use of all categories of property in Germany, the control of which is the responsibility of Military Government". Charles Fahy was chairman of the Board. The report was made on the 26th of March and "consists of an interim program" pending "more facts with regard to the properties in question and with regard to the possibility of working out certain arrangements through German judicial and administrative machinery."

The interim plan suggested, in brief, is that properties of the Laender and political subdivisions thereof be returned to them; and "operational responsibility" for the custody of various properties now controlled by Military Government under various "legislation", would be assumed by the governments of the Land in which the property is located. The "hoped for" date, for putting the program into operation, would be not later than July 1, 1946. "Internal Restitution" is also covered in the program which contemplates (1) that the Laenderrat be requested to institute immediate measures for the prompt restitution of property "which has been the subject of transfer under duress or wrongful acts of confiscation, disposition, or spoliation, whether pursuant to legislation or by procedure purporting to follow forms of law or otherwise", existing judicial machinery or specially constituted tribunals to be used by the Laenderrat, and (2) consideration to be given by the Laenderrat to a program for "the partial satisfaction of claims by an interim award for the economic rehabilitation of those destitute as a result of Nazi persecution". Again existing judicial machinery in the several Laender or specially constituted tribunals would be used by the Laenderrat.

A. Property Control Under Military Government.

1. Legislation and Regulations.

The broad policy considerations are set forth or suggested in the Potsdam Agreement. The preamble states:

"...German militarism and Nazism will be extirpated and the Allies will take in agreement together, now and in the future, the other measures necessary to assure that Germany never again will threaten her neighbors or the peace of the world."

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Specific reference to the control of property in Germany is made in paragraph 3 as follows:

"All arms, ammunition and implements of war and all specialized facilities for their production shall be held at the disposal of the Allies or destroyed. The maintenance and production of all aircraft and all arms, ammunition and implements of war shall be prevented."

In the portion of the agreement relating to Economic Principles, paragraph 11 states that:

"...Productive capacity not needed for permitted production (as defined elsewhere) shall be removed in accordance with the reparations plan recommended by the Allied Commission on Reparations and approved by the governments concerned or if not removed shall be destroyed."

Implicit in sub-paragraph 3 (iii) calling for the destruction of the Nazi Party is the decision to take control and ultimately redistribute or otherwise dispose of the property of the party and its subsidiary organizations. Similarly, the punishment of war criminals, as required by paragraph 5, and the removal of members of the Nazi party from positions of importance, as required by paragraph 6, suggest the decision to take control and ultimately to dispose of property of some persons in these classes. Furthermore, paragraph 12, calling for decentralization of the economy, clearly contemplates first the control and finally the disposition of some business properties regardless of their nature or the culpability, as Nazis, of their owners.

Paragraph 13 provides:

"Appropriate steps shall be taken by the Control Council to exercise control and the power of disposition over German-owned external assets not already under the control of United Nations which have taken part in the war against Germany."

The pertinent directives to Military Government (U.S.) are as follows:

1. JCS Directive 1067/6, containing the principal directions.
2. Directive of July 7, 1945, now replaced by Military Government Regulations, Title 17, containing general instructions for property control in the U. S. Zone.
3. Denazification directive of August 15, 1945, now replaced by the Law for Liberation from National Socialism and Militarism which provides for assumption of denazification responsibility by the Germans.

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The Military Government Laws pertaining to property control are as follows:

1. Military Government Law No. 5, Dissolution of the Nazi party.
2. Military Government Law No. 52, Blocking and control of Property, the basic law on property in the U. S. Zone.
3. Military Government Law No. 53, Foreign Exchange Control.
4. Military Government Law No. 54, Use of Wehrmacht Property.
5. Military Government Law No. 77, Suspension of Certain Organizations and Offices Concerned with Labor.
6. Military Government Law No. 191, Control over Publications, Radio Broadcasting News Services, Theaters and Music, Prohibition of Activities of the Reichministerium fuer Volksaufklaerung and Propoganda.

The Control Council legislation is as follows:

1. Control Council Proclamation No. 2, Certain Additional Requirements to be Imposed on Germany, reflecting general Control Council policy with respect to property in Germany.
2. Control Council Law No. 2, Termination and Liquidation of Nazi Organizations.
3. Control Council Law No. 5, Vesting and Marshalling of German External Assets.
4. Control Council Law No. 9, Providing for the Seizure of Property Owned by I. G. Farbenindustrie and the Control Thereof.
5. Control Law No. 10, Punishment of Persons Guilty of War Crimes, Crimes Against Peace and Humanity.

On September, 17, 1945, the Coordinating Committee of the Allied Control Authority placed the responsibility for property control on the Finance Directorate, requiring it to consult, on appropriate matters, the Reparations, Deliveries and Restitution Directorate, the emphasis being on the interim control of property and not its ultimate disposition.

The pertinent provisions of the foregoing directives and legislation is set forth in a document entitled "PROPERTY CONTROL STUDY" and is Tab "D" of the Report.

1. CORC/M(45) 8, item 101.

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2. Administration.

As the U. S. Army entered Germany Military Government Law No. 52 was issued and property owned by the categories of individuals specified in the Law² was automatically "blocked" by operation of the law. Certain of these properties were taken under control by the Property Control Branch in accordance with other Military Government directives. Property Control Branch or Property Control officers in the field have delegated operational control of certain types of property to the agency within the service having primary concern. Thus, its function does not apply to the operation of P.T. & T. and Reichsbahn facilities, the operation of docks by the Navy, the use of buildings by U.S. agencies or personnel for offices and billets. The control over foreign exchange assets under Military Government Law No. 53 and the blocking of all assets owned by those set forth in Law No. 52 which have not been taken over by Property Control is a responsibility of the Foreign Exchange and Blocking Control Branch of the Finance Division. Under Control Council Law No. 9, title to the German assets of I.G. Farben is vested in the Control Council.

Properties which have been taken under control, however, constitute only a small percentage of those required to be under control under Title 17 of the Military Government Regulations. "Reich and Nazi properties were so extensive that it has not been possible for Military Government to establish control over them with the available personnel."³ In the U. S. Zone, Property Control officers have established and maintained control over physical property having a value in excess of three billion Reichsmarks and cash in the amount of approximately eighty-nine million Reichsmarks has also been taken under control. The properties include industrial plants, housing projects, bank accounts, gold bullion, jewels, paintings, insurance companies, radio stations, newspapers, publishing houses and the income derived from the operation of some of these units.⁴

2. The categories of property include property of German Governmental units, property of Governments other than the German Government who have been at war with the United Nations since 1 September 1939, property of the Nazi Party and its officials and subordinate organizations, property of persons held under detention by Military Government, property of organizations, groups, etc. prohibited or dissolved by Military Government, property owned by persons not now in Germany, property of other persons specified by Military Government and any property which has been transferred under duress or illegally acquired in other ways.

3. Tab "B" FACTS BEARING ON THE PROBLEM, p. 4.

4. Tab "E" Comparative Analysis of Properties Under Control as of 28th Feb. 1946 and 31st Jan 1946 by location, etc. These figures do not include installations which are being used by the occupation forces, works of art and cultural objects, foreign exchange assets taken under control pursuant to Military Government Law No. 53 and vast quantities of property of every description which are blocked but not under property control.

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3. Categories of Property.

For the purposes of this report the property under discussion has been classified as follows:

1. Property of the Laender and Political Subdivisions.
2. Property of the German Reich.
 - (a) Properties which may be used in the conduct of such essential governmental functions as may be authorized by the Control Council.
 - (b) Governmental Buildings and facilities which may not be used in the conduct of essential governmental functions.
 - (c) Reich Properties which are non-governmental in Nature but national in scope.⁶
 - (d) Reich-owned business enterprises.
3. Property of the N.S.D.A.P. and Affiliated Organizations.
4. Property of Individual Nazis, Militarists and War Profiteers.
5. Property of Private Business Enterprises subject to Special Military Government Treatment.⁷
6. Property of United Nations Nationals.
7. Works of Art and Cultural Material.⁸

B. Program Recommended by Board for Interim Control of Property.

1. Properties of the Laender and political subdivisions thereof (A31, supra) should be removed from the provisions of Law No. 52, and if any such properties have been taken under Military Government control, they should be released unless they are being used by occupation authorities.

2. Operational responsibilities for the administration and custody of property taken under control pursuant to Military Government Regulation should

5. Properties of the Supreme Command of the German Armed Forces, the German Army, Navy, Air Forces and any components thereof together with the S.A., S.S., S.D., N.S.K.K., N.S.F.K.
6. The Reichsbahn, P.T.&T., radio stations, the Reichsbank, certain public utilities in which the central government had acquired interests in whole or in part over a period of time.
7. I.G. Farben, Krupp and other large cartels and the large banks.
8. Included in most of the categories above but subject to special treatment.

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be placed in the Laender.⁹ Foreign exchange assets under Military Government Law No. 53 would remain under the present custody arrangements of these assets in Reichsbank branches throughout the U.S. Zone.

C. Program Recommended by Board for "Internal Restitution".

1. The Laenderrat should institute a plan for the prompt restitution of property "which has been the subject of transfer under duress or wrongful act of confiscation, disposition or spoliation, whether pursuant to legislation or procedures purporting to follow forms of law or otherwise."¹⁰ This procedure should be carried out either through existing judicial machinery or by specially constituted tribunals. Plans for restitution to individuals should have priority over plans for restitution to organizations.

2. Consideration should be given to establish procedures for damages where specific restitution will not adequately indemnify a person for losses suffered as a result of Nazi activity. This would consist of an interim award for the economic rehabilitation of those destitute as a result of Nazi persecution.¹¹

D. Ultimate Disposition of Properties.

The problem of ultimate disposition of all of the categories of property was considered but the Board recommended that before any final

9. This includes categories 2 through 6 under A 3 supra. Category 7 would also fall under the administration and custody of the Laender when Military Government determines which works of art and cultural objects are not subject to external restitution. While the above categories would include the Reichsbahn, P.T.&T., the Reichsbank and German External Assets under Control Council Law No. 5 in a draft letter to the Laender (Tab "A" of the report) these were excluded from the interim plan. Similarly the draft letter excludes consideration of installations presently occupied by occupation forces and foreign exchange assets turned in pursuant to Military Government Law No. 53.

10. This is the language of JCS 1067/6 (Paragraph 48.e.)

11. The draft letter to the Laender mentioned that the award would be an emergency measure only and without prejudice to possible further recovery with a limit to be placed upon the amount which one is permitted to recover. It stated that it was assumed that sufficient of the property confiscated under the laws would be available to the Laender to enable them to make the necessary awards. It further stated that the plan recommended should consider the use of the existing legal machinery in the several Laender and the desirability of using specially constituted tribunals for the purpose.

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decision be made the views of the Laenderrat should be obtained.¹² The property of United Nations nationals should be held pending the time when it will be possible for the owners to assume responsibility for its care. The Board pointed out that decisions with regard to the cartels, privately owned were being developed through the Economic Directorate and that policies with regard to the large banks are being developed by the Finance Directorate.

While the Report proper of the Property Disposition Board did not take a position concerning ultimate disposition of the property under the control of Military Government, Tab "C", a document appended to the report, discussed the problem. This portion of the report justifies examination because of the suggested attitudes concerning ultimate disposition.

1. Scope of the study.

The problem concerned with is the disposition of property after forfeitures have been decreed. This study also does not concern itself with the problem of German external assets.¹³

2. The purposes of establishing control over certain property in Germany

- a. Uncertainty at the time of the occupation as to what would be done with Nazi and Reich property.
- b. Uncertainty as to the status and location of the property in Germany of United Nations nationals.

As an interim measure blocking was instituted and the property was declared subject to seizure, pending a sorting out of the property and the formulation of policies with regard to the long range action which would be taken.

The report goes on to state that "After many months of occupation" the original interim rules are still being followed. Much of the property has been sorted out.

12. In the draft letter to the Laender a request was made for the Laenderrat's recommendations with regard to the ultimate disposition of the following categories of property: Reich-owned property, property of the Nazi Party and affiliated organizations, property of Nazis, Militarists and War Profiteers confiscated under the "Law for Liberation from National Socialism and Militarism," including all categories of property except foreign exchange assets under Law 53.
13. German external assets are vested with the German External Property Commission under Control Council Law No. 5 and their ultimate disposition is within the jurisdiction of the Control Council.

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3. The problem.

The problem as envisaged by this report, is to formulate new policies for the long-range handling of property now under the control of Military Government.

4. The solution to the problem.

- (a) Review the category of individuals and organizations whose property has been subject to control.
- (b) Determine whether and to what extent responsibility for the administration of controls can now be transferred to German governmental agencies.
- (c) Formulate policies as a result of which property may be finally disposed of
 - (1) To assist persecuted peoples,
 - (2) By return to the state or other owner,
 - (3) By sale or public auction,
 - (4) By transfer of title to the Land Governments, or otherwise.

5. Analysis of the various categories of property.(a) Property of the Laender and Political Subdivisions.

The report recommends that these properties should not continue to be subject to Law 52 and that the law should be modified or amended in such a way as to remove them from its provisions.

(b) Properties of the German Reich.

- (1) Properties which may be used in the conduct of such essential governmental functions as may be authorized by the Control Council.

This includes a variety of properties previously occupied by the Reich Ministries, ranging from governmental office buildings to institutions. They are presently either unoccupied or are being used by the occupying powers or by the Land or local governments.

The tentative conclusion of the Board is that title to these properties, with the possible exception of bank accounts, should ultimately vest in the Land Governments in all cases except where they may be required by central agencies in the performance of central governmental functions. Bank accounts should be disposed of on the same basis in the absence of such policies as may be adopted through the Finance Directorate, with regard to the liabilities of the Central Government.

- (2) Governmental Buildings and facilities which may not be used in the conduct of essential governmental functions.

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This includes the properties of the Supreme Command of the German Armed Forces, the German Army, Navy, Air Forces and any components thereof together with the S.A., S.S., S.D., N.S.K.K., N.S.F.K. The funds of these organizations are blocked. Their other properties are either being used by the Land Governments¹⁴ or are held under Property Control.

The program has worked successfully for more than six months. The board believes that the problem of ultimate disposition should be handled by vesting title in the Land Governments with the understanding that the property will be used by the Laender or sold for agricultural purposes, resettlement, schools, institutions, housing projects, and other essential uses. The income from the use or sale of this property by the Land Governments should be used for public education, welfare or similar public purposes, unless it would be deemed advisable to require the Land Governments to deposit the proceeds in blocked bank accounts for disposition in accordance with whatever overall financial plan may be adopted for Germany.

(3) Reich Properties which are non-governmental in nature but national in scope.

This includes the Reichsbahn, P.T. & T., radio stations, the Reichsbank, certain public utilities and similar activities in which the central government had acquired interests in whole or in part over a period of time.

The properties of the Reichsbahn and P.T. & T. are presently under the supervision of the Transport Division and Communications Branch of the I.A. & C. Division, respectively. The operation of these units in the U.S. Zone is being conducted satisfactorily through agencies which have been established under the Laenderrat.

The Board considers that ultimate disposition will depend upon future quadripartite action in the appropriate directorates. From the viewpoint of the objectives of the occupation there appears to be no objection to their being returned to central agencies for ownership as well as for operations, which appears to be contemplated by the Potsdam Protocol.

The Board made no recommendations concerning the ultimate status of the Reichsbank.¹⁵

14. In accordance with Military Government Law No. 54 the Land in which the property is located is granted the right to possession and use of all property in the U.S. Zone, title to which was held by the organizations listed above. Each Land Government is directed to take possession of all such property as is suitable for agricultural purposes or required for accommodation or settlement of Germans or others, and is responsible to insure that all such property of which possession is taken, is put to effective uses. Military Government is directed to use or to assume custody or control of such of this category of property as is not suitable for agricultural purposes or required for accommodation or resettlement.

15. The Finance Division and the Finance Directorate will make decisions relative to the future banking structure of Germany.

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With respect to radio stations the Board considers it undesirable for them to be operated by any future central government. They should be decentralized to the Laender. It is the tentative conclusion of the Board that the most desirable way of disposing of these properties would be through negotiated sale or public auction.

The Board took no position at this time with respect to utility companies. It was the view of the Board that the Laenderrat be requested for its views on the ultimate disposition of both radio stations and public utilities.

(4) Reich-owned business enterprises.

Some of these industrial plants will be destroyed and others removed as reparations. As a tentative conclusion, the Board considered that if the Laender had no use for such enterprises, they should be sold at public auction or by negotiated sale after it has been determined that they will not be destroyed or taken as reparations.

(c) Property of the N.S.D.A.P. and Affiliated Organizations.

These properties cover the entire range of German economic life. It is reported, for example, that the assets of the Deutsches Arbeits Front constituted fifteen percent of the national wealth of Germany. They included insurance companies, bakeries, retail distribution outlets, bank accounts, factories, etc. Its operations were national in scope.

Controls over these properties have not been wholly effective to date in view of the vast quantities of assets involved.¹⁶

With respect to ultimate disposition the Board feels that the properties should probably be disposed of on a quadripartite formula since they constitute such an important and significant part of the German economy. With respect to a unilateral position to be taken on a quadripartite basis the Board requests an inventory by the Laender of the property in the U.S. Zone and that the Laender should make recommendations with regard to ultimate disposition. The Board suggests that if the decision is to vest the property in the Laender, they would have a powerful political weapon, "the use

16. "It is imperative that immediate steps be taken to establish and maintain such control. Additional U.S. personnel could be used. This, however, would not be consistent with the policy of the United States which requires that to the extent possible administrative responsibility should be placed on the Germans."

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of which should be very carefully restricted in order to insure its use in a manner consistent with the objectives of the occupation." It was the tentative conclusion of the Board that if the decision is made to vest the properties in the Laender or in political subdivisions thereof, they should either be used by the Land Governments for public purposes or be sold at public auction, by negotiated sale or otherwise. It has been suggested that the properties be placed in a Marshalling Account to be used to meet claims arising out of Nazi persecutions.¹⁷ The Board differed as to immediate quadripartite approval for the sale of small individual properties which were connected with large organizations, such as D.A.F.

(d) Property of Individual Nazis, Militarists and War Profiteers.

The Board concluded that no decision on these properties should be reached until there had been an opportunity to obtain the views of the Laender. Depending on the recommendation of the Laender steps should be taken to modify Law No. 52 so that after the rights of an individual have been finally adjudicated under the Denazification law all of the properties of that individual which are not confiscated or the use of which is not otherwise restricted should be no longer subject to seizure of possession, etc. and a similar change should be made in Title 17 of Military Government Regulations. The Laender should adopt a law which would supplement the Denazification Law and make provision for interim and ultimate disposition.

(e) Property of Private Business Enterprises.

These include the large cartels and the large banks. In the case of banks some will be destroyed or taken as reparations. The properties are now under property control jurisdiction with individual Germans in charge of the properties. The funds of the organizations are blocked.

Decisions concerning ultimate disposition of the properties should rest with the Economic Directorate. In general, it is considered that they should be leased or sold at public auction or in negotiated transactions in such a manner as to assure the future operation of the plants by non-Nazi Germans and to prevent the extent to which it may be possible for individual groups to buy individual properties and to subsequently merge their interests to reform units of the character of I.G. Farben.

17. The Manpower Division considers that all existing property which was confiscated should be returned to the democratic trade unions and cooperatives.

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(f) Property of United Nations Nationals.

Ultimately the properties will be returned to the individual owners. It is not considered necessary at this time to decide the question of ultimate disposition of such of these properties as may be unclaimed over a period of time.

Included in the above categories of properties are large amounts of foreign exchange assets. The requirements of Military Government should be a first charge against this fund. These requirements include essential food and other imports, and international postal and communications charges.

(g) Works of Art and Cultural Material.

Many art objects were taken under Military Government Control by M.F.A. & A. specialist officers (and not Property Control officers). Those objects which are of great value or importance, those which are believed to be subject to external restitution, or those located in repositories unsatisfactory for storage purposes have been moved to several Collecting Points which are under direct Military Government supervision. Although these Points are under the supervision of a limited number of Military Government personnel, most of the technical and clerical work is done by German employees.

No discussion of ultimate disposition is present in the report.

6. "Internal Restitution".

Ultimate disposition of certain property would be accomplished by the procedure suggested by the Board. This would include individual owners and organizations, such as the labor unions.

The report refers to the plan for the adjudication and settlement of all such claims resulting from Nazi persecution and discrimination in Germany, prepared by the Legal Division under date of 15 January 1946 and states that the study is under consideration by the Board. The Board recommends the interim procedure pending the adoption of a complete program for the adjudication of claims of this nature.

The award should be an emergency measure only and without prejudice to possible further recovery. A limit should be placed upon the amount that one is permitted to recover, based upon the foregoing considerations. The urgency of the need of many of these people, the lack of information as to the

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amount of claims which may be made, the funds which may be available to meet them and the necessary delays incidental to quadripartite settlement of such issues emphasizes the need for interim awards such as are recommended.

Sufficient of the property confiscated from Nazi organizations or from individuals under the War Crimes or Denazification Laws will be made available to the Laender to enable them to make the necessary awards.

The procedure should be available to all persons in Germany regardless of nationality, who have been deprived of their property under the circumstances outlined. As regards the final adjudication of all claims for damages arising out of Nazi persecution or discrimination, the Board considers they should await further consideration pending quadripartite decisions on a central German government.

The lack of foreign exchange makes impossible now the settlement of claims in anything other than German currency or property.

HK
HARRY KOTLAR

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Tabulation of Currencies Delivered Under Military
Government Law No. 53 as per Reports of Tabulation
Section, Foreign Exchange and Blocking Control Branch

811,484.30	Belgas	(Belgium)
26,782,628.50	belg. frs.	(Belgium)
11,109,435.--	Dinare	(Yugoslavia)
62.37	₯	(Straight settlement)
233,606.30	US ₯	(USA)
1,664,782,359.20	Drachmen	(Greece)
173,139,090.67	ffrs.	(France)
224,581.50	sfrs.	(Switzerland)
3,326,816.12	hfl.	(Holland)
887,739.95	Karbowanez	(Slovakia)
81,095.10	dor.	(Denmark)
164,522.31	ncr.	(Norway)
14,606.60	scr.	(Sweden)
6,007,031.79	Ks.	(Slovakia)
96,293,629.43	Kc.	(Czechoslovakia)
18,674,633.13	Lire	(Italy)
8,109.17.8	£	(England)
9,301,730.34	Zloty	(Poland)
561,483.45	Rubel	(Russia)
713,451,000.--	Pengo	(Hungary)
25,000,000.--	Lei	(Romania)

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DECLASSIFIED
Authority <u>AND 775 059</u>
By <u>[Signature]</u> NARA Date <u>11/1/99</u>

RG	<u>260</u>
Entry	<u>Central Files - FED</u>
File	<u>940.304</u>
Box	<u>SS Lt Melmer</u>

423

COPY

OFFICE MILITARY GOVERNMENT FOR GERMANY (US)

AG CABLES

OUTGOING MESSAGE

REGD 301539B Sep. 47

SECRET
SECRET
ROUTINE

TO : AGWAR FOR CSCAD ECON
FROM : OMGUS SIGNED HAYS
REF NO : CC-1796

*File
Melmer Deliveries
940.304*

Reurads WX-86581 and WX-86682 and ourads July CC-9926, September CC-1701 and April CC-8967. Deliveries to FCIR is subject.

1. Since sending our CC-9926, Melmer has been located and interrogated. He confirms facts stated paras 3 and 5 ourad and adds that all deliveries were Jewish property and originated extermination camps Auschwitz and Lublin, both located in Poland.
2. All items contained in "Melmer deliveries" except currencies in question and securities have already been turned over to IRO. Are we correct in assuming that term "national origin" in para 1A of urad WX-86682 not applicable to location concentration camps and that accordingly our newly acquired knowledge of origin "Melmer deliveries" does not affect propriety turnover currencies in question to IRO whose representative has now been fully advised re "Melmer deliveries". To return property to government of country where camp was located would almost certainly not assist in return of property to those persons presently entitled thereto. This especially true in present case since wholly Jewish property involved and at present there are remaining in Poland only a small number of Jews to whom Poland, if it received property, could restore it. Thus we believe no consideration ought to be given to location of camps in considering disposition of items originating therein. Would appreciate your concurrence this point of view.
3. Matter discussed para 3 bears to some extent upon that discussed our CC-1701 concerning gold bars claimed by Czechs to have originated concentration camp Czechoslovakia.
4. Reurad para 4. Your assumption correct. Objects referred to as not having been turned over to IRO because susceptible possible later identification contained in envelopes originating Dachau. There are 2826 envelopes containing primarily watches, rings, and pins and some currency. Total estimated value of all items less than \$10,000. Each envelope bears camp number, name and birthdate of owner and in 23% of cases, also owners' nationality which in all but a few cases is non-German. Have been unable to identify nationality of other owners from available records and are making 1 final effort through IRO Tracing Service.
5. Propose turn over under ordinary external restitution procedure of envelopes containing both name and nationality. To avoid possible conflict with principles proposed Internal Restitution Law will require receiving governments

SECRET

1796

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DECLASSIFIED
 Authority AND 775059
 By [Signature] NARA Date 10/2/99

RG 260
 Entry Central Files-FED
 File 940.304
 Box 55 Last Helmer

~~SECRET~~

to certify that items were removed from their country. Recommend that remaining items be considered subject to claims under proposed Internal Restitution Law and that items unclaimed within period prescribed by that law, that is, prior to end of 1948, be then turned over to IRO. For your information, 1 former Dachau inmate, a German, has already filed an informal claim and items claimed have been identified.

6. Reur para 5. Our understanding same as yours that IRO and beneficiary organizations do not wish to undertake to indemnify claimants. Believe no claims procedure necessary and recommend that none be adopted. No items believed susceptible of possible later identification have as yet been turned over to IRO. Further, that organization now engaged in separating precious stones from settings and melting precious metal objects into ingot form. Thus it appears certain that items already turned over will not be susceptible of later identification. As indicated para 5 above, the only items presently believed susceptible to possible later identification are not proposed to be turned over to IRO until possibility exhausted. In addition they are of such little value that they and such few pieces as might remain intact after IRO processing would not appear to justify setting up and administration of claims procedure. Further, inviting claims for items which, in the vast majority of cases, could not be identified would only give rise to considerable dissatisfaction and possibly criticism of whole IRO turnover procedure.

REF NO : CC-1796

WX-85682 is AGC IN 41877
 WX-86581 is AGC IN 71053

ORIGINATOR : FIN

AUTH: ALBERT F. BENDER JR.

INFORMATION : C/S
 LEGAL
 ECON
 FIN AD EUCOM
 POL AFF
 IA&C
 POL AD EUCOM
 US SEC ACA

CC-1796

30 Sep 47

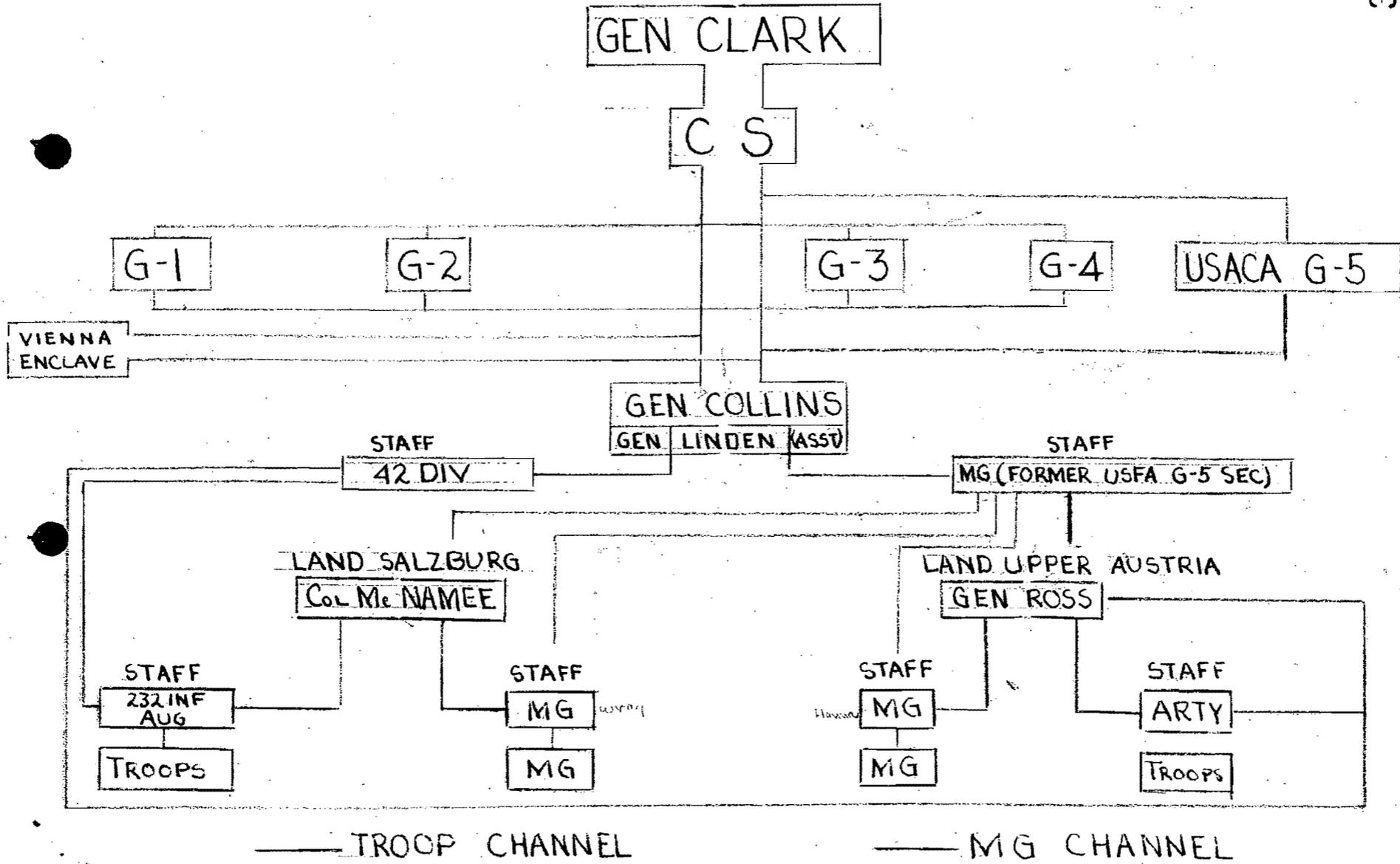
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ORGANIZATIONAL CHART TROOPS & MG AMERICAN OCCUPIED AUSTRIA USFA

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 Authority NAID 785008
 67 SR NARA Date 10-21-99

RG 260
 Entry USACA - Files of the Direct
 File Dec mal 1946-51
 Box

REPRODUCED AT THE NATIONAL ARCHIVES

— TROOP CHANNEL
— MG CHANNEL

RG 260
Entry Kidnall
File HUNGARY - BANK
Box 284

DECLASSIFIED
Authority NND775059
By WBD NARA Date 10/20/77

CV 11

NATIONAL BANK OF HUNGARY.

The undersigned declare herewith that according to their best knowledge all books and documents in connection with the latter being in the Bank's possession in Spital am Pyhrn concerning gold, silver, platinum and other precious metals, and foreign exchange and currency have been handed over to U.S.A. Military Authorities.

In case we should find any further books and documents in this connection which in spite of our best efforts have been overlooked we engage to deliver the same immediately to the local Military Government for being forwarded to the competent U.S.A. Authority, Financial Branch, G 5, Shaef.

All other books and documents possibly existing remained in Budapest, Veszprém and Reichenau, supposing they have not been destroyed since.

Spital am Pyhrn, June 3rd, 1945.

.....
Ladislav Jankovics
deputy manager
head of the Personal and Banking
Dept.

.....
Julius Torzsay-Biber Ltd.
manager
and head of the Juridical Dept.

.....
Béla László
chief comptroller
head of the Credit Dept.

.....
Stephen Cottely Ltd.
inspector
head of the Dept. for national
economy, studies and statistics.

.....
Charles Frank Ltd.
deputy manager
head of the Central Office.

.....
Géza Balás
chief inspector
head of the Central Bookkeeping.

DECLASSIFIED
 Authority: 775058
 By TJ NARA Date 10/18/89

RG 260
 Entry KINANCE
 File Col. G. A. Silver (Humb. Nest.)
 Box 50

CUM

SHIPMENT 16

On 7 May 1945, 313 boxes of currency, jewelry, coins etc. found buried in a cave outside Buchenwald were received from Major Whitman of the 1st U.S. Army. He requested that the shipment be placed in safekeeping for the account of the War Crimes Section, Staff Judge Advocate, 12th Army Group, saying he expected that this evidence would be used at a later war crimes trial.

The boxes contain a large variety of items such as coins, clocks, razors, tools, tableware, dishes, teeth fillings etc. A full inventory of these valuables has not yet been made, but a preliminary listing has been effected. Attached is a list of the classes of items in the shipment, with the approximate total weight of each classification.

A mass of documents was captured by G-2 at Buchenwald. As of May 1945, these records were being sorted in an attempt to record the names of inmates, guards and administrators of Nordhausen and Buchenwald. It is not known here what evidence, if any, has been discovered in these documents as to the ownership of the valuables described above.

RG 260
Entry Journal File
Box 510

DECLASSIFIED
Authority NNDTSL19
By VR NARA Date 820

JRSO

JRSO

OFFICE OF MILITARY GOVERNMENT FOR GERMANY (U.S.)

AG CABLES

INCOMING MESSAGE



TOO 032329Z

C O N F I D E N T I A L

RECD 060337Z Feb 48
CN-06/06 c/jw

P R I O R I T Y

FROM : DEPT OF THE ARMY FROM CSCAD FROM NOCE
TO : CINCEUR PERSONAL
INFO : EUCOM
REF NO : WX-95426 CITE: PG

Legal

Reurad Jan CC-3048.

1. It was understood that on your recent visit you personally discussed this matter with Mr Wisner of State and you knew that question of appropriate successor orgn not yet resolved.

2. Army has formally expressed view to State that:
A. Jewish Restitution Commission, or any other Corporation or Association outside of Germany, should not be appointed as successor orgn to heirless Jewish property in Germany.
B. Any orgn seeking appointment as successor orgn to heirless property in Germany under Law no. 59 should be German orgn.

3. Your comments requested on whether commitments to Jewish Restitution Commission or any other external orgn have been made which would make Army's pos untenable. These comments needed to assist expediting final decision with State.

CC-3048 31 Jan 48 LEGAL

ACTION : S/G

CHANGE OF ACTION: LEGAL
(6 Feb 48)

ACTION
ADDED DISTRIBUTION: O/S
(6 Feb 48) CONT OFF
FIN
CA
PIO
POL AFF

To be Returned & Removed by A.G. Records Branch only

CONFIDENTIAL

AG IN 84110 6 Feb 48 *162* WDC/c/jw REF NO: WX-95429 Copy No

DECLASSIFIED

Authority NND775059
By WBD NARA Date 10/20/99RG 260
Entry Finance
File SHIPMENT #17
Box 478

CJA

CURRENCY SECTION FOR GERMANY

U. S. Army Branch

G-5 Fin. Br.
APO 757

11 May 1945

Received on 11 May 1945 from James P. Jamieson, Capt. AUS, 0517630, 12th Army Group, the following items:

1. Metal box said to contain:

Currency

36 Netherlands Guilders ✓
1,000 Slovakian droner ✓
2,400 Italian Lire ✓
17,092 Bohemia and Moravia kroner ✓
870 Danish kroner ✓
700 French francs ✓
6,261 Polish zloty ✓
4,040.50 Netherland guilders ✓
1,188 Italian Lire ✓
1,360 Czechoslovakian kuns ✓
230 Norwegian kroner ✓
50 Yugoslavian dinar ✓
490 Slovakian kroner ✓
485 Russian rubles ✓
810 Hungarian pengoes ✓

Coin

11,595 German Reichsmarks ✓
846 German Reichsmarks ✓
65.38 Hungarian pengoes ✓
2.65 Russian rubles ✓
4.00 Slovakian droner ✓
6.40 Swiss francs ✓
2.41 Netherlands guilders ✓
6.86 Polish zloty ✓
27.40 Czechoslovakian kuns ✓

2.3 German record books

A CERTIFIED TRUE COPY:

Paul S. McCarrollPAUL S. MCCARROLL
Captain AC

Deputy Chief, Currency Branch

Original on file with Accounts Branch, Fin. Div., Office of Mil Govt (US Zone)

(sd) H. D. C.
H. D. CRAGON
LT. COL. FD
Commanding

305180

RG 260
 Entry FINANCE
 File COMPENSATION
 Box #130

DECLASSIFIED
 Authority NND775059
 By WED NARA Date 10/20/79

1878/13

INTERNATIONAL AFFAIRS SECTION
 USPOLAD, BERLIN

No. 15014

AMERICAN LEGATION

Bern, April 3, 1947

CONFIDENTIAL

Subject: Disposition of German owned patents in Switzerland

The American Minister at Bern has the honor to refer to the Legation's despatch No. 14880 of January 3, 1947, with respect to the refusal of the Swiss Government to subscribe to the London Accord on German owned patents. As indicated in the reference despatch, the Swiss refusal was based upon the absence of any provision in the London Accord for the payment of compensation to the owners of the patents. The Swiss Government remarked that the proposal to put German patents in the public domain and issue royalty free licenses for their use, as outlined in the London Accord, seemed likely to involve a considerable diminution or a total loss in the pecuniary value of the assets. As further indicated in the reference despatch, the British Legation at Bern and this Legation invited the attention of the Swiss Federal Political Department in December, 1945 to the circumstance that Article 6A of the Annex of the Washington Accord, signed by the delegates of Switzerland, France, United Kingdom and the United States on May 25, 1945, clearly indicated the intention of the signatory governments to dispose of German patents on an exceptional basis and without reference to the principle of compensation otherwise applicable to the liquidation of German assets in Switzerland. The British Legation on behalf of its Government further expressed its willingness nonetheless to consider the possibility of compensation to the German owners of patents in Switzerland which might be disposed of pursuant to the terms of the London Accord, provided the Swiss Government would signify its intention to adhere to that Accord before January 1, 1947.

The Swiss representatives to the Joint Commission, established pursuant to the terms of the Washington Accord, recently took occasion to inquire what further consideration might have been given by the Allied Governments with respect to the payment of compensation to the owners of German patents. The Legation would be grateful to receive the Department's instructions with respect to further action which may be contemplated by the signatories to the London Patent Accord to induce the Swiss Government to subscribe thereto.

The Legation takes this occasion to remark that failure of the Swiss Government to dispose of German patents in Switzerland in the fashion proposed by the London Accord may have consequences prejudicial to the attainment of the objectives

of

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Authority NND775059
By VBD NARA Date 10/20/77

Despatch 15014/ April 3, 1947/ Bern.

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of that Accord. The Swiss Compensation Office, which is charged with the liquidation of the German assets in Switzerland, submitted to the Joint Commission, under date of March 21, 1947, the 3rd draft of its proposed directives for such liquidation. Article 9 of these proposed directives reads as follows: "Intellectual Property, Patents, Licenses and Trademarks. The question of the liquidation of these assets is still to be clarified and a solution worked out in detail. If the assets constitute part of an enterprise to be liquidated they will be liquidated at the same time". It is immediately apparent that should this proposal, to which the Allied members of the Joint Commission have made reservations based upon Article 6A of the Washington Accord, be invoked the purchasers of German owned enterprises will be in a position to bar by legal action the importation into Switzerland of any goods infringing upon patent claims previously registered in Switzerland in the name of the German owned enterprises. Furthermore, these purchasers will be enabled to perpetuate the domestic monopoly rights accruing to such patent claims. The Swiss Government, as indicated in the reference despatch, is fully aware that its refusal to adhere to the London Accord may equally prejudice the export rights of the purchasers of German patents in Switzerland. It is apparently prepared to ignore that complication, possibly in the belief either that the London Accord will not fully be respected by all the signatory governments, or will not impede the conclusion of private patent agreements with nationals of non-signatory governments. In any event, the Swiss Government has remarked that in declining to adhere to the London Accord it was not motivated "by purely material considerations".

The proposal with respect to liquidation of German patents made by the Swiss Compensation Office, as quoted above, is equally noteworthy for its failure to outline the procedures which will be applicable to German owned patents which are not the property of the German owned enterprises in Switzerland. The majority of the German owned patents and trademarks in Switzerland are registered in the name of enterprises domiciled in Germany. The legation is not in a position at this time to indicate the extent to which these patents and trademarks may have been licensed for use by persons in Switzerland. It may be recalled, however, that the proposed Federal Council decree for the implementation of the Washington Accord expressly stipulates that the rights of third parties to German assets in Switzerland are to be "reserved". This would suggest that licensees of German owned patents will be permitted to retain full rights under any outstanding license agreement which they may have with the German owners of the patents in Switzerland even though title to such patents may be transferred pursuant to the liquidation procedure under the Washington Accord.

Although it is hoped that at some future date the issues involved in the disposition of German patents in Switzerland

may

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Authority NND775059
 By WBD NARA Date 10/20/97

Despatch 15014/ April 3, 1947/ Bern.

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may be resolved, the Legation desires to invite attention to the unsatisfactory situation prevailing in the interim. For the past two years German owned patents in considerable numbers have been re-registered in the names of persons and enterprises domiciled in Switzerland. In some instances these re-registrations undoubtedly have been made with the connivance and concurrence of the German owners domiciled in Germany. In other instances they may constitute an effort at piracy of German property rights. Such re-registrations are authorized under Swiss law. In contrast to the practice prevailing in the United States, the Swiss Patent Bureau does not contest the filing of patent claims on the grounds of lack of originality or previous patent issue. The responsibility for such a contest is exclusively imposed upon the previous claimant. Should a third person, for example, now register an I. G. Farben patent in his own name the Swiss law places the responsibility upon I. G. Farben to assert its claims in the matter. This subject was recently discussed at a meeting of the Joint Commission, at which time the representatives of the Swiss Compensation Office expressed the opinion that it was not likely that any Swiss court today would recognize as valid any powers of attorney which might be issued by I. G. Farben or other German domiciled enterprises to be represented in and defend its right before Swiss tribunals. The Swiss Compensation Office representatives were also of the opinion that the Swiss courts would refuse to hear testimony from officials of such German companies if, being subject to military law in Germany, they were not free agents. The opinion was also expressed that the courts would refuse to recognize any representative of the Allied Control Council in whose title to the German enterprises may have been vested in view of the fact that the Swiss Government does not recognize the Allied Control Council as a de facto or de jure government. The Swiss Compensation Office representatives informed the Joint Commission that as a result of arrangements made by them with the Swiss Patent Office in October, 1946, all transfers of German patents must be submitted to the Swiss Compensation Office for prior approval. The arrangement, which does not provide that the Joint Commission be consulted in advance of, or subsequently informed of such transfers, is not retroactive and consequently leaves untouched the transfers which occurred prior to that date.

As a result of the foregoing the possibilities of further complicating rights to German patents in Switzerland are omnipresent. Furthermore, the present danger of lawsuits for patent infringement designed to impede achievement of the objectives of the London Accord continues. Reference in this connection is made to the Legation's despatch No. 14854, February 27, 1947, and the references cited therein, with respect to the suit for patent infringement brought by Oswald A.S. of Zurich, against the Swiss distributor of the Oswald Products Division of General Aniline & Film Corporation, New York.

It is also to be noted that royalty and license fees for exploitation of German owned patents in Switzerland are

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Authority NND775059By YSD NARA Date 10/20/77

Despatch 15014/ April 3, 1947/ Bern.

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being remitted by the Swiss Compensation Office to the Swiss-German clearing account with the Swiss National Bank. These fees, which the Allied members of the Joint Committee consider to more properly fall within the scope of the Washington Accord, may be substantial. As long as the procedures for liquidation of the German patents in Switzerland remain unresolved the Swiss Government will continue to be the sole beneficiary of these license fees.

Finally, attention is invited to the Legation's airmail No. 65 of February 10, 1947 emphasizing the possibility that German patents now lapsed for non-payment of annual renewal fees may, after January 1, 1948, be re-registered as German property not subject to the Washington Accord.

The Legation awaits the views of the Department with respect to this subject.

Please refer copies of this despatch to the Office of Economic Security Policy, the Division of International Resources, the Treasury Department, and the Alien Property Litigation Section of the Department of Justice.

ECoverer/jp
 250.3

Original and histogram to Department
 Two copies to American Embassy, London
 Two copies to UNPOLAD, Berlin

A true copy
 of the signed
 original: *D*

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RG 260
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 Box #130

DECLASSIFIED

Authority NND775059By WBD NARA Date 10/20/97PATENTS

OFFICE OF MILITARY GOVERNMENT FOR GERMANY (U.S.)

Finance Division
APO 742

External Assets & Intelligence Branch

MEMORANDUM

20 May 1947

TO: Mr. Albert F. Bender, Jr., Chief

An interrogation of the manager and the former chief of the Bookkeeping Department of C.A. Lorenz A.G., a subsidiary of IT&T, regarding an estimated value of their patents had the following results:

The manager, Mr. Gebbe, stated that Lorenz owns approximately ~~400,000~~ original patents which are registered in a number of countries. The estimated total of patent numbers is around 12,000.

A separate estimate of each of these patents was never made. All patents were lumped and were entered as one item in the capital levy fragebogen of Lorenz. These 400,000⁺ patents were taxed on a basis of approximately RM 150,000 in the year 1943.

Under the German system of capital levy taxation, each firm, according to Gebbe, had to resurvey their total capital values about every three years. In the intervening years the corporations were taxed based on the estimates of the years before. The last such survey was made in 1943 by Lorenz.

Gebbe stated that "by feel" ^{he} would judge the real value of the Lorenz patents to be worth between 20 and 50 million marks, based on prices in 1944.

He further stated that they arrived at the arbitrary figure of 150,000 marks after consultation of the tax authorities who seemed to be satisfied with this low evaluation, fully cognizant that it was false.

Gebbe suggested that in the method of quickly arriving at some sort of fair estimate of the value of a firm's patents, one should consider approximately 2 1/2% of the yearly gross of a firm (since the yearly turn-over in 1944 amounted to 300 million marks at Lorenz, this figure would not jibe with Gebbe's estimate of Lorenz's patents).

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By YBD NARA Date 10/20/77

I propose to have another session with Lorenz about this matter after they produce an exposé prepared by them for the tax authorities in 1943.



GEORGE DONAT
Investigations Section

RG 260
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File Compensation
Box # 130

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Authority NND775059By WBD NARA Date 10/20/79COPY

In a second opinion, which the Arbiter entitled Administrative Decision No. II, he laid down the basis for determining fair compensation in patent claims. He held first, that the fact that the claimant was an enemy at the time of the seizure was not to affect the amount of the compensation, but that he was to receive the same compensation as though he had been an American citizen at the pertinent time. The Arbiter in effect ruled that the amount to be awarded in each instance was to be the sum which would have been agreed upon by negotiations between a willing buyer and a willing seller, if the patent had been voluntarily sold or licensed by an American citizen to the United States. The amount was to be determined as of the date of the sale or license. He stated that in arriving at this amount he would weigh all relevant facts with a view to determining, (1) what a reasonably prudent and experienced person, duly authorized to represent the government, would have been willing to pay at the pertinent time, in the light of all of the then relevant facts and circumstances, and, (2) what a reasonably prudent citizen of the United States would at that time have been willing to accept for the patent, license, or use in question in the light of the then existing facts and circumstances, and, (3) the amount which would have been arrived at as the result of such bargaining. Remote or consequential damages alleged to have been sustained by the claimant because of the use of the invention by or for the United States, were not to be allowed. He further held that Section 4900 of the Revised Statutes of the United States, requiring notice of infringement to be served upon the alleged infringer as a condition precedent to the maintenance of a suit for damages, would not apply to the proceedings before him.

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 Box # 130

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Authority NND775059
 By WBD NARA Date 10/20/79

Judicial Decisions

WAR CLAIMS ARBITER

Functioning Under the Settlement of War Claims Act of 1928

Administrative Decision No. 11

Dealing with Bases of Determining Fair Compensation in
Patent Claims

December 12, 1928

... With a view to facilitating the completion of their preparation and early submission there are here set down general rules which will be applied in determining what constitutes "fair compensation" in patent claims.

Subsection (b) of section 3 of the Act provides that--

It shall be the duty of the Arbiter...to hear the claims...and to determine the fair compensation to be paid by the United States, in respect of--

(3) Any patent...which was licensed, assigned, or sold by the Alien Property Custodian to the United States...

(4) The use by or for the United States of any invention described in and covered by any patent...which was conveyed, transferred, or assigned to, or seized by, the Alien Property Custodian...

With respect to "Any patent...which was licensed, assigned, or sold by the Alien Property Custodian to the United States" dealt with in paragraph (3), the Act provides--

Such compensation shall be the amount, as nearly as may be determined, which would have been paid if such patent...had been licensed, assigned, or sold to the United States by a citizen of the United States...

Under this broad and general mandate it is the duty of the Arbiter to determine the "fair compensation" to be paid by the United States in all claims properly before him for adjudication. The compensation must be "fair" both to the claimants and to the United States.

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 Authority NND775059
 By WED NARA Date 10/20/75

Factors in Determining Compensation

As an aid to counsel in the preparation and presentation of claims and in order to expedite their disposition there are here set down an enumeration of factors which must frequently be taken into account in the application of the general rules to claims falling within each of the categories above mentioned. This enumeration is intended to be neither exclusive nor all-inclusive but merely illustrative. Cases will perhaps be presented where factors not enumerated herein will be found applicable, and it is conceivable that other cases will be presented where the peculiar facts are such as to require that an enumerated factor be modified in its application to that case. It will be the duty of counsel to work out and present to the Arbitrator all necessary refinements in connection with given statements of fact.

In arriving at the amount which would have resulted from fair bargaining between a citizen of the United States and a duly authorized representative of the Government of the United States in determining the price of the patent, the license, or the use in question at the pertinent time, these factors should be considered:

- (1) The condition of the prior art in the field of the invention;
- (2) The extent of the contribution to the art by the invention;
- (3) The remaining life of the patent at the pertinent time;
- (4) All of the facts throwing light upon what an American citizen desiring either to sell the patent or to grant a license thereunder would have been willing to accept as a royalty for the use of his invention, and what royalty the Government of the United States would have been willing to pay. There may be considered hereunder:

(a) The amount of the fees or royalties received where the German patent-owner prior to April 6, 1917, or the Austrian or Hungarian patent-owner prior to December 7, 1917, had been accustomed to grant licenses to practice the particular invention in the United States;

(b) The "reasonable royalty rule" may be applied where there is no established royalty for use of the particular invention in the United States and in its application the cost of manufacture, cost of marketing, sales prices, supply of substitutes, demand, the net profits which the patentee would probably have realized had he sold his products to the government, and the like may be considered;

(c) As the Government of the United States is not engaged in trade and commerce and does not manufacture and sell commercially, the so-called "standard of comparison rule" is peculiarly applicable in determining the amount of a reasonable

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 Box #130

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Authority NND775059By WSD NARA Date 10/20/77

royalty in this arbitration. This rule is applied by comparing the cost of using the patented device in question and the cost of using other available means of obtaining similar results, and a fair proportion of the saving thus effected may be taken into account in determining the amount of a reasonable royalty;

(5) The patent will be held prima facie valid. Where its validity is challenged by the Government of the United States the burden will be on it to rebut this presumption. The issue of validity will be taken into account in determining the compensation, if any, to which claimant may be entitled, and consideration will be given to the following:

(a) If the patent had been litigated and its validity sustained, this in itself would increase its market value;

(b) If the patent had been litigated and held invalid but not by a court of last resort, this would tend to decrease its market value;

(c) If the patent had been held invalid by a competent court of last resort prior to the pertinent time, then, for the purposes of this arbitration, it would have no value;

(d) If the validity of the patent has never been litigated but it should be challenged by the government and serious doubts raised with respect thereto, the weight of such doubts in overcoming the presumption of validity will be taken into account as a factor in determining the value of the patent for the purposes of this arbitration;

(6) The operativeness of the patent--the "know how" to operate the patented invention--should be ascertained through inquiring--

(a) Is the disclosure sufficient to permit of successful operation?

(b) The extent of the investment of capital and further experimentation, if any, necessary to convert the patented invention from a laboratory process to a commercial process;

(c) The existence or not in the United States at the pertinent time of skilled knowledge necessary to operate the patented invention;

(7) If the patent should cover only a part of a device or an improvement and not the entire device, an equitable apportionment of value will be made. Where a royalty has been established for joint employment of all of the inventions covered by several patents, compensation for the use of part of these patents may be equitably assessed by dividing that royalty into parts proportionate to the value of the several inventions

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 Entry Finance
 File Compensation
 Box #130

DECLASSIFIED
 Authority NND775059
 By WSD NARA Date 10/20/77

covered by the patents. But there must be evidence upon which to make such a division;

(8) Where a part only of the inventions covered by a particular patent was used by the United States the compensation will be only for an equitable proportion of the royalty which had been or may be established for all of these inventions jointly;

(9) Where a claim falls under paragraph (3) of the Act inquiry should be directed and report made with respect to the probable extent at the pertinent time of the future use to be made of the patented invention by the United States. For convenience in the preparation and presentation of such claims they may be divided into three categories, viz.:

(a) Those cases where the invention covered by the patent was at the pertinent time of unquestioned value and use to the Government of the United States;

(b) Those cases where the invention covered by the patent was at the pertinent time of probable future interest to the Government of the United States but where it had no present use for it;

(c) Those cases where the invention covered by the patent was, at the pertinent time, of no interest to the Government of the United States and where neither a willing seller nor a willing buyer could foresee that the Government of the United States could ever have use for it. Even in cases falling under category (c) where the United States, occupying the position of a willing buyer, acquired a patent, or a license to use it which it retained and continues to retain, the claimant will be entitled to recover at least nominal compensation;

(10) In license cases falling under paragraph (3) of the Act the nature and scope of the license will be developed and reported. Numerous claims pending before the Arbitrator are based on non-exclusive licenses granted to the United States by the Alien Property Custodian. A non-exclusive license does not pass any interest, legal or equitable, in the patent itself. It is merely a permission granted to the licensee to practice the invention and a covenant on the part of the owner of the patent not to sue the licensee for infringement during the period of the license, which is not assignable and does not confer any right on the licensee to grant licenses to others, which right is retained by the licensor;

(11) Where a claim falls under paragraph (4) of the Act inquiry should be directed and report made with respect to the extent of the actual use made by or for the United States. In such cases the compensation will ordinarily be determined on a royalty basis applied to the actual use;

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(12) In cases arising under paragraph (4) of the Act where it appears that the Government of the United States has merely, for the purpose of experimentation in an effort to test the utility and the practicability of a patented invention, manufactured without using or disposing of the products thereof, the claimant will not be entitled to compensation therefor;

(13) Where a royalty basis is used in determining the value of a patent or license acquired by the United States from the Custodian, the compensation will ordinarily be computed by multiplying such royalty as may be fixed, by the determined extent of the use which would have appeared probable to a willing seller and a willing purchaser at the time of such acquisition, and reducing the result to a then present value basis;

(14) It is not possible to allocate to each factor any fixed or approximate percentage of influence, nor to give to it a weighted value, in determining the value of a particular patent or license or use of a patented invention. The facts found with respect to each factor must be considered in relation to the facts found with respect to all other factors, and the composite result weighed, in determining the value of the whole. The proof in each case must be reasonably definite--not wholly conjectural. The conclusion reached will be deduced from the facts, not from guesses.

----- Evidence of Value in Foreign Countries

As the patent on which a claim is based is in effect merely the evidence of a franchise granted by the United States conferring on the patentee the right to exclude others from making, using, or vending within the United States the thing patented without the permission of the patentee, it obviously can have no value for use beyond the territorial limits of the United States. But the patented invention may have a value--may have an established market value--in other countries. However, the differences in the laws of the United States and those of other countries governing the granting and protection of patents, which in many instances are substantial; the difference in the supply of and demand for the product of the invention; the difference in cost of production due to the difference in wages, prices of materials, and other factors; the difference in cost of marketing; the difference in the supply of available substitutes and the like in the United States as compared with foreign countries, will, in most cases, make evidence of the value of the patented invention in foreign countries of little if any assistance in determining its

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value in the United States. But the Arbitrator's rules governing the admissibility of evidence are not technical but are most liberal in the interest of arriving at the truth whatsoever form it may take, and where the claimant proffers evidence tending to establish the value in foreign countries of the patented invention, together with evidence of the conditions existing there as compared with those existing in the United States at the pertinent time, such evidence will be admitted for what it may be worth, and the weight to which it may be entitled will be determined by the Arbitrator. In justice to the claimants they are here put on notice that ordinarily little weight will be given to evidence of this nature save in those exceptional cases where pertinent conditions in the United States and in the foreign country in question are shown to be similar. A case in point is one where governments are the only users of the particular invention which has been sold or licensed to or used by or for the United States and which has also been sold or licensed to the foreign government.

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OFFICE OF MILITARY GOVERNMENT FOR GERMANY (U.S.)

Finance Division

APO 742

External Assets & Intelligence Branch

MEMORANDUM

22 May 1947

SUBJECT: Conversation with Dr. Meilicke

TO : Mr. Albert F. Bender, Jr., Chief

The question of taxation on intangible values resulted in statements by the German tax expert as follows:

- a) Trade-marks and copyrights were not ^{evaluated} declared for purposes of taxation.
- b) Patents, both domestic and foreign, were mostly lumped in one sum and were declared only by the large corporations. Meilicke knew of no case of a small corporation placing any value on their relatively few patents.

The lawyer pointed out that German tax authorities were fully cognizant of the fact that the declared value of the patents were but a fraction of their real worth. But, to quote him, "they had good understanding for those things", namely the unofficial view of German tax authorities was that a heavy taxation of patents would hinder their development. He further pointed out that corporations had to pay a total of 66.5% tax on their income and 1.36% capital levy. It seemed, therefore, that it would be unwise to tax them more heavily.

The basis on which capital levy was paid ^{were} was three declarations, submitted 1 January 1931, 1935 and 1940. Any changes occurring in excess of 20% upward or downward in the capital value of a firm could be declared by the firm concerned but, he pointed out, they were not required to do so. A check by the tax authorities was practically non-existent. Capital levy taxes were, therefore, paid yearly on the basis of the last declaration.

Dr. Meilicke mentioned a case of an American corporation having had their patents in Germany seized.

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On that occasion he, as representative of the American firm, negotiated with tax authorities to determine the taxable value of their patents. The figure set was purely arbitrary, a result of horsetrading between him and the tax people. Never at any time was the real worth of any of the patents examined.

The law under which patents have to be declared as part of the total capital originated on 22 November 1939 and states that assets of the concern will be taxed in a measure according to their importance in or usage by the corporation subject to taxation. This law, however, restricted itself for purposes of discussion on patents, to those assets which had been purchased by the corporation subject to taxation.

George Donat

GEORGE DONAT
Investigations Section

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By WED NARA Date 10/20/97

Memorandum for the Files

22 May 1947

Dr. Heinz Mellicke, Schillerstr. 12, Charlottenburg, is a lawyer and notary public in Berlin. I was referred to him by the president of the Berlin Bar Association, as the outstanding tax expert in the city. I have been advised that he wrote a number of books on corporate and private taxation and that he advises informally Colonel Neubold of Property Control on taxation matters.

He informed me that he was tax consultant to three or four of the larger German industrial corporations.


GEORGE DONAT
Investigations Section

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Agents

OFFICE OF MILITARY GOVERNMENT FOR GERMANY (U. S.)
 Finance Division
 APO 742
 External Assets & Intelligence Branch

MEMORANDUM

13 May 1947

SUBJECT: Compensation Law

TO : Mr. Theodore H. Ball, Director

In drafting this law, I have omitted therefrom three large categories. One consists of external assets such as patents, trademarks, copyrights, non-transferable option rights, etc. which will not be liquidated. The second category consists of scientific and technical data accumulated in Germany by FIAT. The third category consists of plants and equipment which have been destroyed.

As regards non-liquidated external assets, the arguments for compensation seem to be these:

a) There is no basis in principle for distinguishing, so far as compensation is concerned, between persons having external assets which will not be liquidated and persons having external assets which will be liquidated.

b) The volume of such assets appears to be great and the owners, usually large corporations, will undoubtedly clamor loudly at the injustice of a non-compensation policy forced upon the new German Government.

c) There has already been considerable publicity in the German press as to the great amounts involved in patents taken. The estimates of the value of such patents have usually been ridiculously high and compensation requiring a more or less exact valuation of such patents might be politically wise.

d) Switzerland has offered to consider joining the London Patent Accord if the occupying powers agree to compensate Germans in Germany who lose patent rights in Switzerland as a result thereof. If agreement is reached upon this, our hand will be forced and compensation for patents all over the world will probably have to be made.

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The arguments against compensating for non-liquidated external assets appear to be the following:

a) We have been unable to discover any reasonably simple method of evaluating such assets for compensation purposes. This is especially true of patents which are the most important of the assets in question. One suggested solution has been to set up an administrative body with which Germans could file requests for evaluation of their patents, etc. Such a body would probably be engaged for years in such a project. Another suggested solution is to base compensation upon the valuation used by Germans in their property and income tax returns. Such returns appear to have been required all during the war. We are not as yet certain whether Germans had to value their foreign and domestic patents separately and believe that they probably lumped them in one total figure. Even if this was so, the valuation in the tax return would give us an upper limit for compensation and we could be certain that the Germans would have valued the patents conservatively for tax purposes. We are inquiring further into this matter.

b) Our Legal Division has contacted the British on this matter and reports that the latter feel that no compensation ought be made for patents. The British point out that, except in the United States, the life of German foreign patents was dependent upon the payment of annual renewal fees, and that such fees were not paid during the war and the patents accordingly lapsed. Such loss of foreign patents is accordingly not the result of postwar action by the Allies. There would obviously be a difficulty in compensating for patents in the United States where patents have not lapsed and in compensating for patents elsewhere.

The arguments for and against compensation for scientific and technical data acquired by FIAT are much the same as those dealing with compensation for non-liquidated external assets. However, the arguments against compensation are considerably stronger in that there seems to be no possible way of evaluating the data in question. In this connection it ought be noted that in evaluating plants and equipment removed as reparations, no value was fixed for technical and scientific data removed with such plants and equipment.

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Plants and equipment which have been and will be destroyed consisted, I am informed, only of such as is classified as war potential. The only argument for granting compensation for such plants and equipment appears to be the difficulty in distinguishing in principle between persons owning such plants and equipment and persons owning other plants and equipment which also served the German war effort but which are now removed as reparations.

The arguments against compensation for destroyed plants and equipment appear to be the following:

a) Since such plants and equipment constitute war potentials, compensation therefor would seem to run counter to the following statement of principle contained in paragraph 1 of the draft law: "Nor will war profiteers be unjustly enriched by having manufactured arms, ammunition, etc. for the German Army or for the armies of the German satellites."

b) It is my understanding that the Soviet and French elements are strongly opposed to compensation for war potential destroyed, and suggesting such compensation might arouse opposition to the proposed law as a whole.

c) Of the plants and equipment destroyed, the amount which is privately owned is fairly small and failure to compensate therefor will probably not arouse much adverse criticism.

d) I am informed that the plants and equipment destroyed are not valued before destruction and in order to compensate therefor, we would have to establish a procedure for valuing such plants and equipment.

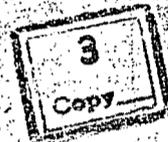
e) I am also informed that the accounting in the various zones for items which have been destroyed in the past has been very loose and that accordingly it would be very difficult to secure satisfactory proof of rights to compensation for destroyed items.


 ALBERT F. BENDER, JR.
 Chief

Tel: 43686
 Rm. 317, FD Bldg.

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International Refugee Organization



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A

CLAIM OF THE INTERNATIONAL REFUGEE ORGANIZATION

TO DIAMONDS LOOTED BY NAZIS AND RECOVERED BY THE

U.S. MILITARY AUTHORITIES IN GERMANY

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1 July, 1949

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CLAIM OF THE INTERNATIONAL REFUGEE ORGANIZATION
TO DIAMONDS LOOTED BY NAZIS AND RECOVERED BY THE
U.S. MILITARY AUTHORITIES IN GERMANY

Introduction

1. The International Refugee Organization requests that the 198,000 carats of industrial diamonds recovered by the U.S. Military Authorities in Germany, which were the subject of the OMGUS (Berlin) press release of 30 April 1949, be made available to the IRO in accordance with the intent of Article 8, Part I, of the Final Act of the Paris Conference on Reparation, the Five-Power Agreement of 14 June 1946, and the Joint Chiefs of Staff Non-Monetary Gold Directive to Commanding Generals, USFET and USFA (See Appendix I).
2. The IRO has undertaken this intensive study of available information on the sources of industrial diamonds in Germany, on German imports, consumption and stocks of industrial diamonds in Germany both before and during the war. It embraces official statistics of the German and other governments, trade statistics compiled by The Diamond News, The Diamond Industry, by the U.S. Department of Commerce, the U.S. Bureau of Mines, by the U.S. War Production Board, and Special Reports on Diamonds by Allied Military Intelligence. The IRO has also interviewed diamond merchants who personally were despoiled of their property by the Nazis in order to gain an insight into the methods by which the Germans may have accumulated stocks

of industrial diamonds. Although there are gaps in the information as to precise quantities, never-the-less the preponderant weight of evidence points clearly to the following:

(a) At the outbreak of the war, German stocks of industrial diamonds derived from purchase abroad were approximately 860,000 carats. This reserve could not support even the most urgent German war requirements for more than two years; i.e., through mid 1941.

(b) The German Government engaged in wholesale looting of diamonds of all types in a desperate effort to maintain its production of war materials. This looting extended even to stripping diamond cutting machinery.

(c) The quantity of industrial diamonds looted was vastly greater than the 198,000 carats presently held by the U. S. Military Authorities. The IRO is convinced that there still remain hidden caches of diamonds from these expropriations; and that many of the diamonds now in possession of German jewelers and diamond tool manufacturers have been obtained from looted sources.

These conclusions are supported by:

- (1) Statistical analysis of German prewar imports, consumption and stocks of industrial diamonds to the outbreak of the war in September 1939.
- (2) Governmental and private documentary evidence of German looting of diamonds before and during the war years.
- (3) Documentary evidence of extensive shortage of industrial diamonds during the war years.

Appendix II presents the detailed analysis of the German industrial position prior to and during the war. It is footnoted with the sources of

information. Appendix III contains affidavits of victims* whose diamonds were looted, as well as photostatic copies of documents relating to German looting.

3. As a result of this investigation, the IRO concludes that the industrial diamonds found by U.S. Authorities in Germany are but a small part of the diamonds (industrial and others) looted by the Germans from inhabitants of Germany, Austria, Czechoslovakia, Belgium, Holland, France, Hungary, Roumania, Poland, and the occupied Baltic and Scandinavian States. Many of these people, in the main Jewish, were subsequently killed. A very great proportion of the looted diamonds derives therefore from Jewish owners who are now dead. The diamond industry of these countries, as of most of the world, had traditionally been Jewish enterprises. With the fact of looting and the fact of predominant Jewish ownership recognized, it is obvious that these diamonds by every moral and legal standard should not be used in the reconstruction of the German economy. To do so, would be to permit property previously looted from the victims of Nazi persecution to be utilized for the assistance of the aggressors---and to commit a travesty of justice.

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*Receipt is awaited of additional affidavits from victims resident abroad.

PART I

PREWAR GERMAN INDUSTRIAL DIAMOND IMPORTS,
CONSUMPTION AND STOCKS

Accumulation of German Stocks in the Prewar Decade

The prewar pattern of German diamond supply and requirements must be viewed in the light of German armament production. The Nazi armament program preceded the war production programs of the Western Powers by several years and was well under way by 1934. During 1936, 1937, 1938 and 1939, German war production was rapidly increasing and had almost approached its peak by 1939. As a consequence, consumption by Germany of industrial diamonds increased very rapidly. During those years diamonds could of course be purchased abroad and German imports were very substantial.

The Nazi war planners, having in mind the fact that all industrial diamonds (with the exception of a trivial amount obtained from Brazil)⁽¹⁾ had to be imported from areas under Allied control, attempted to build up a stockpile of industrial diamonds. This they did successfully by restricting the consumption of industrial diamonds, and by increasing imports in prewar years. The rapid increase in German imports is attested by Ernst Winter, head of the firm of Ernst Winter & Sons. This company alone consumed about one-third of total industrial diamonds brought into Germany.

(1)

Total Brazilian production did not exceed 350,000 carats at its peak in 1939. Of this total, the U.S. alone imported 180,000 carats. See Diamond Industry, 1939, edited by S. H. Ball, published by Jewelers Circular Keystone, N.Y.C.

Winter's statement to Allied Military Intelligence is as follows: "Ten years (before the war) the yearly influx of industrial diamonds amounted to 2,000,000 RM and rose during the last two years (before the war) to perhaps 7,000,000 RM. This included all types of industrials." (2) Restrictions on use came early. In 1935, for example, diamond boring crowns were forbidden. (3) Diamond use taxes were imposed and all imports of industrial diamonds were subject to Government permit. Importers were obliged to deposit their diamonds with a central depository in Berlin and could draw on these stocks only if they presented orders from armament industries. (4)

The Reichstelle fur Technische Erzeugnisse was very successful in building up a substantial stockpile of industrial diamonds. By the end of 1937, it appears that this stockpile was almost 2,500,000 carats of industrial stones including Boart and large and small industrials. This large stockpile together with the optimism engendered by Nazi political successes in 1937 and 1938, and the need to conserve foreign exchange induced the Germans to curtail sharply their imports in 1938 to about one-quarter of the 1936 and 1937 rates. This cutback was so severe the Diamond News reported that "The German cutting industry suffered a major setback in 1938 because of a reduction in imports." (5)

(2) F.I.A.T. (Field Intelligence Agency, Technical) Report #370 - The German Abrasive Industry, by S. H. Kistler, Joint Intelligence Objectives Agency, Washington, D.C., 1945, p. 31, 32

(3) B.I.O.S. (British Intelligence Objectives sub-committee) Final Report #1448 - The German Industrial Diamond Industry, p. 23

(4) F.I.A.T. Report #370, p. 31, 32

(5) The Diamond Industry, 1938, p.6

German consumption of industrial diamonds, however, continued to increase in line with the huge production of military equipment. Thus 1938, a depression year for the U.S. and most of Western Europe, was a banner year for German production. Steel production, to cite an example, increased by 17 per cent over its 1937 rate---from 21.9 million net tons to 25.6 million net tons. ⁽⁶⁾ Consumption of industrial diamonds increased from approximately 1,400,000 carats in 1937 to about 1,700,000 in 1938. Continued high consumption and reduced imports cut sharply into the stocks of industrial diamonds. Stocks therefore decreased from 2,459,000 carats at the end of 1937 to 1,096,000 carats at the end of 1938. This sharp reduction of diamond stocks, the growing difficulties with the Western Powers, and the incessant requirements of German war industries gearing up for the Polish invasion, forced the Nazis into the world diamond markets again. The German trade agreements with the Herzog Government of the Union of South Africa covering £20,000 of industrial diamonds in 1938 was stepped up by the 5th Payment Union Agreement (September 1, 1938 to August 31, 1939) to provide for import of industrials valued at £115,000, an almost sixfold increase. The 6th Payment Agreement scheduled to follow the completion of the 5th Agreement, also involved industrial diamonds worth £115,000. This latter agreement was abrogated by the South African Government on the outbreak of the war in September 1939, and no diamonds were shipped as a result of this ⁽⁷⁾ agreement. The sharp increase in German diamond imports from

(6)

Annual Statistical Report, American Iron and Steel Industry, 1945, p. 125

(7)

The Diamond Industry 1939, p. 8

Africa, Brazil, Belgium and other areas in 1939 could not halt the depletion of German industrial diamond stocks. The increasing tempo of war preparations inevitably increased industrial diamond consumption so that by the outbreak of the war, industrial diamond stocks attained through foreign purchases were approximately 860,000 carats (See Appendix II, Table I).

The growth and decline of German diamond stocks, and the rise in consumption and imports are clearly shown in Chart I (See Appendix II). A word of explanation is necessary for the proper evaluation of this Chart. The crucial figure for the purposes of this report is the size of Nazi stocks at the outbreak of the war, derived solely through legitimate German purchases of industrial diamonds with German funds. This is what the Chart portrays. To the extent that German stocks were enriched by plunder, extortion, and looting from the time the Nazis gained power to the end of 1939, the stock figures shown in the Chart are smaller than the actual stocks. All that is necessary to show however is that legitimate stocks could not have been the source of the 200,000 carats in issue. There is no question but that stocks from all sources legitimate and plundered were used by the Nazis and as we shall show the plundered stocks constituted virtually the entire supply from 1942 on.

PART II

CONSUMPTION OF INDUSTRIAL DIAMONDS DURING THE WAR -
1939-1944

Could 860,000 carats of industrial diamonds support German war consumption from September 1939 through 1944, a period of over (8) five years, and still allow at least 198,000 carats to be left intact?

This is the crucial question, and to pose the question is virtually to answer it. Allowing for the utmost conservation of industrial diamonds, a supply of 860,000 carats in 1939 could not possibly have met the most urgent needs of wartime military production. Even if the German authorities were able to curtail consumption to a rate no greater than in 1932 (190,000 carats) when their total industrial production was no more than a fraction of their wartime level, their stocks would have been exhausted by the middle of 1943. Further to predicate German war production for five and one-half years of war upon a stock of 860,000 carats of which 198,000 remained unutilized would imply that German average consumption over this period was

(8)

Ernst Winter, head of Ernst Winter & Sons, manufacturers of diamond tools accounting for almost a third of total German consumption mentioned during his interrogation by Allied Military Intelligence in 1945 that the stocks held in Berlin were split into several lesser hoards after the severe bombing of Berlin and that the largest of these was in Sturtzbach, Thuringia. To his knowledge these had not been found by either the Americans or the Russians. F.I.A.T. Report #370, p. 31, 32.

no greater than 82,000 carats per year, or less than half of the German depression rate of consumption. When we consider that the U.S. consumption of industrial diamonds in 1941, 1942 and 1943 averaged over 6,000,000 carats per year, over 80 times as great as the required German rate while U.S. war output was probably no greater than three times the German war output, the absurdity of this position is patent. (9)

It is true that German war industry, as a result of the severe diamond shortage in World War I, had developed tungsten carbides to a high degree of perfection as a substitute for diamond tools. But even the hardest of the tungsten carbides are much inferior to the softest industrial diamonds. Industrial diamonds are, therefore, indispensable for quality production especially in aircraft, armored vehicles, tanks, and precision equipment. (10) There is no evidence that German materiel had deteriorated in quality until the closing stages of the war. This use of substitutes even before the war limited the savings possible in wartime

(9) WPB Files on Industrial Diamonds (Code 528.5) in U.S. Archives indicate American consumption of 12,000,000 carats in 1943 or a rate of over 135,000 carats per million tons of steel production.

(10) Thus Sidney H. Ball, diamond expert of the U. S. Bureau of Mines and editor of The Diamond Industry remarked: "Due to army mechanization, industrial diamonds are a much greater factor in war than they were 25 years ago. This is particularly true in Germany where alloyed steel is used more than ever before" -- Diamond Industry, 1939, p. 15. and "No important war weapon is used today by our forces in the manufacture of which the diamond is not used and by which the manufacture is not speeded up." Diamond Industry, 1943, p. 20

It is because diamonds are largely used to cut, grind, bore, polish, and draw steel that this report has adopted the production of steel as a general index of diamond consumption.

use of diamonds. Thus in 1937, 1938 and 1939, when German stocks of diamonds were substantial, German consumption of diamonds was at a rate of approximately 65,000 carats per million tons of crude steel produced, or less than half the American wartime rate. (11) Thus though conservation is always possible, German industry which had been trained on a low diamond diet, could less easily curtail its diamond consumption than other countries. However, even if Germany could have restricted her consumption to as little as 20 per cent of her 1939 diamond use or about one-fifteenth as much as U.S. consumption (approximately 400,000 carats per year), German stocks would have been dissipated before 1942.

There is additional evidence to buttress the conclusion derived from the statistics of German wartime consumption of industrial diamonds that 860,000 carats would have been far too small to meet Nazi war production demands and that in fact much more than that was consumed. The consumption of a typical German industrial diamond tool manufacturer during the war is given in the B.I.O.S. Final Report. (12) The firm of Rudolph Heger, Freiburg in Bresigau, a producer of diamond tools since 1908, reported its consumption of industrial diamonds as follows:

(11)
WPB Files, op. cit.

(12)
B.I.O.S. Final Report #1448, p.34

		<u>% of Prewar</u>
Prewar consumption	500 carats per month	100%
Wartime up and through 1942	200 carats per month	40
1943	50 carats per month	10
1944	None until December	10

when 53 carats were allocated at a price of 4000 RM or almost 80 RM per carat.

Thus it appears that for almost three and one half years following the outbreak of the war, German consumption was approximately 40 per cent of the prewar rate or about 450,000 carats per year. On this basis, German consumption from September, 1939 through December 1942, would have required about 1,600,000 carats, about twice the legitimate stocks available in 1939. The overwhelming shortage after 1942 is evident in the figures. Rudolph Heger's consumption in 1943 and 1944 was only 10 per cent of the prewar consumption. On the basis of the total consumption figures shown in Chart I this would be equivalent to a consumption in the last two years of the war of approximately 190,000 carats per year. This figure is confirmed by

(13)

The shortage appears to have been extreme as early as 1940. The official German list of war material in short supply shows industrial diamonds with the comment that any quantity, no matter how small, should be mobilized. (Nazi Conspiracy and Aggression, Office of U.S. Chief of Counsel for Prosecution of Axis Criminality, U.S. Government Printing Office, Washington, D.C., 1946, Volume VII, page 325; hereinafter referred to as Nazi Conspiracy)

(14)

the testimony of Ernst Winter. According to an F.I.A.T. Report Winter's "estimation of volume used during the latter years of the war was 15000 carats per month" — (180,000 carats per year or about 400,000 carats to the end of the war). Thus the personal testimony of German manufacturers is consistent with and corroborates the clear picture derived from the prewar statistics of imports, consumption and stocks. It is therefore fundamental that German stocks derived from purchase abroad up to September 1939 could not have supported German consumption beyond 1941. Germany consumed approximately 2,000,000 to 2,250,000 carats of industrial diamonds during the war. German industry obtained at least 1,200,000 - 1,400,000 carats from sources other than prewar imports.

The evidence is crystal clear that at least the 1,200,000 - 1,400,000 carats were obtained directly and indirectly from looted individuals and companies, preponderantly of Jewish origin, as established in the following pages.

(14)

F.I.A.T. Report #370, p.32

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A. Imports From Neutrals

Before considering the question of German looting from the Jewish people all over Europe and from other victims, we must consider the possibility of German imports from countries beyond Allied control. The most important producing countries outside of Africa (which accounts for 98 per cent of the industrial diamond production of the world) are Brazil and Borneo.

Borneo production is trivial. From 1934-1939, Borneo produced an average of 1800 carats a year. In 1939, her output was 2287 carats. It is possible that the Japanese increased this output by mining normally uneconomic areas to perhaps 10,000 carats per year.⁽¹⁵⁾ In view of the shortage of diamonds in Japan, not all of this output (if any) could go to Germany.

Of somewhat greater consequence is Brazilian output. In 1939 and 1940, Italian airlines were transporting Brazilian diamonds to Germany.⁽¹⁶⁾ Brazilian output before the war had been approximately 200,000-250,000 carats per year. In 1939, her output was 350,000 carats, of which amount the U.S. imported 180,624 carats of industrial diamonds. In May 1941, the U.S. and Brazil signed an agreement providing that all industrial diamonds produced in Brazil were to be exported to the U.S.⁽¹⁷⁾ Thus it is clear that Brazil was eliminated

⁽¹⁵⁾

The Diamond Industry 1941, p. 21

⁽¹⁶⁾

Ibid, p. 22

⁽¹⁷⁾

Ibid.

as a source of industrial diamonds for Germany in the early stages of the war. In view of the heavy U.S. purchases prior to that agreement, it is hardly likely that in 1940, Germany obtained more than two-thirds of the remaining Brazilian supply — perhaps 50,000-100,000 carats.

The official statistics of the European neutrals; i.e., Switzerland, Sweden, Portugal and Turkey show virtually no exports of industrial diamonds from these countries to Germany during the war years. (17a)

In fact, however, it is known that smuggling, black market and bartering deals took place between Nazi agents and sources of supply in these countries, especially Switzerland, Sweden and Portugal. These transactions of course do not enter into the official statistics. The German agents in this trade were financed by funds looted from Jews. It is to this tragic story of the German robbery of the Jews of Europe that we now turn.

(17a)

For years 1939-1945, See

Portugal - Instituto Nacional de Estatistica Comercio Externo,
Volume II

Sweden - Sveriges Officialla Statistik Handel av Kommerskollegium

Turkey - Statistique Annuelle du Commerce Exterieur

Switzerland - Statistique Annuelle du Commerce Exterieur de la
Suisse (See Appendix II)

B. The Plunder of the European Jews

Though the slaying of the German official, Von Rath, was the pretext, one of the real reasons for the first great expropriation of the Jews was the ominous drop in diamond stocks in 1938 and the Nazi need to acquire foreign exchange for the purchase of industrial diamonds and other vital war materials such as tungsten, chromium, manganese, etc.

The Jewish population of Germany was fined 1,000,000,000 RM in November 1938. This enormous sum was extorted in cash and in precious metals, stones, art objects, etc. Special Government bureaus were set up for the purpose of receiving jewelry and art objects. By early March 1939, German Jews and Stateless Jews were required to turn their jewelry over to government pawnshops (the notorious
(18)
"Pfandleihe") which were to "pay" for them. The prediction expressed in many German publications "that the fraulein may soon find her diamond jewelry confiscated for national factory purposes" was
(19)
averted by the vast quantity of stones stolen from the Jews. By the end of 1939 too a stream of diamonds and other loot was coming in from Poland where the Nazis were methodically stripping the largest Jewish population in Europe of its valuables. A pathetic and monstrous inventory from the extermination camp of Lublin indicates the neurotic

(18) Diamond Industry 1939, p. 5

(19) Diamond Industry 1939, p.15

thoroughness of Nazi plunder. When fountain pens, eye glass frames, and broken watches were collected, how could diamonds be overlooked? In fact they were not overlooked as the attached list taken from the Official Proceedings at Nurnberg shows. (20)

As indicated this list was just the second shipment from the Polish extermination camps. The Provisional Balance Sheet of the Action "Reinhardt" (extermination of the Jews in the Lublin area) from April 1, 1942 to December 15, 1943, inclusive showed a value of 178,745,960.59 RM. As Globocnik, SS Gruppenfuehrer and Lt. General of Police in charge of the Action "Reinhardt", stated "Minimum values have been assured so that the total value is more likely twice as much." (21) Of the 178,745,960.59 RM, the jewelry total accounted for over one-fourth; in Globocnik's estimate approximately 43 million RM. Thus, we have items with diamonds as follows:

15,883	Rings, gold, with brilliants and diamonds	23,824,500.00RM
353	Bracelets with brilliants and diamonds	1,232,000.00
130	Single large brilliants	130,000.00
2,511.37	Carat Individual brilliants	251,137.00
13,458.62	Carat Individual diamonds	672,931.00

and other similar material. This inventory was only a portion of the Action "Reinhardt" and referred only to Lublin to which area Jews from all over Europe, as well as Poland, were brought. (22)

(20)

Nazi Conspiracy, Supplement A, 1947, Document 3948-PS, pages 677,678. See Appendix III.

(21)

Nazi Conspiracy, Supplement A, Document 4024-PS, p. 752

(22)

Ibid., Document 4024-PS, p. 761 et seq. See Appendix III

The total quantity of diamonds obtained in this pillage of European Jewry over a period of almost 7 years is unknown. The Lublin list referred to is undoubtedly only a small fraction of the total. On March 31, 1944, a German official, Kropp, felt obliged to write a memorandum "Subject: Utilization of Jewels and so forth (23) which were acquired by official agencies in favor of the Reich".

This memorandum points out that "the question of a uniform utilization of the precious objects is important not only because the Reichsbank should be given opportunity to sell unprocessed jewels, etc., from the Melmer (24) delivery the same way as it did before and not only because its equivalent belongs to the Reich but also due to the following reasons:.....Through sales to foreign countries a considerable amount of foreign currency must have been acquired. A large number of goods ready for export are still in possession of the Pawn Shop. Among others, diamonds of 35,000 carats and very small diamonds (roses) of a very high value." Mention is also made "about the utilization of jewels a.s.f. from the Reichsbank in Kattowitz" which had been acquired (25) as war booty, etc., etc.

(23)

Ibid., Document 3947-PS, pp. 675,676

(24)

Melmer was the SS Messenger who delivered the valuables from Auschwitz and Lublin to the Reichsbank. The deliveries from these camps were supposed to be secret and were referred to as the "Melmer Deliveries." Nazi Conspiracy, Supplement A, Document 3947, p. 675.

(25)

Ibid., pp. 675, 676

There are many affidavits indicating the existence of packing crates in the vaults of the Reichsbank in Frankfurt and Berlin, etc. For example, see Affidavits of Capt. S. Harris, JAGD, and Lloyd Louis (26) Garnell, concerning the Reichsbank vault in Frankfurt, Germany.

(26)

Ibid., Documents 3956-PS and 3976-PS, pp. 686 and 690-691, respectively.

(1) - Utilization of German Diamonds for Obtaining Foreign Exchange and Bartering for Industrial Diamonds

This great looting of the European Jewish community undoubtedly served to swell German industrial diamond stocks directly through the acquisition of industrials from Jewish diamond merchants; and indirectly through the sale of gem diamonds abroad to provide scarce foreign exchange for the purchase of industrial diamonds and other war goods and through the barter of gems for industrials in Switzerland and other neutral countries and to make available gem diamonds to be used for industrial purposes when all other sources were exhausted.

The sale of jewelry, gem diamonds and other valuable property abroad for the purposes of securing "hard currency"; i.e., American dollars or Swiss francs, was an established method of German finance throughout the war. There can be little question that a large portion of the industrial diamonds obtained abroad from 1939 through 1944 represented exchanges of seized gem diamonds for industrials either directly through barter or indirectly through sale for hard currencies and subsequent purchase. Though gem stones can be used for industrial purposes (and were so used by the Nazis in the later stages of the war) such use represented a waste of resources, for the much higher price of gem stones compared to industrials meant that for every carat of gem quality as much as 10 to 50 carats of industrials might be obtained.

Three separate ministries appear to have been involved in handling diamonds seized by the Nazis. The Reichstelle für Technische

Erzeugnisse, obtained all usable industrial stones which could be sent directly to the armament industry. "Diamant Kontor" was set up to handle Jewish jewelry under the 1,000,000,000 RM fine of November, 1938, and the Diamond Office, Antwerp for diamonds seized in Holland, Belgium and France after the fall of these countries. The following is an English translation of a memorandum dated May 7, 1942, on behalf of the Military Commander for Belgium and Northern France relating to the utilization of diamonds seized legally. A photostat of the German original is in Appendix III.

Brussels, May 7th 1942

The Military Governor for
Belgium and Northern France
Chief of Military Department
Group 21 1/2

The Chief
Devisenschutzkommando Belgien

rue de la Loi, 31

BRUSSELS

Utilization of diamonds seized legally on account of criminal proceedings, in favor of the Military Department.
Your letter dated 29/4/42 - Az O. 1720 - A.3.

You are requested to deal as follows with the utilization of the diamonds legally seized by Courts Martial, pursuant to Currency regulations or pursuant to a Regulation for seizure:

1. All raw diamonds are to be offered for purchase to Mr. URBANECK acting as commissioner of the "Reichstelle fur technische Erzeugnisse" Berlin, and in so far as they can be used as industrial diamonds, they are to be sold to the "Reichstelle." Raw diamonds that would not be purchased by the "Reichstelle" are to be sold to the Diamond Office, Antwerp.
2. After evaluation by two experts, cut diamonds are to be sold to the Diamond Office Antwerp (not the Diamond Control Office) which has agreed to purchase.

In both events the sale will be based upon the prices in force on May 10th 1940, as the diamonds handed over to the "Reichstelle" are immediately forwarded to the German armament industry, and as the diamonds sold to the Diamond Office are used for bartering against new raw materials, so that they will be as well indirectly used to serve the purposes of the German Armament Industry.

You are requested to convey all necessary information to the curator Frensel.

On behalf of the Military Commander
for Belgium and Northern France
The Chief of Military Department

By order
(signed) signature
KV Division Principal

The memorandum of Kropp previously referred to indicates the continuing concern of the German banking authorities over the utilization of diamonds and other valuables in order to obtain foreign exchange.

The expropriation of the German Jews in late 1938 and 1939 was followed in quick succession by the plunder of the Polish Jews at the end of 1939 and 1940, by the looting of the Jewish diamond merchants of Belgium and Holland of their considerable stocks of diamonds, both industrial and gem quality, and the systematic spoliation of the Jews of all Europe including the diamond merchants of Prague, Budapest and Bucharest, of all jewelry and precious metals through 1941 and 1942. The pathetic crates of diamond rings with empty settings from which the diamonds had been removed which were recovered by the U.S. Army and then turned over to the IRO by U.S. Military Authorities in accordance with the Joint Chiefs of Staff Directive on Non-monetary Gold is mute but eloquent evidence of a large source of diamonds for

the diamond tool industry of Germany. In 1942, reports which trickled to Allied sources indicated the desperate plight of German industry for diamonds. The price of boart on the Swiss black market had risen by then to \$30 a carat, almost 30 times the price in 1939. (27) "Germany, according to reports, is already using gem stones in industry, and the price of crushing boart on the Swiss black market indicates her dire (28) necessity."

The document referred to previously, listing the inventory of diamonds and diamond rings and the document of Kropp show that at least 50,000 carats of diamonds were taken from the Lublin and Auschwitz camps alone over a period of roughly a year and a half.

It would be no exaggeration to suppose that this represents only a small fraction, perhaps 5 per cent, of the total of such loot. (29) In France

(27) Diamond Industry 1942, p. 18

(28) Diamond Industry 1942, p. 18. See also Report of the Bureau of Research and Statistics of Adv. Com. to Council of National Defense on diamonds, December 1940 (WPB Files) which points to the use of gem diamonds, ordinarily reserved for jewelry, for industrial purposes.

(29) It appears that perhaps half a million people were murdered in these camps during the period so that we derive a gruesome ratio of roughly 100,000 carats recovered by the Nazis per 1,000,000 victims or perhaps 800,000 carats from the murder camps alone during the course of the war. This figure is probably very low for total plunder as the victims were pretty completely robbed before their last pillaging.

alone the Jewish community was fined 1,000,000,000 francs. This amount, as in Germany, was paid in considerable part through confiscation of property of which certainly a large amount must have been in the form of diamonds and diamond-bearing jewelry.

We have as yet been unable to go through all of the records collected at the Nurnberg Trials, but there can be little doubt that the plunder of some 10 million Jews of Europe, of whom 6-8 million were murdered and stripped of rings and other jewelry, must have yielded a considerable portion of the diamonds which went to the vital tools maintaining the Nazi war machine. To date, of this vast loot, the IRO has received as non-monetary gold from the U.S. Military Authorities only 7,000 carats of diamonds to the value of approximately 1,000,000 RM, less than one-fortieth of the value mentioned in the two extant
(30)
lists.

(30)

Total IRO proceeds in dollar value from these diamonds was \$225,000. The German wartime conversion rate was 4.2 RM per \$1.00.

(2) - The Story of Diamant Kontor

The enormous mass plunder which has been recounted required a large organization to handle the diamonds flowing in from all corners of Europe. Diamant Kontor was an association of German diamond cutters formed October 16, 1939, under the aegis of the German Government to recut and distribute the diamonds and jewelry confiscated by the Nazis under the Von Rath fine. The promoter and manager of this association was Ernst Cremer. The report on this organization as prepared by the Intelligence Branch of the Division of Investigation of Cartels and External Assets of OMGUS in conjunction with representatives of the British Control Commission for Germany is outlined below:

- (1) "The unavailability of diamonds resulting from war embargoes precipitated a depression in the industry of raw diamonds." (page 1)
- (2) "The German Government embarked upon a comprehensive program of utilizing diamonds in building up German foreign credits" (page 1) ... "Especially damaging to the industry were the blocking restrictions on raw diamonds imposed by the Belgians and the English together with Brazilian and American firms. The result of these conditions was that there were few diamonds held by the industry in 1939 and the prospects of getting them looked rather bleak." (page 2)
- (3) "The Jews were forced by German decree to turn in their jewelry to the Pfandleihe. The persecuted people were either told that they would be paid later or were given a paltry sum." (page 2)

(4) "All of the documentary evidence would seem to demonstrate that the association of cutters (i.e., Diamant Kontor) was formed solely for the purpose of cutting diamonds that the government had extorted from the Jews. In fact Cremer himself, at a meeting of the supervisory Board of Diamant Kontor on 20 June, 1940..... stated:

(5) " 'The sole activity of this corporation (D.K.) is as you know, the dealing in diamonds and precious stones from Jewish jewelry. The Reichs Ministry of Economics has issued by decree of 9 December, 1939, the directions for this.' " (page 4)

(6) "All during 1940, Diamant Kontor handled Jewish jewelry exclusively. Not only documentary evidence supports this statement, but Cremer admitted this without reservation during the course of his interrogation." (page 7)

(7) "The assets which should be available as a result of the operations of the German diamond industry since 1940 are far greater than the supply of diamonds in Germany and foreign credits in which it might have a beneficial interest. The assets should include nearly all the diamonds disposed of by the industry since 1940....." (page 8)

(8) "Title could not be passed to the purchaser since the German diamond industry never acquired title from the rightful owners in these countries; it only got possession in the most vicious manner." (page 8)

(9) "An analysis of the facts revealed by this investigation makes this principle clearly applicable. In 1939 the German diamond

industry was in dire straits, the supply of commercial diamonds was practically exhausted. But in 1940 the exploitation of the Jews yielded a considerable quantity followed by large sources extorted from the Low Countries and France." (page 8)

(10) "The diamonds possessed by the industry within Germany are rather sizeable. Two rather large sources have been located and effectively blocked. They are possessed by Neumetzger, owner of the firm Wunderlich in Hanau, and Ernst Cremer, manager of Diamant Kontor." (page 9)

"By his own admission, Neumetzger's stock is worth over 5 million Reichsmarks while Cremer's is valued at something over 150,000 Reichsmarks. Neumetzger's diamonds are in Hanau and have been appropriately secured by the Military Government there; while Cremer's stock is in the Dresdener Bank in Frankfurt and in the Bad Nauheimer Volkebank in Friedberg which have been blocked by the Military Government in Frankfurt and Friedberg respectively. The firm, Imgrund Machfolger of Hanau, which was managed by Erich Viehmann is reported to have large stocks of diamonds." (page 9)

The excerpts speak for themselves. No one will ever know the actual quantities of diamonds looted or who finally gained possession of them. But it is apparent that the whole German cutting industry could not have operated for a year and a half unless the diamonds taken from the

Jews of Europe ran into the hundreds of thousands of carats, and millions of dollars. It should be stressed that the diamonds now held by German firms are, as the report clearly states, far in excess of any amount they could possibly claim legally.

(3) - Diamonds Looted from France, Holland and Belgium

We are more fortunate in having some records of the quantity of diamonds looted in the Low Countries and France. These diamonds were "legally seized," for the most part from Jews of these countries who had to purchase their freedom by paying in diamonds. Unfortunately their freedom was only temporary as many were executed. We are in possession, however, of affidavits from some survivors. These are given in Appendix III.

The Diamond News of October, 1945 reported that the Allies were asked to restore 50,000 carats of diamonds valued at 15 to 20 million guilders taken to the Reich during the German occupation, from Dutch Jewish dealers. "Most of this loot comprises individual contributions with which some Jewish diamond merchants had to purchase their freedom at a price of 20,000 to 120,000 guilders per person."

Johann C. Urbanek of Joh. Urbanek & Co., probably the largest industrial diamond consumer in Germany and delegate of the Reich of the Reichstelle fur Technische Erzeugnisse, fortunately signed receipts for these "legally seized diamonds." The following document refers to one seizure from Mr. Lens, a Jewish diamond merchant, of some 2400 carats in February, 1942.

TRANSLATION

Temporarily at Antwerp
February 17, 1942

Joh. Carl Urbanek
Delegate of the Reich
Office for Technical Products, Berlin

To Field Command 520
Department IV, Antwerp

Subject: The Lens case

I have examined the 2,409.70 carats of diamonds seized from Mr. Lens and state that all of the diamonds are suitable for industrial purposes.

As there is a shortage, such diamonds are especially sought after in Germany for armament purposes, because of their shape and size.

Heil Hitler!

(signed) J. C. Urbanek

I should like to add to the above letter of Mr. Urbanek that this type of uncut stone can not be purchased today either on the official or the black market. They are therefore unusually important for the armament industry, so that the return of these stones or of a part of them would mean for us a loss of valuable raw material. Eventual return of a part of the cut stones might perhaps be considered.

Heil Hitler!

(signed) William Frensel

It appears that Mr. Urbanek had delivered to the Reichstelle fur Erzeugnisse upwards of 800,000 carats of industrial diamonds, the

origin of which is probably from France, Holland, Belgium, and the ownership of which lies mostly with Jewish diamond merchants of these countries, many of whom are now dead as are many diamond merchants in the rest of Europe who had delivered diamonds to Belgium and Holland for cutting and polishing purposes. (31)

The affidavits set forth in Appendix 111 exemplify the manner in which the Nazis seized valuable personal property of the same type as the diamonds in question from their victims. (32)

(31) Letters of J. C. Urbanek, William Frensel, etc.

(32) Additional affidavits of survivors including victims resident abroad will be submitted as they are received.

PART 111

INDUSTRIAL DIAMONDS ARE WITHIN THE TERMS OF THE
NON-MONETARY GOLD DIRECTIVE

One of the procedural questions involved appears to be whether the industrial diamonds in question can be properly subsumed under the category "valuable personal property which represents loot seized or obtained under duress from political, racial or religious victims of Nazi Government. . . . (See Non-Monetary Gold Directive, Appendix I)

The evidence presented in this study shows: (1) that the diamonds in question must have been looted; (2) that those diamonds which were not directly looted were indirectly obtained by barter transactions of looted gem diamonds for industrials and through purchases abroad with foreign exchange obtained from the sale of looted gem diamonds; (3) industrial diamonds, to war and inflation conscious Europeans, especially Jews whose lives depended upon great mobility were, like gem diamonds, personal property. Industrial diamonds as other gems were purchased as a hedge against inflation and as a mobile source of concentrated wealth which could be used in an emergency. (33) (4) These diamonds were industrial only in a classificatory sense as regards the victims from whom they

(33)

This was the practice not only of Jews but also it appears of Nazi officialdom. In 1944, there were reports of shipments of industrial diamonds to the German Embassy in Spain for the account of high German officials, against the dark days of Nazi defeat, Diamond Industry, 1944

were seized. They became industrial only when they were employed in tools and equipment. As industrials were used for their exchange value so many gem diamonds were used for industrial purposes, although they originated as valuable personal property. No distinction can legitimately be drawn between so-called industrial diamonds and so-called gem diamonds when in the possession of the merchants or individuals who held them.

Article 8, Part I of the Final Act of the Paris Conference on Reparation, and the Five-Power Agreement of 14 June 1946 which directed that all non-monetary gold found by the Allied armies in Germany be made available for rehabilitation and resettlement of Nazi victims was not intended to exclude from non-monetary gold, property such as the so-called "industrial diamonds" in question which were seized from victims, from their person, from their business stocks, or from the hiding places within their own homes. The object of the non-monetary gold provisions of the above mentioned agreements was to make available for the assistance of surviving victims that property of a valuable nature seized from victims. The Joint Chiefs of Staff Non-Monetary Gold Directive, issued pursuant to Article 8, Part I of the Final Act of the Paris Conference on Reparation and Five-Power Agreement was intended to carry out the object of these Agreements. Certainly, if a distinction is to be drawn between "valuable personal property" and "economic loot", hand tools, watch-making tools, work-shop tools, glass cutters, etc. which were turned over to the IRO as non-monetary gold pursuant to the JCS Directive by appropriate military authorities, would more readily be viewed as economic loot than would industrial diamonds which represented in large measure concentrated

personal wealth. Aside from any other factors, in accordance with this interpretation it would appear that industrial diamonds should fall under the non-monetary gold category.

Is it to be held that because the diamonds in question, though they were valuable personal property of their legal owners from whom they were seized, are not to be used for the assistance of the surviving victims, merely because the end uses to which these diamonds would have been put by the Nazis were industrial? Do these diamonds therefore lose their attributes of valuable personal property?

Diamonds by their very nature no matter to what use they may ultimately be put, ornamental or industrial, cannot lose their characteristic of being valuable personal property. They differ fundamentally from such articles as machine tools, factories, trucks and so forth which are clearly "economic" in nature and the disposition of which are subject to other reparation agreements.

Are diamonds because they can be used industrially less valuable personal property than the pieces of silver and platinum which have a wide variety of industrial applications in the electrical and chemical industries, and which nevertheless have been included in the property heretofore transferred to the IRO?

To make available to Germany the 198,000 carats, either by gift or sale, is to ignore the clear legal obligations to the surviving victims, and to contradict the policy of the U.S. Government which has always taken the lead in the program for assistance to non-repatriable victims.

- 34 -

In view of the foregoing, the IRO respectfully submits that the approximately 200,000 carats of industrial diamonds should properly be turned over to the IRO as non-monetary gold within the terms of the JCS Directive to be used for the rehabilitation and resettlement of non-repatriable victims of German action.

305234

APPENDIX I

305235

PART I, Article 8

ALLOCATION OF A REPARATION SHARE TO NON-REPATRIABLE

VICTIMS OF GERMAN ACTION

In recognition of the fact that large numbers of persons have suffered heavily at the hands of the Nazis and now stand in dire need of aid to promote their rehabilitation but will be unable to claim the assistance of any Government receiving reparation from Germany, the Governments of the United States of America, France, the United Kingdom, Czechoslovakia and Yugoslavia, in consultation with the Intergovernmental Committee on Refugees shall, as soon as possible, work out in common agreement a plan of the following general lines:

- A. A share of reparation consisting of all the non-monetary gold found by the Allied Armed Forces in Germany and in addition a sum not exceeding 25 million dollars shall be allocated for the rehabilitation and resettlement of non-repatriable victims of German action.
- B. The sum of 25 million dollars shall be met from a portion of the proceeds of German assets in neutral countries which are available for reparation.
- C. Governments of neutral countries shall be requested to make available for this purpose (in addition to the sum of 25 million dollars) assets in such countries of victims of Nazi action who have since died and left no heirs.
- D. The persons eligible for aid under the plan in question shall be restricted to true victims of Nazi persecution and to their immediate families and dependents, in the following classes:
 - (i) Refugees from Nazi Germany or Austria who require aid and cannot be returned to their countries within a reasonable time because of prevailing conditions;
 - (ii) German and Austrian nationals now resident in Germany or Austria in exceptional cases in which it is reasonable on grounds of humanity to assist such persons to emigrate and providing they emigrate to other countries within a reasonable period;

(iii) Nationals of countries formerly occupied by the Germans who cannot be repatriated or are not in a position to be repatriated within a reasonable time. In order to concentrate aid on the most needy and deserving refugees and to exclude persons whose loyalty to the United Nations is or was doubtful, aid shall be restricted to nationals or former nationals of previously occupied countries who were victims of Nazi concentration camps or of concentration camps established by regimes under Nazi influence but not including persons who have been confined only in prisoner of war camps.

E. The sums made available under paragraphs A and B above shall be administered by the Intergovernmental Committee on Refugees or by a United Nations Agency to which appropriate functions of the Intergovernmental Committee may in the future be transferred. The sums made available under paragraph C above shall be administered for the general purposes referred to in this article under a program of administration to be formulated by the five Governments named above.

F. The non-monetary gold found in Germany shall be placed at the disposal of the Intergovernmental Committee on Refugees as soon as a plan has been worked out as provided above.

G. The Intergovernmental Committee on Refugees shall have power to carry out the purposes of the fund through appropriate public and private field organisations.

H. The fund shall be used, not for the compensation of individual victims, but to further the rehabilitation or resettlement of persons in the eligible classes.

I. Nothing in this Article shall be considered to prejudice the claims which individual refugees may have against a future German Government, except to the amount of the benefits that such refugees may have received from the sources referred to in paragraphs A and C above.

FIVE POWER AGREEMENT OF 14 JUNE 1946

In accordance with the provisions of Article 8 of the Final Act of the Paris Conference on Reparation, the Governments of the United States of America, France, the United Kingdom, Czechoslovakia and Yugoslavia, in consultation with the Intergovernmental Committee on Refugees, have worked out, in common agreement, the following plan to aid in the rehabilitation and resettlement of non-repatriable victims of German action. In working out this plan the signatory Powers have been guided by the intent of Article 8, and the procedures outlined below are based on its terms:

In recognition of special and urgent circumstances, the sum of \$25,000,000 having been made available by Allied Governments as a priority on the proceeds of the liquidation of German assets in neutral countries, is hereby placed at the disposal of the Intergovernmental Committee on Refugees or its successor organisation for distribution to appropriate public and private field organisations as soon as they have submitted practicable programmes in accordance with this Agreement.

A. It is the unanimous and considered opinion of the Five Powers that in the light of Paragraph H. of Article 8 of the Paris Agreement on Reparation, the assets becoming available should be used not for the compensation of individual victims but for the rehabilitation and resettlement of persons in eligible classes, and that expenditures on rehabilitation shall be considered as essential preparatory outlays to resettlement. Since all available statistics indicate beyond any reasonable doubt that the overwhelming majority of eligible persons under the provisions of Article 8 are Jewish, all assets except as specified in Paragraph B below are allocated for the rehabilitation and resettlement of eligible Jewish victims of Nazi action, among whom children should receive preferential assistance. Eligible Jewish victims of Nazi action are either refugees from Germany or Austria who do not desire to return to these countries, or German and Austrian Jews now resident in Germany or Austria who desire to emigrate, or Jews who were nationals or former nationals of previously occupied countries and who were victims of Nazi concentration camps or concentration camps established by regimes under Nazi influence.

B. The sum of \$2,500,000 amounting to ten per cent., arising out of the \$25,000,000 priority on the proceeds of German assets in neutral countries, ten per cent., of the proceeds of the "non-monetary gold" and five per cent. of the "heirless funds" shall be administered by the Intergovernmental Committee on Refugees or its successor organisation through appropriate public and private organisations for the rehabilitation and resettlement of the relatively small numbers of non-Jewish victims of Nazi action who are in need of resettlement. Eligible non-Jewish victims of Nazi action are refugees from Germany and Austria who can demonstrate that they were persecuted by the Nazis for religious, political, or racial reasons who do not desire to return, or German and Austrian nationals, similarly persecuted, who desire to emigrate.

C. The Director of the Intergovernmental Committee on Refugees or the Director General of the successor organisation shall under the mandate of this Agreement make funds available for programmes submitted by the appropriate field organisations referred to in Paragraphs A and B above as soon as he has satisfied himself that the programmes are consistent with the foregoing. Only in exceptional circumstances may the cost of resettlement programmes exceed a maximum of \$1,000 per adult and \$2,500 per child under twelve years of age. The action of the Intergovernmental Committee on Refugees or its successor organisation shall be guided by the intent of Article 8 and by this Agreement which is to place into operation as quickly as possible practicable programmes of rehabilitation and resettlement submitted by the appropriate field organisations.

D. In addition to the \$25,000,000 sum the Intergovernmental Committee on Refugees or its successor organisation is hereby authorised to take title from the appropriate authorities to all "non-monetary gold" found by the Allies in Germany and to take such steps as may be needed to liquidate these assets as promptly as possible, due consideration being given to secure the highest possible realisable value. As these assets are liquidated, the funds shall be distributed in accordance with Paragraphs A and B above.

E. Furthermore, pursuant to Paragraphs C and E of Article 8, in the interest of justice the French Government on behalf of the Five Governments concluding this Agreement are making representations to the neutral Powers to make available all assets of victims of Nazi action who died without heirs. The Governments of the United States of America, the United Kingdom, Czechoslovakia, and Yugoslavia are associating themselves with the French Government in making such representations to the neutral Powers. The conclusion that ninety-five per cent of the "heirless funds" thus made available should be allocated for the rehabilitation and resettlement of Jewish victims takes cognisance of the fact that these funds are overwhelmingly Jewish in origin, and the five per cent made available for non-Jewish victims is based upon a liberal presumption of "heirless funds" non-Jewish in origin. The "heirless funds" to be used for the rehabilitation and resettlement of Jewish victims of Nazi action should be made available to appropriate field organisations. The "heirless funds" to be used for the rehabilitation and resettlement of non-Jewish victims of Nazi action should be made available to the Intergovernmental Committee on Refugees or its successor organisation for distribution to appropriate public and private field organisations. In making these joint representations, the signatories are requesting the neutral countries to take all necessary action to facilitate the identification, collection, and distribution of these assets which have arisen out of a unique condition in international law and morality.

If further representations are indicated the Governments of the United States of America, France and the United Kingdom will pursue the matter on behalf of the Signatory Powers.

F. To ensure that all funds made available shall inure to the greatest possible benefit of the victims whom it is desired to assist, all funds shall be retained in the currency from which they arise and shall be transferred therefrom only upon the instructions of the organisation to which the Intergovernmental Committee on Refugees or its successor organisation has allocated the funds for expenditure.

G. The Director of the Intergovernmental Committee on Refugees shall carry out his responsibilities to the Five Governments in respect of this Agreement in accordance with the terms of the Letter of Instruction which is being transmitted to him by the French Government on behalf of the Governments concluding this Agreement.

IN WITNESS WHEREOF the undersigned have signed the present Agreement.

DONE in Paris, on the 14th of June, 1946 in the English and French languages, the two texts being equally authentic, in a single original, which shall be deposited in the Archives of the Government of the French Republic, certified copies being furnished by that Government to the signatories of this present Agreement.

Eli GINZBERG,
Delegate of the United States
of America.

Joseph Vladimir KLVANA,
Delegate of Czechoslovakia.

Georges BIDAULT,
Delegate of France.

Milan BARTOS,
Delegate of Yugoslavia.

Douglas MACKILLOP,
Delegate of the United Kingdom of
G.B. and Northern Ireland.

IRO/LEG/Rep/2a

COPY OF DIRECTIVE ISSUED TO CG.USFET AND CG.USFA ON DEFINITION OF
NON-MONETARY GOLD PURSUANT TO ARTICLE 8 OF THE PARIS REPARATIONS AGREEMENT

-----oOo-----

1. You will make available on demand to duly accredited representatives of IGCR all valuable personal property which represents loot seized or obtained under duress from political, racial or religious victims of Nazi Govt. or its satellite Govts., or nationals thereof which was or may hereafter be found, seized or confiscated by USFET or by local authorities acting under direction or control of US Forces, subject to following conditions:
 - A. That property cannot be restituted to Govt. pursuant to WARX 85965 November 1945 (SWNCC 204/2) and WARX 99226 March 1946 (SWNCC204/5), as amended and modified by Control Council action, because determination of individual ownership is impractical.
 - B. That property cannot be restituted to lawful owners under laws in force in place where presently found either because lawful owner has died or ceased to exist without legal successor or because determination of individual ownership is impractical.
 - C. That ownership interests in real property located in Germany and German currency or instruments of exchange payable in German currency will be excepted.
 - D. That Jewish books, manuscripts and literature of cultural or religious importance will be excepted and disposed of pursuant to separate directive.
 - E. That detailed inventory and tentative agreed valuation will be made of property subject to transfer to IGCR hereunder, and transfer will be made upon signing of joint inventory which shall be made part of receipt.
2. You will permit property transferred hereunder to be removed from Germany and Austria or to be sold therein if payment can be made outside Germany or Austria in acceptable foreign currency, notwithstanding any laws for control of foreign exchange, to end that maximum value be obtained therefrom by IGCR.
3. You will seek to obtain Control Council Agreement to disposition pursuant to terms of this directive of any property disposition of which is reserved to Control Council. Even prior to such agreement you will nevertheless execute directive and you may advise other representatives of control that you are doing so pursuant to obligation assumed by your Govt. in subscribing to Paris Agreement on reparations.

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4. Expression "Valuable personal property" as used in para 1 of this directive shall be interpreted to exclude ordinary items of furniture, clothing and other personal property of small intrinsic value and to include any such items of uncommon value. In determination of impracticability of identification pursuant to para 1 subpara A and B of this directive, regard shall be had to extent of commingling with other property and difficulty and expense of determination of ownership in comparison with value of property. All property, as defined herein, will be considered as falling within the directive and will be made available to IGCR unless available evidence clearly is to contrary. You will establish such adm machinery as may be necessary to execute this directive promptly and effectively.

(Received in IGCR Washington office 20 November 1946
From J. H. Hilldring, Assistant Secretary of State)

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Berlin, April 30, 1949
OMGUS Public Information Office

U. S. Military Government officials commenting on the allegations made by the Federation of Belgian Diamond Exchanges that military government had refused to restitute enormous quantities of polished and industrial diamonds to Belgium pointed out today that the statement by the Federation that the Belgian authorities had established beyond doubt its right to practically the whole of these properties is a misrepresentation of the facts. The Belgians failed to establish identification which is required for the restitution of such properties, according to Mr. Orren R. McJunkins, Chief of the Reparations and Restitution Branch, Property Division, OMGUS.

"In an attempt to obtain these properties the Belgian representatives insisted that military government permit Belgian designated experts to inspect these properties, but this request was denied for obvious reasons. Military Government engaged an independent group of experts to determine whether or not the diamonds could be identified and its findings were that identification was impossible. As a result of this determination no further consideration could be given to the Belgian claim for the diamonds. Had the Belgians been able to identify these diamonds it would still have been necessary for them to establish the fact that these diamonds were physically in Belgium at the beginning of the German occupation of that country."

As to the 50 thousand carats of polished diamonds alleged by the Belgians to have been seized by the Germans, Military Government officials state that they have no knowledge of the whereabouts of these properties and so far have not been provided with any information which might lead to their recovery. Military Government has worked out a plan for disposal of the industrial diamonds by sale for use in the German economy in small lots to prevent flooding the market and at such prices as are established for current imports. Sale of these properties has already started.

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APPENDIX II

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APPENDIX II

Table I

GERMAN CONSUMPTION, IMPORTS AND STOCKS OF INDUSTRIAL DIAMONDS

(Thousands of Carats)

<u>Year</u>	<u>Diamond Imports</u>	<u>Diamond Consumption</u>	<u>Annual Additions To Stock</u>	<u>Cumulated Additions To Stock</u>
1930	774.0	351.7	/ 422.3	422.3
1931	266.5	256.6	/ 9.9	432.2
1932	506.5	190.1	/ 316.4	748.6
1933	320.4	242.4	/ 78.0	826.6
1934	519.0	363.6	/ 155.4	982.0
1935	941.9	420.6	/ 521.3	1503.3
1936	1576.7	932.2	/ 644.4	2147.7
1937	1790.6	1479.3	/ 311.3	2459.0
1938	366.4	1729.3	- 1362.9	1096.1
1939	1764.2	1999.5	- 235.3	860.8

NOTES

Industrial Diamond Imports for the years 1930-1934 are taken from the official German Source: Sondernack - Der Aussenhandel Deutschlands

The statistics in the years from 1935 throughout the war period appear to be distorted either deliberately or through inclusion of other categories for the reported figures are in the magnitude of tens of thousands of kilograms - a fantastic total exceeding the total of all the diamonds ever produced in the last 50 years. Data from 1935 through 1939 were obtained by splicing the actual 1934 figure to the index of the sales of industrial diamonds by The Diamond Trading Corporation of London, the company which accounts for 98% of the sales of all diamonds. Since the United States of America and Germany were by far the largest users of industrial diamonds, accounting for over 2/3 of the purchase of these diamonds, the sales of Diamond Trading Corp. must therefore be a good index of the purchases of Germany as reflected in German Imports.

Diamond Consumption - The series on German diamond consumption was derived on the basis of use of industrial diamonds per ton of steel produced. As has been indicated the major uses of industrial diamonds are in grinding, cutting, boring, and drawing (through a die) very hard steel equipment. This figure is 23762 carats consumed per million tons of steel produced and fabricated. This figure represents less than 1/6 of average American wartime consumption. It was used from 1930 through 1935. In 1936 the sharp increase in German

APPENDIX II (Continued)

military production and the consequent increase in the proportion of hard alloy steels to total steels led to an increase in the use factor, which was gradually stepped up to a rate of 67550 carats per million tons of steel -- the rates used for 1937, 1938 and 1939. This use factor is only 1/2 of the American wartime average rate. On the basis of comparative use, it is believed that the consumption figures are conservative. Thus the U.S.S.R. and the United Kingdom combined required 3,000,000 carats in 1942, a year in which their war production was far short of German war production in 1939.

Stocks - This figure is the difference between imports and consumption.

APPENDIX III

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nounced, they asked for a little longer for a further exchange of views. After a few days I received an intimation that I could bring about the application without hesitation, upon which I handed over the letter which I had previously withheld. The amount requested has been handed to me today and I have duly entered this sum in my special cashbook as a Credit.

I am, Your Excellency, always

Yours faithfully,

[initialled] K.

TRANSLATION OF DOCUMENT 3947-PS

Berlin, 31 March 1944.

Subject: Utilization of jewels and so forth, which were acquired by official agencies in favor of the Reich.

According to the oral confidential agreement between vice president Mr. Puhl and the chief of one of Berlin's public offices, the Reichsbank took over the selling of local and foreign currencies, gold and silver coins, precious metals, securities, jewels, watches, diamonds, and other precious objects. All incoming objects will be processed under the code name "MELMER".

The large number of precious objects acquired hereby have been turned over to the Municipal Pawn Shop, Div. III Main Office Berlin N 4, Elsaesser Str. 74, for the best possible utilization after checking the number of pieces and their weight, provided they have not been smelted. As it is evident from the enclosed copy of a letter from the Pawn Shop, dated 29.3.44., it refuses further acceptance of such items and declines to process items already in their possession, whose processing has not yet been completed.

We have been informed that the City Treasurer, to whom the Zentralstelle as a municipal office is subordinated, wants to use its personnel in the office for war damages.

The question of a uniform utilization of the precious objects is important not only because the Reichsbank should be given the opportunity to sell unprocessed jewels, etc., from the Melmer delivery the same way as it did before, and not only because its equivalent belongs to the Reich, but also due to the following reasons:

So far the Pawn Shop made the purchases according to the world-wide gross prices minus 10% for purchasing charges. In case the price obtained in the final disposition was a higher one, this surplus went to the benefit of the Reich. Through sales to

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foreign countries, a considerable amount of foreign currency must have been acquired. A large number of goods ready for export are still in possession of the Pawn Shop. Among others, diamonds of 35,000 carats and very small diamonds (roses) of a very high value.

The Reichsmarshal of the Greater German Reich, the deputy for the Four Year Plan, informed the German Reichsbank, in a letter of 19.3.44., a copy of which is enclosed, that considerable amounts of gold and silver objects, jewels, and so forth, at the Main Office of the Board of Trustees East should be delivered to the Reichsbank according to the order issued by Minister of the Reich, Funk and Graf Schwerin Krosigk. The utilization of these objects should be accomplished in the same way as the Melmer deliveries. The Reichsmarshal informed us also about the utilization of objects of the same kind, which have been acquired in the occupied Western territories. We do not know to which office these objects have been delivered and how they are utilized.

We received a further inquiry about the utilization of jewels a.s.f. from the Reichsbank in Kattowitz (compare with enclosed copy).

Besides the above-mentioned cases, where the Reichsbank is, or will be, indirectly participating in selling of jewels, there is yet to clear the question of utilization of jewels a.s.f. which have been acquired as war booty. As far as we know, the entire war booty consisting of jewels a.s.f. is in the safes of the Reichshauptkasse. Probably there are objects and items still fit for export which after smelting can give us gold and silver. The official in charge of it is Ministerialrat Dr. Maede, as attorney—in fact—from the Reich Ministry of Finance in Sigmeringen.

In our opinion it is absolutely essential that a uniformed utilization be established of goods acquired by official agencies. The simplest solution would be to separate the pawn institution, which has the necessary skilled personnel and the connections necessary for sale abroad from the Municipal authorities for this war job. Should this be impossible, another appropriate agency should be appointed for this work.

Considering the large amount of incoming foreign currency as a result of the sale of these objects in foreign countries and the considerable acquisition of gold and silver not fit for export from smelting, the immediate uniform settlement of this problem seems to be very advisable.

Hauptkasse
[signed] KROPP

ISIDORE LIPSCHUTZ
630 FIFTH AVENUE
NEW YORK, N. Y.

State of New York) SS.
County of New York)

Isidore Lipschutz, of full age, being duly sworn according to law upon his oath deposes and says:

My name is Isidore Lipschutz. I am a citizen of the United States of America. I am a diamond dealer, and a member of the firm Lipschutz & Gutwirth, 630 Fifth Avenue, New York, New York. I have been in the diamond business for 40 years in Antwerp, Belgium, and New York City.

Since 1927, until the outbreak of the war, I was President of the Belgian Diamond Industry Syndicate (employers' organization of about 1500 members).

I was also President of the International Commission of the Diamond Industry, and President of the International Federation of the Diamond Organizations. In that capacity I had dealings with the representatives of the diamond industry of all foreign countries, and I acquired complete knowledge of the various aspects, situations and developments in the diamond industry everywhere.

To the best of my knowledge, industrial diamonds invariably constitute a substantial portion of the stocks of hundreds of dealers in rough diamonds. Dealers in rough and industrial diamonds in European countries, prior to and until the German invasion of those countries, were, with hardly any exceptions, of the Jewish faith. They operated from small offices, from their homes, or in the four Diamond Clubs of which they were members. They carried their diamonds in small wallets, and presented them for inspection to the prospective buyers, local and foreign, who visited the diamond clubs. It is therefore my belief that a large part of the industrial and other diamonds confiscated by the Nazis from persecutees were taken primarily from small Jewish dealers who carried them with their other personal belongings as they attempted to flee from the invaders.

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Concerning the diamond industry in Germany, there were no actual manufacturers in Germany. The German owners of diamond factories were contractors who did not buy the raw diamonds themselves, but worked exclusively on a contract basis for manufacturers residing principally in Belgium, Holland and France.

The prevailing practice among those in the diamond trade of continental Europe who consigned rough stones to a cutter in Germany on a contract basis was to supply the cutter with the boart required to cut the stones in question.

Stocks of boart held by German diamond cutters and polishers were therefore not owned by the Germans, but by the owners of the gem stones being cut and polished by the Germans.

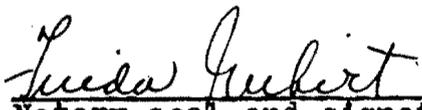
Consequently, any stocks of boart in the hands of German diamond contractors, polishers etc.. at the close of World War II are not the lawful property of the Germans.

It is also my belief that the bulk of the industrial diamonds in the invaded countries of Western Europe were held by individual diamond dealers, and that the majority of the confiscations were made from Jewish individuals, and not from factories or other industrial establishments.

Sworn to and subscribed
before me this 30
day of June 1949



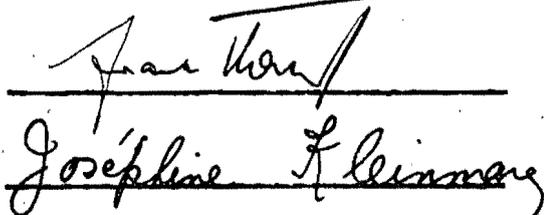
ISIDORE LIPSCHUTZ



Notary seal and signature

FRIEDA GULEFETT
NOTARY PUBLIC, State of New York
N. Y. Code, Sec. 214, Reg. No. 142-C-0
Expiry date: October 31, 1951

Witnesses:



Charles Reinhold, of full age, being duly sworn according to law upon his oath deposes and says:

My name is Charles Reinhold.

I reside in New York City.

I am a member of the Jewish faith.

I was formerly a resident of Antwerp, Belgium, with my family, which consisted of my father, mother, brother and sister.

My father, Abe Reinhold, was not able to flee Belgium with the remainder of my family at the time of the German invasion. He remained in Belgium for some time after the invasion but was eventually deported and has not been heard from since that time. My father's personal property included a sizable quantity of diamonds, both industrial and gem types. All of this property was confiscated by the Germans. None of these diamonds has been traced since that time and no restitution has been made to myself or members of my family.

State of N. Y.
County of N. Y.

Charles Reinhold

Sworn and subscribed

before me this 27 day of

June 1949.

Lester Quinlan
LESTER QUINLAN
NOTARY PUBLIC, STATE OF NEW YORK
Qualified in Queens County
No. 1-3183760
Notary Public with N.Y. Gov. Clerk & Reg.
Queens Co. Reg.
Commission expires March 30, 1953

Witnesses:

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Charles Reinhold, of full age, being duly sworn according to law upon his oath deposes and says:

My name is Charles Reinhold and I reside at 245 West 75th Street, New York City. I am a citizen of the United States of America.

I am a member of the Jewish faith. I was a resident of Antwerp, Belgium, prior to and at the time of the German invasion of that country during World War II. I fled Belgium in order to avoid being thrown into a concentration camp and to avoid confiscation of my property by the Nazis. In the course of my flight through occupied France, all of my personal property, including industrial and gem diamonds, was inspected by the German invaders. Only a part of this property was returned to me after inspection. The property returned to me by the Germans did not include the diamonds and many other articles of value which had been part of my possessions, nor has any restitution of such property been made since that time.

Charles Reinhold

Sworn to and subscribed

before me this 25 day of

June 1949.

Henry Stern
Notary public in and for New Jersey
Witnesses: Ernest Stern Raymond Stern 6/24/1949



APPROVED/NARA

APR 11 1991